

**IS OUR HERITAGE**

---

**But the Future is Our Legacy**

**ANNUAL REPORT 2019**



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# 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*



Dear Mr. Chairman,

Assalam-O-Alaikum Warahmatullah Wabarakatuh.

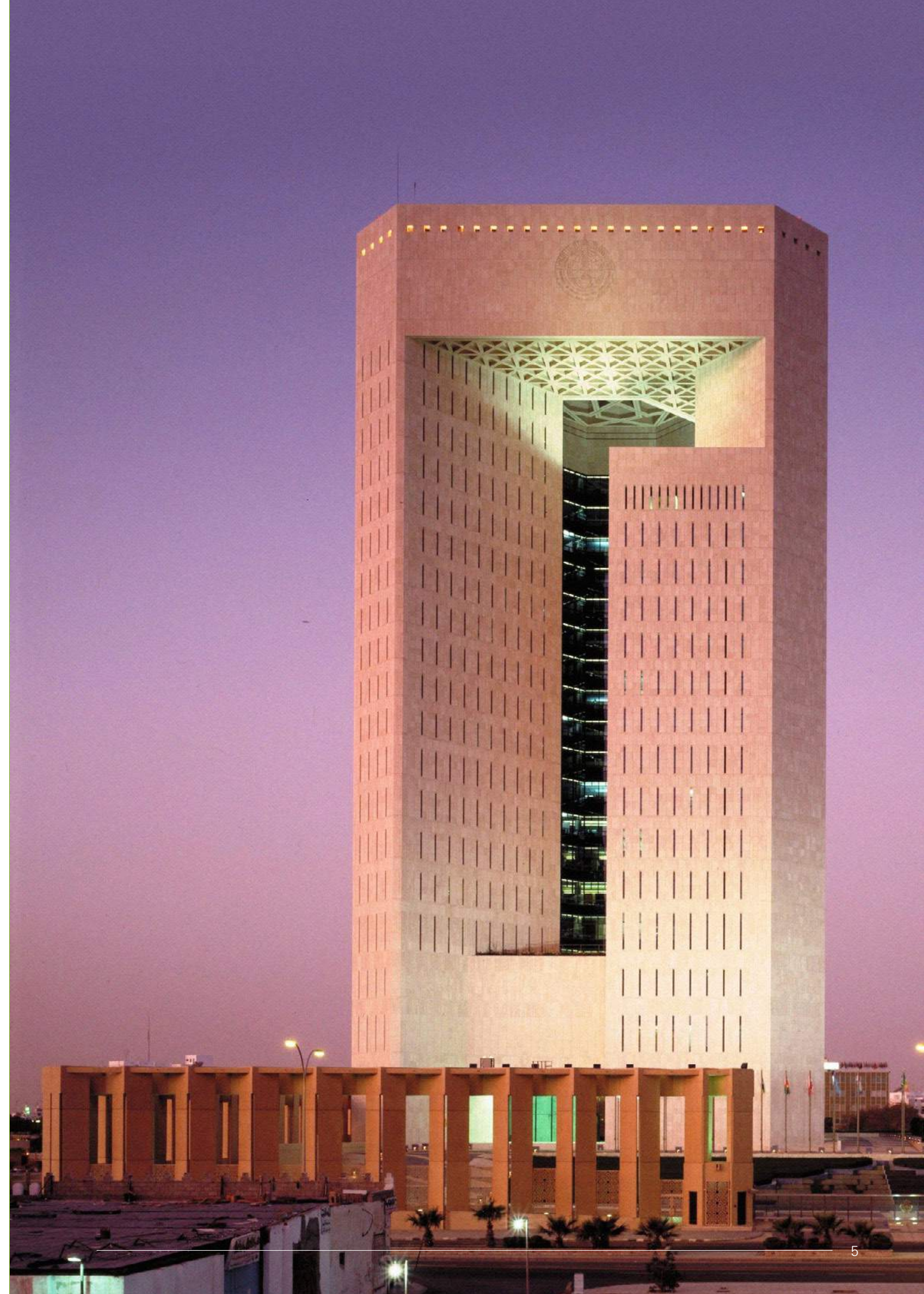
In accordance with the Articles of Agreement and the by-laws of the Islamic Corporation for the Development of the Private Sector (ICD) and on behalf of the ICD Board of Directors, I am pleased to submit to the esteemed General Assembly the Twentieth Annual Report of the ICD for the fiscal year 2019.

This report contains an overview of the ICD's 2019 operations, including its business interventions, development impact and financial analysis. The ICD will, Insha Allah, pursue all efforts to meet the aspirations of its shareholders.

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

A stylized signature in blue ink.

**Dr. Bandar M. H. Hajjar**  
Chairman, Board of Directors,  
Islamic Corporation for the  
Development of the Private Sector





# A Message From the Chief Executive

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

*I am pleased to present the ICD  
2019 Annual Report, which  
coincides with our 20th Anniversary.*



2019 was a meaningful year. It cemented a significant milestone: two decades since we made our inaugural commitment to developing and transforming the private sector of our member countries. Since being founded in 1999, ICD, as a private sector development financial institution, has pledged to support inclusive growth, to reduce poverty, and improve people's lives by offering Shari'ah compliant funding and advisory solutions.

Building on our illustrious legacy, I believe ICD has the opportunity to reach more people and organizations across the globe in the coming years, and will continue to deliver real change. We have made significant strides in our member countries during our 20 years of operation, and I foresee this as only the beginning. As the private sector shapes the global development agenda across a wide range of sectors, this trend is set to gain traction. ICD will be there to lend support in the best way it can.

2019 also marked a transitional phase for ICD, where we continued to focus on stabilization and financial restructuring. We positioned 2019 as a year to mitigate identified challenges that have constrained our performance in recent times. As a result of this demanding backdrop, ICD approved USD 147.5 million in investments and disbursed USD 220.0 million to achieve a disbursement-to-approval ratio of 149% in 2019. While this amount may be significantly lower than previous years, I believe our corporate climate will be changing for the better. 2019 saw us focus on our organizational change efforts, **as we lay the foundation that will transform ICD and the way we do business.**

Under the Islamic Finance Institutions (IFI) Program, we signed advisory agreements to provide technical assistance to two private banks and four state-owned banks in Uzbekistan. The BRAVE program also continued to gain ground, enhancing the resilience of Yemen's private sector. To date, a total of 620 firms have been provided with business continuity training,

348 firms have benefited from a matching-grants scheme, and 15,000 jobs have been sustained with an additional 1,541 new jobs created under the BRAVE Program. I am also proud to report that in a bid to increase outreach, and the inclusion of women-owned and led micro, small and medium-sized enterprises (MSMEs), the BRAVE Women Program was introduced last year in two out of three targeted countries, with commendable results to date.

We are determined to do our best in the countries we serve. Indeed, an exercise in reflection signifies an opportunity to assign meaning to the successes and the setbacks of the past year. It enables us to build corporate resilience and manage change as we forge ahead. Our Board of Directors and Executive Management team evaluate our strategy on a regular basis, refining our goals and priorities and ensuring we are operating for the long-term benefit of our member countries.

We must not be content to rely on methods that worked in the past. Since the beginning of 2019, we have agreed upon and established clear strategic objectives for the next ten years – almost all of which were kickstarted by the end of 2019, and were necessary to help turn the tide from here onwards. Our updated strategy is built on five key pillars:

- i) Re-focusing our core offerings to financial institutions based on clear client segmentation;
- ii) Launching innovative and enabling products and building digital platforms;
- iii) Shifting our efforts away from non-core areas, working instead on a strengths-based approach;
- iv) Better serving member countries based on their development needs;
- v) Deepening our collaboration with the IsDB Group, financial institutions and partners.

**Supported by these five key pillars, we envision a bold transformation which will take us to greater heights in the years to come.**

Key to our long-term success will be developing the talent and leadership that will guide ICD forward. We have an experienced management team, and our employees have talent and knowledge which supports us moving forward. In this digital era, ICD is also determined to roll out several Fintech initiatives that will help us better serve our member countries, and will revolutionize the way we do business.

**Acting with purpose has always been part of our DNA.** From the time of our inception we have continued to re-invent ourselves, increasing our focus on sustainability over the years. In light of this, ICD has identified core areas for alignment with the objectives of the Paris Agreement, prioritizing the UN's Sustainable Development Goals (SDGs) through our "theory of change" – Invest, Engage, and Impact.

This means ICD will:

- i) Target SDGs, both directly and indirectly, through our investments in the real economy;
- ii) Enable, and continue to improve on creating conducive business environments, facilitating interaction and engagement between key stakeholders; and,
- iii) Achieve indirect impact on selected SDGs based on investment and engagement.

Positively, our latest Annual Development Effectiveness Survey results revealed that operations supported by ICD contributed significantly to development. Specifically, our valued clients/partners generated 16,405 new jobs, while 88,625 people opened new Islamic finance accounts. In addition, a total of 42,365 MSMEs were supported by our financing activities. The projects

supported also resulted in tax revenue generation of approximately USD 115.7 million in member countries.

As we move ahead, we will continue to support our member countries' efforts to action the SDGs that underpin this agenda, transforming them into meaningful private sector targets, programs and projects. In 2019, we introduced a scoring system to rank projects based on their level of contribution to the SDGs: We adopted a new technical assistance mechanism to assist our clients to take SDG-related action, amongst other initiatives. In the spirit of the Paris agreement, we will continue to challenge ourselves to re-imagine private sector development. And we will find ways to come up with innovative solutions which promote sustainable development in our member countries.

Finally, I would like to extend my appreciation and gratitude to the Chairman, H.E. Dr. Bandar M.H. Hajjar, for his vision and continued guidance, along with the entire Board of Directors for their invaluable counsel, and their confidence in me and my team. I am extremely proud of what the entire ICD team delivered in 2019 despite the challenges we faced, and thank them all for their dedication and commitment to the organization.

The IsDB Group's aspirations are ambitious, yet I am fully confident of ICD's ability.

**We have spent 20 years delivering on promises. Now, our commitment to achieving further progression extends long into the future.**

**Ayman Amin Sejiny**  
Chief Executive Officer

Islamic Corporation for the  
Development of the Private Sector



# 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). 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).

Our authorized capital stands at USD 4.0 billion, of which USD 2.0 billion is available for investor subscription. Our shareholders include the IsDB, 55 member countries and five public financial institutions.

ICD's mandate 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. Specifically, our aim is to create employment opportunities and enhance our member countries' export potential. We also mobilize additional project resources and encourage the development of Islamic finance. Alongside attracting co-financiers, we provide advice to governments and private sector groups on policies which encourage the establishment, expansion and modernization of private enterprises.

**For 20 years, we have continued to support the development of capital markets, best management practices and on enhancing the role of market economy. ICD operates so we may complement the activities of IsDB in member countries and those of national financial institutions.**

## *Our Mission*

To complement the role played by the Islamic Development Bank (IsDB) through the development and promotion of the private sector, so we may boost economic growth and prosperity.

## *Our Vision*

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



# Where we Operate

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





# ICD in Numbers





# Our 2019 Highlights

73%

invested in the financial sector



11 projects were completed



44%

invested in Asia region

USD 147.5 million was approved

8 countries reached

## Approvals by Product

Line of Finance

USD 63.4 million

Projects: 6



Term Finance

USD 65.0 million

Projects: 3



Institutional Equity

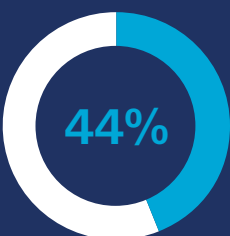
USD 19.1 million

Projects: 2

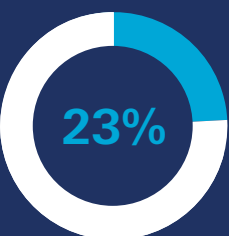


## Approvals by Region

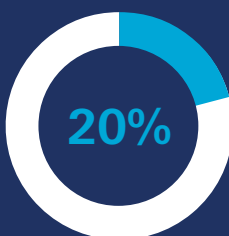
Asia:



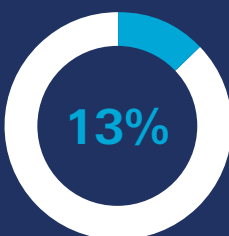
Sub-Saharan Africa:



Europe and Central Asia:



Middle East and North Africa:



## Approvals by Sector

Finance

Projects: 8



Energy

Projects: 3





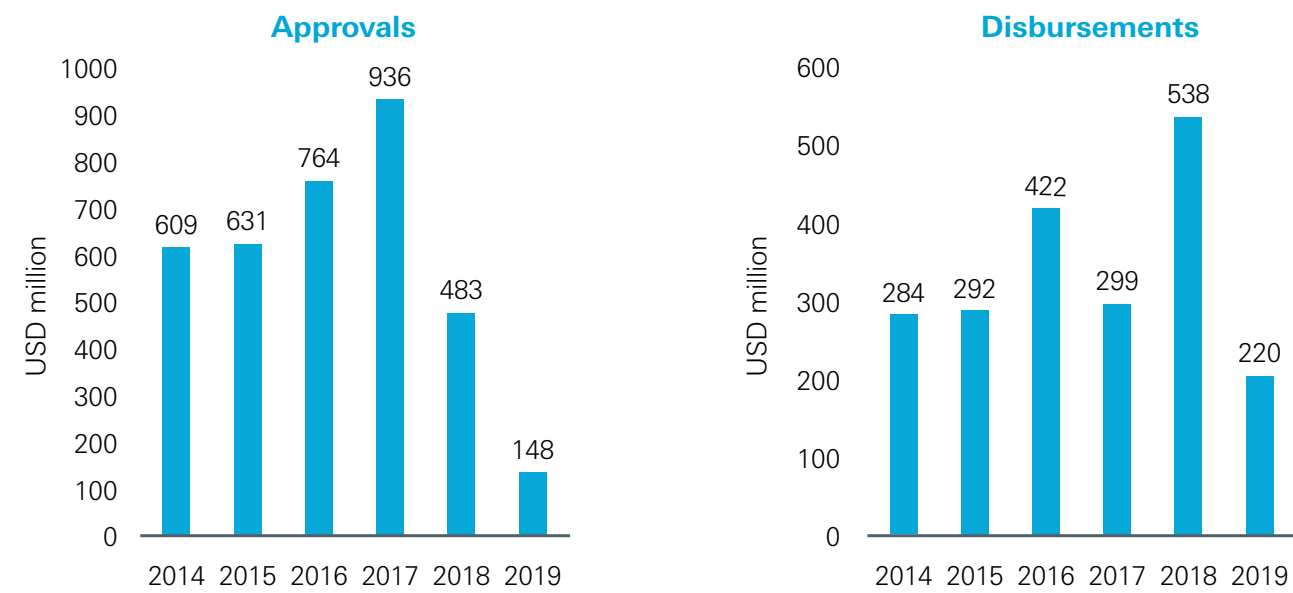
# Our 2019 Performance

2019 was a transitional period for ICD, and the progress of implementing our new and development-oriented business plan slowed, with total approved operations worth USD 147.5 million.

This amount brings the value of ICD’s cumulative approvals to USD 6.5 billion since our inception.

Despite this slowdown, we disbursed our earlier commitment of USD 220.0 million, with a disbursement-to-approval ratio of 149%.

## Approvals and Disbursements



In creating new channels of operation in member countries, ICD approved USD 63.4 million for Line of Financing (LOF), while its disbursement for financial institutions totaled USD 96.2 million in the form of LOF and USD 22.7 million in the form of equity in 2019. On the real sector side, USD 65.0 million of financing was approved with USD 100.9 million disbursed.



Additionally, Asset Management continued to be an important tool for ICD to deliver its development mandate, managing total assets of more than USD 349.0 million.

The sectoral distribution of ICD’s approvals was consistent with its strategic priorities of moving towards the financial and high-impact sectors. ICD approved approximately USD 82.5 million of investments, of which 56% was for the financial sector. Similarly, most of ICD’s new corporate project approvals focused on high-impact sectors such as energy.

In terms of regional distribution, 44% of ICD’s approvals went to Asia, 23% to Sub-Saharan Africa, followed by Europe and Central Asia (20%) and MENA (13%).





A group of people are gathered around a wooden table in a meeting. One person in a white shirt is holding a tablet, pointing at the screen. Another person in a blue shirt is also pointing at the tablet. On the table, there are several sheets of paper, a blue pen, and a clipboard. The background is slightly blurred, showing more people and a bright, modern office environment.

# Our Operations, Activities and Performance in 2019



## 1.1.

### **Sukuk and Capital Markets (SCM) Program**

In 2019, ICD successfully won three mandates with GCC-based issuers. Last year, ICD became the Joint Lead Arranger for IsDB Sukuk (USD 1.5 billion), going on to win two mandates in a row. The first one was the tap issue by First Abu Dhabi Bank Sukuk (USD 225.0 million), the second being the issuance by Dubai Islamic Bank (USD 750.0 million). In both Sukuk transactions, ICD played the role of Joint Lead Arranger.

As a result, the SCM Program contributes to achieving three of the United Nations' SDGs: Goal 8 – Decent Work and Economic Growth, Goal 9 – Industry, Innovation and Infrastructure and Goal 17 – Partnership for the Goals. Its contributions derive from the following actions:

- Financing large infrastructure and developmental projects, increasing job creation;
- Modernizing and improving member countries' infrastructure using the proceeds of Sukuk;
- Enhancing countries' connectivity to its region and international investors when issuing Sukuk;
- Developing the Islamic capital market in our member countries;
- Building capacity on Sukuk for member countries.

## 1.2.

### **Islamic Finance Institutions (IFI) Program**

In 2019, along with providing Islamic funding to Uzbek financial institutions, ICD signed advisory agreements to provide technical assistance to two private banks:

- Kapitalbank – 16 branches
- Trustbank – 9 branches

Additionally, we offered technical assistance to the following state-owned banks:

- Agrobank – 178 branches
- Qishloq Qurilish Bank – 46 branches
- Uzbek Industrial and Construction Bank – 45 branches
- Asia Alliance Bank – 7 branches

**ICD has been instrumental in allowing Islamic finance to flourish in Uzbekistan, through launching dedicated Islamic windows. The financial institutions involved in the IFI Program focus on supporting Uzbekistan's private sector by offering a diverse range of banking services.**



The establishment of Islamic windows creates an opportunity for financial institutions in Uzbekistan to take advantage of existing branch networks and offer Shari'ah compliant products and services to reach new clientele.

In 2019, milestones continued with the official operational launch of Tawhidbank, which was converted from being a conventional bank, into a fully-fledged Islamic bank, with ICD's assistance. Tawhidbank offers a recent example of success as the first Islamic bank to be established in Tajikistan.





# Transforming the first Islamic bank in Tajikistan

## Tawhidbank

### TAJIKISTAN

**Together with ICD's advisory assistance, Tawhidbank (formerly known as Sohibkorbank) successfully obtained its Islamic Banking license from the National Bank of Tajikistan on 15 September 2019, becoming the first Islamic bank in the country.**

Its journey of transformation began in February 2018, when ICD facilitated the process. We addressed various issues, including the eight pillars of conversion: Shari'ah various issues including eight pillars of conversion: Shari'ah Governance and Product Development, Legal support, Human Resources, IT solutions, Accounting, Treasury, Risk Management, and Marketing and Communications support.

#### Outcomes

In a country where a large fraction of the population remains unbanked, Tawhidbank is set to increase financial inclusion and to mobilize capital for development. It will introduce new modes of finance, Shari'ah compliant banking products, and assist the unbanked population. The success of the mandate reflects solid commitment by the bank's leadership, the support of the regulator – National Bank of Tajikistan – and ICD's strong backing.

## 1.3.

### Supporting the Corporate Sector

ICD aims to maximize the impact of operations to support our member countries' development objectives. We focus on transactions in sectors where investments could unlock new prospects for private sector operations. By selecting sound corporates and strong infrastructure projects to finance, ICD will continue to contribute and add value to the economic and social progress of our member countries.

### Access to energy

Access to energy is essential for humanity to develop and thrive. The adoption of the SDGs in 2015 included a target to make affordable, reliable, sustainable and modern energy available to all. This underscored for the first time a new level of political agreement on the importance of access to modern energy services.

In line with this goal, 2019 saw ICD renew its focus on investments that assist its member countries in meeting their energy demand. Additionally, with renewable energy such as onshore wind playing a key role in providing energy access and reducing greenhouse gas emissions, and in response to global collective action towards climate change, ICD also invested in two wind projects in Pakistan.



# Powering a future with accessible energy



The total cost of the project is estimated at USD 65.9 million

## Master Green Energy Limited (MGEL)

### PAKISTAN

#### The Project

Master Green Energy Limited (MGEL) is a special purpose company based in Pakistan with the sole objective of developing, financing, building and operating a 50 megawatt wind power project near the district of Jamshoro. The project is being developed on a Build-Own-Operate (BOO) basis, and will sell its entire energy output to the Central Power Purchasing Agency (CPPA-G) under a 25-year Energy Purchase Agreement (EPA) based on the 2002 Power Policy and the 2006 Renewable Energy policy. The Government of Pakistan will guarantee all payment obligations of the Power Purchaser arising from the EPA. The total cost of the Project is estimated at USD 65.9 million, which will be financed at a debt-to-equity ratio of 80:20. Repayments of principal and profit will be made on a quarterly basis, addressing wind seasonality and minimizing potential indexation mismatches.

#### The Sponsors

The Project is being developed by the entities and shareholders of Master Group of Industries, including Master Textile Mills Limited (MTML), NM Holding (Pvt.) Limited, Najeel Holding (Pvt.) Limited and Nadeem Malik Holdings (Pvt.) Limited (collectively, the "Sponsors"). Master Group of Industries (the "Group"), a private limited corporation, is a dynamic and diverse group of businesses in Pakistan. The Group is a market leader of the bedding foam industry, with a developing presence in the textile, automotive, engineering and energy sectors.

#### ICD's Contribution

Of the facility amount of USD 52.7 million, ICD's proposed financing will total up to USD 25.0 million using Istisna'a Ijara, with a tenor of up to 14.5 years.





# Supporting renewables for a better future

## Nasda Green Energy (Pvt.) Limited (NGEPL)

### PAKISTAN

#### The Project

NASDA Green Energy (Pvt.) Limited (NGEPL) was founded in Pakistan with aims to develop, finance, build and operate a 50 megawatt wind power project in Jhimpir, Pakistan. The NASDA Project is being developed on a BOO basis, and will sell its energy output to the CPPA-G under a 25-year EPA. The total cost of the project is estimated at USD 63.7 million, which will be financed at a debt-to-equity ratio of 80:20.

#### The Sponsors

NGEPL is sponsored by the Soorty family i.e. Mr. Shahid Soorty and Mrs. Nargis Shahid Soorty. The Soorty family's flagship business, Soorty Enterprises (Pvt.) Limited (SEL), enjoys a successful position in the textiles sector, as one of the leaders in Pakistan's Denim sector. SEL is located in the industrial city of Karachi, and has also expanded into Bangladesh, the United Arab Emirates, Turkey and the Netherlands. Its production is exported directly and indirectly to customers, including vendors of internationally recognized brands and department stores. SEL employs more than 22,000 staff in different areas of the value chain.

#### Our Development Impact

These two projects are supported by the Government of Pakistan and fit well with ICD's strategy: specifically, promoting economic growth through increasing the incremental supply of energy in response to the country's growing energy deficit. Additionally, these projects will create employment opportunities both during the construction stage and throughout the operating stage, with local citizens given priority in both employment and training.

The successful development of the projects will help alleviate Pakistan's power shortage, which cramps the country's economic growth and efforts to reduce poverty. The successful implementation of the projects will foster confidence among potential investors and lenders, promoting further private sector investment in renewable energy and power in Pakistan.

#### ICD Contribution

Of the facility amount of USD 51.0 million, ICD's proposed financing will total up to USD 25.0 million using Istisna'a Ijara, with a tenor of up to 14.5 years.



# Financing power development for a better future

## Feni Lanka Power Limited (FLPL)

BANGLADESH

### The Project

Feni Lanka Power Limited (FLPL), a special-purpose vehicle (SPV) of Lakdhanavi Limited (LTL), entered into a Power Purchase Agreement (PPA) on 19 March 2018 with Bangladesh Power Development Board (BPDB), along with an Implementation Agreement (IA) with the Government of the People's Republic of Bangladesh (GoB) and Power Grid Company of Bangladesh (PGCB). Their goal is to develop a 114 MW heavy fuel oil (HFO)-fired power plant in Feni, Bangladesh. The SPV will build, own and operate the power station for a period of 15 years. The project will be based on primary contractual structures i.e. PPA, IA and Fuel Supply Agreement (FSA), and will be backstopped by the Government of Bangladesh. PPA and IA for 114 MW (net) power have been signed with the BPDB.

The total project cost is estimated to be around USD 91.5 million, and will be financed on the basis of 70:30 gearing. The facility is being arranged by Infrastructure Development Company Limited (IDCOL) who are also participating in the project's financing with USD 29.5 million, and OPEC Fund for International Development with an additional USD 19.5 million.

### The Sponsors

#### Lakdhanavi Ltd (LTL)

A subsidiary of the renowned Sri Lankan diversified utility services provider and operator LTL Holdings. LTL has an unblemished track record as both a developer of thermal energy projects and as an EPC Contractor of energy projects.

#### Lanka Energy International Limited (LEI)

LEI has investments in the two thermal power plants of Lakdhanavi in Bangladesh, under RLPL and LBPL. It remains a well-diversified entity with investments in renewable and thermal power projects in Sri Lanka, Bangladesh and Nepal.

#### Ceylex Engineering (Pvt) Limited

Fully owned by LTL ESOT LTD, a company incorporated in Sri Lanka which holds 27% in LTL Holdings (Pvt.) Ltd. Ceylex Engineering Limited is a diversified company engaged in the engineering and construction of large-scale development projects within the power, water and infrastructure sectors.

### ICD's Contribution

Of the facility amount of USD 64.0 million, ICD's proposed financing will total up to USD 15.0 million using Istisna'a Ijara, with a tenor of 12 years from the date of first disbursement.

### Our Development Impact

ICD is a catalyst for this development, alongside Infrastructure Development Company Limited (IDCOL) and OPEC Fund for International Development (OFID), contributing to the strengthening of investor interest. There is a drive to encourage investors to take part in much needed future private sector-driven projects, specifically within Bangladesh's power sector.

The project will help achieve the following SDGs:

Goal 2 – Zero Hunger

Goal 8 – Decent Work and Economic Growth

Goal 9 – Industry, Innovation and Infrastructure

Goal 11 – Sustainable Cities and Development



## 1.4.

### **Financing SMEs through Local Intermediaries**

SMEs are core to the economic growth and prosperity of our member countries. Therefore, creating a vibrant SME sector remains one of ICD's top priorities. Some of our member countries have an insufficient ecosystem in place, leaving them unable to cater to SMEs' diverse needs – in particular when it comes to financing. ICD plays an important role in catalyzing private sector and SME financing markets.

In 2019, we continued to extend lines of finance to new partner institutions, and renewed partnerships with existing Islamic and conventional banks. We also confirmed partnerships with Ijarah, investment companies and other non-bank financial institutions (NBFIs) to reach end beneficiaries, mainly SMEs.



# Long-term partnership to support SMEs

## State Bank for Foreign Economic Affairs of Turkmenistan (SBFEAT)

### TURKMENISTAN

In 2019, ICD signed a USD 10.0 million LOF agreement with the State Bank for Foreign Economic Affairs of Turkmenistan (SBFEAT). SBFEAT, established in 1992, is the state commercial bank and acts as an official agent of the Government of Turkmenistan in international capital markets. It carries out activities that will attract mid-term and long-term financing to finance development projects within the country.

This Shari'ah compliant LOF facility based on the Wakalah structure is used by SBFEAT to provide financial support to the private sector in Turkmenistan, including Islamic modes of financing for SMEs. This is the first time ICD has operated in Turkmenistan, which is one of the least served member countries.

Key economic, financial and developmental impact is not limited to developing the private sector alone. It also helps to expand real economy growth based on value and job creation, and promoting Islamic finance. This LOF facility is expected to have an impact on SDG Goal 8 – Decent Work and Economic Growth, Goal 9 – Industry Innovation and Infrastructure, and Goal 17 – Partnership for the Goals. ICD's lead is also expected to result in additional capital mobilization by SBFEAT, from other DFIs and IsDB Group synergy.



# Landmark financing for SMEs and private sector projects

Lanka Bangla Finance Limited (LBFL)

BANGLADESH

In 2019, ICD extended a USD 20.0 million Murabaha facility to Lanka Bangla Finance Limited (LBFL), a prominent Non-Bank Financial Institution (NBFI) located in Bangladesh. This transaction was intended for the benefit of SMEs operating within the country.

ICD targeted the NBFI sector specifically, as it plays a crucial role in providing additional financial services that cannot always be met by commercial banks.

As many SMEs face difficulties in accessing finance from commercial banks, LBFL offered unrivaled access to projects with sufficient developmental impact. This was a landmark transaction, marking the first time an NBFI in Bangladesh availed a foreign currency facility specifically dedicated to SMEs.





# Reinforcing Turkey's first Islamic bank

## Ziraat Katılım Bankası A.Ş. TURKEY

ICD contributed EUR 11.0 million as the Co-Arranger in a EUR 121.0 million and USD 118.0 million Dual Currency Syndicated Murabaha Financing Facility for one year. The arrangement was led by Bank ABC, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited, Standard Chartered Bank and Warba Bank K.S.C.P, with the facility provided for general funding and trade finance purposes.

Founded in 2014, Ziraat Katilim is the first state-owned participation (Islamic) bank in Turkey. As of the end of 2018, Ziraat Katilim owns 80 branches across the country, with 1,042 staff. The bank has a vision to become a leading participation bank in Turkey through the expansion of its branch network, using alternative distribution channels, diversifying its credit risk and its funding base and enhancing its service quality.

## 1.5.

### **Funding Activities in 2019**

To meet our annual operational and liquidity requirements, in 2019 ICD successfully raised approximately USD 430.0 million in financing from international and regional banks. We also began work for the issuance of local currency Sukuk, further supporting the development of the private sector in member countries by providing solutions in their respective local currency.

As ICD moves forward, we will continue to diversify our funding solutions. We will look to include standby facilities, interbank facilities, club/syndicated financing facilities and repos in addition to existing products such as bilateral facilities, public Sukuk and private placement Sukuk.



# 20 Years of Progress

## Our 20th Anniversary Report

In 2019, ICD marked two decades of achievements which are advancing the private sectors of our member countries. In commemoration of this 20th anniversary milestone, we look back through our journey to explore how we helped to secure our member countries' development agendas over the years, and pay tribute to those who have contributed to ICD's legacy.



## 2.1.

1999

2019

ICD: Then and Now

Authorized Capital

USD 1.0 billion



USD 4.0 billion



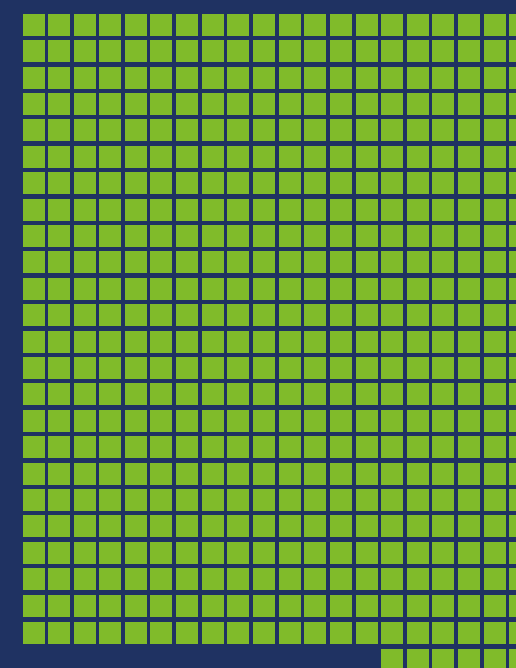
Paid-in Capital

USD 263.4 million  
USD 1.4 billion

Cumulative Number of Projects

1 project

486 projects



Total Approvals

USD 100,000

USD 6.5 billion

Total Disbursements

USD 0

USD 3.4 billion

Number of Advisory Mandates

0  
68

Number of Staff

10 people → 195 people



# 20 Years of Milestones

- Legend**
- Line of Finance
  - Term Finance and Equity Projects
  - Banking Project
  - Non-Banking Project
  - Advisory
  - Rating
  - New business strategy
  - Funds
  - Awards
  - Education
  - Partnerships
  - Significant Milestones

2001

Jordan Pharmaceutical Manufacturing Co. (JPM)

2005

Al-Tuwairqi Steel Mills Limited, Pakistan

2007

Arab Malaysian Vegetable Oil Products

International Bank Azerbaijan

Baku Plaza, Azerbaijan

Rahimafrooz, Bangladesh

2009

1<sup>st</sup> ICD capital increase to USD 2.0 billion

Mortgage Finance Company (Bidaya), Saudi Arabia

Berber Cement Company, Sudan



Middle East Healthcare Company, MEAHC, Saudi Arabia

ICD's authorization capital of USD 1.0 billion

1999

Saudi German Hospital, Yemen

Djibouti Bulk Terminal

Rabita Bank, Azerbaijan

Byblos Bank, Sudan

2003

H&D Industries, Senegal

2006

Arab Leasing Investment Company, Sudan

Maldives Islamic Bank

Tab Energy, Libya

2008

Al Sharkeya Sugar Manufacturing (Al Nouran) Company, Egypt

Adoption of new corporate strategy

2010



## 2012

- Islamic Finance Talent Development Program (IFTDP)
- Tunisia SME Fund, Theemar

## 2014

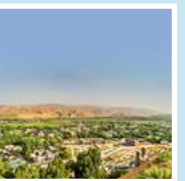
- Best Development Bank Award
- Excellence in Development of the Islamic Private Sector Award
- Major strategic agreement with OPEC Fund for International Development
- Cooperation Agreement with Bank of Tokyo Mitsubishi
- Global Line of Finance, Nigeria
- Advised the Government of Senegal on its debut sukuk, which was the first African sovereign sukuk
- Fitch rates ICD AA/F+1

## 2016

- Establishment of the BRAVE Program
- Bank Misr
- ICD's debut public Sukuk issuance
- Agreement with Wifack Bank
- Advised the Government of Togo on its sovereign sukuk debut

## 2018

- ICD appoints new CEO, Mr. Ayman Sejiny
- Transformed Tawhidbank to become the first Islamic Bank in Tajikistan
- Cumulative approvals exceeded USD 6.0 billion
- Global Line of Finance, Côte d'Ivoire



Tamweel Africa Holding

## 2011

- Unit Investment Fund
- Magnus Industrial Group, Uzbekistan
- ICD becomes a member of G8 Deauville Partnership IFI Coordination Platform

## 2013

- ICD 2nd capital increase, USD 4.0 billion
- Moody's rates ICD Aa3/P-1
- Advised the Government of Côte d'Ivoire on its sovereign sukuk debut
- Africa Deal of the Year Award
- The Islamic Economy Award
- ICD becomes member of International Development Finance Club (IDFC)
- S&P awards ICD with AA rating

## 2015

- AFRIEXIM Bank
- Shobak Wind, Jordan
- Alfanar Solar, Egypt
- Mansour Al Mosaid Trading, Saudi Arabia
- Launching of Wifack International Bank
- Advised the Government of Mali on its debut sukuk

## 2017

- ICD member countries increased to 55
- Adoption of upgraded ICD strategy and new business model
- The introduction of ICD Global Private Platform
- Renewable energy projects, Pakistan
- State Bank for Foreign Economic Activities, Turkmenistan – ICD's first project in the country

## 2019



# Our Highlights to Date

Since our inception, ICD has approved 486 projects with a total value of around USD 6.5 billion. Our approvals support a wide array of industries, including finance, infrastructure, agriculture, manufacturing, and oil and gas, with our investment operations present in 50 member countries.

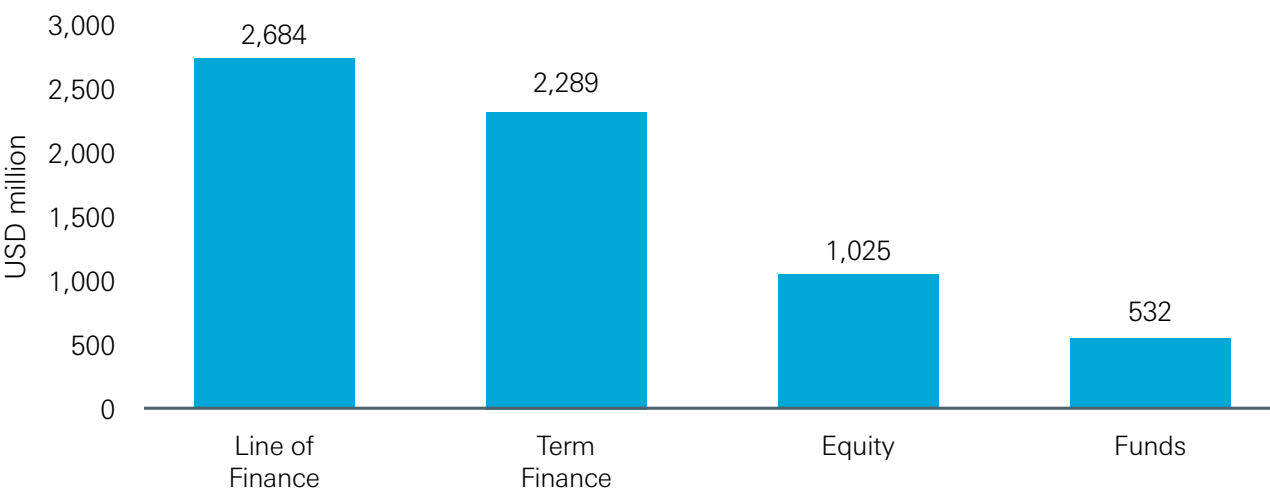
**Our approvals include:**

- More than 100 Line of Finance projects valued at USD 2.7 billion
- 221 Term Finance projects valued at USD 2.3 billion
- 143 Equity projects valued at USD 1.0 billion
- 15 Funds projects valued at USD 533.0 million

To date, 76% of approvals address Term Finance plus Line of Finance, 16% address Equity participation (institutional equity and corporate equity), and the remaining 8% address Funds.

## Approvals by Product

Total approvals by product since inception

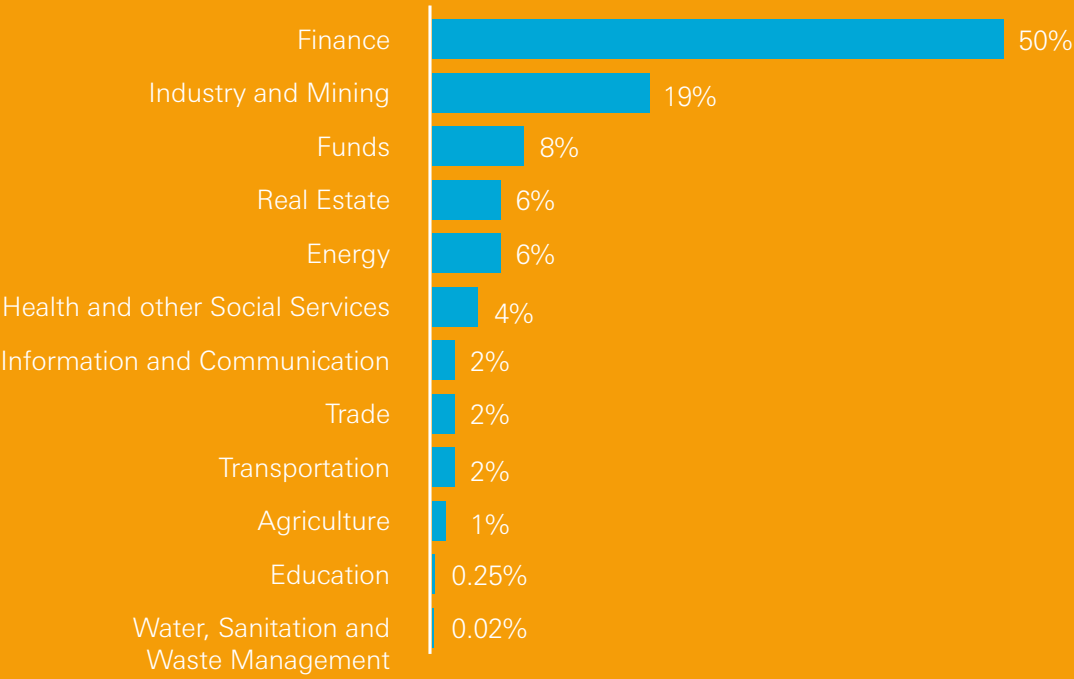


By far the largest share of approvals support the finance sector which is intermediation of SME finance, representing 50% of gross approvals to date. The industrial and mining sector received the second largest share (19%) with a gross approved amount of USD 1.3 billion. Other

sectors include funds, real estate, health and other social services, information and communication, energy, trade, transportation, agriculture, education, and water, sanitation and waste management.

## Approvals by Sector

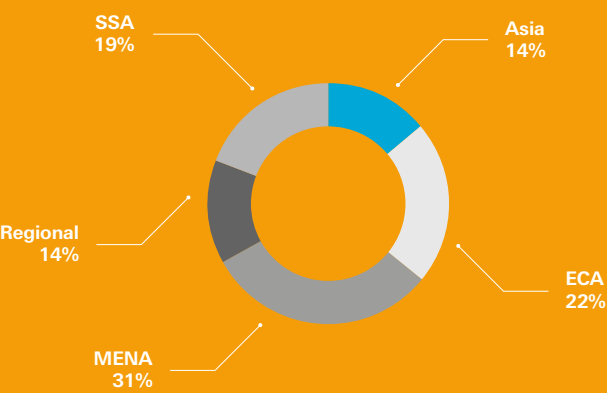
Total approvals by sector since inception



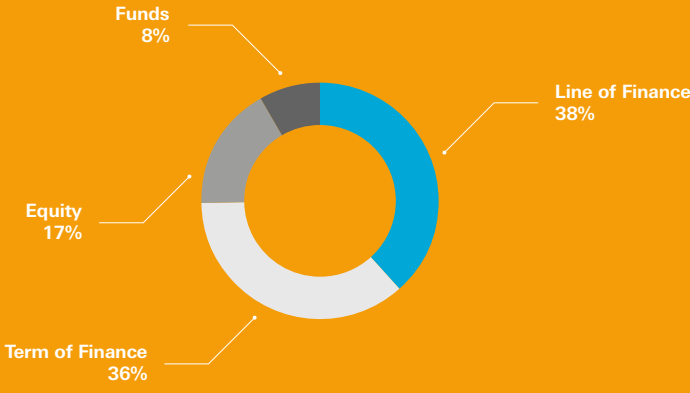
Our approvals reflect our wide geographic reach. ICD investment operations include 50 member countries, in addition to a number of regional/global projects covering several economies. Gross approvals encompass the Middle East and North Africa (MENA) region (31%); Europe and Central Asia (ECA) (22%), Sub-Saharan Africa (SSA) (19%), and the Asia and Pacific (14%) region. Regional/global projects covering multiple countries and regions represent 4% of gross approvals.

ICD has disbursed around USD 3.4 billion since inception. Disbursements vary according to product, with Line of Finance and Term Finance projects accounting for the largest proportion (38% and 36%, respectively). Equity operations accounted for 17%, followed by Funds at 8%.

**Approvals by Region**  
Total approvals by region since inception



**Disbursement by Product**  
Total disbursements by product since inception







# 20 Years of Results

## Our History, Our Stories and Our Impact

### 2.2.1.

#### The Sukuk & Capital Markets (SCM) Program

**ICD developed its internal Sukuk advisory capabilities as a result of increasing demand from member countries. This demand stemmed from a desire to fund infrastructure development plans through capital markets.**

Since its establishment in 2014, the SCM Program issued the first ever Sukuk in two West African transactions, namely the Republic of Senegal and the Republic of Côte d'Ivoire. With these transactions, ICD has created a niche market for Sukuk in West Africa by laying the foundation to develop the West African capital market, in addition to raising awareness among stakeholders and investors. ICD also played a significant role in assisting the development of the legal framework in the West African Economic and Monetary Union (WAEMU), making these transactions possible.

In 2015, the SCM team developed a comprehensive advisory solution enabling the governments of member countries to issue a local currency short-term Sukuk, allowing Islamic banks to manage excess liquidity. The introduction of this product offering paved the way for the SCM Program to sign an agreement with the Japan International Cooperation Agency (JICA) in the same year, advising the Jordanian Government on a local Sukuk issuance. The partnership was the first of its kind for JICA, which provided a technical assistance package to cover the relevant cost of the transaction.

**In the past, ICD has closed seven sovereign Sukuk issues:**

- In 2014, ICD successfully advised the Republic of Senegal on its debut Sukuk: a landmark transaction, as the first African Sovereign Sukuk.
- This was followed by the Republic of Côte d'Ivoire Sovereign Sukuk debut in 2015. Both this debut and Senegal's Sovereign Sukuk won IFN Africa's Deal of the Year in 2014 and 2015 respectively.
- Subsequently, ICD successfully advised the Republic of Togo on its debut Sukuk in 2016, and both Senegal and Côte d'Ivoire for their second sukuk issuances that year.
- ICD advised the Government of Mali on its debut Sukuk in 2017.
- In 2016, ICD advised the Hashemite Kingdom of Jordan in issuing a successful debut domestic medium-term Sukuk for liquidity management of local Islamic banks – the first of its kind in the Kingdom. This transaction won the IFN Sovereign Deal of the year in 2016, as well as JICA's President Award.



# Developing the landscape of Islamic finance


## 2.2.2.

### Islamic Financial Institutions (IFI) Program

The Islamic finance industry has grown rapidly over the past decade. Its systemic importance has increased globally, most notably in ICD member countries. The recent growth in demand for Islamic finance has led to increased attention upon ICD's wide range of Shari'ah compliant financial solutions, which are designed to meet the differentiated needs of consumers and businesses in all member countries.

In light of this, we largely conduct active engagement in an institutional capacity, building in difficult environments through the Islamic Financial Institutions (IFIs) Program. The program offers advisory solutions on:

- Establishing new Islamic financial institutions
- Transforming conventional financial institutions into Islamic financial institutions
- Establishing business units which offer Shari'ah compliant products and services (Islamic windows) within conventional financial institutions
- Developing Islamic finance regulatory frameworks
- Developing the capacity of Islamic finance regulators and financial institutions.



Since we launched the IFI program in 2012, it's been instrumental in implementing the mandates of over 40 financial institutions across 27 member countries.

# Helping enterprises take the lead in their own future

## 2.2.3.

### Industry and Business Environment Support (IBES) Program

**Market failures are a real issue, and the solution of donor intervention is a complex one. In order to mitigate this complexity, enterprise growth initiatives should operate at national, sectoral, and enterprise levels. A multi-layered effort helps revitalize enterprise performance and build partnerships in the private sector, transforming market institutions and improving the business environment.**

These interactions may operate simultaneously or sequentially, depending on the level of counterpart interest, commitment, and engagement. Enterprise growth initiatives play a major role in helping enterprises, and the private sector as a whole, to take the lead in shaping their own future.

ICD launched the Industry and Business Environmental Support (IBES) Program in 2011. In collaboration with the governments of its member countries, ICD aimed to identify the critical challenges hindering the growth of both businesses and the private sector, working closely with public and private partners to identify solutions. This would allow them to put into place necessary technical assistance interventions, and to mobilize the partnerships, expertise and resources required to enable their implementation.

The IBES advisory program focused on the four following themes:

- i) Special Economic Zones – involvement at a spatial level
- ii) Business environment – involvement at the national level
- iii) Value chains – involvement at the sector level
- iv) Firm productivity and innovation – involvement at a company level

The program drew on the many lessons learned since its inception more than eight years ago, responding

to a growing need among member countries to have tailored business solutions – particularly in the context of increasing fragility caused by the effects of war. In 2016, the IBES program started to focus on the topics of both value chains and firm-level support (i.e. themes iii and iv) as applied in conflict settings.

One catalyst that helped usher in this new strategic focus was the launch of the Business Resilience Assistance for Value-adding Enterprises (BRAVE) project in Yemen that same year. IBES had designed a series of proposals, initially for Yemen, and had successfully submitted them for funding to a consortium of international donor countries. An extension of the project that solely targets women MSMEs were also successfully launched in Yemen and Nigeria, while a third country is currently being pre-qualified. The value of these approved projects has reached a grand total of USD 41.0 million.

It's worth noting that the BRAVE project was designed and funded under a joint IsDB-ICD collaboration to combine value chain design principles, grant-matching scheme concepts and banking practices within an integrated framework. This project was created in response to in-conflict challenges for the private sector, with a key focus on selected sectors (e.g. fisheries, agribusiness, food processing, healthcare and garmenting).

**BRAVE went against conventional interventions to address the immediate needs that private sector agents – in particular, SMEs – require to maintain their businesses or repair damaged capital goods.**

Traditionally, aiding areas in conflict or in post-conflict conditions involves strict processes: conflict ending, peace negotiations, political dialogue, infrastructure (re) building and soft assistance. Though these interventions offer promise of their own, they often fail to address the urgent requirements of private sector businesses.



## Success story



# Creating an ecosystem of industry expansion

## Nouadhibou Free Zone Authority

### MAURITANIA

**Mauritania has decided to transform Nouadhibou, its second largest city, into a center of economic attractiveness which serves as a catalyst for development in the rest of the country. Due to its geographic position and abundance of natural resources, the country is a prime site for the expansion of large fishing resources, oil and gas and the tourism industry.**

**Authorities agreed to set up ad-hoc development zones, under special regimes, for the creation of industrial, commercial, seaport and airport services.**

Through a technical assistance engagement beginning in 2011, ICD was at the apex of the development of Nouadhibou Free Zone. It coordinated the zone's legal and institutional framework, as well as supervising its feasibility studies. A ministerial committee endorsed the outcome of the technical recommendations, adopting the project as a development priority for the national economy. In 2012, the parliament declared the bay a Free Zone, which was subsequently inaugurated in 2013.

In continuation of this project, since 2014 IBES has been supporting the Nouadhibou Free Zone Authority

(NFZA) with a capacity-building program. The program included providing the Authority with a proposed new organizational structure and best practices for financial management and IT systems, plus training activities for the core staff. The objective was to enable NFZA to deliver its mandate in terms of planning, developing and administering a world class Free Zone. The program was executed through a technical exchange and knowledge transfer program between NFZA and Aqabah Special Economic Zone Authority (ASEZ) in Jordan, supported by the IsDB and other donors.

## Success story

# Giving the manufacturing industry a boost

## Djibouti Industrial Zone Program

### DJIBOUTI

**Djibouti established a Free Zone in 2004, generating significant hope for the country. There were hopes the project would generate profit from the transit of goods in its port in order to develop industrial activities.**

Ten years later, the transit of merchandise has contributed significantly to the country's economy, though without creating a similar impact on its industry. ICD was approached to assist in the conceptualization of an additional zone, with the goal of boosting manufacturing in the region.

Our technical assistance program offered an alternative, focusing on industrial zones, through the use of existing legal and institutional instruments.

The IBES evaluated the policy, as well as its institutional and regulatory environment, delivering a plan for gradual development. The outcome identified several key recommendations that would prove catalytic, and would be pivotal to the success of this country's shift towards industrial activities.

These included the setup of regulations to develop industrial zones; revision of the Investment Code to encourage the development of clusters of activities in the regions; a USD 51.0 million plan for the gradual development of 219 hectares of industrial space, including a first phase of USD 12.0 million to overhaul existing industrial zones with a high potential for job creation; and the strengthening of the National Investment Agency in institutional, regulatory and capacity terms. The program was executed with the Industrial Land Agency of Tunisia (AFI), an agency under the Ministry of Industry of Tunisia, which specialized in the conception, planning and development of industrial zones, and was funded by the IsDB.





# Enhancing private sector resilience

## BRAVE Women Program – Yemen

**515**  
firms provided with business continuity training

**1,229**  
women participated in over 30 workshops

## Government of Yemen

### YEMEN

**The BRAVE Program was designed in 2016 by IBES in partnership with IsDB, working in close consultation with the Government of Yemen (MoPIC), the Small and Micro Enterprise Promotion Service (SMEPS) an affiliate agency of the Social Fund for Development (SFD) and three leading local financial institutions.**

The Program's development objective was to enhance the private sector's resilience, focusing on micro, small and medium enterprises (MSMEs) in vital sectors. The aim was to strengthen the private sector as an engine of sustainable growth, flourishing despite ongoing conflict. The first phase (2017-2018) which was funded by the MENA Transition Fund for USD 6.0 million was completed in 2018 and reached out to 620 firms with business continuity training.

Of these firms, 348 benefited from a matching grants scheme, which was deployed in coordination with local banks. The grants provided careful financial control and stimulated bankability along with the restoration of SMEs' trust in banks and the wider ecosystem. This phase covered areas of Sanaa, Aden and Hadhramaut, focusing on the vital sectors of private healthcare, agribusiness, food processing, garmenting and fisheries. As of December 2018, the program had created a total of 1,541 new jobs.

The second phase started in 2019 with an additional USD 3.0 million in funding from the MENA Transition Fund, and will run until June 2020. This phase is focused on deepening value chain support across the country, reaching out to over 90 lead firms and business associations/cooperatives in the same priority sectors. At the time of writing, a cumulative total of 620 firms were provided with business continuity training, 348 firms benefited from a matching-grants scheme, and 15,000 jobs were sustained with an additional 1,541 new jobs created under the BRAVE Program.

To increase outreach, and the inclusion of women-owned/led MSMEs, the BRAVE Women Program was introduced in 2019. Supported by the Women's Entrepreneurs Finance Initiative (We-Fi) Trust Fund which awarded a multi-country five-year USD 32.2 million grant, the program kickstarted in Yemen (awarded USD 8.8 million of the total grant), and is currently under implementation

by SMEPS in coordination with local partner banks. Good progress has been made in the capacity development components of the program in the Sanaa, Aden, Ibb, Hadramout and Taiz provinces of Yemen.

Support has also been extended to the private education and services sectors, where female-led MSMEs in Yemen are more active.

Moving forward, the program is envisaged to be extended to two countries. It has already commenced preparatory works in Nigeria, with the Nigerian Bank of Industry Limited (BOI) acting as the local implementing agency. The Nigerian program aims to reach around 600 women MSMEs with specialized business training, and help 500 of these MSMEs – along with a selection of 40 lead firms and/or women business associations – to qualify for combined grant matching support and technical assistance.

## BRAVE Program – Yemen

**620**  
firms provided with business continuity training

**348**  
firms benefited from matching-grants schemes

**15,000**  
jobs sustained

**1,541**  
new jobs created







# Promoting healthy competition in financial services

## 2.2.4.

### Non-Banking Financial Institutions

**Over the past decade – and in particular after the most recent financial crisis – the Non-Banking Financial Institutions (NBFIs) sector of our member countries has grown in importance. This has been reflected in its strong increase in size and growing interconnectedness with finance, most specifically the banking sector. As a result, ICD has remained focused on gaining a deeper understanding of the role played by the NBFI sector, and its potential contribution to the development and health of the overall financial sector within our member countries.**

NBFIs supplement banks in providing financial services to individuals and firms, and can create competition for banks by provisioning these services. For example, while banks may offer a set of financial services as a package, NBFIs unbundle these services, tailoring them to appeal to specific groups. Additionally, certain NBFIs may specialize in a particular sector, gaining an informational advantage. Through this unbundling, targeting, and specializing, NBFIs promote competition within the financial services industry. They provide multiple alternatives for transforming economic savings into capital investment, acting as backup facilities should the primary form of intermediation fail.

As a result, the Non-Banking Equities team was set-up by the ICD to create and/or develop NBFIs, or “channels”, catering for the specific developmental needs of member countries, whilst remaining compliant with ICD’s strategic direction. The NBFI team in ICD launches Ijarah (leasing), Mortgage, Investment and Specialized Companies tailored to the needs of our member countries.

**The main objectives of the NBFI activities within ICD are as follows:**

- Developing and executing exit plans for its investments by identifying clear, viable exit options and establishing predetermined exit strategies for prospective investment
- Supporting our subsidiaries and affiliates to achieve sustainable growth and profitability above the industry average
- Providing access to finance to SMEs through our partners (i.e. investee Ijarah companies) and promoting entrepreneurship in member countries, thus creating new jobs and reducing poverty
- Proactive portfolio monitoring, providing strategic support at companies’ boards and creating value, offering the resolution of key issues and improving corporate governance
- Adhering to country and sector-focused investment strategies, in line with ICD’s overall objective, only investing as a strategic investor where it adds value to investee companies
- Enhancing the value of investee companies by proactively managing the investment and providing strategic support and assistance
- Supporting the economic development of member countries through equity investment in both companies and projects, throughout different stages of its lifecycle (greenfield, brownfield, growth and expansion)
- Promoting the use of Islamic finance

Our NBFI equity portfolio stands slightly above USD 104.0 million, and is spread across 18 investments in 13 member countries. Our Ijarah business investment amount stands at USD 46.9 million, while the remaining USD 57.6 million is invested in mortgage, investment and specialized companies.





Enhancing  
the future  
for everyone

## 2.2.5.

### Term Finance: ICD's journey

**Term Finance is one of ICD's most important financial instruments. Our team sources private sector projects, processing them through due diligence before approving and disbursing the transactions.**

During their first five years of operation, the Term Finance team adopted a three-pronged approach:

- i) Focusing on its core business activities, with priority given to the financing of projects and resource mobilization
- ii) Building its internal capacity
- iii) Establishing a market presence

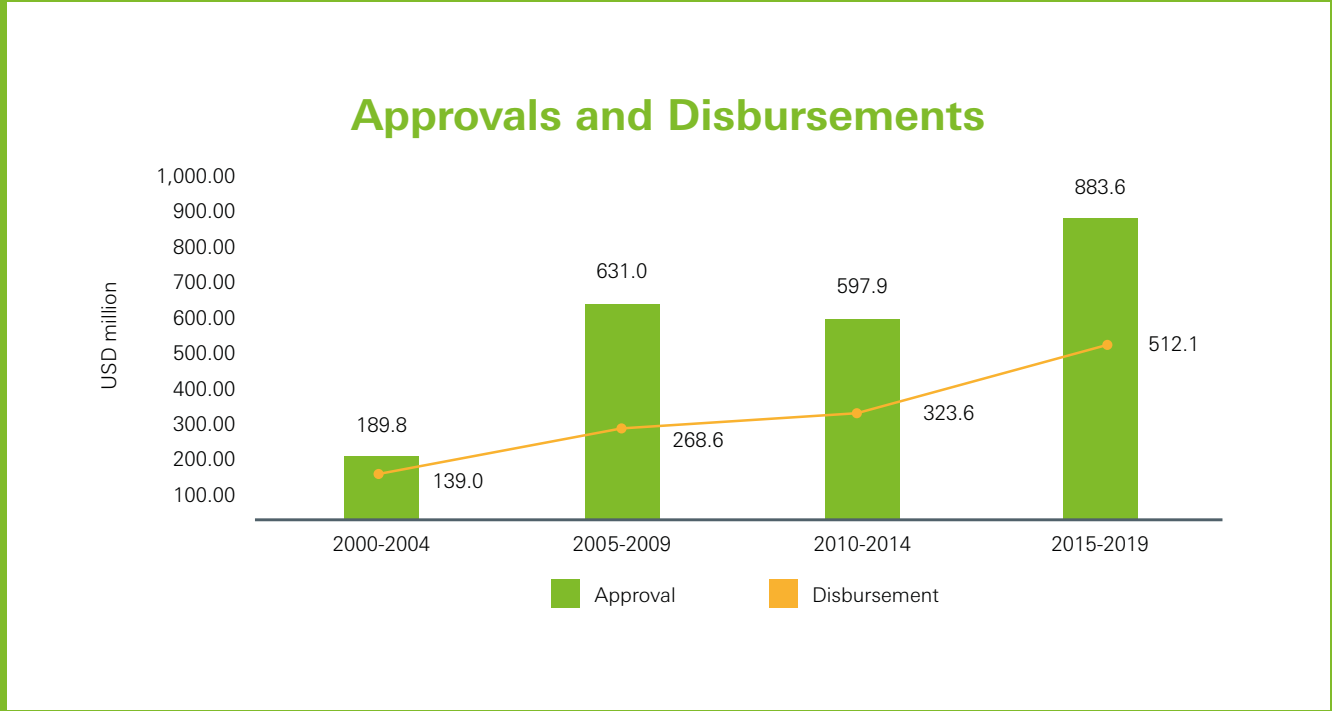
In planning its financing operations, ICD has given priority to sectors with high value added, and to areas where its contribution results in meeting a dual objective – namely, achieving a developmental impact on the concerned countries and generating revenue for the corporation.

The need to build a reputable track record while minimizing risk during the early stage of operations led us to focus more heavily on countries offering opportunities that are easily seized and converted into financed projects.

Within the framework outlined above, the Board of Directors of ICD approved 37 Term Finance projects for a total amount of USD 189.8 million during

its first five years of operation (2000-2004) across 15 countries. Over the following five years (2005-2009), ICD almost doubled its financing operations, approving Term Finance facilities in favor of 73 transactions, totalling USD 631.0 million across 21 countries. From 2010-2014, ICD approved a total of USD 597.9 million in favor of 51 projects in 21 countries.

Between 2015 and 2019, ICD began focusing on large infrastructure projects, mainly within the power and renewable energy sectors. These projects had a large ticket size along with longer tenors. 61 projects were approved in this period, with ICD financing USD 883.6 million in total. The chart below shows ICD approvals and disbursements data since its inception.

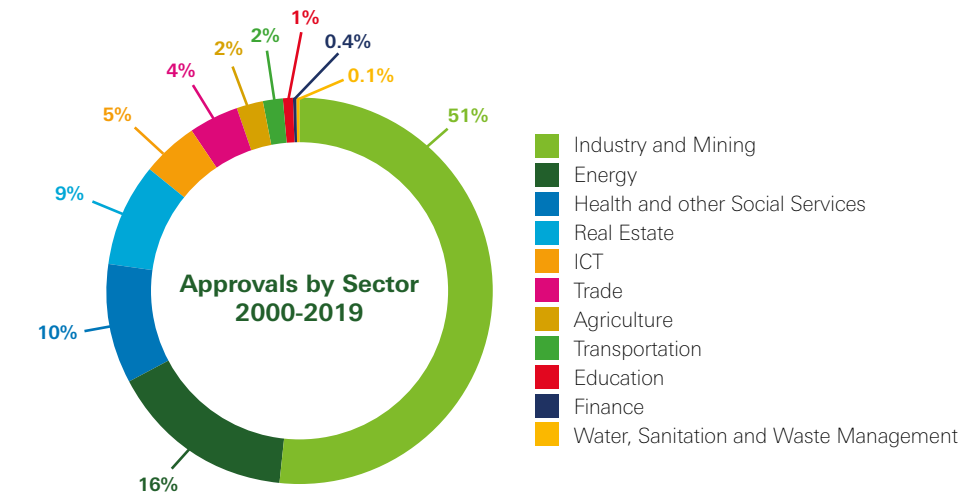




As of Q4 2019, ICD’s term financing operations targeted a wide range of sectors, the Industry and Mining sectors leading with USD 1.2 billion (51.8%) of total approvals. This is followed by the Energy/Infrastructure sector (including HFO Independent Power Plants (IPPs), Dual Power HFO/Gas IPPs, Solar PV projects and wind power projects) with USD 360.4 million (15.7%). Third in the list is Healthcare, with USD 227.0 million in approvals (9.9%).

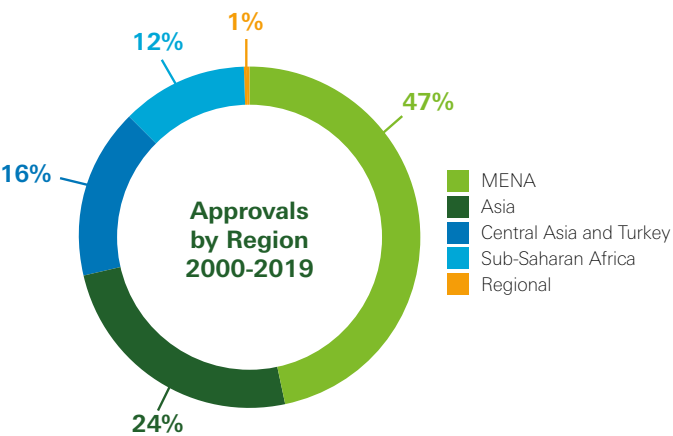
The remaining USD 522.7 million (22.7%) of total approvals is distributed among sectors including Real Estate, Information and Technology, Trading, Agriculture, Transportation, Water Sanitation and Waste Management, Education and Finance.

Approvals by Sector	2000-2004	2005-2009	2010-2014	2015-2019	Total
Industry and Mining	74.29	439.05	275.07	403.73	1,192.14
Energy	4.00	–	45.00	311.36	360.36
Health and other Social Services	29.02	52.20	34.50	11.28	227.00
Real Estate	10.00	48.70	91.85	47.19	197.74
ICT	49.00	–	61.50	–	110.50
Trade	5.17	40.00	50.00	–	95.17
Agriculture	–	12.50	40.00	–	52.50
Transportation	2.00	37.00	–	–	39.00
Education	15.10	1.50	–	–	16.60
Finance	–	–	–	10.00	10.00
Water, Sanitation and Waste Management	1.20	–	–	–	1.20
	189.78	630.95	597.92	883.56	2,302.21



Term Finance operations are distributed across four regions around the globe, throughout a total of 34 countries. The MENA region makes up the largest share of approvals with USD 1.1 billion (46.8%) of total approvals, followed by Asia with USD 570.1 million (24.8%), Central Asia & Turkey with USD 373.3 million (16.2%) and Sub-Saharan Africa with USD 273.0 million (11.9%). Additionally, Term Finance extends financing facilities to a few regional projects amounting to USD 10.0 million (0.4%) of total approvals.

The table below shows the term financing approvals across various regions.



Approvals by Region	2000-2004	2005-2009	2010-2014	2015-2019	Total
MENA	126.78	504.96	89.82	355.31	1,076.87
Asia	7.00	55.59	195.50	312.00	570.09
Central Asia and Turkey	13.00	46.13	149.10	164.07	372.30
Sub-Saharan Africa	33.00	24.28	163.50	52.19	272.97
Regional	10.00	–	–	–	10.00
	189.78	630.95	597.92	883.56	2,302.23

ICD played a significant role in resource mobilization for a number of projects, beginning with the Middle East Healthcare Company (MEAHCO) in Saudi Arabia, and the Chlor-alkali project in Syria in its early years of operation.

The MEAHCO project represented a major resource mobilization effort for ICD. We succeeded in securing the role of Lead Arranger for the syndication of USD 49.0 million for the project, in addition to our own contributions. For the Chlor-alkali project, ICD’s mobilization totalled USD 7.5 million (equivalent to its own contribution) from the Islamic Bank Portfolio (IBP) managed by the IsDB.

Today, ICD’s Term Financing team has co-financed a number of transactions with multilateral development financial institutions globally. International Finance Cooperation (IFC), the European Bank for Reconstruction and Development (EBRD), the German Development Finance Institution (DEG), and the Arab Fund for Economic and Social Development are just a few of the institutions we have worked with, and recently approved projects include the Scatec and Al-Fanar Solar PV Projects in Egypt, the Shobak Wind Project in Jordan, Manisa Hospital in Turkey, and Albatros IPP in Mali.

In addition, the ICD Term Financing team can partner with local FIs (HSBC, Citi Bank, Mezan Islamic Bank, Bank Alfalah, IDCOL, etc.) in many of its finance operations, such as the Power Cement project, green wind power, Nasda Wind Energy in Pakistan and ACE alliance in Bangladesh, Abul Khair Steel Mills Limited, Noman Terry Towel and Spinning Mills in Bangladesh.



# Connecting emerging and frontier markets

*From Malaysia to Africa*

## Serba Dinamik Group

MALAYSIA

Serba Dinamik Group is one of the leading companies in Malaysia providing fully integrated and specialized engineering and maintenance services to the oil & gas, petrochemicals and utilities industries. The group has diversified its products and services to various sectors, including power generation and water and sanitation. It also provides comprehensive package solutions, ideal for areas such as construction, plant operations and maintenance (O&M), system integrators/packers and information technology solutions.

**When ICD started its partnership with Serba Dinamik in 2015, the objectives of the partnership were three-fold:**

- To support the regional expansion of Serba Dinamik in other member countries
- To promote connectivity between member countries
- To build a story to market ICD future deals

From ICD's support of USD 25.0 million, Serba Dinamik Group was able to mobilize additional funding worth USD 134.0 million from other financiers, resulting in a multiplier effect of 5.4. This total financing package of USD 158.9 million helped Serba Dinamik to implement its overseas operations.

With the company building an impressive track record, it attempted to raise equity funds by listing its stocks on Bursa Malaysia's main market, with the IPO concluding on 8 February 2017.

The shares were over-subscribed by five times, proving Serba Dinamik's efforts a great success. ICD also played a critical advisory role in introducing the group to the African markets, facilitating connections with local investors and international financiers which resulted in an EPCC USD 70.0 million contract being awarded to Serba Dinamik in Tanzania. Additionally, ICD supported Serba Dinamik Group in fulfilling the criteria set by the Bursa Malaysia for public listed companies with Shari'ah compliant stock.

**The overall development outcome of the project was rated "Highly Successful" after presenting vastly positive results:**

- 600 direct jobs created for employment with Serba Dinamik Group, including 52 engineers. Plus, a 56% increase on the number of staff before and after ICD financing (216 new jobs in 3 years)
- 20% of staff are women
- A total of 24.5 million cumulative work hours without any time lost due to injury in both Malaysia (10.8 million hours) and overseas (13.7 million hours)
- Islamic finance represents 72% of total financing
- Training program certified by City & Guilds for SMEs
- Market expansion to MENA and Africa

**Contribution to five SDGs**





## Success story

# Diversifying Jordan's energy mix

## Shobak Wind Energy PCS – Shobak Wind Farm Project

JORDAN

Shobak Wind Energy PSC is a special purpose company in Jordan with the sole objective of developing, financing, building and operating a 45 MW wind farm in the region. The wind farm was designed to include 13 Vestas and V136 wind turbine generators as part of a sustainable green energy solution.

The project was sponsored by UAE-based developer Alcazar Energy, who partnered with US-based Hecate Energy. The total project cost USD 104.0 million, financed by EBRD, Europe Arab Bank (EAB), and ICD, with ICD contributing USD 30.0 million.

This project has helped to contribute to the diversification of Jordan's energy mix, specifically away from fossil fuel sources. It's also helped to reduce the country's dependency on energy imports, making it a critical solution for future-proofing the nation's energy. This successful implementation has fostered confidence among potential investors and lenders, and has promoted private sector investment in renewable energy and power in Jordan.

# Supplying reliable electricity in Mali

## Albatros Energy Mali S.A – 90 MW HFO Power Plant Project

MALI

Albatros Energy Mali SA developed a new 90 MW thermal power station in Mali in 2017. The project involved developing, financing, building and operating a station containing six Caterpillar reciprocating engines which would produce a minimum of 578 GWH of much-needed electricity per year. The total cost amounted to EUR 122.0 million, with ICD providing EUR 20.0 million in senior financing for this project which was co-financed by Banque Ouest Africaine de Développement (BOAD), the Emerging Africa Infrastructure Fund (EAIF), IsDB, and OPEC Fund for International Development (OFID).

This project marked ICD introducing the first ever Islamic financing solution (Ijarah) for a private project in a francophone and Sub-Saharan African jurisdiction governed by French Law. Our contribution to this project helped increase Mali's total installed production capacity, all while supplying reliable electricity.



**25%**  
Current  
base-load  
power



**780,000**  
Households  
covered



**+260**  
New jobs  
created





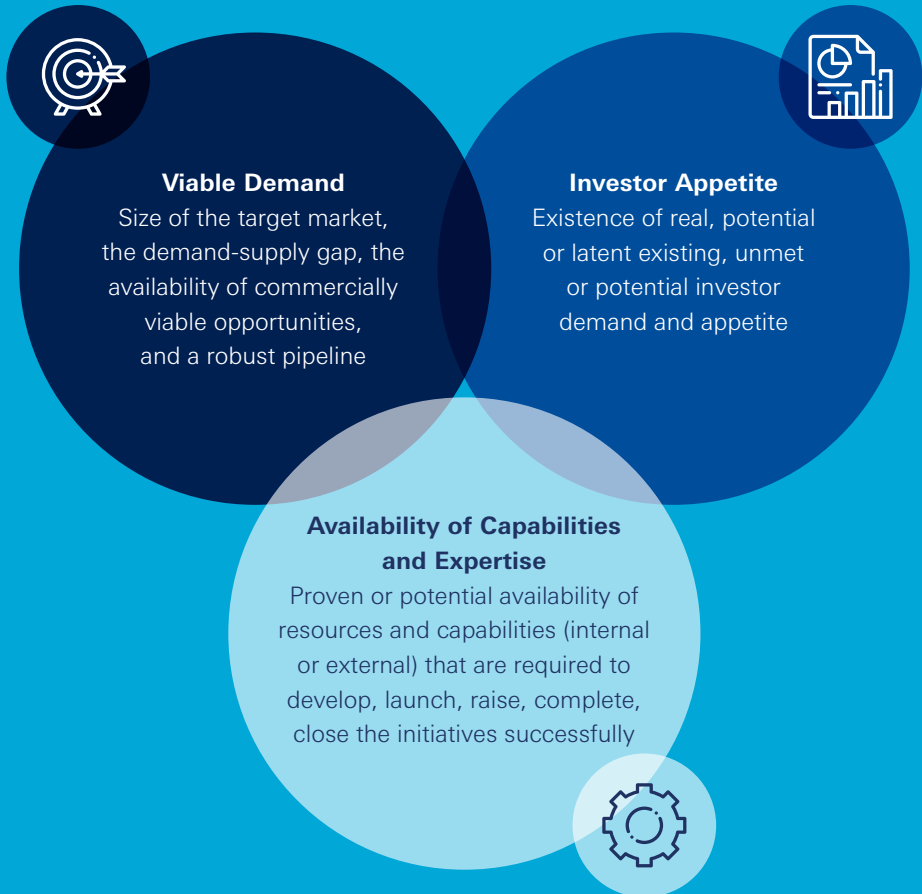
Creating  
environments  
ripe for growth

2.2.6.

Asset Management:  
ICD’s journey

ICD’s Asset Management (AM) team connects our clients with investment opportunities across emerging and developing markets. Those clients – including sovereign wealth funds, financial institutions, insurance companies, foundations, family offices and high-net worth individuals – are provided with fund management solutions spanning the full spectrum of asset classes.

Our investment opportunities cover diversified industries throughout a wide geographic footprint, with product offerings tailored towards unique return and risk objectives in more than 51 countries. ICD’s Asset Management investment teams have unrivaled experience and expertise, and partner with elite fund managers in the OIC region. Any partnership is complemented by robust processes and aligned with interlinked risk frameworks and bespoke investment guidelines. Our AM products include Money Markets, Sukuk, Public Equities, Small and Medium Enterprises (SMEs), and Private Equity.





Asset Management at ICD aims to create an environment ripe for the growth of Islamic finance, and to build partnerships with the private sector which enhance resource mobilization. The vision and philosophy of the ICD's AM business is derived directly from the core pillars of ICD's strategy, with the key objectives of our AM business illustrated below.

Since the AM team's formation in 2013, it has launched a lucrative product line catered not only to investors' wish lists, but targeting the most relevant market needs. Primarily, the team capitalizes on widening gaps in demand – or 'blue ocean opportunities' – that exist within the OIC markets.




**Income and Capital Markets Funds Program (ICMFP)**

The Income and Capital Markets Funds Program (ICMFP) develops, sponsors, launches and manages funds designed to provide investors with consistent, risk-adjusted returns, including a dividend stream on a monthly, quarterly or semi-annual basis. Funds are open-ended, and can include fixed income or capital market products. The fixed income funds offer low volatility, stable and competitive pay-outs, and generally provide medium-to-high liquidity solutions catered to the respective investor's appetite. Meanwhile the capital market products are geared for investors that seek intermediate to long-term capital appreciation in funds that invest in a portfolio of debt instruments and/or equities that are designed to outperform competitive benchmark indexes.

The ICMFP Program reached its peak in 2017 with a total Assets Under Management of approximately USD 540.0 million diversified in the following funds:

- i) Money Market Fund (MMF)
- ii) Unit Investment Fund
- iii) Corporate Premium Fund (CPF)
- iii) Trade Premium Fund (TPF)
- iv) Global Sustainable Fund (GSF) externally managed by Saturna Asset Management in Malaysia.



**ICD Money Market Fund (MMF)**

The Money Market Fund (MMF) originated as a USD 50.0 million seed investment from ICD in 2013, and is the first in-house managed fund. Positioned as a high-yield money market fund, in 2016 the MMF was awarded 'Best Shari'ah compliant Open-Ended High-Yield Income Fund (Since Inception)' and was also awarded 'Most Innovative Asset Management Firm 2016, APAC – MEA Region' by Wealth & Finance International.



**ICD Global Sustainable Fund (GSF)**

The Global Sustainable Fund (GSF) was launched in 2017, as the first sustainable Islamic Shari'ah compliant equities fund of its kind. The fund originated in Malaysia, investing in global capital stocks which adhered to a strict Environmental, Social and Governance (ESG) framework, with the objective of seeking long-term capital appreciation and income. The fund was launched with a capital commitment of USD 5.0 million, and to date, has managed to grow to an Assets Under Management (AUM) of USD 43.0 million.



**ICD Unit Investment Fund (UIF)**

As part of its resource mobilization agenda, the IsDB established the Unit Investment Fund (UIF) on the basis of a contractual Mudarabah in 1989. By 2008, in line with the IsDB Group private sector strategy, UIF's management was transferred by the IsDB (in its capacity as Mudarib) to ICD. UIF then became the private sector arm of the IsDB Group under a sub-Mudarabah arrangement. In 2013, ICD purchased all units of IsDB in UIF, and, after securing the approval of all UIF's unit-holders, restructured UIF into an open-ended Limited Liability Partnership (LLP) under the laws of Labuan, Malaysia. ICD renamed it ICD UIF.

The fund's principal objective is to achieve competitive, periodic returns by investing in viable and socially responsible opportunities conforming to both the principles of Shari'ah, and the Investment Policy of the fund. To achieve its investment objectives, the fund has, in the past, invested directly, or indirectly through the Fund Manager, in mostly member countries and with some exposure to non-member countries of IsDB. Presently, the fund has reached closure in terms of its objectives and natural lifetime. As a result, the fund is undergoing liquidation in best interest of its unit holders, with assets distributed to investors from present/upcoming periods.



**ICD Corporate Premium Fund (CPF)**

The CPF invests in viable corporate finance transactions in line with the principles of Shari'ah in high-growth frontier and emerging markets. Founded in 2016 with an initial capital base of USD 74.0 million, the fund made seven new investments in five sectors across four different countries in 2017. This head start, along with a solid pipeline of projects, has given CPF the power to make a significant impact in corporate investments in the coming years.



**ICD Trade Premium Fund (TPF)**

The TPF was launched in 2016 and was positioned to invest predominantly in premium-yield structured trade finance (STF) with an exposure to lucrative sovereign and bank-guaranteed trade finance. The fund aims to achieve superior returns by following its investment guidelines of strategic and tactical allocations. The key attractive features and the rationale behind TPF's value proposition include 'blue ocean' demand, having an attractive asset class with a high risk-to-reward ratio, and its developmental impact drivers.



## Success story

# Bringing valuable business into rich new markets

## Kingdom Installment Company (KIC)

KSA

Established in 2001, Kingdom Installment Company (KIC) provides Shari'ah compliant residential, automotive, land, and equipment-leasing services. Headquartered in Riyadh, KIC operates through six branches in Riyadh, Jeddah, Mecca, Medina, Dammam/ Khobar and Yanbu. Historically, KIC has mainly relied on retained earnings to finance its activities, resulting in a strong balance sheet with significant potential for extracting value through leverage. In 2013, ICD provided a total of USD 25.0 million in financing, in conjunction with UIF, allowing KIC to expand its coverage in KSA and to introduce new products such as yacht and airplane leasing for the purpose of penetrating the high-end consumer market.

## Success story

# Supporting growth in a strategic private sector company

## Advanced Energy Systems Company (ADES)

EGYPT, GULF OF SUEZ

Egypt is the largest non-OPEC oil producer in Africa, and the second-largest dry natural gas producer in the continent after Algeria. The country also serves as a major transit route for oil shipped from the Arabian Gulf to Europe and the United States. The country plays a vital role in international energy markets through its operation of the Suez Canal and Suez Mediterranean (SUMED) Pipeline. The CPF facility

which was approved and disbursed in 2017 was part of a larger syndication offered to investors. It was directed to finance the working capital requirement and acquisition of rigs for ADES – the largest Egyptian offshore driller by number of rigs in the Gulf of Suez. It has a market share of 46%, owning 6 of the 13 offshore units in the sector.

By 2015, the company completed its drilling of over 2,000 wells, adding more than 2 million sq. ft. to the accounts of over 50 clients. Along with promoting the Egyptian oil sector, the facility aimed to meet two developmental objectives: to support a 100% OIC private sector company in a strategic sector, and to create employment opportunities and promote Islamic finance in the country.





# SME & Private Equity Funds Platform

## SME Funds

**In emerging and frontier markets, entrepreneurs and business owners looking to start or grow SME businesses face significant challenges. Accessing adequate, affordable financing, expert business support and the market links needed to succeed can be difficult.**

SMEs are also considered too large for micro-finance, too small for traditional private equity and too risky for traditional security-based lenders as they're often informally structured in comparison to large corporates, lack security or a track record. As a result, many find themselves in the 'missing middle'.

### **ICD has created a solution.**

Through the ICD SME Program, we offer access to finance for the region's under-served SME sector through the deployment of mezzanine capital in well-planned, properly capitalized and skillfully-managed businesses. The program is composed of close-end funds which extend for a period of 8 to 12 years, offering long-term capital appreciation through equity exits, and are specifically tailored for the 'riskier' investor. The funds are geographically assigned and are managed externally, dependent on the manager's local excellence and their expertise in managing SMEs throughout their lifeline.

The platform strategically positions itself as a reference institution among the SMEs' investors, developing a cohesive and active partnership structure with development finance institutions, government backed funds, and foundations. An active role is projected onto the fund raising process and investor relations for ICD-sponsored SME-focused vehicles.

At present, ICD has two operational SME Funds; Saudi SME (Afaq) and Tunisia SME. The Saudi SME Fund is reaching a close, currently in its distribution phase, while the Tunisia "Theemar" fund continues to perform with successful exits in some of its underlying transactions.

## Private Equity Funds

**ICD's approach to private equity is exposed to highly volatile valuation environments within the OIC, demanding a solid asset management team. Similar to the SME funds' structure, ICD has partnered with well-renowned international firms who have solid expertise in their sector verticals to provide fund management and advisory services.**

Just as in the SME Program, these close-end funds extend for a period of 8 to 12 years, offer long-term capital appreciation through equity exits, and are designed for the riskier investor. The funds can be managed both externally, in cases where specific regional and sectoral expertise is required, or internally in cases where ICD possess strong internal capabilities and expertise in the given sector.

During 2015, ICD launched the Islamic Banks Growth Fund (IBGF) with

a first close of USD 100.0 million. IBGF targets Islamic retail banking in economies requiring high traction in Islamic finance, and leverages ICD's in-house expertise and core-competency in Islamic banking. The initial close was achieved in May 2017, with the fund investing in several banks across the globe since. IBGF offers a unique platform for investment for the development of the Islamic banking sector across various countries, with a view to generate attractive risk-adjusted financial returns.



2.2.7.

# Supporting a greater vision for our member countries

*Equity Operation:  
Solid Partnerships Over the Years*

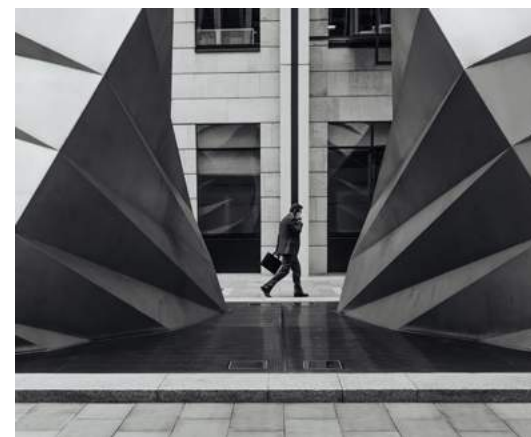
## Success story

### ICD's first equity investment

ISLAMIC INTERNATIONAL  
RATING AGENCY (IIRA)

The Islamic International Rating Agency (IIRA) was ICD's first ever equity investment, made in 2000. It marked the beginning for ICD's investment activities, ushering in the objectives and principles of ICD shareholders in helping to support the private sector in its member countries. From the onset, ICD saw the absence of an Islamic rating agency that understood the dynamics of Islamic financial institutions. As a result, we helped to launch the IIRA. The IIRA was set up with the ultimate objective of providing independent opinion to Islamic institutions (both financial and non-financial) and Sukuk issuances.

This investment was initially analyzed with a strategic focus, rather than a financial focus. This investment was considered a symbolic one by the ICD, helping to create an institution that could further assist us in achieving our own strategic goals. With many constraints and challenges, IIRA did not fully begin operations until July 2005 in Bahrain, but has since then provided capital market and banking sector ratings.





Success story

Helping Saudi citizens to own their own homes

BIDAYA HOME FINANCE (BHF)

As part of its strategy to develop the housing sector in its member countries, ICD has sponsored and helped to launch Bidaya Home Finance (BHF) in the Kingdom of Saudi Arabia. BHF was designed to be a leading provider of home finance in the rapidly developing residential real estate market of KSA.

Headquartered in Riyadh, BHF is a Joint Stock Company with a paid-up capital of SAR 900.0 million. In addition to the ICD, it benefits from the backing of the Saudi Public Investment Fund (PIF), which contributed 22% of the total capital of BHF, along with several prominent business names in the country. For its part, the ICD has invested SAR 100.0 million into the company.

BHF's mandate is to finance the development of the Saudi Arabian real estate sector through funding the purchase and building of available apartments, houses and residential complexes and buildings for the benefit of domestic buyers. BHF is set to develop the mortgage industry in Saudi Arabia, helping Saudi citizens to achieve the goal of owning their home. To date, the need for home financing in Saudi Arabia is estimated at over SAR 1.3 trillion.

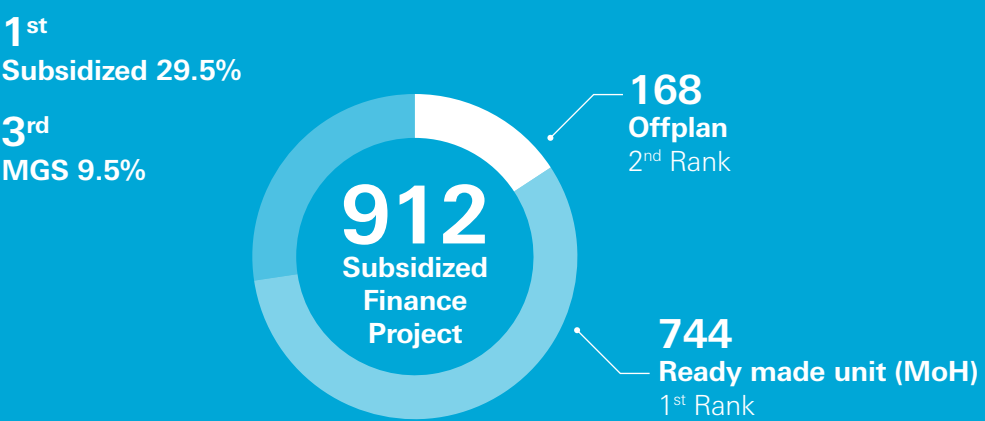
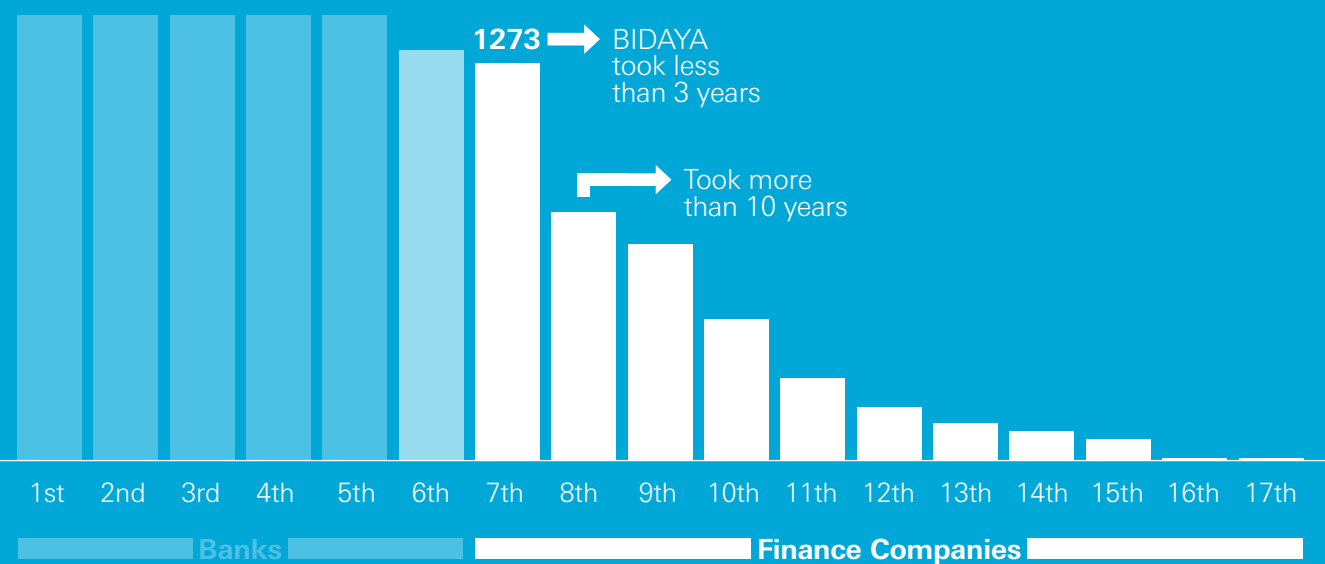
There is substantial demand for housing in KSA. 70% of the population rent their homes and new households are forming rapidly, with 60% of the population below the age of 30. Compounding this are the major urban centers like Jeddah, Riyadh, and Dammam, which are rapidly expanding, increasing the need for new dwellings.

BHF's vision of enabling home ownership for all is clearly demonstrated in its customer-centric approach, and in the wide range of home finance solutions it offers. The company strongly believes it can reach out to a majority of Saudi nationals unable to own a home due to the lack of suitable home finance options.

BHF's mission is to support Vision 2030 and deliver on the key strategic facets of its business. Its development of the housing industry has already brought a positive impact to the standard of living of more than 11,000 households through Islamic financing. We envision an even greater role for BHF within the Saudi financial ecosystem in the years ahead.



Bidaya Home Finance Factsheet





Success story

Assisting the vision of Islamic finance in Egypt

ENMAA IJARA COMPANY

One of ICD’s goals is to invest in and develop the African financial sector. In 2015 this led to the idea of establishing a leasing company, operating under the principles of Shari’ah, which would provide access to affordable Islamic finance for SMEs in Egypt.

This vision of launching a Shari’ah compliant leasing company was materialized in Egypt, when Enmaa Ijara Company (Enmaa) was established as a joint stock company, successfully starting its operations in 2016 with an initial paid-in capital of EGP 4.0 million. Currently, the paid-in capital stands at EGP 150.0 million (USD 21.0 million) divided between three shareholders, including ICD.

Enmaa provides multiple Shari’ah compliant leasing solutions, financing a variety of fixed assets for both large corporates and SMEs. It provides Direct Lease, Sale and Lease Back, SME Financing and Vendor Financing leasing products.

Enmaa set a new record by exceeding the sector benchmark when it skipped the break even barrier, achieving net profit in its first year. The company was successful in booking leasing deals of mortgages worth EGP 500.0 million, while establishing key partnerships with main business players in the Egyptian market over the past three years.

Enmaa also achieved high standards of customer satisfaction across all aspects of its business while complying with the Egyptian Financial Supervisory Authority’s (EFSA) regulations and Corporate Governance standards. As per EFSA’s report, the company was ranked 14th among 30 finance leasing companies operating within the Egyptian leasing sector nine months after its launch.





# Catalyzing business value through financial alliances



## Syndication Activities Since Launch

### 2.2.8.

Since its inception, the ICD syndication team have been working on a range of deals and structures to effectively catalyze, mobilize, and channel non-ICD funding to the private sector in our member countries.





## Supporting a multi-continental apparel empire

DeFacto Perakende  
Ticaret A.S

TURKEY

In 2017, ICD contributed USD 20.0 million as the Lead Arranger in a USD 65.0 million Syndicated Commodity Murabaha Financing Facility. This three-year funding arrangement was designed to help meet procurement and CAPEX financing requirements in both international and local projects.

DeFacto was established in 2004 and opened its first store that year. Within a decade it had become one of Turkey's leading ready-to wear apparel brands. Today, it's the second-largest apparel company in the country, with 283 domestic stores, and a network of 45 stores internationally, including in Kazakhstan, Egypt, Kosovo and Morocco.

## Helping build Indonesia's 'Most Profitable Company'

PT Mandala  
Multifinance TBK

INDONESIA

As the Lead Arranger, ICD contributed USD 10.0 million in a USD 25.0 million Syndicated Murabaha Financing Facility in 2011, and USD 25.0 million in a USD 45.0 million Syndicated Murabaha Financing Facility in 2013. The financing term of both the facilities was four years, with a purpose to finance the acquisition of new motor vehicles which would be leased to SMEs in Indonesia. Established in 1983, PT Mandala Multifinance TBK is a significant player in the Indonesian multi-finance industry, and was ranked 12th for its asset size in 2018.

PT Mandala Multifinance TBK has been listed on the Indonesian Stock Exchange since 2005, and ranked 3rd for 'Best Multifinance Company' for assets valued at IDR 1.0 trillion – 5.0 trillion by the Indonesian Financial Services Association (APPI) in 2018. In the same year, the company also received the 'Most Profitable Company' award from InfoBank magazine.

## Accelerating the growth of Turkey's 'Preferred Citizen's Bank'

Vakif Katilim  
Bankasi A.S

TURKEY

ICD contributed EUR 20.0 million as the Mandated Lead Arranger in a EUR 82.0 million and USD 145.0 million Dual Currency Syndicated Murabaha Financing Facility in 2018. This one year arrangement was designed to support general funding and trade finance purposes.

Vakif Katilim Bankası A.Ş. was established on 25 June 2015 with a goal of becoming the leading participation bank in Turkey, planning to accelerate this plan with the additional capital support received over the following four years.

In order to reach its goal, the bank set its target to make use of new technologies for mass banking, and in retail banking particularly, to become the preferred citizen's bank. The bank will also continue its efforts to finance new projects, and continue to actively support the real economy, helping to grow the market share of participation banks in Turkey to new heights.





# Supporting financial, environmental and social sustainability

## Line of Finance Activities

### 2.2.9.

To date, the Line of Finance team has forged significant partnerships with Islamic financial institutions as well as conventional banks including commercial banks, development banks, investment banks, investment holding companies, leasing companies, and microfinance companies. This is in line with its efforts to facilitate ICD in promoting Islamic finance, supporting private sector development and improving financial inclusion in its member countries with special focus on contributing to the UN's Sustainable Development Goals.



# Extending a helping hand to the Republic of Mozambique

## Banco Nacional de Investimento (BNI)

### MOZAMBIQUE

In 2015, the EXCOM of the Board of ICD approved a USD 30.0 million Global Line of Finance to the Republic of Mozambique. Being the first local investment bank, and the 11th largest bank in Mozambique, LOF soon extended a facility to BNI for USD 20.0 million in 2016. The bank's main areas of activity are within infrastructure, natural resources, agriculture, corporates, and SME project financing. BNI also provides advisory services, arranges bank syndicates and extends medium-to-long-term credit as part of its structured finance for key Mozambique development projects.

The LOF facility held a 5-year tenor. As BNI is a wholly-owned government bank, it does not qualify for ICD's financing, according to its Articles of Agreement and Investment Guidelines. The only possible option available was a Wakalah structure. The Line was provided mainly for the benefit of eligible project companies and deployed through BNI in its capacity as ICD's agent.



# Helping a government-owned bank achieve its development objective

## Banque Misr

### EGYPT

In 2016, the ICD EXCOM approved a USD 25.0 million LOF facility to Banque Misr (BM), based in Egypt. The facility was a joint effort, with Credit Suisse and Abu Dhabi Islamic Bank Capital (ADIB Capital) also mandated in order to arrange up to USD 350.0 million of 5-year facility. This facility needed to be secured by guarantee from the Central Bank of Egypt, as finance for the wholly government-owned Banque Misr: the second-largest bank in Egypt by asset size.



The financing was split into two tranches; a 'conventional' tranche, and a Shari'ah compliant tranche, and was used for trade finance and other on-lending purposes. This facility was aimed to strengthen the long-term financial resources of Banque Misr, helping it to achieve its developmental objectives. Disbursement was performed through a Commodity Murabaha mode of financing.

The bank's business lines include corporate banking, retail banking, SME banking, capital markets and Islamic banking. ICD obtained a commitment from Banque Misr, who agreed to only use ICD's funds to support private sector projects. To ensure this commitment was upheld, a follow up and reporting mechanism was put in place to control and monitor the appropriate use of ICD's Line of Financing facility.



# Providing high-quality production



## SAFALIM Printing and Packaging SA Coris Bank International Mali (CBI-Mali)

In 2017, ICD approved a EUR 6.0 million Line of Financing (LOF) facility with a 5-year tenor for Coris Bank International Mali (CBI MALI), operating in the Republic of Mali. The project resulted from previous experience ICD had with CBI Mali's sister company, Coris Bank International Burkina (CBI Burkina), which had been awarded ICD's best client during IsDB's annual meeting in 2017.

Among the end beneficiaries of ICD's facility, SAFALIM Printing and Packaging SA is a positive example of South-to-South cooperation. Founded in the 1960s, SAFALIM SA is a Malian private company specializing in the production of food products, printing and packaging. So the company could extend its operational and technical capacities, SAFALIM opened its shareholding to El Safa Printing & Packaging.

As part of its Islamic financing operations, Coris Bank International Mali approved the purchase of a top-of-the-range printing machine for SAFALIM. The equipment would come directly from the manufacturer – Koenig & Bauer Sheefed AG & Co.KG – based in Germany. The acquisition of the equipment amounted to EUR 1.5 million, and was financed through ICD's facility with the Murabaha financing structure.

There have been numerous positive outcomes highlighted as a result of this transaction, with a greatly encouraging developmental impact. In addition to the creation of more than 200 jobs, the extension of SAFALIM's manufacturing capacity was evidence of the evolution of their competency, expertise and technological capability. Many of the engineers from SAFALIM's technical partner have also temporarily relocated to Mali to work closely with the business' employees, and share knowledge and expertise. SAFALIM's market reach covers a number of countries in the west and central African region, including Senegal, Côte d'Ivoire, Togo, Ghana, Guinea and the Congo. Due to the growing demand of high-quality packaging products in the sub region, SAFALIM is planning to open a second factory to increase its production capacity even further.

## Success story

# Albaraka Turk Participation Bank (Albaraka Turk)

In line with its mandate to promote Islamic banking and support private sector development in its member countries, ICD extended a USD 40.0 million Line of Financing facility to Albaraka Turk Participation Bank amid difficulties the Turkish economy was facing. This difficulty arose after major currency devaluation which had begun in 2018, and led to a liquidity squeeze in the market.

Albaraka Turk is known as the first participation bank in Turkey, offering retail, SME/corporate, and investment banking services across its 215 branches spread across Turkey and abroad. The facility will be used to support eligible private sector companies in the country, and its extension will not only assist SMEs in overcoming the economic downturn, but also benefit banking products which adhere to Shari'ah principles.





# Awards & Recognition

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## Outstanding Contribution to ESG Responsible Financial Innovation Global 2019

Capital Finance International (CFI) 2019

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## The Best Human Capital Development Program 2017

Global Islamic Finance Awards (GIFA)

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## ‘Africa Deal of the Year’ for its role in the CFA 100 billion inaugural sovereign Sukuk from the Republic of Senegal in July

Islamic Finance News (IFN) 2015

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## Best Islamic Finance Initiative Award

African Banker Magazine 2015

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## Sovereign Deal of the Year 2016

Islamic Finance News (IFN) 2017

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## The Most Outstanding Institution for Contribution to Islamic Finance

Kuala Lumpur Islamic Finance Forum (KLIFF) 2015

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## ‘Cross-border Deal of the Year’ for its landmark USD 100 million commodity Murabahah transaction with Bank of Tokyo-Mitsubishi UFJ in September

Islamic Finance News (IFN) 2015

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## Best Development Bank

CPI Financial 2015

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## The Islamic Economy Award – The Money and Finance Category

Dubai Chamber of Commerce and Industry and Thomson Reuters 2015

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## Islamic Bank of the Year

ACQ Global Awards 2014

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## Best Development Bank

CPI Financial 2014

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## Best Islamic Leasing Provider and Best Islamic Finance Advisor

CMO Organization 2014

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## Best Islamic Financial Initiative

Tatweej Academy for Excellence Awards 2013

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## The Award of Excellence for Outstanding Contribution to the Development of Islamic Finance in the Private Sector

The London Sukuk Summit 2015

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## Best Private Sector Developer – Middle East

IAIR Awards on Global Economy and Sustainability 2014

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## Excellence in Development of the Islamic Private Sector – MENA

International Finance Magazine 2014

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## Islamic Banking Business Excellence Award

Acquisition International Magazine 2014

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## The Institutional Excellence Award 2012

The World Islamic Banking Conference (WIBC) 2012





# 20 Years is Just the Beginning

*Moving Forward and  
Building the Strength  
of our Organization*

## 3.1.

### New Strategy and Business Model

Our strategic goal to be the catalyst for private sector development in our member countries is supported by five key pillars. In alignment with our agreement and investment guidelines, these five pillars place the private sector in full focus. Central to our strategy is our ambition to serve the private sector within our member countries through the financial institutions in our network, mobilizing additional private sector resources and multiplying our development impact.

## 01

### We focus our core offering on financial institutions

Our future business is focused on our existing large network of financial institutions (FIs) and on our established product offering. By continuing to develop our FI network, creating a stronger financial ecosystem in our member countries bolstered by tailored product offerings, we can multiply our development impact. Additionally, we will establish our Global Private Sector Platform as a key enabler of our business transactions, and as a means to strengthen the collaboration within our FI network.



# 02

## **We implement new innovative products and channels**

To prepare for future growth and increase our competitiveness in the market, we introduce new solutions that will complement our current offering. Our suite of new products and services will mobilize assets for corporates and SMEs, bolstering private sector strength and activity (i.e. shared term finance, asset management services), and enable our FI network to increase their impact in the real sector (i.e. Shari'ah compliant brokerage and guarantee offering). As a new and innovative channel, we will establish our Global Private Sector Platform to strengthen collaboration within our network.

# 03

## **We grow our business in a financially sustainable way**

So we can deliver on our mandate and ensure financial sustainability for the future, we will put increased attention on financial sustainability and focus our efforts on sustainable and capital-efficient business for ICD. We will discontinue non-profitable and non-core business lines, increase off balance-sheet income streams and improve our operational efficiency. By tackling both income and outgoings, we will achieve financial sustainability for years to come.

# 04

## **We serve member countries based on their development needs**

Development impact is at the core of all our activities. Creating development impact in member countries requires a targeted and well-structured approach. To achieve it, we will adjust our product and service offerings, as well as our coverage model, to meet the development needs of our member countries. By applying an in-depth understanding of our target markets, we can deliver a direct development impact in the real sector with dedicated high-impact programs. To ensure accountability at ICD, we will continue to track and measure our development impact based on our scorecard, and to transparently communicate effectiveness via dedicated external reports.

# 05

## **We deepen our collaboration within IsDB Group, with financial institutions and partners**

At ICD, we see huge potential for increased collaboration. Collaboration with other IsDB Group entities, FIs within our network, other MDBs and international investors will help us to increase our efficiency and effectiveness. Plus, these partnerships can help us enhance our capabilities and build the strength of our brand within the development finance market. Internally, we will seek to increase collaboration across multiple dimensions, from our market approach to co-financing products. Externally, we are creating stronger partnerships with financial institutions and multilateral development banks within our network through advisory and co-financing opportunities.



# ICD's 10-Year Targets (2020-2029)

Looking forward to the 2030 horizon, ICD has formulated eight concrete overarching goals. These measurable objectives will allow us to systematically track our progress, both on developmental impact and financial sustainability.

Creating and sustaining <b>550,000</b> jobs	Reaching <b>95,000</b> MSMEs with financial and/or technical assistance
Providing access to Islamic finance for <b>1,000,000</b> people	Generating <b>USD 11.5 billion</b> in disbursements
Maintaining and further improving our credit rating	Generating a return on equity (RoE) of <b>4-5%</b>
Achieving a cost-to-income ratio of <b>30%*</b>	Setting up and scaling a digital Global Private Sector Platform

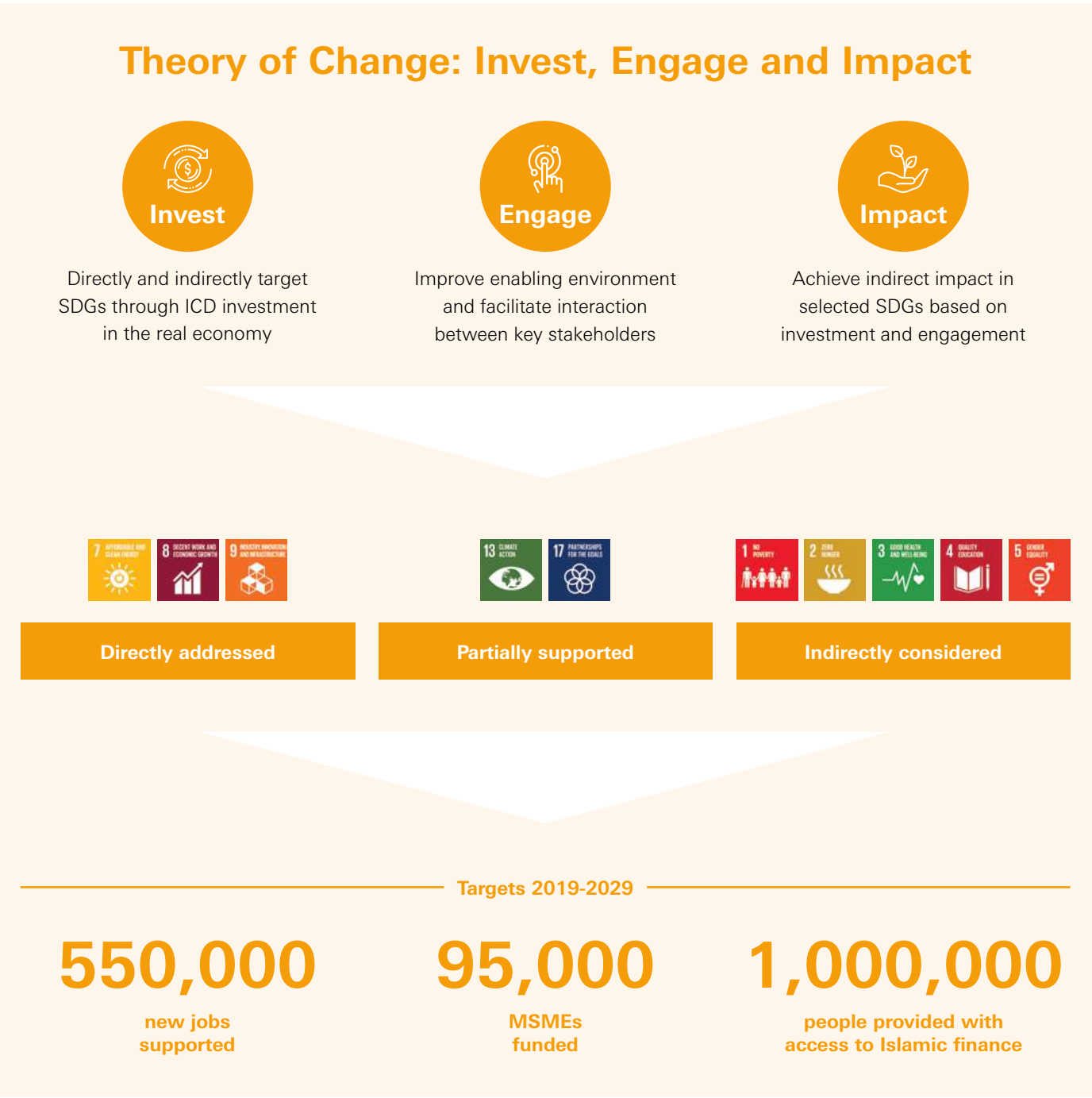
\* Excluding funding





# Commitment to SDGs

The world requires fundamental changes for sustainability, and as a private sector development financial institution, we believe it is important for businesses to be part of the solution. ICD is committed to the UN Sustainable Development Goals (SDGs), and we focus on implementing and incorporating long-term strategies and operations that empowers the private sector of our member countries to create scalable impact and drive prosperity. We aim to enhance our development effectiveness by considering 10 UN SDGs through our “theory of change” – Invest, Engage, and Impact.



# 2019 Development Effectiveness Survey Results



**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 2019 Annual Development Effectiveness Report.



# Our Organization and Governance



## IsDB President Appointment

Following the retirement of Dr. Ahmad Mohamed Ali as the President of IsDB, the General Assembly elected Dr. Bandar bin Mohammed Hamza Hajjar as President of IsDB for a term of five years from October 1 2016.

## General Assembly

The General Assembly is the highest authority of ICD, representing its member countries and institutions. Its main functions are to establish the policies governing ICD's work, and providing general supervision of the corporation.

When the inaugural meeting commences, the General Assembly will elect a representative from one of ICD's member countries to act as Chairman, plus an additional member country representative to act as Vice Chairman until the end of the first annual meeting of the General Assembly. At the end of each annual meeting, the General Assembly will again elect a representative of a member country to serve as a Chairman, plus another representative of a member country to serve as Vice Chairman until the end of the next annual meeting.

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

## Board of Directors (BOD)

The BOD is mainly responsible for the adoption of policies, 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, and is chaired by the President of the IsDB Group. Other members include: the representatives of IsDB; member country groups from Africa, Asia, and Arab Asia; public financial institutions; and a permanent member from Saudi Arabia (representing the largest shareholder after IsDB).

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

Members of the BOD appointed by the Bank shall have the votes of the Bank divided equally among them, and each member of the BOD 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 the ICD were entitled to.

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



Board of Directors as of end 2019



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



Dr. Abdalnasr Mohamed Omar Abouzkeh



Dr. Ali Jannati



Dr. Fahad M. Al-Turki



Mr. Fredrick Twesiime Tabura



Mr. Justin Damo BARO



Mr. Nabil S. Al-Abdul Jalil



Dr. Rami M. S. Ahmad



Mr. Ulan Aiylchiev



Ms. Zeina Zeid Toukan

Executive Committee Members of the Board as of end 2019

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 Saudi Arabia respectively. The EC members are rotated on a yearly basis, enabling all Board members the opportunity to serve on the committee.

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

Dr. Abdalnasr Mohamed Omar Abouzkeh

Dr. Ali Jannati

Dr. Fahad M. Al-Turki

Ms. Zeina Toukan

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 the ICD. The BOD appointed Mr. Ayman Amin M. Sejiny as the Chief Executive Officer of ICD in December 23 2018 for a three-year term.



Shari’ah Board

In 2012, the ICD Shari’ah Board was subsumed with that of IsDB, forming the IsDB Group Shari’ah Board. It’s responsible for advising the IsDB Group on the

Shari’ah compliance of its products and transactions. The Board consists of the following eminent scholars:

Dr. Hussein Hamed Sayed Hassan (Chairman)

Dr. Abdulsattar Abughuddah (Vice Chairman)

Shaikh Abdulla Bin Sulaiman Al Manea

Shaikh Mohammad Ali Taskhiri

Shaikh Muhammad Taqi Usmani

Dr. Mohamed Raougui

Dr. Muhammad Syafii Antonio

Audit Committee

The BOD appoints an Audit Committee from among its members, which 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.

Dr. Fahad M. Al-Turki (Chairman)

Dr. Abubaker Ali Omer Bagabir

Mr. Fredrick Twesiime Tabura

Mr. Nabil S. Al-Abdul Jalil



ICD Management\*



Mr. Ayman Amin Sejiny, CEO



Mr. Tahir Naseem, Legal  
Advisor-CEO and Acting  
Director of Legal Department



Mr. Mohammed Ali  
Al-Ammari, Director of  
Internal Audit Department



Mr. Ikbal Daredia, the Advisor  
to the CEO, Acting Director of  
Direct Investment & Financing  
Department (Global Markets & Fixed  
Income Department) and Acting  
Director of Treasury Department



Mr. Seedy Keita, Director  
of Finance Department



Mr. Abdullah Khatib, Director of  
Asset Management Department



Mr. Aamir Khan, Director of  
Financial Institutions Development  
Department (Global Markets  
Equity Department)



Dr. Mohammed Alyami,  
Director of Development  
Effectiveness Department



Mr. Osman Buyukmutlu, Director  
of Strategy, Policy & Research  
Department and Acting Director  
of Corporate Support Department



Mr. Muhammad Hasan Mahmud,  
Acting Director of Risk  
Management Department



\*as of 31 December 2019



# ICD Products, Processes and Results Measurement

## 3.3.

### Three Global Business Products

ICD is in a unique position, offering 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.



#### 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 which 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 financing institutions in member countries in order to indirectly finance their small and medium enterprises (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.

##### **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.

#### Advisory Services

ICD provides a variety of advisory services to 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.

#### Asset Management

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



3.4.

Results Measurement

Increasing demand from stakeholders for demonstrated results, coupled with the attempts to harmonize results reporting by partner Multilateral Development Banks (MDBs) has led ICD to take effective measures to internalize its

results measurement. As a result, the ICD Board has approved a Development Effectiveness Policy (DEP) and Development Effectiveness Framework (DEF).

DEP details the role and responsibilities of the monitoring and evaluation mandate, as well as the guiding

principles, norms and standards needed to implement this system. DEF takes into consideration the new strategic orientation of the organization, measures the development results, harmonizes reporting with other MDBs, and promotes learning across all operational units of the organization.

Project Cycle

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



Four-Dimensional Development Effectiveness

Overall, development outcomes in ICD have four dimensions, largely based on the Evaluation Cooperation Group (ECG) Good Practice Standards for evaluation of private sector operations. The fourth category relates to ICD's main mandate and objective for private sector development and the promotion of Islamic finance.

The following figure demonstrates the typical business deal cycle ICD follows when exploring an investment project.







# 3.5.

## Our People

**Over 20 years of development, ICD has spanned geographies, economies and languages, yet our people are remarkably few in number. We only select the best and brightest to join our team, giving them world-class training and development opportunities.**

In 2019, ICD employed 195 people. Of these, 177 employees – or 90% – are based in our Jeddah headquarters, and the others within our regional and country gateway offices. As part of the IsDB Group’s decentralization strategy, we are continuing to increase our regional and country representatives. In 2019, ICD recruited 12 new staff members, representing 11 different nationalities, further diversifying and enhancing the representation of member countries within our team.

### Learning and Development

We offer our people a rich array of opportunities to enhance their skills and broaden their knowledge, so they can excel, and contribute, as ICD continues to outperform other Islamic financial institutions.

#### Islamic Finance Talent Program (MIRAS)

In 2013, ICD launched its own Islamic Finance Talent Program (MIRAS): a two-year program addressing the needs of the wider Islamic finance industry. Through MIRAS, we have built a pool of highly talented, young Islamic finance executives who can support ICD channels, as well as investees’ current and future business requirements.

The program was designed to provide participants with an Islamic finance experience through a combination of on-the-job rotational assignments, classroom training, and coaching sessions. Participants received a Masters’ degree in Islamic finance from a top European business university. The program has successfully graduated six cohorts since its inception, boosting the Islamic finance industry with more than 70 talented professionals and leaders.

#### ICD Corporate MBA

Our HR team have also launched the ICD Corporate MBA. Due to its success, ICD went on to partner with the IE Business School: one of the best and highest-ranking business schools in the world, delivering our 15-month degree-awarding program. Students are taught general management knowledge alongside skills with a concentration on finance.

#### Language Learning Opportunities

In 2019, ICD signed an agreement with US-based Berlitz Centre – a highly-distinguished and world-renowned center – to deliver language learning programs, specifically Arabic and English languages. The HR team ran the first-level sections of the Arabic and English classes that year, with plans to add French classes in the future.

#### High Potential Program (HIPO)

The High Potential Program (HIPO) is a one-year thematic gamified learning journey. This unique program has been built to use the power of games to motivate and engage through multi-disciplinary learning; including classroom training, games-based training, flexible training, coaching and mentoring sessions. The aim of the program is to spot and develop the next class of high-potential leaders within our organization, accelerate and fast-

track the progression trajectory of individuals who possess exceptional skill, and to help us retain ICD’s top talents, preserving our critical workforce. The first intake was in early 2019, consisting of 14 of the most distinguished employees within different dimensions of ICD’s business.

### Fostering a Positive Culture and Environment

Our people are at the heart of what we do. At ICD, we recognize that investing in our people and fostering a positive culture leads to better business outcomes. Our People Strategy ensures we hire the best talent, placing them in an environment where they can grow and thrive. We bolster this by delivering excellent career development opportunities where people are supported by great managers, in a workplace which cares deeply about the success of its people.

In 2019, we continued to implement a range of HR and organizational development (OD) initiatives to support culture change and position ICD as a leader in HR practice across the global multilateral development banking (MDB) industry. These initiatives are primarily linked to our HR strategy and vision, some of which include developing an induction tool kit, reviewing and improving performance management effectiveness, enhancing the ICD competency framework, improving managerial coaching skills, and putting ICD’s corporate values into practice.



Annex 1: Approvals and Disbursements Since Inception

Country	Gross Approvals (USD million)	Disbursements (USD million)
Albania	4.3	4.1
Algeria	33.0	–
Azerbaijan	143.8	102.9
Bahrain	83.8	18.2
Bangladesh	338.4	247.3
Benin	13.2	–
Brunei	3.7	–
Burkina Faso	43.9	18.8
Cameroon	45.0	17.1
Chad	28.2	5.5
Côte d'Ivoire	157.0	–
Djibouti	4.0	4.0
Egypt	261.5	200.9
Gabon	46.7	–
Gambia	27.4	6.2
Guinea	2.8	3.0
Indonesia	170.8	60.8
Iran	164.9	36.3
Iraq	25.0	–
Jordan	109.1	49.4
Kazakhstan	242.8	34.0
Kuwait	14.1	14.1
Kyrgyzstan	49.9	22.1
Lebanon	7.0	–
Libya	76.0	10.0
Malaysia	109.7	100.5
Maldives	33.4	31.4
Mali	80.8	55.6
Mauritania	79.0	57.7
Morocco	20.4	20.4
Mozambique	40.0	20.1
Niger	21.4	13.2
Nigeria	342.6	143.2
Pakistan	274.9	82.0
Palestine	7.0	4.0
Qatar	46.2	–
Saudi Arabia	596.0	360.1
Senegal	167.2	88.1
Sierra Leone	6.0	12.0
Sudan	79.6	52.8
Suriname	2.0	–
Syria	152.5	56.3
Tajikistan	54.5	42.4
Tunisia	54.7	51.6
Turkey	555.9	289.6
Turkmenistan	2.5	–
UAE	93.9	50.9
Uganda	65.0	–
Uzbekistan	398.9	309.6
Yemen	177.3	99.7
Regional	975.7	618.5
Total	6533.4	3414.4

Annex 2: Glossary of Acronyms and Abbreviations

AUM	Assets Under Management
BOO	Build-Own-Operate
BOAD	Banque ouest-africaine de développement
BRAVE	Business Resilience and Assistance for Value-adding Enterprises
CAGR	Compounded annual growth rate
CPPA-G	Central Power Purchasing Agency
DEF	Development Effectiveness Framework
DEP	Development Effectiveness Policy
DFI	Development financial institution
EAIF	Emerging Africa Infrastructure Fund
GCC	Gulf Co-operation Council
HFO	Heavy fuel oil
HFO-fired	Heavy fuel oil (HFO)-fired power plant
ICD	Islamic Corporation for the Development of the Private Sector
IFI	International financial institution
IPP	Independent power plant
IsDB	Islamic Development Bank
IDCOL	Infrastructure Development Company Limited
ITFC	International Islamic Trade Finance Corporation
KSA	Kingdom of Saudi Arabia
LOF	Line of Finance
MENA	Middle East and North Africa
MDFI	Multilateral development financial institution
MDB	Multilateral development bank
MSME	Micro, small- and medium-sized enterprise
NBFI	Non-Bank Financial Institution
NPL	Non-performing loan
OFID	OPEC Fund for International Development
OIC	Organization of Islamic Cooperation
SDG	Sustainable Development Goals
SME	Small- and Medium-sized Enterprise
SPV	Special-purpose vehicle
SRI	Socially Responsible Investment
TA	Technical Assistance

Annex 3: Financial Highlights

	2019 USD	2018 USD	2017 USD
<b>Statement of Income:</b>			
Total Income	(52,287)	(281,666)	(61,943)
Total Operating Expenses	53,560	43,921	45,077
Net Income	(105,847)	(325,587)	(107,020)
<b>Balance Sheet:</b>			
Liquid Assets	1,180,841	1,531,382	1,296,629
Net Operating Assets	1,258,498	1,450,485	1,572,531
Other Assets	89,756	88,961	131,500
Total Assets	2,529,095	3,070,828	3,000,660
Financing & Long-Term Debt	1,481,973	2,019,553	1,877,475
Equity	966,890	1,003,990	1,062,508
<b>Ratios:</b>			
Return on Average Assets	-3.78%	-10.73%	-3.84%
Return on Average Equity	-10.74%	-31.51%	-10.26%
Debt to Equity	153.27%	201.15%	176.70%
Equity to Assets	38.23%	32.69%	35.41%
Liquidity to Total Assets	46.69%	49.87%	43.21%



# Financial statements and independent auditor's report

For the year ended  
31 December 2019

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# 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 financial statements**

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the Corporation) as at 31 December 2019, and the related statements of income, changes in members' equity and cash flows for the year then ended. These financial statements, and the Corporation's undertaking to operate in accordance with Shari'ah, are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2019, and of the results of its operations and its cash flows for the year then ended, in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group ("IsDBG") and the financial accounting standards issued by AAOIFI.

for Ernst & Young



**Ahmed I. Reda**  
Certified Public Accountant  
License No. 356

30 Sha'ban 1441H  
23 April 2020

Jeddah



# Statement of financial position

As at 31 December 2019

Assets	Notes	31 December 2019 USD	31 December 2018 USD
Cash and cash equivalents	5	98,851,312	662,847,206
Commodity Murabaha and Wakala placements	6	283,203,398	115,287,311
Sukuk investments	7	798,786,484	753,247,701
Murabaha financing	8	220,882,735	293,594,682
Installment sales financing	9	455,467,911	509,563,471
Ijarah Muntahia Bittamleek (IMB), net	10	211,538,075	162,159,796
Istisna'a assets		21,485,460	22,882,095
Equity investments	11	349,124,109	462,284,924
Other assets	12	89,541,673	88,754,570
Property and equipment		214,509	206,834
<b>Total assets</b>		<b>2,529,095,666</b>	<b>3,070,828,590</b>

## Liabilities and members' equity

Liabilities	Notes	31 December 2019 USD	31 December 2018 USD
Sukuk issued	13	300,000,000	980,000,000
Commodity Murabaha financing	14	1,181,972,921	1,039,552,869
Accrued and other liabilities	15	47,557,563	31,641,685
Employee pension liabilities	16	31,425,453	14,650,523
Amounts due to ICD Solidarity Fund	17	1,249,356	993,175
<b>Total liabilities</b>		<b>1,562,205,293</b>	<b>2,066,838,252</b>

Members' equity	Notes	31 December 2019 USD	31 December 2018 USD
Share capital	18	1,394,376,616	1,310,932,808
Accumulated losses	19	(402,893,778)	(297,046,695)
Actuarial losses		(24,592,465)	(9,895,775)
<b>Total members' equity</b>		<b>966,890,373</b>	<b>1,003,990,338</b>

<b>Total liabilities and members' equity</b>		<b>2,529,095,666</b>	<b>3,070,828,590</b>
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# Statement of income

For the year ended 31 December 2019

	Notes	31 December 2019 USD	31 December 2018 USD
<b>Income</b>			
<b>Treasury assets</b>			
Commodity Murabaha and Wakala placements		15,733,670	13,687,008
Sukuk investments		49,087,935	12,235,176
		<b>64,821,605</b>	25,922,184
<b>Equity investments loss, net</b>	11.4	<b>(107,188,397)</b>	(241,960,520)
<b>Financing assets</b>			
Murabaha financing		11,614,705	13,531,630
Installment sales financing		26,225,042	30,900,860
Ijarah Muntahia Bittamleek (IMB), net	21	13,727,177	8,622,865
Istisna'a assets		1,169,074	899,496
		<b>52,735,998</b>	53,954,851
Impairment allowance for financing assets	22	(14,885,698)	(79,332,297)
Financing cost		(57,676,414)	(58,194,136)
Fair value gain on Islamic derivatives net of exchange loss	23	4,988,477	8,058,041
<b>Other income</b>			
Administrative fees		2,789,699	7,611,180
Management fees		365,395	1,587,529
Advisory fees		1,762,330	687,379
		<b>4,917,424</b>	9,886,088
<b>Total operating loss</b>		<b>(52,287,005)</b>	<b>(281,665,789)</b>
Staff costs		(40,911,833)	(34,908,363)
Other administrative expenses		(12,530,921)	(8,868,074)
Depreciation		(117,324)	(144,629)
<b>Total operating expenses</b>		<b>(53,560,078)</b>	<b>(43,921,066)</b>
<b>Net loss</b>		<b>(105,847,083)</b>	<b>(325,586,855)</b>
Shari'ah non-compliant income	17	319,405	63,107
Transferred to ICD Solidarity Fund	17	(319,405)	(63,107)
<b>Total Shari'ah compliant loss</b>		<b>(105,847,083)</b>	<b>(325,586,855)</b>



# Statement of changes in members' equity

For the year ended 31 December 2019

	Share capital USD	Accumulated losses USD	Net loss USD	Actuarial losses USD	Total USD
Balance at 31 December 2017	1,047,414,212	28,540,160	-	(13,446,455)	1,062,507,917
Contributions during the year	263,518,596	-	-	-	263,518,596
Net loss for the year	-	-	(325,586,855)	-	(325,586,855)
Transfer to reserve	-	(325,586,855)	325,586,855	-	-
Actuarial gain for the year from the pension schemes (note 16.3)	-	-	-	3,550,680	3,550,680
Balance at 31 December 2018	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)
<b>Balance at 31 December 2019</b>	<b>1,394,376,616</b>	<b>(402,893,778)</b>	<b>-</b>	<b>(24,592,465)</b>	<b>966,890,373</b>

# Statement of cash flows

For the year ended 31 December 2019

Operating activities	Notes	2019 USD	2018 USD
Net loss for the year		<b>(105,847,083)</b>	(325,586,855)
<i>Adjustments for:</i>			
Fair value loss on equity investments, net	11	<b>100,809,662</b>	242,177,673
Financing cost		<b>57,676,414</b>	58,194,136
Depreciation		<b>19,117,091</b>	24,760,827
Impairment allowance	22	<b>14,885,698</b>	79,332,297
Provision for employee pension liabilities		<b>5,952,077</b>	3,503,716
Assets written off		<b>102,432,933</b>	
Unrealized fair value (gain) / loss on Sukuk investments		<b>(26,168,216)</b>	13,392,946
Gain on Islamic derivatives net of currency losses	23	<b>(4,988,477)</b>	(8,058,041)
		<b>163,870,099</b>	87,716,699
<i>Changes in operating assets and liabilities:</i>			
Commodity Murabaha and Wakala placements		<b>(170,944,431)</b>	30,372,342
Sukuk investments, net of fair value loss		<b>(19,370,567)</b>	(153,215,341)
Murabaha financing, net of impairment		<b>52,387,740</b>	399,228
Installment sales financing, net of impairment		<b>37,868,091</b>	(103,971,562)
Ijarah Muntahia Bittamleek, net of impairment		<b>(75,531,706)</b>	(45,130,223)
Istisna'a assets		<b>1,396,635</b>	(4,311,862)
Equity investments, net		<b>12,351,153</b>	(9,432,215)
Other assets, net of impairment		<b>(68,963,525)</b>	(658,379)
Accrued and other liabilities		<b>13,343,847</b>	(8,601,083)
Amounts due to ICD Solidarity Fund		<b>256,181</b>	(46,346)
Cash used in operations		<b>(53,336,483)</b>	(206,878,742)
Financing cost paid	11	<b>(55,104,383)</b>	(49,506,445)
Employee pension liabilities paid		<b>(3,873,837)</b>	(2,700,000)
Net cash used in operating activities		<b>(112,314,703)</b>	(259,085,187)
<b>Investing activity</b>			
Purchase of property and equipment		<b>(124,999)</b>	(5,066)



Financing Activities			
Repayment of Sukuk issued		(680,000,000)	(200,000,000)
Proceeds from Commodity Murabaha financing		484,000,000	340,884,940
Repayments of Commodity Murabaha financing		(339,000,000)	-
Share capital contribution		83,443,808	263,518,596
Net cash (used in) / from financing activities		(451,556,192)	404,403,536
Net (decrease) / increase in cash and cash equivalent		(563,995,894)	145,313,283
Cash and cash equivalent at the beginning of the year		662,847,206	517,533,923
Cash and cash equivalent at the end of the year	5	98,851,312	662,847,206

# Notes to the financial statements

## At 31 December 2019

### 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 presentation

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari’ah rules and principles, as determined by the Shari’ah 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 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 IFRSs 10 and 12, in so far it relates to the adoption of amendments related to investment entities.

### Investment entity

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

The Corporation meets the definition and typical characteristics of an “investment entity” as described in the amendments. In accordance with the amendments, an investment entity is required to account for its investments in subsidiaries and associates at fair value through statement of income.

### 3. Summary of significant accounting policies

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

### Accounting convention

The financial statements are prepared under the historical cost convention, except for the measurement at fair value of certain of its financial assets in accordance with the accounting policies adopted.

### Transactions in foreign currencies

#### i) Functional and presentation currency

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

#### ii) Transactions and balances

Transactions in foreign currencies are recorded in United States Dollars (USD) at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the statement of financial position. All differences 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 and Wakala placements are made through financial institutions and are utilized in the purchase and sale of commodities at a fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other Islamic and conventional financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at amortized cost less any impairment.

Wakala 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 instalment basis over a pre-agreed period. The selling price comprises the cost plus an agreed profit margin.

Ijarah Muntahia Bittamleek (IMB)

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements, whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term, 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 percent 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 percent 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 to 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 and uncollectibility of financing assets

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

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

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



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

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

When the financing asset is deemed uncollectible, it is written-off against the related impairment allowance and any excess loss is recognised in the statement of income. Such assets are written-off only after all necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the Corporation’s statement of income.

Islamic derivative financial instruments

Islamic derivative 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:

x) 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.

xi) Impairment allowance for financing assets

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

xii) 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.

5. Cash and cash equivalents

	31 December 2019 USD	31 December 2018 USD
Cash at banks	28,028,678	108,852,233
Commodity Murabaha and Wakala placements (note 6)	69,586,684	553,000,000
	97,615,362	661,852,233
Bank balance relating to ICD Solidarity Fund	1,235,950	994,973
	98,851,312	662,847,206

Certain bank accounts with balance of USD 1,794,072 (31 December 2018: USD 4,709,427) 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 less than three months. Commodity placements with original maturity of above three months are disclosed in note 6.

Included in Included in Commodity Murabaha and Wakala placements is USD 9,586,684 placed with a related party.

6. Commodity Murabaha and Wakala Placements

	31 December 2019 USD	31 December 2018 USD
Commodity Murabaha and Wakala placements	352,790,082	668,287,311
Less: Commodity Murabaha and Wakala placements with an original maturity of three months or less (note 5)	(69,586,684)	(553,000,000)
	283,203,398	115,287,311

Commodity Murabaha and Wakala placements include an amount of USD 5,914,955 (2018: USD 1,498,865) provided to a related party of the Corporation, over which the Corporation earned profit of USD 11,096 (31 December 2018: USD 34,534).

7. Sukuk investments

	31 December 2019 USD	31 December 2018 USD
Opening balance	753,247,701	633,435,553
Additions	447,000,000	270,594,991
Redemption	(427,626,160)	(126,545,292)
Exchange losses	(521,725)	(326,153)
Fair value gain / (loss)	26,168,216	(13,392,946)
Reversal / (charge) for impairment (note 22)	518,452	(10,518,452)
	798,786,484	753,247,701
Financial institutions	412,744,947	517,394,466
Governments	365,940,987	235,853,235
Others	20,100,550	-
	798,786,484	753,247,701
AAA	106,586,612	82,896,850
AA+ to AA-	87,872,535	-
A+ to A-	371,414,680	385,570,032
BBB+ or lower	207,711,463	255,650,190
Unrated	25,201,194	29,130,629
	798,786,484	753,247,701



	Sukuk investments measured at fair value			
	Level 1	Level 2	Level 3	Total
<b>2019 (USD)</b>	<b>773,585,290</b>	-	<b>25,201,194</b>	<b>798,786,484</b>
2018 (USD)	724,117,072	-	29,130,629	753,247,701

Sukuk investments included an amount of USD 106,586,612 (31 December 2018: USD 82,896,850) invested in Sukuk issued by IsDB, over which the Corporation earned profit of USD 2,103,404 (31 December 2018: USD 1,228,626).

### 8. Murabaha financing

	31 December 2019 USD	31 December 2018 USD
Murabaha financing	<b>236,425,524</b>	316,539,255
Less: impairment allowance (note 22)	<b>(15,542,789)</b>	(22,944,573)
	<b>220,882,735</b>	293,594,682

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 91,303,540 (31 December 2018: USD 100,914,418) provided to related parties of the Corporation, over which the Corporation earned profit of USD 2,151,845 (31 December 2018: USD 2,612,831).

### 9. Installment sales financing

	31 December 2019 USD	31 December 2018 USD
Installment sales financing	<b>458,945,386</b>	524,792,926
Less: impairment allowance (note 22)	<b>(3,477,475)</b>	(15,229,455)
	<b>455,467,911</b>	509,563,471

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 5,208,532 (31 December 2018: USD 6,068,164) provided to related parties of the Corporation, over which the Corporation earned profit of USD 208,579 (31 December 2018: USD 302,526).

### 10. Ijarah Muntahia Bittamleek (IMB), net

	31 December 2019 USD	31 December 2018 USD
<b>Cost:</b>		
<i>Assets not yet in use:</i>		
Additions and transferred to assets in use	<b>75,531,706</b>	45,130,223
<i>Assets in use:</i>		
At the beginning of the year	<b>360,077,781</b>	314,947,558
Transferred to beneficiaries	<b>(11,337,279)</b>	-
Amounts written-off	<b>(18,180,040)</b>	-
	<b>330,560,462</b>	314,947,558
<b>Total cost</b>	<b>406,092,168</b>	360,077,781
<b>Accumulated depreciation:</b>		
At the beginning of the year	<b>197,917,985</b>	173,301,787
Charge for the year	<b>18,999,767</b>	24,616,198
Relating to assets transferred to beneficiaries	<b>(11,337,279)</b>	-
Relating to assets written-off	<b>(11,026,380)</b>	-
	<b>194,554,093</b>	197,917,985
<b>Total depreciation</b>	<b>194,554,093</b>	197,917,985
<b>Ijarah Muntahia Bittamleek, net</b>	<b>211,538,075</b>	162,159,796

Ijarah Muntahia Bittamleek includes financing of USD 5,604,254 (31 December 2018: USD 6,607,279) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,342,858 (31 December 2018: USD 1,009,991).

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 2019 USD	31 December 2018 USD
Subsidiaries (note 11.1)	159,185,621	260,192,879
Associates (note 11.2)	113,353,106	115,595,141
Other investments	76,585,382	86,496,904
	349,124,109	462,284,924

The movement in investments for the year is as follows:

	31 December 2019 USD	31 December 2018 USD
At the beginning of the year	462,284,924	695,030,382
Additions	24,979,182	23,440,288
Disposals	(37,330,335)	(14,008,073)
Fair value losses, net	(100,809,662)	(242,177,673)
At the end of the year	349,124,109	462,284,924

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 %	
			2019	2018
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
Sante Alexandra Company (note “c”)	Egypt	Manufacturing	-	100
Taiba Leasing	Uzbekistan	Leasing	100	100
Tamweel Africa Holding	Senegal	Banking	100	100
Maldives Islamic Bank (note “d”)	Maldives	Banking	-	70
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.

(c) During the year, the Corporation fully sold its share of ownership in ‘Sante Alexandra Company’.

(d) During the year, the Corporation partially sold its share of ownership in ‘Maldives Islamic Bank’ resulting in reclassification of the investee Company from subsidiaries to associates.

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 %	
			2019	2018
Al-Akhdar Bank	Morocco	Banking	49	49
Enmaa Ijara Company	Egypt	Leasing	47	47
Theemar Investment Fund	Tunisia	Fund	40	41
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	37	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	36	36
Albania Leasing	Albania	Leasing	36	36
Maldives Islamic Bank (note “d” above)	Maldives	Banking	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 & 3	Total
2019 (USD)	42,727,211	306,396,898	349,124,109
2018 (USD)	16,590,903	445,694,021	462,284,924

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 2019 and 31 December 2018 are as follows:

Sector	Valuation technique	31 December 2019 USD	31 December 2018 USD
Financial Services	Market comparables	134,552,743	136,529,112
	Adjusted net asset value	67,809,115	145,169,849
	Discounted cashflows	-	5,591,983
	Other techniques	27,791,812	33,401,329
Industry and Mining	Adjusted net asset value	14,011,436	47,799,561
	Discounted cashflows	9,750,711	12,909,647
	Other techniques	-	2,761,815
Social Services	Adjusted net asset value	3,076,034	-
	Discounted cashflows	-	6,568,449
Others	Discounted cashflows	48,255,047	45,721,129
	Adjusted net asset value	-	8,091,147
	Other techniques	1,150,000	1,150,000

Total	306,396,898	445,694,021
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Reconciliation of level 2 & 3 items	31 December 2019 USD	31 December 2018 USD
At the beginning of the year	445,694,021	665,177,031
Additions	18,017,728	23,440,288
Disposals	(27,668,882)	(5,201,858)
Transferred to level 1	(25,228,975)	-
Fair value losses, net	(104,416,994)	(237,721,440)

At the end of the year	306,396,898	445,694,021
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11.4. Equity investment loss, net

Reconciliation of level 2 & 3 items	31 December 2019 USD	31 December 2018 USD
Fair value losses, net	(100,809,662)	(242,177,673)
Dividend	1,985,265	217,153
Others	(8,364,000)	-
	(107,188,397)	(241,960,520)



## 12. Other assets

	31 December 2019 USD	31 December 2018 USD
Ijarah Muntahia Bittamleek (IMB), installments receivable	79,374,116	96,028,770
Positive fair value of Islamic derivative financial instrument (note “a”)	21,062,510	18,482,180
Due from related parties (note 20.2)	15,897,046	28,940,492
Accrued income	12,493,999	12,566,515
Advances to employees	8,872,929	8,691,835
Unamortised portion of Sukuk issuance cost	2,414,066	6,294,180
Other receivables	4,581,316	8,704,822
Proceeds receivable from sale of shares (note “b”)	-	16,844,093
Proceeds receivable on maturity of government certificates/Sukuk (note “b”)	-	8,077,352
	144,695,982	204,630,239
Less: impairment allowance (note 22)	(55,154,309)	(115,875,669)
	89,541,673	88,754,570

(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	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
Cross currency swaps	302,305,661	2,266,006	3,579,188
Profit rate swaps	472,650,000	7,253,788	2,091,520
Forward contracts	233,483,343	8,962,386	255,726
31 December 2018	1,008,439,004	18,482,180	5,926,434

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 47.3 million (31 December 2018: USD 56 million).

(b) During the year, the Corporation has written off certain receivables against which 100% impairment allowance was provided in prior years (note 22).

## 13. Sukuk issued

Issue date	Maturity date	Issue currency	Issued amount USD	Rate	31 December 2019 USD	31 December 2018 USD
<i>Listed (note a)</i>						
13-04-2017	13-04-2021	USD	300,000,000	2.468% Fixed	300,000,000	300,000,000
<i>Not listed (note b)</i>						
28-12-2018	30-12-2019	USD	80,000,000	3M LIBOR + 0.80%	-	80,000,000
24-02-2017	24-02-2024	USD	350,000,000	3M LIBOR + 0.55%	-	350,000,000
19-07-2017	19-07-2024	USD	250,000,000	3M LIBOR + 0.75%	-	250,000,000
			980,000,000		300,000,000	980,000,000

(a) During the year ended 31 December 2016, the Corporation, through a special purpose vehicle (SPV), an entity registered in Cayman Islands, issued Sukuk amounting to USD 300 million 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.

(b) During the year, the Corporation early settled these sukuk instruments amounting to USD 600,000,000.

## 14. Commodity Murabaha financing

Commodity Murabaha financing is received from financial institutions under Commodity Murabaha agreements. The financing have original maturities ranging from 3 to 4 years (31 December 2018: 2 to 4 years).

It includes an amount of USD 15,000,000 due to a related party on which funding cost of USD 4,271 was accrued in 2019.

## 15. Accrued and other liabilities

	31 December 2019 USD	31 December 2018 USD
Accrued profit payable on Commodity Murabaha financing	17,084,101	11,747,750
Negative fair value of Islamic derivative (note 12 (a))	5,712,893	5,926,434
Dividend payable (note 19)	4,108,563	4,108,563
Due to related parties (note 20.3)	1,878,964	441,553
Accrued profit on Sukuk issued	1,660,759	4,425,079
Other payables	17,112,283	4,992,306
	47,557,563	31,641,685



## 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 of 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 2018: 9%) of the basic annual salary while IsDB and its Affiliates contribute 25.9% (31 December 2018: 21%).

### 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:

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

The breakdown of net employee pension liabilities was as follows:

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

2018	SPP	SRMP	Total
	31 December 2018 (USD)		
Defined benefit obligations (note 16.1)	50,175,375	3,761,453	53,936,828
Less: plan assets (note 16.2)	(37,465,191)	(1,821,114)	(39,286,305)
Net employee pension liabilities	12,710,184	1,940,339	14,650,523

### 16.1. The movement in the present value of defined benefit obligation is as follows:

	SPP		SRMP	
	31 December 2019 USD	31 December 2018 USD	31 December 2019 USD	31 December 2018 USD
Balance as at 1 January	50,175,375	50,622,358	3,761,453	4,341,968
Current service costs	4,122,900	2,547,024	295,296	260,400
Cost on defined benefit obligation	2,229,000	2,061,591	168,000	182,322
Plan participants contributions	1,441,074	1,100,000	51,837	61,000
Net actuarial deficit / (gain)	15,321,179	(3,524,451)	1,650,311	(982,968)
Disbursements from plan assets	(2,070,455)	(2,192,158)	(138,351)	(84,449)
Others	341,466	(438,989)	583,323	(16,820)
	71,560,539	50,175,375	6,371,869	3,761,453

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

	SPP		SRMP	
	31 December 2019 USD	31 December 2018 USD	31 December 2019 USD	31 December 2018 USD
Balance as at 1 January	37,465,191	35,598,339	1,821,114	1,701,561
Income on plan assets	1,700,000	1,472,322	83,000	75,299
Return on plan assets greater / (less) than discount rate	2,286,222	(1,090,311)	(11,345)	(55,297)
Plan participants contributions	1,441,074	1,100,000	51,837	61,000
Employer contribution	3,362,513	2,577,000	250,122	123,000
Disbursements from plan assets	(2,070,455)	(2,192,159)	(138,351)	(84,449)
Others	261,126	-	4,907	-
	44,445,671	37,465,191	2,061,284	1,821,114



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

	SPP		SRMP	
	31 December 2019 USD	31 December 2018 USD	31 December 2019 USD	31 December 2018 USD
Gross current service costs	<b>4,464,366</b>	2,547,024	<b>873,711</b>	260,400
Cost of defined benefit obligation	<b>2,229,000</b>	2,061,591	<b>168,000</b>	182,322
Income from plan assets	<b>(1,700,000)</b>	(1,472,322)	<b>(83,000)</b>	(75,299)
<b>Cost recognized in statement of income</b>	<b>4,993,366</b>	3,136,293	<b>958,711</b>	367,423
Actuarial loss / (gain) due to assumptions	<b>15,321,179</b>	(3,524,449)	<b>1,650,311</b>	(982,969)
Return on plan assets (less) / greater than discount rate	<b>(2,286,222)</b>	(1,163,720)	<b>11,422</b>	(2,086)
<b>Actuarial loss / (gain) recognized in statement of changes in members' equity</b>	<b>13,034,957</b>	(4,688,169)	<b>1,661,733</b>	(985,055)

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

	SPP		SRMP	
	31 December 2019 USD	31 December 2018 USD	31 December 2019 USD	31 December 2018 USD
Investments in Sukuk	<b>15,085,516</b>	14,296,060	<b>1,033,020</b>	1,008,025
Managed funds and Installment sales	<b>7,037,150</b>	6,427,652	-	-
Cash and cash equivalent and commodity placements	<b>16,665,306</b>	12,539,365	<b>1,033,020</b>	803,992
Land	<b>4,213,387</b>	4,396,985	-	-
Others	<b>1,444,312</b>	(194,871)	<b>100,442</b>	9,097
	<b>44,445,671</b>	37,465,191	<b>2,166,482</b>	1,821,114

**16.5. The assumptions used to calculate the pension plans liabilities are as follows:**

	SPP		SRMP	
	31 December 2019 USD	31 December 2018 USD	31 December 2019 USD	31 December 2018 USD
Managed funds and installment sales	<b>3.30%</b>	4.50%	<b>3.30%</b>	4.50%
Investments in Sukuk	<b>3.30%</b>	4.50%	<b>3.30%</b>	4.50%

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

**17. ICD Solidarity Fund**

This represents net accumulated income up to 31 December 2019 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, 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:

Description	Sources & Uses of Shari'ah non-compliant income			
	31 December 2019		31 December 2018	
	No. of events	Amount USD	No. of events	Amount USD
At the beginning of the year		<b>993,175</b>		1,039,521

*Income during the year:*

Income from Solidarity Fund	<b>12</b>	<b>23,592</b>	12	16,768
Forex valuation	<b>9</b>	<b>2</b>	9	30
Penalty to customers on default	<b>4</b>	<b>319,405</b>	5	63,107
		<b>342,999</b>		79,905



*Paid during the year:*

Medical expenses	3	37,508	3	40,088
Education expenses	1	6,959	2	25,948
Research expenses	1	25,000	-	-
Water supply	1	15,000	1	15,000
Support for orphanage	-	-	1	20,045
Others	1	2,351	2	25,170
		86,818		126,251
At the end of the year		1,249,356		993,175

18. Share capital

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

	31 December 2019 USD	31 December 2018 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)	(279,790,000)
	1,720,335,354 (325,958,738)	1,720,210,000 (409,277,192)
Installments due not yet paid		
Paid-up capital	1,394,376,616	1,310,932,808

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

	31 December 2019 USD	31 December 2018 USD
Islamic Development Bank (IsDB)	597,181,958	534,681,958
Saudi Public Investment Fund	101,205,000	101,205,000
Member countries	647,789,658	626,845,850
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	1,394,376,616	1,310,932,808

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.

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	Positive fair value USD	Negative fair value USD
Maldives Islamic Bank	Sale of shares	5,697,556	-
Islamic Development Bank Group	Rent & pension (note “a”)	3,425,681	2,087,890
ICD Fixed Income Limited	Management fee	814,025	-
ITFC	Advance	539,589	-
Islamic Banking Growth Fund	Management fee	448,630	-
Taiba Titrisation	Advance	290,665	197,433
Catalyst Group International	Advance	-	540,453
Taiba Leasing	Advance	-	222,517
Tamweel Africa Holding	Advance	-	217,222
Sante Alexandra	Advance	-	190,553
Ijarah Management Company	Advance	-	184,811
Wifack International Bank	Advance	-	44,255

(a) Certain related party transactions and balances have been disclosed in notes 5 to 10.



## 20.2. Due from related parties comprised the following:

	31 December 2019 USD	31 December 2018 USD
Maldives Islamic Bank	5,697,556	-
Tamweel Africa Holding	4,825,358	4,826,209
ICD Fixed Income Limited	2,247,070	1,433,045
Taiba Titrisation	1,000,000	1,724,127
Ijarah Management Company	778,692	604,254
Wifack International Bank	500,968	500,968
Al Majmoua Mouritania (MMI)	330,006	330,005
Taiba Leasing	254,633	254,633
International Islamic Trade Finance Corporation (ITFC)	50,422	590,011
Sante Alexandra	-	6,754,151
Catalyst Group International	-	4,803,102
Bidaya Home Financing Company	-	2,863,024
Caspian Leasing	-	2,144,660
Islamic Development Bank	-	515,569
Islamic Banking Growth Fund	-	448,630
Others	212,341	1,148,104
	<b>15,897,046</b>	28,940,492

## 20.3. Due to related parties comprised the following:

	31 December 2019 USD	31 December 2018 USD
IsDB Staff Retirement Pension Plan	1,530,709	147,339
Islamic Development Bank (IsDB)	170,517	-
Royal Atlantic	145,878	145,878
ICD Money Market Fund	-	115,742
Others	31,861	32,594
	<b>1,878,965</b>	441,553

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

	31 December 2019 USD	31 December 2018 USD
Salaries and other short-term benefits	2,244,717	3,222,907
Post-employment benefits	347,013	348,067
	<b>2,591,730</b>	3,570,974

## 21. Ijarah Muntahia Bittamleek, net

	31 December 2019 USD	31 December 2018 USD
Income from Ijarah Muntahia Bittamleek, net	32,726,944	33,239,063
Depreciation	(18,999,767)	(24,616,198)
	<b>13,727,177</b>	8,622,865

## 22. Impairment allowance

	31 December 2019 USD	31 December 2018 USD
At the beginning of the year	164,568,148	85,235,851
Charge for the year, net	14,885,698	79,332,297
Written-off during the year	(95,279,273)	-
	<b>84,174,573</b>	164,568,148

The breakdown of cumulative allowance for impairment is as follows:

	31 December 2019 USD	31 December 2018 USD
Sukuk Investments (note 7)	10,000,000	10,518,452
Murabaha financing (note 8)	15,542,789	22,944,573
Installment sales financing (note 9)	3,477,475	15,229,454
Ijarah Muntahia Bittamleek Receivables (note 12)	55,154,309	75,519,480
Other assets (note 12)	-	40,356,189
	<b>84,174,573</b>	164,568,148

## 23. Fair value gain on islamic derivatives net of exchange loss

	31 December 2019 USD	31 December 2018 USD
Gain on Islamic derivatives	7,000,402	23,312,566
Foreign exchange loss	(2,011,925)	(15,254,525)
	<b>4,988,477</b>	8,058,041



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. Accordingly, the name of the Fund was changed from Islamic Development Bank – Unit Investment Fund to ICD Unit Investment Fund (Labuan) LLP. The registration number of the Fund is LLP00181.

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 2019, the net assets of UIF amounting to USD 59.66 million (2018: USD 151.96 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 2019, the net assets of MMF amounting to USD 94.04 million (2018: USD 198.56 million) were under the management of the Corporation.

24.3. Corporate Premium Fund

ICD Corporate Premium Fund (Labuan) LLP (CPF) is an open-ended investment fund constituted pursuant to Islamic Limited Liability Partnership Agreement (the ‘Partnership’ or the ‘Agreement’) dated 17 November 2015, and is domiciled in the Federal territory of Labuan, Malaysia. The objective of the partnership is to achieve competitive, periodic returns by investing in viable, corporate finance investments in conformity with the principles of Shari’ah and the approved investment policies.

At the end of 31 December 2019, the net assets of CPF amounting to USD 26.52 million (2018: USD 56.66 million) were under the management of the Corporation.

24.4. Trade Premium Fund

ICD Trade Premium Fund (Labuan) LLP (TPF) is an open-ended investment fund constituted pursuant to Islamic Limited Liability Partnership Agreement (the ‘Partnership’ or the ‘Agreement’) dated 17 November 2015, and is domiciled in the Federal territory of Labuan, Malaysia. The objective of the partnership is to achieve competitive, periodic returns by investing in viable, short-term and comparatively low-risk trade finance investments in conformity with the principles of Shari’ah and the approved investment policies.

At the end of 31 December 2019, the net assets of TPF amounting to USD 0.612 million (2018: USD 38.34 million) were under the management of the Corporation.

The Corporation manages UIF, MMF, CPF and TPF as Management and charges a Management fee, which is included in the statement of income under Management fees. These funds are co-managed under special purpose vehicle namely “ICD Fixed Income Limited”.

24.5. 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 2019 USD	31 December 2018 USD
Euro	188,519,436	230,728,209
Pakistani Rupees	6,899,762	8,087,136
Kazakhstani Tenge	8,324,363	7,925,326
Moroccan Dinar	20,232,144	4,479,652
Jordanian Dinar	2,715,821	5,350,995
Emirati Dirham	3,648	3,648
Pound Sterling	137,871	104,443
Malaysian Ringgit	(121,066)	(53,027)
Islamic Dinar	556	556
CFA Franc (XOF)	(169,919)	(62,288)
Turkish Lira	(102,591)	(82,101)
Indonesian Rupiah	38,243	(58,364)
Saudi Riyals	(267,826,169)	(217,519,925)
Maldivian Rupiah	5,643,322	-
	(35,704,579)	38,904,260



26. Concentration of assets

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

31 December 2019	Africa USD	Asia USD	Australia 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 Bittam-leek (IMB), net	81,255,422	130,282,653	-	211,538,075
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	67,803,201	-	89,541,673
Property and equipment	-	214,509	-	214,509
	632,079,087	1,897,016,579	-	2,529,095,666

31 December 2018	Africa USD	Asia USD	Australia USD	Total USD
Cash and cash equivalents	8,039,932	531,807,274	123,000,000	662,847,206
Commodity Murabaha and Wakala placements	23,788,443	91,498,868	-	115,287,311
Sukuk investments	29,649,080	723,598,621	-	753,247,701
Murabaha financing	42,061,999	251,532,683	-	293,594,682
Installment sales financing	357,925,715	151,637,756	-	509,563,471
Ijarah Muntahia Bittam-leek (IMB), net	79,815,610	85,344,186	-	162,159,796
Istisna'a assets	-	22,882,095	-	22,882,095
Equity investments	228,582,686	233,702,239	-	462,284,925
Other assets	20,465,777	68,288,792	-	88,754,569
Property and equipment	-	206,834	-	206,834
	787,329,242	2,160,499,348	123,000,000	3,070,828,590

26.2. Concentration of assets by economic sector at the end of the year is analysed as under:

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 (IMB), net	123,569	200,636,244	10,778,262	-	211,538,075
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	64,808,361	15,678,899	8,672,356	382,057	89,541,673
Property and equipment	214,509	-	-	-	214,509
	1,842,149,153	314,789,305	306,411,719	65,745,489	2,529,095,666

31 December 2018	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
Cash and cash equivalents	662,847,206	-	-	-	662,847,206
Commodity Murabaha and Wakala placements	115,287,311	-	-	-	115,287,311
Sukuk investments	468,358,467	-	284,889,234	-	753,247,701
Murabaha financing	119,441,594	99,179,948	56,732,063	18,241,076	293,594,681
Installment sales financing	504,785,128	4,778,344	-	-	509,563,472
Ijarah Muntahia Bittamleek (IMB), net	-	110,848,684	4,637,926	46,673,186	162,159,796
Istisna'a assets	-	-	22,882,095	-	22,882,095
Equity investments	333,407,136	63,471,023	8,723,262	56,683,503	462,284,924
Other assets	55,049,088	15,567,559	10,492,662	7,645,261	88,754,570
Property and equipment	206,834	-	-	-	206,834
	2,259,382,764	293,845,558	388,357,242	129,243,026	3,070,828,590



### 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 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
<b>Assets</b>						
Cash and cash equivalents	98,851,312	-	-	-	-	<b>98,851,312</b>
Commodity Murabaha and Wakala placements	244,137,999	12,566,534	26,498,865	-	-	<b>283,203,398</b>
Sukuk investments	57,335,290	79,049,953	549,564,346	112,836,895	-	<b>798,786,484</b>
Murabaha financing	35,619,058	78,231,202	36,992,929	70,039,546	-	<b>220,882,735</b>
Installment sales financing	77,816,135	156,792,406	211,857,926	9,001,444	-	<b>455,467,911</b>
Ijarah Muntahia Bittamleek, net	34,557,834	14,511,065	57,711,999	104,757,177	-	<b>211,538,075</b>
Istina'a assets	619,044	740,321	4,508,085	15,618,010	-	<b>21,485,460</b>
Equity investments	-	-	-	-	349,124,109	<b>349,124,109</b>
Other assets	89,541,673	-	-	-	-	<b>89,541,673</b>
Property and equipment	-	-	214,509	-	-	<b>214,509</b>
	<b>638,478,345</b>	<b>341,891,481</b>	<b>887,348,659</b>	<b>312,253,072</b>	<b>349,124,109</b>	<b>2,529,095,666</b>
<b>Liabilities</b>						
Sukuk issued	-	-	300,000,000	-	-	<b>300,000,000</b>
Commodity Murabaha financing	64,335,965	199,331,965	918,304,991	-	-	<b>1,181,972,921</b>
Accrued and other liabilities	-	47,557,563	-	-	-	<b>47,557,563</b>
Employee pension liabilities	-	-	-	-	31,425,453	<b>31,425,453</b>
Amounts due to ICD Solidarity Fund	1,249,356	-	-	-	-	<b>1,249,356</b>
	<b>65,585,321</b>	<b>246,889,528</b>	<b>1,218,304,991</b>	<b>-</b>	<b>31,425,453</b>	<b>1,562,205,293</b>

31 December 2018	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
<b>Assets</b>						
Cash and cash equivalents	662,847,206	-	-	-	-	662,847,206
Commodity Murabaha and Wakala placements	90,287,311	-	25,000,000	-	-	115,287,311
Sukuk investments	162,685,140	145,769,089	444,793,472	-	-	753,247,701
Murabaha financing	69,211,203	40,176,233	110,748,087	73,459,159	-	293,594,682
Installment sales financing	91,631,130	197,602,601	220,329,740	-	-	509,563,471
Ijarah Muntahia Bittamleek, net	64,350,491	548,329	37,128,481	60,132,495	-	162,159,796
Istina'a assets	-	808,239	4,451,025	17,622,831	-	22,882,095
Equity investments	-	-	-	-	462,284,924	462,284,924
Other assets	7,193,844	68,395,869	10,672,525	2,492,332	-	88,754,570
Property and equipment	-	206,834	-	-	-	206,834
	1,148,206,325	453,507,194	853,123,330	153,706,817	462,284,924	3,070,828,590
<b>Liabilities</b>						
Sukuk issued	-	80,000,000	900,000,000	-	-	980,000,000
Commodity Murabaha financing	-	-	1,039,552,869	-	-	1,039,552,869
Accrued and other liabilities	-	31,641,685	-	-	-	31,641,685
Employee pension liabilities	-	-	-	-	14,650,523	14,650,523
Amounts due to ICD Solidarity Fund	993,175	-	-	-	-	993,175
	993,175	111,641,685	1,939,552,869	-	14,650,523	2,066,838,252

### 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.

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

	Murabaha financing USD	Installment sales financing USD	Ijarah Muntahia Bittamleek Receivables USD
0-90 days	1,444,550	-	1,939,916
91-180 days	1,143,570	-	1,790,324
181 days and above	19,082,747	2,709,902	81,174,584
31 December 2019	21,670,867	2,709,902	84,904,824
0-90 days	1,179,485	610,458	1,583,219
91-180 days	747,946	200,296	637,159
181 days and above	18,796,015	2,472,694	81,631,606
31 December 2018	20,723,446	3,283,448	83,851,984

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

	Murabaha financing USD	Installment sales financing USD	Ijarah Muntahia Bittamleek Receivables USD
0-90 days	286	-	75,126
91-180 days	1,269,727	525,352	917,495
181 days and above	413,792	50,428	4,025,679
31 December 2019	1,683,805	575,780	5,018,300
0-90 days	1,162,868	3,442,353	2,275,386
91-180 days	-	85,746	453,535
181 days and above	2,731,643	284,310	2,475,810
31 December 2018	3,894,511	3,812,409	5,204,731

The not yet due portion of the above overdue receivables as at 31 December 2019 amounts to USD 46.03 million (31 December 2018: USD 93.2 million).

In addition to the above financing assets, certain other assets included overdue balances and an appropriate allowance has been recorded against them.



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 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.

**Price risk**

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only three investments which are 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, 2019, the un-disbursed commitments for investing in operations and other investments amounted to USD 167.45 million (2018: USD 248.36 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 2020. Early adoption is permitted. As at the date of these financial statements, management is in process to estimate the impact of adoption of this standard.

*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.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2020.

*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 Bank 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 Bank for the periods beginning on or after 1 January 2020.

*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 2020.

*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 Bank 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”.

**33. Subsequent event**

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of Covid-19 has had an impact on demand for oil and petroleum products. Recent global developments in March 2020 have caused further volatility in commodity markets.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

**34. Approval of financial statements**

The financial statements were approved by the Board of Directors on 1 April 2020 (corresponding to 8 Sha’ban 1441H).



# The Islamic Development Bank Group Shari’ah Board

## Shari’ah Audit Report for 1440H/1441H

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,**

*Assalamu alaikum warahmatullahi wabarakatuhu*

Following your request to provide you with a Shari’ah report on the IsDB Group’s 1440/1441H 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 on 31 December 2019G (5 Jumada Awwal 1441H). 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.<sup>1</sup>

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 the 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*



**Dr. Hussein Hamid Hassan**  
Chairman of the Board



**Aboubacar Salihou KANTE**  
IsDB Group Internal Shari’ah Auditor

<sup>1</sup> Members of the Islamic Development Bank Group Shari’ah Board are: His Eminence Dr. Hussein Hamed Hassan Chairman, His Eminence Dr. Abdulsattar Abu Ghuddah Deputy Chairman, His Eminence Sheikh Abdullah S.M. Al Meneea, His Eminence Shaik Muhammad Taqi Usmani, His Eminence Dr. Mohamed Raougui, His Eminence Dr. Muhammad Syafii Antonio, His Eminence Ayatu Allah Shaik Mohammad Ali Tashkiri.

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