ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Report on the Audit of the Financial Statements (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Expected credit loss allowance against project assets
As of December 31, 2021, the Corporation's project assets amounted to USO 664.5 million (2020: USO 707.3 million) representing 22% of total assets The expected credit loss (ECL) allowance as of December 31, 2021 was USD 108.3 million.
The audit of impairment allowances for project assets is a key area of focus because of its size and due to the significance of the estimates and judgments used in classifying project assets into various stages, determining related allowance requirements, and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models.
The Corporation recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.
ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Corporation under the contract and the cash flows that the Corporation expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Corporation employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD); and exposure at default (EAD), which are defined in Note 3 to the financial statements.
The material portion of the project assets is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging override in accordance with the Corporation's policies.
</td><td>
1. We obtained an understanding of the project assets business process, the credit risk management process, the policy for impairment and credit losses and the estimation process of determining impairment allowances for project assets to counterparties and the ECL modelling methodology and evaluated the design and implementation of relevant controls within these processes.
2. We assessed and evaluated the design and implementation of automated and / or manual controls over:

approval, accuracy and completeness of impairment allowances and governance controls over the monitoring of the model, through key management and committee meetings that form part of the approval process for project asset impairment allowances;
model outputs; and
the recognition and measurement of impairment allowances

3. On a sample basis, we selected project assets and assessed and evaluated:

the Corporation's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner and classification of project assets into various stages and the determination of defaults/individually impaired exposures.
The forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and related weighting applied.
the assumptions underlying the impairment allowance calculation, such as estimated future cash flows and estimates of recovery period.
the calculation methodology to determine if it complied with the requirements of AAOIFIFAS 30

</td></tr>
</table>

Report on the Audit of the Financial Statements (continued)

Key audit matter	How our audit addressed the key audit matter
The measurement of ECL amounts for project assets classified as Stage 1 and Stage 2 are carried out by the ECL models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and are subject to a review process by an independent third party expert. For the impaired project assets the Corporation measures the Expected Loss on the basis of difference between the carrying value of the project assets and the present value of expected future cash flows that can be recovered. This was considered as a key audit matter and the audit was focused on this matter due to the materiality of the project assets and the complexity of the judgements, assumptions and estimates used in the ECL models especially in light of the uncertain outlook caused by the impact of the Covid-19 pandemic on the exposures. Refer to Note 3 to the financial statements for the accounting policy for the impairment of financial assets, Note 23 for the disclosure of impairment and note 30 for credit risk disclosure and the key assumptions and factors considered in determination of ECL.	• the post model adjustments and management overlays (if any) in order to assess these adjustments and assessed the qualitative factors which were considered by the Corporation to recognize any post model adjustments, in case of data or model limitations. Where such post model adjustments were applied, we assessed those post model adjustments and the governance process around them. 4. We tested models and the IT applications used in the credit impairment process and verified the integrity of data used as input to the impairment models. 5. The Corporation performed an external validation of the ECL model and LGD models including macro-economic model during the reporting period. We considered the process of this external validation of the models and its impact on the results of the impairment estimate . Finally, we updated our assessment of the methodology and framework designed and implemented by the Corporation as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Corporation to determine future economic conditions at the reporting date. 6. Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating related inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model adjustments (if any) as mentioned above. 7. We assessed the adequacy of disclosures in the financial statements against the requirements of the Financial Accounting Standards issued by AAOIFI.

Report on the Audit of the Financial Statements (continued)

Fair valuation of unquoted equity investments	
As of December 31, 2021, the Corporation's unquoted equity investments amounted to USD 336.4 million (2020: USD 330.4 million) representing 10% of total assets. These instruments are classified as financial assets at fair value through profit or loss and are measured at fair value with the corresponding fair value change recognized in the income statement. The Corporation use external experts where required to assist it in determining the fair value of these investments. As disclosed in Notes 3 and 12 the valuation of unquoted equity investments uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc. Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter. The impact of the Covid-19 pandemic has further raised the degree of estimation uncertainty involved in valuing the unquoted investment. Refer to note 3 to the financial statements for the accounting policy and Note 12 for the investment valuation methodology, critical judgment and estimates applied in the fair valuation of equity investment.	1. We have gained understanding of the unquoted equity valuation process and investment policy. 2. We evaluated the design and implementation of manual controls over: • the valuation methodologies used. • the approval, accuracy and completeness of fair valuation of unquoted equity investments and governance controls over the monitoring of the valuation exercise, through key management and committee meetings that form part of the approval process along with appropriate management review and challenge process. • the recognition and measurement of fair valuation impact of unquoted equity investments. 3. On a sample basis, we selected unquoted equity investments and involved our specialists (where relevant) to assist us in assessing and evaluating: • input parameters and assumptions i.e. relevant benchmarks from comparable companies, tracing of earnings multiples to source information, discounts/premium applied and other relevant benchmark data, and their consistent application, across the valuations, to the extent required; • the valuation methodology for each investment taking into account the nature of the investment being valued. 4. We assessed the adequacy of disclosures in the financial statements against the requirements of the Financial Accounting Standards issued bv AAOIFI

Report on the Audit of the Financial Statements (continued)

Other information included in the Corporation's 2021 Annual Report
Other information consists of the information included in the Corporation's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Corporation's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Other Matter
The financial statements of the Corporation for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on July 15, 2021.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

Report on the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte and Touche & Co
Chartered Accountants

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

18 May 2022
17 Shawwal 1443 AH

Jeddah, Kingdom of Saudi Arabia

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

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

The attached notes 1 to 36 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
INCOME STATEMENT

For the year ended 31 December 2021

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

The attached notes 1 to 36 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 31 December 2021

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

The attached notes 1 to 36 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	*2021* *USD*	*2020* *USD*
OPERATING ACTIVITIES			
Net profit/ (loss) for the year		**8,610,763**	(15,226,578)
Adjustments for:			
Fair value (gain)/ loss on equity investments, net	12	**(8,394,621)**	20,068,429
Financing cost		**29,874,198**	38,049,897
Depreciation		**26,946,630**	20,742,872
Impairment (reversal)/ allowance for financial assets	23	**(4,114,634)**	27,864,196
Provision for employee pension liabilities	17	**8,424,714**	6,898,307
Assets written-off	23		40,271,846
Unrealized fair value loss (gain) on Sukuk investments		**19,157,271**	(25,195,278)
Loss (gain) on Islamic derivatives net of currency losses	24	**272,816**	(860,327)
		80,777,137	112,613,364
Changes in operating assets and liabilities:			
Commodity Murabaha and Wakala placements		**326,233,725**	(253,529,963)
Sukuk investments		**(197,127,780)**	(535,035,262)
Murabaha financing		**(17,439,726)**	84,451,804
Installment sales financing		**47,333,039**	81,305,778
Ijarah Muntahia Bittamleek		**(11,654,049)**	(40,907,116)
Istisna'a assets		**3,752,054**	257,648
Equity investments		**(28,745,292)**	6,921,135
Other assets		**497,073**	(20,927,332)
Accrued and other liabilities		**(4,216,450)**	5,522,236
Amounts due to ICD Solidarity Fund		**18,542**	(47,776)
Cash from/ (used in) operations		**199,428,273**	(559,375,484)
Financing cost paid		**(34,484,192)**	(43,991,160)
Employee benefits liabilities paid		**(5,345,611)**	(3,095,363)
Net cash from / (used in) operating activities		**159,598,470**	(606,462,007)
INVESTING ACTIVITY			
Purchase of property and equipment		**(175,597)**	(73,508)
FINANCING ACTIVITIES			
(Repayment) / proceeds of Sukuk issued		**(300,000,000)**	700,000,000
Proceeds from Commodity Murabaha financing		**569,154,265**	248,498,606
Repayments of Commodity Murabaha financing		**(632,463,712)**	(266,827,178)
Share capital contribution		**57,475,077**	131,071,734
Net cash (used in) / from financing activities		**(305,834,370)**	812,743,162
NET (DECREASE) / INCREASE IN **CASH AND CASH EQUIVALENT**		**(146,411,497)**	206,207,647
Cash and cash equivalent at the beginning of the year		**305,058,959**	98,851,312
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	5	**158,647,462**	305,058,959

The attached notes 1 to 36 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT

For the year ended 31 December 2021

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

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

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

1 ORGANIZATION AND OPERATIONS

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

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

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

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

2 BASIS OF PREPARATION

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

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 JAS 27 'Separate financial statements ' (the "Amendments") which were effective from the period beginning 1 January 2015. Accordingly, the Corporation discontinued issuing consolidated financial statements and used the transition guidance of the amendments to IFRS I 0 and IFRS 12, in so far it relates to the adoption of amendments related to investment entities.

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

Investment entity

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Transactions and balances

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

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

Cash and cash equivalents

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

Commodity Murabaha and Wakala placements

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

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

Murabaha

Murabaha financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy.

Installment sales financing

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

Ijarah Muntahia Bittamleek

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

-Contract of Sale: after the end of the Ijarah term; or

-Contract of gift" after the end of the contract term; or

-Contract of sale of proportionate ownership during the Ijarah term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

lstisna'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 bolds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting right in U1e entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other members or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

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

ii) Associates

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

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

iii) Other investments

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

iv) Sukuk investments

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

v) Initial measurement

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

vi) Subsequent measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

1. Stage I - No significant increase in credit risk;
u. Stage 2 - Significant increase in credit risk (SICR); and
m. Stage 3 - Credit impaired financial assets.

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

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

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

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

Credit-impaired financial assets

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

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

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

Purchased or originated credit-impaired (POCI) financial assets

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

Modification and derecognition of financial assets

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

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

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

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit rate. If the difference in present value is greater than I 0% the Corporation deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Corporation considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by companng:
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

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

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

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

Definition of default

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

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

For the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment offinancial assets (continued)

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

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

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

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

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

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

Financial liabilities

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

Offsetting of financial assets and liabilities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic derivative financial instruments

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

Fiduciary assets

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

Property and equipment

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

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

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

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

Sukuk issued

The Sukuk assets have been recognised in the ICD financial statements, as ICD is the Service Agent, whilst noting that ICD has sold these assets at a price to the Sukuk holders through the SPY 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee pension liabilities

The Corporation operates two defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SPP") and the Post-Employment Medical Scheme ("SRMP"). Both of these plans require contributions to be made to separately administered funds. A defined benefit plan is a pension plan that defmes 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 offmal gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the Projected Unit Credit Method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations.

The present value of the defined benefit obligation due until the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high quality corporate bonds. The bonds should be denominated in currencies in which the benefits will be paid and that have terms to maturity closely matching the terms of the actual pension obligation. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

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

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

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

Revenue recognition

i) Commodity Murabaha and Wakala placements

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

ii) Investment in Sukuk

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

iii) Murabaha financing income, lstisna'a income, income from installment sales financing

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

iv) Ijarah Muntahia Bittamleek

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

v) Dividend income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

vi) Management fee

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

vii) Administrative fee and advisory fee

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

Zakat and tax

The Corporation, being a multilateral financial institution, is not subject to Zakat or taxation in the member countries. The Corporation's equity is part ofBaitul 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" ince the Board of Directors monitor the performance and financial position of the Corporation as a whole.

4 ACCOUNTING JUDGMENTS AND ESTIMATES

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

i) Investment entity

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

a) The Corporation's management believes that the AAOIFI accounting standards do not contain any guidance on investment entities and, therefore, based on the conceptual framework has followed the guidance under IFRS I 0 related to investment entities. Any guidance issued by AAOIFI in the future years may require the management to re-assess the Corporation's status as an investment entity.
b) The Corporation provides investment management services to a number of investors with respect to investment in managed funds;
c) The Corporation generates capital and income from its investments which will, in turn, be distributed to the current and potential investors; and
d) The Corporation evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements. Management believes that it meets the criteria of substantially all investments being evaluated at fair value as of December 31, 2021

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

4 ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

ii) Impairment allowance for financing assets

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

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

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

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

iii) Fair value determination

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

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

(iv) Employee pension liabilities

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

4 ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(v) Going concern

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

(vi) Impact ofCOVID'l9

The COVID-19 pandemic has caused significant disruptions to global economies and business operations of many companies with the new variant of the infection emerging in many countries. ICD operates in many member countries located in different geographical zones. The impact of the pandemic differs from one country to another but in terms of measures, there were similarities in actions taken at national level to curtail the spread of the virus internally and from those coming outside the country.
Since the outbreak of the pandemic, the IsDB Group has taken several initiatives to support the governments of Member Countries to mitigate the human and economic impact of the COVID-19 pandemic. ICD made available USD250 million on fast track basis as an emergency package to minimise the spread and impact of the pandemic and to:

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

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

5 CASH AND CASH EQUIVALENTS

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

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

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

6 COMMODITY MURABAHA AND WAKALA PLACEMENTS

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

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

b) Commodity Murabaha and Wakala placements include an amount of USD 356,164 (2020: USD 5,839,422) provided to a related party of the Corporation, over which the Corporation earned profit of USD nil (31 December 2020: USD 3,977).

7 SUKUK INVESTMENTS

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

	31 December 2021 USD	*31 December 2020 USD*
Financial institutions	**853,380,005**	789,982,730
Governments	**544,100,949**	471,380,819
Others	**138,921,481**	95,732,730
	1,536,402,435	1,357,096,279

7 SUKUK INVESTMENTS (continued)

	31 December 2021 USD	*31 December 2020 USD*
AAA	**95,356,675**	53,614,773
AA+toAA-	**72,953,990**	45,132,730
A+ toA-	**844,099,858**	717,160,246
BBB+ or lower	**523,991,912**	541,188,530
	1,536,402,435	1,357,096,279

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

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

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

8 MURABAHA FINANCING

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

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

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

9 INSTALLMENT SALES FINANCING

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

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

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

10 IJARAH MUNTAHIA BITTAMLEEK

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

10 IJARAH MUNTAHIA BITTAMLEEK (continued)

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

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

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

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

11 ISTISNA'A ASSETS

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

12 EQUITY INVESTMENTS

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

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

12 EQUITY INVESTMENTS (continued)

The movement in investments for the year is as follows:

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

12.1 Investments in subsidiaries

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

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

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

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

12 EQUITY INVESTMENTS (continued}

12.2 Investments inassociates

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

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

12.3 Fair value of investments

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

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

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

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

12 EQUITY INVESTMENTS (continued)

12.3 Fair value of investments (continued)

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

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

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

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

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

12 EQUITY INVESTMENTS (continued)

12.3 Fair value of investments (continued)

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

12.4 Equity investment income/ (loss), net

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

13 OTHER ASSETS

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

13 OTHER ASSETS (continued)

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

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

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

In addition to above, the Corporation entered into cross currency swaps and forward contracts on behalf of Arab Bank for Economic Development for Africa (BADEA) through a master agreement dated 13 June 2016. The notional value of such swaps is USD 37.9 million (31 December 2020: USD 50.67 million).

14 SUKUK ISSUED

Issue date	**Maturity date**	**Issue currencl:'.**	***Amount***	***Rate***	***31 December 2021***	*31 December 2020*
			USD		***USD***	*USD*
Listed						
15-10-2020	15-10-2025	USD	600,000,000	1.81% Fixed	**600,000,000**	600,000,000
13-04-2017	13-04-2021	USD	300,000,000	2.468% Fixed		300,000,000
Not listed						
05-03-2020	05-03-2025	SAR	100,000,000	SIBOR+0.60%	**100,000,000**	100,000,000
			1,000,000,000		**700,000,000**	1,000,000,00

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

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

15 COMMODITY MURABAHA FINANCING LIABILITIES

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

16 ACCRUED AND OTHER LIABILITIES

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

17 EMPLOYEE PENSION LIABILITIES

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

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

Staff Pension Plan (SPP)

SPP is a combination of both old defined benefit plan (Pillar I) and new hybrid pension plan (Pillar II) became effective on 1st Rajah 1399H (corresponding to May 27, 1979) and 17/05/1442H (0l/01/2021G) respectively. Every person employed by the Bank and its Affiliates on a full-time basis except for fixed term employees, as defined in Lhe employment policies of the Bank and its Affiliates, is eligible to participate in the SPP from the date joining the Bank and its affiliates. Participation in the hybrid pension plan is limited to those who have less than five years of service as of December 31, 2020 on optional basis however, those who joined the Bank from January 1, 2021 are enrolled automatically.

In the both Pillars, the employee contributes at a rate of 11.l % (2020-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2020-25.9%).

The main features of the SPP are:

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

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

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

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

17 EMPLOYEE PENSION LIABILITIES (continued)

Staff Retirement Medical Plan (SRMP)

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

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

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

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

Retirees Medical Solidarity Fund (RMSF)

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

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

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

Administration of **SRPs**

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

Risks

Investment risk

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

Discount rate

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

Longevity risk

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

Salary risk

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

17 EMPLOYEE PENSION LIABILITIES (continued)

The breakdown of net employee pension liabilities was as follows:

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

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

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

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

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

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

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

17 EMPLOYEE BENEFIT LIABILITIES (continued)

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

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

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

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

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

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

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

17 EMPLOYEE BENEFIT LIABILITIES (continued)

17.6 The quantitative sensitivity analysis for change in discount rate on the employee pension liabilities are as follows:

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

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

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

SPP

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

SRMP

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

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

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

The expected maturity analysis is below:

	SPP 2021	SRMP 2021
Year 1	**571,133**	**47,316**
Year2	**562,272**	**46,618**
Year3	**550,929**	**45,873**
Year4	**1,314,265**	**58,676**
Year5	**1,059,059**	**63,136**
Next five years	**6,438,761**	**390,968**

18 ICD SOLIDARITY FUND

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

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

19 PAID-UP CAPITAL

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

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

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

19 PAID-UP CAPITAL (continued}

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

20 RESERVE AND DIVIDEND

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

21 RELATEDPARTYTRANSACTIONSANDBALANCES

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

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

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

21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

21.3 Due from related parties comprised the following:

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

21.4 Due to related parties comprised the following:

	31 December 2021 USD	*31 December 2020 USD*
Islamic Development Bank (lsDB)	**8,931,247**	4,292,967
Royal Atlantic	**145,878**	145,878
IsDB Staff Retirement Pension Plan	**1,978,018**	2,761
Others	**32,457**	31,902
	11,087,600	4,473,508

21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

22 IJARAH MUNTAHIA BITTAMLEEK

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

23 IMPAIRMENT ALLOWANCE

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

23 IMPAIRMENT ALLOWANCE (continued)

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

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

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

25 FIDUCIARY ASSETS

25.1 Unit Investment Fund

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

The purpose ofUIF 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 of31 December 2021, the net assets ofUIF amounting to USD 20.4 million (2020: USD 31.78 million) were under the management of the Corporation.

25.2 Money Market Fund

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

25.3 Others

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

26 NET ASSETS IN FOREIGN CURRENCIES

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

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

27 CONCENTRATION OF ASSETS

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

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

27 CONCENTRATION OF ASSETS (continued)

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

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

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

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

28 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

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

31 December 2021	*Less than 3 months USD*	*3 to 12 months USD*	*Ito5 years USD*	*Over5 years USD*	*No fixed maturity USD*	*Total USD*
Assets						
Cash and cash equivalents	158,647,462	-	-			**158,647,462**
Commodity Murabaha and Wakala placements	188,066,519	10,000,000	-	-	-	**198,066,519**
Sukuk investments	91,738,179	95,970,000	934,294,256	414,400,000	-	**1,536,402,435**
Murabaha financing	13,855,532	9,578,380	56,772,509	40,224,483	-	**120,430,904**
Installment sales financing	3,446,826	39,441,943	260,596,278	4,088,158	-	**307,573,205**
Ijarah Muntahia Bittamleek	10,642,842	23,837,198	76,020,720	110,174,770	-	**220,675,530**
Istina'a assets	628,823	869,192	3,160,858	11,187,358	-	**15,846,231**
Equity investments		-	-	-	359,274,458	**359,274,458**
Other assets		47,662,056	-	-	-	**47,662,056**
Property and equipment	-	-	298,128	-	-	**298,128**
	467,026,183	**227,358,769**	**1,331,142,749**	**580,074,769**	**359,274,458**	**2,964,876,928**
Liabilities						
Sukuk issued	-	-	700,000,000	-		**700,000,000**
Commodity Murabaha financing	-	130,000,000	870,334,902	100,000,000		**1,100,334,902**
Accrued and other liabilities	-	44,253,354	-	-	-	**44,253,354**
Employee pension liabilities	-	-	-	-	39,722,752	**39,722,752**
Amounts due to ICD Solidarity Fund	1,220,122	-	-		-	**1,220,122**
	1,220,122	**174,253,354**	**1,570,334,902**	**100,000,000**	**39,722,752**	**1,885,531,130**

28 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES (continued)

3 I December 2020	*Less than 3 months USD*	*3 to 12 months USD*	*I to 5 years USD*	*Over5 years USD*	*Nof,xed maturity USD*	***Total** USD*
Assets						
Cash and cash equivalents	305,058,959	-	-	-	-	305,058,959
Commodity Murabaha and Wakala placements	150,835,121	376,012,342		-		526,847,463
Sukuk investments	64,732,003	90,391,407	773,812,700	428,160,169		1,357,096,279
Murabaha financing	25,919,551	19,580,043	20,779,759	42,489,143	-	**108,768,496**
Installment sales financing	38,975,964	160,432,930	156,358,857	3,519,616	-	359,287,367
Ijarah Muntahia Bittamleek	34,109,980	2,006,634	59,009,944	123,009,000	-	218,135,558
lstina'a assets	524,366	**868,203**	5,074,947	14,606,488	-	21,074,004
Equity investments	-			-	322,134,545	322,134,545
Other assets	-	49,253,246	-	-	-	49,253,246
Property and equipment	-		173,417	-	-	173,417
	620,155,944	698,544,805	1,015,209,624	611,784,416	322,134,545	3,267,829,334
Liabilities						
Sukuk issued		300,000,000	700,000,000	-	-	1,000,000,000
Commodity Murabaha financing	48,027,683	452,950,000	662,666,666	-		I, 163,644,349
Accrued and other liabilities		53,079,798	-	-	-	53,079,798
Employee pension liabilities		-	-	-	54,454,005	54,454,005
Amounts due to ICD Solidarity Fund	1,201,580	-	-	-	-	1,201,580
	49,229,263	806,029,798	1,362,666,666	-	54,454,005	2,272,379,732

29 SHARI'AH SUPERVISION

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

The Group Shari'ah Board has the following functions:

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

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

to respond to the Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the IsDB, its affiliates and trust funds;

to contribute to the IsDB, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and

to submit to the Board of Executive Directors of the IsDB, its affiliates and trust funds a comprehensive report showing the measure of the IsDB's, its affiliates' and trust funds' commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

30 RISK MANAGEMENT

The Corporation's activitie expose it to variou risks (credit risk, market risk and liquidity risk) associated with the use of financial instrumenls. Senior management, under th, 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 wa. considered fully recoverable by the management of the Corporation.

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

30 RISK MANAGEMENT (continued)

Credit risk (continued)

i. Determining the stage for impairment

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

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

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

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

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

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

ii. Measurement of Expected Credit Losses (ECLs)

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

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

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

30 RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

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

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

m. ***Exposure Amounts and ECL coverage***

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

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

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

	31 December 2021			
Description	***Stag_e 1***	***Stag_e2***	***Stag_e 3***	***Total***
	USD	***USD***	***USD***	***USD***
Gross carrying amount before ECL:				
Cash and cash equivalents	**158,647,462**			**158,647,462**
Commodity Murabaha and Wakala placements	**188,710,810**		**28,207,149**	**216,917,959**
Sukuk investments			**10,585,098**	**10,585,098**
Murabaha financing	**99,103,386**	**9,223,490**	**61,086,570**	**169,413,446**
Installment sales financing	**207,445,113**	**93,085,179**	**29,776,277**	**330,306,569**
Ijarah Muntahia Bittamleek	**175,806,789**	**26,058,218**	**53,812,487**	**255,677,494**
Istisna'a assets		**17,475,758**		**17,475,758**
Other assets	**9,625,081**		**4,083,273**	**13,708,354**
	839,338,641	**145,842,645**	**187,550,854**	**1,172,732,140**

30 RISK MANAGEMENT (continued)

Credit risk (continued)

Description	**31 December 2021** *Stag_e1*	*Stag_e2*	*Stag_e3*	*Total*
	USD	*USD*	*USD*	*USD*
ECL:				
Cash and cash equivalents	**655**			**655**
Commodity Murabaha and Wakala placements	**11,601**		**14,066,639**	**14,078,240**
Sukuk investments			**10,585,098**	**10,585,098**
Murabaha financing	**2,971,561**	**292,960**	**45,718,021**	**48,982,542**
Installment sales financing	**4,918,328**	**6,726,775**	**11,088,261**	**22,733,364**
Ijarah Muntahia Bittamleek	**246,491**	**588,982**	**34,166,491**	**35,001,964**
Istisna'a assets		**1,629,527**		**1,629,527**
Other assets			**2,701,219**	**2,701,219**
	8,148,636	**9,238,244**	**118,325,729**	**135,712,609**

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

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

30 RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

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

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

Market Risk

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

Currency risk

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

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

Currency risk

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

Mark-up rate risk

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

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

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

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

Equity price risk

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

Liquidity risk

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

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

Shari'ah non-compliance Risk

The Corporation defines Shari'ah non-compliance risk as the risk of losses resulting from non-adherence to Shari'ah rules and principles as determined by the IsDBG Shari'ah Board. The Corporation attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR). Shari'ah compliance forms an integral part ofICD'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 oflsDBG serves as the 2nd line of defence to strategically manage and monitor SNCR pre-execution of transactions / operations. IsDBG's internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a risk-based internal Shari'ah audit methodology.

31 FAIR VALUE

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

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

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

The carrying value of the Corporation's all other financial assets and liabilities approximate their fair values.
For the year ended 31 December 2021

32 COMMITMENTS

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

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

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

33 EFFECT OF NEW AND REVISED FINANCIAL ACCOUNTING STANDARDS

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

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

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

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

1. the instrument is transferable;

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

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

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

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

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

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

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

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

Impact of initial application of FAS 32 - ljarah

In these financial statements, the Corporation has applied FAS 32 - Ijarah, for annual periods beginning on or after January 1, 202I, with earlier permitted. The Corporation decided to adopt the standard from January 1, 2021.

FAS 32 introduces some new changes as explained below:

- changes in the classification. ljarah transactions under in this standard are classified into the operating Ijarah, Ijrarah Muntahia Bittarnleek (Ijarah MBT) with expected transfer of owner ship after the end of the Ijarah term either through a sale or gift and Ijarah MBT with gradual transfer.
- new recognition and measurement principles for initial recognition for right-of-use asset, Ijarah liability and advance payments for lessee and lessor accounting;
- requirement to identify and separate ljarah and non-ljarah components., if needed;
- new recognition and measurement principle for an Ijarah MBT through gradual transfer/ Diminishing Musharaka ljarah
- allowing effective rate of return/ profit rate method for accounting for rental income, in the hand of the lessor;
- testing for impairment ofright-ofuse asset shall be subject to requirements off AS 30 "impairment, Credit Losses and Onerous Commitments"; and
- detailed guidelines are provided for presentation and disclosures with enhanced disclosure by lessor and lessee of information as compared to previous requirements in FAS 8.

Impact on Lessor Accounting

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

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

34 STANDARDS ISSUED BUT NOT YETEFFECTIVE

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

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

34 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

Financial Accounting Standard - 39 "Financial Reporting for Zakah"

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

Financial Accounting Standard- 40 "Financial Reporting for Islamic Finance Windows"

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

Financial Accounting Standard - 1 (Revised 2021) "General Presentation and Disclosures in the Financial Statements"

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

35 LIBOR TRANSITION

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

- LIBOR rates will not be available for contracts maturing after that date and an alternative rate to be used for the remaining part of the maturities will have to be agreed.
- Some contracts may have fallback clauses, and some may not have. "Fallbacks" are provisions which contemplate a change or cessation of a benchmark rate and for example provide for the introduction of a new financing rate or means of determining a new rate.

35 LIBOR TRANSITION (continued)

- Replacement of an IBOR with the relevant Risk-Free Rate (RFR) or a fall back to the relevant RFR may result in paying more or receiving less than ICD would have othe rwise.

- There is liquidity risk in that the fundamental difference between LIBOR and the various alternative bench mark rates is that the former is are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate financing payments which will require additional liquidity management

- Negotiating and agreeing new rates with counterparties to replace existing rates may not be an easy task. This poses litigation risk if no agreement is reached on the use of alternative benchmark rates or where there is difference on the existing fall back clauses.

- The Information system may need to be upgraded to be able to handle the transition from LIBOR to the new benchmark rates.

- Changing to a new benchmark may have Sharia implications that have to be cleared by the Sharia Committee

- The transition into new benchmarks may lead to a change in the accounting treatment of a product. The practical expedient is only applicable to changes required by the benchmark rate reform-it is necessary as a direct consequence of the reform and the new rate is economically equivalent to the previous rate. Any other change will have to be dealt with using other modification requirements in IFRS 9 (including assessing whether the change results in derecognition)

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

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

36 AUTHORIZATION FOR ISSUE

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