ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
Your Excellencies the Chairman and Members of the General Assembly
Islamic Corporation for the Development of the Private Sector
Jeddah
Kingdom of Saudi Arabia

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of Islamic Corporation for the Development of the Private Sector (the "Corporation"), which comprise the statement of financial position as at 31 December 2020, and the related statement of income, statement of changes in members' equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2020, and the results of the operations, its cash flows and changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

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

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

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 2020. 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 key audit 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.

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Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financial assets As at 31 December 2020, the gross financial assets of the Corporation were USD 1,619.3 million (31 December 2019: USD 1,361 million) against which an expected credit loss ("ECL") allowance of USD 139.8 million (31 December 2019: USD 152.2 million) was maintained. We considered this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the financial statements of the Corporation. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty about the economic outlook in particular and increased the levels of judgement needed to determine the ECL. The key areas of judgement include: 1. Categorisation of exposures into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. 2. In accordance with the requirements of FAS 30 'Impairment, Credit Losses and Onerous Commitments', issued by AAOIFI and effective from 1 January 2020, the Corporation measures ECL based on the credit losses expected to arise over the next twelve months ("12 month ECL"), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financial instruments ("Lifetime ECL"). The Corporation has applied judgements to identify and estimate the likelihood of borrowers that might have experienced SICR.	▪ We obtained and updated our understanding of management's assessment of impairment of financial assets including the Corporations's internal rating model, impairment allowance policy and the ECL modelling methodology including the enhancements made in light of the COVID-19 pandemic. ▪ We compared the Corporation's accounting policy and methodology for ECL allowance with the requirements of FAS 30. ▪ We assessed the design and implementation of the key controls (including relevant IT general controls) over: • the ECL modelling process, including governance over the monitoring of the model and its validation *(where applicable)* including approval of key assumptions and post model adjustments, if any; • the classification of borrowers into various stages and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications underpinning the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of counterparties, we assessed: • the internal ratings determined by management based on the Corporations's internal rating model and assessed these assigned ratings against external market conditions and available industry information in particular considering the impacts of the COVID-19 pandemic and also assessed that these were in line with the ratings used in the ECL model; • the staging as identified by management; and • management's computations for ECL.

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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>3. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities.

4. The need to apply post model adjustments using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model.

Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty around ECL calculations and therefore affected the associated audit risk thereon as at 31 December 2020.

Refer to the summary of significant accounting policy note 3 for the impairment of financial assets; note 4 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Corporation; note 22 which contains the disclosure of impairment against financial assets; and note 29 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</td><td>▪ We assessed the appropriateness of the Corporation's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the Corporation's staging categorisation.

▪ We assessed the qualitative factors which were considered by the Corporation to recongnise 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.

▪ We assessed the reasonableness of the underlying assumptions used by the Corporation in the ECL model including forward looking assumptions in cognisance of the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic.

▪ We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2020.

▪ Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated 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).

▪ We assessed the adequacy of disclosures in the financial statements.</td></tr>
<tr><td>Fair valuation of unquoted equity investments

As at 31 December 2020, the carrying value of equity investments amounted to USD 322.1 (31 December 2019: USD 349.1 million).

The Corporation determines the fair value of equity investments by using valuation techniques deemed to be appropriate in the circumstances which often involve the exercise of judgment by management and use of assumptions and estimates.</td><td>Our audit procedures in response to the risk associated with the fair valuation of unquoted equity investments included the following:

▪ discussed the overall process and controls in place over valuation of unquoted equity investments. This involved gaining an understanding of the processes followed for deciding the valuation methodologies, input parameters and their consistent application, with appropriate management review and challenge.</td></tr>
</table>

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Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
In general, there is a lack of comparable market transactions in the economies where the Corporation operates leading to difficulties in deriving fair values for equity investments. The fair value of equity investments can therefore fall within a relatively wide valuation range. Estimation uncertainty exists for those investments not traded in an active market (i.e. unquoted) and where the internal modelling techniques use: a) significant observable valuation inputs (i.e. level 2 investments); and b) significant unobservable valuation inputs (i.e. level 3 investments). Estimation uncertainty is particularly high for level 3 investments. The business disruptions and economic impacts of the COVID-19 pandemic have further raised the degree of estimation uncertainty involved in fair valuing unquoted investments. We considered valuation of unquoted equity investments as a key audit matter given the complexity involved in valuation of these investments and significance of the judgements and estimates made by the management. *Refer to the significant accounting policies note 3 to the financial statements, note 11 which explains the investment valuation methodology used by the Corporation and the critical judgments and estimates.*	▪ assessed the design and implementation of controls for a selected sample of unquoted equity investments. ▪ assessed the appropriateness of the methodology choice made for each investment taking into account the nature of the investment being valued. ▪ assessed the appropriateness of input parameters used, and assumptions made for example the choice of comparable companies, tracing of earnings / comparable company multiples to the source information and relevant benchmark data and the level of discounts / premiums applied. ▪ assessed the adequacy of the investments fair value hierarchy disclosure.

Other information included in the Corporation's 2020 Annual Report
Other information consists of the information included in the Corporation's 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Corporation's 2020 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.

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Report on the audit of the financial statements (continued)

Responsibilities of 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 is 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 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, 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.
- 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.

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Report on the audit of the financial statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

15 July 2021G
5 Dhul-Hijjah 1442H

Jeddah

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

As at 31 December 2020

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

The attached notes 1 to 34 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF INCOME

For the year ended 31 December 2020

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

The attached notes 1 to 34 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 2020

	Share capital USD	*Accumulated losses USD*	*Net loss USD*	*Actuarial losses USD*	*Total USD*
Balance at 31 December 2019	1,310,932,808	(297,046,695)	-	(9,895,775)	1,003,990,338
Contributions during the year	83,443,808	-	-	-	83,443,808
Net loss for the year	-	-	(105,847,083)	-	(105,847,083)
Transfer to reserve	-	(105,847,083)	105,847,083	-	-
Actuarial loss for the year from the pension schemes (note 16.3)	-	-	-	(14,696,690)	(14,696,690)
Balance at 31 December 2019 (previously reported)	1,394,376,616	(402,893,778)	-	(24,592,465)	966,890,373
Adjustment on adoption of FAS 30 on 1 January 2020 (note 3)	-	(68,060,319)	-	-	(68,060,319)
Restated balance as at 31 December 2019	1,394,376,616	(470,954,097)	-	(24,592,465)	898,830,054
Contributions during the year	131,071,734	-	-	-	131,071,734
Net loss for the year	-	-	(15,226,578)	-	(15,226,578)
Transfer to reserve	-	(15,226,578)	15,226,578	-	-
Actuarial loss for the year from the pension schemes (note 16.3)	-	-	-	(19,225,608)	(19,225,608)
Balance At 31 December 2020	**1,525,448,350**	**(486,180,675)**	**-**	**(43,818,073)**	**995,449,602**

The attached notes 1 to 34 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 2020

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

The attached notes 1 to 34 form part of these financial statements.

1 ACTIVITIES

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

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

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

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

2 BASIS OF PREPARATION

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

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

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

Investment entity

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impact of changes in accounting policies due to adoption of new standards

The Corporation has applied for the first time FAS 30 “Impairment, credit losses and onerous commitments” effective for annual periods beginning on or after 1 January 2020. Until 2019, the Corporation applied FAS 30 replaces FAS 11 “Provisions and Reserves”, for impairment of financial assets.

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounting convention

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

Transactions and balances

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

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

Cash and cash equivalents

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

Commodity Murabaha and Wakala placements

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

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

Murabaha

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

Installment sales financing

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

Ijarah Muntahia Bittamleek

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term after the completion of all payments under the agreement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Istisna'a assets

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

Investments

The Corporation's investments are categorised as follows:

i) Subsidiaries

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

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

ii) Associates

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

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

iii) Other investments

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

iv) Sukuk investments

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

v) Initial measurement

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

vi) Subsequent measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Corporation applies the credit loss approach to financing instruments, financing commitments and treasury investments. To assess the extent of credit risk, the financial assets are divided into three (3) categories:

i. Stage 1 – No significant increase in credit risk;
ii. Stage 2 – Significant increase in credit risk (SICR); and
iii. Stage 3 – Credit impaired financial assets.

Allocation to different stages is based on the degree of deterioration in the credit quality of the financial asset. At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. Consideration is made of reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in note 29 to the financial statements.

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

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

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

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

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

Islamic derivative financial instruments

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

Fiduciary assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

Financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

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

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

Offsetting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sukuk issued

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

Provisions

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

Employee pension liabilities

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

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

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

Revenue recognition

i) Commodity Murabaha and Wakala placements

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

ii) Shari'ah non-compliant income

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

iii) Murabaha and Installment sales financing

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

iv) Istisna'a

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

v) Ijarah Muntahia Bittamleek

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

vi) Dividends

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

vii) Management fee

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

viii) Administrative fee and advisory fee

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

ix) Investment in Sukuk

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

Zakat and tax

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

Segment reporting

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

4 ACCOUNTING JUDGMENTS AND ESTIMATES

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

i) Investment entity

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

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

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

ii) Impairment allowance for financial assets

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

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

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

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

4 ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

iii) Fair value determination

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

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

(iv) Employee pension liabilities

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

(v) Going concern

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

(vi) Impact of COVID'19

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

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

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

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

5 CASH AND CASH EQUIVALENTS

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

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

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

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

6 COMMODITY MURABAHA AND WAKALA PLACEMENTS

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

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

7 SUKUK INVESTMENTS

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

7 SUKUK INVESTMENTS (continued)

	31 December 2020 USD	*31 December 2019 USD*
Financial institutions	**789,982,730**	412,744,947
Governments	**471,380,819**	365,940,987
Others	**95,732,730**	20,100,550
	1,357,096,279	798,786,484

	31 December 2020 USD	*31 December 2019 USD*
AAA	**53,614,773**	106,586,612
AA+ to AA-	**45,132,730**	87,872,535
A+ to A-	**717,160,246**	371,414,680
BBB+ or lower	**521,737,818**	207,711,463
Unrated	**19,450,712**	25,201,194
	1,357,096,279	798,786,484

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

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

8 MURABAHA FINANCING

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

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

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

9 INSTALLMENT SALES FINANCING

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

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

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

10 IJARAH MUNTAHIA BITTAMLEEK

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

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

11 EQUITY INVESTMENTS

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

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

The movement in investments for the year is as follows:

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

11.1 Investments in subsidiaries

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

Name of the entity	**Country of incorporation**	**Nature of business**	**Effective ownership %** ***2020***	*2019*
Azerbaijan Leasing	Azerbaijan	Leasing	**100**	100
ICD Asset Management Limited	Malaysia	Asset management	**100**	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	**100**	100
Taiba Leasing	Uzbekistan	Leasing	**100**	100
Tamweel Africa Holding	Senegal	Banking	**100**	100
ASR Leasing LLC	Tajikistan	Leasing	**67**	67
Al Majmoua Al Mauritania	Mauritania	Real estate	**53**	53
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	**50**	50

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

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

11 EQUITY INVESTMENTS (continued)

11.2 Investments in associates

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

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2020	*2019*
Al-Akhdar Bank	Morocco	Banking	**49**	49
Enmaa Ijara Company	Egypt	Leasing	**47**	47
Theemar Investment Fund	Tunisia	Fund	**40**	40
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	**37**	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	**36**	36
Albania Leasing	Albania	Leasing	**36**	36
Maldives Islamic Bank	Maldives	Banking	**36**	36
Palestine Ijarah Company	Palestine	Leasing	**33**	33
Halic Finansal Kiralama A.S.	Turkey	Leasing	**33**	33
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	**33**	33
Wifack International Bank	Tunisia	Leasing	**30**	30
Royal Atlantic Residence	Gambia	Real Estate	**25**	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	**25**	25
Al Sharkeya Sugar	Egypt	Manufacturing	**22**	22
Jordan Pharmaceutical Manufacturing Co.	Jordan	Manufacturing	**22**	22
Saba Islamic Bank	Yemen	Banking	**20**	20
Arab Leasing Company	Sudan	Leasing	**20**	20
PMB Tijari Berhad	Malaysia	Leasing	**20**	20
Turkish Asset Management (K.A.M.P)	Turkey	Fund	**20**	20

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

11.3 Fair value of investments

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

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

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

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

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

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

11 EQUITY INVESTMENTS (continued)

11.3 Fair value of investments (continued)

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

The management has taken into account investee specific as well as the macro economic environment of the investee. The investee specific inputs primarily included market multiples, actual business performance against expected and revisions to the business plans. The macroeconomic inputs included country or regional specific information as well as the foreign currency rates. In addition, management has implemented certain refinements to the valuation techniques to reflect appropriately the ever-changing circumstances and economic environment. The valuation techniques used to measure the fair value of equity investments classified in level 2 & 3 for each significant sector as at 31 December 2020 and 31 December 2019 are as follows:

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

11 EQUITY INVESTMENTS (continued)

11.3 Fair value of investments (continued)

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

11.4 Equity investment loss, net

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

12 OTHER ASSETS

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

12 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 held to mitigate the risk of currency fluctuation for placements with financial institutions, Sukuk investments, financing assets and Sukuk issued. Profit rate swaps are held to mitigate the effects of the fluctuation in the changes in the cost of financing by matching the floating rate financing with floating rate income. Included in the table below is the positive and negative fair values of Islamic derivative financial instruments, together with their notional amounts:

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

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

In addition to above, the Corporation entered into cross currency swaps on behalf of Arab Bank for Economic Development for Africa (BADEA) through a master agreement dated 13 June 2016. The notional value of such swaps is USD 50.67 million (31 December 2019: USD 47.3 million).

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

13 SUKUK ISSUED

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

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

14 COMMODITY MURABAHA FINANCING

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

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

15 ACCRUED AND OTHER LIABILITIES

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

16 EMPLOYEE PENSION LIABILITIES

Staff Pension Plan (SPP)

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

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

The main features of the SPP are:

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

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

Staff Retirement Medical Plan (SRMP)

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

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

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

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

16 EMPLOYEE PENSION LIABILITIES (continued)

The breakdown of net employee pension liabilities was as follows:

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

2019	*SPP*	*SRMP*	*Total*
	31 December 2019 (USD)		
Defined benefit obligations (note 16.1)	71,560,539	6,371,869	77,932,408
Less: plan assets (note 16.2)	(44,445,671)	(2,061,284)	(46,506,955)
Net employee pension liabilities	27,114,868	4,305,677	31,425,453

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

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

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

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

16 EMPLOYEE PENSION LIABILITIES (continued)

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

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

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

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

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

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

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

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

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

17 ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2020 generated from liquid fund placements with certain conventional banks and financial institutions which was discontinued by ICD and other income which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Board of IsDB Group, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the year ended are as follows:

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

18 PAID-UP CAPITAL

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

	31 December 2020 USD	*31 December 2019 USD*
Authorized share capital: 400,000 shares of USD 10,000 each	**4,000,000,000**	4,000,000,000
Subscribed capital share:		
Available for subscription: 200,000 shares of USD 10,000 each	**2,000,000,000**	2,000,000,000
Share capital not yet subscribed	**(279,664,646)**	(279,664,646)
	1,720,335,354	1,720,335,354
Installments due not yet paid	**(194,887,004)**	(325,958,738)
Paid-up capital	**1,525,448,350**	1,394,376,616

18 PAID-UP CAPITAL (continued)

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

	31 December 2020 USD	*31 December 2019 USD*
Islamic Development Bank (IsDB)	**659,681,958**	597,181,958
Saudi Public Investment Fund	**124,940,000**	101,205,000
Member countries	**692,626,392**	647,789,658
Iran Foreign Investment Company	**40,000,000**	40,000,000
Bank Keshavarzi	**6,000,000**	6,000,000
Bank Melli	**2,000,000**	2,000,000
Bank Nationale D'Algerie	**200,000**	200,000
Paid-up capital	**1,525,448,350**	1,394,376,616

19 RESERVE AND DIVIDEND

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine the part of the Corporation's net income and surplus after making provision for reserves to be distributed as dividend. In any event, no dividend shall be distributed before reserve reach 12.5% of the subscribed capital. No dividend was paid or declared in 2020 and 2019.

20 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

20.3 Due from related parties comprised the following:

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

20.4 Due to related parties comprised the following:

	31 December 2020 USD	*31 December 2019 USD*
Islamic Development Bank (IsDB)	**4,292,967**	170,517
Royal Atlantic	**145,878**	145,878
IsDB Staff Retirement Pension Plan	**2,761**	1,530,709
Others	**31,901**	31,861
	4,473,507	1,878,965

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

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

21 IJARAH MUNTAHIA BITTAMLEEK

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

22 IMPAIRMENT ALLOWANCE FOR FINANCIAL ASSETS

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

23 FAIR VALUE GAIN ON ISLAMIC DERIVATIVES NET OF EXCHANGE LOSS

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

24 FIDUCIARY ASSETS

24.1 Unit Investment Fund

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

The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries. Pursuant to Islamic Limited Liability Partnership Agreement (the "Partnership" or the "Agreement") dated 3 November 2015. At the end of 31 December 2020, the net assets of UIF amounting to USD 31.5 million (2019: USD 59.66 million) were under the management of the Corporation.

24.2 Money Market Fund

The ICD Money Market Fund (Labuan) LLP ("MMF") is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Shari'ah compliant placement, investment and financing products. At the end of 31 December 2020, the net assets of MMF amounting to USD 91.4 million (2019: USD 94.0 million) were under the management of the Corporation.

24.3 Others

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

25 NET ASSETS IN FOREIGN CURRENCIES

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

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

26 CONCENTRATION OF ASSETS

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

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

26 CONCENTRATION OF ASSETS (continued)

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

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

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

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

27 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

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

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

27 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES (continued)

31 December 2019	*Less than 3 months USD*	*3 to 12 months USD*	*1 to 5 years USD*	*Over 5 years USD*	*No fixed maturity USD*	*Total USD*
Assets						
Cash and cash equivalents	98,851,312	-	-	-	-	98,851,312
Commodity Murabaha and Wakala placements	244,137,999	12,566,534	26,498,865	-	-	283,203,398
Sukuk investments	57,335,290	79,049,953	549,564,346	112,836,895	-	798,786,484
Murabaha financing	35,619,058	78,231,202	36,992,929	70,039,546	-	220,882,735
Installment sales financing	77,816,135	156,792,406	211,857,926	9,001,444	-	455,467,911
Ijarah Muntahia Bittamleek	58,777,641	14,511,065	57,711,999	104,757,177	-	235,757,882
Istina'a assets	619,044	740,321	4,508,085	15,618,010	-	21,485,460
Equity investments	-	-	-	-	349,124,109	349,124,109
Other assets	65,321,866	-	-	-	-	65,321,866
Property and equipment	-	-	214,509	-	-	214,509
	638,478,345	341,891,481	887,348,659	312,253,072	349,124,109	2,529,095,666
Liabilities						
Sukuk issued	-	-	300,000,000	-	-	300,000,000
Commodity Murabaha financing	64,335,965	199,331,965	918,304,991	-	-	1,181,972,921
Accrued and other liabilities	-	47,557,563	-	-	-	47,557,563
Employee pension liabilities	-	-	-	-	31,425,453	31,425,453
Amounts due to ICD Solidarity Fund	1,249,356	-	-	-	-	1,249,356
	65,585,321	246,889,528	1,218,304,991	-	31,425,453	1,562,205,293

28 SHARI'AH SUPERVISION

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

29 RISK MANAGEMENT

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

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

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

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

- Commodity Murabaha and Wakala placements and Sukuk investments are managed by the Corporation's treasury department. The Corporation has made placements with financial institutions under the arrangement of Murabaha financing. Adequate due diligence is exercised prior to investments and as at the period end, management considers that there are no material credit risks posed by these investments.
- The Corporation evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna'a financing (financing assets). Credit evaluation is performed internally, and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for financing. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets after taking allowance for impairment as disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation.

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

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

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

29 RISK MANAGEMENT (continued)

Credit risk (continued)

i. Determining the stage for impairment (continued)

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

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

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

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

ii. Measurement of Expected Credit Losses (ECLs)

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

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

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

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

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

29 RISK MANAGEMENT (continued)

Credit risk (continued)

ii. Measurement of Expected Credit Losses (ECLs) (continued)

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

iii. Exposure Amounts and ECL coverage

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

Tables below present the breakdown of gross exposure amount and ECL by mode of finance, for financial instruments measured at amortized cost as at 31 December 2020 and 2019.

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

	31 December 2020			
Description	***Stage 1***	***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	**512,941,821**	**-**	**23,388,444**	**536,730,265**
Sukuk investments	**21,371,477**	**-**	**10,585,098**	**31,956,575**
Murabaha financing	**90,679,974**	**-**	**61,293,746**	**151,973,720**
Installment sales financing	**182,466,932**	**136,793,801**	**58,378,875**	**377,639,608**
Ijarah Muntahia Bittamleek	**154,112,044**	**36,925,342**	**79,881,803**	**270,919,189**
Istisna'a assets	**21,227,812**	**-**	**-**	**21,227,812**
Other assets	**-**	**-**	**8,051,079**	**8,051,079**
	1,204,044,624	**173,719,143**	**241,579,045**	**1,619,342,812**

	31 December 2020			
Description	***Stage 1***	***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**

29 RISK MANAGEMENT (continued)

Credit risk (continued)

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

Market Risk

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

Currency risk

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

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

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

Mark-up rate risk

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

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

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

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

Equity price risk

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

29 RISK MANAGEMENT (continued)

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

To guard against this risk, the Corporation follows a conservative approach by maintaining high liquidity levels invested in cash and cash equivalents, Commodity Murabaha and Wakala placements and Murabaha financing with short-term maturity of three to twelve months. Please see note 27 for the maturity schedule of the assets.

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

30 FAIR VALUE

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

Fair valuation with respect to investments, is disclosed in note 11.

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

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

31 COMMITMENTS

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

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards have been issued except for FAS 29 “Sukuk issuances” which is in the stage of exposure draft and is expected to be issued in near future. The Corporation intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

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

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

Financial Accounting Standard – 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)"
This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments to be in line with the ever-changing global best practices, in hand of both the principal and the agent.

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

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

Under this approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

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

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach whereby virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet.

An agent may maintain multi-level investment arrangements. Under such arrangement, the Fund will reinvest Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

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

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

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

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

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

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

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

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

33 COMPARATIVE FIGURES

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

34 APPROVAL OF FINANCIAL STATEMENTS

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