

Our mission

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

Our vision

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



Enabling enterprise, Building prosperity



ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

Sharing prosperity, Strengthening society

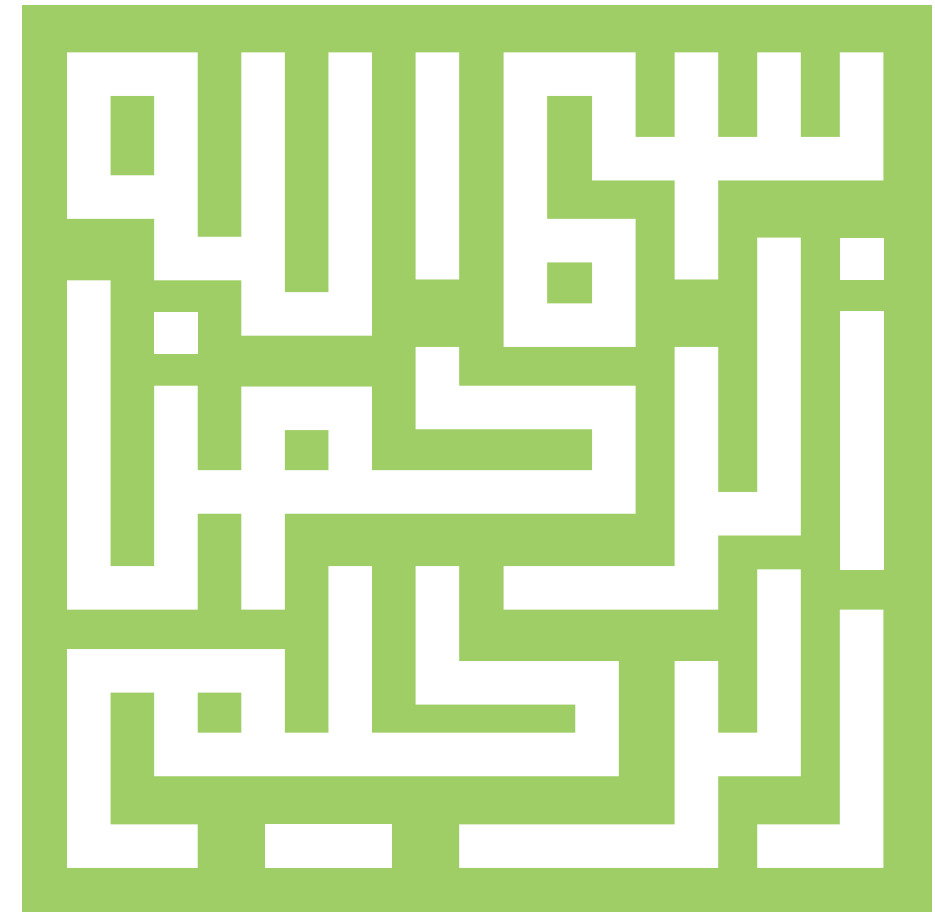
Sharing prosperity, Strengthening society



**Enabling
enterprise**

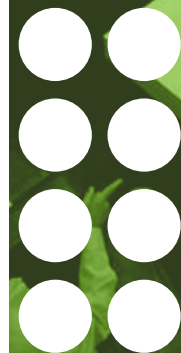


**Building
prosperity**



Contents

1



2



3



PAGE 23



PAGE 31

- 05 From the Board of Directors to the General Assembly
- 06 From the CEO
- 08 2017 in numbers
- 10 Highlights since inception
- 12 Highlights in 2017
- 14 About the ICD
- 18 1. Developing the financial sector
- 28 2. Supporting productive capacities
- 36 3. Leveraging our strengths
- 40 Organization and governance
- 44 Our people
- 46 Annexes
 - Approvals & disbursement since inception
 - Abbreviations
 - Financial highlights
 - Shari'ah Board Report
 - Financial Statements and Auditor's Report
- Financial Review Report (on USB)

The developmental needs of ICD member countries are still immense, and we definitely need to collectively pool all our financing capacity, expertise and tools to help our member countries meet the expectations of their citizens.



PAGE 22



2017 ANNUAL
REPORTFrom the Board
of Directors to the
General Assembly

In the name of Allah, the Beneficent,
the Merciful

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

Dear Mr. Chairman,

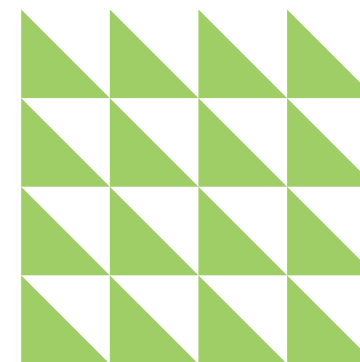
Assalam-O-Alaikum Warahmatullah Wabarakatuh

In accordance with the Articles of Agreement and the by-laws of the Islamic Corporation for the Development of the Private Sector (ICD) and on behalf of the ICD Board of Directors, I am pleased to submit to the esteemed General Assembly the Eighteenth Annual Report of the ICD for the fiscal year covering the period 01/01/2017 - 31/12/2017.

This report contains an overview of the ICD's operations in the year 2017, including its various business interventions, development impact and financial analysis. The ICD will, Insha Allah, pursue all efforts to meet the aspirations of its shareholders.

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

Dr. Bandar M. H. Hajjar
Chairman, Board of Directors



From the CEO



In the name of Allah, the Beneficent, the Merciful

I am very pleased to present the 2017 Annual Report that expresses yet another promising year for the ICD.

World economic growth strengthened in 2017 alongside falling unemployment rates, rising global trade volumes, surging commodity prices, and benign financial market conditions. Economic and financial conditions also improved in almost all regions of ICD operations, while some risks of a non-economic nature, and geopolitical uncertainties, weighed heavily on the market sentiments of some countries.

Boosting the private sector, empowering entrepreneurs, and strengthening vibrant partnerships with its players remained a vital element for the support of sustainability in many of our member countries. Therefore, it was a demanding environment that required an agile and smart approach on the part of the ICD.

The developmental needs of ICD member countries are still immense, and we definitely need to collectively pool all our financing capacity, expertise and tools to help our member countries meet the expectations of their citizens. To spur a great volume of funding, innovation and enthusiasm, it is essential to create a level playing field for the private sector and bring more private sector rigor to our countries of operation.

Due to our 17-year record of accomplishment of strong developmental results and sound operational achievements, we keep progressively spreading our footprint in our 54 member countries. Today, the ICD's gross cumulative approvals stand at USD5.89bn, and cumulative disbursements totals USD2.65bn. These investments have been granted to 51 member countries.

Despite financially difficult year for the ICD, which is caused by a number of challenges including external market conditions, it demonstrated a good performance in operational and developmental space. We delivered a record amount of financing for private

sector development – nearly USD931m, which is the highest in the corporation's history with increase of 13% on the previous year.

We also intensified our focus on the most challenging obstacles of the private sector and sustainable development by investing in the financial industries and infrastructure sectors of member countries. Almost a two-third of our financing went to the financial sector through our lines of finance and equity investments. We also made a record amount of infrastructure financing, with more than USD180m of approvals dedicated to strengthening the productive capacities of the private sector and to raising their competitiveness. In addition, we increased our investment focus on matters such as resilience, climate change and innovation.

Asset management and advisory services also continued to be important dimensions in delivering our developmental mandate in 2017. The ICD's total assets under management reached a figure close to USD790m by the end of year 2017. We also increased our support to member countries by offering comprehensive advisory services. In 2017, ICD secured 14 advisory mandates, 43% of which belong to least developed member countries (LDMCs). These advisory solutions were delivered through our well established and customized advisory programs.

Achieving development results has always been a cornerstone and ultimate objective of the ICD's operations. The size and diversity of our operation in 2017 ensured that we delivered development impact across various dimensions. In 2017, our clients/partners created 10,795 new jobs and 95,609 people opened

new Islamic finance accounts. Our financing also supported a total of 9,367 small and medium sized enterprises (SMEs). The projects supported were also instrumental in net foreign currency inflows of around USD612m and tax revenue generation of approximately USD113m in member countries. Given our member countries' multidimensional development needs, we have also strengthened our toolkit by adding the UN's Sustainable Development Goals (SDGs) to development impact measurement systems.

We cannot be complacent. We therefore remain committed to scaling up and strengthening our engagement to help countries overcome their development challenges in the face of rapid changes. We understand that responding to demand is always a must, but at the same time we are exerting all our efforts to work pro-actively – leveraging the strength of our clients and partners to mobilize greater private sector financing. We can still increase the reach and depth of our development impact by deploying the capital given to us by our shareholders, by bringing greater intelligence to our business decision-making, and by working as one team across the entire IDB Group.

I pray to Allah the Almighty for guiding us in our efforts to overcome the challenges ahead; and to help us assist member countries in achieving well-deserved welfare and prosperity, Amin.



Khaled Mohammed Al-Aboodi,
CEO & General Manager

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



2017 in numbers



18 countries reached (plus regional projects)



44 projects approved



USD931m approved



10,795 new jobs created by ICD clients and partners



95,609 people opened new Islamic Finance Accounts

54 MEMBER COUNTRIES

1. Afghanistan

2. Albania

3. Algeria

4. Azerbaijan

5. Bahrain

6. Bangladesh

7. Benin

8. Brunei

9. Burkina Faso

10. Cameroon

11. Chad

12. Comoros

13. Cote d'Ivoire

14. Djibouti
15. Egypt

16. Gabon

17. The Gambia

18. Guinea

19. Guinea Bissau

20. Indonesia

21. Iran

22. Iraq

23. Jordan

24. Kazakhstan

25. Kuwait

26. Kyrgyz Republic

27. Lebanon

28. Libya
29. Malaysia

30. Maldives

31. Mali

32. Mauritania

33. Morocco

34. Mozambique

35. Niger

36. Nigeria

37. Pakistan

38. Palestine

39. Qatar

40. Saudi Arabia

41. Senegal

42. Sierra Leone
43. Somalia

44. Sudan

45. Suriname

46. Syria

47. Tajikistan

48. Tunisia

49. Turkey

50. Turkmenistan

51. United Arab Emirates

52. Uganda

53. Uzbekistan

54. Yemen



9,367 SMEs were supported through financing



USD629m export sales was generated



USD113m taxes were collected for government revenues



USD612m value of net inflows of foreign currency was generated

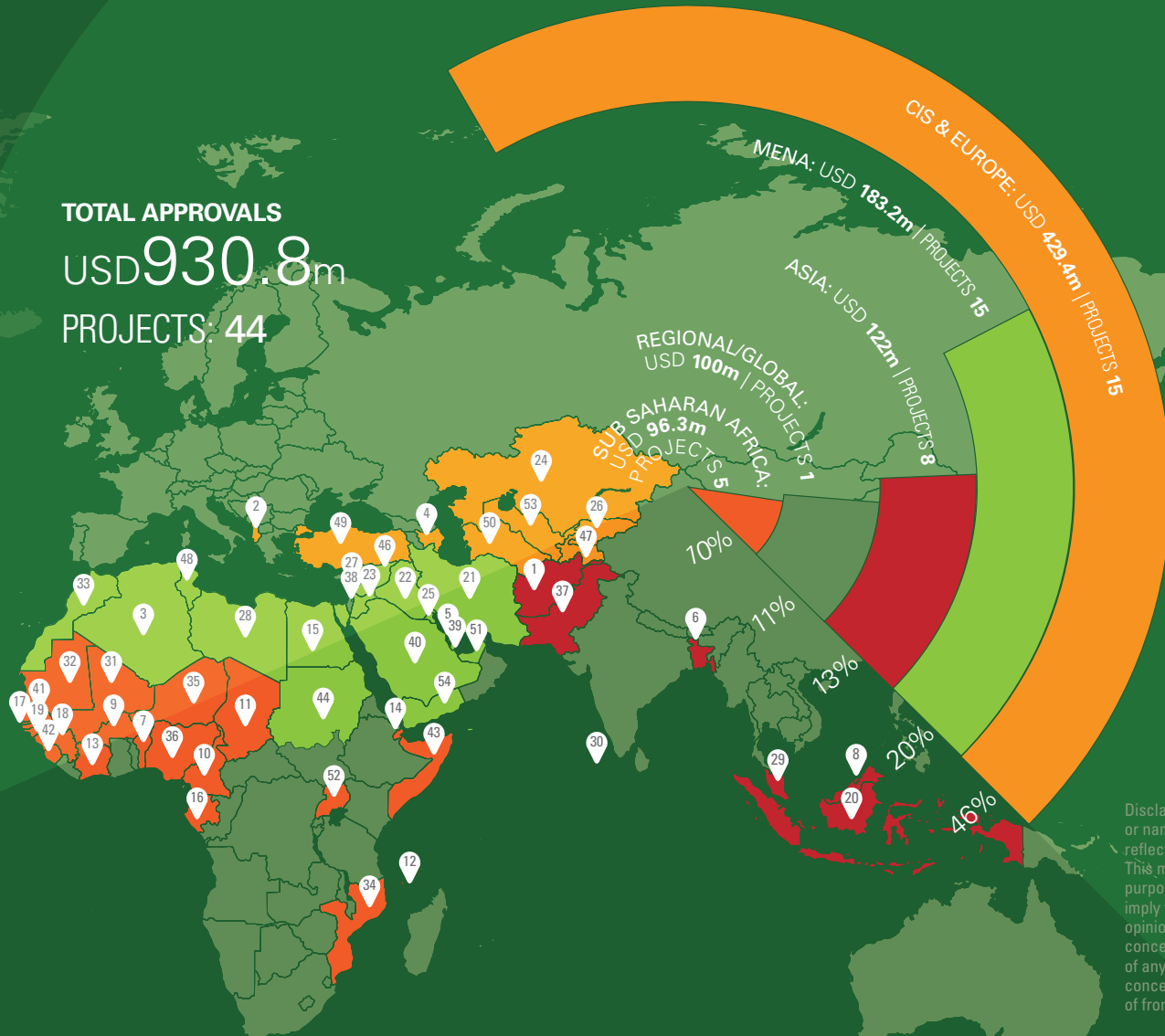


USD445m in goods & services were purchased locally



USD13m amount was spent for community development

TOTAL APPROVALS
USD930.8m
PROJECTS: 44



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

2017 APPROVALS BY SECTOR



FINANCE
USD 583.3m
PROJECTS: 18



INDUSTRY & MINING
USD 149m
PROJECTS: 10

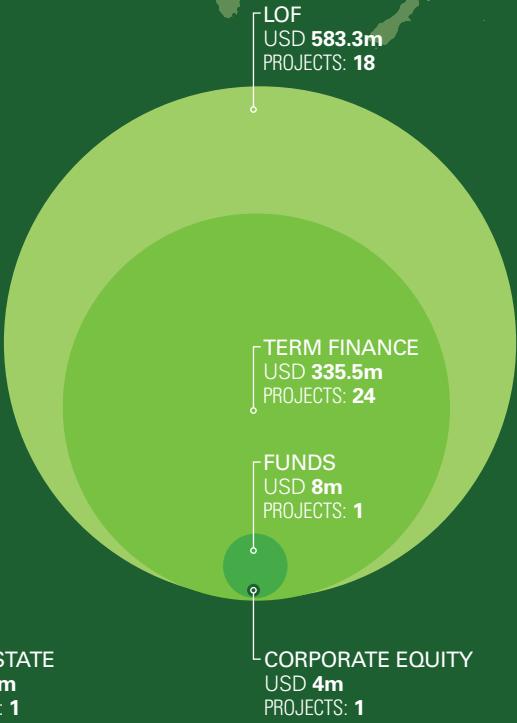


ENERGY
USD 128.5m
PROJECTS: 10



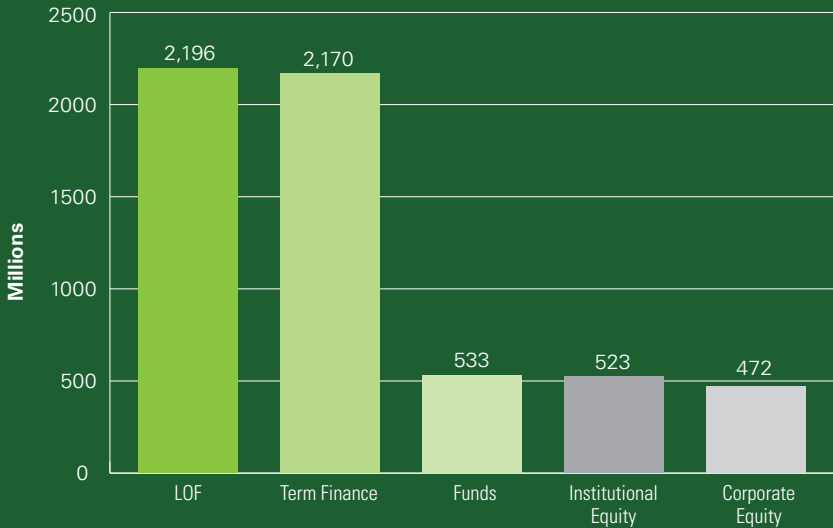
HEALTH & SOCIAL SERVICES
USD 59.4m
PROJECTS: 4

2017 APPROVALS BY PRODUCT



Highlights since inception

Breakdown of total approvals by product since inception



APPROVALS – BY PRODUCT

Cumulative gross approvals by product, or mode of finance, include 85 projects in line of finance (LOF) – USD2,196.3m, 215 projects in term finance – USD2,169.9m, 15 projects in funds – USD532.8m, 45 projects in institutional equity – USD522.53m, and 33 projects in corporate equity – USD471.73m.

By the end of 2017, 74% of approvals were allocated to credit financing (term finance plus line of finance), followed by 17% in equity participation (institutional equity and corporate equity), and the remaining 9% in funds.

The ICD also disbursed a total of USD2.65bn since inception. Disbursements vary according to product, with term finance and line of finance projects taking the largest proportion (68%). Institutional equity operations accounted for 11%, followed by funds and corporate equity at 11% and 10%, respectively.

Breakdown of total disbursement by products since inception



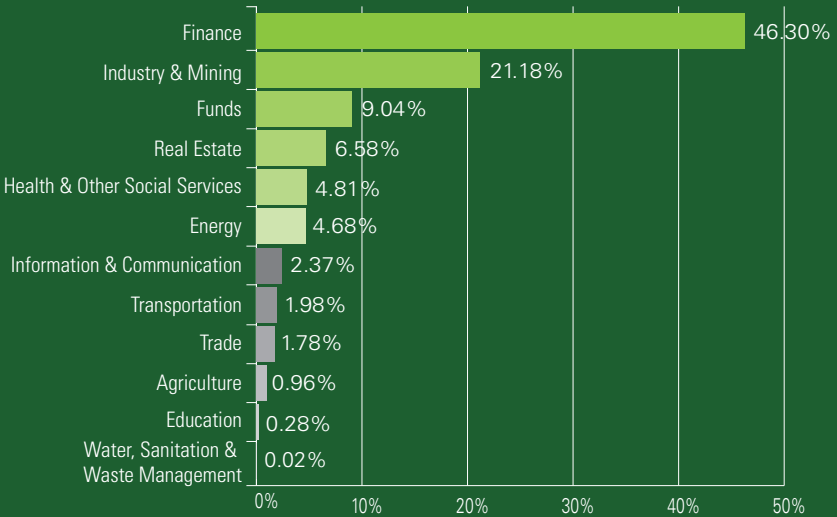
Term Finance	38%
Line of Finance	30%
Institutional Equity	11%
Funds	11%
Corporate Equity	10%

Since inception, accumulated gross approvals have totaled USD5.89bn, allocated to more than 390 projects.

APPROVALS – BY SECTOR

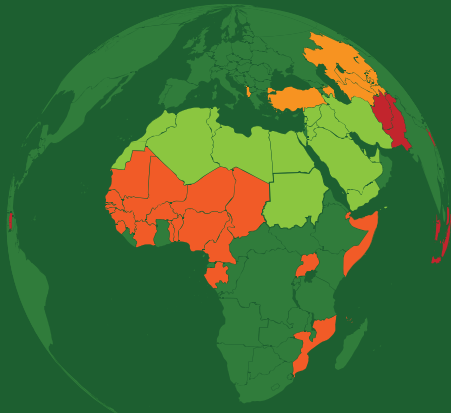
Sector-wise, cumulative approvals spread over a number of industries, ranging from finance to infrastructure, agriculture, oil and gas, and manufacturing. As a priority sector, the finance industry accounted for the largest share, representing 46.3% of gross approvals. The industrial and mining sector takes up the second largest share (21.18%), with a gross approved amount of USD1,248.2m. This is followed by funds with 9.04%, then real estate, health and other social services, information and communication, energy, trade and transportation, accounting for 22.2% of gross approvals. The remaining USD74.38m representing 1.3% of cumulative approvals, is allocated to three corporate sectors: agriculture, education, and water, sanitation and waste management.

Breakdown of total approvals by sector since inception

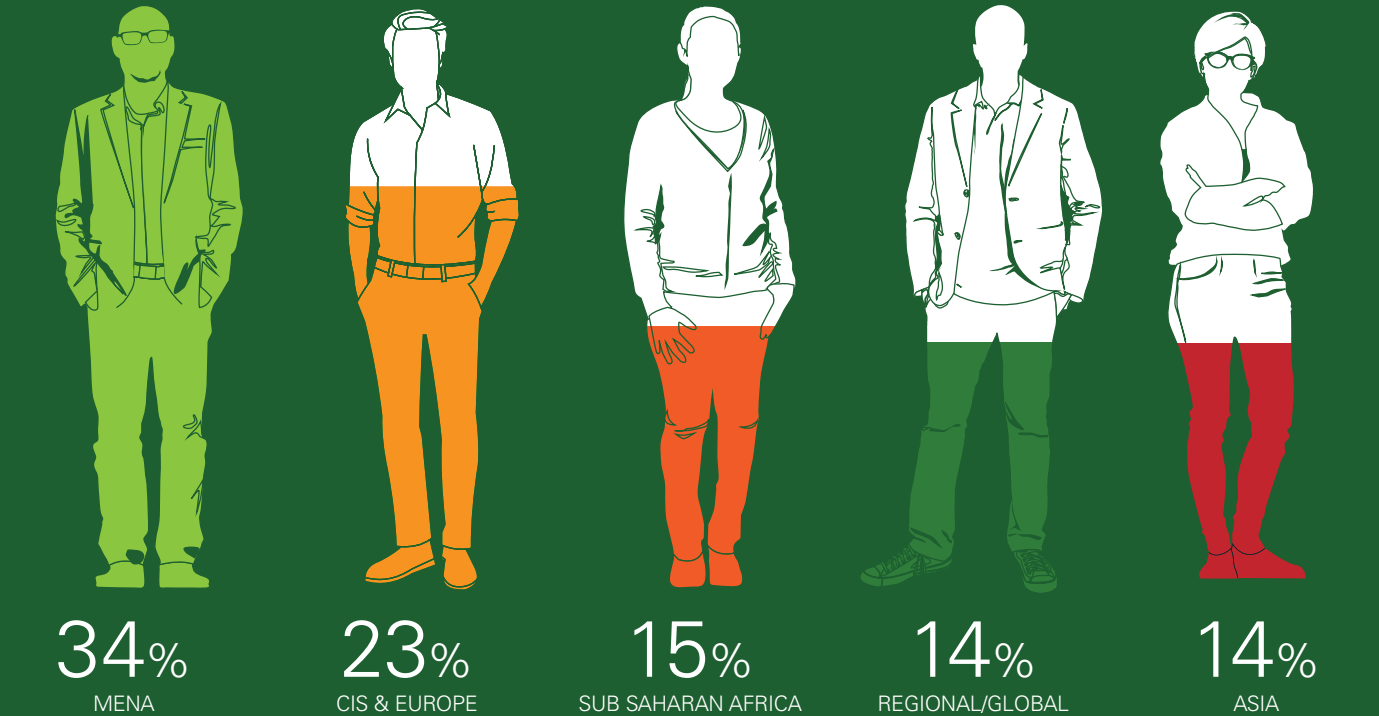


APPROVALS – BY REGION

Regarding geographic distribution, our approvals also reflect an emphasis on diversity. By the end of 2017, ICD investment operations expanded to 51 member countries, in addition to a number of regional projects covering several economies. The Middle East and North Africa (MENA) region accounts for 34% of gross approvals, followed by Eastern Europe and Central Asia (with 23%), Sub-Saharan Africa (with 15%), and Asia and Pacific (with 14%). The share of regional/global projects covering several countries across multiple regions was 14% of gross approvals.



Breakdown of total approvals by region since inception

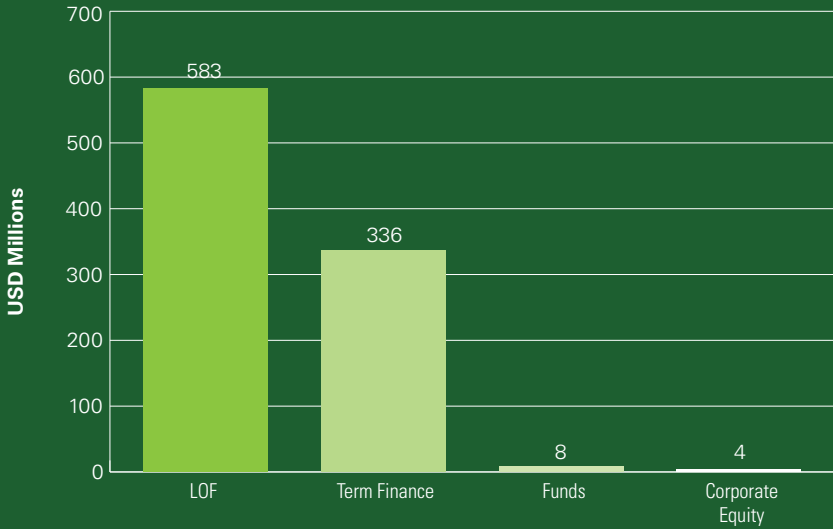


Highlights of 2017

In 2017, the ICD approved more than 40 investment and financing projects totaling USD931m. These projects added value to the economic and social development of member countries by creating new jobs, supporting productive capacities, facilitating technology transfer and boosting cross-border investment.



Breakdown of total approvals by product in 2017



APPROVALS – BY PRODUCT

LOF made up the bulk of approvals, representing 62.7% of the total. Term finance was the second largest product, accounting for 36% of ICD 2017 approvals. This was followed by funds – 0.9%, and corporate equity – 0.4%. Apart from investment and financing projects, the ICD also received 14 advisory mandates during 2017.

In terms of disbursements, the ICD succeeded in disbursing USD292m. This excludes the disbursements made by the funds under ICD management. The largest disbursement allocation over the past year went to term finance, amounting to USD147m, or 50.4% of the total. LOF accounted for 38.41% of total disbursements, followed by institutional equity – 9.45%, funds – 1.71%, and Corporate Equity 0.03%.

In 2017, the ICD approved more than 40 investment and financing projects totalling USD931m.

Breakdown of total disbursements by product in 2017



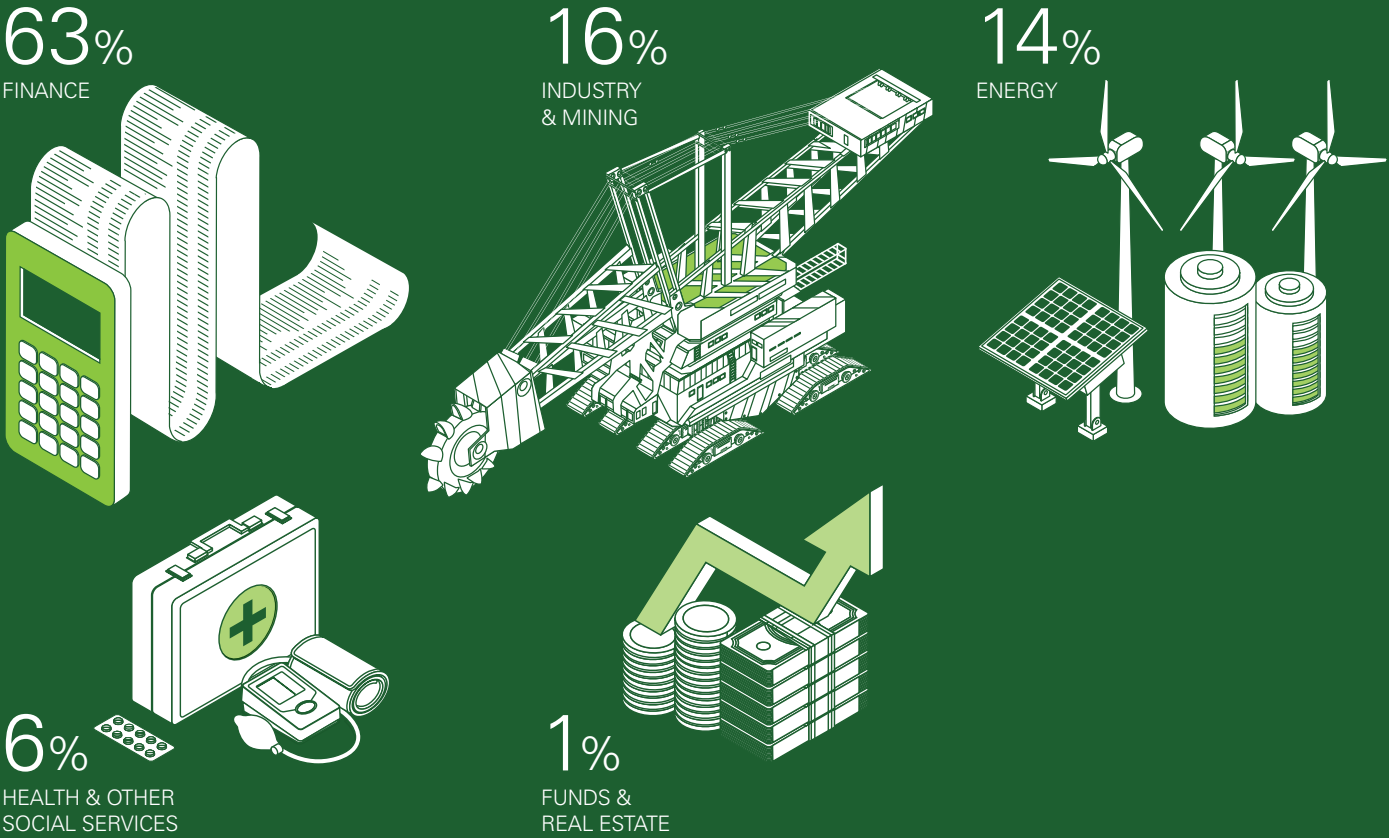
Funds	1.71%
Institutional Equity	9.45%
Line of Finance	38.41%
Term Finance	50.4%
Corporate Equity	0.03%

APPROVALS – BY SECTOR

The distribution of the ICD’s 2017 approvals across various sectors reflects our adherence to our strategy of focusing on the financial sector. This particular sector accounted for the largest share of approvals, amounting to USD583m or 63% of total approvals. This was followed by industry and mining with USD149m (16%). Energy and healthcare, accounted for USD128.5m (14%) and USD59.3m (6%) of the year’s approvals, respectively. This was followed by the funds and real estate with a total of 1%.

Finance accounted for the largest share of approvals, amounting to USD583m or 63% of total approvals

Breakdown of total approvals by sector in 2017

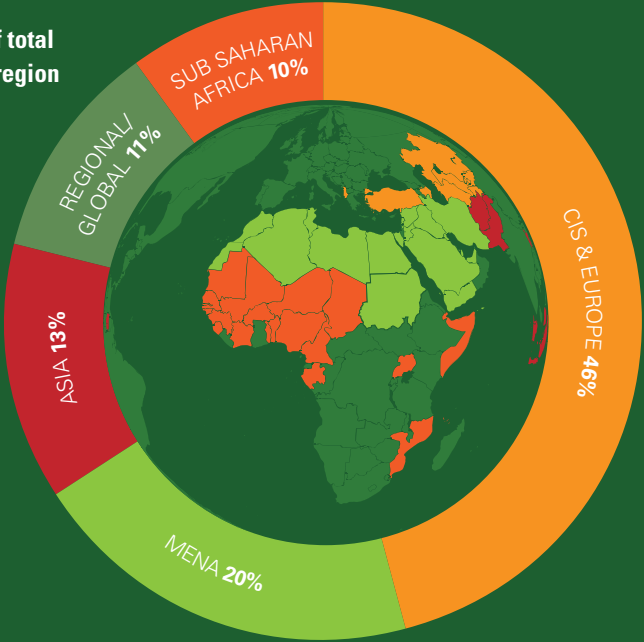


APPROVALS – BY REGION

In 2017, the ICD continued to rebalance the geographical allocation of its investment commitments. From this geographical perspective, the allocation of ICD resources was based on a number of factors including member countries’ development needs, the readiness of markets and ICD strategic priorities.

As a result, the highest proportion of 2017 approvals was allocated to the Europe and Central Asia region, accounting for 46% of total approvals. The MENA region was next (20%), followed by the Asia region with 13%, global and regional projects (11%), and the Sub-Saharan Africa region (10%).

Breakdown of total approvals by region in 2017



About the ICD

Our mission

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

Our vision

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



Shari'ah-compliant support for the private sector

The Islamic Corporation for the Development of the Private Sector (ICD) is the private sector arm of the Islamic Development Bank Group (IDBG). We promote the economic development of IDBG member countries by providing financial assistance and advisory solutions to private sector projects in accordance with the principles of shariah law.

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

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

In the era of the UN's Sustainable Development Goals (SDGs), we continue to enhance our operations by developing new practices, initiatives and frameworks

Focusing on our priorities

At the ICD, we strive to achieve sustainable development in our member countries. We do this by providing much-needed financial support and customized advisory solutions to private sector enterprises and governments.

We attempt to integrate global practices into our agenda and scale up and strengthen our engagement to help member countries overcome dynamic and complex development challenges.

In the era of the UN's Sustainable Development Goals (SDGs), we continue to enhance our operations by developing new practices, initiatives and frameworks. However, we are also loyal to our corporate strategy. This helps us to align with global practice and pledge on the SDGs, including climate change, economic integration and youth empowerment.

The ICD has set the following ambitious goals, which complement the IDB Group's 10-year strategy (2015-2024):

Provide access to finance for at least

10,000

SMEs

Approve **USD14bn** and disburse

USD8bn

Support

400,000

new job opportunities

Reach a

USD5bn

operating assets portfolio

In general, the leanness of our operating framework allows us to better align with the emerging development priorities of our clients, while sticking to our original mandate.

OUR PRIORITY AREAS ARE:

1. Developing the financial sector
2. Supporting productive capacities
3. Leveraging our strengths

1

Developing the financial sector

ICD is proud to be the sole multilateral institution with a mandate to develop the private sector with shariah-compliant financing.

ICD attempts to bring innovative private sector solutions and serve as a bridge between private investments and development. By working with financial intermediaries in our member countries we aim to build shared prosperity and eliminate poverty.

Ours is a pioneering role and it has enabled us to achieve success in providing finance to SMEs, offering advice, and promoting integration.

Sound, inclusive and sustainable financial markets are essential to ensure efficient resource allocation, create jobs, spur economic growth, and play a critical role in private sector development. Our wholesale approach enables us to reach the bottom of the pyramid and those entrepreneurs who are generally excluded from commercial financing.

ICD aims to achieve the following targets by 2020 to develop an Islamic finance sector in member countries:

- Allocate more than 50% of the ICD's total investments to the financial sector.
- To set up Islamic windows and assist in converting conventional institutions into shariah compliant entities in more than 10 countries.
- Advise more than 10 governments and corporates on issuing short-term and long-term sukuk.
- Enhance the capabilities of more

than 10 microfinance institutions in member countries.

- Launch and establish more than 10 funds.

This year the ICD has continued to extend lines of finance to partner institutions along with developing new and existing Islamic banks, Ijara and investments companies.

We have also worked with governments and banks to build strong institutional capacity in Islamic finance for private sector actors. For this, we were provided a number of mandates through our advisory schemes: Sukuk and Capital Markets Programs, Islamic Financial Institutions Development Program and Microfinance Development Program.

As well as helping to develop Islamic finance channels, these activities help to improve corporate governance, and develop new tools and mechanisms for accessing finance.

Our integrated approach promotes economies of scale by pooling investments and asset management activities. Asset management aims to connect our clients (including sovereign wealth funds, financial institutions, pension funds, insurance companies, endowments, foundations, family offices and high-net worth individuals) with investment opportunities across our member countries' markets.

ICD is proud to be the sole multilateral institution with a mandate to develop the private sector with shariah-compliant financing.

2

Supporting productive capacities

THROUGH INVESTMENT

By incorporating global development practices, our approach to corporate investment has continued to gain in productivity, resilience and sustainability. Currently, we are focusing on real sector investments that will enhance corporations' productive capacities by directly funding them. We are also developing a level-playing field by investing in economic and social infrastructure.

In non-financial industries, the ICD has continued to grow robust investments in high impact sectors such as infrastructure, agriculture, manufacturing and social services. We have embarked on emerging global practices such as green financing, venture capital and trade integration. A particular focus has been on aspects of the physical infrastructure that have traditionally been treated as natural monopolies, and public goods that have experienced very limited or fragmented involvement from the private sector.

We aim to achieve the following targets by 2020 to support productive capacities:

- More than half of our real sector investments to be allocated to infrastructure projects.
- Launch the Africa Infrastructure Fund, Healthcare Fund and other real sector thematic funds to mobilize at least USD200m from third party investors.

THROUGH ADVISORY SOLUTIONS

Our advisory solutions (including our Industry and Business Environment Support Program (IBES) and Infrastructure Advisory Program), are also supporting the productive capacities of our clients. Tailoring these advisory services and capacity building schemes to a wider segment of potential beneficiaries enables us to be instrumental, even in the most challenging regions. Our reach now spans Latin America and East Asia, and includes areas that are fragile and affected by conflict.

THROUGH ASSET MANAGEMENT

Our asset management activities also support the productive capacities of our clients by enabling us to establish thematic and sectorial funds that can be directed to the areas and communities that most urgently need them. Such funds include: Unit Investment Fund (UIF), Trade Premium Fund (TPF), the Corporate Premium Fund (CPF), and the Global Sustainable Fund (GSF).

3

Leveraging our strengths

In line with our strategic roadmap, we continue to promote efficiency and competitiveness to support the progress of member countries. Our movement towards South and East has resulted in regionally diversified operations and portfolios. Our current aim is to focus on clients' development challenges while increasingly leveraging our strengths.

Mobilizing internal and external resources and expertise was always a core strength of our business

model and we continue to leverage this area. Across the IDB Group we are working to ensure that we fully and effectively use our knowledge, operational tools and partner network to move from being demand-responsive to proactive.

Our rich blend of expertise, diversity of human resources, and variety of financing products and advisory solutions continue to shape our development offering to clients.

We aim to achieve the following targets by 2020 by leveraging our strengths:

- Mobilizing USD3 from the market for each USD1 invested.
- Double 'assets under management' in our funds to reach USD2bn.
- Maintain and continue to improve our current risk rating.

A COMBINED APPROACH

Every year we bring ever-greater analytical depth and intelligence to our work. By working more closely as a team with our IDB Group colleagues, our clients and our partners we aim to amplify our development impact in the years ahead. Using this rich pool of expertise will enable us to strengthen our understanding of our clients' development challenges.

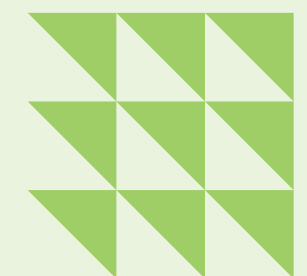
To cover more markets and achieve impact at scale, we must also start to work with other development actors. Our strategy now is to leverage our large network of investors and partners to mobilize development financing at a greater scale. With a strong rating and robust balance sheet we are well placed to bring these plans to fruition.

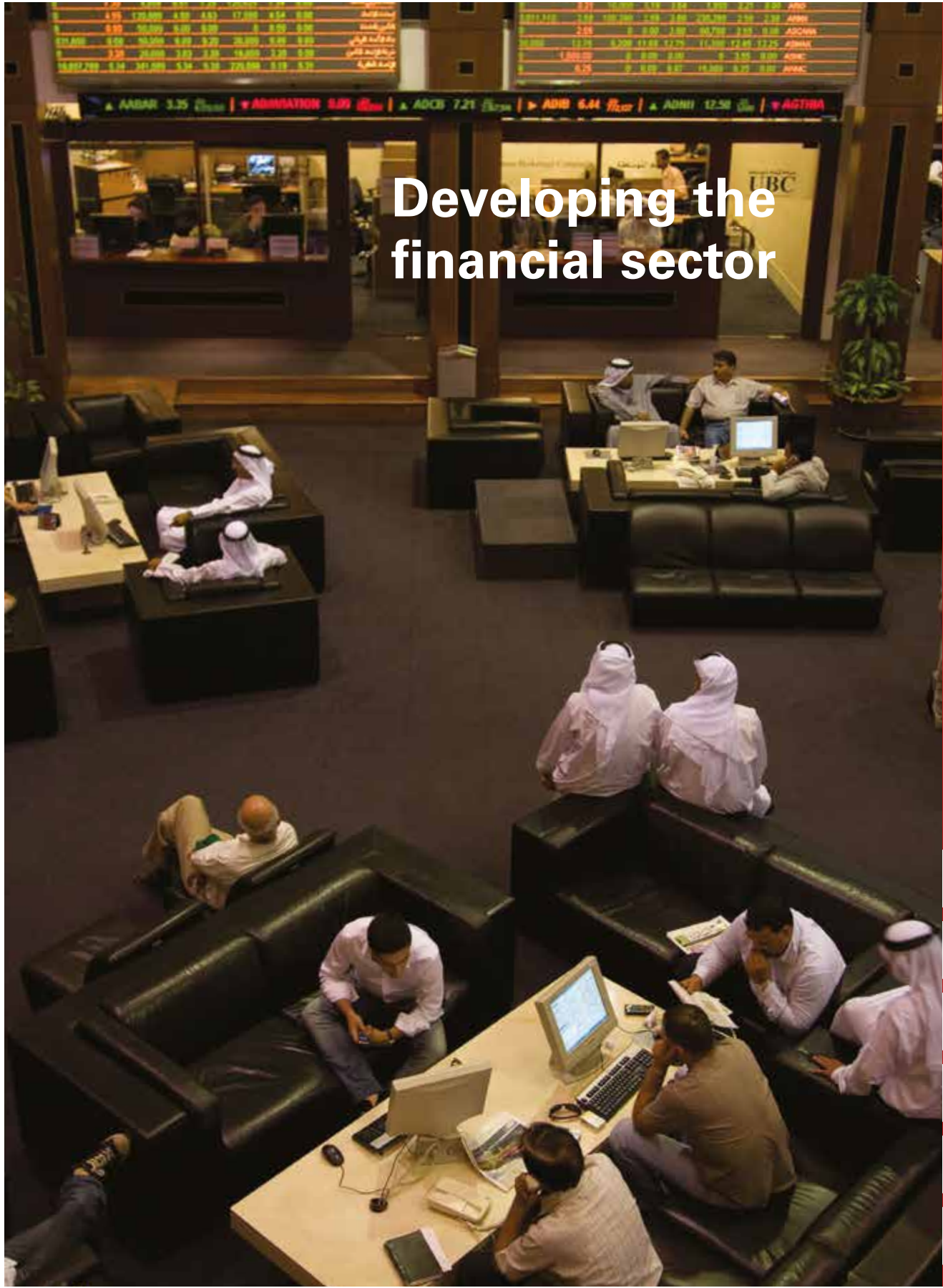
SUSTAINABLE DEVELOPMENT GOALS

Mainstreaming the SDGs in its Strategy and Operations

In 2017, ICD introduced a set of major activities to mainstream SDGs into its operations. The igniting point of this initiative was the ICD's commitment to align its operations with the multidimensional development needs of 54 Member Countries.

ICD has recently completed a strategy mapping exercise to link the SDGs with its strategy and development targets. In order to embed SDGs in the DNA of its operations, ICD has also amended the investment and advisory approval guidelines, which requires now from all new investment and advisory project proposals to include a comprehensive Development Impact Section based on new Toolkit. Going forward, ICD also plans to include a set of targets on SDGs in its corporate scorecard and provide regular reports to the ICD Board.





Developing the financial sector

One of the ICD’s core focus areas is to establish and develop the Islamic Finance Industry in our member countries to promote shared prosperity and eradicate poverty. We play a pioneering role and achieving genuine success by providing financial support and advisory solutions to our member countries.

We extend lines of finance to partner institutions and deploy capital to develop new and existing Islamic banks and non-bank financial institutions. We also support member countries to build a strong institutional capacity through our wide range of advisory solutions. These include the Sukuk and Capital Markets Program, Islamic Financial Institutions Development Program (IFI), and Microfinance Development Program. These programs enable our clients to improve corporate governance framework, and develop tools and mechanisms for improving access to finance.

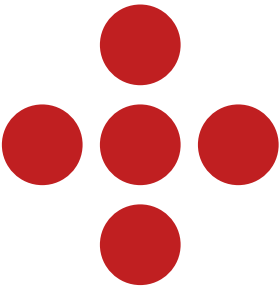
Our asset management activities enable us to pool capital and bridge it to investments by connecting our clients (sovereign wealth funds, financial institutions, pension funds, insurance companies, endowments, foundations, family offices and high-net worth individuals) with investment opportunities across member countries.

Extending lines of finance

In 2017, we continued to extend our funding to financial institutions to reach end beneficiaries, mainly small and medium-size enterprises (SMEs). Similar to 2016, the ICD’s total approvals were dominated by lines of finance (LOF) as a major Islamic financing tool. The LOF’s contribution stood at 63% of total ICD approvals and 30% of total ICD disbursements.

We continued to increase our LOF commitments by approving 18 projects with a gross value of over USD583.3m. The approvals included one regional project for Africa and 17 country-level facilities, including for Bangladesh, The Gambia, Kazakhstan, Kyrgyzstan, Mali, Niger, Palestine, Suriname, Tajikistan, Togo, Turkey, Suriname, and Uzbekistan.

As of year-end 2017, the ICD has a diversified LOF portfolio, with the Sub-Saharan Africa region having the largest current net exposure, followed by the MENA region. However, as part of the ongoing diversification of our portfolio, LOF operations in Asia, Eastern Europe and Central Asia, are also expanding to create a more balanced portfolio.



KAZAKHSTAN

Spearheading a ‘first’ for Kazakhstan

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CASE STUDY: KAZAKHSTAN

Promoting Shari’ah-compliant banking

PRODUCT: Global Line of Financing
CLIENT: Banks and non-banking financial institutions (NBFIs)

In 2018, ICD intends to issue sukuk for the equivalent of USD100m in Kazakhstan Tenge, to fund the proposed GLOF operations.

We have shortlisted various banks and NBFIs, and shariah-compliant financing agreements will be signed when the due diligence process is complete. Our local team will work closely with banks and NBFIs on implementing the GLOF to ensure adherence with shariah law, as well as with risk metrics and the UN’s SDGs.

CASE STUDY: The GAMBIA

A helping hand for small business

PRODUCT: USD5m LOF facility
CLIENT: Arab Gambian Islamic Bank (AGIB)
PURPOSE: To finance private enterprises, including SMEs

The AGIB is keen to attract more deposits by tapping into new markets, including in the Bassé region, where many people try to avoid conventional banking by staying away from riba-based (interest-based) activities. With branches in this region, the bank can get closer to this population, offering shariah-compliant products and building market share. The bank is also focused on a strong pipeline of financing opportunities, comprising of well-established SMEs who are significant employers with sound management, high growth potential and development impact.



The AGIB is keen to attract more deposits by tapping into new markets.



Global lines of finance

A USD200m global line of finance (GLOF) for Turkey was the biggest LOF facility approved in 2017. Another facility for Kazakhstan of USD100m, as well as a USD100m facility to African Export-Import Bank approved for regional Africa, were the second largest LOF facilities, with an equal share.

The facilities in Turkey and Kazakhstan were approved with the aim of extending funds to selected financial institutions to further support a wide range of private sector enterprises in two countries. This, in turn, will help to continue to diversify our financial channels, increase access to finance and promote Islamic finance products and services in member countries with large populations, providing a vibrant and promising outlook.



CASE STUDY: AFRICA

Supporting Growth in Africa

PRODUCT: Line of Financing
CLIENT: African Export-Import Bank (Afrexim Bank)
PURPOSE: In its efforts to mobilize additional resources and diversify its product offerings, the Afrexim Bank, a regional bank, started a collaboration with ICD which resulted in an agreement to extend USD 100m Line of Financing Facility under a Wakala structure.

ICD’s facility will provide funding at competitive rates to SMEs in eligible member countries in Africa. Key economic and financial developmental impact will include Developing private sector, especially SMEs to help expand the real economic growth based on value creation, and Promoting Islamic Finance based on the pipeline of projects.

CASE STUDY: SUB-SAHARAN AFRICA

Achieving greater reach

PRODUCT: EUR 40m LOF facility
CLIENT: Oragroup, a banking group with operations in 12 Sub-Saharan countries
PURPOSE: To finance private enterprises including SMEs

The LOF structure enables Oragroup, the parent company, to redistribute the proceeds to selected subsidiaries covering Cote d’Ivoire, Gabon and Togo. These subsidiaries act as the ICD agent (or wakeel) to identify and select SMEs in seven member countries where access to finance is a major obstacle for the private sector.

This is the first LOF that we have extended to a holding company, rather than a subsidiary, and it gives us greater reach. We plan to implement a similar framework for other key bank holding groups.

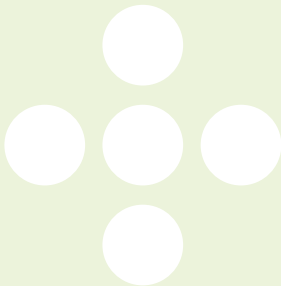
CASE STUDY: NIGER

Enhancing innovation

PRODUCT: EUR 9m LOF facility
CLIENT: Banque Sahelo-Saharienne pour l’Investissement et le Commerce (BSIC)
PURPOSE: To finance private enterprises, including SMEs.

BSIC Niger is a commercial bank affiliated to BSIC Group, a regional financial institution with a share capital of EUR 750m and a presence in 14 African countries.

We used our experience of working with BSIC Chad, a sister institution, to streamline the process with BSIC Niger while adapting the financing facility to Niger’s private sector needs. We have identified potential areas that our LOF facility will support, including logistics, agro-industry and construction. In this way we aim to remove poverty and promote food security, job creation and innovation.



Finance for banks and institutions

In addition to our global lines, we extended a number of lines of finance facilities to selected banks and financial institutions in member countries, including AGIB in The Gambia, Trust Bank in Suriname, BSIC in Mali, Oragroup in Togo, Molbulak in Kyrgyzstan, QOB in Uzbekistan, Prime Bank and Lanka Bangla Finance in Bangladesh, EBID for Africa Region and BSIC in Niger. These projects aim to close the funding gap and expand the production capacity of private sector enterprises (mainly SMEs) through domestic financial institutions.

Equity investment in the banking sector

Investing in the equities of Islamic financial institutions, namely banks and NBFIs, is embedded in our corporate strategy to develop the Islamic Finance industry across our member countries. These institutions continue to play an essential role in boosting the socio-economic development of member countries.

During 2017 the ICD approved USD15m in equity investments in banks through Islamic Bank Growth Fund (IBGF), and disbursed a total of USD46.2m (including USD20.6m through the IBGF). Driven by a planned and coordinated effort with the sponsors and various stakeholders, ICD also helped Zaman Bank in Kazakhstan to successfully complete its conversion process, and secure an Islamic banking license.

The ICD has continued to be a part of landmark transactions in 2017. First, through a partnership with Groupe Credit Agricole Du Maroc (CAM), the ICD has established Al Akhdar Bank, a new Participative (Islamic) Bank in Morocco. The ICD and CAM made significant efforts to implement the banking activities and to officially secure a banking license, and soft banking operations were officially launched in November 2017. Secondly, through the Islamic Banking Growth Fund (IBGF), we have executed a path-breaking transaction in Sri Lanka by acquiring a 23.65% share in Amana Bank, the country's only fully fledged Islamic Bank. This investment further strengthens our position in South Asia and showcases our ability to support the Islamic Finance Industry and development of the private sector.

Having successfully established an Islamic Finance Institution, our next strategy is to pave the way for other players to do the same, supporting other investment funds to get involved by exiting from some of our pioneer institutions.

In 2017, we executed a partial exit (10%) from our shareholding in the Maldives Islamic Bank (MIB). We are scheduled to transfer 20% from our shareholding in MIB and 10% of our shareholding in Wifak International Bank (WIB), Tunisia to IBGF. This will bring our residual shareholdings in MIB and WIB to 50% and 20% respectively. We expect to continue to reduce our stake in MIB in the coming years, via IPOs or selling to third party investors.



CASE STUDY: KAZAKHSTAN

Spearheading a 'first' for Kazakhstan

BACKGROUND

In line with our core mandate to promote and develop Islamic finance in member countries, the ICD acquired a 5% share in Zaman Bank Kazakhstan and has been working to convert the operations of the bank from conventional to Islamic banking.

We have worked with various stakeholders on strategic initiatives, including assisting the Government of Kazakhstan to establish the framework to develop an Islamic bank.

AIMS

We expect Zaman Bank to become the premier Islamic bank in Kazakhstan and the gateway for investment in Central Asia. The bank will cater to the needs of the local Muslim and non-Muslim population via innovative products and good customer service.

RESULTS

In 2017 the project reached various milestones:

- secured an Islamic banking license
- initiated implementation of core banking systems
- developed Islamic banking products and services
- established a shariah Board

We are now working to identify a strong technical partner to run the bank's operations; we also plan to inject additional capital.

CASE STUDY: PALESTINE

A leasing success story

BACKGROUND

The Palestine Ijara Company (PIC) was the first shariah-compliant leasing company in Palestine and offers Islamic leasing solutions to SMEs in the Palestinian territories. Before the PIC's inception in mid-2014, SMEs in Palestine had limited avenues for financing, let alone shariah-compliant ones. Therefore, one of the most critical agents in achieving sustainable economic growth – SMEs – were failing due to the scarcity of financing.

In the three years since its creation, the PIC has an issued capital of USD12m, and has financed 177 transactions worth USD13.6m, placing it among the top three leasing companies in Palestine. It provides financing to businesses in the manufacturing, agribusiness, healthcare, construction, mining and retail sectors. As of December 2016, PIC financed projects have resulted in 200+ new jobs.

AIMS

To enhance the PIC's capabilities, in 2017 we approved a LOF of USD3m to grow its Ijara portfolio.

OUTCOMES

Our confidence in the company has enabled it to attract an additional USD4.75m from local and international investors.

The PIC has established a strong foundation in a very short time, despite working in one of the most challenging regions in the world.



Investing in the non-banking financial sector

Non-banking financial institutions (NBFIs) play a significant role in bridging the credit gap by serving an economy's diverse financial needs and enhancing financial access for communities.

The ICD invests in NBFIs to improve access to finance for the private sector in member countries to create sustainable development and achieve optimal financial returns.

We have partnered with Aktif Bank of Turkey and the Ijara Management Company of Bahrain to recapitalize Halic Leasing and position it as Turkey's leading leasing company providing shariah-compliant solutions to private sector participants, especially SMEs. The ICD has now invested in 11 Ijara companies across its member countries.

These opportunities enable the ICD to enhance the capacity of investee companies to extend much needed financing and support to local communities. During 2017, we approved several LOF facilities for NBFIs, amounting to USD10m, spread across four companies:

- Palestine Ijara Company (USD3m)
- Kazakhstan Ijara Company (USD4m)
- Ijara Company of Kyrgyzstan (USD2m)
- ASR Leasing in Tajikistan (USD1m).

This demonstrates our continued support to our investee companies and ensures access to finance, and therefore greater competitiveness, for SMEs in member countries.



CASE STUDY: NIGERIA

Going digital

BACKGROUND

We advised SunTrust Bank on how to establish the first digital Islamic banking window in Nigeria aligning with its strategy as the first financial technology (FinTech) bank in the country. Our advice covered developing new shariah-compliant products suitable for digital delivery, setting up the Shariah Governance System and a new organizational structure, implementing core IT solutions, an enterprise risk management framework, scenario based case study training, legal structuring, and developing a bespoke marketing and communication strategy.

OUTCOMES

As a digital-only financial institution, SunTrust Bank Nigeria has the potential to target a huge population, many of whom may be interested in interest-free services through a digital Islamic banking window. The new initiative will also create a diversified revenue stream, develop the bank's capacity, and enable it to leverage its existing conventional infrastructure to deliver cost-effective and efficient solutions to shariah sensitive clients.

CASE STUDY: SURINAME

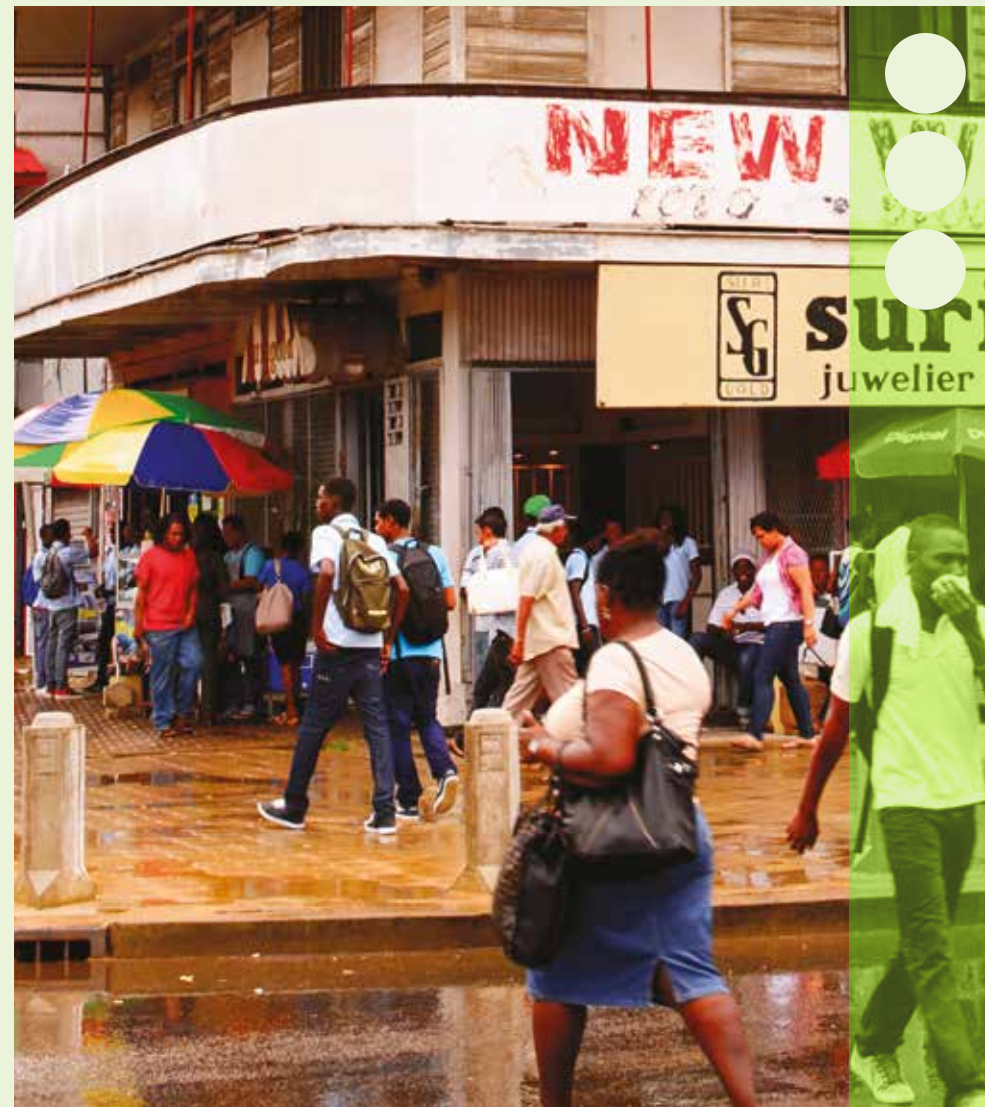
Launching South America's first Islamic bank

BACKGROUND

In 2017, we were involved in launching the first Islamic bank in the entire South American region, Trustbank Amanah in Suriname. We guided this conventional bank through the journey of transformation into a fully-fledged Islamic bank. Our services included advising on shariah governance and product development, legal support, human resources, IT solutions, accounting, treasury, risk management, and marketing and communications support.

OUTCOMES

The project was quite complex, due to the novelty of the concept of Islamic banking in the entire South American region and the absence of Islamic banking regulations from the Central bank of Suriname. We were able to overcome the challenges thanks to the remarkable commitment of the Trustbank management team, the support from the government and regulators in Suriname, and the acceptance of the public.



Providing advisory services to the financial sector

The ICD supports strong institutional capacity building in member countries through our Islamic financial institutions program, sukuk and capital markets program and microfinance development program. In 2017, more than 80% of the ICD's signed advisory mandates targeted the financial sector through these programs.

FINANCIAL INSTITUTIONS DEVELOPMENT PROGRAM (IFI)

This program offers advice on:

- establishing new Islamic financial institutions
- transforming conventional financial institutions to Islamic financial institutions
- establishing Islamic windows in conventional financial institutions.
- developing regulatory frameworks (for governments)

In 2017 we signed seven new mandates across seven different member countries through the IFI Program. These include advising on the creation of a new digital Islamic banking window in Nigeria (SunTrust Bank), establishing new Islamic banking windows in Guinea (Afriland First Bank), Mali (Coris Bank), Cote d'Ivoire (Coris Bank), Senegal (Coris Bank), Benin (Coris Bank), and transforming Bank NTB in Indonesia from conventional to Islamic banking.

ISLAMIC MICROFINANCE DEVELOPMENT PROGRAM (IMD)

We launched the Islamic Microfinance Development Program (IMD) in 2017 as a new advisory service business line, and it has already proved its success by delivering two mandates in Azerbaijan for two different microfinance institutions (MFIs).

The IMD is designed to enhance and develop the Islamic finance capabilities of microfinance institutions in member countries.

It aims to maximize reach by appealing to a wide range of target clients (conventional and Islamic financial institutions) by providing:

Advisory services for microfinance institutions: To include how to develop shariah-compliant microfinance products, establish institutional capacity (operations set-up, MIS, training etc) and enable an Islamic microfinance environment (legal, regulations, authenticity).

Line of Finance to Islamic MFIs (IMFIs): To support the portfolio growth of those that are facing a shortage of financing; under an Investment Agency agreement between the ICD and the IMFI, the IMFI should enter into a shariah-compliant financing agreement(s) with an eligible client.

Direct investment in an IMFI's equity: To develop strongly capitalized IMFIs with an ambitious development plan; this will demonstrate the industry's profitability and encourage further private sector investment in IMFIs.

Structure an Islamic microfinance investment vehicle and create the first Islamic gateway microfinance investment vehicle (MIV): To pool and channel funds from different investors (DFIs, private equity) into IMIs.

In 2017, we advised the Finoko Non-Banking Financial Institution and the FinDev Non-Banking Financial Institution on establishing Islamic microfinance windows and introducing new shariah-compliant products in Azerbaijan. Areas covered included legal, human resources, IT, accounting and marketing and communication support.

SUKUK AND CAPITAL MARKETS PROGRAM

We also support member countries' financial industries through our well-established and unique Sukuk and Capital Markets Program. Through this program we advise governments and corporates on the process of issuing sukuk, giving them the knowledge to develop local capital markets.

In 2017, the ICD signed a new sukuk mandate in the United Arab Emirates (UAE). The mandate is to assist a UAE-based company to issue a private placement corporate sukuk through NASDAQ Dubai. The issuance is expected to take place in 2018 and will be denominated in hard currency.

Looking ahead, we plan to increasingly focus on those corporates that have demonstrated significant growth potential in the near term, advising them on how to expand their business through sukuk issuance.

CASE STUDY: SRI LANKA

A landmark investment

BACKGROUND

Amana Bank is the only fully-fledged Islamic bank in Sri Lanka. Established in 2011, it has successfully built and leveraged its reputation as the country’s pre-eminent fully shariah-compliant bank.

AIMS

Having a capital of LKR5bn (USD34m), the bank approached the ICD to participate in the regulatory capital increase to LKR10bn (USD 68m). In 2017, the IBGF made the first investment to promote Islamic finance outside our member countries by providing USD14.65m to Amana Bank by subscribing to a 23.65% equity stake in the capital of the bank. The ICD and IBGF applied their expertise to design the appropriate transaction structure, secure favorable terms from the regulators, partner with strategic investors and ensure financial closure.

OUTCOMES

The move will ensure continued access to Islamic banking services for the country’s citizens, and it affirms the immense potential of the Islamic and faith-based banking industry in Sri Lanka.



Asset management to support the financial sector

Our asset management activities complement our ability to pool capital and use it in a targeted way. The Money Market Fund, the Islamic Banking Growth Fund, and the SMEs Funds Program are the funds and programs we use to develop the financial sector and to channel investment to SMEs in member countries.

MONEY MARKET FUND (MMF)

Launched as a USD50m seed investment in 2013, the MMF raises funds either directly or indirectly by establishing channels, strategies, introducing new investors, and refining plans for fundraising.

During 2017 MMF maintained a fairly stable investor base with assets under management peaking at USD249m in May and closing the year at USD230m comparable to USD233.5m at the end 2016. Although the size of the fund remains similar to last year, 2017 has seen a change in the investor mix with broader participation from external investors. In terms of its performance by the end of 2017, the fund had slightly outperformed its

target of LIBOR+200BPS, achieving an annualized return of 3.46% almost at par with 2016’s 3.62%.

ISLAMIC BANKING GROWTH FUND (IBGF)

Launched in 2015 with a first close of USD100m, the IBGF is a unique co-investment vehicle that gives investors the opportunity to gain exposure to the Islamic banking industry, leveraging the ICD’s vast experience and track record in this field.

The IBGF identifies and invests in commercially attractive opportunities in Islamic banking globally. It is structured as a closed-end private equity fund with a target size of USD300m, a ten-year life, and a target return of 15%+ per annum.

In 2017, a total of two transactions were disbursed: USD14.65m in Sri Lanka (Amana Bank) and USD9m in Morocco (Al-Akhdar Bank).

SMALL AND MEDIUM ENTERPRISES FUNDS

The objective of this program is to improve access to finance for SMEs in member countries through a range of customized investment products, risk capital and technical assistance.

By working with other multilateral, local, international and governmental institutions to create a regulatory



environment beneficial to SME investments, the program has already paved the way for other private financial institutions to expand their business into these markets.

Currently, the ICD has several investment funds and investment vehicles across MENA and is in the process of developing others in Turkey and Algeria. Two SME funds have been established in Saudi Arabia and Tunisia, providing access to finance for SMEs in a variety of sectors including healthcare, information technology, logistics and services.

The current size of these funds has exceeded USD100m.

CASE STUDY: ALGERIA

Joining forces for SMEs

BACKGROUND

The Small Enterprise Assistance Funds, or SEAF, is a global fund management group that aims to deliver financial returns and development impact by investing in early stage SMEs in emerging and frontier markets.

At the World Bank Group Annual Meeting in Washington in 2017, SEAF and the ICD agreed to set up a range of country-focused investment vehicles supporting SMEs in member countries.

AIMS

The fund is equity and quasi-equity driven and has a target size of USD100m (with ICD commitment up to USD10m) with an initial close of USD50m. The investment focus will be on growth-stage companies capable of achieving high growth and regional expansion in North African markets. The fund will concentrate on supporting SMEs to scale and improve their businesses.

OUTCOMES

SEAF has already secured USD100m into the Algeria Opportunity SME Fund from the two largest domestic banks in Algeria.



THE GAMBIA
A helping hand for small business

READ MORE 20

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2

Supporting productive capacities

Our efforts to build productive capacities, business resilience and sustainability are supporting corporate sector competitiveness in the member countries. Competitiveness is considered crucial for maintaining a high level of living standards and prosperity in our member countries within a well-integrated global economy.

Recently, infrastructure has become a key priority for the ICD: traditionally treated as a natural monopoly or public good, the private sector has had very limited involvement in the infrastructure space. As part of the IDB Group's collective action, we aim to use climate sensitive investments in the infrastructure space to support sustainable development imperatives for a better and safer planet.

By providing direct intervention, advisory services, and themed funds we aim to enhance private sector competitiveness within our member countries.

Term financing in the corporate sector

We aim to maximize the developmental impact of our operations and therefore focus on transactions in sectors where investments may open up new horizons for private sector operations. We select solid corporates and strong infrastructure projects through robust entry and due diligence processes.

During 2017, direct interventions reached a record high since the ICD's inception, with approvals totaling USD339.5m in 25 transactions across eight countries.

THE IMPORTANCE OF SUSTAINABILITY

Our investments add value to the economic and social development of member countries, with a particular focus on achieving the UN's Sustainable Development Goals (SDGs) through job creation, transfer of technology, cross-border investment, and investment in renewable energy (solar and wind) infrastructure projects. The ICD has adopted a selective approach to financing and investing in high-impact real sector infrastructure transactions.

In line with the global development agenda – and in response to global collective action towards climate change – we aim to support our member countries in their journey towards sustainability and resilience. Our selective approach to financing and investing in high-impact real sector infrastructure transactions yielded more than USD180m in financing to infrastructure projects, mainly in healthcare and clean energy.



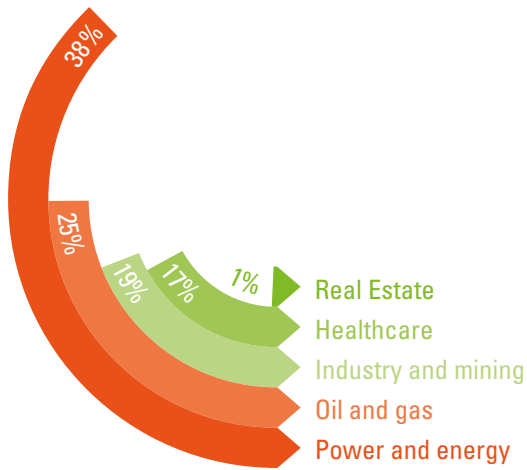
A summary of 2017

Our direct investing and financing activities in 2017 in the productive and real sector can be summarized as follows:

- Short-to-medium term finance facilities extended to corporate clients made up the largest share of total approvals of USD202.6m, representing 60%
- Long-term finance facilities were extended to greenfield infrastructure projects, mainly clean energy (solar and wind power) and healthcare, totaling USD 132.9m representing 39%
- The remaining USD4m, representing 1% of investment, was allocated to industrial equity investments.

The range of approvals in 2017 was spread over five sectors, underscoring our focus on diversity.

- Power and energy accounted for the highest allocation, totaling USD128.5m, or 38% of the 2017 approvals.
- Oil and gas accounted for USD85m, representing 25%
- Industry and mining achieved USD64m in approvals, representing 19%.
- Healthcare accounted for USD59.4m, representing 17%.
- The real estate sector achieved USD2.7m, representing 1%.



All in all, direct interventions during 2017 were the highest since the ICD's inception, with approvals totaling USD339.5m in 25 transactions across eight countries.

IN BRIEF:

Mapping the finances of climate change

The ICD is an active member of the International Development Finance Club (IDFC), an organization consisting of development finance institutions and focused on financing climate change initiatives through renewable energy projects.

We contributed to the IDFC's Green Finance Mapping Report 2017, which aims to identify and categorize the financial flows of IDFC members to green energy projects, the adaptation and mitigation of climate change and the reduction of greenhouse gas emissions. The report gives a transparent view of the green finance activities of IDFC members.

CASE STUDY: EGYPT

Supporting clean energy projects

BACKGROUND

The government of Egypt launched a Feed-in Tariff (FiT) scheme in 2014 with the aim of developing 4,300MW of wind and solar photovoltaic capacity. The government also plans to:

- secure 20% of its electricity generation from renewable sources within the coming decade
- increase Egypt's energy security by exploiting the country's vast renewable energy potential
- improve the efficiency of its power sector
- and reduce reliance on costly fossil fuel imports.

In 2017, ICD approved a credit envelope of up to USD75m to finance the construction and operation of new solar PV independent power projects (IPPs) being developed under the Egyptian FiT program, in partnership with leading development finance institutions including the European Bank for Reconstruction and Development (EBRD), the Green Climate Fund (GCF), and the Dutch Development Bank (FMO).

AIMS

This initiative demonstrates:

- our focus on the renewable energy space
- our expanding cooperation with strategic international development finance institutions
- our commitment to an important member country, Egypt, in its journey towards sustainable economic development.

Successfully implementing these transactions will help to ensure the success of the overall FiT program, boosting investor confidence in the



Egyptian economy and laying the ground for more ambitious public private partnerships (PPP).

OUTCOMES

Alfanar project

PRODUCT: A term finance facility of up to USD28.5m

CLIENT: Alfa Solar Energy, a special purpose vehicle owned by Alfanar Company, a leading Saudi energy conglomerate active in the GCC region

PURPOSE: To build a 50MW solar PV power plant in the Benban Solar Park in southern Egypt. The total project will be funded with equity and debt. Equity funding will be provided by Alfanar Company, while the senior financing will be provided by the EBRD and the ICD.

Scatec Solar projects

PRODUCT: Six term finance facilities for a total of USD24m

CLIENTS: Six special purpose vehicles owned by an international investment consortium led by Scatec Solar ASA, a Norwegian company that develops, builds, owns, operates and maintains solar power plants globally

PURPOSE: Scatec Solar is developing six projects in the Egyptian FiT program, in partnership with prominent international investors including Norfund and Africa 50. The projects will have a total installed generation capacity 300MW and will all be based in Benban Solar Park. The total cost of the projects will be funded by sponsor equity and senior financing provided by the EBRD, IsDB, FMO and the ICD.

IN BRIEF:

Support for the energy value chain

Serba Dinamik Holding is one of Malaysia's leading companies providing fully integrated and specialized engineering services and maintenance to the oil, gas, petrochemical and utilities industries. It also offers a comprehensive package solution in construction and fabrication, plant operations and maintenance, system integrator/packager and information technology solutions through a subsidiary, Serba Dinamik International Limited (SDIL). Since 2015 the ICD has supported SDIL with several facilities to support its operations in member countries, and, in 2017, we approved and disbursed a new facility of USD10m in favor of the company.



SAUDI ARABIA

A helping hand for public health

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CASE STUDY: JORDAN

Building renewable energy resources

BACKGROUND

The government of Jordan plans for 10% of all electricity generation in the country to be supplied from renewable energy sources by 2020. Renewable energy sources, abundant in Jordan, can help to address many of the country's challenges, including sustaining economic growth, enhancing energy security, and reducing dependence on costly hydrocarbon imports.

AIMS

We are committed to supporting Jordan, an ICD member country, to achieve the objectives in its national energy policy. In 2017 we approved and signed a term finance facility for up to USD30m in favor of the Shobak Wind Project, a 45MW wind independent power project (IPP) to be built near the town of Shobak, south of Amman.

The project is majority owned by Alcazar Energy Partners, a UAE-based independent developer. Senior financing will be provided by the EBRD, Europe Arab Bank, and the ICD.

OUTCOMES

The plant is expected to generate around 160 gigawatt hours (GWh) of electric power annually, and will be sold to the Jordanian National Electricity Power Company under a long-term power purchase agreement.

The project will help the country to abate up to 100,000 tons of CO₂-equivalent per annum, while promoting sustainable energy development and private sector participation in the country's energy landscape.

Advisory services to support productive capacities

The advisory services, capacity building and technical assistance that we offer complement the corporate sector investments we make in our member countries and support the competitiveness and productive capacities of the private sector.

Our main advisory services programs that directly target member countries' productive capacities are the Industry and Business Environmental Support Program (IBES) and Infrastructure and Privatization Program (IPP).

In 2017, 18% of the advisory mandates that the ICD signed targeted the agriculture sector (10%), industry and mining (6%) and infrastructure (2%).

INDUSTRY AND BUSINESS ENVIRONMENTAL SUPPORT PROGRAM (IBES)

Through the IBES we aim to identify the critical challenges inhibiting the growth of businesses. We work with public and private partners to identify and implement solutions by mobilizing strategic partnerships, expertise and resources.

The IBES program focuses on four themes:

- special economic zones – involvement at spatial level
- business environment – involvement at national level
- value chains – involvement at sector level
- firm productivity and innovation – involvement at the company level

We work with public and private partners to identify and implement solutions by mobilizing strategic partnerships, expertise and resources.

In 2017, the ICD approved four new mandates through the IBES program, outlined below. We successfully expanded into Central Asia and continued to strengthen our presence in Sub-Saharan Africa.

AZERBAIJAN: The Azeri grain storage facility will undertake an economic assessment to establish a grain handling terminal at the port of Alyat (Baku) specializing in receiving grain in large quantities, as well as storage and logistical operations.

TAJIKISTAN: The feasibility study to establish a fruit cluster in Sughd region is jointly approved by the ICD, IDB and the Tajik government, and aims to develop a competitive horticultural production and processing sector to promote Tajik value-added exports in compliance with international quality standards.

KYRGYZSTAN: The study to develop a meat processing park will cover both the public and private sector aspects of establishing and operating a meat processing park. The park will be designed to consolidate all components of the value chain in the same location(s).

DJIBOUTI: Djibouti phase II entered its final stage of implementation this year. Phase I (2015) concluded with a proposal for a 219 ha industrial zone program totalling USD51m in the country's five main regions. Prerequisite steps to the zone program, which phase II is designed to set up, include the following:

1. Centralizing planning and industrial land development activities within NIPA
2. Strengthening coordination between investment promotion, land development and management functions

Specifically, it concerns the creation of a Department of Industrial Zoning within the Djibouti Investment Promotion Agency (component 1), and a two-stage capacity building plan on the nexus between investment promotion and industrial land management (component 2). The first stage was completed in 2017 and the second stage is expected to take place in 2018.

INFRASTRUCTURE AND PRIVATIZATION PROGRAM (IPP)

This program offers advisory solutions on the development and financing of small and medium scale infrastructure projects. These can be private sector or PPP projects, and include independent power projects, utilities, telecommunications and industry (e.g. cement, fertilizer, steel).

The ICD also advises governments on privatization strategy and specific privatization transactions to attract private sector investment.

Following the Africa Infrastructure Fund approval in late 2016, we have made strong progress towards launching the fund, which is expected to take place in 2018.



CASE STUDY: MENA

Promoting ongoing success in the oil sector

BACKGROUND

ADES is an Egypt-based company providing drilling and well services to oil companies in the MENA region. ADES operates in Egypt, Algeria and Saudi Arabia, and aims to expand into Kuwait, Iraq and UAE. In 2017, ADES approached ICD with a financing request of up to USD35m.

AIMS

This financing is part of a USD500m syndicated facility, arranged jointly by EBRD and Bank of America, designed to support the company's growth strategy and asset acquisition.

OUTCOMES

The facility has allowed ADES to demonstrate strong capacity to attract investors and establish strong banking relations with a range of institutions, including EBRD, Bank of America, Arab international Investment Bank, and Arab Petroleum Investment Corporation. Particularly, ADES has benefited from the implementation of the proposed corporate governance plan covenanted within the approved financing.



CASE STUDY: **YEMEN**

Promoting business resilience

BACKGROUND/AIMS

Business Resilience Assistance for Value-adding Enterprises (BRAVE) invests in business resilience and business continuity initiatives to help enterprises manage risk and develop crisis mitigation strategies in the conflict-ridden country of Yemen.

OUTCOMES

By the end of 2017, after ten months of implementing phase 1 in the cities of Sanaa, Aden and Mukalla:

1,226

firms have applied to benefit from the project

528

firms have been trained in developing business continuity plans (BCPs)

501

have submitted a primary BCP

477

have qualified for random selection to receive grants

285

MSME and ten value chain leader firms have benefitted from grant matching

The project is having a huge impact, helping to build trust between the participating banks and businesses. Indeed, four companies in Hadramout alone have benefitted from the BCP training, have qualified in the random selection and obtained direct financing from banks and suppliers.

Asset management to support productive capacities

Our asset management activities are aimed at connecting sovereign wealth funds, financial institutions, pension funds, insurance companies, endowments, foundations, family offices and high-net worth individuals with investment opportunities across various themes in emerging markets.

The ICD manages various income funds for investors across the full risk-reward spectrum including the Unit Investment Fund (UIF), the Trade Premium Fund (TPF), the Corporate Premium Fund (CPF) and the Global Sustainable Fund (GSF).

UNIT INVESTMENT FUND (UIF)

The Unit Investment Fund offers shariah-compliant financing products across the corporate and trade finance spectrum. In 2017, to overcome various challenges, we had an underlying trade and corporate sub-portfolio that will enable us to enhance the performance of our funds and surpass benchmarks in the near-term.

In 2017, UIF's performance was in line with 2016 performance as the fund distributed an interim dividend of 1%. The UIF achieved USD201.2m assets under management during the year. Improvements in the return factor in the growth of the underlying sub-funds, CPF and TPF, described below.

TRADE PREMIUM FUND (TPF)

The TPF was launched in January 2016 and was positioned to invest predominantly in premium yield structured trade finance (STF) with an exposure to lucrative sovereign and bank-guaranteed trade finance.

Although the fund was still considered in its investing period, it has successfully closed the year with over 85% utilization of proceeds and generated a rate of a return of 3.77%.

CORPORATE PREMIUM FUND (CPF)

The CPF was launched in January 2016 with an initial capital base of USD74m, and aims to invest in viable corporate finance transactions in line with the principles of shariah in high growth frontier and emerging markets.

Overall, the fund made seven new investments in four countries and five sectors in 2017. This head start, along with a solid pipeline of projects, empowers the fund to make a significant impact in corporate investments in the coming years.

In 2017, it generated a return of 5.03% in line with its target return.

GLOBAL SUSTAINABLE FUND (GSF)

In 2017 we have conceptualized and launched our new Islamic shariah-compliant equities fund, the GSF. The fund follows the environmental, social and governance model in selecting its equity investments.

GSF ended the year 2017 with assets under management of USD36m and a return significantly exceeding its year-end target of 5% (annualized). Since its launch in July 2017, the GSF has yielded an exceptional annualized return of 11.5% – exceeding its benchmark.

CASE STUDY: **BAHRAIN**

Linking SME exporters and buyers

BACKGROUND/AIMS

Through the Trade Premium Fund (TPF), we have entered into a restricted wakala agreement with the Bahrain Middle East Bank to invest in a portfolio of shariah-compliant trade (import) finance transactions. These are primarily between Turkish SME suppliers and manufacturers of commodities, textiles and construction material to well-known European and US buyers.

The commodities are mainly food and food-related soft commodities (hazelnuts and dried fruits), finished textile products and hard commodities (metals). The portfolio is diversified across various geographies, sectors and maturities, as well as multiple European buyers (with an average size of USD187K per shipment).

OUTCOMES

Transactions offer a lucrative return (above market) via respective revolving financing facilities. All transactions are 100% secured by A3-rated insurance credit company Atradius, which covers buyers' obligations under each transaction.



The portfolio is diversified across various geographies, sectors and maturities, as well as multiple European buyers

CASE STUDY: **SAUDI ARABIA**

A helping hand for public health

BACKGROUND/AIMS

The Arab Company for Pharmaceutical Products (Arabio) is a biopharmaceutical company specializing in human vaccines, plasma products and other biopharmaceuticals. Arabio was looking for a trade finance facility to meet its obligation to supply IPV vaccines to the Saudi Arabian Ministry of Health for which, the Trade Premium Fund provided the needed support with a USD8m facility.

OUTCOMES

IPV produces antibodies which prevent the spread of a virus to the central nervous system. By promoting the supply of vaccines to the Saudi health sector, the fund helped to protect the Saudi people as well as visiting pilgrims during the Hajj season.



3

Leveraging our strengths

In 2017 we continued to pursue our integrated, collaborative approach to promoting efficiency and competitiveness in enabling our member countries to shift from the model of demand-responsive to proactive.

Partnership activities

OUR PARTNERSHIP APPROACH

Mobilizing internal (IDB Group) and external financial resources and expertise is central to our business model. By working with other development actors, the ICD leverages its rich blend of investment, advisory and asset management tools, solid governance and strong human capital – the backbone of our corporate strength. What's more, partnerships create the foundation of long-term collaboration and assistance in our member countries.

MEMORANDUMS OF UNDERSTANDING

At the ICD we are dedicated to partnering with other institutions to sustainably boost shared prosperity among our member countries. In 2017, we once again demonstrated our commitment to providing long-term assistance by establishing strong foundations for new partnerships. We signed several memorandums of understanding (MoUs) to drive new development across different areas of our mandate, from boosting the Islamic finance industry to building capacity, and collaborating beyond our member countries.

Partnerships create the foundation of long-term collaboration and assistance in our member countries.

MoU with Türkiye Wealth Fund and Catalyst Group:

To cooperate in the development of the Islamic mortgage sector in Turkey

MoU with the Association of Financiers of Kazakhstan

To explore possible avenues for collaboration relating to supporting financial institutions and the development of Islamic finance in Kazakhstan

MoU with the Ministry of Investment and International Cooperation of Egypt

To contribute to the development, investment and financing of public-private partnership projects

MoU with Ma'aden in Saudi Arabia

To foster SME development in the mining sector, to contribute to the economic empowerment program and to support mining infrastructure development

MoU with the China-Africa Development Fund

To boost infrastructure investment and growth in selected African countries

MoU with International Association of Islamic Business

To explore areas of collaboration to enhance business relations between entrepreneurs from Islamic countries and the Russian Federation.

Syndication and funding activities

In the light of our drive to help the private sector in our member countries to mobilize financing, our syndication and resource mobilization teams have been streamlining a range of deals and structures to mobilize resources.

At the same time the teams have been developing internal capacity and documentation to help facilitate a large Islamic syndication market under A/B and A/C financing loan schemes.

SYNDICATED TRANSACTIONS IN 2017

USD20m contribution for Defacto USD65m syndicated murabaha facility

DeFacto was established and opened its first store in 2004. After one decade, it became one of the leading brands of the ready-to-wear apparel and fashion industry in Turkey. Today it is the second largest apparel company in Turkey, with 283 domestic stores. It also has 45 foreign stores in a range of countries from Kazakhstan to Egypt, Kosovo to Morocco.

Our syndication and resource mobilization teams have been streamlining a range of syndicated deals and structures to mobilize resources.

USD10m contribution for NMC, USD50m syndicated murabaha facility

NMC Health Plc started life as a small pharmacy and clinic in 1975. Since then it has become an integrated private healthcare services provider present across the UAE. The company was listed on the London Stock Exchange in April 2012, being a constituent of the FTSE 250 Index, and has grown via organic and inorganic routes. NMC runs a network of some 20 hospitals, medical centers and day surgery clinics, with a licensed capacity of 855 beds in the UAE.

FUNDING ACTIVITIES IN 2017

In 2017, the ICD successfully raised nearly USD800m of financing mainly through private placements and bilateral facilities in order to meet the ICD’s operational and liquidity requirements. To maintain the match funding principle, we mainly obtained funding in US dollars, given that our assets are largely denominated in the same currency. As part of our strategy to diversify our funding sources, the ICD has also obtained the funding in convertible local currency and converted the proceeds to US dollars on a fully hedged basis via Islamic cross currency profit rate swaps (ICCPRS).

The ICD also successfully completed the update of the Trust Certificates Issuance Program which was established in December 2015. The program is a cost effective issuance platform that will be used for both public and private sukuk issuances in 2018. The program, and individual public sukuk issuances, are listed on the London Stock Exchange and NASDAQ Dubai.

During the year, the Board of Directors approved the ICD’s 2018 Global Resource Mobilization Program of up to USD1.1bn. The program’s objective remains to identify ICD resource requirements for the 2018 financial year in order to achieve the operational and financial targets, and to maintain the required liquidity level as per the ICD’s Liquidity Policy.



JORDAN

Building renewable energy resources

READ MORE 32



ICD featured awards in 2017

The ICD’s projects are recognized as important and large-scale initiatives. Their impact on the development of member countries is such that each year they are subject to regional and worldwide recognition – and 2017 was no exception.

In March 2017, the ICD emerged as the winner of IFN ‘Sovereign Deal of the Year’ for Jordan’s groundbreaking sovereign sukuk. The global Islamic financial community recognized the innovative and development impact made by the inaugural local currency Sukuk of the Hashemite Kingdom of Jordan.

In July, the ICD was presented with two prestigious awards at the Asset Triple A, Islamic Finance Awards ceremony. The two winning deals include ‘Best Deal, Saudi Arabia’ which was a USD300m Wakala Sukuk and also the first public issuance for the ICD, and ‘Best Deal, Bangladesh’, which was a USD32m syndicated term finance facility for Noman Group in which the ICD acted as the co-arranger.

In September, the Global Islamic Finance Awards (GIFA) awarded the ICD’s MIRAS talent development program as ‘Best Human Capital Development Program 2017’.

In November, ICD received an award at the International Islamic Microfinance Awards for its innovative Sharia-compliant microfinance program.



Organization and governance

The actions of the ICD are approved and scrutinized by highly experienced senior figures who are dedicated to the development of our member countries.

General Assembly

The General Assembly is the highest authority of the ICD, representing its member countries and institutions. Its main functions are to lay down the policies governing the work and general supervision of the ICD.

At the end of each annual meeting, the General Assembly elects a representative of a member country to serve as a Chairman and a representative of a member country to serve as Vice-Chairman until the end of the next annual meeting.

Each member of the General Assembly has one vote for every share subscribed and paid for. All matters are decided by a majority vote.



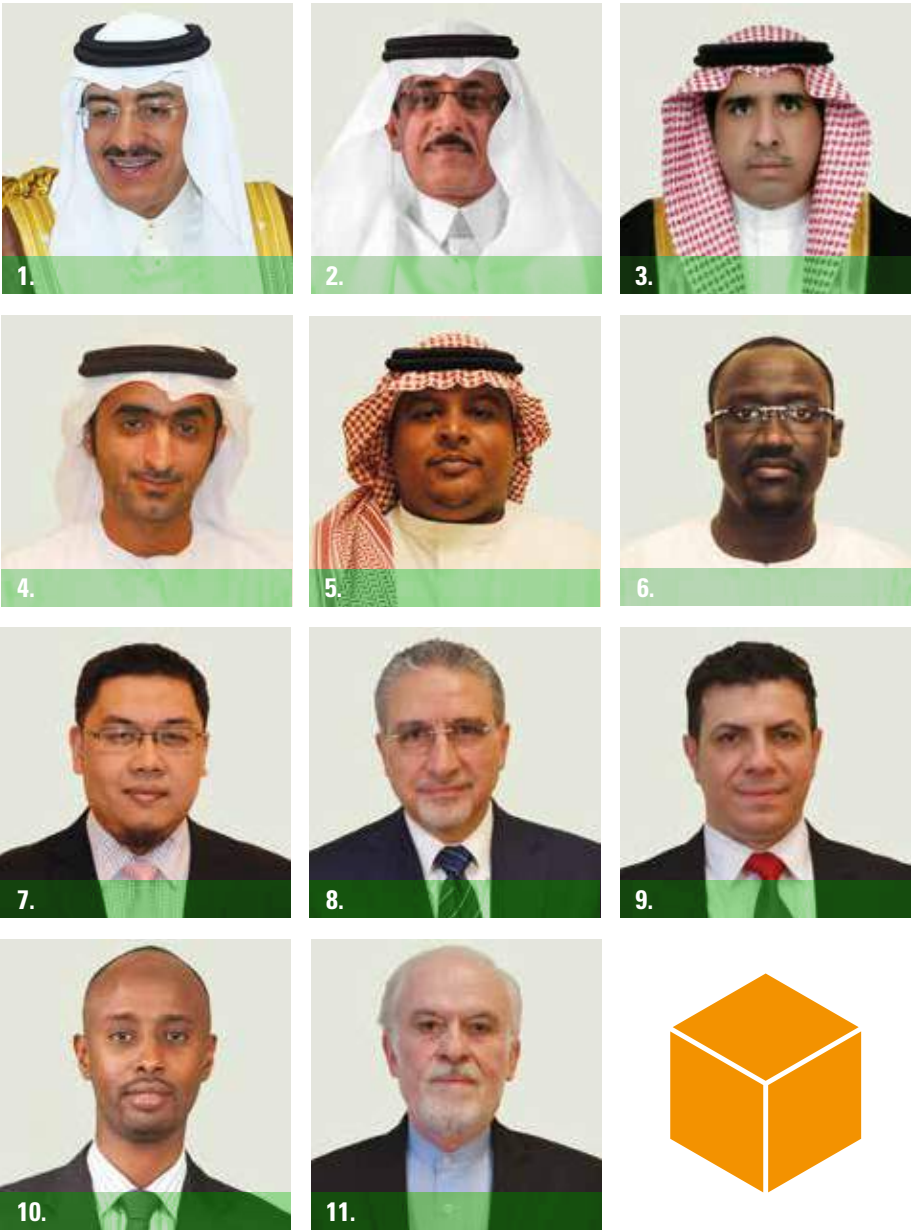
Board of Directors

The Board of Directors is mainly responsible for adopting policies, operations strategy, budget, and the general conduct of ICD operations within the powers delegated to it by the General Assembly. The Board consists of eleven members and is chaired by the President of the IDB Group. Other members include the Chief Executive Officer of the ICD along with the representatives of IDB, member country groups from Africa, Asia, Arab Asia, public financial institutions and a permanent member from Saudi Arabia (representing the largest shareholder after the IDB).

In accordance with the Articles of Agreement, the Board of Directors meets when the business of the Corporation requires. A majority of the members of the Board constitutes a quorum for any meeting, provided that the majority represents at least two-thirds of the total voting power of the members. A special meeting may also be called at any time by the Chairman or at the request of three members of the Board.

Members of the Board of Directors appointed by the IDB have the votes of the IDB divided equally among them and each member of the Board of Directors is entitled to cast the number of votes, which the members of the ICD whose vote counted towards his or her election, are entitled to cast.

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



BOARD OF DIRECTORS*

- 1. Dr. Bandar Mohammed Hajjar (Chairman of the Board)
- 2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
- 3. Dr. Abdullah Bin Sulaiman Alsakran (Representing Kingdom of Saudi Arabia)
- 4. Mr. Abdullah Mohammed Abdullah Al Zaabi (Representing Arab Group)
- 5. Mr. Omar Ahmed Al-Somali (Representing Financial Institution Group)
- 6. Mr. Abdourahmane Cissé (Representing Africa Group)
- 7. Mr. Mohammad Nizam bin Haji Ismi (Representing Asia Group)
- 8. Dr. Rami M. S. Ahmad (Representing IDB)
- 9. Dr. Abdalnasr Mohamed Omar Abouzkeh (Representing IDB)
- 10. Mr. Abdirahman Sharif (Representing IDB)
- 11. Mr. Abdolrahman Nadimi Boushehri (Representing IDB)

* As of 31 December 2017

The Board of Directors appoints an Executive Committee (EC) from its members that serves as a fast-track decision-making body. It has the power to approve all financing and investment operations and all other powers delegated to it by the Board. The EC is composed of up to six members, of which three seats are allocated permanently to the Chairman of the Board, the CEO and General Manager, and the representative from Saudi Arabia respectively. The EC members are rotated on a yearly basis, giving all Board members the opportunity to serve on the committee.

- EXECUTIVE COMMITTEE MEMBERS OF THE BOARD***
- 1. Dr. Bandar Mohammed Hajjar (Chairman of the Board)
 - 2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
 - 3. Dr. Abdullah Bin Sulaiman Alsakran
 - 4. Mr. Abdourahmane Cissé
 - 5. Mr. Abdirahman Sharif

The CEO and General Manager

The CEO, who also serves as the general manager, under the general supervision of the Chairman of the Board of Directors, conducts the day-to-day business of the ICD. The CEO is also responsible for the appointment of officers and staff of the ICD. To the extent that is authorized by the Board of Directors, the CEO runs the day-to-day operation of the corporation and approves the financing and investments of the ICD up to a threshold limit. The Board of Directors reappointed Mr. Khaled Mohammed Al-Aboodi as the CEO and General Manager of the ICD in 10/09/1437H for another three-year term.

Shari’ah Board

In 1433H, the ICD Shari’ah Board was subsumed with that of the IDB, forming the IDB Group Shari’ah Board. It is responsible for advising the IDB Group on the Shari’ah compliance of its products and transactions. The Board consists of the following eminent scholars.

- IDB GROUP SHARI’AH BOARD***
- 1. Dr. Hussein Hamed Sayed Hassan (Chairman)
 - 2. Dr. Abdulsattar Abughuddah (Vice Chairman)
 - 3. Shaikh Abdulla Bin Sulaiman Al Manea
 - 4. Shaikh Muhammad Taqi Usmani
 - 5. Shaikh Mohammad Ali Taskhiri
 - 6. Dr. Mohamed Raougui
 - 7. Dr. Muhammad Syafii Antonio

Audit Committee

The Board of Directors appoints from among its members an Audit Committee, which is responsible for overseeing the financial and internal control aspects of the ICD, as well as its compliance with its mandate, and reporting its findings to the Board of Directors.

- AUDIT COMMITTEE***
- 1. Dr. Abdullah Bin Sulaiman Alsakran (Chairman)
 - 2. Dr. Abdalnasr Mohamed Omar Abouzkeh

Advisory Board

The ICD has an Advisory Board consisting of five internationally renowned experts who are familiar with ICD activities. The Board provides views and opinions on any matter submitted to it by the General Assembly, the Board of Directors, Executive Committee, and the Chairman of the Board of Directors or by the CEO.

- ADVISORY BOARD***
- 1. Mr. Hamad Saud Al Sayari
 - 2. Mr. Alhaji Aliko Dangote, GCON
 - 3. Mr. Tan Sri Abdul Rashid Hussain
 - 4. Mr. Assaad J. Jabre
 - 5. Dr. Abdul Hafeez Shaikh



* As of 31 December 2017



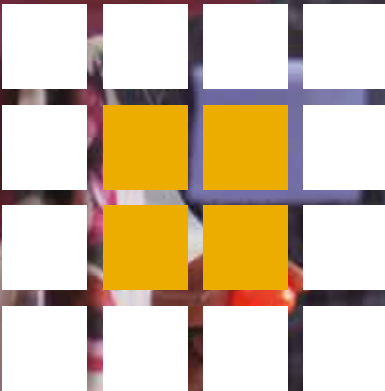
- ICD MANAGEMENT***
- 1. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
 - 2. Dr. Majid Sabbagh Kermani (Director of Strategy and Policy Department)
 - 3. Mr. Mohammed Alammari (Director of Internal Audit Department)
 - 4. Mr. Seedy Keita (Director of Finance Department)
 - 5. Mr. Adeeb Ahmad (Acting Director of Asset Management Department)
 - 6. Mr. Juanito Limandibhratha (Director of Risk Management Department)
 - 7. Mr. Najmul Hassan (Director of Financial Institutions Development Department)
 - 8. Ms. Nida Fatima Raza (Director of Advisory Services Department)
 - 9. Mr. Farid Mohamed Masmoudi (Director of Direct Investment and Financing Department)
 - 10. Mr. Sulaiman Al-Sultan (Director of Corporate Support Department)
 - 11. Mr. Karar Zubair (Acting Director of Treasury Department)
 - 12. Mr. Okan Altasli (Acting Director of Regional Offices Department)

* As of 31 December 2017





Our people



ICD employees come from a wide range of countries and cultural backgrounds. We select the brightest and best to join us, and we give them world-class training and development opportunities.



Learning and development

We provide our people with a rich array of training and career development opportunities to choose from. As a result, they are widely regarded as among the top professionals in the Islamic finance as well as development industries.

MIRAS PROGRAM

The MIRAS Program is a talent management initiative that addresses the needs of the wider Islamic finance industry. This two-year program is designed to provide Islamic finance experience through on-the-job rotational assignments, classroom training and coaching and mentoring sessions. Participants receive a Master's degree in Islamic Finance from the IE Business School when they successfully complete the program. The program has graduated five cohorts since its inception, boosting the Islamic finance industry with more than 50 talented professionals.

LEADERSHIP COACHING AND OTHER TRAINING

In 2017, we particularly focused on the use of online learning, seeing it as a time- and cost-efficient means of enhancing employees' skills. We are also increasingly emphasizing a culture of feedback coaching, and we organized a workshop on the subject for managers and supervisors with the IE Business School.

ENHANCING OUR CULTURE

Our people are at the heart of the ICD's success and growth, and our management team believes that the quickest route to business success lies in investing in our team and in fostering a positive workplace culture.

In 2017, we continued to implement a range of Human Resources and organizational development initiatives to support culture change and position the ICD as one of the best employers among multilateral development banks. The initiatives are primarily linked to our HR strategy and vision and include:

REVAMPING OUR INDUCTION TOOLKIT

- Improving our performance management effectiveness
- Developing coaching skills
- Ensuring that our corporate values are reflected in operations
- Supporting the social committee and promoting social activities

SUPPORTING A PERFORMANCE-LINKED CULTURE

Our employee performance management system is considered best practice in the field of human resource development, because it links the employee's individual goals to the organization's objectives.

The system aims to:

- Link performance and outstanding achievement to reward
- Improve the productivity of staff
- Promote individual accomplishments within a teamwork spirit
- Assist in creating a culture of continuous learning

Increase opportunities for career development that enable the ICD to identify and recognize high-performance and skills tailored to specific objectives

The ICD is

205 people

189

employees are based in our HQ in Jeddah; the rest are based in our regional and country gateway offices

In 2017 the ICD recruited

33


new staff from

20

different nationalities to further diversify and enhance the representation of our member countries within our team



Our people are at the heart of the ICD's success and growth... the quickest route to business success lies in investing in our team and in fostering a positive workplace culture.



Annexes

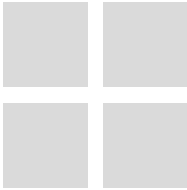
48	ANNEX 1 Approvals and disbursements since inception
49	ANNEX 2 Abbreviations
50	ANNEX 3 Financial highlights
51	ANNEX 4 Shari’ah Board Report
52	ANNEX 5 Financial Statements and Auditor’s Report

ANNEX 1: APPROVALS AND DISBURSEMENTS SINCE INCEPTION

Country	Gross Approvals (USD M)	Disbursements (USD M)
Albania	4.35	2.21
Algeria	33.00	-
Azerbaijan	143.82	102.86
Bahrain	83.81	18.24
Bangladesh	278.43	179.21
Benin	13.15	-
Brunei	3.66	-
Burkina Faso	22.64	18.79
Cameroon	45.04	17.05
Chad	28.15	5.50
Côte d'Ivoire	27.40	-
Djibouti	4.00	4.00
Egypt	249.11	108.67
Gabon	46.71	-
Gambia	27.35	6.15
Guinea	2.84	2.84
Indonesia	170.80	60.77
Iran	164.86	36.31
Iraq	25.00	-
Jordan	109.10	29.36
Kazakhstan	242.80	33.28
Kuwait	14.13	14.13
Kyrgyzstan	49.90	12.20
Lebanon	7.00	-
Libya	76.00	10.00
Malaysia	109.66	75.55
Maldives	33.40	31.44
Mali	73.59	29.47
Mauritania	78.99	57.26
Morocco	8.24	4.11
Mozambique	40.00	20.09
Niger	21.44	2.48
Nigeria	227.60	97.22
Pakistan	224.93	70.96
Palestine	7.00	4.00
Qatar	46.15	-
Saudi Arabia	595.55	334.05
Senegal	98.28	64.47
Sierra Leone	6.00	6.00
Sudan	79.61	52.84
Suriname	2.00	-
Syria	152.50	56.32
Tajikistan	44.50	42.12
Togo	71.50	-
Tunisia	47.75	43.85
Turkey	555.87	244.52
Turkmenistan	2.50	-
UAE	93.90	50.90
Uganda	50.00	-
Uzbekistan	327.33	217.41
Yemen	177.31	99.73
Regional/Global	844.63	387.1
Total	5,893.26	2,653.41

ANNEX 2: ABBREVIATIONS

BOD	Board of Directors
EC	Executive Committee
EECA	Eastern Europe and Central Asia
FI	Financial Institution
GLOF	Global Line of Financing
IBES	Industry and Business Environment Support
ICD	Islamic Corporation for the Development of the Private Sector
IDB	Islamic Development Bank
IFIs	Islamic Financial Institutions
ITFC	Islamic Trade Finance Corporation
LOF	Line of Financing
MCs	Member Countries
MDBs	Multilateral Development Banks
MENA	Middle East and North Africa
MMF	Money Market Fund
MoUs	Memorandum of Understandings
NBFIs	Non-Bank Financial Institutions
SEZ	Special Economic Zones
SIZ	Special Industrial Zones
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
UIF	Unit Investment Fund



ANNEX 3: FINANCIAL HIGHLIGHTS

In USD 000's	2017	2016	1436H
Statement of Income:			
Total Income	(61,943)	70,359	57,510
Total Operating Expenses	45,077	50,269	36,999
Net Income	(107,020)	20,090	20,511
Balance Sheet:			
Liquid Assets	1,296,629	841,560	450,045
Net Operating Assets	1,537,875	1,551,396	1,108,215
Other Assets	166,156	183,102	152,032
Total Assets	3,000,660	2,576,058	1,710,292
Borrowings & Long Term Debt	1,877,476	1,491,335	683,553
Equity	1,062,508	1,023,558	1,015,857
Ratios:			
Return on Average Assets	-3.84%	0.94%	1.27%
Return on Average Equity	-10.26%	1.97%	2.07%
Debt to Equity	176.70%	145.70%	67.29%
Equity to Assets	35.41%	39.73%	59.40%
Liquidity to Total Assets	43.21%	32.67%	26.31%

ANNEX 4: SHARI’AH BOARD REPORT

Report of the ICD
Shari’ah Board
31 December 2017

In the name of Allah, the Beneficent, the Merciful

To: Board of Directors
Islamic Corporation for the Development of the Private Sector
P.O. Box 54069 Jeddah 21514

Assalamu Alaikum Wa Rahmatullahi Wa Baratuhu

The ICD Shari’ah Board was established as per the provisions of Article No. 29 of the ICD Articles of Agreement. In compliance with the Articles of Agreement and our mandate, the Board submit the following report:

It is also the responsibility of the Board to form an independent opinion on the operations of the ICD covering the period of our tenure on an annual basis, and submit a report containing that opinion to the ICD Board of Directors.

In this regard, the Board has reviewed ICD contracts concluded during the year ended 31 December 2017, in order to form an opinion on their compliance with the Islamic rules and principles. The Board received all the necessary explanations from the ICD management and discussed them with officials.

Based on the Board’s review and explanations received from the ICD management, the discussions with ICD, and our recommendations, we concluded that there are no violations of the Islamic rules and principles regarding the management of liquid funds, and ICD operations during the year starting 1st January 2017, and ending on 31 December 2017.

The Board seizes this opportunity to thank the ICD Management and staff for their efforts to comply with the Shari’ah requirements through their recourse to the Board.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Shari’ah Board


Chairman of the Board
Dr. Hussien Hamid Hassan

Jeddah, 11/03/2018


IDB Group Internal Shari’ah Auditor
Aboubacar Salihou Kante

ANNEX 5: FINANCIAL STATEMENTS AND AUDITOR’S REPORT

Financial statements and auditor’s report

Your Excellencies the Chairman and Members of the General Assembly

Islamic Corporation for the Development of the Private Sector
Jeddah, Kingdom of Saudi Arabia

Report on the financial statements

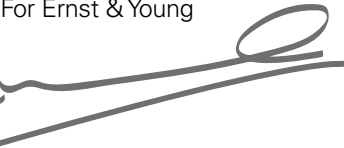
We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the “Corporation”) as of 31 December 2017 and the related statements of income, changes in members’ equity and cash flows for the year then ended. These financial statements and the Corporation’s undertaking to operate in accordance with Shari’ah are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

OPINION


In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2017, and of the results of its operations and its cash flows for the year then ended in accordance with the Shari’ah Rules and Principles as determined by the Shari’ah Committee of the Corporation and the financial accounting standards issued by AAOIFI.

For Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356
20 Jumada II 1439H
8 March 2018
Jeddah
17/391/00




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STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 December 2017 USD	31 December 2016 USD
Assets			
Cash and cash equivalents	5	517,533,923	433,010,216
Commodity placements through financial institutions	6	145,659,653	26,305,168
Sukuk investments	7	633,435,553	382,244,396
Murabaha financing	8	307,148,873	269,458,757
Installment sales financing	9	410,135,601	408,645,234
Ijarah Muntahia Bittamleek (IMB), net	10	106,989,928	117,808,275
Istinaa assets		18,570,233	-
Equity investments	11	695,030,382	755,483,873
Other assets	12	165,809,182	182,635,512
Property and equipment		346,397	466,155
Total assets		3,000,659,725	2,576,057,586
Liabilities and members’ equity			
Liabilities			
Sukuk liabilities	13	1,178,807,157	1,096,335,079
Murabaha financing	14	698,667,929	395,000,000
Accrued and other liabilities	15	41,972,776	46,252,434
Employee pension liabilities	16	17,664,426	14,042,479
Amounts due to ICD Solidarity Fund	17	1,039,521	870,026
Total Liabilities		1,938,151,809	1,552,500,018
Members’ equity			
Share capital	18	1,047,414,212	882,368,110
Reserve	19	28,540,159	153,207,968
Actuarial losses	16	(13,446,455)	(12,018,510)
Total members’ equity		1,062,507,916	1,023,557,568
Total liabilities and members’ equity		3,000,659,725	2,576,057,586

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

STATEMENT OF INCOME

For the year ended 31 December 2017

	Note	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
INCOME			
Treasury assets			
Commodity placements through financial institutions		8,230,993	6,831,518
Sukuk investments		14,706,599	9,044,298
		22,937,592	15,875,816
Equity investments (loss)/income, net	11.4	(87,237,251)	46,621,852
Financing assets			
Murabaha financing		12,050,536	6,966,523
Installment sales financing		17,578,723	18,632,619
Ijarah Muntahia Bittamleek (IMB), net	21	10,171,659	6,757,013
Istisnaa assets		603,657	-
		40,404,575	32,356,155
(Loss)/income from main operations		(23,895,084)	94,853,823
Impairment allowance for financing assets	22	(17,740,165)	(19,578,321)
Financing cost		(36,536,951)	(22,236,416)
Exchange gain net of fair value loss on Islamic derivatives	23	2,651,641	5,720,489
Other income			
Administrative fees		7,807,404	5,418,929
Management fees		3,454,625	4,032,026
Advisory fees		2,315,646	2,148,673
		13,577,675	11,599,628
Total operating (loss) / income		(61,942,884)	70,359,203
Staff cost		(36,239,791)	(39,613,438)
Other administrative expenses		(8,698,625)	(9,973,273)
Depreciation		(139,152)	(682,009)
Total operating expenses		(45,077,568)	(50,268,720)
Net (loss)/ income		(107,020,452)	20,090,483
Income from non-Shari'ah compliant placements	17	385,047	22,847
Transferred to ICD Solidarity Fund	17	(385,047)	(22,847)
Total Shari'ah compliant (loss)/income		(107,020,452)	20,090,483

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2017

	Note	Share capital USD	Reserve USD	Net income/ (loss) USD	Actuarial losses USD	Total USD
Balance at 13 October 2015		865,430,770	150,426,097	-	-	1,015,856,867
Contributions during the period		1,192,105	-	-	-	1,192,105
Net income for the period		-	-	20,090,483		20,090,483
Transfer to reserve		-	20,090,483	(20,090,483)	-	-
Allocation of actuarial deficit on pension liabilities	16			-	(11,119,670)	(11,119,670)
Actuarial loss for the period from pension schemes	16.3	-	-	-	(898,840)	(898,840)
Dividend in the form of:		-	-			
– shares	19	15,745,235	(15,745,235)	-	-	-
– cash	19	-	(1,563,377)	-	-	(1,563,377)
Balance at 31 December 2016		882,368,110	153,207,968	-	(12,018,510)	1,023,557,568
Contributions during the year		148,962,745	-	-	-	148,962,745
Net loss for the year		-	-	(107,020,452)	-	(107,020,452)
Transfer to reserve		-	(107,020,452)	107,020,452		
Actuarial loss for the year from pension schemes	16.3	-	-	-	(1,427,945)	(1,427,945)
Dividend in the form of:						
– shares	19	16,083,357	(16,083,357)	-	-	-
– cash	19	-	(1,564,000)	-	-	(1,564,000)
Balance at 31 December 2017		1,047,414,212	28,540,159	-	(13,446,455)	1,062,507,916

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Note	2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Operating activities			
Net (loss)/ income for the year/period		(107,020,452)	20,090,483
Adjustments for:			
Fair value loss/(gain) on equity investments, net	11	88,104,549	(42,896,725)
Financing cost		36,536,951	22,236,416
Depreciation		31,878,688	22,611,875
Impairment allowance for financing assets	22	17,740,165	19,578,321
Provision for employee pension liabilities	16.3	4,970,247	5,140,628
Unrealized fair value loss on Sukuk investments	7	2,923,750	838,405
Exchange gains on Islamic derivatives net of currency losses	23	(2,651,641)	(5,720,489)
Gain on disposal of property and equipment		-	(7,254)
		72,482,257	41,871,660
Changes in operating assets and liabilities:			
Commodity placements through financial institutions		(119,354,485)	(86,533,161)
Sukuk investments net of fair value loss		(254,114,907)	(369,532,606)
Murabaha financing, net of impairment		(39,538,262)	(14,844,881)
Installment sales financing, net of impairment		(1,490,367)	(28,623,745)
Ijarah Muntahia Bittamleek, net of impairment		(25,393,442)	(85,773,008)
Istisna assets		(18,570,233)	-
Equity investments, net		(27,651,058)	(3,852,121)
Other assets, net of impairment		8,058,205	(33,016,897)
Accrued and other liabilities		(9,257,558)	10,193,129
Amounts due to ICD Solidarity Fund		169,495	(57,487)
Cash used in operations		(414,660,355)	(570,169,117)
Financing cost paid		(32,523,051)	(16,688,836)
Employee pension liabilities paid	16	(2,776,245)	(3,116,660)
Net cash used in operating activities		(449,959,651)	(589,974,613)
Investing activities			
Purchase of property and equipment		(19,394)	(158,266)
Proceed from disposal of property and equipment		-	7,253
Net cash used in investing activities		(19,394)	(151,013)
Financing activities			
Proceeds from Sukuk issued		82,472,078	1,096,335,079
Proceeds from Murabaha financing		728,667,929	529,999,990
Repayments of Murabaha financing		(425,000,000)	(818,552,505)
Share capital contribution		148,962,745	1,192,105
Dividend paid in cash		(600,000)	(2,101,879)
Net cash from financing activities		534,502,752	806,872,790
Net increase in cash and cash equivalent		84,523,707	216,747,164
Cash and cash equivalent at the beginning of the year/ period		433,010,216	216,263,052
Cash and cash equivalentst at the end of the year/ period	5	517,533,923	433,010,216
Non Cash Transactions			
Restructuring of equity investments	11 (a)	-	145,295,426
Purchase of shares	15	-	21,094,820
Allocation of actuarial deficit on pension liabilities	20	-	11,119,670

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

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

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.

The Board of Directors of the Corporation passed a resolution BOD 79/5/436 dated 3 September 2015, approving the use of the Solar Hijri calendar in determining the start and end dates of the financial year whilst maintaining the Lunar Hijri as the official calendar of the Corporation. Accordingly, current and future financial years of the Corporation would cover the period equivalent from 1 January to 31 December.

The comparative information in the statements of income, cash flows and changes in members’ equity and related notes are for the period from 14 October 2015 to 31 December 2016 and comparative information in the statement of financial position and related notes are as at 31 December 2016.

2 BASIS OF PRESENTATION

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari’ah rules and principles as determined by the Shari’ah Committee of the Corporation. 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.

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 are effective from the period beginning 1 January 2015. Accordingly, the Corporation discontinued issuing consolidated financial statements and used the transition guidance of the amendments to IFRSs 10 and 12, in so far it relates to the adoption of amendments related to investment entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

2 BASIS OF PRESENTATION (continued)

Investment entity

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Transactions in foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

Transactions in foreign currencies are recorded in United States Dollars (“USD”) at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the statement of financial position. All differences 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 placements through financial institutions having an original maturity of three months or less at the date of acquisition.

Commodity placements through financial institutions

Commodity 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Installment sales financing

Installment sales 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. The selling price comprises the cost plus an agreed profit margin.

Ijarah Muntahia Bittamleek (IMB)

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

Istisna’a assets

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

After completion of the project, the Istisna’a asset is transferred to the Istisna’a receivable account.

Investments

The Corporation's investments are categorised as follows:

i) Subsidiaries

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

The adoption of the Amendments exempted the Corporation from the consolidation of the 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

Investments in Sukuk are debt instruments and have determinable payments and fixed maturity dates and bear a coupon yield.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment and uncollectibility of financing assets

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

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

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

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

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

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

Islamic derivative financial instruments

Islamic 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 to mitigate the risk of fluctuation in foreign currency and financing cost for placements with financial institutions, Sukuk investments, financing assets and Sukuk liabilities. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary assets

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

Property and equipment

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

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

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

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

Financial liabilities

All Sukuk liabilities, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Corporate’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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

(i) Commodity placements through financial institutions

Income from commodity placements through financial institutions is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

(ii) Non-Shari’ah compliant placements

Any income from cash and cash equivalents, commodity placements through financial institutions and other investments, which is considered by Shari’ah Board as forbidden by Shari’ah principles, is not included in the Corporation’s statement of income but is recorded as a liability to be utilized for charitable purposes.

(iii) Murabaha and Installment sales financing

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

(iv) Istisna’a

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

(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

Management fee is recognized on accrual basis when the services have been performed.

(viii) Administrative fee and advisory fee

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 borrowings. 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. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation’s performance to the extent envisaged in FAS 22; geographical and economic sector distribution of the Corporation’s assets is set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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 financing assets

The Corporation exercises judgment in the estimation of impairment allowance for financial assets. The methodology for the estimation of impairment of financing assets is set out in note 2 under “impairment and uncollectibility of financing assets”.

iii) Fair value determination

The Corporation determines the fair value of substantially all of its financial assets at each financial year end. Majority of the Corporation’s financial assets are unquoted. The fair value of the financial assets that are not quoted in an active market is determined by using valuation techniques, 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 marketability. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

5 CASH AND CASH EQUIVALENTS

	31 December 2017 USD	31 December 2016 USD
Cash at banks	214,479,945	65,140,172
Commodity placements through financial institutions (note 6)	302,000,000	367,000,000
	516,479,945	432,140,172
Bank balance relating to ICD Solidarity Fund	1,053,978	870,044
Cash and cash equivalents	517,533,923	433,010,216

Certain bank accounts having balance of USD 1,581,508 (31 December 2016: USD 2,575,488) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed / operated by the Corporation.

6 COMMODITY PLACEMENTS THROUGH FINANCIAL INSTITUTIONS

	31 December 2017 USD	31 December 2016 USD
Commodity placements through financial institutions	447,659,653	393,305,168
Less: commodity placements through financial institutions with an original maturity of three months or less (note 5)	(302,000,000)	(367,000,000)
	145,659,653	26,305,168

Commodity placements through financial institutions include an amount of USD 1,871,210 (2016: USD 2,516,725) provided to a related party of the Corporation, over which the Corporation earned profit of USD 149,899 (31 December 2016: USD 383,814).

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

7 SUKUK INVESTMENTS

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Opening balance	382,244,396	13,550,195
Additions	311,518,723	426,930,815
Redemption	(60,824,976)	(56,414,351)
Exchange losses	3,421,160	(983,858)
Unrealised fair value losses	(2,923,750)	(838,405)
	633,435,553	382,244,396

	31 December 2017 USD	31 December 2016 USD
Financial institutions	534,484,119	279,692,826
Governments	98,951,434	102,551,570
	633,435,553	382,244,396

	31 December 2017 USD	31 December 2016 USD
AAA	33,348,675	11,031,701
AA+ to AA-	49,723,400	30,347,212
A+ to A-	286,704,026	220,707,957
BBB+ or lower	234,444,917	87,987,018
Unrated	29,214,535	32,170,508
	633,435,553	382,244,396

	Sukuk investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2017 (USD)	604,221,018	-	29,220,535	633,441,553
2016 (USD)	350,073,888	-	32,170,508	382,244,396

Sukuk investments included an amount of USD 33,348,675 (31 December 2016: USD 11,031,701) invested in Sukuk issued by IsDB, over which the Corporation earned profit of USD 519,000 (31 December 2016: USD 105,000).

8 MURABAHA FINANCING

	31 December 2017 USD	31 December 2016 USD
Murabaha financing	316,938,483	277,400,221
Less: impairment allowance (note 22)	(9,789,610)	(7,941,464)
	307,148,873	269,458,757

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 103,409,545 (31 December 2016: USD 96,825,353) provided to related parties of the Corporation, over which the Corporation earned profit of USD 2,211,175 (31 December 2016: USD 1,462,382).

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

9 INSTALLMENT SALES FINANCING

	31 December 2017 USD	31 December 2016 USD
Installment sales financing	420,821,363	419,330,996
Less: impairment allowance (note 22)	(10,685,762)	(10,685,762)
	410,135,601	408,645,234

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 6,138,039 (31 December 2016: USD 4,445,882) provided to related parties of the Corporation, over which the Corporation earned profit of USD 402,147 (31 December 2016: USD 384,113).

10 IJARAH MUNTAHIA BITTAMLEEK (IMB), NET

	31 December 2017 USD	31 December 2016 USD
Cost:		
<i>Assets not yet in use:</i>		
Additions and transferred to assets in use	25,393,442	75,955,880
	-	-
<i>Assets in use:</i>		
At the beginning of the period	289,554,116	195,599,510
Transferred from assets not in use	25,393,442	75,955,880
Reclassified from Murabaha financing	-	17,998,726
At the end of year / period	314,947,558	289,554,116

Total Cost	314,947,558	289,554,116
Accumulated depreciation:		
At the beginning of the period	141,562,251	111,450,787
Charge for the period	31,739,536	21,929,866
Charge for assets reclassified from Murabaha financing	-	8,181,598
At the end of the year / period	173,301,787	141,562,251

Balance at the end of year / period	141,645,771	147,991,865
Less: impairment allowance (note 22)	(34,655,843)	(30,183,590)

Ijarah Muntahia Bittamleek, net	106,989,928	117,808,275
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Ijarah Muntahia Bittamleek included financing of USD 8,321,037 (31 December 2016: USD 8,578,340) provided to related parties of the Corporation, over which the Corporation earned profit of USD 854,108 (31 December 2016: USD 930,529).

Certain of the assets referred above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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 / period comprised of the following:

	31 December 2017 USD	31 December 2016 USD
Subsidiaries (note 11.1)	400,546,229	430,495,100
Associates (note 11.2)	161,794,239	225,907,333
Other investments	132,689,914	99,081,440
	695,030,382	755,483,873

The movement in investments for the year/period is as follows:

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
At the beginning of the year/period	755,483,873	831,276,107
Additions	32,210,567	80,130,231
Transfers and restructuring (note (a) and (b))	-	(193,357,538)
Disposals	(4,559,509)	(5,461,652)
Fair value (losses)/gains, net (note 11.4)	(88,104,549)	42,896,725
At the end of the year/ period	695,030,382	755,483,873

- (a) During the period ended 31 December 2016, the Corporation transferred the carrying amount of its investment in ICD Unit Investment Fund (Labuan) LLP (“UIF”) to ICD Asset Management Labuan Limited (IAML), a wholly owned subsidiary of the Corporation, as follows:
- i) increase in equity capital of IAML limited by USD 45,295,426; and
 - ii) investment of USD 100,000,000 as commodity placement with IAML.
- (b) During the period ended 31 December 2016, ICD Equity Partners Limited (“the designated partner”) distributed the capital and respective profit of its investment in IB Growth Fund (Labuan) LLP (“IBGF”) amounting to USD 48,062,112 to its investors. The Corporation invested this amount as a placement with ICD Money Market Fund (MMF) (note 6). During the current year, an amount of USD 19,973,485 was encashed by the Corporation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

11 EQUITY INVESTMENTS (continued)

11.1 Investments in subsidiaries

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

Name of the entity	Country of Incorporation	Nature of Business	Effective ownership %	
			2017	2016
Azerbaijan Leasing	Azerbaijan	Leasing	100	100
ICD Asset Management Limited	Malaysia	Asset Management	100	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	100	-
Ijarah Management Company	Saudi Arabia	Leasing	100	100
Sante Alexandra Company	Egypt	Manufacturing	100	100
Taiba Leasing	Uzbekistan	Leasing	100	100
Tamweel Africa Holding	Senegal	Banking	100	100
Maldives Islamic Bank	Maldives	Banking	70	85
ASR Leasing LLC	Tajikistan	Leasing	67	67
Enmaa Ijarah Company	Egypt	Leasing	-	60
Al Majmoua Al Mauritania	Mauritania	Real estate	53	53
Tahfeez United Company (formerly Catalyst International)	Saudi Arabia	Advisory service	51	51
Taha Alam Sdn Bhd	Malaysia	Advisory Services	50	50
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	50	50

- (c) In addition to the above investments, there are certain subsidiaries carried at nil value where the Corporation had invested in earlier years and fully impaired them subsequently.
- (d) There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividend or repay loans or advances made to them by the Corporation. The Corporation sometimes extends financial assistance in the form of advances to its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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 / period and nature of business are as follows:

Name of the entity	Country of Incorporation	Nature of Business	Effective ownership %	
			2017	2016
Al-Akthar Bank	Morocco	Banking	49	-
Enmaa Ijara Company	Egypt	Leasing	47	-
Theemar Investment Fund	Tunisia	Fund	41	41
Anfaal Capital Company	Saudi Arabia	Investment Advisory	38	38
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	37	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	36	36
Albania Leasing	Albania	Leasing	36	36
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	33	33
Palestine Ijarah Company	Palestine	Leasing	33	33
Halic Finansal Kiralama A.S.	Turkey	Leasing	33	33
Wifack International Bank	Tunisia	Leasing	30	30
Royal Atlantic Residence	Gambia	Real Estate	25	25
Adritech Group International	Jordan	Agriculture	25	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	25	25
Al Sharkeya Sugar	Egypt	Manufacturing	22	25
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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

11 EQUITY INVESTMENTS (continued)

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
2017 (USD)	29,853,351	-	665,177,031	695,030,382
2016 (USD)	34,696,715	-	720,787,158	755,483,873

Reconciliation of level 3 items

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
At the beginning of the year/ period	720,787,158	792,541,608
Additions	32,210,567	80,130,231
Transfers and restructure (note 11 (a) & (b))	-	(193,357,538)
Disposals	(4,559,509)	(4,840,375)
Unrealized fair value gains, net	(83,261,185)	46,313,232
Transfers	-	-
At the end of the year/period	665,177,031	720,787,158

11.4 Equity investments (loss)/income, net

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Fair value (losses)/ gains, net	(88,104,549)	42,896,725
Dividend	867,298	3,725,127
	(87,237,251)	46,621,852

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

12 OTHER ASSETS

	31 December 2017 USD	31 December 2016 USD
Ijarah Muntahia Bittamleek (IMB), net installments receivable	97,114,751	96,053,155
Due from related parties (note a) and (note 20.2)	30,273,917	31,443,598
Proceeds receivable from sale of shares (note b)	16,844,093	16,844,093
Advances to employees	10,825,369	9,836,665
Accrued income	9,944,615	7,346,491
Proceeds receivable on maturity of government certificates/ Sukuk (note c)	8,077,352	8,077,352
Positive fair value of Islamic derivative financial instrument (note d)	7,002,211	14,900,261
Unamortised portion of Sukuk issuance cost	6,529,790	6,853,728
Other receivables (note a)	9,301,720	9,965,039
	195,913,818	201,320,382
Less: impairment allowance (note 22)	(30,104,636)	(18,684,870)
	165,809,182	182,635,512

- (a) During the year, certain of the balances of USD 5,761,478 have been reclassified from “other receivables” to “due from related parties”.
- (b) This represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Corporation believes that the balance is fully impaired. Accordingly, an impairment allowance of the book value loss have been provided.
- (c) On July 23, 2008 (Rajab 20, 1429H), the Corporation entered into an agreement with a counterparty to invest in Sukuk with an option to convert it to equity shares of the investee at the time of initial public offering (IPO). The Sukuk matured during 1431H. However, IPO formalities were not completed and the amount is outstanding since then. Management is in discussion with the investee’s management and is reviewing various options. Keeping in view the ongoing discussions, management estimated and recorded an impairment allowance of USD 4.3 million.
- (d) 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 liabilities. 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	490,378,170	-	14,241,736
Profit rate Swaps	464,355,000	6,461,271	102,499
Forward contracts	45,284,049	540,940	2,860,292
31 December 2017	1,000,017,219	7,002,211	17,204,527

Islamic Derivative financial instrument	Notional Amount USD	Positive fair value USD	Negative fair value USD
Cross currency Swaps	362,411,970	8,014,701	768,941
Profit rate Swaps	312,500,000	4,473,171	-
Forward contracts	56,846,966	2,412,389	-
31 December 2016	731,758,936	14,900,261	768,941

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

13 SUKUK LIABILITIES

Issue date	Maturity Date	Issue Currency	Issued Amount USD	Rate	31 December 2017 USD	31 December 2016 USD
Listed (note a)						
13-04-2016	13-04-2021	USD	300,000,000	2.468% Fixed	300,000,000	300,000,000
Not listed (note b)						
28-12-2017	30-12-2019	USD	80,000,000	3M LIBOR + 0.80%	80,000,000	-
22-02-2016	22-02-2018	KWD	200,000,000	3.4% Fixed	198,807,157	196,335,079
24-02-2016	24-02-2024	USD	350,000,000	3M LIBOR + 0.55%	350,000,000	350,000,000
19-07-2016	19-07-2024	USD	250,000,000	3M LIBOR + 0.75%	250,000,000	250,000,000
			1,180,000,000		1,178,807,157	1,096,335,079

- (a) During the period ended 31 December 2016, the Corporation through a special purpose vehicle (SPV), an entity registered in Cayman Islands, issued Sukuk amounting to USD 300 million which are listed on London Stock Exchange and Nasdaq Dubai. The Sukuk are secured against Corporation’s certain assets including Murabaha, Ijarah assets, Sukuk investments, Shari’ah compliant authorised investments and any replaced assets. These assets are under the control of the Corporation.
- (b) The trust certificates (Sukuk) confer on certificate holders the right to receive at agreed intervals, payments (periodic distributions) out of the profit elements of Corporation’s Installment Sale, Istisna’a and Ijarah assets sold at each issue by the Corporation to Trustees. The Corporation, as a third party, guarantees to the Trustees punctual performance of the assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

14 MURABAHA FINANCING

Murabaha financing is received from financial institutions under commodity murabaha agreements The financing have original maturities ranging from 2 to 4 years (31 December 2017 2016: 1 week to 3 years.

15 ACCRUED AND OTHER LIABILITIES

	31 December 2017 USD	31 December 2016 USD
Negative fair value of Islamic derivative (note 12(d))	17,204,527	768,941
Due to related parties (note 20.3)	7,108,236	13,599,798
Accrued profit on Sukuk liabilities	4,834,485	4,477,932
Accrued profit payable on Murabaha financing	4,726,995	1,069,648
Dividend payable (note 19)	4,108,563	3,144,563
Other payables	3,989,970	2,096,732
Due for purchase of shares	-	21,094,820
	41,972,776	46,252,434

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 SRP and share the administrative expenses.

The main features of the SPP are:

- (i) Normal retirement age is the 62 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 9% of the basic annual salary while IsDB and its Affiliates contribute 21%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

16 EMPLOYEE PENSION LIABILITIES (continued)

Staff Retirement Medical Plan (SRMP)

Effective 1 Muharram 1421H, the IsDB Group established the medical benefit scheme for retired employee 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 employee 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 entitlements payable for each retired employee is computed according to the following formula:

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

Effective from 14 October 2015, the Pension Committee decided to transfer the carried forward assets and liabilities of SPP and SRMP to the respective entities participating in the plans managed by IsDB. As a result, an amount of USD USD 11.1 million was allocated to the Corporation by IsDB which was recognized directly in statement of member’s equity during the period ended 31 December 2016.

	Pension liabilities allocated by IsDB		
	SPP	SRMP	Total
	USD	USD	USD
Plan assets allocated by by IsDB (note 16.1)	29,376,791	1,278,952	30,655,743
Defined benefit obligations allocated by IsDB (note 16.2)	(38,935,669)	(2,839,744)	(41,775,413)
Net employee pension liabilities allocated by IsDB	(9,558,878)	(1,560,792)	(11,119,670)

The breakdown of net employee pension liabilities as of 31 December 2017 was as follows;

	SPP	SRMP	Total
2017	31 December 2017 (USD)		
Plan assets (note 16.1)	35,598,339	1,701,561	37,299,900
Defined benefit obligations (note 16.2)	(50,622,358)	(4,341,968)	(54,964,326)
Net employee pension liabilities	(15,024,019)	(2,640,407)	(17,664,426)

	SPP	SRMP	Total
2016	31 December 2016 (USD)		
Plan assets (note 16.1)	31,842,820	1,501,482	33,344,302
Defined benefit obligations (note 16.2)	(43,934,811)	(3,451,970)	(47,386,781)
Net employee pension liabilities	(12,091,991)	(1,950,488)	(14,042,479)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

16 EMPLOYEE PENSION LIABILITIES (continued)

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

	SPP		SRMP	
	31 December 2017 (USD)	31 December 2016 (USD)	31 December 2017 (USD)	31 December 2016 (USD)
Plan assets allocated by IsDB	-	29,376,791	-	1,278,952
Balance as at 1 January	31,842,820	-	1,501,482	-
Profit income on plan assets	1,450,266	1,327,350	64,304	70,225
Return on plan assets greater/ (less) than discount rate	616,734	(1,496,966)	2,964	(11,130)
Plan participations contributions	1,138,073	1,295,442	60,370	70,820
Employer contribution	2,655,505	2,974,203	120,740	142,457
Disbursements from plan assets	(2,105,059)	(1,634,000)	(48,299)	(49,842)
	35,598,339	31,842,820	1,701,561	1,501,482

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

	SPP		SRMP	
	31 December 2017 (USD)	31 December 2016 (USD)	31 December 2017 (USD)	31 December 2016 (USD)
Defined benefit obligation allocated by IsDB	-	38,935,669	-	2,839,744
Balance as at 1 January	43,934,811	-	3,451,970	-
Current service costs	4,070,599	4,123,566	370,286	257,371
Profit cost on defined benefit obligation	1,891,472	1,994,003	152,460	163,263
Plan participations contributions	1,138,073	1,295,443	60,370	70,820
Net actuarial deficit / (gain)	1,692,462	(779,870)	355,181	170,614
Disbursements from plan assets	(2,105,059)	(1,634,000)	(48,299)	(49,842)
	50,622,358	43,934,811	4,341,968	3,451,970

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

	SPP		SRMP	
	31 December 2017 (USD)	31 December 2016 (USD)	31 December 2017 (USD)	31 December 2016 (USD)
Gross current service costs	4,070,599	4,123,566	370,286	257,371
Cost of defined benefit obligation	1,891,472	1,994,003	152,460	163,263
Income from plan assets	(1,450,266)	(1,327,350)	(64,304)	(70,225)
Cost recognized in statement of income	4,511,805	4,790,219	458,442	350,409
Actuarial loss /(gain) due to assumptions	1,692,462	(779,870)	355,181	170,614
Return on plan assets (less)/ greater than discount rate	(616,734)	1,496,966	(2,964)	11,130
Actuarial loss recognized in statement of changes of members' equity	1,075,728	717,096	352,217	181,744

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

16 EMPLOYEE PENSION LIABILITIES (continued)

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

	SPP		SRMP	
	31 December 2017 (USD)	31 December 2016 (USD)	31 December 2017 (USD)	31 December 2016 (USD)
Investments in Sukuk	18,555,664	17,626,251	1,348,119	13,924
Managed funds and installment sales	7,977,500	6,677,649	-	1,300,024
Cash and cash equivalent and commodity placements	5,034,106	1,877,311	224,918	96,056
Land	4,001,502	3,809,655	-	9,548
Others	29,567	1,851,954	128,524	81,930
	35,598,339	31,842,820	1,701,561	1,501,482

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

	SPP		SRMP	
	31 December 2017 (USD)	31 December 2016 (USD)	31 December 2017 (USD)	31 December 2016 (USD)
Managed funds and installment sales	4.15%	4.15%	4.15%	4.15%
Investments in Sukuk	4.50%	4.50%	4.50%	4.50%

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

17 ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2017 generated from liquid fund placements with certain conventional banks and financial institutions and contribution which were not considered in compliance with the Shari’ah principles. As per the recommendation of the Shari’ah Committee of the Corporation, 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 period ended are as follows:

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Sources		
At the beginning of the year / period	870,026	927,513
Amount transferred from income during the year / period	385,047	22,847
Income earned	6,845	2,856
	1,261,918	953,216
Users		
Charitable disbursements	(222,397)	(83,190)
At the end of the year / period	1,039,521	870,026

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

18 SHARE CAPITAL

The share capital of the Corporation at year/ period end comprises of the following;

	31 December 2017 USD	31 December 2016 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	(242,765,336)	(329,243,139)
	1,757,234,664	1,670,756,861
Installments due not yet paid	(709,820,452)	(788,388,751)
Paid-up capital	1,047,414,212	882,368,110

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

	31 December 2017 USD	31 December 2016 USD
Islamic Development Bank (IsDB)	472,181,958	401,648,979
Member countries	473,297,254	402,519,131
Iran Foreign Investment Company	40,000,000	40,000,000
Saudi Public Investment Fund	53,735,000	30,000,000
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	1,047,414,212	882,368,110

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.

The General Assembly at its Plenary Sitting held on 18 May 2017 (corresponding to 22 Shaaban 1438H) in Jeddah, Kingdom of Saudi Arabia, through resolution GA17/1/438, approved a dividend of USD 17,647,357 (2016: 17,308,612) in proportion to the paid-up capital held by each member as follows:

- (a) For the IsDB, an equivalent of USD 8,032,979 (2016: 7,875,472) to be allocated in the form of shares.
- (b) For the public financial institutions, cash dividend of USD 1,564,000 (2016: 1,563,377).
- (c) For the member countries, the dividend of USD 8,050,378 (2016: 7,869,763) to be distributed in the form of shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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 / period:

Related parties	Nature of Transactions	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Islamic Development Bank Group	Rent & pension actuarial deficit (note a)	2,088,900	12,645,927
Al Majmoua Mouritania (MMI)	Advance	-	1,426,500
Islamic Banking Growth Fund	Management fee	448,630	-
Sante Alexandra	Advance	-	6,843,598
Bidaya Home Financing Company	Set-up costs	-	4,174,263
ICD Fixed Income Limited	Management fee	3,294,060	3,494,432
Tamweel Africa Holding	Advance	270,564	623,719
Catalyst Group International	Advance	645,523	605,604
Ijarah Management Company	Advance	234,160	554,905
Wifack International Bank	Advance	-	505,651
Members / Directors / Shareholders	Allowances and fee	338,396	421,414
Al Hadha Silos	Advance	-	125,004
Anfaal Capital	Fees	-	106,667
Maldives Islamic Bank	Recharges	137,804	103,212

- (a) It includes actuarial deficit related to employee pension liabilities amounting to USD 11,119,670 allocated by IsDB pursuant to decision taken by the pension committee of IsDB Group as mentioned in note 16.
- (b) In addition to the above, certain related party transactions and balances have been disclosed in notes 7 to 10.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

20.2 Due from related parties comprised the following:

	31 December 2017 USD	31 December 2016 USD
Sante Alexandra	6,563,598	6,483,597
Tamweel Africa Holding	5,043,431	4,772,867
Catalyst Group International	4,262,649	3,617,126
ICD Fixed Income Limited	3,035,596	3,670,930
Bidaya Home Financing Company	2,863,024	2,863,645
Caspian Leasing	2,144,660	2,144,660
Taiba Titrisation	1,526,694	1,177,046
Ijarah Management Company	789,065	554,905
International Islamic Trade Finance Corporation (ITFC)	578,163	562,789
Wifack International Bank	545,223	505,651
Taiba Leasing	477,150	1,408,515
Islamic Banking Growth Fund	448,630	-
Al Majmoua Mouritania (MMI)	330,007	1,426,500
Others	1,666,027	2,255,367
	30,273,917	31,443,598

20.3 Due to related parties comprised the following:

	31 December 2017 USD	31 December 2016 USD
Islamic Development Bank (IsDB)	2,758,644	10,593,889
Waqf Fund	4,317,666	2,968,317
Others	31,926	37,592
	7,108,236	13,599,798

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

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Salaries and other short-term benefits	2,959,293	2,540,251
Post-employment benefits	322,694	314,363
	3,281,987	2,854,614

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

21 IJARAH MUNTAHIA BITTAMLEEK, NET

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Income from Ijarah Muntahia Bittamleek,	41,911,195	28,686,879
Depreciation	(31,739,536)	(21,929,866)
At the end of the year/period	10,171,659	6,757,013

22 IMPAIRMENT ALLOWANCE FOR FINANCING ASSETS

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
At the beginning of the year / period	67,495,686	47,917,365
Charge for the year / period, net	17,740,165	19,578,321
At the end of the year / period	85,235,851	67,495,686

The breakdown of allowance for impairment of financial assets is as follows:

	31 December 2017 USD	31 December 2016 USD
Murabaha financing (note 8)	9,789,610	7,941,464
Installment sales financing (note 9)	10,685,762	10,685,762
Ijarah Muntahia Bittamleek (note 10)	34,655,843	30,183,590
Other assets (note 12)	30,104,636	18,684,870
	85,235,851	67,495,686

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

	31 December 2017 USD	For the period from 14 October 2015 to 31 December 2016 USD
Foreign exchange gain / (loss)	27,601,242	(8,410,833)
(Loss) / gain on Islamic derivatives	(24,949,601)	14,131,322
	2,651,641	5,720,489

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

24 FIDUCIARY ASSETS

24.1 Unit Investment Fund

The ICD Unit Investment Fund (Labuan) LLP (formerly Islamic Development Bank – Unit Investment Fund) (the “Fund”) was established under Article 22 of the Articles of Agreement of Islamic Development Bank (“the Bank” or “IDB”) based in Jeddah, Saudi Arabia. The Fund commenced its operations on 1 January 1990. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015, the Fund was also registered under the Labuan Companies Act, 1990 and is domiciled in the Federal territory of Labuan, Malaysia. Accordingly, the name of the Fund was changed from Islamic Development Bank – Unit Investment Fund to ICD Unit Investment Fund (Labuan) LLP. The registration number of the Fund is LLP00181.

The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015.

At the end of 31 December 2017, the net assets of UIF amounting to USD 189.8 million (2016: USD 224.0 million) were under the management of the Corporation.

24.2 Money Market Fund

The ICD Money Market Fund (Labuan) LP (“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 2017, the net assets of MMF amounting to USD 229.8 million (2016: USD 233.5 million) were under the management of the Corporation.

24.3 Corporate Premium Fund

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

At the end of 31 December 2017, the net assets of CPF amounting to USD 65.4 million (2016: USD 75.8 million) were under the management of the Corporation.

24.4 Trade Premium Fund

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

At the end of 31 December 2017, the net assets of TPF amounting to USD 37.1 million (2016: USD 42.1 million) were under the management of the Corporation.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

24 FIDUCIARY ASSETS (continued)

24.5 Others

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

25 NET ASSETS IN FOREIGN CURRENCIES

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

	31 December 2017 USD	31 December 2016 USD
Euro	233,997,130	179,818,274
Pakistani Rupee	15,923,216	16,046,639
Kazakhstani Tenge	7,831,299	10,982,974
Moroccan Dirham	4,024,118	(63,415)
Jordanian Dinar	3,434,705	5,350,995
Emirati Dirham	993,045	(258,591)
Sterling Pound	146,546	162,856
Malaysian Ringgit	25,427	40,344
Islamic Dinar	220	(2,974,541)
CFA Franc (XOF)	(12,037)	(3,660)
Turkish Lira	(72,693)	(49,442)
Indonesian Rupee	(78,443)	(57,621)
Saudi Riyal	(162,237,579)	111,266,628
	103,974,954	320,261,440

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

26 CONCENTRATION OF ASSETS

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

31 December 2017	Africa USD	Asia USD	Total USD
Cash and cash equivalents	621,278	516,912,645	517,533,923
Commodity placements through financial institutions	23,788,443	121,871,210	145,659,653
Sukuk investments	19,220,535	614,215,018	633,435,553
Murabaha financing	25,838,096	281,310,777	307,148,873
Installment sales financing	264,904,523	145,231,078	410,135,601
Ijarah Muntahia Bittamleek (IMB), net	36,438,291	70,551,637	106,989,928
Istinaa assets	-	18,570,233	18,570,233
Equity investments	365,766,809	329,263,573	695,030,382
Other assets	17,100,908	148,708,274	165,809,182
Property and equipment	-	346,397	346,397
	753,678,883	2,246,980,842	3,000,659,725

31 December 2016	Africa USD	Asia USD	Total USD
Cash and cash equivalents	621,278	432,388,938	433,010,216
Commodity placements through financial institutions	23,788,443	2,516,725	26,305,168
Sukuk investments	22,204,357	360,040,039	382,244,396
Murabaha financing	21,888,932	247,569,825	269,458,757
Installment sales financing	221,913,285	186,731,949	408,645,234
Ijarah Muntahia Bittamleek (IMB), net	32,772,978	85,035,297	117,808,275
Equity investments	419,427,631	336,056,242	755,483,873
Other assets	57,412,395	125,223,117	182,635,512
Property and equipment	-	466,155	466,155
	800,029,299	1,776,028,287	2,576,057,586

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

26 CONCENTRATION OF ASSETS (continued)

26.2 Concentration of assets by economic sector at the end of the period is analyzed as under:

	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
31 December 2017	USD	USD	USD	USD	USD
Cash and cash equivalents	517,533,923	-	-	-	517,533,923
Commodity placements through financial institutions	145,659,653	-	-	-	145,659,653
Sukuk investments	534,484,118	-	-	98,951,435	633,435,553
Murabaha financing	138,442,617	112,696,289	33,809,559	22,200,408	307,148,873
Installment sales financing	410,135,601	-	-	-	410,135,601
Ijarah Muntahia Bittamleek (IMB), net	-	85,280,462	6,819,553	14,889,913	106,989,928
Istinaa assets	-	-	18,570,233	-	18,570,233
Equity investments	483,556,756	69,867,574	13,255,985	128,350,067	695,030,382
Other assets	42,840,035	101,108,658	5,042,018	16,818,471	165,809,182
Property and equipment	346,397	-	-	-	346,397
	2,272,999,100	368,952,983	77,497,348	281,210,294	3,000,659,725

	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
31 December 2016	USD	USD	USD	USD	USD
Cash and cash equivalents	433,010,216	-	-	-	433,010,216
Commodity placements through financial institutions	26,305,168	-	-	-	26,305,168
Sukuk investments	314,377,411	-	67,866,985	-	382,244,396
Murabaha financing	161,382,589	67,635,508	26,662,237	13,778,423	269,458,757
Installment sales financing	408,645,234	-	-	-	408,645,234
Ijarah Muntahia Bittamleek (IMB), net	-	108,807,095	9,001,180	-	117,808,275
Equity investments	425,730,010	79,763,267	15,605,436	234,385,160	755,483,873
Other assets	60,573,227	101,205,450	-	20,856,835	182,635,512
Property and equipment	466,155	-	-	-	466,155
	1,830,490,010	357,411,320	119,135,838	269,020,418	2,576,057,586

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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/ period are as follows:

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed maturity	Total
31 December 2017	USD	USD	USD	USD	USD	USD
Assets						
Cash and cash equivalents	517,533,923	-	-	-	-	517,533,923
Commodity placements	91,788,443	51,871,210	2,000,000	-	-	145,659,653
Sukuk investments	30,023,100	19,614,000	583,798,453	-	-	633,435,553
Murabaha financing	48,231,509	56,149,016	134,724,994	68,043,354	-	307,148,873
Installment sales financing	58,644,945	132,909,429	218,581,227	-	-	410,135,601
Ijarah Muntahia Bittamleek, net	6,757,418	20,641,619	63,689,005	15,901,886	-	106,989,928
Istinaa assets	-	-	3,032,011	15,538,222	-	18,570,233
Equity investments	-	-	-	-	695,030,382	695,030,382
Other assets	15,854,175	-	149,955,007	-	-	165,809,182
Property and equipment	-	-	-	-	346,397	346,397
	768,833,513	281,185,274	1,155,780,697	99,483,462	695,376,779	3,000,659,725
Liabilities						
Sukuk liabilities	198,807,157	-	980,000,000	-	-	1,178,807,157
Murabaha financing	-	-	698,667,929	-	-	698,667,929
Accrued and other liabilities	41,972,776	-	-	-	-	41,972,776
Employee pension liabilities	-	-	-	-	17,664,426	17,664,426
Amounts due to ICD Solidarity Fund	1,039,521	-	-	-	-	1,039,521
	241,819,454	-	1,678,667,929	-	17,664,426	1,938,151,809

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed maturity	Total
31 December 2016	USD	USD	USD	USD	USD	USD
Assets						
Cash and cash equivalents	433,010,216	-	-	-	-	433,010,216
Commodity placements through financial institutions	23,788,443	-	2,516,725	-	-	26,305,168
Sukuk investments	-	1,995,507	330,248,889	50,000,000	-	382,244,396
Murabaha financing	17,634,888	37,139,836	143,543,693	71,140,340	-	269,458,757
Installment sales financing	88,327,601	147,183,412	173,134,221	-	-	408,645,234
Ijarah Muntahia Bittamleek, net	17,503,753	19,867,424	62,084,812	18,352,286	-	117,808,275
Equity investments	-	-	-	-	755,483,873	755,483,873
Other assets	85,640,738	-	96,994,774	-	-	182,635,512
Property and equipment	-	-	-	-	466,155	466,155
	665,905,639	206,186,179	808,523,114	139,492,626	755,950,028	2,576,057,586
Liabilities						
Sukuk liabilities	-	-	496,335,079	600,000,000	-	1,096,335,079
Murabaha financing	145,000,000	250,000,000	-	-	-	395,000,000
Accrued and other liabilities	46,252,434	-	-	-	-	46,252,434
Employee pension liabilities	-	-	-	-	14,042,479	14,042,479
Amounts due to ICD Solidarity Fund	870,026	-	-	-	-	870,026
	192,122,460	250,000,000	496,335,079	600,000,000	14,042,479	1,552,500,018

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

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 placements through financial institutions, Sukuk investments, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek, Istisna assets and other assets. This risk is mitigated as follows:

Commodity placements through financial institutions 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 to these investments.

The Corporation evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

29 RISK MANAGEMENT (continued)

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

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables
	USD	USD	USD
0-90 days	2,023,333	-	4,766,072
91-180 days	240,000	-	676,148
181 days and above	14,234,525	10,685,763	59,065,357
31 December 2017	16,497,858	10,685,763	64,507,577
0-90 days	1,900,000	-	2,491,291
91-180 days	160,000	-	4,683,600
181 days and above	15,074,894	10,685,763	61,005,403
31 December 2016	17,134,894	10,685,763	68,180,294

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

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables
	USD	USD	USD
0-90 days	2,974,502	-	1,633,163
91-180 days	5,454,964	-	993,970
181 days and above	890,590	-	28,331,757
31 December 2017	9,320,056	-	30,958,890
0-90 days	246,604	-	2,013,686
91-180 days	3,114,651	-	187,914
181 days and above	1,447,242	-	38,375,306
31 December 2016	4,808,497	-	40,576,906

The not yet due portion of above overdue receivables as at 31 December 2017 amounts to USD 39,340,121 (31 December 2016: USD 25,224,737).

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

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

Market Risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

29 RISK MANAGEMENT (continued)

Currency risk

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

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

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

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, Istasnaa financing, Sukuk liabilities and 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 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 investmnts and Sukuk liabilities are with fixed rate and of long term nature and exposes 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 exposed the Corporation to cash flow or fair value mark-up rate risk.

Price risk

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2017

30 FAIR VALUE

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction. 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, 2017, the un-disbursed commitments for investing in operations and other investments amounted to USD 253.6 million (2016: USD 452.69 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 – 30 “Impairment and credit losses”

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

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

Financial Accounting Standard – 28 “Murabaha and other deferred payment sales”

FAS 28 intends to define the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. Additionally, the earlier standards did not discuss the issue of accounting for the purchaser in Murabaha and deferred payment sales transactions for which there was a dire need to prescribe accounting principles. This standard supersedes the earlier FAS 2 “Murabaha and Murabaha to the Purchase Orderer” and FAS 20 “Deferred Payment Sales”.

This standard shall be effective from the financial periods beginning on or after 1 January 2019. Early adoption is permitted.

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.

This standard shall be effective from the financial periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

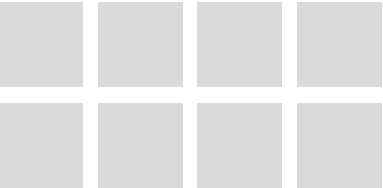
As at 31 December 2017

33 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These reclassifications are disclosed in the respective notes.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 February 2018 (corresponding 11 Jumada II 1439H).



ICD ANNUAL REPORT

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Our vision

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

Our mission

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

