APIF
صندوق تثمير
ممتلكات الأوقاف
AWQAF PROPERTIES
INVESTMENT FUND

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

AWQAF PROPERTIES INVESTMENT FUND
ANNUAL REPORT 2022

WE EMPOWER AWQAF TO ENABLE THE UMMAH

AWQAF PROPERTIES INVESTMENT FUND
ANNUAL REPORT 2022

Investments Department
Awqaf Investments Division
Awqaf Properties Investment Fund (APIF)

TABLE OF CONTENTS

GLOSSARY

Term used	Definition
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
Approval	Amount approved by the Mudarib for financing a project or operation
Awqaf	Plural of Waqf
Bank/IsDB	Islamic Development Bank
Beneficiary	A recipient of APIF or IsDB financing
Equity	Participant's contribution to capital
ISFD	Islamic Solidarity Fund for Development
Istisna'a	A contract whereby a manufacturer agrees to produce and deliver a good, at a given price on a given date according to the specification
Leasing	Sale of usufruct of an asset for which the lessor retains the ownership, together with all rights and responsibilities
LIBOR	London Inter-Bank Offered Rate
Mark-up	Profit margin earned on financing operations
MC	Management Committee
MCs	Member Countries
Mudarib	Islamic Development Bank, as Manager of the Fund
NAV	Net Asset Value
Nazer	Trustee or Manager of a waqf (also known as Mutawaili)
NMCs	Non-Member Countries
SDG	Sustainable Development Goal
Sukuk	Asset-backed Shariah-compatible bond
SOFR	Secured Overnight Financing Rate
The Fund	Awqaf Properties Investment Fund (APIF)
Waqf	An asset being donated for general charitable purposes such as the relief of poverty, the relief of the needs of the aged, the relief of sickness or distress, the advancement of religion, the advancement of education and other purposes beneficial to the Islamic community.
WWF	World Waqf Foundation

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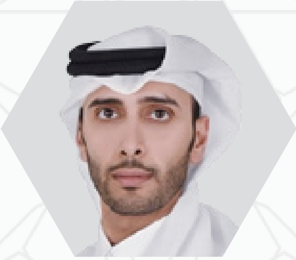

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2022 HIGHLIGHTS

OPERATIONAL AND FINANCIAL HIGHLIGHTS DASHBOARD

Total disbursements from APIF, APIF line and other IsDB windows:

US$ **30.52** MILLION

APIF share of disbursements:

US$ **12.77** MILLION

APIF line & Other share of disbursements:

US$ **17.75** MILLION

Total repayments:

US$ **17.33** MILLION

APIF repayments:

US$ **7.83** MILLION

IsDB line & Others repayments:

US$ **9.50** MILLION

The total assets growth:

6%

Total assets value:

US$ **141.89** MILLION

(compared to 2021's US$ 134.16 million)

Net assets value (NAV) per certificate:

US$ **11,426**

(compared to US$ 11,378 in 2021)

SHAREHOLDERS DASHBOARD

Number of Shareholders

19

Number of countries represented by shareholders

9

Number of International organizations

5

2022 HIGHLIGHTS

THE APIF PORTFOLIO PERFORMANCE DASHBOARD (AS OF THE END OF 2022)

Total number of approved projects

47

Number of countries with APIF projects

22

Total value of APIF projects

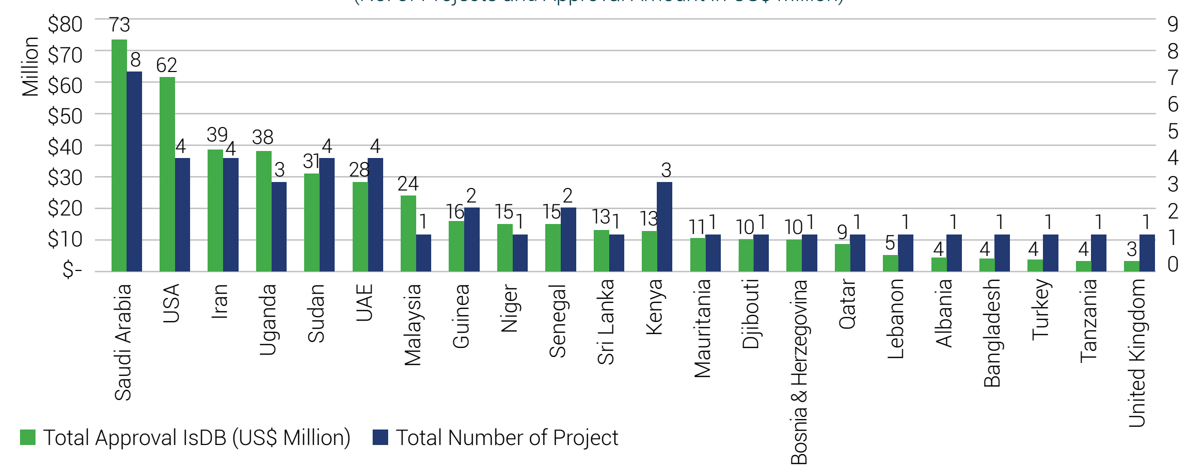
US$ 838 MILLION

Total value of APIF & APIF Line & IsDB Windows Financing

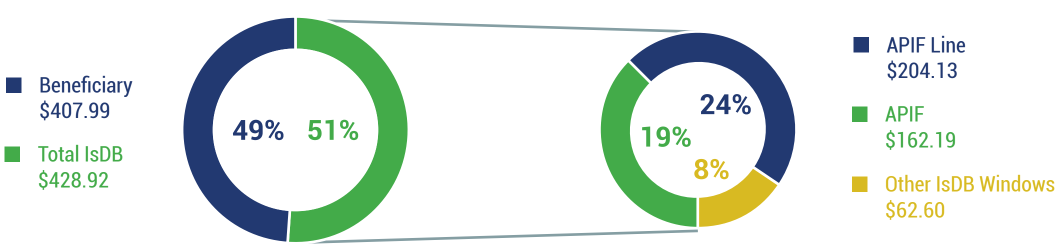
US$ 429 MILLION

Approved project by country

(No. of Projects and Approval Amount in US$ Million)



Projects Funding Structure (US$ Million)



Number of Approved projects in MCs **36**

Number of projects in NMCs **11**

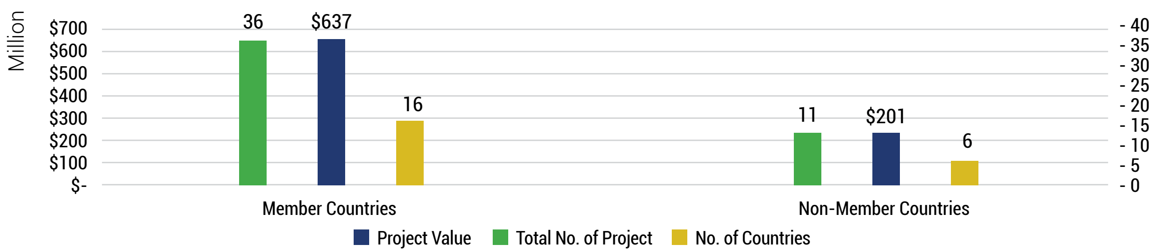
Value of projects in MCs

US$ **637** MILLION

Value of projects in NMCs

US$ **201** MILLION

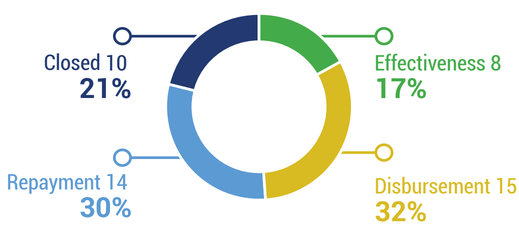
Approved Projects by MC / NMC
(No. of Projects and Approval Amount in US$ Million)



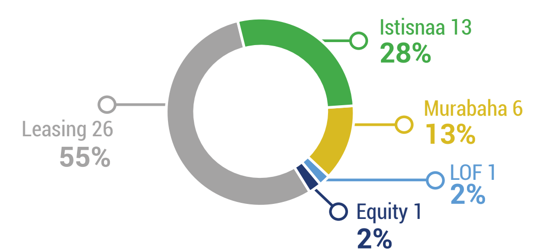
Status of projects:

The diversification of the Approvals by mode of financing was as follows:

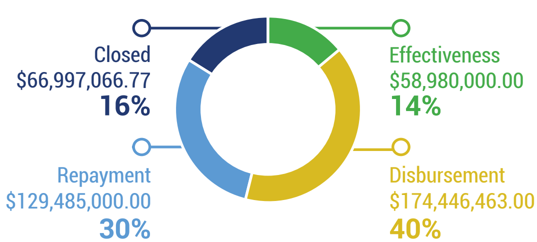
Number of Projects by Phase



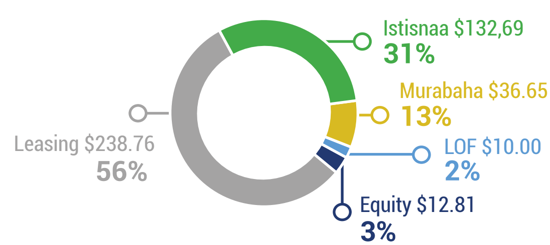
Number of Projects by Mode of Finance



Approved Amounts by Project's Phase



Approved Amounts by Mode of Finance (US$ Million)



SOCIAL IMPACT OF APIF PROJECTS

On average, APIF projects generate US$ 1.0 million in annual sustainable income for the beneficiary organizations, after the repayment of IsDB financing amount.

This amount is used for various human development activities:

14 Projects are supporting various charitable and relief activities

15 Projects are supporting education (universities, schools and research activities)

14 Projects are supporting religious education and Awqaf institutions

2 Projects are supporting youth development and empowerment

2 Projects are supporting health sector

APIF empowers its beneficiary organizations to have sustainable impact on the end beneficiaries.

The table below provides three different examples from the APIF portfolio.

Waqf Beneficiary Institutions	Number of Long-Term Beneficiaries	Total Number of Beneficiaries	Proportion Funded by Waqf	Other/Notes
Fujairah Welfare Association (UAE)	6,000 empowered via vocational training, workshops, and Productive Families Program	9 Million	Partial	50,000 annual sponsorships (orphans, students, families, special needs); and many one-time spot interventions
Towfiq Welfare Society (Somalia and Kenya)	20,000 orphans, students, and instructors supported	400,000	Partial	Operate social infrastructure institutions, including 7 schools and 1 university with its hospital
High Authority of Waqf (Senegal)	12,500 students in the major daras (Quranic schools) to benefit	12,500	Partial	64 daras (Quranic schools) to be supported

APIF operations have proven to create excellent multiplier effects that ensure the maximization of the invested resources. The following triple financial impacts have been attributed to every dollar invested:

Average total size of approved projects
US$ 17.81 MILLION

Resource mobilization ratio
4:1

Total financed built-up area
approximately 1 million square meters

Focused SDGs:

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

THE FINANCIAL PERFORMANCE OF APIF

APIF generated a **net distributable** return of around 2.5% to 3.5% per annum **over the last five years.**

Year	Total Assets US$ million	Return on Equity	Return on Assets
2022	141.89	1.73%	1.44%
2021	134.16	2.93%	2.67%
2020	116,84	2.59%	2.41%
2019	94.85	3.85%	3.24%
2018	94.11	2.78%	2.37%

As of the end of 2022, the NAV is
US$ 11,426
as compared to US$ 10,000 at inception of the Fund.

Dividend Distribution:
1.7%

STATEMENT BY THE MUDARIB

"In the name of Almighty Allah, The Most Beneficent and The Most Merciful"

The Honorable Members of the Participants Committee of the Awqaf Properties Investment Fund

Dear Brothers, and Sisters

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank (IsDB), the Mudarib of the Fund, I am pleased to present the twenty-first Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ending on 31st December 2022.

The report provides an overview of the Fund, its operations and audited financial statements as of the end of 2022.

Since its inception, the Fund has approved a total of 47 projects in 22 countries valued at around US$838 million. The social impact of the financed projects is significant as the income generated is used to support comprehensive human development in education and health, as well as other charitable activities, thereby meeting the objectives of APIF donors and investors.

These projects also provide jobs and ensure sustainability of livelihoods. Furthermore, the value of the developed Waqf properties has increased many times as these properties have been transformed into quality income generating assets.

In terms of performance, the Fund (and other IsDB windows) disbursed US$ 30.52 million and received total repayments of US$ 17.33 million during the period from 01/01/2022 to 31/12/2022.

Financially, the Fund achieved results, with a total income of US$ 5.55 million for Year 2022 against US$ 4.36 in the previous year - an increase of 27 percent.

Therefore, the IsDB is pleased to announce the decision of the Board of Executive Directors to distribute dividends amounting to 1.7% of the Fund's paid-up capital.

All these achievements reflect the efforts of the APIF team, with the support of the participants, particularly towards portfolio diversification, deployment of resources in different geographical locations and penetrating new markets for the development of the waqf sector.

APIF has achieved these objectives in line with its clear strategy for continuous growth, and it will, InshAllah, continue to exert effort to meet the objectives set by its shareholders.

Therefore, we should all take pride in the leading role that APIF is playing in the revival of the Sunnah of Waqf and raising awareness about this noble cause.

Finally, I take this opportunity to express my sincere thanks and deep appreciation to the IsDB Board of Governors and Executive Directors for their insightful vision and guidance, our APIF Members for their contribution and support, and all staff for their commendable performance and commitment.

Thank you for your continued support.

Yours sincerely,

Dr. Muhammad Al Jasser

Chairman of the Supervisory Committee of the Awqaf Properties Investment Fund and
Chairman of the Islamic Development Bank Group

SHARI'AH ADVISOR'S REPORT – 2022

"In the name of Almighty Allah, The Most Beneficent and The Most Merciful"

Shari'ah Advisor's Report — 2022
Awqaf Properties Investment Fund

To: The Chairman and Honourable Members of the Participants Committee of the Awqaf Properties Investment Fund

Assalamu Alaikum Warahmatullahi Wabarakatuh,

In accordance with the second principle of the governance statement of the Awqaf Properties Investment Fund (the Fund) which stipulates that the Fund shall ensure its commitment to Shari'ah through an independent Shari'ah Advisor, I hereby submit the report in fulfillment of my duties and responsibilities as a Sharrah Advisor.

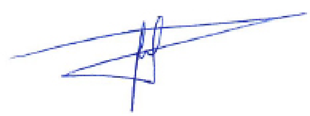
Since the Fund did not approve new projects during the period from 1/1/2022 to 12/31/2022, my review was limited to addends of the financing agreements for the following projects: the ICI project in Dallas, USA the project for the Albir Society in the Dogah, Kingdom of Saudi Arabia, and the project of the Direct Aid Society in Nairobi. Kenya… etc.

The management of the Fund bears the responsibility to ensure that its operational activities are carried out in accordance with the principles of Shari'ah. My responsibility is limited to express an independent opinion based on my audit following the review of all the necessarily information which is sufficient for making a reasonable assertion that the Fund has not contravened Shari'ah rules and principles. In my opinion:

a) There were no gains derived from sources or prohibited means that may be spent on charitable purposes.

b) Since the Management of the Fund is not authorized to give Zakat, it is the responsibility of the institutions and bodies of the private sector to do so. Government and Waqf organizations are exempted from Zakat as their financial resources are utilized for the interests of the public or charitable purposes.

I pray to Allah Almighty to grant the Fund and its founders success in their endeavours.



Aboubcar Salihou KANTE
Shari'ah Advisor, APIF

CHAPTER 01

INTRODUCTION

Islamic Charitable Endowment (Waqf) is an important institution of the Islamic social finance being supported by the Islamic Development Bank (IsDB). Beyond Islamic heritage, the concept of Waqf / Awqaf is highly relevant to modern international development practice. Thus, through its unique Awqaf Properties Development Fund (APIF), IsDB is seeking to operationalize the role of Awqaf in development.

A. BACKGROUND ON AWQAF

Awqaf (singular *Waqf,* also spelled *Awkaf* and *Wakf*) is an Arabic word meaning assets that are donated, bequeathed, or purchased for being held in perpetual trust for general or specific charitable causes that are socially beneficial. In many ways, the concept of Waqf is similar to the Western concept of endowment. The strong emphasis placed on the perpetuity of Awqaf has led, over the years, to a considerable accumulation of societal wealth, such that Awqaf has become an important economic sector dedicated to the improvement of the socio-economic welfare in IsDB Member Countries (MCs)as well as Muslim communities in Non-Member Countries (NMCs).

> The beneficiaries supported by Awqaf are not limited to a finite list but mainly include poverty alleviation programs, disaster relief, free health services, imparting religious and contemporary education, heritage, culture, research and environment.

The beneficiaries supported by Awqaf are not limited to a finite list but mainly include poverty alleviation programs, disaster relief, free health services, imparting religious and contemporary education, heritage, culture, research and environment. Thus, in addition to being a religiously important institution, the idea underlying Awqaf can be of significance to the larger community development

Indeed, historically, Awqaf have played a major role in providing sustainable financial support for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf[1]. First, Awqaf financed the basic social services, infrastructure of education & health as well as providing sustenance and social security to the needy segment of the society. Second, beyond these basic needs, Awqaf played a vital role in the development of cultural and scientific progression as it provided financial support in the production and printing of books, the establishment of libraries, as well as supporting scholars in their research on various religious and secular sciences.

Today, many modern Western institutions, most notably major universities, heavily depend on their endowments**.** In fact, scholars have argued that the West emulated and benefited from the experience of Awqaf in the development of educational institutions, especially after contact with the Ottoman civilization.

1. Wael B. Hallaq, 1955-. The Impossible State: Islam, Politics, and Modernity's Moral Predicament. New York: Columbia University Press, 2013.

It is therefore not surprising that many of the most prestigious universities today in the West (such as Oxford, Cambridge, the London School of Economics and Political Science, Harvard and Stanford) are all supported by major endowments. For example, the Massachusetts Institute of Technology (MIT) has more than US$ 11 billion in charitable endowments funding its research.

B. OPERATIONALIZATION OF AWQAF SUPPORT WITHIN ISDB

APIF represents IsDB's attempt to operationalize its support to the Awqaf Sector. In fact, APIF promotes Awqaf as a social-finance-based instrument of development while observing relevant principles of Islamic jurisprudence. With its mandate to finance the establishment and/or development of Islamic real estate endowments, APIF is a unique fund among MDBs with a strong focus on long-term, intergenerational financial sustainability.

APIF operates through Sharia-compliant modes of finance on its real estate projects which included the construction or purchase of physical real estate assets that would generate a return. These returns will then be used to make repayments to the fund and the residual amounts are used to support the philanthropic activities of the beneficiary during the repayment period. After this period, the asset is registered as a Waqf, if not registered earlier and all income generated from the asset is used by the beneficiary on its charitable activities.

As a mechanism for operationalizing Awqaf to achieve their development impact, APIF has succeeded in providing a proof of concept, which is now ready to be scaled-up. Indeed, with a total paid-up capital of US$114.51 million supplemented by a line of financing from IsDB of US$100 million, APIF's portfolio includes 47 projects in 22 Member Countries and Non-Member Countries of IsDB with a total worth of US$ 838 million. These projects have proven that Awqaf in general and the APIF model in particular can play a significant development role.


مع بارقاً و رعود
و الخاليين أرقود
متجود بالموجود
بو سالم المقصود
و عن أعشرة معدود
و يتبع رسم الجدود
أهيف المنشود
فيها العسل موجود
بين العسل مفقود
و يشافي الميهود
لي يسمعو المنشود
في غراش ولا كمود
راعي الكرم والجود
كان العذر موجود

CHAPTER 02

THE RELEVANCE OF APIF TO DEVELOPMENT

At the highest level, the Awqaf Properties Investment Fund (APIF) is relevant to the international development landscape in two major ways – namely through:

(1) the relevance of its mandate and
(2) its innovative operating mechanism.

APIF has the unique mandate of supporting the establishment and/or development of endowments (Awqaf), promoting the concept of Waqf. Furthermore, APIF's operational mechanism is designed as an impact investment fund, which pays social as well as financial dividends. The conceptual relevance of Awqaf as well as impact investing to international development is further developed in the following sections.

A. THE ROLE OF AWQAF IN DEVELOPMENT

The concept of Waqf holds great potential for development practice. This concept could help decentralize development decision making, financing and implementation. As a hybrid institution with elements of both the private and public sectors, Waqf is designed to seek profit in the market under independent private management, generating income to be utilized in supplying public services. A deeper look at the characteristics of Waqf as an institution for economic development is presented in the first subsection, below.

To begin with, prior to considering the relevance of Awqaf financing to development practice in general, APIF's mandate has special significance for countries with an Awqaf heritage, which was in fact its *raison d'être*. Providing a source of financing dedicated to the revitalization of society's idle or underutilized Awqaf properties can unlock the potential of a significant amount of un- or under-productive accumulated intergenerational wealth, as well as encourage the diverting of new savings away from consumption and towards the pool of public wealth.

> The concept of Waqf holds great potential for development practice. This concept could help decentralize development decision making, financing and implementation.

Beyond this limited relevance, however, introducing the concept of Waqf as a development tool could have broad significance for development practice in general, with both long-term and short-term development impacts. In the short run, it could help achieve financial independence and sustainability both of local development partners (organizations) as well as development projects. Indeed, it could help empower NGOs and civil society organizations providing social services by providing them with a sustainable source of income. Furthermore, it could relieve fiscal pressures on government by providing post-completion operational expenses, when Waqf components are included in larger social infrastructure projects. Examples of synergy with other IsDB efforts towards empowering civil society and relieving fiscal pressure are presented in the second and third subsections below, respectively.

In the long-run, the concept of Waqf could have the profound impact of decreasing dependence on official development assistance (ODA), substituting this with domestically generated social wealth.

B. THE ROLE OF APIF AS AN IMPACT INVESTMENT FUND

The concept of impact investment holds great potential for development finance. This concept could help fill the large funding gap required to achieve the Sustainable Development Goals (SDGs) of the 2030 Global Agenda. It could also help crowd-in private-sector investment to support public goods that are not intrinsically attractive to private investment by focusing on developing income-generating Awqaf as 2nd-degree development interventions that can in fact be profitable.

Achieving the 2030 Sustainable Development Goals agenda has become the priority of the Development Community wherein IsDB is a main player. In fact, attaining the 17 SDGs requires yearly funding of US$ 5 trillion to US$ 7 trillion. The total of all allocated financial resources from governments, Multilateral Development Institutions and other main actors combined is insufficient and requires innovative financing mechanisms to fill the funding gap estimated at US$ 3 trillion yearly. Engaging and mobilizing resources from the private sector is the key in achieving the targeted developmental goals. Therefore, the Development Community is considering today among the innovative financing tools, Impact Investing, as a tool to inject resources from the private sector towards the 2030 agenda[2].

Impact Investing is defined as the deployment of funds to generate social and environmental impact as well as a financial return[3] and is considered today as one of the main drivers of the 2030 agenda. Private Debt and Equity account for almost 65 percent of impact investments where bonds are the main instrument. High Net Worth Individuals and Development Finance Institutions also play a major role. However, with its deeply rooted ethical and social foundations, Islamic Finance boasts a good track record in achieving and completing the objectives of Impact Investing. In fact, both models target value-based Investment universes with a moral purpose[4]. One of these Islamic Finance Instruments that IsDB presents as an efficient tool for impact investment is the Awqaf Properties Investment Fund (APIF).

In fact, APIF has been engaged in fulfilling this double mandate of achieving a sustainable financial and social impact since the beginning of its operations in 2001. APIF provides financing to the entities holding or managing Waqf properties in accordance with the principles of

> This concept could help fill the large funding gap required to achieve the Sustainable Development Goals (SDGs) of the 2030 Global Agenda. It could also help crowd-in private-sector investment to support public goods that are not intrinsically attractive to private investment by focusing on developing income-generating Awqaf as 2nd-degree development interventions that can in fact be profitable.

2 UNCTAD, World Investment Report, Geneva, 2014
3 Global Impact Investing Network (GIIN), thegiin.org
4 UNDP, I for Impact : Blending Islamic Finance and Impact Investing for the Global Goals, Istanbul, 2017.

Shari'ah to develop these properties based on financial feasibility and social return generally associated with the concept of Waqf (or endowments). APIF provides its participants or "shareholders" an opportunity to generate income returns from property development as well as social returns in the form of assistances to Waqf property holders to develop the properties whose income is used for various developmental and charitable goals.

APIF has been generating a net distributable return of 2.5-3.5 percent annually over the last five years. A portion of the return is distributed in the form of dividends and the remaining portion is reinvested in APIF and reflects capital gains for APIF participants.

As of the end of 2022, the share value of APIF reached US$11,426 as compared to US$10,000 at inception. As for dividend distribution, APIF used to pay dividends of between 2.5 percent to 5 percent of the share capital until 2020. Starting in 2021, APIF implemented the accounting standard (FAS 30); consequently, the dividends distributed against 2021 and 2022 amounted to 1.25% and 1.7% ,respectively.

Over the years, APIF has financed projects to help generate additional income for diverse beneficiaries, including the following: Governments; Awqaf institutions (Islamic endowments); research centers; endowment funds; charitable NGOs; and Orphanages and Universities.

Indeed, APIF currently provides low-cost and high-impact financing to establish Awqaf for organizations that ultimately serve various Sustainable Development Goals (SDGs). Specifically, these include Poverty Alleviation (SDG No. 1), Good Health and Well-Being (SDG No. 3), Quality Education (SDG No. 4), Decent Work and Economic Growth (SDG No. 8), Empowerment of Women (SDG No. 10), Sustainable Cities and Communities (SDG No. 11) and Partnership for the Goals (SDG No. 17).

IsDB intends to increase the volume of Awqaf operations to US$ 2 billion in 10 years. The goal is to scale up its contributions to the development of Waqf properties, encouraging the revival and usage of the concept of Waqf, which will be instrumental in globally promoting human development, impact investing and contributing to the United Nations' Sustainable Development Goals (SDGs).

CHAPTER 03

APIF: OPERATIONALIZING THE ROLE OF AWQAF IN DEVELOPMENT WITHIN IsDB

Recognizing the important development potential of Awqaf, IsDB pioneered the financing of a number of Waqf projects prior to the establishment of the Awqaf Properties Investment Fund (APIF). These projects represent IsDB's earliest efforts to provide material support to the concept of Awqaf.

Subsequently, APIF was established based on the approval of the 6th meeting of Awqaf Ministers of Member Countries of the Organization of Islamic Cooperation (OIC) in Jakarta, Indonesia in 1997.

APIF helped institutionalize IsDB's approach to Awqaf promotion via financing the development of Awqaf real estate properties, with a special focus on the properties to be invested for the utilization of their income as per the condition(s) of the endower, since this form of Awqaf would be conducive to repaying the financing from the income of the property itself. As a fund that distributed dividends, APIF brought an element of impact investment to encourage resource mobilization for Awqaf.

A. THE RESOURCES OF APIF

The IsDB along with nine other institutions created APIF in 2001 with total subscriptions of US$50 million. As of 31st December 2022, there are 19 participants in APIF comprising IsDB, Ministries of Awqaf, Awqaf Organizations, nonprofit organizations, and Islamic banks with a total paid-up capital of US$114.51 million. A full list of participants in APIF is provided in **Annex 1**.

To augment APIF's resources, the IsDB has extended a line of financing of US$100 million to be utilized in financing APIF projects. To continuously support the development of Awqaf Sectors through APIF, the IsDB has approved three Technical Assistance Grants for preparation of feasibility studies, property valuations and legal services amounting to US$ 200,000, US$ 275,000 and US$ 280,000. The breakdown of the financial resources of APIF is provided in chart below.

APIF Financial Resources Allocation

B. THE ROLE OF APIF

APIF participates in the financing of Waqf (or endowment) income generating commercial and residential real estate properties. It does not finance the construction of schools, universities, mosques, health facilities and the like.

The APIF portfolio, as of the end of 2022, includes 47 completed or active projects, totaling US$ 838 million in total value. Of this, IsDB's contribution includes US$ 162 million from APIF, US$ 204 million from the IsDB line of financing, US$ 63 million from other IsDB windows, and the remaining value is from the beneficiaries.

APIF helps Awqaf and charitable organizations fulfil their mandate by providing required resources to develop Waqf land owned by these organizations, renovate Waqf properties, and/or purchase property to be utilized as Waqf. Supported Waqf institutions or charitable organizations are then expected to utilize the rental income generated by such projects to support their social and charitable activities.

APIF's strategy relies on extending financing to develop and invest in accordance with the principles of Islamic

APIF's Mission

APIF aims at reviving the Islamic Sunnah of Waqf by developing Awqaf properties around the world to increase their returns and thereby contribute to the sustainable socio-economic development of the Ummah.

APIF's Objective

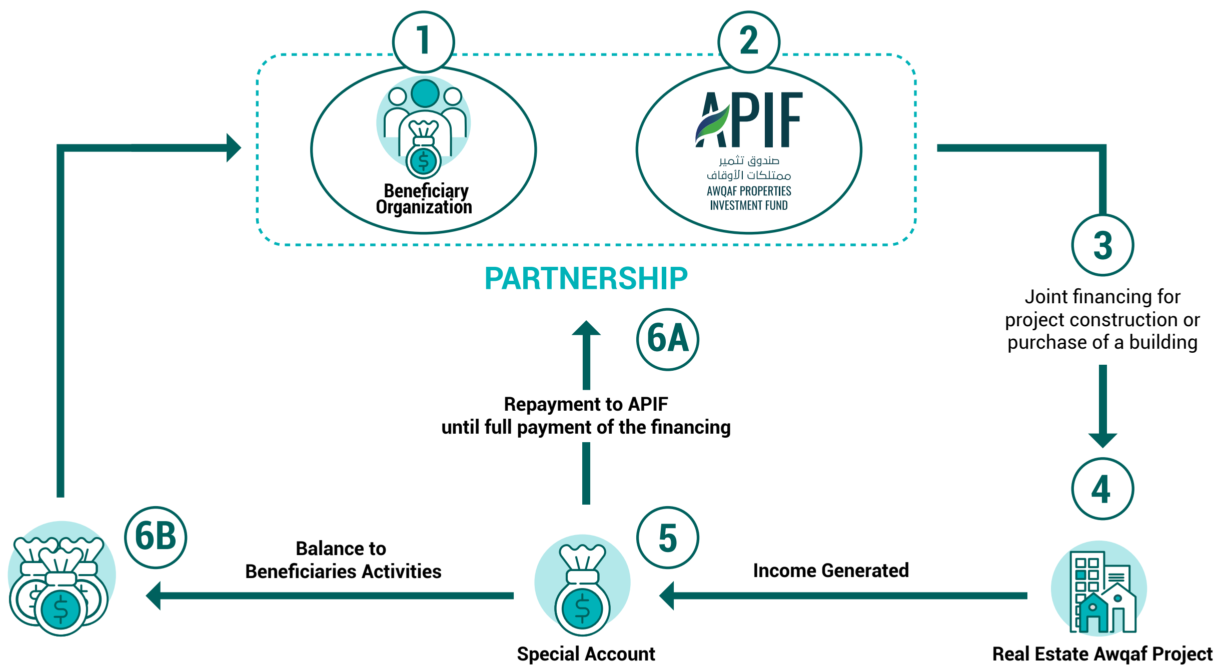
The objective of APIF is to ensure the sustainability, financial independence and social development of philanthropy organizations for the benefit of the Islamic Ummah.

Sharia, in Awqaf real estate properties, such as residential and commercial buildings, that are socially, economically, and financially viable, in either Member or Non-Member Countries. Thus, the value of the Waqf properties is increased and, from being idle, they are transformed into fully income-generating assets of high standing.

C. OPERATIONAL MODEL OF APIF AND THE PROJECT LIFE CYCLE

In a nutshell, APIF helps organizations engaged in activities of a developmental value achieve financial sustainability through financing the development of Waqf land or facilitating the establishment of entirely new charitable endowments. With a financial contribution of at least 25 percent of the total project cost or a suitable plot of land (in case of a greenfield project) provided by the beneficiary, APIF finances the construction, renovation and/or purchase of an income-generating real estate asset. Typically, the project is designed such that the repayments on APIF financing are made entirely from the income of the project itself, ideally with a significant amount remaining to support the beneficiary's activities during the repayment period. After the financing is repaid, all income generated goes to support the beneficiary's activities in perpetuity. This model is summarized in **Figure1**, below.

Figure 1: APIF Conceptual Model.



The life cycle of APIF projects is mostly similar to other development projects executed by IsDB, with a few notable exceptions. First, unlike sovereign projects, the initiating document can be a formal request from either a non-sovereign or a sovereign entity. Indeed, APIF is one of the few sources of financing within IsDB that does not require a sovereign guarantee.

Second, APIF can consider requests from organizations operating in MCs and NMCs, alike.

Third, emphasis is placed on early legal and compliance (KYC) due diligence. This is because APIF projects are designed to financially empower organizations already engaged in developmentally usefully activities through providing them with financial sustainability. Thus, the legality and merit of the beneficiary's activities as well as the integrity of its key members must be established early-on, as APIF does not intervene in the specific development activities of the organization.

A further distinguishing feature of the APIF project lifecycle is the financial metrics of interest during the appraisal stage. Here, the crucial metrics are the Financial Internal Rate of Return (FIRR) as well as the Debt Service Coverage Ratio (DSCR). Indeed, unlike typical sovereign development projects, most APIF projects are expected to depend on income from the project itself for repayment and are otherwise unjustified if they fail to cover debt installments (since the sole purpose of the projects is income generation). Ideally, beyond providing a factor of safety, the DSCR should be large enough to allow income over-and-above the installment amounts to be available to support beneficiary activities even during the repayment period.

The full life cycle of APIF projects is depicted in **Figure 2,** below.

Figure 2: APIF Project Life Cycle

> Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as philanthropic/donor institutions and individual investors. Given the diversity of potential participants, various options for investing and donating are available.

D. INFORMATION RELEVANT TO POTENTIAL APIF IMPACT INVESTORS

Generally, APIF provides a secure avenue for investing with a social impact. Indeed, its relatively low dividend (averaging 2.5-3 percent of the invested amount annually since inception) is offset by its social dividend, its low-risk nature, in addition to appreciation in the value of its shares.

APIF is established as a U.S.-Dollar denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the regulations of APIF.

The IsDB undertakes the role of Mudarib acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal, risk management, KYC, and financial control), the management expertise of a AAA-rated institution, as well as the general Islamic-finance-based development ecosystem provided by IsDB.

The Mudarib (Fund Manager), IsDB, applies very prudent measures for extending financing out of APIF's resources. These measures include, among others, thorough project due diligence, the requirement of Government guarantees, first class bank guarantees, mortgage, or insurance cover from renowned credit insurance companies.

Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as philanthropic/donor institutions and individual investors. Given the diversity of potential participants, various options for investing and donating are available. Full detailed information for prospective investors can be found in **Annex 3**.

E. INFORMATION RELEVANT TO POTENTIAL BENEFICIARIES OF APIF FINANCING

APIF provides a competitive source of financing for income-generating real estate assets (Awqaf) with the objective to serve charitable organizations. Specifically, APIF finances any of the following:

- **new construction (i.e. greenfield projects),**
- **existing property enhancement, and/or**
- **existing property purchase.**

The main condition for financing any project is that at the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust), to ensure perpetuity thereby achieving the APIF mandate.

Consideration for APIF financing is open to Awqaf ministries and institutions as well as charitable organization/trusts operating in accordance with Waqf principles in IsDB MCs and NMCs. However, the beneficiary is expected to provide at least 25 percent of the total project cost or a plot of land for the project (in case of a greenfield project).

Full information of interest to prospective beneficiaries, including how to benefit from APIF financing, can be found in **Annex 4**.

CHAPTER 04

THE YEAR UNDER REVIEW

In 2022, APIF was focused on the process of revamping its internal policies and processes, improving the quality-at-entry of its interventions, and building its image. Such positive changes are expected to further enhance the returns and impact of APIF investments, thereby boosting its attractiveness to investors and its relevance as a model for the sector.

FINANCIAL PERFORMANCE OF THE FUND

Assets of the Fund

The **total assets** of the Fund amounted to US$ 141.89 million at the end of year 2022 compared to US$ 134.16 million at end of Year 2021, or an increase of 6%. The increase is due to internal capital generation via net profits for 2022, and the cash inflow resulting from the increase in amounts due to related parties.

In terms of **asset composition**, 75% of total assets at end of 2022 were employed in investment assets, with the remaining 25% in project receivables and liquid funds (there is only a slight change from last year, with more assets moving out of sukuk into Istrians projects and cash). The table below summarizes the asset composition at 31/12/2021 and 31/12/2022:

Table 1: Asset Composition (US$ million)

	As at 31/12/2022		As at 31/12/2021	
	Amount	%	Amount	%
Cash & Cash Equivalent	13.62	9.60%	12.34	3.8%
Commodity Murabaha placements	26.53	18.70%	17.43	18.4%
Investments–Ijarah Muntahia Bittamleek	36.81	25.94%	31.10	23.2%
Investments–Islamic Ijarah Sukkuks	24.10	16.98%	29.41	21.9%
Investments–Islamic Lease Fund	2.65	1.87%	3.04	2.3%
Investments–Real Estate	5.88	4.14%	6.21	4.7%
Investments-Musharakah	0.00	0.00%	0.57	0.4%
Receivables–Istisna'a	23.96	16.89%	19.87	14.8%
Receivables – Instalment Sales	7.91	5.57%	7.96	5.9%
Due from related parties	0.00	0.00%	6.09	4.5%
Accrued Income and Other Assets	0.43	0.30%	0.14	0%
Total Assets	141.89	100%	134.16	100%

Financial Indicators

The financial performance indicators of the Fund for the year 2022 in comparison with the period of 2021 are presented in the following Table:

Table 2: Financial Indicators (US$)

Financial Indicators	31/12/2022	31/12/2021
Net Assets	130.84 Million	130.16 Million
Net Income before Mudarib's share	2.21 Million	3.72 Million
Mudarib's share of net income (10%)	(0.22) Million	(0.37) Million
Transfer to General Reserve (15%)	0.00 Million	0.38 Million
Dividend	2.003 Million	1.430 Million
Dividend/Paid-up Capital - Declared Dividend	1.7%	1.25%
Average LIBOR (%)	2.86%	0.20%
Net Asset Value Per Certificate	11,426	11,378

The earning per certificate, after Mudarib's share of net income amounted to US$ 173.49 in 2022.

Dividend distribution

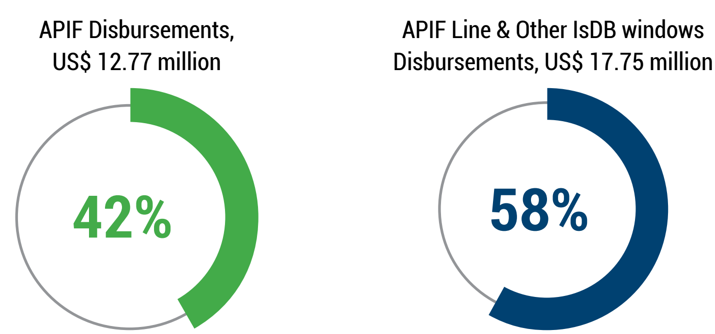
In accordance with Article 19 of the Fund's Regulations, the Fund has declared a dividend of 1.7% of the paid-up capital for the year ended 31/12/2022.

OPERATIONAL PERFORMANCE

Disbursements

During the year 2022, the Fund has disbursed US$ 30.52 million, of which US$ 12.77 million were from APIF and US$ 17.75 million from APIF line & other IsDB windows on 15 projects in the implementation process.

Chart 1: Disbursements in 2022 by Fund



There was a noticeable increase in disbursements especially in the last two years of 2021 and 2022, with US$ 46 million and US$ 30.52 million, respectively, as shown in chart 2.

Chart 2: Disbursements since inception of the Fund

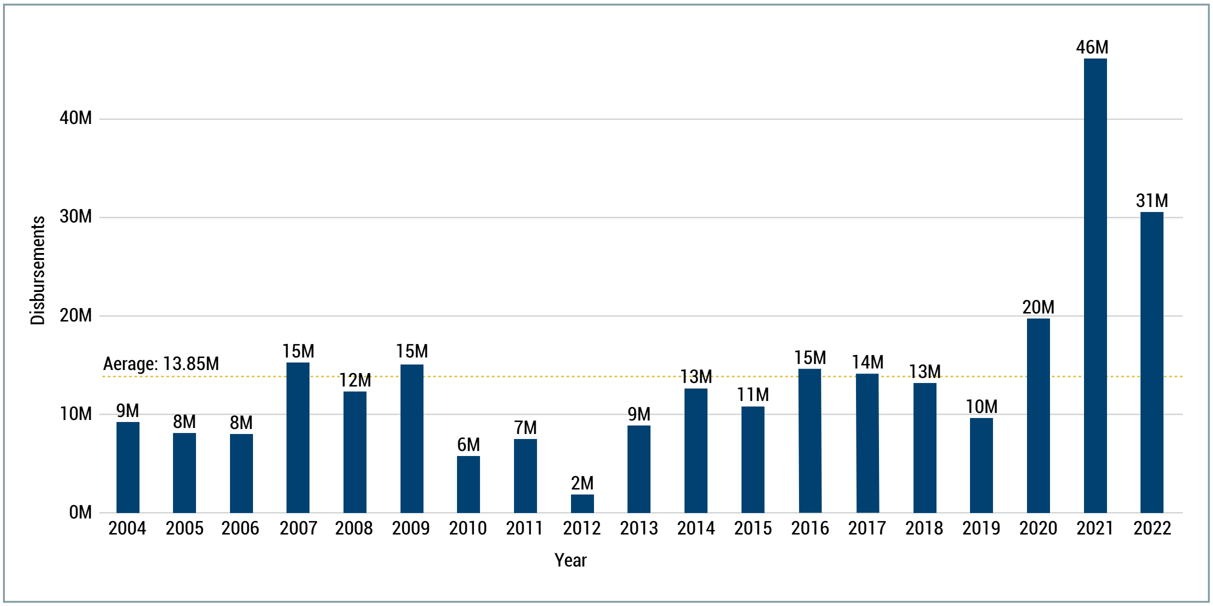
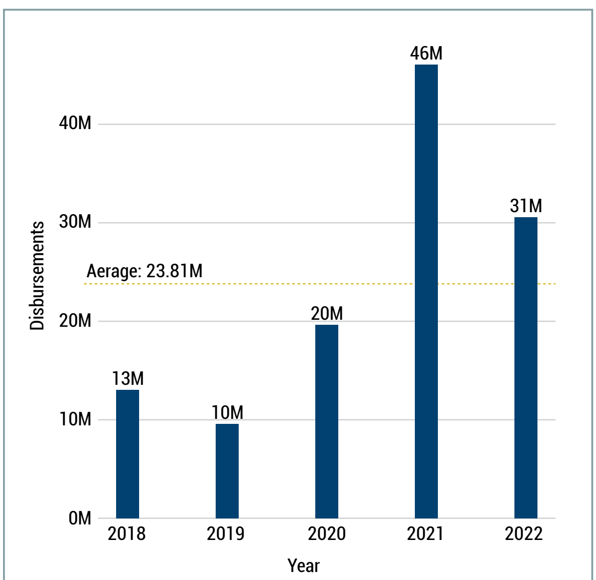


Chart 3: Disbursements from year 2018 to year 2022

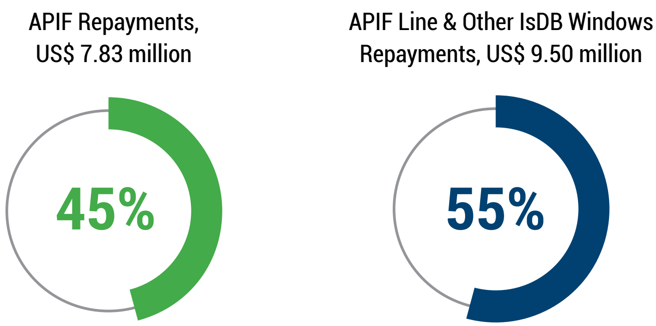


There was a noticeable increase in disbursements especially in the last two years of 2021 and 2022, with **US$ 46 million** and **US$ 30.52 million**, respectively.

Repayments

During the year 2022, APIF has received total repayments of US$ 17.33 million, of which US$ 7.83 million were repaid to APIF and US$ 9.50 million were repaid to APIF Line & other IsDB windows, as shown in Chart 3.

Chart 4: Repayments in 2022 by Fund



In the year 2022, there was a significant increase in repayments, which exceeded dues. This increase can be attributed to (1) the consistent and successful follow-up with beneficiaries in the repayment process, (2) the resolution of some overdue projects and (3) early repayments of some ijarah projects, which were able to provide repayments. These factors and other efforts APIF have made to revamp its processes and the focus on underperforming projects have improved performance on repayments.

Chart 5: Dues Vs. Repayments Since Inception of the Fund

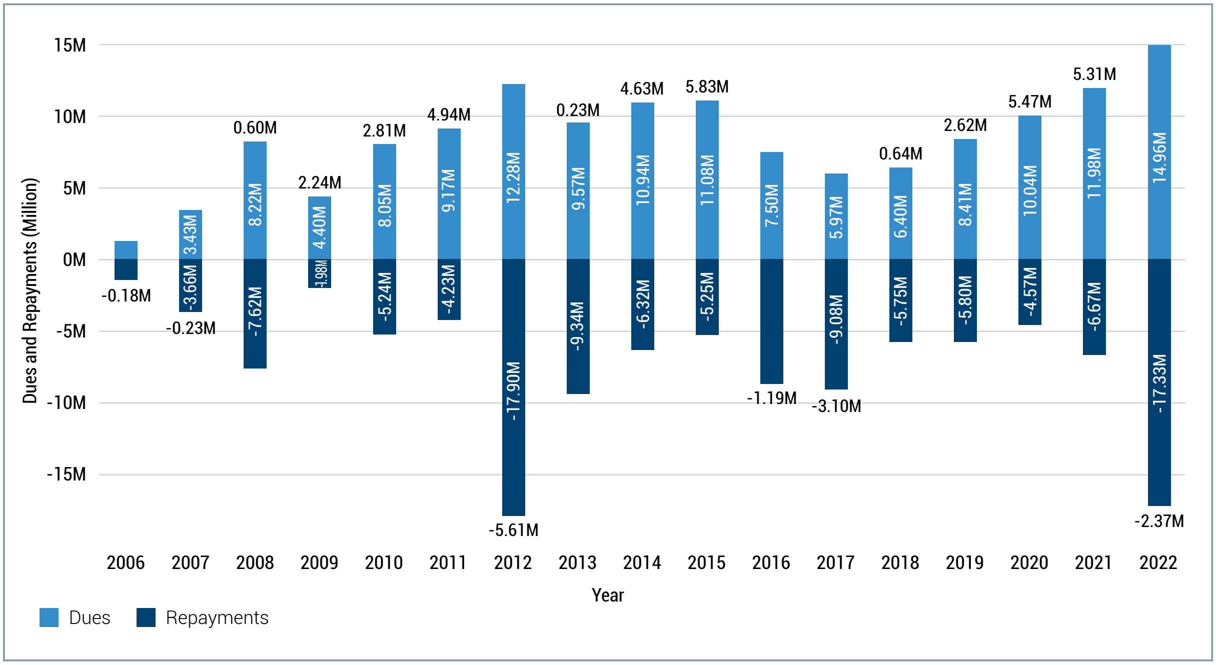


Chart 6: Dues Vs. Repayments from 2018 to 2022

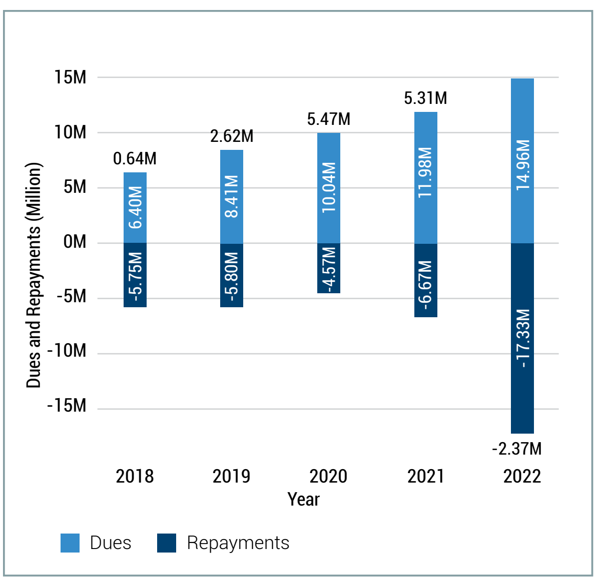
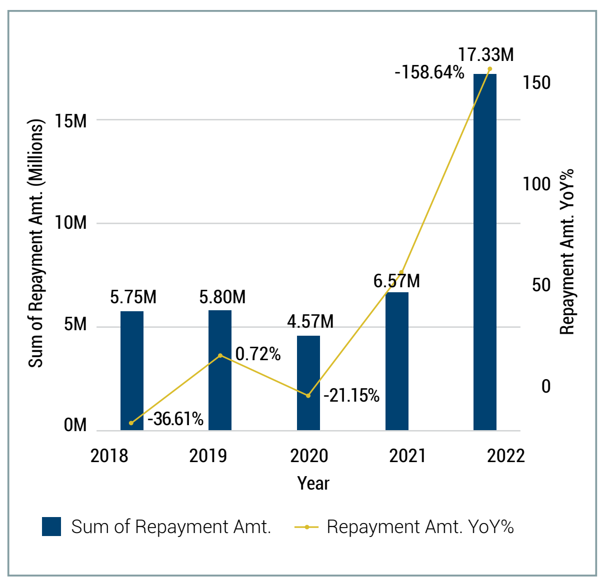


Chart 7: Repayments from 2018 to 2022



APIF PROJECTS UNDER IMPLEMENTATION

As of the end of 2022, the Fund has 15 projects under disbursement, eight of which are in IsDB Member Countries and seven in non-Member Countries. The table below provides details of the projects under implementation:

2009 SUDAN

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Al Azhari Residential & Commercial Complex	National Student Welfare Fund	Leasing	US$ **8.00** MILLION	US$ **5.87** MILLION	**73%**

2012 SUDAN

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Hayat Aldawaah Furnished Apartment Tower, Khartoum, Sudan.	Hayat Aldawaah Al Islamia - Sudan	Leasing	US$ **4.80** MILLION	US$ **3.39** MILLION	**71%**

2013 SRI LANKA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Makola Twin Tower Commercial, Colombo, Sri Lanka.	Makola Muslim Orphanage	Leasing	US$ **10.00** MILLION	US$ **7.02** MILLION	**70%**

2015 UAE

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Al-Ihsan Commercial & Residential Waqf Building in Ajman	Al-Ihsan Charity Association, Ajman, UAE	Leasing	US$ **11.00** MILLION	US$ **10.38** MILLION	**94%**

2016 GUINEA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Waqf City Commercial and Residential Complex in Conakry.	IDB-Guinea Waqf	Istisna'a	US$ **16.00** MILLION	US$ **10.7** MILLION	**67%**

2016 UGANDA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Residential & Commercial Complex	Uganda Muslim Education Association	Leasing	US$ **12.75** MILLION	US$ **9.20** MILLION	**72%**

2017 MAURITANIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Waqf Commercial and Office Complex in Nouakchott	Government of Mauritania	Leasing	US$ **10.74** MILLION	US$ **6.2** MILLION	**58%**

2019 KENYA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Mixed-use Building in Nairobi	Zamzam Foundation, Somalia	Istisna'a	US$ **6.50** MILLION	US$ **5.59** MILLION	**86%**

2019 UGANDA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Waqf Residential Complex in Kampala	Mogadishu University Foundation, Uganda	Istisna'a	US$ **10.66** MILLION	US$ **5.26** MILLION	**49%**

2019 USA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of CAIR Plaza in Washington DC, USA.	Washington Trust Foundation	Istisna'a	US$ **16.00** MILLION	US$ **1.70** MILLION	**10.63%**

2019 SAUDI ARABIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Hotel in the Central Region of Al Madinah Al Munawarah, Saudi Arabia	Al Bayan Charitable Foundation for Education	Istisna'a	US$ **10.2** MILLION	US$ **7.92** MILLION	**90%**

2020 USA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Dormitory Project in New York	Turken Foundation	Istisna'a	US$ **35.00** MILLION	US$ **30.22** MILLION	**86.34%**

2020 SAUDI ARABIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Zamzam Health Waqf-3 in Makkah Al-Mukaramah	Zamzam Society for Voluntary Health Services, Saudi Arabia	Forward Leasing	US$ **12.00** MILLION	US$ **11.71** MILLION	**97%**

2021 UK

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Purchase of Properties in the United Kingdom	Mercy Mission	Master Murabaha	US$ **3.20** MILLION	US$ **1.42** MILLION	**44%**

2021 KENYA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Al-Furqan Mixed Use Waqf Building, Nairobi	Maahad Daawah Organization	Istisna'a	US$ **3.60** MILLION	US$ **2.70** MILLION	**75%**

SUCCESS STORIES OF IMPLEMENTING APIF PROJECTS

The following section describes the success story of a project that was completed in 2022:

Construction of Zamzam Health Waqf in Makkah Al-Mukarama in Favor of Zamzam Association for Voluntary Health Services

The Bank approved a financing amount of US$ 12 million towards Zamzam Foundation for Voluntary Health Services in February 2017 for the construction of a two-tower commercial complex in Makkah to be used as waqf. The total cost of the project was US$ 18 million.

The construction of the project was completed in January 2023. The objective of the project is to generate a regular income for the Zamzam Foundation, which will serve to enhance the activities and operations of the Foundation by sustaining its different programs like the mobile clinic, Haj clinic, and the charitable pharmacy along with other programs. These objectives will be achieved through the operations of the building.

The project can be assessed using results framework approach as summarized in **Figure 1** below:

Figure 1: Zamzam Health Waqf in Makkah Al-Mukarama, Saudi Arabia

INPUTS	ACTIVITY	OUTPUTS	OUTCOMES	IMPACT
IsDB: US$ **12** MILLION **Beneficiary:** US$ **23.13** MILLION	**Civil works**	**2 commercial connected towers with** (total construction area 19,252 sq.m.) **Total land area** 2173 m2	Zamzam Association will receive US$**1,900,000** in average net income annually	The society will use the income to serve over **34,000** beneficiaries

Inputs: The total project cost at completion is US$ 35.13 million, of which the IsDB contribution is US$ 12 million and the beneficiary contribution is US$ 23.13 million (project cost of US$ 9 million + land value of US$ 14.13 million).

Activities: The project was financed through leasing. The civil works took 24 months from the date of first disbursement to project handover. The IsDB financing was fully disbursed with no balance outstanding. The first disbursement was made on 26th January 2021 whereas the last disbursement was made on 4 January 2023.

Outputs: The main output of the project is the two-tower commercial complex with a built-up area of 19,250 sqm (15-floor North Tower, 9-floor South Tower, and a 3-storey basement). The complex has two floors dedicated to retail and 48 furnished or customizable offices with different sizes. The building will be operated through a specialized operator, and it will be Sharia Compliant operations.

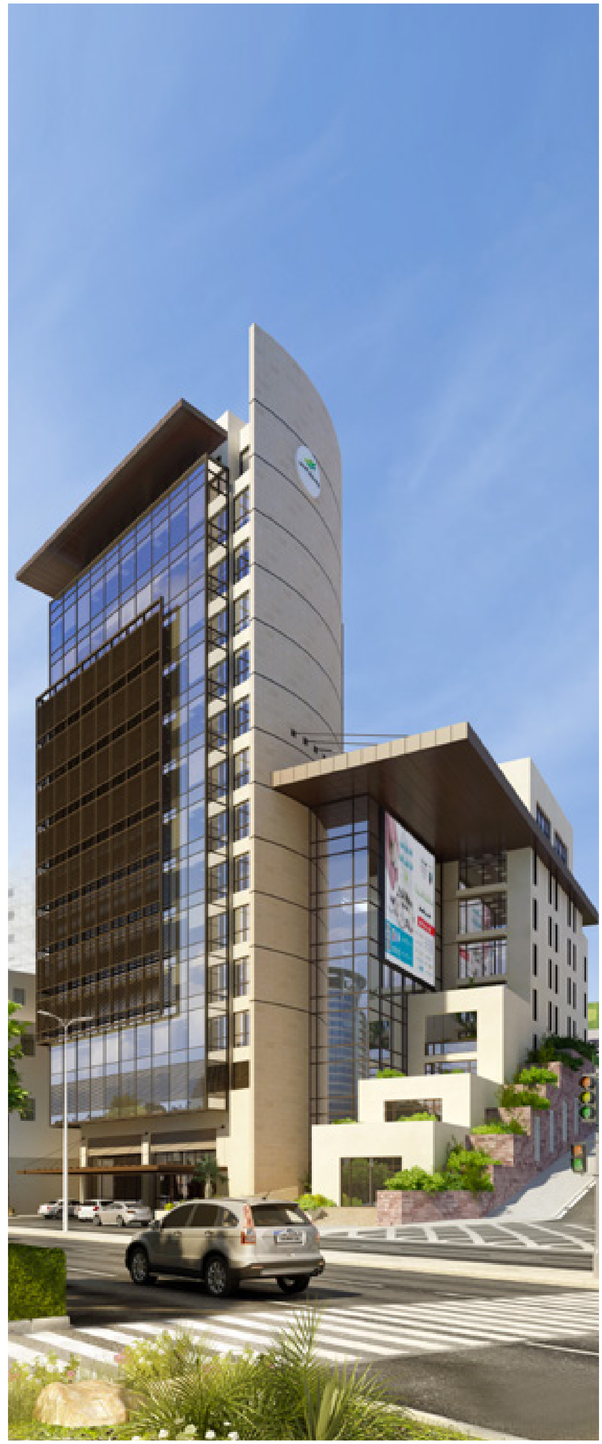
Outcomes: The two-tower commercial complex will generate around US$1,900,000 in average net income annually, which shall be used to support the activities of Zamzam Association for Voluntary Health Services.

Impact: The project will support the activities of the Association, which have served over 34,000 beneficiaries.

Lessons Learned:

There are several lessons learned from this success story:

- **Procurement Methods**: Before project implementation, Zamzam Association has chosen a consultant through Quality and Cost Based Services, which allowed it to procure the second ranking company once the agreement with the first company was terminated.
- **Efficient Resource Mobilization:** Cost and time overrun were resolved with the help of Zamzam Association's broad network, which enabled mobilization of resources in time for the completion of the project.
- **Strategic Decisions:** The time and cost overrun faced by this project could have been avoided if the purchase of an existing property was considered instead of the construction of a new project.



CHAPTER 05

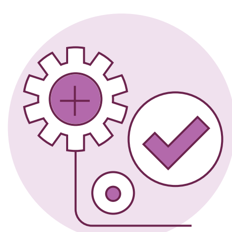
RECENT ACHIEVEMENTS AND THE WAY FORWARD

The Awqaf Properties Investment Fund (APIF) was established for the development of Waqf properties globally. APIF has played a pivotal role in the development of the Waqf sector worldwide by providing technical assistance and financing to projects. Perhaps most importantly, it has provided a proof of concept for the viability of such an impact-investment model targeting Awqaf. Furthermore, it has created momentum in the sector, encouraging the creation of an environment to support Awqaf, at times even triggering macro-level reforms such as the adoption of Waqf laws in IsDB member countries.

Despite its limited resources, APIF has achieved numerous accomplishments and milestones. Indeed, since its inception in 2001, APIF has approved 47 projects, worth US$ 838 million in 22 IsDB member and non-member countries. Nonetheless, there remain unutilized or under-utilized Awqaf properties worth billions of dollars that could be effectively used for poverty alleviation and human development.

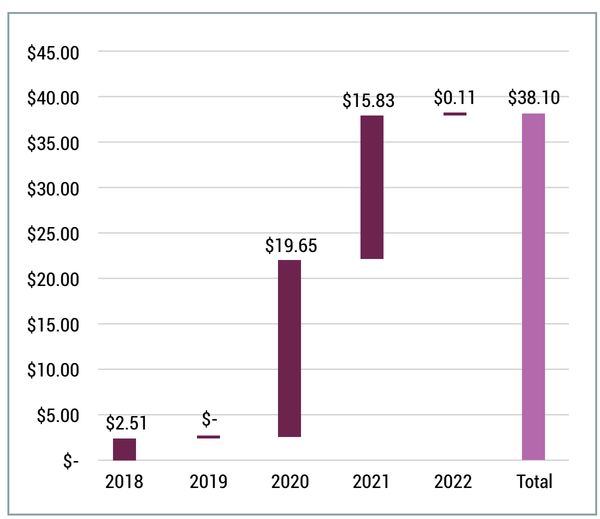
Indeed, the paid-up capital of APIF (par value of shares) has increased from USD 76.41 million at the end of 2018 to USD 114.51 million currently. As APIF was launched in 2001 with a capital of USD 50 million, the increase achieved since 2018 surpassed that achieved over the preceding 17 years.

Additionally, beyond managing the Fund as Mudarib, investing in its equity, and supporting it with a Line of Finance, IsDB has further supported the Waqf sector via targeted grants. Indeed, over the years, it has approved three Technical Assistance Grants for preparation of feasibility studies, property valuations and legal services



Indeed, since its inception in 2001, APIF has approved **47 projects,** worth **US$ 838 million** in **22** IsDB member and non-member countries.

Chart 8: Capital investment: 2018 - 2022



amounting to US$ 200,000, US$ 275,000 and US$ 280,000.

Based on the above, APIF remains highly ambitious and relevant to the global landscape. Indeed, to enhance its relevance and keep pace with developments, APIF is progressing well on the process of revamping its internal policies and processes, improving the quality-at-entry of its interventions, and building its image. Such positive changes are expected to further enhance the returns and impact of APIF investments, thereby boosting its attractiveness to investors and its relevance as a model for the sector.

Furthermore, APIF has implemented several new initiatives aiming at enhancing awareness and strengthening the impact of APIF's activities. Starting in 2019, these initiatives have included: Adoption of a New Brand Identity, Publication of an Impact Report, creation of APIF Animated Videos and development of the website, as well as developing an APIF Operational Dashboard displaying a comprehensive view of the Fund's operations and financial performance.

Specifically, in light of APIF's resource mobilization ambitions, the Fund has produced a promotional video in Arabic and English elucidating the benefits and impacts of investing in APIF and methods of contacting the Fund management. APIF has also produced three promotional brochures in Arabic and English on the Fund's Objectives and Operational Model, the Fund's Social and Developmental Impacts, and an elucidation on Investment in APIF.

APIF is also partnering with the Islamic Solidarity Fund for Development (ISFD), which has already entered into special agreements with several IsDB member countries allowing ISFD to receive Waqf lands for their development into revenue generating assets.

> APIF has implemented several new initiatives aiming at enhancing awareness and strengthening the impact of APIF's activities. Starting in 2019, these initiatives have included: Adoption of a New Brand Identity, Publication of an Impact Report, creation of APIF Animated Videos and development of the website, as well as developing an APIF Operational Dashboard displaying a comprehensive view of the Fund's operations and financial performance.

Moving forward, 2023 presents a chance to focus on the optimal deployment of APIF's resources via emphasizing project implementation and associated disbursements, in addition to focusing on underperforming projects. Indeed, APIF is considering different initiatives to improve efficiency and increase impact. These initiatives will help to gradually increase approvals over the coming years while ensuring quality at entry as well as maintaining a strong focus on implementation.

These initiatives include developing and implementing tools and procedures for Qualifications and Prioritization (QnP) as well as Monitoring. The latter may include using a CRM (Customer Relationships Management) platform, Project Management software, and developing interactive dashboards for analysis and continuous and instant monitoring. This would ensure the quality of the projects is assessed throughout the project cycle and, if needed, enable quick remedial actions to reduce the risk and revert projects back onto track to achieve the best possible results.

In the meantime, a pipeline of high-quality waqf projects associated with the philanthropic organizations, NGOs and Ministries based in IsDB member and non-member countries will continue to be built during 2023. This will be achieved via processing strong project concepts, to set the stage for improved quality of projects in coming years.

CHAPTER 06

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

IsDB is a leading advocate of sound corporate governance. As the Mudarib and being the responsible entity for APIF, it has established the best principles and practices of corporate governance for the Fund. It has adopted systems of control and accountability as the basis of the administration and management of the Fund. This statement outlines the main corporate governance practices that were in place or adopted during the year.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Bank manages the Fund in accordance with the principles of Mudarabah. Thus, the Fund is managed as a financially and administratively separate organization with due regard to all of the Fund's stakeholders and its role in Awqaf affairs. IsDB's functions as Mudarib include custody of the Fund's assets and monitoring the Fund's operations to ensure compliance with the Regulations. It is also responsible for the strategic direction and management of the Fund's portfolio, as well as the day-to-day administration of the Fund.

The Board of Executive Directors

The Bank's Board of Executive Directors has the overall responsibility of the business of the Fund. It validates and approves business strategy and business plans, reviews business results and monitors budgetary controls and ensures compliance with the Fund's Regulations, the policies and the approved investment guidelines and compliance with the rulings of the International Islamic Fiqh Academy, the standards of AAOIFI and the regulations of the various jurisdictions where it operates.

Participants Committee

The Participants Committee has the advisory and control powers to ensure implementation of the provisions of the Fund's Regulations and the guidelines for investment of the Fund's financial resources, in addition to reviewing and approving the Annual Report and final accounts of the Fund. The Members of the Participants Committee during the year are listed in **Annex-I**.

Supervisory Committee

The Supervisory Committee is composed of the President of the Bank, three members of IsDB Board of Executive Directors, two members nominated by every participant holding certificates with a nominal value of US$ 10 million or more and a member for each participant holding certificates with a nominal value of US$ 5 million or more but less than US$10 million. This Committee is responsible for examining the quarterly accounts of the Fund and for proposing guidelines and policies for the Fund. This Committee is also responsible for periodic review of the performance of the Fund and for submitting reports on such performance to the Participants Committee and the Board of Executive Directors. The Members of the Supervisory Committee are listed in **Annex II**.

Management Committee

The Management Committee (MC) is chaired by the Vice President (Country Programs) and includes senior staff from the various departments of the Bank. The MC has the responsibility to ensure full compliance with the Regulations and Investment Guidelines, and the requirements of the statutory authorities in the countries of the Fund's operations. In addition, the MC considers due diligence reports and issues relating to the Fund's investments. The members of the Management Committee are listed in **Annex-IV**.

Technical Review Committee

The Technical Review Committee (TRC) is responsible to review every project proposal submitted to APIF covering, inter alia, financial, legal and risk related issues, prior to submission of the projects to the Management Committee (MC) for clearance. The members of the Technical Review Committee are listed in **Annex-V**.

Other Committees

Other committees are established from time to time as required to consider matters of special importance including capital strategies, major investments and commitments, capital expenditure, staff appointments and the allocation of resources.

PRINCIPLE 2: ENSURE SHARIAH COMPLIANCE

The Bank's policy and practice is not to deviate from the Shariah in any way. Shariah compliance of the Fund is assured by the Shariah Auditor who reviews each transaction for compliance with the rulings and decisions of the International Islamic Fiqh Academy and the fatwas of the Shariah Committee of the Bank. As a fund with a mission, every project must be properly justified as a service to the Ummah.

PRINCIPLE 3: INTERNAL AUDIT AND CONTROL

The Fund's internal audit function is a component of the Bank's internal control environment. Internal audit operates within the framework of the Bank's policy on

internal audit which aims at ensuring the continuous and effective operation of internal controls across the IsDB Group. The policy gives authority to the internal audit function based on the principles of independence, compliance with standards, internal control, and practice methodologies, reporting and external audit liaisons within which internal audit operates.

The Group Internal Audit Department (GIAD) of IsDB liaises with the Management of the Fund to identify areas of procedural efficiency and improvement. The GIAD has direct access to all employees (and the external auditors) without management interference. In addition, the external audit is also undertaken by the external auditors once at the end of the financial year.

PRINCIPLE 4: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Staff members are required to meet high standards of honesty and integrity. IsDB has adopted a "Code of Conduct" that outlines standards of behaviour to be met by all employees. The rules of the Code of conduct are published in the IsDB three working languages. These rules require the observance of strict ethical guidelines. They cover personal conduct, honesty, relations with investors and borrowers, prevention of fraud, conflict of interest and disclosure.

PRINCIPLE 5: RISK MANAGEMENT

The Mudarib of the Fund has a formal Group-wide risk management program, based on proactive rather than reactive management of risk. This program is supported by IsDB's Risk Management Policy which has been endorsed by the Board of Executive Directors. The Group Risk Management Department overviews and monitors the risk profile of existing and future business operations. Each investment operation is screened for viability and is protected by adequate guarantees and insurance programs. The internal audit team reports to the Audit Committee of the Mudarib on the nature and materiality of risks. The external auditor also reports findings on relevant risk issues to the Board of Executive Directors and the Participants Committee.

PRINCIPLE 6: MAKE TIMELY AND BALANCED DISCLOSURES

The Mudarib has a commitment to a high level of disclosure to the market and its participants. As a result, to this commitment and rigorous internal procedures, quarterly actual results of the Fund are reported against budget and monitored by Management. The Fund reports to the Supervisory Committee on quarterly basis and to the Participants Committee on yearly basis.

The Fund's liquid balance and foreign exchange positions are managed by the IsDB Treasury Department, which, after consultation with the Fund, determines position taking with external organizations. Funding, cash management, financial instruments and commodity hedging tools are managed through policies, procedures and limits that are subject to internal and external review.

PRINCIPLE 7: POST EVALUATION OF COMPLETED OPERATIONS

The Mudarib's Operations Evaluation Department (OED) is responsible to enhance the development effectiveness of the IsDB Group's interventions by promoting learning and accountability. In this regard, the GOE Department conducts post-evaluation of completed operations for assessing the development results and drawing lessons and recommendations that feed into the planning of new projects for effective development efforts.

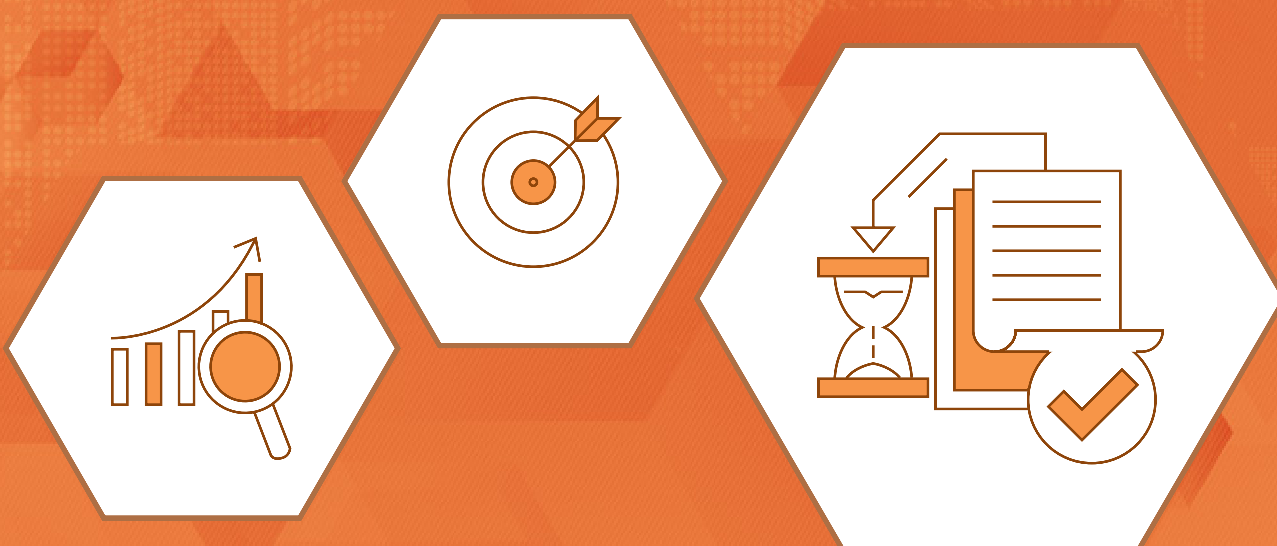
As such, the OE Department is involved in conducting post-evaluation of APIF operations and communicates evaluation results and impact of APIF interventions, identifies lacking areas/gaps and lessons learned, and makes recommendations to the Management for improvements, as required, towards achieving the targeted goals with quality and efficiency.

CHAPTER 07

APIF FINANCIAL STATEMENT AND AUDITORS REPORT 2022

ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND

Financial Statements and Independent Auditor's Report
For the year ended 31 December 2022



Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
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INDEPENDENT AUDITOR'S REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank - Awqaf Properties Investment Fund
Jeddah
Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Islamic Development Bank - Awqaf Properties Investment Fund (the "Fund") which comprise the statement of net assets as of December 31, 2022, and the related statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets of the Fund as of December 31, 2022, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Fund has also complied with the Shari'ah Rules and Principles as determined by the Group Shari'ah Board of the Islamic Development Bank Group during the year under audit.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements - continued

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte and Touche & Co.
Chartered Accountants

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

14 Shawwal 1444H
May 15, 2023

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF NET ASSETS
AS AT 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	Note	2022	2021
ASSETS			
Cash and cash equivalents	3	**13,620**	12,342
Commodity murabaha placements	4	**26,525**	17,434
Investments:			
Ijarah assets, net	5	**36,816**	31,104
Sukuk investments	6	**24,102**	29,408
Mudaraba and wakala lease financing	7	**2,648**	3,040
Musharaka	8	**-**	571
Real Estate	9	**5,878**	6,212
Receivables:			
Istisna'a	10	**23,963**	19,874
Project murabaha	11	**7,906**	7,955
Accrued income		**434**	137
Due from a related party	13	**-**	6,086
TOTAL ASSETS		**141,892**	134,163
LIABILITIES			
Due to related parties	13	**7,766**	-
Accrued expenses, dividend payables and other payables		**3,062**	3,629
Accrued mudarib's share of income		**221**	373
TOTAL LIABILITIES		**11,049**	4,002
NET ASSETS		**130,843**	130,161
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	14	**114,510**	114,400
Premium on certificates		**7,221**	7,206
General reserve		**7,097**	7,097
Retained earnings		**2,015**	1,458
TOTAL CERTIFICATE HOLDERS' EQUITY		**130,843**	130,161
NUMBER OF CERTIFICATES PAID UP		**11,451**	11,440
NET ASSET VALUE PER CERTIFICATE		**11.426**	11.378

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF PORTFOLIO INVESTMENTS AND RECEIVABLES

AS AT 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	2022		2021	
	Amount	**% age of Portfolio**	Amount	% age of Portfolio
INVESTMENTS				
Ijarah assets, net	**36,816**	**36.3%**	31,104	31.7%
Sukuk investments	**24,102**	**23.8%**	29,408	29.9%
Real Estate	**5,878**	**5.8%**	6,212	6.4%
Mudaraba and wakala lease financing	**2,648**	**2.6%**	3,040	3.1%
Musharaka	**-**	**-**	571	0.6%
RECEIVABLES				
Istisna'a	**23,963**	**23.7%**	19,874	20.2%
Project murabaha	**7,906**	**7.8%**	7,955	8.1%
Total	**101,313**	**100%**	98,164	100.0%

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF OPERATIONS

YEAR ENDED 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	Note	2022	2021
INCOME FROM INVESTMENTS AND RECEIVABLES			
Investments:			
Ijarah assets, net	5	**2,080**	1,949
Sukuk investments		**573**	643
Mudaraba and wakala lease financing		**175**	154
Real estate		**416**	397
		3,244	3,143
Receivables:			
Istisna'a		**1,100**	873
Project murabaha		**470**	229
		1,570	1,102
Total income from investments and receivables		**4,814**	4,245
Income from commodity murabaha placements		**743**	119
Other income		**10**	247
Impairment provision, net	12	**(3,054)**	(576)
Administrative expenses		**(123)**	(84)
Exchange loss		**(182)**	(231)
Net income before mudarib's share of income		**2,208**	3,720
Mudarib's share of net income		**(221)**	(372)
Increase in net assets representing net income for the year		**1,987**	3,348
Earnings per certificate		**0.173**	0.293

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificate	General reserve	Retained earnings	Total
Balance at 1 January 2021		**98,570**	**4,766**	**6,714**	**4,187**	**114,237**
Credit losses due to first time adoption of FAS 30		-	-	-	(3,392)	-
Revised balance as at 1 January 2021 after FAS-30 adjustment		**98,570**	**4,766**	**6,714**	**795**	**110,845**
Contributions during the year		16,260	2,508	-	-	18,768
Redemptions		(430)	(68)	-	-	(498)
Net income for the year before Mudarib's share		-	-	-	3,720	3,720
Mudarib's share of net income		-	-	-	(372)	(372)
Dividends*		-	-	-	(2,302)	(2,302)
Transfer to general reserve*		-	-	383	(383)	-
Balance at 31 December 2021		**114,400**	**7,206**	**7,097**	**1,458**	**130,161**
Contributions during the year		**110**	**15**	**-**	**-**	**125**
Net income for the year before Mudarib's share		**-**	**-**	**-**	**2,208**	**2,208**
Mudarib's share of net income		**-**	**-**	**-**	**(221)**	**(221)**
Dividends*		**-**	**-**	**-**	**(1,430)**	**(1,430)**
Balance at 31 December 2022		**114,510**	**7,221**	**7,097**	**2,015**	**130,843**

*Represents appropriations of the net income of the previous year. Appropriations from net income of the current year will be reflected in the first day of the following year.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	Notes	**2022**	2021
OPERATING ACTIVITIES			
Net income after mudarib's share of net income		**1,987**	3,348
Adjustments of non-cash items:			
Depreciation of ijarah assets	5	**4,922**	2,272
Depreciation of real estate		**125**	126
Mudarib's share of net income		**221**	372
Unrealized fair value (gain) / loss on sukuk investments	6	**(119)**	394
Accrued income on sukuk investments	6	**51**	-
Amortization of discount	6	**(53)**	(53)
Unrealised foreign exchange loss		**180**	-
Impairment charge	12	**3,054**	576
Changes in operating assets and liabilities:			
Commodity murabaha placements		**(9,091)**	1,671
Accrued income and other receivables		**(297)**	(127)
Due from a related party		**6,086**	(4,537)
Due to related parties		**7,766**	-
Accrued expenses and other payables		**(567)**	1,315
Cash from operations		**14,265**	5,357
Mudarib's share of income paid		**(373)**	(282)
Net cash from operating activities		**13,892**	5,075 5,075
INVESTING ACTIVITIES			
Investments in Ijarah assets		**(11,506)**	(6,220)
Proceeds from redemption of investments in sukuk		**5,427**	-
Proceeds from redemption of musharaka		**-**	1,454

	Notes	2022	2021
Repayments from mudaraba and wakala lease financing		**212**	395
Investments in project Murabaha		**(126)**	(3,562)
Investments in istisna'a		**(5,525)**	(8,873)
Investments in real estate		**209**	30
Net cash used in investing activities		**(11,309)**	(16,776)
FINANCING ACTIVITIES			
Capital contribution		**125**	18,768
Certificate redemption		**-**	(498)
Dividends paid		**(1,430)**	(2,302)
Net cash (utilized in) / from financing activities		**(1,305)**	15,968
Net change in cash and cash equivalents		**1,278**	4,267
Cash and cash equivalents at the beginning of the year		**12,342**	8,075
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**13,620**	12,342

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF FINANCIAL HIGHLIGHTS
YEAR ENDED 31 DECEMBER 2022 (Expressed in thousands of US Dollars)

	2022	2021
DATA PER CERTIFICATE		
Net Assets value – beginning of the year	**11.378**	11.589
Impairment from first time adoption of FAS 30	**-**	(0.297)
Units issued	**0.0002**	0.053
Net Income before mudarib's share of Income	**0.192**	0.325
Less: mudarib share of Income	**(0.019)**	(0.032)
Net Income after mudarib's share of Income	**0.173**	0.293
Dividends	**(0.125)**	(0.260)
Net assets value – end of the year	**11.426**	11.378

The data per certificate is calculated using the number of certificates outstanding at 31 December 2022 and 31 December 2021, which were 11,451 and 11,440 certificates respectively at each reporting date.

	2022	2021
FINANCIAL RATIOS/SUPPLEMENTARY DATA:		
Net assets - end of the year	**130,843**	130,161
Average of net assets	**130,502**	122,200
Ratio of operating expenses to average of net assets	**6.21%**	2.40%
Annual rate of return	**1.69%**	2.86%

1. ORGANIZATION AND ACTIVITIES

Awqaf Properties Investment Fund (the "Fund") is a trust fund established under Article numbers 2 and 23 of the Articles of Agreement of Islamic Development Bank ("IsDB" or the "Bank") based in Jeddah, Saudi Arabia and pursuant to the memorandum of understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries in 1421H (corresponding to 2001). The certificate holders in the Fund are the Bank, participating institutions and religious authorities in the Muslim countries. The Fund commenced operations on 1 Rajab 1422H (corresponding to 19 September 2001). The Fund operates within certain conditions and restrictions as stipulated in its regulations.

The objective of the Fund is to invest in financially viable projects for the development of Awqaf real estate properties in the member countries of the Organization of the Islamic Cooperation ("OIC") and other countries. The Fund has been established for an extendable period of thirty years, unless terminated earlier, in accordance with the conditions laid down in its regulations.

The Fund is managed by the Bank as Mudarib in accordance with the Rules and Principles of Islamic Shari'ah. The Fund has Supervisory Committee ("the Committee") selected by the founding members of the Fund. The Committee oversees the actions of the Mudarib and the general policies of the Fund.

The Fund changed from the Hijri Calendar to Gregorian Calendar on October 14, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements of the Fund are prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). For matters which are not covered by AAOIFI standards, the Fund follows generally accepted accounting principles as required by the conceptual framework of AAOIFI, provided they do not contradict the Rules and Principles of Islamic Shari'ah as determined by the Shari'ah Board of the IsDB Group.

Functional and presentation currency:

Since most of the operations are conducted in US Dollars (USD) and disbursements are made in USD, Fund's functional and presentation currency is USD.

b) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept, except for sukuk investments and musharaka carried at fair value. The financial statements have been presented in thousands of USD, unless otherwise stated.

c) Financial assets and liabilities

Financial assets and liabilities are recognized in the statement of net assets when the Fund becomes a party to the related contractual rights or obligations.

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Fund.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Fund.

Recognized financial assets and financial liabilities are initially measured at fair value, for concessional loans

(Qard) fair value is best evidenced by the transaction amount. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in statement of operations.

On initial recognition, financial assets are classified and measured at either of (i) amortised cost, (ii) fair value through changes in net asset or (iii) fair value through statement of operations, on the basis of both:

a. the institution's business model for managing the investments; and
b. the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Financial Assets

Financial assets comprise investments in debt-type and equity-type financial instruments.

(i) Classification

Debt-type instruments

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital.

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through statement of operations.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the statement of operations.

Debt-type investments classified and measured at fair value through statement of operations include investments held for trading or designated at fair value through statement of operations. At inception, a debt-type investment managed on a contractual yield basis can only be designated at fair value through statement of operations if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Investments in equity-type instruments are classified into the following categories: 1) at fair value through statement of operations or 2) at fair value through statement of changes in net assets.

Equity-type investments classified and measured at fair value through statement of operations include investments held for trading or designated at fair value through statement of operations.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through statement of operations include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Fund makes an irrevocable election to designate certain equity instruments that are not designated at fair value through statement of operations to be classified as investments at fair value through statement of changes in net assets.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e., the date that the Fund contracts to purchase or sell the asset, at which date the Fund becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through statement of operations which are charged to statement of operations.

Subsequent measurement

Investments at fair value through statement of operations are re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognised in the statement of operations in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the statement of operations.

Investments at fair value through equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the statement of changes in net equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in net assets is transferred to the statement of operations.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

(iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Fund measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of net assets date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Fund by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

The table below summarizes IsDB's major financial assets and liabilities and their measurement and recognition principles. Detailed accounting policies are provided in the relevant sections below.

Item	Recognition principles
Commodity murabaha placements	Amortized cost
Ijarah assets	Amortized cost less depreciation and impairment
Investments in sukuk classified as either:	Fair value through statement of operations; or amortized cost
Mudaraba and wakala lease financing	Amortized cost
Musharaka	Amortized cost
Istisna'a	Amortized cost
Project Murabaha	Amortized cost
Due from a related party	Amortized cost
Due to related parties	Amortized cost

Offsetting of financial assets and liabilities

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and commodity murabaha placements through banks having a maturity of three months or less from the date of placement that are subject to an insignificant risk of changes in their fair value. Cash and cash equivalents are carried at cost less impairment in the statement of net assets.

e) Commodity murabaha placements

Commodity murabaha placements entails the purchase and sale of commodities at fixed profit. The buying and selling of commodities are limited by the terms of agreement between the Fund and other Islamic and conventional financial institutions. Commodity murabaha placements are carried at amortized cost less provision for impairment.

f) Sukuk investments

Sukuk are certificates of equal value representing undivided share in ownership to tangible assets, usufructs, services or (in the ownership) of assets of a particular project, classified as either measured at amortised cost or at fair value through statement of operations.

Sukuk is measured at amortised cost only if it is managed on a contractual yield basis or it is not held for trading and has not been designated at fair value through the statement of operations.

Sukuk classified and measured at fair value through statement of operations are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss recognized in the statement of operations. Transaction costs are expensed immediately on the date the contract is entered into.

g) Ijarah assets

Ijarah is an agreement (either direct or through a syndicate) whereby the Fund, acting as a lessor, purchases assets according to the customer request (lessee), based on his promise to lease the asset for an agreed rent for a specific period. The Fund transfers the right to the lessee for a rental payment for the lease period. Throughout the ijarah period, the Fund retains ownership of the leased asset. At the end of the Ijarah period, the Fund transfers title of the asset to the lessee without consideration.

Ijarah assets under construction are stated at cost of manufacturing or acquisition and are not depreciated. No rental income is recognised on the assets during the construction / manufacturing period. Rental income received during the construction period (advance rental) is recorded under other liabilities and amortized to ijarah income after the asset is transferred to ijarah asset in `use (Note 5).

Once constructed / manufactured or acquired, ijarah assets are transferred to the customer at which time they are classified as Ijarah assets in use. Ijarah assets in use are stated at the aggregate cost, less the accumulated depreciation as at the reporting date and provision for impairment. Ijarah assets are depreciated on the estimated usage basis.

h) Investment in real estate

Investment in real estate represents the acquisition price of a commercial building held for periodical rental, or for capital appreciation purposes, or both, and is classified as investment in real estate. Investments in real estate are recorded at cost in accordance with the cost model per FAS 26, being the fair value of the consideration given and acquisition charges associated with the property, less impairment which is estimated as the average of expected recoverable future cashflows of overdue rents under three likely scenarios.

i) Istisna'a

Istisna'a is an agreement whereby the Fund sells to the customer an asset which is either constructed or manufactured with agreed-upon specifications, for an agreed-upon price.

Istisna'a assets in progress represent disbursements made as well as accrued income against assets being either constructed or manufactured.

After completion, the istisna'a asset is transferred to the istisna'a receivable account and is carried at the value of amounts disbursed, plus income accumulated over the construction / manufacturing period, less repayments received and allowance for credit losses.

j) Project murabaha

Project murabaha agreements are deferred sale agreements whereby the fund sells an asset, which it has purchased and acquired based on a promise from the customer to buy. The selling price comprises the cost, plus an agreed profit margin. Amounts receivable from the Project murabaha transactions are stated at selling price, less unearned income, less payments and provision for impairment (if any).

j) Musharaka

Musharaka is partnership in which the Fund contributes a certain percentage of capital and is entitled to share profits or loss proportionately. Musharaka is stated at net asset value being the cost (expected to be recovered) less amounts of musharaka capital returned.

k) Mudaraba and wakakla lease Financing

Mudaraba

A contract between the Fund and a customer whereby the Fund provides the funds / resources (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project and any generated profits are distributed between the parties according to profit shares that were pre-agreed upon in the contract. The Mudarib is responsible for all losses caused by his misconduct, negligence or violation of the terms and conditions of the mudaraba, otherwise, losses are born by the Rab Al Mal,

Wakala

A contract between the Fund and a customer whereby one party (Principal: Muwakil) appoints the other party (the Agent: Wakeel) to invest certain funds according the terms and conditions of the Wakala for a fixed fee. Any losses as a result of misconduct or negligence, or violation of the terms and conditions of the Wakala and born by the Wakeel, otherwise they are born by the Muwakil.

l) General reserve

In accordance with the regulations of the Fund, the Mudarib is authorized by the Participants, before paying any dividends, to set aside, from the net income of the Fund such sums as it thinks proper, as general reserve to strengthen and support the Fund, provided it does not exceed 20% of the net income of the year, until such reserve equals 50% of the Fund's capital.

m) Foreign currencies

Monetary and non-monetary transactions which denominated, or require settlement in a foreign currency, are translated into the functional currency of the Fund at the spot exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Fund at the exchange rate ruling on the reporting date. Foreign currency differences resulting from translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of operations as foreign exchange gains / losses.

Non-monetary assets and liabilities in foreign currencies that are measured at fair value are translated into the functional currency of the Fund at the spot exchange rate at the date on which the fair value was determined. Foreign currency differences resulting from translation of such investments are recognised in the fair value reserve account under changes in net assets.

Translation differences relating to the changes in the amortized cost are recognized in the statement of operations.

n) Revenue recognition

Commodity murabaha placements

Income from placements with other Islamic and conventional banks is recognized using the effective yield over the period of the contract based on the principal amounts outstanding.

Sukuk Investments

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

Ijarah Assets

Income from ijarah assets is recocgnised using the effective yield basis (which represents ijarah rental net of depreciation against the ijarah asset).

Istisna'a

Income from istisna'a is recognized using the effective yield over the period of respective transaction.

Project murabaha

Income from project murabaha are recognized using the effective yield over the period of respective transaction.

Mudaraba lease financing

Income is recognized on distribution by the Mudarib whereas losses are charged to statement of operations upon declaration of the Mudarib.

Wakala lease financing

Income is recognized on the basis of time apportioned over the lease term.

Musharaka

Income on musharaka is recognized when the right to receive payment is established or on distribution. The

Fund's share of loss is recognized in the period in which the losses are deducted from its share of musharaka capital.

o) Impairment assessment

The Fund applies the credit loss approach to financing instruments treasury assets and project assets measured at amortized cost. To assess the extent of credit risk, these financial assets are divided into three (3) categories:

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

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

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

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

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

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

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

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

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2 (Refer to note 15 Credit risk). If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in note 15 Credit risk.

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

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).
- As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Credit-impaired financial assets

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

For Sovereign:
Prolonged Civil War/ external arms conflict

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

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

Purchased or originated credit-impaired (POCI) financial assets

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

Modification and derecognition of financial assets

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

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

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

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit rate. If the difference in present value is greater than 10% the Fund deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Fund considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

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

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

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

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

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

Definition of default

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

The Fund considers the following as constituting an event of default:

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

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

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

Write-off

When the non-sovereign exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the statement of financial activities. 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 Fund's statement of financial activities. Sovereign exposures are not written-off based on the Fund's past experience, since its inception. Fund has not written off any non-sovereign financial assets during the current and prior year.

The Fund exercises judgment to consider impairment on the financial assets including equity investments held at fair value through changes in net assets, at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity investments below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Fund evaluates among other factors, the normal volatility in share prices. In addition, the Fund considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Fund considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount.

Other amortised cost assets

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

q) Zakat and tax

The Fund is considered a Bait-ul-Mal (public money), hence is not subject to Zakat or any Taxes.

r) Subsequent event

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

s) Critical accounting judgments and estimates

The preparation of financial statements in accordance with FAS issued by AAOIFI requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and incomes and expenses. It also requires Management to exercise its judgment in the process of applying the Fund's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarized below:

Significant Judgments

Going concern:

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund 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 upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Significant estimates

Expected credit losses against financial assets

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

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

(i) The Fund's internal credit grading model, which assigns PDs to the individual grades.

(ii) The Fund's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment.

(iii) Development of ECL models, including the various formulas and the choice of inputs.

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

(v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The effect of new and revised financial accounting standards

Financial Accounting Standard – 37 "Financial Reporting by Waqf Institutions"

The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022. The Fund has evaluated the impact of this standard and concluded that it is not applicable as the Fund is not a Waqf institution.

Financial Accounting Standard – 38 Wa'ad, Khiyar and Tahawwut

This standard intends to set out principles for measurement, recognition and disclosure of Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) transactions that are carried out by Islamic financial institutions.

The Fund has adopted FAS 38 – Wa'ad, Khiyar and Tahawwut for annual periods beginning on or after January 1, 2022. The Fund has evaluated the impact of this standard and concluded that it is not applicable as the Fund is not carrying any such instruments.

Standards issued but not yet effective

The following new FASs have been issued. The fund intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new FASs on its financial statements and systems.

(i) Financial Accounting Standard – 39 "Financial Reporting for Zakah"

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. This standard is not applicable to the Fund as it is not a zakah payer.

(ii) Financial Accounting Standard – 40 "Financial Reporting for Islamic Finance Windows"

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). This standard shall be effective on the financial statements of the Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted. This standard is not applicable to the Fund as it is not a conventional financial institution.

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

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

3. CASH AND CASH EQUIVALENTS

	2022	2021
Cash in banks	**2,661**	1,918
Short-term commodity murabaha placements with banks (note 4)	**10,959**	10,424
Cash and cash equivalents	**13,620**	12,342

Commodity murabaha placements included within cash equivalents are those interbank placements, which have an original maturity equal to or less than three months. Placements with original maturities of above three months are disclosed in note 4.

4. COMMODITY MURABAHA PLACEMENTS

	2022	2021
Commodity murabaha placements	**37,299**	27,810
Accrued income	**185**	48
Commodity murabaha placements with maturities less than 3 months (note 3)	**(10,959)**	(10,424)
	26,525	17,434

Commodity murabaha placements with an original maturity above three months are held with Islamic banks.

5. IJARAH ASSETS, NET

The movement in ijarah assets during the year is as follows:

	2022	2021
Cost		
Assets under construction:		
Balance at beginning of the year	**10,903**	12,392
Additions	**12,001**	4,224
Transfer to assets in use	**-**	(5,713)
Balance at end of the year	**22,904**	10,903
Assets in use:		
Balance at beginning of the year	**82,031**	75,792
Transfer from assets in construction period	**-**	5,713
Other transfers	**(233)**	526
Balance at end of the year before impairment provision	**81,798**	82,031

	2022	2021
Total costs	**104,702**	92,934
Accumulated depreciation:		
Balance at beginning of the year	**63,871**	61,599
Other adjustment	**(524)**	-
Charge for the year	**4,922**	2,272
Balance at end of the year	**68,269**	63,871
Net book value	**36,433**	29,063
Plus: Ijarah overdue receivables & accruals	**5,090**	5,955
Less: impairment	**(5,475)**	(4,603)
Accrued income	**768**	689
Total investment in ijarah assets	**36,816**	31,104

The movement in impairment provision against ijarah assets is summarized as follows:

	2022	2021
Balance at the beginning of the year	**4,603**	2,009
Increase in provision due to first time adoption of FAS 30	**-**	2,191
Revised balance at the beginning of the year	**4,603**	4,200
Charge for the year	**872**	403
Balance at the end of the year	**5,475**	4,603

The net ijarah income is summarized as follows:

	2022	2021
Rental income	**7,002**	4,221
Depreciation expense	**(4,922)**	(2,272)
Net rental income	**2,080**	1,949

Rental income includes share profits from the syndicated ijarah at a rate of 50% of spread over reference rate (Libor).

6. SUKUK INVESTMENTS

Investment in Sukuk certificates represents a share in the sukuk issued by various governments, financial institutions and certain other entities.

Investments in sukuk are classified as follows:

	2022	2021
Governments	**24,102**	24,305
Other entities	**-**	5,103
	24,102	29,408

Investments in sukuk as at 31 December comprised the following:

	2022	2021
Sukuk classified as fair value through statement of operations	**9,136**	14,494
Sukuk classified at amortised cost	**14,966**	14,914
Total	**24,102**	29,408

The movement during the year is as follows:

	2022	2021
Balance at beginning of the year	**29,408**	29,749
Redemption	**(5,427)**	-
Fair value gain / (loss)	**119**	(394)
Coupon accrual	**(51)**	-
Amortization of discount	**53**	53
Balance at end of the year	**24,102**	29,408

Credit Ratings	2022	2021
A-	**14,966**	20,016
AA-	**5,072**	5,216
Unrated	**4,064**	4,176
Total	**24,102**	29,408

7. MUDARABA AND WAKALA LEASE FINANCING

	2022	2021
Wakala lease - Bank Bosnia International	**1,991**	2,141
Mudaraba - Malaysia Shariah Courthouse	**1,260**	1,322
Foreign currency revaluation	**(603)**	(423)
Total	**2,648**	3,040

8. MUSHARAKA

	2022	2021
Musharakah	**1,032**	1,032
Less: impairment Provision	**(1,032)**	(461)
Total	**-**	571

The Fund entered into a partnership agreement with a local contactor on a musharaka basis with the establishment of a Special Purpose Entity (SPE). The project was subsequently cancelled.

The movement in impairment provision against musharaka is summarized as follows:

	2022	2021
Balance at the beginning of the year	**461**	461
Charge for the year	**571**	-
Balance at the end of the year	**1,032**	461

The increase of the impairment provision during 2022 was in accordance with the voluntary liquidation of the net assets of the investee (SPE).

9. INVESTMENT IN REAL ESTATE

	2022	2021
Building	**4,559**	4,559
Less: Accumulated depreciation	**(261)**	(136)
Net Book value of Building	**4,298**	4,423
Land	**7,813**	7,813
Share of syndicate member	**(6,233)**	(6,024)
Total	**5,878**	6,212

Investment in real estate comprises of properties acquired in 2020 for rental and capital appreciation over time. These are located in the Kingdom of Saudi Arabia. The market value of the property as at 31 December 2021 amounted to US$ 13,33 million of which the Fund's share is 51.51%. The management believes that the market value of the property is substantially the same as at 31 December 2022, based on demand and supply conditions of the real estate market in the city of Jeddah, Kingdom of Saudi Arabia.

10. ISTISNA'A

	2022	2021
Istisna'a	**27,488**	21,963
Less: impairment provision	**(3,525)**	(2,089)
Total	**23,963**	19,874

The movement in impairment provision against istisnaa assets is summarized as follows:

	2022	2021
Balance at the beginning of the year	**2,089**	889
Increase in provision due to first time adoption of FAS 30	**-**	1,121
Revised balance at the beginning of the year	**2,089**	2,010
Charge for the year	**1,436**	79
Balance at the end of the year	**3,525**	2,089

11. PROJECT MURABAHA

	2022	2021
Project Murabaha	**8,255**	8,129
Less: impairment provision	**(349)**	(174)
Total	**7,906**	7,955

12. PROVISION FOR IMPAIRMENT OF TREASURY, PROJECT AND INVESTMENT ASSETS

The Fund's provision for impairment comprised of the following:

	31-Dec-22			
	Stage 1	Stage 2	Stage 3	Total
Ijarah assets	890	662	3,923	5,475
Istisna'a	374	605	2,546	3,525
Project Murabaha	263	-	86	349
	1,527	1,267	6,555	9,349
Musharaka				1,032
Total				**10,381**

	31-Dec-21			
	Stage 1	Stage 2	Stage 3	Total
Ijarah assets	977	670	2,956	4,603
Istisna'a	328	-	1,761	2,089
Project Murabaha	174	-	-	174
	1,479	670	4,717	6,866
Musharaka				461
Total				7,327

The movement in provision for impairment is as follows:

	2022	2021
Balance at the beginning of the year	**7,327**	3,359
Additional provision on first time adoption of FAS 30	**-**	3,392
Revised balance at the beginning of the year	**7,327**	6,751
Charge for the year	**3,054**	576
Balance at the end of the year	**10,381**	7,327

13. RELATED PARTY BALANCES AND TRANSACTIONS

As per the regulations of the Fund, IsDB is entitled to 10% share of net income of the Fund as Mudarib, which is separately shown in the statement of operations.

Under the terms of the Fund's Regulations, in its capacity as mudarib, IsDB provides certain administration facilities and personnel to the Fund for which no separate charge is made to the Fund.

As at 31 December 2021 and 31 December2020, IsDB held 2,950 of the subscribed certificates.

The Fund is managed by the IsDB and its transactions are done through the IsDB and the majority of the principal arrangements are managed by IsDB.

The net balance due from/to related parties at end of the year are as follows:

Due from a related party	**2022**	2021
IsDB – Ordinary Capital Resources	**-**	6,086

Due to related parties	**2022**	2021
IsDB – Ordinary Capital Resources	**7,764**	-
Economic Empowerment Fund for Palestinian People	**2**	-
	7,766	-

14. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 31 December comprise the following:

	2022	2021
Authorised: 50,000 certificates of USD 10,000 each (2021-50,000 certificates of US $ 10,000 each)	**500,000**	500,000
Issued, subscribed and paid-up: 11,451 certificates of US $ 10,000 each (2021- 11,440 certificates of USD 10,000) each	**114,510**	114,400

15. 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 Fund's credit risk arises mainly from its operating assets and treasury investments.

For all classes of financial assets held by the Fund, the maximum credit risk exposure to the Fund is their carrying value as disclosed in the statement of net assets. The assets which subject the Fund to credit risk, principally consist of commodity placements, investment in sukuk, murabaha financing, loan and syndicated ijarah.

The Fund's liquid fund investments portfolio is managed by the Bank's Treasury Department and comprise deals with reputable banks. Liquid fund investment in commodity placements, murabaha financing, sukuk whose ratings are acceptable to the Bank per its policies. The Fund's loan and syndicated Ijarah are covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from banks acceptable to the Bank per its policies. The Bank, its affiliates and its funds benefit from preferred creditor status on sovereign financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses. Historically, the Fund has had a very low level of overdue balances. The management is of the opinion that, with the exception of what has already been provided for, additional significant credit loss is unlikely to occur.

Credit risk includes potential losses arising from a counterparty's (i.e. countries, banks / financial institutions, corporate, etc.) inability or unwillingness to service its obligation to the Fund. In this respect, the Fund has developed and put in place comprehensive credit policies and guidelines as a part of overall credit risk management framework to provide clear guidance on various types of financing.

These policies are clearly communicated within the Fund with a view to maintain the overall credit risk appetite and profile within the parameters set by the management of the Fund. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review / monitoring functions are performed independently by the Risk Management Department (RMD), which endeavors to ensure that business lines comply with risk parameters and prudential limits established by the BED and management of the Bank and the Fund.

An important element tool of credit risk management is the established exposure limits for single beneficiary or an obligor and group of connected obligors. In this respect, the Fund has a well-developed limit structure, which is based on the credit strength of the beneficiary, the obligor.

Moreover, credit commercial limits in Member Countries regarding financing operations as well as placement of liquid funds are also in place.

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with the Fund. While extending financing to its member countries, the Fund safeguards its interests by obtaining relevant guarantees for its financing operations and has to ensure that concerned beneficiaries as well as guarantors are able to meet their obligations. In addition to the above risk mitigation tools, the Fund has in place comprehensive counterparty assessment criteria and detailed structured exposure limits in line with the best banking practices.

Expected Credit Risk for financial assets measured at amortized cost

The Fund applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets measured at amortized cost.

Determining the stage for impairment

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

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

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

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

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

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

Measurement of Expected Credit Losses (ECLs)

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

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

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

Measurement of Expected Credit Losses (ECLs) (continued)

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

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

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

Exposure Amounts and ECL coverage

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

16. CONCENTRATION OF CREDIT RISK

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographic location. The Fund seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentration of risk with individuals or customers in specific locations or industry sectors.

Concentration of assets by geographical areas at 31 December is analyzed as under:

	31 December 2022					
Description	**Cash and cash equivalents**	**Commodity murabaha placement**	**Investments**	**Receivables**	**Accrued income**	**Total**
Africa	**-**	**-**	**18,825**	**10,303**	**-**	**29,128**
Asia	**13,620**	**26,525**	**50,619**	**21,566**	**434**	**112,764**
Total Assets	**13,620**	**26,525**	**69,444**	**31,869**	**434**	**141,892**

	31 December 2021					
Description	Cash and cash equivalents	Commodity murabaha placement	Investments	Receivables	Accrued income and due from a related party	Total
Africa	-	-	17,136	15,372	-	32,508
Asia	12,342	17,434	53,199	12,457	6,223	101,655
Total Assets	12,342	17,434	70,335	27,829	6,223	134,163

An analysis of the Fund's assets by industry at 31 December is as follows:

	31 December 2022				
Description	**Real estate**	**Public utilities**	**Financial institutions**	**Other**	**Total**
Cash and cash equivalents	**-**	**-**	**13,620**	**-**	**13,620**
Commodity murabaha placements	**-**	**-**	**26,525**	**-**	**26,525**
Investments	**31,434**	**17,971**	**-**	**20,039**	**69,444**
Receivables	**31,869**	**-**	**-**	**-**	**31,869**
Accrued income	**434**	**-**	**-**	**-**	**434**
Total assets	**63,727**	**17,971**	**40,145**	**20,039**	**141,892**

					31 December 2021
Description	Real estate	Public utilities	Financial Institutions	Other	Total
Cash and cash equivalents	-	-	12,342	-	12,342
Commodity murabaha placements	-	-	17,434	-	17,434
Investments	40,052	14,068	-	16,215	70,335
Receivables	27,829	-	-	-	27,829
Accrued income and due from related parties	-	-	-	137	137
Due from a related party	-	-	6,086	-	6,086
Total assets	67,881	14,068	35,862	16,352	134,163

17. LIQUIDITY RISK

Liquidity risk is the risk that the Fund will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease immediately. To guard against this risk, assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarizes the maturity profile of the Fund's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period from, the reporting date to the contractual maturity date.

The contractual maturities of the Fund's assets and liabilities according to their respective periods to maturity are as follows:

	31 December 2022					
Description	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Maturity Period not Determined**	**Total**
Assets						
Cash and cash equivalents	**13,620**	**-**	**-**	**-**	**-**	**13,620**
Commodity murabaha placements	**-**	**26,525**	**-**	**-**	**-**	**26,525**
Investments	**12,780**	**4,096**	**20,124**	**3,663**	**28,781**	**69,444**
Receivables	**569**	**805**	**5,671**	**7,913**	**16,911**	**31,869**
Accrued income	**434**	**-**	**-**	**-**	**-**	**434**
Total assets	**27,403**	**31,426**	**25,795**	**11,576**	**45,692**	**141,892**
Liabilities						
Due to related parties	**7,766**	**-**	**-**	**-**	**-**	**7,766**
Accrued expenses and other payables	**3,062**	**-**	**-**	**-**	**-**	**3,062**
Accrued Mudarib's share of income	**221**	**-**	**-**	**-**	**-**	**221**
Total liabilities	**11,049**	**-**	**-**	**-**	**-**	**11,049**
Net Assets	**16,354**	**31,426**	**25,795**	**11,576**	**45,692**	**130,843**

	31 December 2021					
Description	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not Determined	Total
Assets						
Cash and cash equivalents	12,342	-	-	-	-	12,342
Commodity murabaha placements	12,940	4,494		-	-	17,434
Investments	992	10,956	35,459	4,969	17,959	70,335
Receivables	-	12,703	1,116	14,010	-	27,829
Accrued income and	137	-	-	-	-	137
Due from a related party	6,086	-	-	-	-	6,086
Total assets	32,497	28,153	36,575	18,979	17,959	134,163
Liabilities						
Accrued expenses and other payables	3,629	-	-	-	-	3,629
Accrued Mudarib's share of income	373	-	-	-	-	373
Total liabilities	4,002	-	-	-	-	4,002
Net Assets	28,495	28,153	36,575	18,979	17,959	130,161

18. CURRENCY RISK

Currency risk is the risk that value of a financial asset of the Fund will fluctuate due to changes in foreign exchange rates. The Fund did not undertake significant transactions in currencies other than US Dollars, during the year, and therefore it was not exposed to significant currency risk.

19. OPERATIONAL RISK

The Fund defines operational risk as the risk of loss resulting from inadequate or failed processes, people and systems; or from external events. This also includes possible losses resulting from Sharia non-compliance risks, failure in fiduciary responsibilities and legal risk.
Operational risk management forms part of the day-to-day responsibilities of management at all levels. The Fund manages operational risk based on a consistent framework that enables the fund to determine its operational risk profile and systematically identify and assess risks and controls to define risk mitigating measures and priorities.

Shariah non -compliance risk (SNCR)

The Fund attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR) as part of its operational risk management. Islamic Shari'ah compliance forms an integral part of the fund's purpose of establishment. Consequently, the fund effectively manages SNCRs through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shari'ah compliance, while the Shari'ah Compliance function of IsDB Group serves as the 2nd line of defence to strategically manage and monitor SNCRs pre-execution of transactions / operations. The IsDB Group Internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions / operations adopting a risk based internal Shari'ah audit methodology.

20. SEGMENTAL INFORMATION

The main activity of the Fund is to invest in projects for the development of Awqaf real estate properties in the Member Countries of the Organization of the Islamic Cooperation ("OIC") and other countries and the management views its investments and financing as one segment. Therefore, any segmentation of operating income, expenses, assets and liabilities is not applicable to the Fund.

21. UNDISBURSED COMMITMENTS

As at 31 December 2021, the undisbursed commitment relating to ijarah and istisna'a are as shown in the table below:

	2022	2021
Istisnaa	**16,297**	20,400
Ijarah	**7,878**	11,921
Grants	**85**	98
Total	**24,261**	32,419

22. FAIR VALUES OF FINANCIAL ASSETS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through statement of operations:				
Investments in sukuk	**9,136**	**-**	**-**	**9,136**
Total	**9,136**	-	**-**	**9,136**

31 December 2021	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through statement of operations:				
Investments in sukuk	14,494	-	-	14,494
Total	14,494	-	-	14,494

23. SHARI'AH BOARD

The Fund's business activities are subject to the supervision of the IsDB Group Shari'ah Board consisting of members appointed by the Chairman of the IsDB Group in consultation with the Board of Executive Directors of IsDB. The Group Shari'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.
The Board has the following functions:

- to consider all products introduced by the Bank, its affiliates and trust funds for use for the first time and rule on their conformity with the Rules and Principles of the Islamic Shari'ah and lay down basic principles for drafting of related contracts and other documents.

- to give its opinion on the Islamic Shari'ah alternatives to conventional products which the Bank, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the Bank's, its affiliates' and trust funds' experience in this regard.
- to respond to the Islamic Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the Bank, its affiliates and trust funds.
- to contribute to the Bank, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the Bank, its affiliates and trust funds a comprehensive report showing the measure of the Bank's, its affiliates' and trust funds' commitment to the Rules and Principles of Islamic Shari'ah in the light of the opinions and directions given, and the transactions reviewed.

24. LIBOR TRANSITION

Benchmark transition

In July 2017, the Financial Conduct Authority (FCA), the regulator of LIBOR, announced that it will no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021 and, therefore, market participants, including IsDB need to set their pricing on the basis of the alternative reference rates because the availability of LIBOR after this date is not a certainty. The regulators' guidance remains that LIBOR should not be used for new contracts after 2021. In consideration of the regulatory guidance and in preparations for the global markets' transition away from LIBOR, IsDB since 2018 has initiated the LIBOR transition program to facilitate a smooth and orderly transition of its financing and funding instruments effected by alternative reference rates.

The Fund's exposure to LIBOR transition is limited in one (1) currency i.e., USD whereas for EUR, the exposure is against EURIBOR which is not subject to cessation.

Various key milestones were overcome involving:

i) formulation of detailed implementation roadmap and action plan with the help of an external consultant,

ii) formulation and incorporation of enhanced 'fallback' clause for all prospective contracts,

iii) Obtaining clearance from Shariah Technical Committee on use of CME Term SOFR (Chicago Mercantile Exchange 'CME' is an American global markets company. It is the world's largest financial derivatives exchange. CME Group estimates the Term SOFR Reference Rates benchmark as a daily set of forward-looking profit rates for 1-month, 3-month, 6-month and 12-month tenors) as preferred replacement rate to USD LIBOR,

iv) revision in the Sovereign Pricing policy based on new benchmark rates,

v) resource mobilization based on SOFR curve and maintaining the cost pass through mechanism to minimize the ALM (Asset and Liability Management) risks,

vi) initiation of system upgradation project to enable the use of new pricing policy and reference rates

vii) approval of new pricing policy based on alternate benchmark rates applicable for sovereign project financing,

viii) adoption of the alternate reference rate for all the new contracts approved from 2022 onwards,

ix) management approval on the conversion methodology for legacy portfolio impacted due to Libor cessation,

x) engagement with member countries and other counterparts for building census on the conversion methodology,

xi) drafting and sharing of amendment agreements with the paying agencies for their review and feedback.

The Fund has historically used USD LIBOR, US Mid-Swap and EURIBOR benchmark rates as reference rates for pricing financial exposures (both assets and liabilities). The EURIBOR is not expected to be discontinued and hence the Fund can continue using it in future, since EURIBOR has already transitioned to the new principles of transaction-based methodology from earlier quotation-based methodology. For the USD denominated exposures, the Fund's management has taken a decision to replace the USD LIBOR and USD Mid-Swap rates with the CME Term SOFR and USD OIS Mid-Swap rates in respective tenors.

The Fund's decision to select the CME Term SOFR as a replacement rate to USD LIBOR is based on its functional similarities to the sun-settled LIBOR rate. In fact, given it is also a forward-looking term rate and hence its selection as replacement rate is expected to result in minimal implication. Additionally, the revised Sovereign Pricing policy has been formulated in such a way that the transition from LIBOR is not expected to create any impact in terms of changes in economic value at the individual contract level.

IsDB is actively working through this transition from multiple perspectives: project financing and treasury and liquidity, funding, shariah, risk and legal, accounting, operations, information technology, considering the portfolio of existing assets and funding that use LIBOR as a benchmark.

Risks arising from the benchmark reform

The following are the key risk for the Fund that are arose from the benchmark transition.

1. Shariah risk: Given that the Fund must abide but the Shariah principles, the clearance on use of a new benchmark rate for pricing the financial exposures was one of the major milestones in Fund's transition program. However, this risk has been addressed by obtaining the clearance from IsDB's Shariah Technical Committee on use of CME Term SOFR as replacement benchmark.
2. Legal risk: There is a possibility of not reaching an agreement with the counterparts on revised pricing particularly on the legacy contracts. This could be a result of having ineffective fallback clauses in the signed legal agreements. This risk has been addressed with the formulation of enhanced 'Fallback' clause which has been added to all new contracts and for legacy contracts, an external Law firm is in process of drafting amendment agreements while the Fund is engaged with paying agencies and counterparts on building consensus on the conversion of Libor linked outstanding contracts.
3. IT and system risks: It is expected that the booking of new contracts and conversion of legacy contracts from old benchmark to new may require certain enhancements in system functionalities and processes. This risk is addressed by performing thorough business user testing on existing systems, and running various use cases that will be required for utilizing the new reference rates.

Progress towards adoption of alternative benchmark rates

All newly approved sovereign financing contracts now reference the alternative benchmark rate for pricing as adopted by the Fund in its new pricing policy and the legal documentation already included the improved fallback clause.
The Fund's main risk policies such as ALM Framework, Exposure Management Framework and Liquidity Policy will remain effective without requiring any change due to benchmark reform.

Profit rate benchmark transition for non-derivative financial contracts

For EUR denominated contracts, the Fund has historically used EURIBOR as benchmark rate. Therefore, no impact is expected for the Fund because the EURIBOR is not expected to be discontinued since it has already been transformed back in 2019 by the regulator.

For the legacy contracts in Treasury portfolio, the strategy is to wait for the Issuer to propose the alternate pricing to all the issue participants. This is because IsDB is only a participant investor amongst many other investors and hence cannot determine and negotiate an alternate rate on its own. In the absence of any such alternate rate from issuer, it is not possible nor logical to run the impact analysis. Therefore, for legacy treasury assets, strategy is to wait till Q1 2023 for issuer to propose an alternate rate and if not, Treasury will formulate an exit strategy for all such trades.

Same is the case of legacy contracts for non-sovereign financing. IsDB is part of large PPP syndicates and hence IsDB is unable to negotiate an alternate rate with the counterparty. The Syndicate leads are expected to propose alternate rates based on which, IsDB will run the assessment and decide accordingly. IsDB has already communicated to the relevant Lead Syndicate that the preferred alternate reference rate is Term SOFR and it has been confirmed that there is a consensus amongst MDBs on use of Term SOFR for PPP portfolio.

For legacy contracts on Capital Markets, the only exposure linked to LIBOR is a bilateral exposure with another group entity. Therefore, the Capital Markets team has updated the holder of the Sukuk about its strategy is to continue with it till the time we have clarity on all the viable alternate pricing options on the Treasury assets so that the same could be discussed and negotiated with the group entity to agree on one of them. The holder is also in agreement with the Fund on conversion of Term SOFR as new reference rate.

For legacy contracts for sovereign financing, the Fund has decided to follow a gradual approach by allowing early adoption option to its member countries on selective basis. During this period, member countries will be offered the conversion option to the new Sovereign Pricing policy. The relevant regional hubs have already started the engagements with member countries and paying agencies to discuss with them the Fund's transition methodology. In parallel, the Fund is also finalizing the amendment agreements.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with the resolution of the Board of Executive.

ANNEXES

ANNEX 01
CURRENT INVESTORS IN APIF

1. APIF PARTICIPANTS AND THEIR CONTRIBUTION IN THE PAID-UP CAPITAL AS OF 31/12/2022

No.	Name of Participant	Country	Paid-up Capital (US$ Million)	Percentage
1	Islamic Development Bank	Saudi Arabia	32	27.95%
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.51	13.54%
3	Islami Bank Bangladesh Limited	Bangladesh	10.11	8.83%
4	Badan Pengelola Keuangan Haji	Indonesia	10	8.73%
5	Faisal Islamic Bank	Egypt	9.15	7.99%
6	General Authority for Awqaf	Saudi Arabia	7.5	6.55%
7	Monerah Al-Sabhan	Saudi Arabia	6.9	6.03%
8	Kuwait Awqaf Public Foundation	Kuwait	5	4.37%
9	Direct Aid Society	Kuwait	4.46	3.89%
10	Kuwait Finance House	Kuwait	2.5	2.18%
11	Iran Endowment Fund	Iran	2.47	2.16%
12	Social Islamic Bank Bangladesh	Bangladesh	1.75	1.53%
13	International Islamic Fiqh Academy	Saudi Arabia	1.29	1.13%
14	Al-Baraka Islamic Bank	Bahrain	1	0.87%
15	Bahrain Islamic Bank	Bahrain	1	0.87%
16	Tadamon Islamic Bank	Sudan	1	0.87%
17	Jordan Islamic Bank	Jordan	1	0.87%
18	Ministry of Awqaf and Islamic Affairs	Jordan	1	0.87%
19	World Assembly of Muslim Youth	Saudi Arabia	0.87	0.76%
	Total		**114.51**	**100%**

2. BRIEF PROFILE OF THE INVESTORS IN APIF BESIDES IsDB

OIC – Islamic Solidarity Fund[5]

The Islamic Solidarity Fund, a subsidiary organ of the OIC was established in pursuance of a resolution of the Second Islamic Summit Conference, held in Lahore, in Safar, 1394H (February 1974). The Fund is located at the General Secretariat of the OIC in Jeddah, Kingdom of Saudi Arabia. It has the following objectives: to take all possible steps to raise the intellectual and moral levels of the Muslims in the world; to provide required material relief in case of emergencies such as natural catastrophes and man-made disasters, that may befall the Islamic States; and to grant assistance to Muslim minorities and communities so as to improve their religious, social and cultural standards.

Islami Bank Bangladesh Limited[6]

The Islami Bank Bangladesh Limited (IBBL) is a Joint Venture Public Limited Company focused in commercial banking business on the basis of Islamic Sharia. Among private sector banks in Bangladesh, IBBL has the largest branch network with a total of 373 branches, 162 sub-branches, and 2283 agent outlets. Established on the 13th of March in 1983, IBBL is the first Islamic bank in Southeast Asia. The IBBL aspires to establish Islamic banking by promoting a welfare-based banking system and ensuring equity in economic activity. By investing in developmental executions in the less developed areas of the country, IBBL fuels socio-economic levitation and financial stability in rural areas particularly. Besides adhering to Islamic teaching, IBBL adopts a welfare-oriented approach in its projects, prioritizing client welfare, investing in poorer areas of the economy, recruiting highest-caliber human resources, providing stellar work environments, allowing no tolerance of negligent work, and promoting renewable energy usage.

Badan Pengelola Keuangan Haji[7]

Badan Pengelola Keuangan Haji (BPKH) is an institution specialized in the management of Hajj Finance. Based on sharia principles, transparency, and accountability, Hajj Financial Management at BPKH is non-profit and aims to make the Hajj pilgrimage experience more efficient and works to benefit Muslims generally. Taking into account security, prudence, and professionalism, BPKH creates a comprehensive and accountable governance and work system through developing complimentary human resources. BPKH's functions include the implementation, governance, and reporting the development and expenditure of Hajj finance.

Faisal Islamic Bank[8]

Faisal Islamic Bank of Egypt (FIBE) is the first Egyptian Islamic and commercial bank. The Bank officially started its operations on 5/7/1979. The goal of the founders was to establish a bank in Egypt operating in accordance with the Islamic Sharia to serve as a model for Islamic banking all over the world. His Royal Highness Prince Mohammed Al-Faisal Al-Saud - Chairman of the board of directors - presented the idea before a number of Egyptian figures and officials. The Bank was incorporated under Law No. 48 of 1977 which was then endorsed by the Parliament and the Bank was licensed as an economic and social institution taking the form of an Egyptian joint-stock company operating in compliance with the rulings of Islamic Shari'ah. There was a great demand for the bank's shares, resulting in successive increases in the Bank's capital till it reached $ 500 million as an authorized capital against $ 367 million as an issued and fully paid-up capital. The Bank manages about 2 million accounts. Total assets of the Bank reached EGP 90 billion. Today, His Royal Highness Prince Amr Al-Faisal is the Chairman of the Board of Directors as a successor to the late His Royal Highness Prince Mohammed Al-Faisal Aal Saud.

5 Source: https://www.oic-oci.org/page/?p_id=64&p_ref=33&lan=en
6 Source: https://www.islamibankbd.com/
7 Source : https://bpkh.go.id/
8 Source: http://www.faisalbank.com.eg/FIB/english/about-us/incorporation-history.html

General Authority for Awqaf[9]

The General Authority for Awqaf in Saudi Arabia is a public body with legal personality enjoying financial and administrative independence, linked to the Prime Minister based in Riyadh. The General Authority was established in 1431 and its regulations were issued in 1437. The Authority aims at organizing, maintaining, and developing awqaf in a manner that achieves the requirements of the waqf, and enhances its role in economic and social development and social solidarity, in accordance with the purposes of Islamic Sharia and regulations.

Kuwait Awqaf Public Foundation[10] The Kuwait Awqaf Public Foundation was established by virtue of the Emiri Decree of 13 November 1993, which stipulated that the Foundation would exercise the mandated powers of the Ministry of Awqaf and Islamic Affairs in the field of Awqaf to oversee the affairs of Awqaf at home and abroad. The General Secretariat of Awqaf is specialized in promoting Waqf and supporting all aspects related to its affairs, including the management of its funds and investment and disbursement of its proceeds within the conditions of the Waqf. It aims to achieve the legitimate purposes of the Awqaf and to support the development of society culturally and socially as well as to alleviate the burden on the needy in society.

Kuwait Finance House (KFH)[11]

Kuwait Finance House (KFH) is considered a pioneer in the banking phenomenon known as Islamic Finance or Shari'a Compliant Banking. KFH is the first Islamic bank established in 1977 in the State of Kuwait and today it is one of the foremost Islamic financial institutions in the World and one of the biggest lenders in both the local and regional markets. KFH (KSE: KFIN) is a publicly listed company on the Kuwait Stock Exchange (KSE). Its largest shareholders include: Kuwait Investment Authority (Direct), Kuwait Awqaf Public Foundation (Direct), Public Authority for Minors' Affairs (Direct), The Public Institution for Social Security (Indirect), as of 31-December-2014. KFH provides a wide range of banking Shari'a compliant products and services, covering real estate, trade finance, investment portfolios, commercial, retail and corporate banking and is available in Kuwait, Kingdom of Bahrain, Kingdom of Saudi Arabia, United Arab Emirates, Turkey, Malaysia, and Germany.

Direct Aid Association[12]

Direct Aid Association, previously the African Muslims Agency, launched its activity in 1981 as a non-profit NGO with the objective of elevating the quality of life in the most deprived areas of Africa. Interested in the greater good, Direct Aid executes its projects professionally and focuses on large-scale work rather than individual cases. Direct Aid considers education of all types a central element in the process of ameliorating the tragic circumstances in Africa. Rejuvenating Islamic principles and the Prophet's Sunnah, Direct Aid was one of the earliest charitable organizations to establish endowment projects in the Islamic World. Aiming at the neediest social groups, like the sick, orphaned, and stricken by disaster or famine, Direct Aid focuses on developmental projects that target sustainability and promote every sense of righteousness and wellbeing.

Iran Endowment Fund[13]

The Iran Endowment Fund (IEF) is the investment and operating arm of the Waqf and Charity Organization (WCO) in Iran. WCO was established in 1984 as the official body under the Ministry of Culture and Islamic Guidance to oversee, promote, manage and carry out activities and projects that are founded as Awqaf. IEF's objectives are to develop, revive, expand, reconstruct and rehabilitate Awqaf properties, and provide social assistance as directed by the Waqf and Charity Organization.

9 Source: http://careers.awqaf.gov.sa/EN/content.php?ulid=272128-about-awqaf
10 Source: http://www.awqaf.org.kw/EN/Pages/Establishment.aspx
11 Source: https://www.kfh.com/en/home/Personal/aboutus/story.html
12 Source : https://direct-aid.org/donate/en/
13 Source: http://www.icrjournal.org/icr/index.php/icr/article/download/106/102

Social Islami Bank Bangladesh[14]

The SOCIAL ISLAMI BANK LTD (SIBL) is a second-generation commercial bank, operating since 22nd November, 1995 based on Sharia Principles. Today, it has 155 branches spread over Bangladesh with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, SOCIAL ISLAMI BANK LTD, is indeed a concept of 21st century participatory three-sector banking model in one. In the formal sector, it works as an Islamic participatory commercial bank with a human-face approach to credit and banking on a profit and loss sharing basis. It has a Non-formal banking sector as well with informal finance and investment packages that empower and humanize very poor families and create local income opportunities and discourages internal migration. The Bank has another sector to monetize the voluntary sector and management of Waqf, Mosque properties and it has introduced a cash Waqf system for the first time in the history of banking. In the formal corporate sector, this Bank offers the most up-to-date banking services based on a participatory, Sharia-compliant approach.

International Islamic Fiqh Academy[15]

The International Islamic Fiqh Academy (IIFA) is a universal scholarly organization and a secondary organ of the Organization of Islamic Cooperation (OIC). The IIFA was established following the Third Islamic Summit of the Organization on January 25th to 28th, 1981 with headquarters in Jeddah, Kingdom of Saudi Arabia. The Academy, entrusted with explaining Sharia rulings and provisions on issues that concern Muslims around the world, studies modern life issues, performing Ijtihad with the aim of coming up with solutions in light of Islamic Heritage, the Holy Quran, and the Noble Sunnah of the Prophet (PBUH). Seeking to present Shariah moderately while displaying its full capacity, the academy envisions itself as a leading global jurisprudential reference to which Muslim countries and Muslim communities turn for solutions to modern life issues.

Al-Baraka Islamic Bank[16]

As a leading financial institution, Al Baraka Islamic Bank (AIB) has helped to build the infrastructure and reputation of the Islamic finance industry since its establishment in 1984, via its innovative and Sharia-compliant products. Al Baraka Islamic Bank is a retail Islamic bank, licensed by the Central Bank of Bahrain and registered with Bahrain's Ministry of Industry, Commerce, and Tourism, under Commercial Registration No. 14400. It has an authorized capital of US$ 600 million, and an issued and paid-up capital of US$ 122.5 million. AIB is a banking unit of Al Baraka Group (ABG), a joint stock company listed on the Bahrain stock exchange and NASDAQ Dubai. ABG offers treasury services, as well as retail, corporate, and investment banking, all in accordance with Islamic Shari'a. The authorised capital of ABG is US$ 2.5 billion, and total equity amounts to around US$ 2.5 billion. ABG's geographical presence is wide, in the form of subsidiary banking units and representative offices in 16 countries, with all 675 branches providing Shari'a-compliant banking products and services.

Bahrain Islamic Bank[17]

Bahrain Islamic Bank (BisB) was incorporated in 1979 as the first Islamic bank in the Kingdom of Bahrain, and the fourth in the GCC. It has played a pivotal role in the development of the Islamic banking industry and the Kingdom's economy, as it continues to lead innovation. The Bank operates under an Islamic Retail Bank license from the Central Bank of Bahrain and is listed on the Bahrain Bourse. Guided by Islamic principles, BisB has established itself as a pioneer of the Islamic industry and the leading provider of Sharia-compliant integrated financial solutions in the Kingdom of Bahrain. BisB continues to elevate the standards of Islamic banking within the Kingdom, bettering the lives of society as a result.

14 Source: https://www.siblbd.com/home/profile
15 Source: https://iifa-aifi.org/en
16 Source: https://albaraka.bh/en-gb/our-story/
17 Source: https://www.bisb.com/en/about-bisb

Tadamon Islamic Bank[18]

The first meeting of the founders of the Tadamon Islamic Bank was held on the 24th of Jumada II 1401H - 28 April 1981 and appointed a preliminary board of directors from among the members who supervised the early stages of the establishment. The final approval of the Bank to be operational as the second Islamic bank in Sudan came in 1983, headquartered in Parliament Street and ceremonially opened by former President Gaafar el-Nimeiri. The Bank was established as a private sector institution without being part of any group, but it succeeded in strengthening its links with other banks. The Bank has provided a practical model for an Islamic bank that performs all banking activities such as investment operations and other services in a Sharia-compliant manner. Furthermore, the Bank established a Fatwa and Research Department as a unique approach to rooting the banking business in fatwas and research. The Bank's contribution to the Islamic banking business has been to contribute to the development of Islamic banking and the formulation of alternatives in this field, including investment forms and so on.

Jordan Islamic Bank[19]

Jordan Islamic Bank was established in 1978, as a public shareholding limited company to carry out all kinds of banking, financing and investment business operations in compliance with Sharia' and in accordance with the provisions of Jordan Islamic Bank's Special Law, which was superseded by one chapter on Islamic banks in the Banks' Law which was in effect as of 2nd August, 2000. The Bank's first branch commenced its business on 22/9/1979, with a paid up capital of about JD (2) million from its authorized capital that reached JD (4) million. The Bank's capital increased to JD(200) million. In 2010, the Bank changed launched its new corporate identity in order to be unified with the subsidiaries of AlBaraka banking group. The Bank offers its banking, financing and investment services through its (78) branches and (29) cash offices in the different locations in the country, as well as through the Bonded office. The Bank was able to grow rapidly and enhance its position among Jordanian banks, given its focus on Sharia-compliant products.

Jordanian Ministry of Awqaf Islamic Affairs and Holy Places[20]

The Ministry of Awqaf and Islamic Affairs and Holy Places in the Hashemite Kingdom of Jordan was established as a ministry in current form by the temporary law No. (23) for the year 1970. This became permanent under the law No. (28) for the year 1972 after being approved by the National Assembly. The definition of "Awqaf, Islamic affairs and holy places" has been established in these laws by stating that this term means the Islamic Awqaf in the Kingdom, mosques, schools, religious institutes, orphanages and legal colleges that are supported by the budget of the Ministry, Islamic cemeteries, the affairs of Hajj and Issuing Fatwas, as well as mosques that are not supported by the budget of endowments

World Assembly of Muslim Youth[21]

World Assembly of Muslim Youth (WAMY) is a non-profit organization established in 1972 in Saudi Arabia. With 359-member philanthropic organizations and NGOs, WAMY aims to promote peace and union amongst people of different cultures by educating Muslim youth and developing their understanding of various communities and their sense of common good. WAMY holds various interactive workshops and communication campaigns with these objectives. In 1997, WAMY became an agent of the United Nations.

18 Source: http://tadamonbank-sd.com/index.php/ar/pages/details/8
19 Source: https://www.jordanislamicbank.com/en/content/bank-establishment
20 Source: http://www.awqaf.gov.jo/Pages/viewpage.aspx?pageID=147
21 Source: https://wamy.org/

ANNEX 02
APIF COMMITTEES

I. MEMBERS OF THE PARTICIPANTS COMMITTEE OF APIF AS OF 31 DECEMBER 2022

Chairman
Mr. Abdulhamid Abu Mousa
Governor, Faisal Islamic Bank of Egypt

Member
Dr. Muhammad Sulaiman Al Jasser
President, Islamic Development Bank Group, Saudi Arabia

Member
H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi
Chairman of the Council of the OIC-Islamic Solidarity Fund

Member
Prof. Mr. Nazmul Hassan,
Chairman of Islami Bank Bangladesh Limited

Member
Dr Hurriyah El Islamy
Executive Board Member, Foreign Investment and International Relations Badan Pengelola Keuangan Haji, Indonesia

Member
Mrs. Nourah Alhokair
Chief Executive Officer, General Authority for Awqaf, Saudi Arabia

Member
Ms. Monerah Al-Sabhan

Member
Mr. Meshal Abdulaziz Al Nassar
Assistant Vice President, International Real Estate Investment Kuwait Finance House, Kuwait

Member
Eng. Nasir Ahmad Al Kheder
Director of Real Estate Investment Department
Kuwait Awqaf Public Foundation, Kuwait

Member
Dr. Abdullah Abdul Rahman Al Sumait
General Manager of Direct Aid Association – Kuwait
Director of Investments and Awqaf of Direct Aid Association

Member
Mr. Abdulreda Abed
Managing Director, Iran Endowments Reclamation Development Institute, Tehran, Iran

Member
Muhammed. Akmal Hossain
Executive Vice President, Social Islami Bank, Bangladesh

Member
Porf. Dr. Koutoub Moustapha Sano
Secretary General, International Islamic Fiqh Academy (IIFA), Saudi Arabia

Member
Mr. Atif Mousa Dawood Yousif
Minister of Awqaf, Islamic Affairs and Holy Places, Jordan

Member
Mr. Musa Abdel Aziz Shihadeh
Chairman of the Board of Directors and Director General, Jordan Islamic Bank, Jordan

Member
Mr. Hassan Amin Jarrar
Chief Executive Officer, Bahrain Islamic Bank

Member
Mr. Hamad Al-Eqab
Chief Executive Officer and Board Member, Al Baraka Islamic Bank, Bahrain

Member
Mr. Abbas Abdulla Abbas
General Manager, Tadamon Islamic Bank, Sudan

Member
Dr. Mohammed H. Al-Sari
Executive Director, World Assembly for Muslim Youth

II. MEMBERS OF THE SUPERVISORY COMMITTEE OF APIF AS OF 31 DECEMBER 2022

Chairman
H.E. Dr. Muhammad Sulaiman Al Jasser
President, IsDB Group,
Islamic Development Bank

Member
Mr. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi
Chairman of the Council of the OIC-Islamic Solidarity Fund

Member
Hon. Abdulghaffar Al Awadhi
Executive Director,
Islamic Development Bank

Member
Mr. Ibrahim Abdullah Al-Khuzayem
Executive Director,
OIC-Islamic Solidarity Fund

Member
Hon. Hamed Arabi Elhouderi
Executive Director,
Islamic Development Bank

Member
Prof. Mr. Nazmul Hassan, Ph.D
Honorable Chairman,
Islami Bank Bangladesh Limited

Member
Hon. Hassan Jaafar Abdulrahman
Executive Director,
Islamic Development Bank

Member
Mr. Mohammed Monirul Moula
Managing Director & CEO,
Islami Bank Bangladesh Limited

Member
Mr. M. Arief Mufreini
Executive Board Member, Foreign Investment, and International Relations at Badan Pengelola Keuangan Haji, Indonesia

Member
Mr. Fadlul Imansyah
Executive Board Member, Foreign Investment and International Relations at Badan Pengelola Keuangan Haji, Indonesia

Member
Mr. Abdulhamid Abu Mousa
Governor, Faisal Islamic Bank of Egypt,
Egypt

Member
Mr. Fawaz Suleiman Al-Rajhi
Representing Ms. Monerah Al-Sabhan

Member
Ms. Noura Al Hokair
Executive Director, Financial Investments
The General Authority of Awqaf, Saudi Arabia

Member
Mr. Nasir Ahmad Al Kheder
Secretary General,
Kuwait Awqaf Public Foundation,
Kuwait

Member
Mr. Meshal Abdulaziz Al-Nassar*
Assistant Vice President,
Real Estate Investment,
Kuwait Finance House, Kuwait

Member
Dr. Abdullah Abdul Rahman Al Sumait
General Manager,
Direct Aid Association – Kuwait

Member
Mr. Yousef Al Qudah
Director of the Finance and Administrative
Ministry of Awqaf, Islamic Affairs and Holy Places, Jordan

Member
Mr. Abass Abd Allah Abass
General Manager,
Tadamon Islamic Bank

III. MEMBERS OF THE IsDB GROUP SHARIAH BOARD AS OF 31 DECEMBER 2022

Chairman

His Eminence
Shaikh Muhammad
Taqi Usmani

Member

His Eminence
Shaikh Dr. Muhammad Syafii
Antonio

Vice Chairman

His Eminence
Shaikh Abdulla Bin
Sulaiman AlManea

Member

His Eminence
Shaikh Dr. Bashir Aliyu Umar

Member

His Eminence
Shaikh Dr. Usaid AlKilani

Member

His Eminence
Shaikh Dr. Koutoub moustapha
Sano

Member

His Eminence
Shaikh Dr. Mohamed
Raougui

IV. MEMBERS OF THE INVESTMENT COMMITTEE AS OF 31 DECEMBER 2022

H.E. Dr. Zamir Iqbal
Vice President Finance & CFO
Islamic Development Bank

Chairman

Mohamed Hedi Mejai
Director,
Investment Managements Department

Convener

Adil AlSharif
Director,
Special and Trust Funds

Member

Dr. Mansur. A. Noibi
Director,
Legal Department

Member

Dr. Abdourabbih Abdouss
Director,
Risk Management Department

Member

Abdulkadir Farah
Director,
Financial Control Department

Member

Mohammed Sharaf
Director,
Treasury Department

Member

Zine Elabidine Bachiri
Director,
Financial Policies, Planning & Analytics

Member

Aboubacar Kante
Head,
Shari'ah Affairs

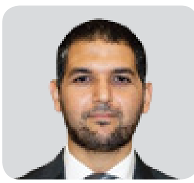
Member

Hamid Abdullah
Manager,
Compliance Division

Member

V. THE APIF IS MANAGED BY THE AWQAF INVESTMENT DIVISION HOUSED IN THE INVESTMENTS DEPARTMENT

Mohamed Hedi Mejai
Director,
Investment Managements
Department



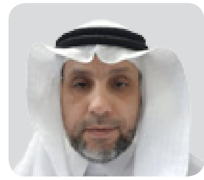
Dr. Mohamed Ali Chatti
Manager,
Awqaf Investments

Dr. Mohamed Ahmed Salem
Lead Awqaf Investment Specialist

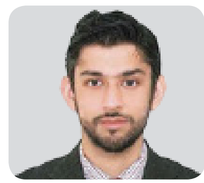
Syed Muhammed Asim Raza
Lead Awqaf Investment Specialist

Mr. Mohamed Guermazi
Lead Awqaf Investment Specialist

Ala Owaidah
Lead Awqaf Investment Specialist

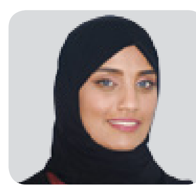


Faisal AlShami
Senior Awqaf Investment
Specialist

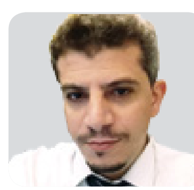


Hassan Mahfooz
Senior Awqaf Investment
Specialist

Yoseph Ataa Alsawady
Awqaf Investment Specialist



Bayan Atallah Almazroui
Fund Management and Marketing
Specialist



Farouk Al Ghazzi
Technical Assistant

ANNEX 03
INFORMATION FOR APIF INVESTORS

THE FOLLOWING INFORMATION IS USEFUL FOR POTENTIAL INVESTORS:

1	**Nature & Legal Form**	APIF is established as a U.S. Dollar denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the Regulations of APIF. The IsDB undertakes the role of Mudarib acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal and KYC, and financial control) as well as the general Islamic-finance-based development ecosystem provided by IsDB. The Islamic Development Bank (IsDB), the Mudarib (fund Manager) is a multilateral development financing institution headquartered in Jeddah, Saudi Arabia. It was founded in 1973 as a specialized institution of the Organization of Islamic Cooperation (OIC). It has 57 shareholding Member Countries.
2	**Shareholders (Participants)**	Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as individual investors.
3	**Organization Structure**	APIF has a Participants Committee, which oversees implementation of the Regulations and the Guidelines for Investment of APIFs financial resources, in addition to looking into the Annual Report and Final Accounts of APIF after their approval by IsDB's Board of Executive Directors. APIF has a Supervisory Committee (a subcommittee of IsDB's Board of Executive Directors) which is responsible for examining the quarterly accounts of APIF and for proposing polices and guidelines to the BED. It is also responsible for the periodic review of APIFs performance and submission of related reports to the Participants Committee and IsDB's Board of Executive Directors. As per APIF regulations, representation on APIF committees is as follows: • All the shareholders investing more than US$1 million (the minimum investment amount) may attend the Participants Committee Meeting of APIF; • The shareholders investing between US$ 5 million (the minimum investment amount) and US$ 10 million have one representative in the Supervisory Committee; and • The shareholders investing more than US$ 10 million have two representatives in the Supervisory Committee.

4	**Capital Structure and Resources**	The authorized capital of APIF is US$500 million divided into 50,000 "A" Certificates with a par value of US$10,000 each. The Mudarib may mobilize additional resources for APIF for investing in specific projects, through syndication, co-financing, or issuing of "B" Certificates that can take the form of Muqarada Certificates, Ijara (Leasing) certificates, etc. The Participants may purchase "B" certificates. To augment the resources of APIF, the IsDB has extended a US$100 million line of financing for APIF to be utilized for the financing of APIF's projects.
5	**Profitability**	Notwithstanding the noble cause for which APIF was established, its operations are market oriented to secure a reasonable return for its investors. The overriding consideration, however, is to ensure continuity of APIF by aiming at building a strong General Reserve to the tune of 50 percent of paid-up capital before ensuring high dividend payout ratios to investors.
6	**Profit Distribution**	Up to 20 percent of any year's net income can be transferred by the Mudarib to the General Reserve. The total scheme of profit appropriations is, therefore, as follows:
7	**Exit Mechanism**	The IsDB undertakes, from the fourth financial year of APIF, to purchase from holders of "A" Certificates not more than 50 percent of the certificates held by each of them provided that such purchase shall not result in the holder being a holder of certificates the aggregate par value of which is less than one million U.S. Dollars.
8	**Security**	The Mudarib (the IsDB) applies very prudent measures for extending financing out of APIFs resources. These measures include, among others, the requirement of Government guarantees, first class bank guarantees, mortgage or insurance cover of renowned credit insurance companies. To guard against concentration of risk, APIF strives to diversify its financing portfolio by setting ceilings for countries and beneficiaries within one country.
9	**External Auditors**	APIF is audited by an internationally reputed audit firm that provides a review and audit of APIF's financial statements.

Profit distribution scheme (item 6):

Particulars	Percent of Total
Mudarib (Management) Fees	10%
General Reserve	0% - 20%
Distributable Dividends	70% - 90%
Total	**100%**

ANNEX 04
INFORMATION FOR APIF BENEFICIARIES

THE FOLLOWING CLARIFIES HOW TO BENEFIT FROM APIF FINANCING:

Scope	**APIF Interventions:** • New construction • Existing property enhancement • Existing property purchase **Including projects in the following sectors:** • Residential, • Commercial, • Retail, and • Mixed-use facilities.
Eligible for APIF Financing	• Awqaf Ministries/Institutions • Charitable Organization/Trusts operating in accordance with Waqf principles in IsDB Member Countries and Non-Member Countries • Beneficiary contribution: o Minimum 25 percent of financing; or o Project land
Main Condition of Financing	At the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust).
Mode of Financing	• Leasing, • Murabaha, or • Any other Sharia-compliant mode of financing
Project Value	Above US$5.0 million (Including land value)
Terms of Financing	The maximum tenor is 15 years including gestation period not exceeding 3 years
Collateral Security	Depends on the nature of the project (Sovereign guarantee, bank guarantee, mortgage, etc.)
Pricing/Mark-up	On a case-by-case basis
Currency of Financing	US Dollars
Documents Required to Apply	• Financing request (letter) including objective of the Waqf, project brief, estimated cost and income. • Registration of the Organization and its By-laws. • Organization Brief (objectives & activities of the organization and its board members). • Land Deed Document (up to date deed with permanent ownership or long-term lease). • Financial statements of the organization for the last 3 years.

صندوق تثمير
ممتلكات الأوقاف
AWQAF PROPERTIES
INVESTMENT FUND

The APIF Investment Guidelines
سياسة الاستثمار و الخطوط الإرشادية
المعدلة لصندوق تثمير ممتلكات الأوقاف

The APIF Financing Guidelines
سياسة التمويل و الخطوط الإرشادية
المعدلة لصندوق تثمير ممتلكات الأوقاف

IsDB
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Kingdom of Saudi Arabia