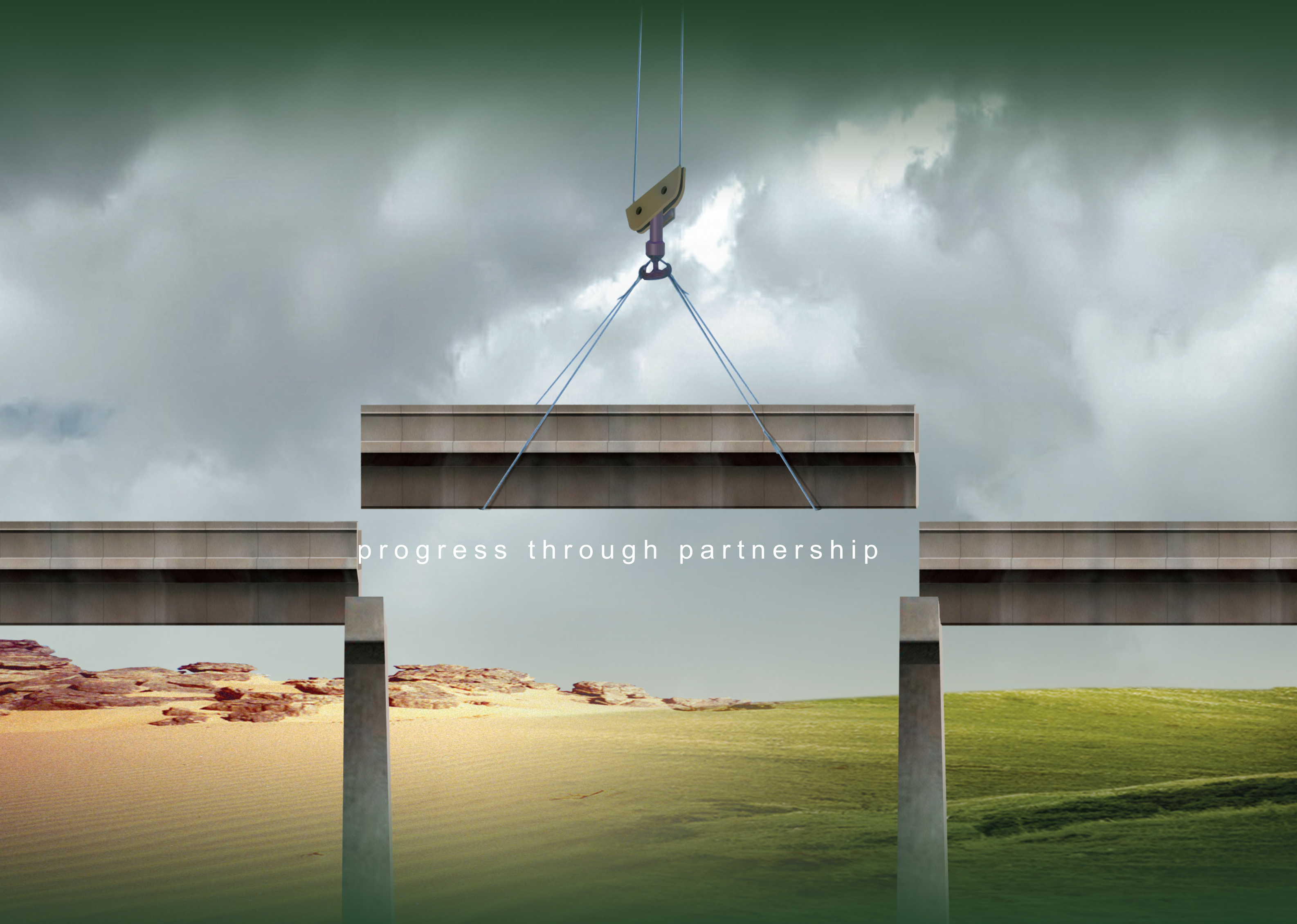
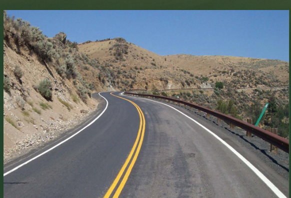
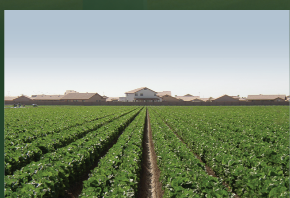
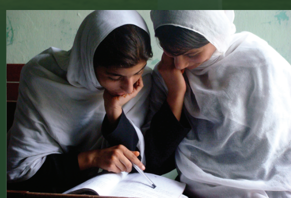
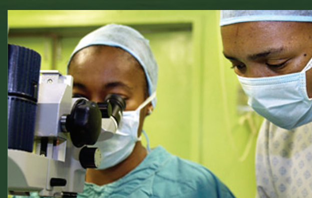
Islamic Development Bank



Financial Statements 1430H - 2009G

DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
Saudi Arabia

ASSOCIATED ACCOUNTANTS
P.O. Box 60930
Riyadh 11555
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
30 Dhul Hijjah 1430H (17 December 2009)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

30 Dhul Hijjah 1430H (17 December 2009)

CONTENTS

DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
Saudi Arabia

ASSOCIATED ACCOUNTANTS
P.O. Box 60930
Riyadh 11555
Saudi Arabia

AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 30 Dhul Hijjah 1430H (17 December 2009) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Ordinary Capital Resources as of 30 Dhul Hijjah 1430H (17 December 2009), and the results of its operations 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) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank.

We also note that the Bank has followed other accounting standards as disclosed in note 2(a) with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards.

For : DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.

Al-Mutahhar Y. Hamiduddin
Registration No. 296

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
Lic. 96 ترخيص رقم ٩٦
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

For : ASSOCIATED ACCOUNTANTS

Hamoud Ali Rubian
Registration No. 222

المحاسبون المتضامنون
محاسبون قانونيون
ترخيص
الربيعان وشريكه
٤٠
Associated Accountants
Certified Public Accountants

28 Rabi'I, 1431H
March 14, 2010G

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 30 Dhul Hijjah 1430H (17 December 2009)

(In Thousands of Islamic Dinars)

	Notes	1430H	1429H
ASSETS			
Cash at banks	3	64,041	74,370
Commodity placements with banks, net	4	1,575,344	1,270,561
Murabaha financing, net	5	580,399	537,010
Accrued income and other assets	6	313,769	267,188
		2,533,553	2,149,129
Istisna'a assets, net	7	1,325,604	912,112
Installment sales financing, net	8	739,638	669,138
Loans, net	9	1,320,094	1,171,485
Ijarah Muntahia Bittamleek, net	10	1,354,098	1,119,080
		4,739,434	3,871,815
Investments in equity capital, net	12	742,219	659,952
Investments in subsidiaries and trust funds:			
Islamic Corporation for the Development of the Private Sector	13	191,940	191,940
Awqaf Properties Investment Fund	14	14,629	14,629
International Islamic Trade Finance Corporation	16	168,735	168,735
Other investments, net	17	277,681	178,812
Property and operating equipment, net	18	57,172	55,382
TOTAL ASSETS		8,725,363	7,290,394
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	19	1,813,448	1,452,796
Sukuk liability	20	1,021,710	379,675
Total liabilities		2,835,158	1,832,471
MEMBERS' EQUITY			
Paid-up capital	22	3,639,867	3,299,009
Capital reserve	23	22,672	22,672
General reserve	24	1,677,938	1,590,120
Fair value reserve		424,965	351,932
Net income for the year		124,763	194,190
Total members' equity		5,890,205	5,457,923
TOTAL LIABILITIES AND MEMBERS' EQUITY		8,725,363	7,290,394

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 28 Rabi'I, 1431H (March 14, 2010G).

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)
(In Thousands of Islamic Dinars)

	Notes	1430H	1429H
Income from:			
Commodity placements with banks	4	17,507	28,658
Investment in Sukuks	17	6,865	8,501
Murabaha financing	5	18,066	28,375
Istisna'a assets	7	49,842	42,430
Installment sales financing	8	32,063	28,100
Loan service fees	9	18,976	23,305
Ijarah Muntahia Bittamleek	10	165,247	143,702
Investments in equity capital	12	31,488	36,450
Mudarib fees & others	14, 6.1	23,695	8,361
		363,749	347,882
Foreign exchange (loss)/gain, net		(10,621)	6,243
Financing cost	19, 20	(31,572)	(43,023)
		321,556	311,102
Administrative expenses:			
Staff costs		(49,638)	(47,922)
Other		(16,842)	(15,030)
		(66,480)	(62,952)
Depreciation:			
Ijarah Muntahia Bittamleek	10	(110,064)	(93,019)
Property and operating equipment	18	(1,860)	(1,600)
		(111,924)	(94,619)
Provision for impairment of assets	11	(18,389)	(13,377)
Net income before gain on liquidation of subsidiaries		124,763	140,154
Gain on liquidation of subsidiaries	15	-	54,036
Net Income		124,763	194,190

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)
(In Thousands of Islamic Dinars)

	1430H	1429H
CASH FLOWS FROM OPERATIONS		
Net income	124,763	194,190
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	111,924	94,619
Provision for impairment of assets	18,389	13,379
Gain from liquidation of subsidiaries	-	(54,036)
Changes in operating assets and liabilities:		
Murabaha financing	(53,443)	139,089
Istisna'a assets	(421,441)	(138,751)
Installment sales financing	(71,296)	(132,207)
Loans	(150,065)	(104,183)
Accrued income and other assets	(46,581)	(61,862)
Accruals and other liabilities	353,527	437,651
Net cash (used in) / from operating activities	(134,223)	387,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	(133,397)	(307,426)
Ijarah Muntahia Bittamleek, net	(344,180)	(244,769)
Investments in equity capital	(10,707)	(8,144)
Investment in Islamic Corporation for the Development of the Private Sector	-	-
Investment in International Islamic Trade Finance Corporation	-	(168,735)
Proceeds from liquidation of subsidiaries	-	168,735
Other investments	(97,407)	(29,153)
Purchase of property and operating equipment, net	(1,790)	(3,083)
Net cash used in investing activities	(587,481)	(592,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in paid-up capital	340,858	233,827
Technical assistance and scholarship program grants	(13,593)	(11,445)
Contribution to the principal of Islamic Solidarity Fund for Development	(67,903)	(62,840)
Payment of ICD capital on behalf of member countries (note 13)	(17,751)	(16,977)
Sukuks	642,035	-
Net cash from financing activities	883,646	142,565
Increase/(decrease) in cash and cash equivalents	161,942	(62,121)
Cash and cash equivalents at the beginning of the year	1,033,076	1,095,197
Cash and cash equivalents at the end of the year (note 25)	1,195,018	1,033,076

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)
(In Thousands of Islamic Dinars)

	Note	Paid-up Capital	Capital reserve	General reserve	Fair value reserve	Net income for the year	Total
Balance at 30 Dhul Hijjah 1428H		3,065,182	22,672	1,523,897	538,121	163,508	5,313,380
Increase in paid-up capital	22	233,827	-	-	-	-	233,827
Net unrealized losses from investments in equity capital	12	-	-	-	(186,189)	-	(186,189)
Increase in the actuarial losses relating to retirement & medical plans	21	-	-	(6,023)	-	-	(6,023)
Payment of ICD share capital on behalf of member countries	13	-	-	(16,977)	-	-	(16,977)
Contribution to the principal amount of ISFD	27			(62,840)			(62,840)
Net income		-	-	-	-	194,190	194,190
Transfer to general reserves		-	-	163,508	-	(163,508)	-
Allocation for grants*		-	-	(11,445)	-	-	(11,445)
Balance at 30 Dhul Hijjah 1429H		3,299,009	22,672	1,590,120	351,932	194,190	5,457,923
Increase in paid-up capital	22	340,858	-	-	-	-	340,858
Net unrealized gains from investments in equity capital	12	-	-	-	73,033	-	73,033
Increase in the actuarial losses relating to retirement & medical plans	21	-	-	(7,125)	-	-	(7,125)
Payment of ICD share capital on behalf of member countries	13	-	-	(17,751)	-	-	(17,751)
Contribution to the principal amount of ISFD	27	-	-	(67,903)	-	-	(67,903)
Net income		-	-	-	-	124,763	124,763
Transfer to general reserves		-	-	194,190	-	(194,190)	-
Allocation for grants*		-	-	(13,593)	-	-	(13,593)
Balance at 30 Dhul Hijjah 1430H		3,639,867	22,672	1,677,938	424,965	124,763	5,890,205

* According to the Board of Governors' resolution No. BG/2-430, and the Board of Executive Directors' resolution No. BED/BG/3-430, 5% of the Bank's 1429H net income but not less than US$ 5 million was allocated to finance Technical Assistance Operations in the form of grants during the year 1430H.

According to the Board of Governors' resolution No. BG/3-430, and the Board of Executive Directors' resolution No.BED/BG/4-430, an amount equivalent to 2% but not less than US Dollars 2 million of the net income for 1429H was allocated for the Merit Scholarship Programme in the form of grants for the year 1430H.

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 Dhul Hijjah 1430H (17 December 2009)

1. INCORPORATION AND ACTIVITIES

Islamic Development Bank (the "Bank") is a multilateral financial institution established pursuant to Articles of Agreement signed and ratified by its member countries. The Bank commenced its operations on 15 Shawwal 1395H (20 October 1975). The purpose of the Bank is to foster economic development and social progress of member countries and Muslim communities, individually as well as jointly, in accordance with the principles of Shari'ah. The Bank has 56 member states.

All of the Bank's operational assets are considered as sovereign debts made to or guaranteed by the respective member countries or investments in member countries, which are guaranteed in manner acceptable to the Bank.

As a multilateral institution, the Bank is not subject to an external regulatory authority.

The Bank consults the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to provide it with Shari'ah advice. In 1422H, the Bank also established its own Shari'ah Advisory Committee.

The Bank carries out its business activities through its headquarters in Jeddah, Saudi Arabia, its regional offices in Morocco, Malaysia and Kazakhstan, and the following affiliated entities/trust funds:

Entity	Relationship	Equity Ownership 1430 H	Equity Ownership 1429 H	Nature of Business
Islamic Corporation for the Insurance of Investment and Export Credit	Management services	-	-	Insurance services
Islamic Development Bank - Unit Investment Fund (UIF)	Mudarib	-	-	Investment finance
Islamic Corporation for the Development of the Private Sector	Equity participation (subsidiary)	62.5%	70%	Private sector finance
Special Account Resources Waqf Fund	Management services	-	-	Social sector finance
Awqaf Properties Investment Fund	Mudarib and equity Participation	33%	34%	Social sector finance
International Trade Finance Corporation	Equity participation (subsidiary)	40%	50%	Trade Finance
Islamic Solidarity Fund for Development	Management services	-	-	Social sector finance

The financial statements of the Bank are expressed in thousands of Islamic Dinars (ID). Islamic Dinar is the unit of account of the Bank and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The financial statements reflect the assets, liabilities and results of operations of the Ordinary Capital Resources of the Bank, as defined in the Articles of Agreement. The financial statements exclude the balances and results of operations of the Bank's subsidiaries and certain special trust funds, which are managed and/or operated by the Bank. The Bank prepares separate consolidated financial statements, which reflect the assets, liabilities and results of operations of the Bank's subsidiaries and trust funds over which the Bank exerts control.

The Bank's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with Article 8.2 of the Financial Regulations of the Bank and with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank. For matters which are not covered by AAOIFI standards, the Bank uses the relevant standard issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

b) Critical accounting judgments and estimates

The preparation of financial statements in conformity with the basis of preparation as mentioned above requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Post-employee benefits plans:

The Bank uses the projected unit credit method to determine the present value of its defined benefit plans and the related service costs. In this regard, the Bank uses certain assumptions of discount rates, expected return on plan assets and rate of salary increases which may differ from the actual experiences. However, these experiences are revised every three years when an actuarial estimate of the benefits plans is carried out. Any experience adjustment is taken directly to Members' equity.

ii) Provision for impairment of assets:

The Bank exercises judgement in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in notes 2(j) and 11.

iii) Useful lives of property and equipment:

The Bank uses estimates of useful lives of property and equipment for depreciating these assets.

c) Post-employment benefits plans

The Bank has two defined post-employment benefit plans, the Staff Retirement Plan and the Post-Employment Medical Scheme, both of which require contributions to be made to separately administered funds. The Bank uses the Projected Unit Credit Method to determine the present value of its defined benefit plan and the related service costs.

Actuarial gains or losses, if material, are recognized immediately in the Members' Equity in the year they occur.

d) Translation of currencies

Transactions in currencies other than the Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of SDR rates declared by the International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

e) Revenue recognition

Income from placements with Islamic and conventional banks is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

Any income from cash and cash equivalents and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Bank's statement of income but is transferred to Special Account Resources Waqf Fund (an affiliate).

Income from lease participation pools is recognized based on the valuation reports received from the pool managers. Provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

Income from investments in Sukuk is accrued on a time apportionment basis using the rate of return advised by the issuing entities.

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

Income from Istisna'a assets is recognized using the percentage-of-completion method. The percentage of completion is determined based on the proportion of the cost incurred to date to the total cost of the project.

Income from loan service fees is accrued according to the loan agreement.

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

Income from investments in subsidiaries and trust funds are recognized when dividends are declared.

Mudarib fee income is recognized on accrual basis.

f) Operational assets

Operational assets consist of receivables from Murabaha financing, Istisna'a assets, installment sales financing, loan contracts and Ijarah Muntahia Bittamleek assets as follows:

(i) Murabaha

Murabaha is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha financing are stated at the cost of goods sold or disbursements made to the beneficiaries plus income recognized by the Bank to the date of the statement of financial position, less repayments received.

(ii) Istisna'a

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received.

(iii) Installment sale

Installment sale is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin which is to be repaid on installment basis according to the terms of the signed agreement.

Amounts receivable from installment sales financing are stated at the gross amount receivable from the beneficiaries, net of unearned income.

(iv) Loans

Loans and advances are recognized when cash is advanced to the borrowers.

Amounts receivable from loans represent amounts disbursed in respect of projects plus the loan service fees due, less repayments received relating to the outstanding capital portion of the loan as determined according to the loan agreements.

(v) Ijarah Muntahia Bittamleek

Ijarah is an agreement whereby the Bank, acting as a lessor, purchases according to the customer request (lessee), based on his promise to lease the asset for an agreed rent for a specific period. The lessee has the right to buy the asset at the end of the lease term with or without consideration upon completion of all payments due.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank, either individually or through a syndicate agreement and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements. The assets are stated at cost less the accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put in use.

g) Investment deposit scheme

Resources from the investment deposit scheme are included as part of the Bank's Ordinary Capital Resources. The scheme's Regulations provide that returns due to investment depositors are determined in relation to the current mark-up applicable to foreign trade financing at the date of receipt of the deposits. The Bank deducts a proportion in respect of its administrative costs of the scheme, except for deposits placed by the Bank's staff retirement plans.

h) Investments in equity capital

Investments in equity capital are intended to be held for long-term period, and may be sold in response to needs for liquidity or changes in equity prices. Such investments are measured at fair value, and any unrealized gains arising from the change in their fair value are recognized directly in the fair value reserve under Members' Equity, whereas, unrealized losses resulting from re-measurement at fair value are recognized in the fair value reserve under Members' Equity to the extent of the available balance. Excess of unrealized loss over the available balance is recognized in the statement of income. In case there are unrealized losses that have been recognized in the statement of income in previous years, the unrealized gains related to the current year are recognized in the statement of income to the extent of such previous losses.

Effective from July 2008, AAOIFI amended FAS 17 on investments whereby the unrealized losses exceeding the available balance (except for impairment losses) resulting from re-measurement of investments at fair values are recognized in the fair value reserve under Members' Equity.

The change in this accounting policy did not have any material impact on the reported amounts as of and for the year ended 30 Dhul Hijjah 1429H.

The Bank exercises judgement to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, the Bank 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.

Investments available-for-sale whose fair value cannot be reliably measured is carried at cost, less provision for any impairment in the value of these investments.

i) Murabaha-based profit rate and cross currency swaps

The Banks uses Murabaha-based profit rate and cross-currency swaps for asset/liability management and hedging purposes to modify markup rate or currency characteristics of the sukuk issues and financing extended. While IAS 39 allows hedge accounting, the Bank has elected not to apply hedge accounting to any qualifying hedging relationship, but rather to classify all such instruments as held-for-trading.

These instruments 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 income. Murabaha-based profit rate swap or cross-currency swap with positive fair values are recognized as financial assets and those with negative fair values are recognized as financial liabilities.

j) Impairment of financial assets

Operational assets:

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. Accordingly, the Bank determines the provision for impairment losses based on an assessment of incurred losses. This involves a review of the financial assets on the balance sheet date in order to determine if there are any indications of impairment in their value individually; and also the losses that the Bank suffers as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries due to its participation in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC). The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return of the financial asset mentioned in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

Adjustments to the provision are recorded as a charge or credit to income. In determining the adequacy of the provision, the Bank takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other financial assets:

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its estimated fair value.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

k) Investments in lease participation pools and real estate funds

Investments in lease participation pools and real estate funds are stated at cost and are assessed for impairment based on the valuation reports received from the pool managers.

Provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

l) Investments in consolidated subsidiaries and trust funds

Investments in consolidated subsidiaries and trust funds over which the Bank exerts control are carried at cost. The Bank's share of dividends distributed by the subsidiaries and trust funds are recognized in the statement of income.

The Bank also prepares separate consolidated financial statements in which the results of its subsidiaries and other funds, over which the Bank exerts control, are consolidated.

The following is a summary of the financial information (in thousands of ID) for the unconsolidated subsidiaries and trust funds as of end of Dhul Hijjah and for the years then ended:

	1430H	1429H
Income from operations	56,970	58,291
Net income	7,034	30,189
Total assets	993,791	810,858
Total liabilities	160,974	73,978

Apart from the above subsidiaries and trust funds, the Bank also manages the Special Account Resources Waqf Fund which, along with Organisation of the Islamic Conference is currently managing Kafala (Sponsor) programs such as Tsunami Orphans and others from donations received from philanthropists. As of 30th Dhul Hijjah 1430H, the net assets under such programs amounted to ID 481 million (1429H : ID 504 million)

m) Property and operating equipment

Property and operating equipment are recorded at cost, except for donated land, which is recorded at its market value at the time of acquisition.

Land is not depreciated. Other property and operating equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Permanent headquarters building	40 years
Pre-fabricated buildings	6 2/3 years
Furniture and equipment	4 to 10 years
Motor vehicles	5 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

n) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

o) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements with banks having a maturity of three months or less at the date of acquisition.

(In Thousands of Islamic Dinars)

3. CASH AT BANKS

Cash at banks at end of Dhul Hijjah comprises the following:

	1430H	1429H
Cash on hand	230	234
Current accounts	27,206	18,486
Call accounts	36,605	55,650
Total	64,041	74,370

Current accounts at end of Dhul Hijjah 1430H include ID 11.58 million (1429H - ID 11.63 million), which represent balances in member countries' currencies. These current account balances are to be used to finance operations and projects in the countries in which these accounts are maintained. For each such account, the country is required to maintain the counter-value in local currency

4. COMMODITY PLACEMENTS WITH BANKS, NET

Commodity placements with banks at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Placements with Islamic banks	21,158	47,770
Placements with conventional banks	1,639,558	1,359,078
	1,660,716	1,406,848
Less: Provision for impairment (note 11)	(5,028)	(4,143)
Less: Third party placements	(80,344)	(132,144)
Commodity placements with banks, net	1,575,344	1,270,561

Placements with Islamic and conventional banks are utilized in the purchase and sale of commodities. Trading is conducted by Islamic and conventional banks on behalf of the Bank. The discretion of the Islamic and conventional banks over buying and selling is limited by the terms of the agreements between the Bank and the Islamic and conventional banks. The banks have guaranteed the liability of the third parties in respect of all transactions.

(In Thousands of Islamic Dinars)

5. MURABAHA FINANCING, NET

Murabaha financing at the end of Dhul Hijjah comprises the following:

	1430H	1429H
Gross amounts receivable	608,009	599,034
Less: share of syndicate members	(450)	(44,203)
Less: Unearned income	(4,520)	(12,688)
	603,039	542,143
Less: Provision for impairment (note 11)	(22,640)	(5,133)
Murabaha financing, net	580,399	537,010

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Bank as a result of default by the customer prior to the sale of goods would be made good by the customer. After the establishment and commencement of commercial operations by ITFC (note 16), the Bank's foreign trade operations are being managed by ITFC effective 1 Muharram 1429H for which ITFC charges a Mudarib fee. The Mudarib fee for the year ended 30 Dhul Hijjah 1430 was ID 2.06 million (1429H: ID 1.2 million) which has been netted off from the income from Murabaha financing. As of 30 Dhul Hijjah 1430H, the total funds with ITFC under Mudarbah arrangement was ID 491 million (1429 H: 229.6 million)

The Bank has entered into joint Murabaha financing agreements with certain entities. The share of syndicate members represent the portion of gross amounts receivable relating to those entities.

Income from Murabaha financing for the years ended at the end of Dhul Hijjah comprises the following:

	1430H	1429H
Total income from Murabaha financing	18,066	28,468
Less: Share of investment depositors (note 2g)	-	(93)
Income from Murabaha financing, net	18,066	28,375

6. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Accrued income from placements	5,062	7,179
Accruals from projects	159,629	159,814
IDB Group current accounts (note 29)	121,312	68,808
Staff loans and advances	5,375	8,122
Murabaha based swaps (note 6.1)	11,627	-
Prepayments and other assets	10,764	23,265
Total	313,769	267,188

(In Thousands of Islamic Dinars)

6.1 MURABAHA BASED SWAPS

During the year, the Bank entered into the following Murabaha based swaps with two financial institutions:

a) Profit rate swaps:

Under the arrangement, the Bank shall swap fixed profit rate with floating profit rate with the counterparty. The contracts amounts of the swaps were USD 100 million (for certain related party receivables) and USD 850 million (for Sukuks issued during the year for the same amount).

b) Cross currency profit rate swap:

The Bank has issued SGD 200 million Sukuks during 1430H. In order to provide protection against exchange rate fluctuations between the SGD and USD and the profit payments under the Sukuks, the Bank entered into a cross currency profit rate swap for the contract amount of SGD 200 million. Under the arrangement, the Bank shall swap floating profit rate in USD quarterly with floating profit rate in SGD semi-annually with the counterparty.

For Murabaha-based Profit Rate Swaps and Cross Currency Swaps, the counter parties will act as an agent of the bank to buy and sell Shariah compliant assets for immediate delivery. Under this arrangement Murabaha generates fixed payments (comprising both a cost price and a fixed rate profit mark up) or vice versa and a series of corresponding Reverse Murabaha contracts generating the floating leg payments (the cost price is fixed but the profit rate mark up is floating) or vice versa.

The table below shows the positive and negative fair values of Murabaha-based profit rate swaps and cross currency swaps and together with the cost price of Murabaha and Reverse Murabaha transaction on net basis.

	1430H					
	Positive Fair value	Negative Fair value	Contract amount Total	2-3 Years	3-5 Years	Over5 years
Murabaha based profit rate swaps	11,627	581	692,938	151,831	541,107	-

(In Thousands of Islamic Dinars)

7. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Istisna'a assets in progress	985,196	760,942
Istisna'a receivables	461,279	200,188
	1,446,475	961,130
Less : Unearned income	(119,183)	(47,826)
Istisna'a assets, net	1,327,292	913,304
Less : Provision for impairment (note 11)	(1,688)	(1,192)
	1,325,604	912,112

8. INSTALLMENT SALES FINANCING, NET

Receivable from installment sales financing at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Gross amounts receivable	1,074,147	976,064
Less: Unearned income	(324,108)	(297,321)
	750,039	678,743
Less: Provision for impairment (note 11)	(10,401)	(9,605)
Installment sales financing, net	739,638	669,138

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

9. LOANS, NET

Loan balances at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Loans	1,399,841	1,249,776
Less: Provision for impairment (note 11)	(79,747)	(78,291)
Loans, net	1,320,094	1,171,485

(In Thousands of Islamic Dinars)

10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprises the following:

	1430H	1429H
Cost:		
Assets not yet in use:		
At the beginning of the year	646,014	473,009
Additions	348,891	261,582
Transferred to assets in use	(124,221)	(88,577)
At the end of the year	870,684	646,014
Assets in use:		
At the beginning of the year	935,834	1,002,773
Transferred to beneficiaries and disposal due to early repayment	(21,838)	(155,516)
Transferred from assets not yet in use	124,221	88,577
At the end of the year	1,038,217	935,834
Total cost	1,908,901	1,581,848
Accumulated depreciation:		
At the beginning of the year	(435,239)	(480,923)
Transferred to beneficiaries and disposal due to early repayment	15,267	138,703
Charge for the year	(110,064)	(93,019)
At the end of the year	(530,036)	(435,239)
Balance at the end of the year	1,378,865	1,146,609
Less: Provision for impairment (note 11)	(24,767)	(27,529)
Ijarah Muntahia Bittamleek, net	1,354,098	1,119,080

Included in assets in use is an amount of ID 164.6 million (1429H - ID 34.6 million) that represents the cost of fully depreciated assets, which will ultimately be transferred to the beneficiaries under the terms of the lease agreements. Certain of the assets referred to above represent the Bank's share in the lease pool (also see note 2f).

(In Thousands of Islamic Dinars)

11. PROVISION FOR IMPAIRMENT OF ASSETS

The movement in the provision for impairment is as follows:

	1430H	1429H
Balance at the beginning of the year	187,898	174,521
Charge for the year	18,389	13,377
Balance at the end of the year	206,287	187,898

The above impairment provision consists of the following:

a) The differences between the carrying amount of the related financial and non-financial assets and the net present value of the expected future cash flows discounted at the implicit rate of return of the assets mentioned in the respective agreements. These differences arise either as a result of agreed rescheduled installments or management's best estimates of the timings of future cash flows from such financial and non-financial assets.

b) A portfolio provision based on management's assessment of unidentified losses present in the portfolio using the country risk ratings and a probability analysis of the rates and severity of defaults.

c) The impairment provision for equity capital investment is based on difference between the investment carrying value and its fair value / net book value as of the end of Dhul Hijjah.

As of end of Dhul Hijja, following were the ageing of operating assets which were overdue and considered impaired by the management of the Bank. A portion of the impairment provision calculated based on the above methodology relate specifically to these impaired receivables:

	1430H				
	0-6 months	7 – 12 months	1-2 years	Over two years	Total
Murabaha financing	69,000	-	-	-	69,000
Installment Sales financing	-	-	96	5,093	5,189
Loan	-	34	113	7,464	7,611
Ijara receivables	-	47	94	18,362	18,503
Total	69,000	81	303	30,919	100,303

	1429H				
	0-6 months	7 – 12 months	1-2 years	Over two years	Total
Murabaha financing	152	152	304	1,677	2,285
Installment Sales financing	-	-	-	2,133	2,133
Loan	54	54	132	10,741	10,981
Ijara receivables	72	122	245	21,303	21,742
Total	278	328	681	35,854	37,141

(In Thousands of Islamic Dinars)

The remaining provision for impairment relates to HIPIC countries' rescheduled installments under the HIPIC initiative and portfolio provision based on the management's best estimate of the losses present in the portfolio.

Income on the impaired financial assets included in the statement of income for the year ended 30th Dhul Hijjah 1430H is ID 2.2 million (1429H – ID 1.5 million).

Following are the ageing of the balances which were overdue and not considered impaired by the management of the bank. Out of which ID 30 million have been received subsequent of the year end.

	1430				
	0-6 months	7 – 12 months	1-2 years	Over two years	Total
|Amount overdue but not considered impaired	14,545	6,780	7,601	2,241	31,167

	1429				
	0-6 months	7 – 12 months	1-2 years	Over two years	Total
|Amount overdue but not considered impaired	1,937	821	46	442	3,246

12. INVESTMENTS IN EQUITY CAPITAL, NET

The Bank undertakes equity investments in industrial and agro-industrial projects, Islamic banks and Islamic financial institutions of member countries. In accordance with the Bank's policy, such investments should not exceed one third of the investee companies' capital. The Bank's policy is not to have control or exercise any significant influence over the financial and operating policies of the investees, notwithstanding the ownership interest held or Bank's representation on the Board of Directors of the investee companies.

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Investments in equity capital at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Equity investments:		
Listed	631,884	542,733
Unlisted (including profit sharing projects)	170,828	176,239
	802,712	718,972
Less: Provision for impairment (note 11)	(60,493)	(59,020)
Investments in equity capital, net	742,219	659,952

The movement in equity capital investments is summarized as follows:

	1430H	1429H
Balance at the beginning of the year	659,952	844,376
Additions during the year	16,918	18,603
Capital redemption on profit sharing projects	(6,211)	(10,461)
Provision for impairment	(1,473)	(6,377)
Net unrealized gains / (losses)	73,033	(186,189)
Balance at the end of the year	742,219	659,952

13. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced operations following the inaugural meeting of the General Assembly held on 6 Rabi Thani 1421H (8 July 2000). According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with the principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion and modernization of private enterprises producing goods and services in such a way as to supplement the activities of the Bank. As of end of Dhul Hijjah 1430H, the Bank owns 62.25% (1429H - 70%) of the paid-up capital of the Corporation. The Bank paid ID 17.7 million during 1430H (1429H – ID 16.9 million) on behalf of the member countries towards the share capital of ICD, which has been appropriated against the General Reserve.

14. AWQAF PROPERTIES INVESTMENT FUND

Awqaf Properties Investment Fund (the "Fund") is a specialized Trust fund established pursuant to the Articles 2 and 23 of the Articles of Agreement establishing the Bank and the Memorandum of Understanding signed between the Bank, Awqaf Ministries and Institutions of Islamic countries in the year 1422H. The Fund commenced its operations on 1 Rajab 1422H (19 September 2001). The objective of the Fund is to develop and invest, in accordance with the principles of Shari'ah, Awqaf real estate properties that are socially, economically, and financially viable in the member countries of IDB and Islamic communities in non-member countries. As of end of Dhul Hijjah 1430H, the Bank owns 32.8% (1429H – 33.8%) of the paid-up capital of the Fund.

15. INVESTMENTS IN EXPORT FINANCING SCHEME (EFS) AND ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT (IBP)

Pursuant to the Board of Governors' directives, EFS and IBP were placed into liquidation during 1427H. The operations of EFS and IBP were taken up by ITFC (note 16) and the net assets after liquidation were to be paid to ITFC to form part of ITFC capital.

During the year 1429H, the Bank liquidated majority of the assets of EFS and IBP and settled their liabilities. The sales proceeds were paid to ITFC during the year 1429H. The gain recognized in the income statement represents the difference between the net book value of EFS and IBP and the cost of Bank's investment in those subsidiaries.

(In Thousands of Islamic Dinars)

16. INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)

As mentioned in note 15, the Board of Governors of IDB during their 30th meeting held on 17 Jumad Awwal 1426H (24 June 2005) approved the establishment of the International Islamic Trade Finance Corporation to focus primarily on trade finance operations for the IDB Group. The Articles of ITFC came into effect on 29 Dhul Qadah 1427H (20 December 2006) and it commenced its commercial operations on 1 Muharram 1429H (10 January 2008).

During 1429H the Bank paid ID 168,735 million towards the subscription of 26,637 shares of US$ 10,000 each in ITFC which represents 40.4% of the paid up share capital as of 30 Dhul Hijjah 1430H (1429H – 49.9%).

17. OTHER INVESTMENTS, NET

Other investments at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Lease and Real Estate Funds	24,232	13,669
Investment in Sukuks	254,972	168,128
	279,204	181,797
Less: Provision for impairment (note 11)	(1,523)	(2,985)
Other investments, net	277,681	178,812

Lease and real estate funds are investments managed by third party Islamic institutions in which the Bank has made specific investments as part of its management of liquidity.

Investment in Sukuk certificates at the end of Dhul Hijjah 1430H and 1429H represents a share in the Sukuks issued by various governments and certain other entities which have been measured at cost, as their fair value cannot be reliably measured.

(In Thousands of Islamic Dinars)

18. PROPERTY AND OPERATING EQUIPMENT, NET

Property and operating equipment at the end of Dhul Hijjah comprise the following:

	Land	Buildings	Furniture, equipment and vehicles	Total
Cost				
At 1 Muharram 1430H	13,043	104,274	32,074	149,391
Additions during the year	-	131	3,540	3,671
	13,043	104,405	35,614	153,062
Less: share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1430H	-	(31,851)	(5,273)	(37,124)
Allocations during the year	-	-	(21)	(21)
	-	(31,851)	(5,294)	(37,145)
At 30 Dhul Hijjah 1430H	13,043	72,554	30,320	115,917
Accumulated depreciation				
At 1 Muharram 1430H	-	47,858	26,393	74,251
Charge for the year		2,282	398	2,680
	-	50,140	26,791	76,931
Less: share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1430H	-	(12,061)	(5,305)	(17,366)
Allocation during the year	-	(799)	(21)	(820)
	-	(12,860)	(5,326)	(18,186)
At 30 Dhul Hijjah 1430H		37,280	21,465	58,745
Net book value:				
30 Dhul Hijjah 1430H	13,043	35,274	8,855	57,172
30 Dhul Hijjah 1429H	13,043	36,626	5,713	55,382

(In Thousands of Islamic Dinars)

Included in property and operating equipment is an amount of ID 13 million which represents the estimated market value of land at the time of donation, by the Government of the Kingdom of Saudi Arabia (see note 23).

The cost of the Bank's permanent headquarters building was funded out of the Bank's ordinary resources and out of special assistance accounts resources. The cost and depreciation of the permanent headquarters building and related furniture and equipment were split according to the following proportions:

The Bank - Ordinary Capital Resources	65%
Special Account Resources Waqf Fund	35%

Also, a portion of other equipment cost and its related depreciation are charged to Islamic Research and Training Institute and Special Assistance Administration, which are part of the Special Account Resources Waqf Fund.

19. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Investment deposits	2,266	2,677
IDB group current accounts (note 29)	120,525	63,984
Accruals	25,249	23,211
Accrued pension liability (note 21)	26,698	19,848
Murabaha based swaps (note 6.1)	581	-
Other liabilities	1,638,129	1,343,076
Total	1,813,448	1,452,796

The Bank has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank has purchased certain commodities from these banks on deferred payment basis and has simultaneously sold these through those banks to third parties. Included in other liabilities above, is an outstanding balance of ID 1,545 million as of 30 Dhul Hijjah 1430H (1429H: ID 1,252 million) which represents the purchase price under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1430H is ID 21.57 million (1429H: ID 24.02 million)

Investment deposit scheme

The Bank operates the investment deposit scheme to provide investors with an Islamic alternative for making short-term investments through participation in the financing of the Bank. The funds are intended to supplement the Bank's own resources and are restricted for investment in the financing of foreign trade.

Funds of ID Nil million at end of Dhul Hijjah 1430H (1429H - 0.03 million) relating to the Bank's staff retirement and medical plans are invested in the investment deposit scheme.

(In Thousands of Islamic Dinars)

20. SUKUK LIABILITY

The Bank issued following global Sukuks by selling global Sukuk Certificates through special purpose companies established under the laws of Jersey, Channel Island and Malaysia.

Date of Issue	Issuing Currency	Amount	ID Equivalent	Maturity Date
22 Jun 2005	USD	500,000	318,299	22 Jun 2010
20 Aug 2008	MYR	300,000	55,598	20 Aug 2013
30 Mar 2009	MYR	100,000	18,533	28 Mar 2014
16 Sep 2009	USD	850,000	541,108	16 Sep 2014
14 Sep 2009	SGD	200,000	88,172	14 Sep 2012
			1,021,710	

The Sukuk Certificates confer on certificate holders the right to receive periodic distribution amounts arising from certain Ijarah transactions, which were originated by the Bank. The Bank continues to service these assets, and guarantees as a third party, any shortfall in the scheduled installments. The proceeds from the issuance of SGD$ 200 million Sukuk were swapped into US$ 138.5 million by the Bank at a fixed exchange rate of US$ 1 = SGD$1.444. The fixed exchange rate is valid through maturity of the Sukuk in September 2012.

The Bank continues to recognize the Sukuk assets and records the amounts due to the holders of Sukuk Certificates as a liability in its financial statements.

The finance cost for the year ended 1430H is ID 13 million (1429H: ID 19 million)

21. RETIREMENT BENEFITS

The Bank has a defined Staff Retirement Pension Plan that covers substantially all of its staff. In addition, the Bank provides medical retirement benefits for eligible active retired staff through its Post-Employment Medical Scheme.

a. Staff Retirement Pension Plan

The Staff Retirement Pension plan is a defined benefit pension plan established and maintained by IDB and covers most employees on regular appointment who receive a regular stated remuneration from the Bank. It became effective on 01 Rajab, 1399H. The Pension Committee is responsible for the oversight of investment and actuarial activities of the Plan, which includes the IDB's contribution to the Plan. The Bank underwrites the investment and actuarial risk of the plan.

The main features of the plan are:

(i) normal retirement age is the 60th anniversary of the participant's birth;

(ii) on retirement, the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

Under the Plan, the employee contributes at a rate of 7% of the salary (basic plus cost of living allowance) while the Bank typically contributes 14.88%, but may vary such contribution based on the results of the actuarial valuations.

The Plan assets are held and managed by IDB but recorded separately from the Bank's other assets and is used solely to provide the benefits and pay expenses of the Plan. The Bank pays all the administrative expenses of the Plan. The Plan's assets are invested in accordance with the policies set out by the Bank.

(In Thousands of Islamic Dinars)

b. Post-Employment Medical Benefit Scheme

Effective 1 Muharram 1421H, the Bank established the medical benefit scheme for retirees vide resolution BED/18/10/418(176) dated 18 Shawwal 1418H. In accordance with the said resolution, the Post-Employment Medical Benefit Scheme is to be funded jointly by the Bank and staff at 1% and 0.5%, respectively.

The purpose of the Post-Employment Medical Benefit Scheme is to pay a monthly amount to eligible retiree staff towards their medical expenses. The administration of the Post-Employment Medical Benefit Scheme is independent of the Staff retirement benefit Plan and contributions are invested in a similar manner to that of the Staff Retirement benefit Plan under the management of the Pension Investment Management Committee. The monthly entitlements payable for each retiree is computed according to the following formula:

Monthly highest average remuneration X 5 (being minimum contribution period) X 0.18%

The following table summarizes the movements on the present value of the defined benefit obligation:

	Staff Retirement Plan		Medical Benefit Scheme	
	1430H	1429H	1430H	1429H
Benefit obligation at beginning of the year	117,261	105,128	5,332	4,221
Service costs (net of member contributions)	5,456	5,361	431	651
Interest costs	7,335	6,233	335	242
Plan member contributions	2,131	1,516	154	186
Benefits paid from plan assets	(4,593)	(3,443)	(56)	(67)
Exchange (gain) /loss and other adjustments	(1,985)	2,466	(90)	99
Benefit obligation at end of the year	125,605	117,261	6,106	5,332

The movements on the plan assets are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1430H	1429H	1430H	1429H
Fair value of plan assets at beginning of the year	99,353	94,716	3,392	2,894
Actual return on plan assets	551	4,556	41	106
Employer contributions	4,532	4,539	305	191
Plan member contributions	2,131	1,516	154	196
Benefits paid from plan assets	(4,593)	(3,443)	(56)	(67)
Exchange (loss)/gain and other adjustments	(740)	(2,531)	(57)	72
Fair Value of Plan Assets at end of the year	101,234	99,353	3,779	3,392
Funded status – net liability recognized on balance sheet representing excess of benefit obligation over fair value of plan assets (note 19)	24,371	17,908	2,327	1,940

(In Thousands of Islamic Dinars)

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

Based on the actuarial valuations, the pension and medical benefit expenses for the year 1430H and 1429H for the Bank comprised the following:

	Staff Retirement Plan		Medical Benefit Scheme	
	1430H	1429H	1430H	1429H
Current service costs – gross	7,587	6,877	585	837
Less – Employee contributions	(2,131)	(1,516)	(154)	(186)
Net - current service costs	5,456	5,361	431	651
Interest costs	7,335	6,233	335	242
Expected return on plan asset	(5,998)	(5,816)	(210)	(177)
Other adjustments	-	-	-	46
Expense for the year	6,793	5,778	556	762

Principal assumptions used in the latest available actuarial valuations as at end of Dhul Hijjah are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1430H	1429H	1430H	1429H
Discount Rate	5.9%	5.9%	5.9%	5.9%
Expected return on plan assets	6.0%	6.0%	5.9%	5.9%
Rate of salary increase	4.0%	4.0%	4.0%	4.0%

The expected return on plan assets is an average of the expected long-term return of the Plan assets, weighted by the portfolio allocation of the assets. Asset class returns are developed based on historical returns as well as forward-looking expectations. The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AAA Corporate Bonds

(In Thousands of Islamic Dinars)

The following table presents the plan assets by major category:

	Staff Retirement Plan		Medical Benefit Scheme	
	1430H	1429H	1430H	1429H
Commodity placements	1,860	3,508	3,113	3,108
Investment in UIF	18,597	18,917	-	-
Syndicated Murabaha	4,700	4,612	-	-
Managed funds and Instalment Sales, net	21,344	25,835	-	-
Investment in Sukuk	49,573	22,623	-	-
Land	4,504	4,476	-	-
Others (net)	656	19,382	666	284
Plan Assets – net	101,234	99,353	3,779	3,392

18.4 % of Staff Retirement Plan assets (1429H–22%) and Nil % of Medical Benefit Scheme assets (1429H–nil%) are invested respectively within the IDB group as of 30th Dhul Hijjah 1430H

The following table summarizes the funding status of the Staff Retirement Plan at the end of the last five fiscal years:

	1430H	1429H	1428H	1427H	1426H
Present value of defined benefit obligation	(125,605)	(117,261)	(105,128)	(103,604)	(97,494)
Fair value of plan assets	101,234	99,353	94,716	89,221	86,014
Plan deficit	(24,371)	(17,908)	(10,412)	(14,383)	(11,480)

The following table summarizes the funding status of the Medical Benefit Scheme at the end of the last five fiscal years:

	1430H	1429H	1428H	1427H	1426H
Present value of defined benefit obligation	(6,106)	(5,332)	(4,221)	(3,767)	(2,663)
Fair value of plan assets	3,779	3,392	2,894	2,633	2,276
Plan deficit	(2,327)	(1,940)	(1,327)	(1,134)	(387)

(In Thousands of Islamic Dinars)

The amounts recognized in the general reserve are as follows:

	Staff Retirement Benefit	Medical Benefit Scheme	1430H Total	1429H Total
Balance at the beginning of the year	17,908	1,665	19,573	13,550
Movement during the year	6,463	662	7,125	9,338
Adjustments	-	-	-	(3,315)
Balance at the end of the year	24,371	2,327	26,698	19,573

22. PAID-UP CAPITAL

The capital of the Bank at the end of Dhul Hijjah comprises the following:

	1430H	1429H
Authorized 3,000,000 shares of ID 10,000 each (1429H - 3,000,000 shares of ID 10,000 each)	30,000,000	30,000,000
Issued: 1,600,000 shares of ID 10,000 each (1429H – 1,600,000 shares of ID 10,000 each)	16,000,000	16,000,000
Issued shares not subscribed	(136,510)	(923,800)
Subscribed capital	15,863,490	15,076,200
Share capital not yet called	(11,157,094)	(10,699,990)
Installments not yet due	(898,079)	(907,269)
Called-up capital	3,808,317	3,468,941
Installments due, not yet paid	(168,450)	(169,932)
Paid-up capital	3,639,867	3,299,009

23. CAPITAL RESERVE

The capital reserve comprises the estimated value of land (ID 13 million) and buildings (ID 3.5 million) that were donated by the Government of the Kingdom of Saudi Arabia. The Government also donated SR 50 million (ID 9.6 million) for the construction of the permanent headquarters building.

As per the requirements of IAS 20 Government Grants, the grants relating to depreciable assets need to be amortized in the same pattern as the related assets are depreciated. Since the amounts involved were insignificant, the Bank's management had decided to transfer the amounts from the capital reserve as and when the related asset is fully depreciated.

(In Thousands of Islamic Dinars)

24. GENERAL RESERVE

In accordance with Section 1 of Article 42 of the Articles of Agreement of the Bank, the annual net income of the Bank is required to be transferred to the general reserve, when approved by the Board of Governors, until this reserve equals 25% of the Bank's subscribed capital. Any excess of the net income over the above limit is available for distribution to the member countries.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Cash at banks	64,041	74,370
Commodity placements with banks (note 2o)	1,130,977	958,706
Total	1,195,018	1,033,076

26. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Murabaha financing	50,868	112,047
Installment sales financing and Istisna'a assets	2,465,399	1,824,024
Loans	1,125,487	974,378
Ijarah Muntahia Bittamleek assets	869,453	777,131
Investments in equity capital and profit sharing	57,667	47,378
Investment in Islamic Corporation for the Development of the Private Sector	19,118	44,102
Islamic Solidarity Fund for Development (note 27)	509,278	582,803
Total	5,097,270	4,361,863

27. ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT – ISFD - COMMITMENTS

The Islamic Solidarity Fund for Development - ISFD ("the Fund") was established pursuant to the decision taken at the Third Extraordinary session of the OIC Islamic Summit conference in Makkah in December 2006 (Dhul Qadah 1426H). The purpose of the Fund is to finance different productive and service projects and programmes that help in reducing poverty in member countries of the Organization of Islamic Conference in accordance with its Regulations. The fund was officially launched during the 32nd meeting of the IDB Board of Governors, held on 12-13 Jumad Awwal 1428H (29-30 May 2007) , in Dakar, Senegal through adoption of the BoG resolution no. BG/5-428. The target principal amount of the Fund is US$ 10 billion and the Bank has committed to contribute US$ 1 billion, payable in 10 annual installments of US$ 100 million each. The first and second installments have been paid by the Bank in 1429H and 1430H respectively.

(In Thousands of Islamic Dinars)

28. COMMITMENTS AND CONTINGENCIES THROUGH IDB - UNIT INVESTMENT FUND

The Bank's Unit Investment Fund (the "Fund") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of the member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The Bank has agreed to extend the guarantee to cover all the projects financed by the Fund.

Until 1428, the Fund was being managed by the Bank. During 1429H, its management has been transferred to ICD, which is a subsidiary of the Bank.

The Bank has outstanding guarantees at the end of Dhul Hijjah 1430H of ID 65.9 million (1429H – ID 82.05 million) in respect of other operations, which are covered by counter guarantees acceptable to the Bank.

29. RELATED PARTY BALANCES

In the ordinary course of its activities, the Bank transacts business with related parties as described in note 1. The terms of these transactions are approved by the Bank's management. The net balances due from / (to) IDB group entities at the end of Dhul Hijjah are as follows:

	1430H		1429H	
	Assets	Liabilities	Assets	Liabilities
World Waqf Foundation	2,444	-	-	-
Awqaf Properties Investment Fund	1,993	-	4,062	-
IDB - Unit Investment Fund	8,931	-	8,812	-
Islamic Corporation for the Insurance of Investment and Export Credit	4,741	-	-	(10,697)
Special Account Resources Waqf Fund	-	(43,996)	-	(21,491)
IDB Special Assistance Fund	-	(11,215)	3,755	-
IDB Pension Fund	7,953	-	-	(21,080)
IDB Medical Fund	-	(509)	-	(155)
Al-Aqsa Fund	-	(13,040)	-	(10,544)
Al Quds Fund	903	-	903	-
Islamic Corporation for the Development of the Private Sector – ICD (note 29a)	81,418	-	5,030	-
Badea	-	(17)	-	(17)
International Islamic Trade Finance Corporation (ITFC)	-	(51,748)	39,978	-
Fael Khair Program	10,830	-		
Islamic Solidarity Fund for Development (ISFD)	2,099	-	6,268	-
Total	121,312	(120,525)	68,808	(63,984)

29 (a) During the year, the Bank entered into wakala agreements with ICD and executed two transactions amounting to USD 100 million, on which the bank will receive quarterly Muwakkil profit of 2.75% and 2.97% per annum. These transactions will mature on 9 March 2010 and 15 July 2010 respectively.

30. NET ASSETS IN FOREIGN CURRENCIES

The net assets in foreign currencies at the end of Dhul Hijjah are as follows:

	1430H	1429H
United States Dollar	496,977	977,598
Euro	464,162	372,831
Pound Sterling	126,501	132,825
Japanese Yen	118,343	88,672
Other currencies	8,308	30,219

31. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

	30 Dhul Hijjah 1430H					
	Maturity period determined					
	Less than 3 months	3 to 12 Months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Total assets	1,730,167	1,082,243	1,429,613	3,375,871	1,,050,297	8,668,191
Total liabilities	965,124	1,166,624	703,410	-	-	2,835,158
	30 Dhul Hijjah 1429H					
Total assets	1,814,036	531,034	962,888	2,894,394	1,032,660	7,235,012
Total liabilities	719,356	649,249	463,866	-	-	1,832,471

(In Thousands of Islamic Dinars)

32. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	Public utilities	Transport & Telecom	Agriculture	Industry & mining	Social services	Others	Total
30 Dhul Hijjah 1430H							
Total assets	2,200,292	1,251,074	535,330	482,877	883,194	3,372,596	8,725,363
29 Dhul Hijjah 1429H							
Total assets	1,667,775	953,905	95,900	244,417	718,606	3,609,791	7,290,394

The geographical locations of assets are as follows:

	Member countries				
	Asia	Africa	Europe	Non member countries	Total
30 Dhul Hijjah 1430H					
Total assets	5,733,161	2,440,340	245,645	306,217	8,725,363
30 Dhul Hijjah 1429H					
Total assets	4,414,520	2,241,953	227,459	406,462	7,290,394

The geographical locations of assets reflect the countries in which the beneficiaries of the assets are located.

33. ZAKAT AND TAX TREATMENT

Since the Bank's equity is part of Baitul Mal (public money), it is not subject to Zakat or tax.

34. RISK MANAGEMENT

The Bank has a Group Risk Management Department ("GRMD") fully independent from all business departments as well as other entities of the Bank. The GRMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Bank through the identification, measurement and monitoring of all types of risks inherent in its activities. The Bank has also established a Group Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Bank's risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Bank's financial transactions.

a) 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 Bank's credit risk arises mainly from its operating assets.

For all classes of financial assets held by the Bank, the maximum credit risk exposure to the Bank is their carrying value as disclosed in the statement of financial position. The assets which subject the Bank to credit risk, principally consist of commodity placements, Murabaha financing, Istisna'a assets, installment sales financing, loans, Ijarah Muntahia Bittamleek, certain other investment and other assets which are mainly covered by sovereign guarantees and commercial bank guarantees acceptable to the IDB, in accordance with specific eligibility criteria and credit risk assessments. The Bank's liquid fund investments portfolio is managed by the Treasury Department and comprise deals with reputable banks. Murabaha financing, Istisna'a assets, Installment sales financing, Loans, Ijarah Muntahia Bittamleek , certain other investment and other assets are covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from banks whose ratings are acceptable to the Bank per its policies. The Bank benefits 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 Bank has had a very low level of overdues. The management is of the opinion that, with the exception of what has already been provided for; additional significant credit losses are 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 Bank. In this respect, the Bank 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 bank with a view to maintain IDB's overall credit risk appetite and profile within the parameters set by the management. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review / monitoring functions are performed independently by the GRMD, which endeavors to ensure that business lines comply with risk parameters and prudential limits established by the Board of Executive Directors ("BED") and the management.

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, IDB 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 IDB. While extending financing to its member countries the Bank should safeguard its interests by obtaining the relevant guarantees for its financing operations and has to ensure that the concerned beneficiaries as well as the guarantors are able to meet their obligations to IDB. In addition to the above risk mitigation tools, the Bank has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best banking practices.

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines were developed for monitoring country exposure to safeguard the bank against undue risk. The country exposure limits are determined and periodically reviewed and updated taking into consideration the recent macro-economic, financial, and other developments in the member countries, the status of their business relationship with IDB as well as their risk profiles as perceived by the rating agencies, specialized international publications of repute, risk perception of the participants in the market, and experience of other MDB's. Countries are classified under 7 risk categories; i.e., "A" to "G", whereby "A" represents to the highest creditworthy category (lowest risk) and "G" represents the lowest creditworthy category (highest risk).

Concentration of credit risk

The table below shows ten largest country exposures as of the end of years 1430H and 1429H:

	1430			1429	
Country	Amount (in Thousands of ID)	(%)	Country	Amount (in Thousands of ID)	(%)
Morocco	781,896	12.5%	Morocco	706,100	13.4%
Iran	482,695	7.7%	Iran	482,850	9.2%
Saudi Arabia	373,487	6.0%	Saudi Arabia	295,900	5.6%
Bangladesh	351,150	5.6%	Jordan	271,120	5.2%
Jordan	295,500	4.7%	Bangladesh	239,400	4.6%
Sub-total Top 5	2,284,728	36.5%	Sub-total Top 5	1,995,370	38.0%

	1430			1429	
Country	Amount (in Thousands of ID)	(%)	Country	Amount (in Thousands of ID)	(%)
Pakistan	281,215	4.5%	Pakistan	234,710	4.5%
Indonesia	277,429	4.4%	Bahrain	215,510	4.1%
Tunisia	256,608	4.1%	Indonesia	212,720	4.1%
Bahrain	234,158	3.7%	Lebanon	189,100	3.6%
Lebanon	210,273	3.4%	Syria	163,250	3.1%
Total Top 10	3,544,411	56.6%	Total Top 10	3,010,660	57.4%

Credit Quality of operating assets:
The analysis of credit quality is based on the country exposure guidelines and risk assessment approach as of the year ends are as follows:

	1430		1429	
Credit Risk Category	Amount	In %	Amount	In %
Category "A"	467,380	7.5	424,958	8.10
Category "B"	2,473,189	39.5	2,085,702	39.73
Category "C"	1,301,281	20.8	1,047,417	19.95
Category "D"	493,923	7.9	460,550	8.77
Category "E"	1,113,812	17.8	883,348	16.83
Category "F"	313,115	5.0	268,626	5.12
Category "G"	57,976	0.9	49,919	0.95
Other Non Rated	41,114	0.6	29,001	0.55
Total	6,261790	100	5,249,521	100

Total gross operating assets financing are secured by the following amount of guarantees:

	Sovereign	Commercial & Others	Total
1430H	4,687,619	168,417	4,856,036
	96.5%	3.5%	100%
1429H	4,155,049	145,902	4,300,951
	96.6%	3.4%	100%

Geographical concentration of operating assets

The Bank carries on business mainly with countries in Middle East, Asia and Africa. Due to the relatively high country risk of some of the countries in these continents, the Bank is exposed to potential loss arising from its exposure to these countries. The Bank's exposure to any Member Country is diversified with a view to avoid excessive concentration of risk in any particular Member Country by setting maximum exposure country limits.

The following table depicts the geographical distribution of exposure on financed operations with member countries:

Geographical Area	1430H	1429H
Middle East	56.0%	49.4%
Asia & Others	24.3%	33.1%
Africa	19.7%	17.5%
	100%	100%

b) Market risks

IDB is exposed to the following market risks:

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Bank does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the IDB's financing operations are SDR-denominated, the same currency in which the Bank's resources – i.e., equity are denominated. The Bank does not trade in currencies. Therefore, it is not exposed to currency trading risk. The investment portfolio is held in major currencies in line with the composition of the Islamic Dinars basket, namely US Dollar, Sterling Pound, Euro and Japanese Yen. The Bank has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly (Also see note 30 for distribution of net assets by currencies).

ii) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. To guard against this risk, the Bank adopts a conservative approach by maintaining high liquidity levels invested in cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months. The liquidity profile of the Bank's assets and liabilities has been presented in note 31.

iii) Equity price risk

The Bank is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Bank does not actively trade these investments. If equity prices had been 5% higher or lower, net income for the year ended 30th Dhul Hijjah 1430H would have been unaffected as equity investments are classified as available-for-sale and adequate provision has been made for the equity investments against which an impairment loss has occurred.

iv) Mark-up risk

Mark-up risk arises from the possibility that changes in Mark-up risk will affect the value of the financial instruments. The Bank is exposed to Mark-up risk on its investments in cash and cash equivalents, commodity placements, Murabaha financing, Istisna'a assets, Ijarah Muntahia Bittamleek assets, investments in Sukuks and Sukuk liabilities. In respect of the financial assets, the Banks returns are based on a benchmark and hence vary according to the market conditions. In terms of the Sukuk liability, the outflows are based on the returns on the underlying assets which are measured in terms of a fixed percentage over and above a benchmark.

The sensitivity analysis have been determined based on the exposure to markup rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's net income would not be changed significantly.

The effective markup rate for the various operational financial assets and financial liabilities are as follow:

	1430H	1429H
Commodity placements	1.3%	2.79%
Murabaha financing	3.3%	4.9%
Istisna'a assets	4.5%	5.0%
Installment sales	4.6%	4.7%
Loans	1.5%	2.1%
Ijara Muntahia-Bittamleek	4.5%	4.9%
Sukuk liability	3.74%	2.29%

The Bank also uses Murabaha based swaps instruments approved by the Sharia'h Board in its portfolios for asset/liability management, cost reduction and risk management. These instruments include cross-currency swaps and profit rate swap that are used to modify the profit rate or currency characteristics of the sukuk liability and other assets of the Bank. Further details are contained in Note 6.1.

c) Other risks

The Bank assumes financial institution risk while dealing with banks and other financial institutions for placement of liquid funds; acceptance of guarantees for IDB financing operations; and extending lines of financing. The GRMD follows in its credit risk evaluation the approved framework for the financial institutions.

Credit quality of the liquid fund portfolio, based on the internal rating system of the Bank, as of the year end is shown below:

	1430		1429	
Credit Risk Category	Amount in Thousands of ID	In %	Amount in Thousands of ID	In %
Category "A"	0	0.0%	-	0.00%
Category "B"	135,134	8.22%	189,523	14.05%
Category "C"	1,094,666	66.57%	852,336	63.18%
Category "D"	377,335	22.95%	255,237	18.92%
Category "E"	15,284	0.93%	29,147	2.16%
Category "F"	1,624	0.09%	4,662	0.35%
Category "G"	20,370	1.24%	18,169	1.35%
Total	1,644,413	100%	1,349,074	100%

The Bank assumes corporate risk due to its dealings with corporations, that are not financial institutions and do not carry any explicit government guarantee, in the form of financing, investments and corporate guarantees. This financing can be in the form of structured facilities, trade finance and equity investments (profit sharing) etc. According to the approved guidelines a maximum of 30% of IDB's financing operations can be provided against such alternatives to sovereign/bank guarantees.

The Bank has a strict framework for corporate financing risk evaluation. The GRMD while reviewing the financing operations proposals ensures that the business department has performed its due-diligence according to the approved guidelines.

The Bank adopts a detailed risk management framework for assessing measuring and mitigating all risks related to project finance The GRMD undertakes independent risk review covering all aspects of the project finance in accordance with the related guidelines.

d) Fair values of financial assets and liabilities

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

The fair values of operational assets are not significantly different from the carrying values included in the financial statements except for unlisted equity investments and investments in subsidiaries and trust funds over which the bank exerts control. Unlisted equity investments are stated at cost as their fair values cannot be reliably determined. Subsidiaries and trust funds are consolidated in the consolidated financial statements of the Bank.

35. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform to the presentation in the current year.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
30 Dhul Hijjah 1430H (17 December 2009)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

30 Dhul Hijjah 1430H (17 December 2009)

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Special Account Resources Waqf Fund (the "Waqf Fund") as of 30 Dhul Hijjah 1430H (17 December 2009) and the related statements of activities and cash flows for the year then ended. These financial statements and the Waqf Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Waqf Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Special Account Resources Waqf Fund as of 30 Dhul Hijjah 1430H (17 December 2009), and the results of its operations 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) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Waqf Fund.

We also note that the Waqf Fund has followed other accounting standards as disclosed in note 2 (a) with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards.

For DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.

Al-Mutahhar Y. Hamiduddin
Registration No. 296

For ASSOCIATED ACCOUNTANTS

Hamud A. Al Rubian
Registration No. 222

28 Rabi'I, 1431H
March 14, 2010G

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
as of 30 Dhul Hijjah 1430H (17 December 2009)

(In Thousands of Islamic Dinars)

	Notes	1430H	1429H
ASSETS			
Cash at banks		27,401	29,632
Commodity placements with banks		521,149	660,790
Murabaha and other funds – net	3	115,433	111,813
Investments in units	5	77,031	91,792
Investment in Islamic Corporation for the Insurance of investment and Export Credit (ICIIEC)	6	67,037	66,765
Investment in BBI Leasing and Real Estate Company	7	10,215	9,933
Investment in islamic ijarah sukuk	8	116,596	83,341
Investment in equity capital	9	12,053	8,913
Instalment sales financing–net	10	3,934	5,105
Ijarah muntahia bittamleek–net	11	3,585	4,856
Istisnaa assets - net	12	1,528	-
Accrued income and other assets		30,503	22,070
Other investments	13	58,877	66,461
Property and equipment – net	14	18,817	19,826
Loans – net	15	152,997	147,303
Receivable from IDB – Ordinary Capital Resources	4	41,125	34,432
TOTAL ASSETS		1,258,281	1,363,032
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accruals and other liabilities	16	362,165	443,014
Specific deposit from IDB – Unit Investment Fund	5	9,313	9,474
Total liabilities		371,478	452,488
NET ASSETS			
Waqf Fund principal amount	17	757,490	756,240
Special assistance	18	(4,288)	22,369
Special account for least developed member countries	19	133,601	131,935
Total net assets		886,803	910,544
TOTAL LIABILITIES AND NET ASSETS		1,258,281	1,363,032

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive directors on 28 Rabi' I, 1431H (14 March, 2010G)

The attached notes from 1 through 29 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)
(In Thousands of Islamic Dinars)

	Notes	1430H				1429H
		Waqf Fund Principal	Special Assistance	Special Account for LDMC	Total	Total
Income from:						
Commodity placements with banks		-	-	-	11,853	25,504
Murabaha and other funds	3	-	-	-	6,029	4,948
IDB - Investments in units	5	-	-	-	5,870	1,993
Investment in ICIIEC	6	-	-	-	272	1,575
Investment in BBIL	7	-	-	-	282	(583)
Instalment sales financing	10	-	-	-	311	611
Ijarah Muntahia Bittamleek	11	-	-	-	2,566	7,946
Istisnaa Income	12	-	-	-	107	-
Islamic Ijarah Sukuk	8	-	-	-	4,212	4,974
Other Investments	13	-	-	-	7,284	507
Foreign currency exchange loss		-	-	-	(175)	(7,027)
Total income		-	-	-	38,611	40,448
Administrative Expenses:						
Staff costs		-	-	-	(510)	(574)
Finance cost	16	-	-	-	(8,793)	(15,057)
Total administrative expenses		-	-		(9,303)	(15,631)
Depreciation – Ijarah	11	-	-	-	(1,271)	(5,938)
Loss on sale of investment	22	-	-	-	(15,452)	-
Investment risk provision	8	-	-	-	(5,299)	(9,073)
Attributable net income		**-**	**-**	**-**	**7,286**	**9,806**
Allocation of attributable net income	2 (o)	1,093	4,736	1,457	-	-
Share of Income transferred from OCR	20	153	662	203	1,018	868
Contributions from IDB-OCR for technical assistance grants and scholarship program		-	13,593	-	13,593	11,445
Income before Grants and Program Expenses		**1,246**	**18,991**	**1,660**	**21,897**	22,119
Grants for causes	18	-	(33,244)	-	(33,244)	(26,192)
Program expenses	18	-	(12,424)	-	(12,424)	(10,977)
Change in net assets		**1,246**	**(26,677)**	**1,660**	**(23,771)**	**(15,050)**
Fair value reserve		4	20	6	30	(14,301)
Net assets at beginning of the year		**756,240**	**22,369**	**131,935**	**910,544**	**939,895**
Net assets at end of the year		**757,490**	**(4,288)**	**133,601**	**886,803**	**910,544**

The attached notes from 1 through 29 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)
(In Thousands of Islamic Dinars)

	1430H	1429H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Attributable net income	7,286	9,806
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	2,297	6,737
Investment risk provision	5,299	9,073
Change in operating assets and liabilities:		
Murabaha and other funds	11,832	(16,881)
Installment sales financing	1,171	(5,105)
Ijarah Muntahia Bittamleek,	(24)	(10,794)
Istisnaa	(1,528)	
Accrued income and other assets	(8,432)	(3,165)
Accruals and other liabilities	(80,849)	(27,745)
Loans	(5,694)	(9,023)
Net cash flows used in operations	(68,642)	(47,097)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placements with banks having maturity more than three months, net	306,273	(319,609)
Investment in specific deposit – UIF		-
Investment in units	14,761	33,490
Investment in ICIIEC, net	(272)	(1,575)
Investment BBIL	(282)	583
Investment equity capital	(3,140)	(3,866)
Investment in islamic ijarah sukuk	(38,501)	31,259
Other investments	7,584	(14,804)
Specific deposit from IDB - Unit Investment Fund	(161)	217
Additions to property and equipment	(17)	(38)
Special assistance program expenses	(12,424)	(10,977)
Net cash flows provided by (used in) investing activities	273,821	(285,320)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in payable to/ receivable from IDB - Ordinary Capital Resources	(6,693)	(20,805)
Income transferred from IDB - Ordinary Capital Resources	1,018	868
Net grants for causes and contribution from Islamic Development Bank For technical assistance grants from Special Assistance Account	(19,651)	(14,747)
Net cash flows used in financing activities	(25,326)	(34,684)
Net increase (decrease) in cash and cash equivalents	179,853	(367,101)
Cash and cash equivalents at beginning of the year (Note 22)	263,124	630,225
Cash and cash equivalents at end of the year (Note 22)	442,977	263,124

The attached notes from 1 through 29 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 30 Dhul Hijjah 1430H (17 December 2009)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank - Ordinary Capital Resources' (the "Bank") Special Account Resources Waqf Fund (the "Waqf Fund") was established on 1 Muharram 1418H based on the Board of Governors' Resolution No. BG/3-417. At that date, the entire uncommitted assets of the Special Account of the Bank were transferred to the Waqf Fund.

The Governors' Resolution, as subsequently amended by BG/4-420 and BED/28/12/ (192)/195, also stated that a certain percentage of the income for the Waqf Fund resources and the same percentage of the banking returns from the Bank's investments in the international market shall be transferred to the principal amount of the Waqf Fund until it reaches one thousand million Islamic Dinars. At such time, the Board of Governors shall, upon recommendation of the Board of Executive Directors, determine the purpose for which the amounts in excess of one thousand million Islamic Dinars shall be used. Such percentage will be reviewed each year on the basis of annual income earned for that year (See Notes 2 (o) and 17).

In 1417H, the Special Accounts of the Islamic Development Bank - Ordinary Capital Resources ("IDB - OCR") consisted of the Special Reserve, Special Assistance and Special Account for Least Developed Member Countries. On 1 Muharram 1418H, the balances of these accounts in the books of IDB - OCR as of 29 Dhul Hijjah 1417H together with the related assets and liabilities were transferred to the Special Account Resources Waqf Fund. The balance of Special Reserve Account has been taken as the uncommitted resources of the Special Accounts and formed the balance of the Waqf Fund principal amount at 1 Muharram 1418H. The balances of the Special Assistance and Special Account for Least Developed Member Countries have been taken as committed resources of the Special Accounts and have been transferred to the Waqf Fund, but do not form part of the Waqf Fund principal amount. All assets of the Waqf Fund are commingled and are not distinguished between the Waqf Fund principal amount and the other committed resources of the Waqf Fund (see note 27).

The Waqf Fund is managed in accordance with its regulations by the Bank through a Board of Trustees. The regulations provide that the Bank's Board of Executive Directors shall be the Board of Trustees. Its business activities are carried out through the Bank's headquarters in Jeddah, Saudi Arabia.

The financial statements of the Waqf Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Waqf Fund and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The title of assets recorded in the financial statements as Waqf Fund assets is held with the Bank.

As a fund of the Bank which is international institution, the Waqf Fund is not subject to an external regulatory authority.

The Waqf Fund's financial year is the lunar Hijrah year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Advisory Board. For matters, which are not covered by AAOIFI standards, the Waqf Fund uses the relevant standard issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

b) Translation of currencies

Transactions in currencies other than the Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to Islamic Dinars on the basis of SDR rates declared by the International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are included in the statement of activities.

c) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits with banks having maturity of three months or less at the date of acquisition.

d) Revenue recognition

1. Commodity Placements with banks
   Income from Commodity Placements is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

2. Loans
   Loans, which are disbursed from the Waqf Fund resources, are income free, except for a service fee calculated to recover part of the administrative costs of the loans. The loans are administered by IDB - OCR and the service fees charged are included as part of its income.

3. Murabaha and other funds
   Income from investments in Murabaha and other funds is accrued on a time apportionment basis over the period from the date of actual disbursement of funds to the scheduled repayment dates of installments.

4. Investments in Islamic Ijarah Sukuk
   Income from investment in Islamic Ijarah Sukuk is recognized as declared by the investee banks and includes accretions of any discounts, net of amortization of any premiums on acquisition.

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

6. Income from Ijarah Muntahia Bittamleek is allocated proportionately to the financial periods over the lease term.

7. Income from Investment in Equity Capital is recognized when dividends are declared by the investee companies.

8. Income from Istisna'a assets is recognized using the percentage-of-completion method. The percentage of completion is determined based on the proportion of the cost incurred to date to the total cost of the project.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Loans

Loans represent amounts disbursed in respect of projects plus loan service fees due, less repayment received relating to the outstanding capital portion of the loan as determined by the loan agreement. The accounting policy with regards to the provision for impairment is further discussed in note 2 (q).

f) Murabaha and other funds

Investments in Murabaha and other funds are stated at cost, less provision for impairment. The accounting policy with regards to the provision for impairment is further discussed in note 2 (q).

g) Investments in IDB - Unit Investment Fund

Investments in IDB - Unit Investment Fund are considered as trading and are recorded at market value with unrealized gain or loss included in income.

h) Investment in ICIIEC & BBI Leasing and Real Estate Company (BBIL)

Investment in ICIIEC and BBIL is not consolidated because the control of ICIIEC & BBIL does not rest with the Waqf Fund. Accordingly, this investment is accounted for on the equity method.

i) Investment in Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is carried at cost, less provision for impairment.

j) Installment Sales

Installment sale is an agreement whereby the Fund sells to a customer a commodity or an asset, which the Fund has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin which is to be repaid on installment basis according to the terms of the signed agreement.

Amounts receivable from installment sales financing are stated at the gross amount receivable from the beneficiaries, net of unearned income

k) Istisnaa

Istisnaa is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

Istisnaa assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for istisnaa projects plus income recognized, less repayment received.

l) Ijarah Muntahia Bittamleek

Ijarah is an agreement whereby the Fund, acting as a lessor, purchases according to the customer request (lessee), based on his promise to lease the asset for an agreed rent for a specific period. The lessee has the right to buy the asset at the end of the lease term with or without consideration upon completion of all payments due.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Fund, either individually or through a syndicate agreement and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements. The assets are stated at cost less the accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put in use.

m) Other investments and Investment in Equity Capital

Other investments and Investment in Equity Capital are held as available-for-sale and are initially recorded at cost and then remeasured to fair value. Any unrealized gains arising from the change in their fair value are recognized as a separate component of resources. Whereas, unrealized losses resulting from re-measurement at fair value are recognized in the separate component of resources to the extent of the available balance. Excess of unrealized loss over the available balance is recognized in the statement of activities. In case there are unrealized losses that have been recognized in the statement of activities in

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

previous years, the unrealized gains related to the current year are recognized in the statement of activities to the extent of such previous losses.

Effective from July 2008, AAOIFI amended FAS 17 on investments whereby the unrealized losses exceeding the available balance (except for impairment losses) resulting from re-measurement of investments at fair values are recognized in the fair value reserve under Members' Equity.

The change in this accounting policy does not have any material impact on the reported amounts as of and for the year ended 30 Dhul Hijjah 1429H.

The Fund exercises judgment to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Fund evaluates among other factors, the normal volatility in share price. In addition, the Bank 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.

n) Property and equipment

The Waqf Fund is allocated 35% of the costs and depreciation of the IDB headquarters buildings and relevant furniture and equipment. Also, the Waqf Fund owns certain property and equipment through the Islamic Research and Training Institute (IRTI) and other programs. All these assets are depreciated using the straight-line method over the following periods:

Permanent headquarters buildings	40 years
Pre-fabricated buildings	$6\,^{2}/_{3}$ years
Furniture and equipment	4 to 10 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

o) Income allocated by IDB - OCR

Income on IDB balances with banks (conventional investments) and other investments balances, which are considered by IDB management to be forbidden by Shari'ah, are not included in the income statement of IDB - OCR but are transferred by IDB to the Waqf Fund in accordance with the Board of Governors' Resolutions No. BG/3-417 and BG/4-420.

According to the Board of Governors resolution No. BG/2-429, and the Board of Executive Directors resolution No. BED/BG/4-429, 5% of the IDB 1428 net income was allocated to finance Technical Assistance Operations in the form of grants during the year 1429H.

According to the Board of Governors' resolution No. BG/3-429, and the Board of Executive Directors' resolution No. BED/BG/5-429, an amount equivalent to 2% but not less than USD 2 millions of the IDB net income for 1428 was allocated for financing of Scholarship Programmers in the form of grants for the year 1429H.

p) Allocation of Waqf Fund income

As stipulated in the Waqf Fund's regulations, the net income of the Waqf Fund is allocated to the Waqf Fund Resources as follows:

	1430H	1429H
Waqf Fund principal	15%	15%
Special Assistance	65%	65%
Special Account for Least Developed Member Countries	20%	20%

The allocation of percentage of income from the Waqf Fund resources is reviewed each year on the basis of annual income earned for that year.

(In Thousands of Islamic Dinars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Impairment of financial assets

Operational assets:
The Fund determines the provision for impairment losses based on an assessment of incurred losses. It takes into account the losses that it suffers as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries due to its participation in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC). The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

Adjustments to the provision are recorded as a charge or addition to income. In determining the adequacy of the provision, the Bank takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other financial assets:
An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its estimated fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income upon impairment.

3. MURABAHA AND OTHER FUNDS, NET

The Board of Executive Directors of the Bank, on 16 Rabi Thani 1424H (16 June 2003) and on 25 Dhul Qa'da 1421H (19 February 2001) approved the allocation of US$ 364 million (ID 242.03 million) from the Waqf Fund, to be invested in syndicated and co-financed Murabaha, installment sale and leasing operations through Islamic Banks' Portfolio for Investment and Development (IBP), a trust fund of the Bank. The Portfolio was acting as Mudarib for the Waqf Fund. The Waqf Fund at the end of Dhul Hijjah are as follows:

	1430H	1429H
Syndicated Murabaha and other funds	13,651	7,676
Mudarabah and equity funds	110,362	104,137
Less: Impairment Provision	(8,580)	-
Murabaha and other funds – net	115,433	111,813

(In Thousands of Islamic Dinars)

4. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Waqf Fund has certain transactions with IDB - OCR relating to investments and realization of investments made through the inter-fund account between the Waqf Fund and the Bank. The balance due from IDB-OCR as at 30 Dhul Hijjah 1430H is ID 41.12 million (1429H – ID 34.43 million).

5. INVESTMENT IN UNITS

Investment in specific deposit - Unit Investment Fund (UIF)

The Bank had assigned in prior years certain of its lease and installment sales contracts denominated in ID to the Waqf Fund. In order to mitigate any foreign currency risk on the Waqf Fund's receivables relating to these contracts, the UIF had placed in 1412H a deposit in ID and simultaneously the Waqf Fund invested with the UIF an equivalent value deposit in US Dollars. These deposits have been invested on a rollover basis for hedging against the Waqf Fund's ID assets. The rates of return on those deposits are negotiated on a six monthly basis.

Investment in units of UIF

IDB - Unit Investment Fund ("UIF") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The units of UIF are quoted on the Bahrain stock exchange and the Bank supports the market in these units by agreeing to purchase units available for sale in the market.

6. INVESTMENT IN ICIIEC

ICIIEC was established on 1 August 1994 by the Bank. The objective of ICIIEC is to enlarge the scope of trade transactions and the flow of investments among member countries of the Organization of the Islamic Conference by providing: a) export credit insurance to cover the non-payment of export receivables; and b) investment insurance against country risks.

The authorized capital of ICIIEC is ID 150 million, divided into 150,000 shares of ID 1,000 each. The subscribed capital of ICIIEC at 30 Dhul Hijjah 1430H ID 148.49 (1429H - ID 142.40 million), with callable installments of ID 74.24 million (1429H - ID 74.12 million) of which ID 73.28 million were paid (1429H - 73.029 million) representing a share of 67.34% (1429 - 67.46%).

The Waqf Fund has subscribed in 100,000 shares and paid for 50,000 shares.

The movements in the investment in ICIIEC for the years ended Dhul Hijjah, which includes the Fund's share of income, are summarized as follows:

	1430H	1429H
Balance at beginning of the year	66,765	65,190
Share of profit during the year	272	1,575
Balance at end of the year	67,037	66,765

(In Thousands of Islamic Dinars)

7. INVESTMENT IN BBI LEASING AND REAL ESTATE COMPANY

BBI Leasing and Real Estate D.O.O., Sarajevo is a limited liability company established in Bosnia and Herzegovina by Court Decision no. UF/1-1411/05 dated 2 September 2005 and commenced its operations in 2006. The company is principally engaged in development and leasing of real estate. The subscribed and paid-up capital of the Company is KM 39,915. As of 30 Dhul Hijjah 1430H, the Waqf Fund has subscribed in and paid for KM 21,531 thousand ID 10,516 thousand (1429H – ID 10,516 thousand), representing a share of 53.94% (1429H – 53.94%) in the total paid up capital of the company.

The movements in the investment in BBI Leasing and Real Estate Company for the years ended Dhul Hijjah, which include the Fund's share of loss, are summarized as follows:

	1430H	1429H
Balance at beginning of the year	9,933	10,516
Share of income (loss) during the year	282	(583)
Balance at end of the year	10,215	9,933

8. INVESTMENT IN ISLAMIC IJARAH SUKUK

Investment in Sukuk certificates as at the end of Dhul Hijjah 1430H and 1429H represents a share in the investment in Sukuks issued by the various governments and certain other entities. These investments are reported at cost, with impairment loss, if any, directly recognized in the Statement of Activities. Investment in Islamic Ijarah Sukuk at the end of Dhul Hijjah comprised the following:

	1430H	1429H
Islamic Ijarah Sukuk	128,928	92,414
Provision for impairment	(12,332)	(9,073)
Islamic Ijarah Sukuk – net	116,596	83,341

9. INVESTMENT IN EQUITY CAPITAL

The Fund through the Bank invests in the equity capital of industrial, agro-industrial and Investment Management institutions. The Fund’s policy is not to have control or exercise any significant influence over the financial and operating policies of the investees, notwithstanding the ownership interest held or the Fund’s representation on the Board of Directors of the investee companies.

Investments in the equity capital as of end of Dhul Hijjah 1430H have been measured at cost, as their fair value cannot be reliably measured.

(In Thousands of Islamic Dinars)

10. INSTALLMENT SALES FINANCING, NET

Receivable from installment sales financing at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Gross amounts receivable	4,875	6,376
Less: Unearned income	(941)	(1,271)
Installment sales financing, net	3,934	5,105

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

11. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprises the following:

	1430H	1429H
Cost:		
At the beginning of the year	10,794	-
Additions	24	10,794
At the end of the year	10,818	10,794
Accumulated depreciation:		
At the beginning of the year	(5,938)	-
Charge for the year	(1,271)	(5,938)
At the end of the year	(7,209)	(5,938)
Balance at the end of the year	3,609	4,856
Less Provision for Impairment	(24)	-
Ijarah Muntahia Bittamleek, net	3,585	4,856

12. ISTISNAA ASSETS,NET

Istisna assets at the end of Dhu Hijjah Comprise the following:

	1430H	1429H
Istisna receivable	1,732	-
	1,732	-
Less: Unearned income	(204)	-
Istisnaa Assets ,net	1,528	-

(In Thousands of Islamic Dinars)

13. OTHER INVESTMENTS

Other investments at the end of Dhul Hijjah are summarized as follows:

	1430H	1429H
Infrastructure Fund	42,115	44,498
OIC - Network SDN BHD	1,379	1,379
Infrastructure and Growth Capital Fund	19,385	21,963
	62,879	67,840
Provision for impairment	(4,002)	(1,379)
Total	58,877	66,461

Investment in the Infrastructure Fund is classified as available for sale and represents investment in IDB Infrastructure Fund LLP (the "Fund"), a limited liability partnership incorporated in the Kingdom of Bahrain, promoted by the Bank. The primary objective of the Fund is to promote the use of Islamic Finance in infrastructure projects and seek long-term capital appreciation through participation in such projects. The Fund has invested in several such long-term projects during 1425H. The total capital committed by the partners to the Fund is US$ 730.50 million (ID 465.03 million) (1429 US$ 730.50, ID 473.04 million). The Bank has committed US$ 100 million (ID 63.65 million) (1429H US$100, ID 64.75 million) of which US$ 66.16 (ID 42.11 million) was net paid up to 30 Dhul Hijjah 1430H (1429H US$ 68.44 million, ID 44.32 million). The investment is currently stated at cost, as fair value cannot be reliably measured.

The investment in OIC - Network SDN BHD represents an investment in a Malaysia based Fund which has been fully provided for.

Investment in Infrastructure and Growth Capital Fund (IGCF) is classified as available for sale and represents investment made by Waqf Fund in a $2 billion fund managed by Abraaj Capital. The main objective of IGCF is to access private equity infrastructure investment opportunities across the high growth regions of the Middle East, North Africa and South Asia (MENASA). The Waqf fund has committed an amount of US$ 35 million (ID 22.3), out of which a net amount of US$ 30.45 million (ID 19.3 million) has been disbursed. The investment is currently stated at fair value, with the difference in the cost and the fair value recorded as a separate component directly in the resources of the Waqf fund.

14. PROPERTY AND EQUIPMENT, NET

The cost of the permanent headquarters buildings and other related furniture and equipment was financed out of the Bank's Ordinary Capital Resources and out of the Waqf Fund. The cost of the property and equipment and its related depreciation were split according to the following proportions:

IDB - Ordinary Capital Resources	65%
Waqf Fund	35%

(In Thousands of Islamic Dinars)

14. PROPERTY AND EQUIPMENT, NET (CONTINUED)

At 1 Muharram 1418H, the Bank transferred 35% of its share in the property and equipment to the Waqf Fund. Such assets, together with other assets owned by IRTI and other programs, at the end of Dhul Hijjah are comprised of the following:

	1429H	Addition/ charge	1430H
Cost			
Buildings	34,443	-	34,443
Furniture and equipment	6,567	17	6,584
Total	41,010	17	41,027
Accumulated depreciation			
Buildings	(14,652)	(796)	(15,448)
Furniture and equipment	(6,532)	(230)	(6,762)
Total	(21,184)	(1,026)	(22,210)
Net book value at year end	19,826		18,817

15. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Loans	160,433	154,739
Provision for impairment	(7,436)	(7,436)
Loans – net	152,997	147,303

16. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Accrued expenses and others	6,960	8,926
Other Liabilities	355,205	434,088
Total	362,165	443,014

The Bank on behalf of the Waqf Fund has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank has purchased certain commodities from these banks on deferred payment basis and has simultaneously sold these through those banks to third parties. The other liabilities above represent the purchase price including the accrued markup under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1430 (17 December 2009) was ID 8,793 (1429H: ID 15,057).

17. WAQF FUND PRINCIPAL AMOUNT

Waqf Fund principal amount represents uncommitted resources of Special Assistance Accounts (represented by the Special Reserve of ID 623.7 million at 29 Dhul Hijjah 1417H) transferred at 1 Muharram 1418H from IDB - OCR. As per the Waqf Fund's Regulations, a certain percentage of the total income of the Waqf Fund and the same percentage of the banking return from the Bank's investments in the international market are allocated every year until the principal amount reaches one thousand million Islamic Dinars. The principal amount shall be held and maintained in perpetuity (see note 1).

18. SPECIAL ASSISTANCE

At 1 Muharram 1418H, the Special Assistance resources were transferred to the Waqf Fund from IDB - OCR, and are to be used for the purposes set out in the Board of Governors' Resolutions No. BG/14-99 and BG/3-402, as follows:

a) Training and research for member countries to re-orient their economies, financial and banking activities in conformity with the Islamic Shari'ah,

b) Provision of relief for natural disasters and calamities,

c) Provision to member countries for the promotion and furtherance of Islamic causes,

d) Provision towards the special account for technical assistance.

The Board of Executive Directors of the Bank has made certain commitments to make disbursements to support the above-mentioned causes.

The Bank created IRTI, which is an international organization devoted to technical research and training. IRTI was formed pursuant to Article 2 of the Articles of Agreement of the Bank and became operational in 1403H. The President of the Bank is also the President of IRTI and the Board of Executive Directors of IDB is its supreme policy making body. Since 1 Muharram 1418H, the entire activities of IRTI are financed out of the Waqf Fund resources and are included as part of the program expenses of the Special Assistance accounts in these financial statements.

(In Thousands of Islamic Dinars)

18. SPECIAL ASSISTANCE (CONTINUED)

The following amounts were distributed as grants from the Waqf Fund during the years ended Dhul Hijjah 1430H and 1429H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1430H	1429H
Relief against disasters and calamities	1,741	1,464
Assistance for Islamic causes	8,144	7,744
Technical assistance grants	17,267	11,087
Technical cooperative program	1,284	1,730
Scholarship program	4,808	4,167
Total	33,244	26,192

The following amounts were incurred as program expenses from the Waqf Fund during the years ended Dhul Hijjah 1430H and 1429H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1430H	1429H
IRTI, Program share & others	6,117	7,050
Technical cooperation Office	1,067	523
Special Assistance office	1,931	1,517
Sacrificial meat project	1,074	568
Scholarship Program	1,189	520
Fixed assets depreciation	1,046	799
Total	12,424	10,977

19. SPECIAL ACCOUNT FOR LEAST DEVELOPED MEMBER COUNTRIES

The Board of Governors, through their Resolution number BG/6-413, established a Special Account for the least developed member countries with an initial amount of US$ 100 million. Since 1 Muharram 1418H, the account has been included as part of the Waqf Fund. 20% of the total annual income of the Waqf Fund is required to be transferred to this Special Account.

(In Thousands of Islamic Dinars)

20. SHARE OF INCOME TRANSFERRED FROM IDB-ORDINARY CAPITAL RESOURCES

Income from balances with banks and other assets recorded in the books of IDB - OCR, which are considered by management of the Bank as forbidden by Shari'ah, are not included in the income statement of the Bank but are transferred to the Waqf Fund and allocated in accordance with the Board of Governors' resolution number BG/3-417. The amounts transferred during the years ended Dhul Hijjah are as follows:

	1430H	1429H
Return on call accounts	1,018	868
Total	1,018	868

The Bank's Shari'ah advisers have ruled that the investment in companies that deal with interest-bearing methods of finance is not permissible under Shari'ah. The Bank's management is reviewing its equity participation portfolio and the cumulative income arising from such companies.

The allocation of the income transferred from IDB - OCR to the Waqf Fund's resources during the years ended Dhul Hijjah is as follows:

	1430H	1429H
Waqf Fund principal amount	153	130
Special Assistance	662	564
Special Account for Least Developed Member Countries	203	174
Total	1,018	868

21. LOSS ON SALE OF INVESTMENT

During the year 1430H, the Management of the Bank has decided to liquidate one of its underperforming Commodity Murrabaha investments. The book value of the investment amounted to ID 29.7 million and the proceeds from the sale were ID 14.3 million, thus generating a loss of ID 15.4 million.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1430H	1429H
Cash at banks	27,401	29,632
Commodity placements with banks	415,576	233,492
Total	442,977	263,124

(In Thousands of Islamic Dinars)

23. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah are as follows:

	1430H	1429H
For disbursements:		
Special Assistance Grants	52,076	65,635
Loans to Least Developed Member Countries ("LDMC")	124,652	145,194
Special loans	2,257	4,066
Technical assistance grants	28,327	80,235
Scholarship program	20,640	18,569
Total	227,952	313,699

24. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The net assets and liabilities of the Waqf Fund in foreign currencies (in thousands of ID equivalents) at the end of Dhul Hijjah are as follows:

	1430H	1429H
United States Dollar	254,195	244,772
Euro	227,182	252,288
Japanese Yen	88,341	89,345
Pound Sterling	60,919	56,430
Other currencies	16,022	(12,272)

(In Thousands of Islamic Dinars)

25. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

	30 Dhul Hijjah 1430H					
	Maturity period determined				Maturity	
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Period not determined	Total
Assets	535,498	51,901	184,619	313,163	173,100	1,258,281
Liabilities	280,172	91,306	-	-	-	371,478

	30 Dhul Hijjah 1429H					
	Maturity period determined				Maturity	
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Period not determined	Total
Assets	679,175	97,163	139,730	279,165	167,799	1,363,032
Liabilities	452,488	-	-	-	-	452,488

26. CONCENTRATION OF ASSETS

Economic sectors:

All operations of the Waqf Fund are receivable in respect of social sector financing. All investments are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Waqf Fund or are in accordance with furthering the aims and objectives of the Bank.

The geographical locations of assets and liabilities of the Waqf Fund are as follows:

	30 Dhul Hijjah 1430H				
	Member countries			Non-member	
	Asia	Africa	Europe	Countries	Total
Assets	962,784	126,824	10,215	158,458	1,258,281
Liabilities	371,478	-	-	-	371,478

	30 Dhul Hijjah 1429H				
	Member countries			Non-member	
	Asia	Africa	Europe	Countries	Total
Assets	1,056,111	123,220	13,530	170,171	1,363,032
Liabilities	452,488	-	-	-	452,488

The geographical locations of assets and liabilities for 1430H and 1429H reflect the countries in which the beneficiaries of the assets are located.

27. COMMINGLING OF ASSETS

The management of the Waqf Fund has reviewed the commingling of the assets of the Waqf Fund principal amount, Special Assistance account and Special Account for Least Developed Members Countries (LDMC) as presented in these financial statements. The management has taken the advice of the Bank's legal counsel, and as per Management opinion, the presentation set out in these financial statements is in accordance with the requirements of the regulations of the Waqf Fund.

28. ZAKAT AND TAX TREATMENT

Since the Waqf Fund's resources are part of Baitul Mal (public money), the Fund is not subject to Zakat or tax.

29. RISK MANAGEMENT

The Bank has a Risk Management Department (“RMD”) fully independent from all business departments as well as other entities of the Bank. The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Bank through the identification, measurement and monitoring of all types of risks inherent in its activities. The Bank has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Bank’s risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Bank’s financial transactions.

a) 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 S credit risk arises mainly from its operating assets.

For all classes of financial assets held by the Special Account Resources Waqf Fund, the maximum credit risk exposure to the Special Account Resources Waqf Fund is their carrying value as disclosed in the statement of financial position. The assets which subject the Special Account Resources Waqf Fund to credit risk, principally consist of commodity placements, Murabaha financing, Istisna’a assets, installment sales financing, loans and Ijarah Muntahia Bittamleek, which are mainly covered by sovereign guarantees and commercial Special Account Resources Waqf Funds guarantees acceptable to the IDB, in accordance with specific eligibility criteria and credit risk assessments. The Special Account Resources Waqf Fund’s liquid fund investments portfolio is managed by the Treasury Department and comprise deals with reputable Special Account Resources Waqf Funds. Murabaha financing, Istisna’a assets, Installment sales financing, Loans and Ijarah Muntahia Bittamleek are covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from banks whose ratings are acceptable to the Special Account Resources Waqf Fund per its policies, or sovereign guarantees from Member Countries. The Special Account Resources Waqf Fund benefits 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 Special Account Resources Waqf Fund has had a very low level of overdue. 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.

29. RISK MANAGEMENT (CONTINUED)

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 Special Account Resources Waqf Fund. In this respect, the Special Account Resources Waqf 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 Special Account Resources Waqf Fund with a view to maintain Waqf Fund's overall credit risk appetite and profile within the parameters set by the management. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review/ monitoring functions are performed independently by the RMD, which endeavors to ensure that business lines comply with risk parameters and prudential limits established by the BED and the management.

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, IDB 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 IDB. While extending financing to its member countries the Special Account Resources Waqf Fund should safeguard its interests by obtaining the relevant guarantees for its financing operations and has to ensure that the concerned beneficiaries as well as the guarantors are able to meet their obligations to WAQF FUND. In addition to the above risk mitigation tools, the Special Account Resources Waqf Fund has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best Special Account Resources Waqf Fund practices.

b) Market risks

Special Account Resources Waqf Fund is exposed to following market risks:

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Special Account Resources Waqf Fund does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the Waqf's financing operations are SDR-denominated, the same currency in which the Special Account Resources Waqf Fund's resources – i.e., equity are denominated. The Special Account Resources Waqf Fund does not trade in currencies. Therefore, it is not exposed to currency trading risk. The investment portfolio is held in major currencies in line with the composition of the Islamic Dinars basket, namely US Dollar, Sterling Pound, Euro and Japanese Yen. The Special Account Resources Waqf Fund has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

ii) Liquidity risk

Liquidity risk is the risk that the Special Account Resources Waqf Fund will be unable to meet its net funding requirements. To guard against this risk, the Special Account Resources Waqf Fund adopts a conservative approach by maintaining high liquidity levels invested in cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months.

29. RISK MANAGEMENT (CONTINUED)

iii) Equity price risk

The Special Account Resources Waqf Fund is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Special Account Resources Waqf Fund does not actively trade these investments. If equity prices had been 5% higher or lower, net income for the year ended 30th Dhul Hijjah 1430H would have been unaffected as equity investments are classified as available-for-sale and adequate provision has been made for the equity investments against which an impairment loss has occurred.

iv) Mark-up risk

Mark-up risk arises from the possibility that changes in Mark-up risk will affect the value of the financial instruments. The Special Account Resources Waqf Fund is exposed to Mark-up on its investments in cash and cash equivalents, commodity placements, Murabaha financing, Istisna'a assets, Ijarah Muntahia Bittamleek assets, investments in Sukuks and Sukuk liabilities. In respect of the financial assets, the Special Account Resources Waqf Funds returns are based on a benchmark and hence vary according to the market conditions.

The sensitivity analysis have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Special Account Resources Waqf Fund's net income would not be changed significantly

c) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
The fair values of operational assets are not significantly different from the carrying values included in the financial statements except for unlisted equity investments. Unlisted equity investments are stated at cost as their fair values cannot be reliably determined.

Islamic Development Bank

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