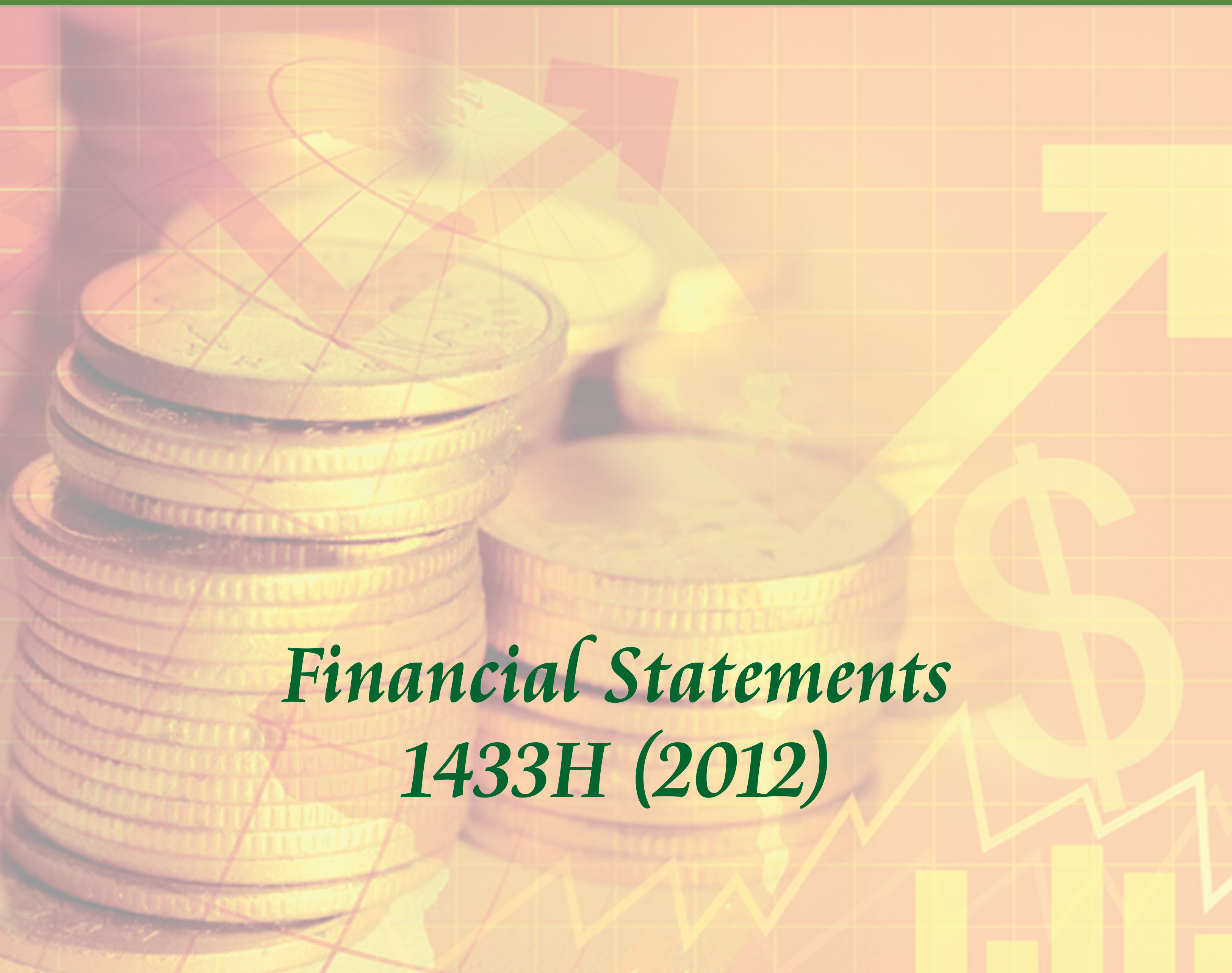
ISLAMIC DEVELOPMENT BANK



Financial Statements 1433H (2012)

PROFILE OF
THE ISLAMIC DEVELOPMENT BANK

Establishment

The Islamic Development Bank (IDB) is an international financial institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in *Dhul Qadah* 1393H (December 1973). The Inaugural Meeting of the Board of Governors took place in *Rajab* 1395H (July 1975) and IDB formally commenced operations on 15 *Shawwal* 1395H (20 October 1975).

Vision

By the year 1440H, the Islamic Development Bank shall have become a world-class development bank, inspired by Islamic principles, that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity.

Mission

To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.

Membership

The membership of IDB stands at 56 countries spanning many regions. The basic condition for membership is that the prospective country should be a member of the Organization of the Islamic Cooperation, pays the first instalment of its minimum subscription to the Capital Stock of IDB, and accepts any terms and conditions that may be decided upon by the Board of Governors.

Capital

The Authorized Capital of IDB is ID30 billion and the Issued Capital is ID18 billion of which ID17.8 billion was subscribed and ID4.6 billion was paid up as at end 1433H.

Financial Year

IDB financial year is the lunar *Hijra* Year (H).

Accounting Unit

The accounting unit of IDB is the Islamic Dinar (ID) which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund.

Language

The official language of IDB is Arabic, but English and French are additionally used as working languages.

Islamic Development Bank Group

IDB Group comprises five entities: Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Islamic Corporation for the Development of the Private Sector (ICD), and International Islamic Trade Finance Corporation (ITFC).

Head Office and Regional Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, IDB has four regional offices in Rabat, Morocco; Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and Dakar, Senegal.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
29 Dhul Hijjah 1433H (14 November 2012) with
INDEPENDENT JOINT AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
FINANCIAL STATEMENTS
29 Dhul Hijjah 1433H (14 November 2012)

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INDEPENDENT JOINT AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah
Kingdom of Saudi Arabia.

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 29 Dhul Hijjah 1433H (14 November 2012) and the related statements of income, cash flows and changes in members' equity for the year then ended and the attached notes from 1 to 33 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and to operate in accordance with Islamic Shari'ah rules and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 29 Dhul Hijjah 1433H (14 November 2012), and the results of its operations, its cash flows and changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the AAOIFI for Islamic Financial Institutions and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank.

Emphasis of matter

We refer to note 2.1 which states that the accompanying financial statements represent the separate financial statements of the Bank. Our opinion is not qualified in this respect.

PricewaterhouseCoopers

Ali A. AlOtaibi
Certified Public Accountant
Registration No. 379

KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Registration No. 382

1 Jamada'I 1434H
13 March 2013
Jeddah

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

كي. بي. إم. جي الفوزان والسدحان
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION

As of 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Notes	**1433H**	1432H
Assets			
Cash and cash equivalents	4	**469,972**	953,974
Commodity placements through banks, net	5	**1,357,530**	655,784
Investments in Sukuk	6	**388,549**	266,631
Murabaha financing, net	7	**214,438**	232,197
Accrued income and other assets	8	**480,775**	448,219
Istisna'a assets, net	9	**2,538,153**	2,077,134
Instalment financing receivables, net	10	**1,026,479**	1,001,507
Qurood, net	11	**1,659,954**	1,621,784
Ijarah Muntahia Bittamleek, net	12	**1,864,050**	1,788,082
Investments in equity capital, net	14	**717,065**	649,835
Investments in subsidiaries and trust funds	15	**446,572**	413,699
Investments in associates, net	16	**54,838**	51,475
Other investments, net	17	**110,915**	130,858
Fixed assets, net	18	**58,102**	59,978
Total assets		**11,387,392**	10,351,157
Liabilities and members' equity			
Liabilities			
Sukuk issued	19	**3,101,322**	1,901,370
Commodity purchase liabilities	20	**893,219**	1,359,902
Accruals and other liabilities	21	**439,305**	460,199
Total liabilities		**4,433,846**	3,721,471
Members' equity			
Paid-up capital	23	**4,590,239**	4,373,804
General reserve	24	**1,788,769**	1,769,766
Fair value reserve		**460,314**	377,116
Retained earnings		**114,224**	109,000
Total members' equity		**6,953,546**	6,629,686
Total liabilities and members' equity		**11,387,392**	10,351,157
Restricted investment accounts	27	**53,403**	45,519

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

INCOME STATEMENT
For the year ended 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Notes	1433H	1432H
Income from:			
Commodity placements through banks		**19,562**	12,131
Investments in Sukuk		**21,914**	13,677
Murabaha financing		**8,311**	6,103
Istisna'a assets		**102,164**	72,061
Instalment financing		**41,212**	39,868
Qurood service fees		**8,820**	8,260
Ijarah Muntahia Bittamleek		**189,789**	183,654
Investments in equity capital		**41,953**	27,396
Others		**20,256**	12,676
		453,981	375,826
Depreciation of assets under Ijarah Muntahia Bittamleek	12	**(147,254)**	(118,304)
		306,727	257,522
Foreign exchange gain, net		**4,456**	1,276
Loss from Murabaha-based Profit Rate Swaps		**(5,028)**	(1,187)
Financing costs		**(57,358)**	(48,314)
Income from operations		**248,797**	209,297
General and administrative expenses:			
Employees related expenses		**(68,225)**	(66,078)
Depreciation	18	**(7,439)**	(5,923)
Administrative expenses		**(22,567)**	(18,133)
Income before provision for impairment of financial assets		**150,566**	119,163
Provision for impairment of financial assets	13	**(36,342)**	(10,163)
Net income for the year		**114,224**	109,000

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the year ended 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Note	1433H	1432H
Cash flows from operations			
Net income for the year		**114,224**	109,000
Adjustments to reconcile net income for the year to net cash from operating activities:			
Depreciation		**154,693**	124,227
Provision for impairment of financial assets		**36,342**	10,163
Investment fair value gains		**(8,397)**	(5,136)
Amortization of deferred grant income		**(567)**	(600)
Foreign exchange gains		**(6,941)**	(325)
Changes in operating assets and liabilities:			
Commodity placements through banks		**(701,746)**	233,656
Murabaha financing		**6,196**	86,977
Accrued income and other assets		**(32,556)**	(138,549)
Istisna'a assets		**(462,536)**	(444,390)
Instalment financing receivables		**(20,323)**	(132,694)
Ijarah Muntahia Bittamleek		**(229,836)**	(407,531)
Qurood		**(33,485)**	(139,812)
Accruals and other liabilities		**(29,641)**	193,505
Net cash utilized in operating activities		**(1,214,573)**	(511,509)
Cash flows from investing activities			
Investments in Sukuk		**(156,241)**	(80,486)
Proceeds from disposal/redemption of investments in Sukuk		**47,831**	16,342
Investments in equity capital		**(4,099)**	(19,046)
Proceeds from disposal of investment in equity capital		**908**	18,014
Additions to other investments		**(2,127)**	(63,260)
Proceeds from disposal of other investments		**18,653**	14,143
Investment in associates		**(4,938)**	
Investment in subsidiaries and trust funds		**(32,873)**	(22,493)
Purchase of fixed assets		**(5,563)**	(5,062)
Net cash utilized in investing activities		**(138,449)**	(141,848)
Cash flows from financing activities			
Net increase in paid-up capital		**216,435**	342,733
Technical assistance and scholarship program grants		**(7,714)**	(10,029)
Contribution to the principal of Islamic Solidarity Fund for Development (ISFD)		**(64,803)**	(63,861)
Payment of Islamic Corporation for the Development of the Private Sector (ICD) capital on behalf of member countries		**(8,167)**	(8,794)
Proceeds from issuance of Sukuk		**1,288,953**	526,779
Redemption of Sukuk		**(89,001)**	-
Net movement in commodity purchase liabilities		**(466,683)**	343,951
Net cash generated from financing activities		**869,020**	1,130,779
(Decrease)/Increase in cash and cash equivalents		**(484,002)**	477,422
Impairment provision cash and cash equivalents		**-**	(10,456)
Cash and cash equivalents at the beginning of year		**953,974**	487,008
Cash and cash equivalents at the end of year	4	**469,972**	953,974

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Notes	Paid-up capital	General reserve	Fair value reserve	Retained Earning	Total
Balance at 1 Muharram 1432H		4,031,071	1,702,308	525,886	169,622	6,428,887
Increase in paid-up capital	23	342,733	-	-	-	342,733
Net unrealized losses from equity investments	14	-	-	(148,770)	-	(148,770)
Increase in the actuarial losses relating to retirement and medical plans	22	-	(19,480)	-	-	(19,480)
Payment of ICD share capital on behalf of member countries		-	(8,794)	-	-	(8,794)
Contribution to the principal amount of ISFD	25	-	(63,861)	-	-	(63,861)
Net income for the year ended 29 Dhul Hijjah 1432H		-	-	-	109,000	109,000
Transfer to general reserve	24	-	169,622	-	(169,622)	-
Allocation for grants	24	-	(10,029)	-	-	(10,029)
Balance at 29 Dhul Hijjah 1432H		4,373,804	1,769,766	377,116	109,000	6,629,686
Increase in paid-up capital	23	216,435	-	-	-	216,435
Net unrealized gains from equity & other investments	14,17	-	-	83,198	-	83,198
Increase in the actuarial losses relating to retirement and medical plans	22	-	(9,313)	-	-	(9,313)
Payment of ICD share capital on behalf of member countries		-	(8,167)	-	-	(8,167)
Contribution to the principal amount of ISFD	25	-	(64,803)	-	-	(64,803)
Net income for the year ended 29 Dhul Hijjah 1433H		-	-	-	114,224	114,224
Transfer to general reserve	24	-	109,000	-	(109,000)	-
Allocation for grants	24	-	(7,714)	-	-	(7,714)
Balance at 29 Dhul Hijjah 1433H		**4,590,239**	**1,788,769**	**460,314**	**114,224**	**6,953,546**

The accompanying notes from 1 to 33 form an integral part of these financial statements.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Islamic Development Bank (the "Bank") is a multilateral development bank 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 countries.

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

As a multilateral development bank, the Bank is not subject to any local or foreign external regulatory authority.

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

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

Entity	Relationship	Equity ownership 1433H	Equity ownership 1432H	Nature of business
Islamic Corporation for the Development of the Private Sector ("ICD")	Equity participation (subsidiary) see note 2.1	**53.3%**	53.0%	Private sector financing
International Trade Finance Corporation ("ITFC")	Equity participation (subsidiary) see note 2.1	**38.1%**	38.8%	Trade financing
Awqaf Properties Investment Fund ("APIF")	Mudarib and equity participation (subsidiary) see note 2.1	**41.1%**	41.1%	Social sector financing
Islamic Solidarity Fund for Development ("ISFD")	Management services Special trust fund	-	-	Social sector financing
Special Account Resources Waqf Fund ("SWF")	Management services Special trust fund	-	-	Social sector financing
Islamic Corporation for the Insurance of Investment and Export Credit ("ICIEC")	Management services Insurance Company Affiliate	-	-	Insurance services

1. INCORPORATION AND ACTIVITIES (continued)

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

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 29 Rabi Thani 1434H (11 March 2013).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

These separate financial statements are considered to be the Bank's primary set of financial statements and are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank. For matters which are not covered by AAOIFI standards, the Bank follows the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB).

These financial statements contain information about the Bank on an individual basis of the Ordinary Capital Resources (OCR) of the Bank, as defined in the Articles of Agreement and do not contain consolidated financial statements related to the Bank's subsidiaries, ICD, ITFC and APIF. Such subsidiaries have been reflected at cost in accordance with the requirements of AAOIFI standards. The Bank also prepares consolidated financial statements which include the results of all entities of Islamic Development Bank Group (IDB Group).

The financial statements are prepared under the historical cost convention except for the following items in the statement of financial position:

- investments in equity capital and other investments measured at fair value through equity; and
- Murabaha-based profit rate and cross-currency swaps and investments in Sukuk which are measured at fair value through income statement.

2.2 Critical accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments 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 judgments are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provision for impairment of financial assets:

The Bank exercises judgement in the estimation of provision for impairment of financial assets. For equity investments, the determination of whether a reduction in fair value compared to cost is significant or prolonged requires the exercise of judgement. The methodology for the estimation of the provision is set out in note 2.9.

ii) 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 estimates are revised every three years when an actuarial estimate of the benefits plans is carried out.

iii) Useful lives of Ijarah Muntahia Bittamleek and fixed assets

The Bank uses estimates of useful lives of assets under Ijarah Muntahia Bittamleek and fixed assets for depreciating these assets and assessing the remaining useful lives of items of such assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. These estimates may have a significant impact on the amount of the carrying values of the assets and on the depreciation expense for the year.

2.3 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Any changes in the fair value of derivatives are taken to the income statement.

2.4 Employment benefit 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 general reserve under members' equity in the year they occur.

2.5 Foreign currency translations

i) Functional and presentation currency

These financial statements are presented in thousands of Islamic Dinars (ID) which is the functional and presentation currency of the Bank. Islamic Dinar is the unit of account of the Bank and is equal to one Special Drawing Right (SDR) of the International Monetary Fund ("IMF").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Transactions and balances

Foreign currency transactions are translated into ID using the SDR rates declared by the IMF at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates declared by the IMF are recognized in the income statement except for unrealized gains and losses on investment in equity capital which are charged to fair value reserve account under members' equity.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and commodity placements through banks having a maturity of three months or less at the date of placement.

2.7 Commodity placements through banks

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

2.8 Operational assets

Operational assets consist of receivables from Murabaha financing, Istisna'a assets, Instalment financing receivables, Qurood contracts and Ijarah Muntahia Bittamleek assets detailed as follows:

i) Murabaha and Instalment financing receivables

Murabaha financing and Instalment financing receivables are agreements 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 and Instalment financing receivables 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 and provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Istisna'a assets

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Bank 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 and provision for impairment.

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

iii) Qurood

Qurood is recognized when cash is disbursed to the borrowers.

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

iv) 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 Bank transfers the title of the asset to the lessee without consideration upon completion of all payments due.

Investment in Ijarah Muntahia Bittamleek consists 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. These 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 under construction.

2.9 Investments in equity capital, real estate and other funds

Equity-type instruments

Investments in equity capital, real estate and other funds are intended to be held for a long-term period, and may be sold in response to needs for liquidity or changes in prices. Initially and subsequently 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 until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded under the members' equity is recognized in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in equity capital, real estate and other funds whose fair value cannot be reliably measured are carried at cost, less provision for any impairment in the value of such investments.

Investments in Murabaha and Leasing Funds, which are of debt type in nature, are measured at amortized cost, less provision for any impairment in the value of such investments.

2.10 Investments in subsidiaries and trust funds

Investments in subsidiaries and trust funds over which the Bank exerts control are recognized at cost and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and impairment loss, if any, is recognized for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. Previously recognized impairment losses, if any, are reviewed for possible reversal of the impairment at each reporting date.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment in the subsidiaries and trust funds may be impaired. The amount of the impairment loss is calculated as the difference between the investment's carrying amount and its estimated fair value and is charged to the income statement. Subsequent recoveries of amounts written-off are credited to the income statement.

The Bank's share of dividends distributed by the subsidiaries and trust funds are recognized in the income statement.

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. The Bank does not have residual interest in these Funds therefore these Funds are not considered as subsidiaries of the Bank.

2.11 Investments in associates

Investments in associates are measured at cost, less provision for any impairment in the value of such investments.

2.12 Investments in Sukuk

Debt-type instruments

Investments in Sukuk are classified as investments at fair value through income statement. These investments 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 income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Murabaha-based profit rate and cross currency swaps

The Bank uses Murabaha-based profit rate and cross-currency swaps for asset/liability management and hedging purposes to modify mark-up rate or currency characteristics of the Sukuk issued and financing extended. Murabaha-based profit rate and cross-currency swaps are treated 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 income statement. Murabaha-based profit rate swap or cross-currency swap with positive fair values are recognized within other assets and those with negative fair values are recognized within other liabilities.

2.14 Impairment of financial assets

Operational assets:

Operational assets are the assets controlled by the Bank to conduct its operations. An assessment is made at each balance sheet date to determine whether there is evidence that a financial asset or a 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 general 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 in the Bank's income statement. 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 other financial assets is calculated as the difference between the asset's carrying amount and its estimated fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, the asset is written off against the allowance account and any excess loss is recognised in the income statement. Subsequent recoveries of amounts previously written-off are credited to the Bank's income statement.

2.15 Fixed assets

Fixed assets are recorded at cost, except for donated land, which was recorded at its fair value at the time of receipt of donation.

Maintenance and repair costs are expensed as incurred. Cost includes expenditures that are directly attributable to the acquisition / construction of the asset. Subsequent expenditures are only capitalized when it increases the useful life of the asset.

Land is not depreciated. Other fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
• Permanent headquarters building	40
• Pre-fabricated buildings	6 to 7
• Furniture and equipment	4 to 10
• Motor vehicles	5

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

2.16 Impairment of non-financial assets

The carrying amounts of assets (other than for financial assets covered above) are reviewed for impairment at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.17 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition

Commodity placements through banks

Income from placements through other 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.

Investments in Sukuk

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

Murabaha and Instalment financing

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

Mudarib share of income

Mudarib share of income is recognized on an accrual basis when the service has been provided.

Istisna'a income

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

Qurood service fees

Income from Qurood service fees is accrued according to the service fee repayment schedule appended to the Qurood agreement.

Ijarah Muntahia Bittamleek

Rental Income from Ijarah Muntahia Bittamleek is allocated proportionately in the financial periods over the term of Ijarah.

Dividends

Dividend income from investments in subsidiaries, associates and trust funds is recognized when the right to receive the dividend is established.

Earnings prohibited by Shari'ah

Any income earned by the Bank from sources, which is considered by management as forbidden by Shari'ah, is not included in the Bank's income statement but is transferred to the Special Account Resources Waqf Fund.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Commodity purchase and sale agreements

The Bank enters into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank purchases certain commodities from these banks on a deferred payment basis and sells these through those banks to third parties. The payable related to the purchase price under these agreements is presented as commodity purchase liabilities in the statement of financial position. The difference between sale and purchase price is treated as finance cost and accrued on a time apportionment basis over the period of the agreements.

2.20 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.21 Zakat and tax

In accordance with the Articles of Agreement and the fact that the Bank's equity is part of Bait-ul-Mal (public money), the Bank is not subject to Zakat or Tax.

3. SHARI'AH COMMITTEE

The Bank's business activities are subject to the supervision of a Shari'ah Committee consisting of members appointed by the Board of the Executive Directors of IDB. A Shari'ah Committee for IDB and its Affiliates was established pursuant to the Board Resolution No. BED/24/11/421/(198)/138. Members of the Shari'ah Committee of IDB Group are appointed for a period of 3 years renewable.

The Committee has the following functions:

i. to consider all that are referred to it of transactions and products introduced by the Bank for use for the first time and rule on its conformity with the principles of the Shari'ah, and to lay down the basic principles for the drafting of related contracts and other documents;

ii. to give its opinion on the Shari'ah alternatives to conventional products which the Bank intends to use, and to lay down the basic principles for the drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Bank's experience in this regard;

iii. to respond to the questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the Bank;

iv. to contribute to the Bank's programme for enhancing the awareness of its staff members of Islamic banking and to deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and

v. to submit to the Board of Executive Directors a comprehensive report showing the measure of the Bank's commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the years are comprised of the following:

	1433H	1432H
Cash in hand and at banks (note 4.1)	**32,717**	50,587
Commodity placements through banks (note 5)	**437,255**	903,387
Total	**469,972**	953,974

Commodity placements through banks comprise those placements having a maturity of three months or less at the date of placement.

4.1 Cash in hand and at banks

Cash in hand and at banks at the end of the years comprise the following:

	1433H	1432H
Cash in hand	**165**	224
Cash at banks:		
- Current accounts	**2,899**	8,104
- Call accounts	**29,653**	42,259
Total	**32,717**	50,587

Current accounts at 29 Dhul Hijjah 1433H include ID 0.5 million (1432H: ID 0.5 million) that 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.

5. COMMODITY PLACEMENTS THROUGH BANKS, NET

Commodity placements through banks at the end of the years are comprised of the following:

	1433H	1432H
Placements through Islamic banks	**181,317**	249,550
Placements through conventional banks	**1,617,611**	1,313,764
	1,798,928	1,563,314
Less:		
- maturity of three months or less at the date of placement (note 4)	**(437,255)**	(903,387)
- Provision for impairment (note 13.3)	**(4,143)**	(4,143)
Commodity placements through banks, net	**1,357,530**	655,784

(All amounts in thousands of Islamic Dinars unless otherwise stated)

6. INVESTMENTS IN SUKUK

Investments in Sukuk certificates represent the Sukuk issued by various governments, financial institutions and certain other entities.

Investments in Sukuk at the end of the years comprise of the following:

	1433H	1432H
Governments	**107,771**	73,463
Financial institutions	**189,322**	128,229
Other entities	**91,456**	64,939
	388,549	266,631

The movement in investments in Sukuk is summarized as follows:

	1433H	1432H
Balance at the beginning of the year	**266,631**	198,455
Additions during the year	**156,241**	80,486
Sales/redemptions during the year	**(47,831)**	(16,342)
Fair value gains	**8,397**	5,136
Exchange revaluation gains/ (losses)	**5,111**	(1,104)
Balance at the end of the year	**388,549**	266,631

7. MURABAHA FINANCING, NET

Murabaha financing at the end of the year are comprised of the following:

	1433H	1432H
Gross amounts receivable	**266,682**	270,657
Less: unearned income	**(5,198)**	(2,976)
	261,484	267,681
Less: provision for impairment (note 13.3)	**(47,046)**	(35,484)
Murabaha financing, net	**214,438**	232,197

(All amounts in thousands of Islamic Dinars unless otherwise stated)

8. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at the end of the years are comprised of the following:

	1433H	1432H
Accrued income on operating assets	**214,994**	153,000
Accrued income from commodity placements through banks	**8,465**	2,838
Accrued income on investments in Sukuk	**3,471**	2,385
Related party balances (note 28)	**178,964**	188,058
Positive fair value of Murabaha - based profit rate and Cross currency profit rate swaps (note 8.1)	**37,691**	44,372
Staff loans and advances	**14,289**	13,263
Prepayments and other assets	**22,901**	44,303
Total	**480,775**	448,219

8.1 Swaps

The Bank has entered into the following Murabaha based profit rate and cross currency profit rate swaps with financial institutions:

a) Murabaha-based Profit Rate Swaps:

Under the arrangement, the Bank shall swap fixed profit rate with floating profit rate or vice versa with the counterparty. The contract amounts of the swaps are United States Dollar (USD) 50 million (1432H: US$ 100 million) equivalent to (ID 33 million) (1432H: ID 65 million) (for certain related party receivables) and USD 1,850 million (ID 1,212 million) (for Sukuk issued during the year for the same amount).

b) Cross Currency Profit Rate Swap:

The Bank has issued Sukuk amounting to Saudi Riyal (SAR) 1,875 million (ID 327.6 million), and Pound Sterling (GBP) 260 million (ID 270.3 million). In order to provide protection against exchange rate fluctuations between the SAR and USD ,GBP and Euro and GBP and USD and the profit payments under the Sukuk, the Bank entered into cross currency profit rate swaps for the contract amount of SAR 1,875 million and GBP 260 million respectively. Under the arrangement, the Bank shall swap profit rate in USD and EURO with profit rates in SAR and GBP respectively with the counterparties.

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 Shari'ah compliant assets for immediate delivery. Under these arrangements Murabaha generates fixed payments (comprising both a cost price and a fixed rate profit mark-up) or vice versa. Corresponding Reverse Murabaha contracts generates the floating leg payments (the cost price is fixed but the profit rate mark-up is floating) or vice versa.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

8. ACCRUED INCOME AND OTHER ASSETS (continued)

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.

1433H			**Contract amount**			
	Positive fair value	**Negative fair value**	**Total**	**1-3 years**	**3-5 years**	**Over 5 years**
Murabaha-based profit and cross currency profit rate swaps	**37,691**	**31,432**	**1,842,838**	**1,021,268**	**493,964**	**327,606**

1432H			Contract amount			
	Positive fair value	Negative fair value	Total	1-3 years	3-5 years	Over 5 years
Murabaha-based profit and cross currency profit rate swaps	44,372	23,761	1,402,127	699,458	381,375	321,294

9. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of the years are comprised of the following:

	1433H	1432H
Istisna'a assets in progress	**1,829,828**	1,470,686
Istisna'a receivables	**1,036,093**	881,111
	2,865,921	2,351,797
Less : unearned income	**(325,220)**	(273,631)
	2,540,701	2,078,166
Less : provision for impairment (note 13.3)	**(2,548)**	(1,032)
Istisna'a assets, net	**2,538,153**	2,077,134

10. INSTALMENT FINANCING RECEIVABLE, NET

Instalment financing receivables at the end of the years are comprised of the following:

	1433H	1432H
Gross amounts receivable	**1,430,462**	1,440,037
Less: unearned income	**(400,590)**	(430,488)
	1,029,872	1,009,549
Less: provision for impairment (note 13.3)	**(3,393)**	(8,042)
Instalment financing receivables, net	**1,026,479**	1,001,507

(All amounts in thousands of Islamic Dinars unless otherwise stated)

11. QUROOD, NET

Qurood balances at the end of the years are comprised of the following:

	1433H	1432H
Qurood	**1,716,353**	1,682,867
Less: Provision for impairment (note 13.3)	**(56,399)**	(61,083)
Qurood, net	**1,659,954**	1,621,784

12. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of the years are comprised of the following:

	1433H	1432H
Cost:		
Assets under construction:		
At the beginning of the year	**1,350,021**	1,064,480
Additions	**232,604**	407,530
Transferred to assets in use	**(485,196)**	(121,989)
At the end of the year	**1,097,429**	1,350,021
Assets in use:		
At the beginning of the year	**1,044,283**	935,654
Transferred to beneficiaries and disposal due to early lease payments	**-**	(13,360)
Transferred from assets not yet in use	**485,196**	121,989
At the end of the year	**1,529,479**	1,044,283
Total cost	**2,626,908**	2,394,304
Accumulated depreciation:		
At the beginning of the year	**(585,102)**	(480,158)
Transferred to beneficiaries and disposal due to early lease payments	**-**	13,360
Charge for the year	**(147,254)**	(118,304)
Share of syndication participants	**(2,768)**	-
At the end of the year	**(735,124)**	(585,102)
Balance at the end of the year	**1,891,784**	1,809,202
Less: provision for impairment (note 13.3)	**(27,734)**	(21,120)
Ijarah Muntahia Bittamleek, net	**1,864,050**	1,788,082

As at 29 Dhul Hijjah 1433H included in assets in use is an amount of ID 179.4 million (1432H: 95.3 million) that represents the cost of fully depreciated assets, which will ultimately be transferred to the beneficiaries under the terms of the lease agreements.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

13. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

13.1 Provision for impairment of financial assets at the end of the years are comprised of the following:

	1433H	1432H
Specific provision	**237,928**	201,342
General provision	**18,509**	18,753
	256,437	220,095

13.2 The movement in provision for impairment of financial assets is as follows:

	1433H	1432H
Balance at the beginning of the year	**220,095**	209,932
Charge for the year	**36,342**	10,163
Balance at the end of the year	**256,437**	220,095

i) Specific provision

The movement in specific provision for impairment of financial assets is as follows:

	1433H	1432H
Balance at the beginning of the year	**201,342**	195,469
Charge for the year	**36,586**	5,873
Balance at the end of the year	**237,928**	201,342

ii) General provision

The movement in general provision for impairment of financial assets is as follows:

	1433H	1432H
Balance at the beginning of the year	**18,753**	14,463
(Reversal)/Charge for the year	**(244)**	4,290
Balance at the end of the year	**18,509**	18,753

(All amounts in thousands of Islamic Dinars unless otherwise stated)

13. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS (continued)

13.3 Provision for impairment of financial assets at the end of the years represents:

	1433H	1432H
Cash and bank	**10,456**	10,456
Commodity placements through banks	**4,143**	4,143
Murabaha financing	**47,046**	35,484
Istisna'a assets	**2,548**	1,032
Instalment financing receivables	**3,393**	8,042
Qurood	**56,399**	61,083
Ijarah Muntahia Bittamleek	**27,734**	21,120
Other investments	**4,911**	-
Investment in equity capital	**78,204**	58,709
Investment in associates	**21,603**	20,029
Balance at the end of the year	**256,437**	220,095

13.4 The above impairment provision consists of the following:

a) The differences between the carrying amount of the related 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 instalments or management's best estimates of the timings of future cash flows from such financial assets.

b) A general 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 investments is taken when the decrease in fair value below cost is significant or prolonged. The impairment provision for unlisted equity capital investment is based on the difference between the investment carrying value and its net assets value at end of the years.

d) Provision for Sukuk is created when the Bank identifies investments in specific Sukuk as potentially impaired. In such situation, investments at the statement of financial position date are re-measured at their fair value and the difference is recognized in the statement of income.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

13. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS (continued)

13.5 As at the end of the years 1433H and 1432H the following is 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 relates specifically to these impaired receivables:

1433H	**0-6 months**	**7 – 12 months**	**1-2 years**	**Over two years**	**Total**
Murabaha financing	**130**	**130**	**261**	**40,345**	**40,866**
Instalment financing receivables	**-**	**-**	**-**	**2,469**	**2,469**
Qurood	**289**	**614**	**516**	**8,130**	**9,549**
Ijarah Muntahia Bittamleek	**-**	**1,291**	**2,582**	**16,529**	**20,402**
Total	**419**	**2,035**	**3,359**	**67,473**	**73,286**

1432H	0-6 months	7 – 12 months	1-2 years	Over two years	Total
Murabaha financing	-	-	-	30,323	30,323
Instalment financing receivables	-	-	-	5,173	5,173
Qurood	374	277	889	7,633	9,173
Ijara Muntahia Bittamleek	97	8	335	17,742	18,182
Total	471	285	1,224	60,871	62,851

The remaining provision for impairment relates to Heavily Indebted Poor Countries ("HIPC") countries' rescheduled instalments under the HIPC initiative and general provision based on the management's best estimate of the losses present in the portfolio.

Following are the ageing of the balances which were overdue and not considered impaired by the management of the Bank.

1433H	**0-6 months**	**7 – 12 months**	**1-2 years**	**Over two years**	**Total**
Amount overdue but not considered impaired	**23,088**	**10,228**	**1,467**	**1,076**	**35,859**

1432H	0-6 months	7 – 12 months	1-2 years	Over two years	Total
Amount overdue but not considered impaired	3,054	688	210	104	4,056

(All amounts in thousands of Islamic Dinars unless otherwise stated)

14. INVESTMENTS IN EQUITY CAPITAL, NET

The Bank undertakes equity investments in industrial, agro-industrial projects, Islamic banks and Islamic financial institutions of member countries principally.

Investments in equity capital at the end of the years comprise of the following:

	1433H	1432H
Equity investments:		
Listed	**652,884**	569,349
Unlisted	**142,385**	139,195
	795,269	708,544
Less: provision for impairment (note 13.3)	**(78,204)**	(58,709)
Investments in equity capital, net	**717,065**	649,835

The movement in investments in equity capital is as follows:

	1433H	1432H
Balance at the beginning of the year	**649,835**	803,976
Additions during the year	**4,099**	19,046
Disposal during the year	**(908)**	(17,743)
Provision for impairment	**(19,495)**	(6,403)
Transfer to other investments, net (note 17)	**-**	(271)
Net unrealized fair value gains / (losses)	**83,534**	(148,770)
Balance at the end of the year	**717,065**	649,835

Investments carried at cost primarily represent equity investments in start-up unlisted entities where it is not possible to determine the fair value reliably given the developmental nature of such investments. The Bank intends to hold these investments for the long-term as strategic investments and exits from such investments would be made within the overall context of the Bank's developmental activities. During the year there were no transfers of investments carried at cost to investments at fair value through equity

The movement in provision for impairment in equity capital is as follows:

	1433H	1432H
Provision at the beginning of the year	**58,709**	52,306
Provision during the year	**19,495**	6,403
Provision at the end of the year	**78,204**	58,709

(All amounts in thousands of Islamic Dinars unless otherwise stated)

15. INVESTMENTS IN SUBSIDIARIES AND TRUST FUNDS

Investments in subsidiaries and trust funds at the end of the years comprise of the following:

	1433H	1432H
Islamic Corporation for the Development of the Private Sector (note 15.1)	**256,856**	223,983
Awqaf Properties Investment Fund (note 15.2)	**20,981**	20,981
International Islamic Trade Finance Corporation (note 15.3)	**168,735**	168,735
Investments in subsidiaries and trust funds	**446,572**	413,699

15.1 Islamic Corporation for the Development of the Private Sector

The Islamic Corporation for the Development of the Private Sector ("ICD") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. ICD 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 ICD, the objective of ICD 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 1433H, the Bank owns 53.3% (1432H: 53%) of the paid-up capital of ICD. The Bank paid ID 8.2 million during 1433H (1432H: ID 8.79 million) on behalf of the member countries towards the share capital of ICD, which has been appropriated against the general reserve. The Bank controls ICD.

15.2 Awqaf Properties Investment Fund

Awqaf Properties Investment Fund ("APIF") 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. APIF commenced its operations on 1 Rajab 1422H (19 September 2001). The objective of the APIF 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 29 Dhul Hijjah 1433H, the Bank owns 41.09% (1432H: 41.09%) of the paid-up capital of the Fund. The Bank controls APIF.

15.3 International Islamic Trade Finance Corporation

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 ("ITFC") 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).

As of 29 Dhul Hijjah 1433H, the Bank owns 38.1% (1432H: 38.8%) of the paid-up capital of the ITFC. The Bank controls ITFC.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

16. INVESTMENTS IN ASSOCIATES, NET

Investments in associates at the end of the years are comprised of the following:

	Country of incorporation	Ownership %			
		1433H	1432H	**1433H**	1432H
Allied Cooperative Insurance Group (Listed)	Saudi Arabia	**20.0%**	20.0%	**6,887**	3,409
Bosna Bank International	Bosnia	**45.5%**	45.5%	**9,618**	9,618
Islamic Bank of Guinea	Guinea	**49.9%**	49.9%	**4,086**	2,627
Bank Muamalat Indonesia	Indonesia	**32.8%**	32.8%	**32,964**	32,964
Syrikat Takaful Indonesia	Indonesia	**26.4%**	26.4%	**2,233**	2,233
Islamic Bank of Niger	Niger	**49.5%**	49.5%	**1,716**	1,716
International Leasing and Investment Company	Kuwait	**28.0%**	28.0%	**11,444**	11,444
Sonali Paper & Board Mills	Bangladesh	**23.2%**	23.2%	**808**	808
Northern Jute Manufacturing Company	Bangladesh	**30.0%**	30.0%	**198**	198
National Fibres Limited	Pakistan	**21.2%**	21.2%	**6,487**	6,487
Total				**76,441**	71,504
Less: Provision for impairment				**(21,603)**	(20,029)
Investment in associates, net				**54,838**	51,475

The fair value of the listed associates as of 29 Dhul Hijjah 1433H is ID 15,026 (1432H: ID 11,275).

The movement in investments in associates is summarized as follows:

	1433H	1432H
Balance at the beginning of the year	**51,475**	51,587
Additions during the year	**4,938**	-
Provision for impairment	**(1,575)**	(112)
Balance at the end of the year	**54,838**	51,475

(All amounts in thousands of Islamic Dinars unless otherwise stated)

17. OTHER INVESTMENTS, NET

Other investments at the end of the years are comprised of the following:

	1433H	1432H
Lease and Murabaha Funds - Debt type	**75,569**	79,115
Infrastructure, Equity and other funds - Equity type	**40,257**	51,743
	115,826	130,858
Less: provision for impairment (note 13.3)	**(4,911)**	-
Other investments, net	**110,915**	130,858

Above investments are managed by third party institutions or Bank affiliates in which the Bank has made specific investments as part of its management of liquidity.

The movement in other investments is summarized as follows:

	1433H	1432H
Balance at the beginning of the year	**130,858**	79,836
Additions during the year	**2,127**	62,989
Sale/capital redemptions during the year	**(18,653)**	(14,143)
Transfer from investments in equity capital, net (note 14)	**-**	271
Foreign exchange gains	**1,830**	1,905
Provision for impairment	**(4,911)**	-
Net unrealized fair value losses	**(336)**	-
Balance at the end of the year	**110,915**	130,858

(All amounts in thousands of Islamic Dinars unless otherwise stated)

18. FIXED ASSETS, NET

Fixed assets at 29 Dhul Hijjah 1433 are comprised of the following:

	Land	Buildings	Furniture, equipment and vehicles	Total
Cost:				
At the beginning of the year	13,043	91,519	24,322	128,884
Additions during the year	-	402	5,161	5,563
At the end of the year	13,043	91,921	29,483	134,447
Less: share of assets allocated to Special Account Resources Waqf Fund:				
At the beginning and end of the year	-	(31,842)	-	(31,842)
At the end of the year	13,043	60,079	29,483	102,605
Accumulated depreciation:				
At the beginning of the year	-	41,496	10,025	51,521
Disposals during the year	-	-	-	-
Charge for the year	-	2,483	5,688	8,171
At the end of the year	-	43,979	15,713	59,692
Less: share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At the beginning of the year	-	(14,457)	-	(14,457)
Disposals during the year	-	-	-	-
Allocation during the year	-	(732)	-	(732)
At the end of the year	-	(15,189)	-	(15,189)
At the end of the year	-	28,790	15,713	44,503
Net book value:				
29 Dhul Hijjah 1433H	**13,043**	**31,289**	**13,770**	**58,102**
29 Dhul Hijjah 1432H	13,043	32,638	14,297	59,978

Included in fixed assets 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.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

18. FIXED ASSETS, NET (continued)

The cost of the Bank's permanent headquarters building was funded out of the Bank's ordinary resources and out of special account- resources Waqf Fund. The cost and depreciation of the permanent headquarters building and related furniture and equipment are being split according to the following proportions:

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

19. SUKUK ISSUED

IDB Trust Services Limited ("ITSL") and Tadamun Services Berhad ("TSB") have issued the following global Sukuk by selling global Sukuk Certificates as set out below:

Date of Issue	Issuing currency	Amount	ID Equivalent 1433H	ID Equivalent 1432H	Maturity date	Stock Exchange Listing	Issued by
20 August 2008	MYR	300,000	**64,310**	60,584	20 August 2013	Bursa Malaysia ("BM")	TSB
30 March 2009	MYR	100,000	**21,437**	20,194	28 March 2014	BM	TSB
16 September 2009	USD	850,000	**556,928**	546,199	16 September 2014	London Stock Exchange ("LSE")	ITSL
14 September 2009	SGD	200,000	**-**	89,001	14 September 2012	Not Listed	ITSL
20 September 2010	SAR	937,500	**163,802**	160,647	20 September 2020	Not Listed	ITSL
20 September 2010	SAR	937,500	**163,802**	160,647	20 September 2020	Not Listed	ITSL
27 October 2010	USD	500,000	**327,604**	321,293	27 October 2015	LSE and BM	ITSL
17 February 2011	GBP	60,000	**58,997**	60,865	17 February 2016	Not Listed	ITSL
25 May 2011	USD	750,000	**491,407**	481,940	25 May 2016	LSE and BM	ITSL
30 January 2012	GBP	100,000	**102,049**	-	30 January 2017	Not listed	ITSL
26 June 2012	USD	800,000	**524,167**	-	26 June 2017	LSE and BM	ITSL
07 August 2012	GBP	100,000	**102,652**	-	07 August 2015	Not listed	ITSL
01 October 2012	USD	300,000	**196,563**	-	01 October 2015	Not listed	ITSL
11 October 2012	USD	500,000	**327,604**	-	11 October 2017	Not listed	ITSL
			3,101,322	1,901,370			

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. Accordingly 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 Bank continues to service these assets, and guarantees as a third party any shortfall in the scheduled instalments.

The finance cost for the year ended 1433H is ID 50.1 million (1432H: ID 36.7 million).

(All amounts in thousands of Islamic Dinars unless otherwise stated)

20. COMMODITY PURCHASE LIABILITIES

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. The outstanding balance of ID 893.21 million as of 29 Dhul Hijjah 1433H (1432H: ID 1,360 million) represents the purchase price under these agreements. The related finance cost for the year ended 29 Dhul Hijjah 1433H is ID 7.2 million (1432H: ID 10.9 million).

21. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of the years are comprised of the following:

	1433H	1432H
Related party balances (note 28)	**94,424**	201,097
Accrued staff retirement and medical benefit scheme liability (note 22)	**67,466**	58,153
Negative fair value of Murabaha based profit rate and cross currency profit rate swaps (note 8.1)	**31,432**	23,761
Accruals	**21,681**	18,613
Deferred grant income	**11,903**	12,472
Investment deposits	**2,662**	2,308
Other liabilities	**209,737**	143,795
Total	**439,305**	460,199

22. 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 1 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 62nd anniversary of the participant's birth;
(ii) on retirement, the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

22. RETIREMENT BENEFITS (continued)

Under the Plan, the employee contributes at a rate of 9% (1432H – 7%) of the basic salary while the Bank typically contributes 21% (1432H- 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.

b. Post-Employment Medical Benefit Scheme

Effective 1 Muharram 1421H, the Bank established the medical benefit scheme for retired employee via 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 retired employee 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 retired employee is computed according to the following formula:

Monthly highest average remuneration X 5 (being minimum contribution period) X .18%

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

	Staff Retirement Plan		**Medical Benefit Scheme**	
	1433H	1432H	**1433H**	1432H
Benefit obligation at beginning of the year	**161,496**	142,718	**9,686**	7,398
Service costs (excluding member contributions)	**8,891**	7,396	**974**	699
Finance costs	**8,448**	8,405	**531**	499
Plan member contributions	**4,313**	2,592	**243**	185
Benefits paid from plan assets	**(5,747)**	(6,044)	**(183)**	(94)
Foreign exchange losses and other adjustments	**15,632**	6,429	**948**	999
Benefit obligation at end of the year	**193,033**	161,496	**12,199**	9,686

(All amounts in thousands of Islamic Dinars unless otherwise stated)

22. RETIREMENT BENEFITS (continued)

The movements on the plan assets are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1433H	1432H	**1433H**	1432H
Fair value of plan assets at the beginning of the year	**108,077**	106,753	**4953**	4,690
Actual return on plan assets	**8,716**	3,447	**162**	116
Employer contributions	**9,956**	5,504	**580**	383
Plan member contributions	**4,313**	2,592	**243**	185
Benefits paid from plan assets	**(5,747)**	(6,044)	**(183)**	(94)
Foreign exchange gains / (losses) and other adjustments	**6,584**	(4,175)	**112**	(327)
Fair value of plan assets at end of the year	**131,899**	108,077	**5,867**	4,953
Funded status - net liability recognized on balance sheet representing excess of benefit obligation over fair value of plan assets (note 21)	**61,134**	53,419	**6,332**	4,733

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 1433H and 1432H for the Bank comprised the following:

	Staff Retirement Plan		Medical Benefit Scheme	
	1433H	1432H	**1433H**	1432H
Current service costs - gross	**13,204**	9,989	**1,217**	884
Less - Employee contributions	**(4,313)**	(2,592)	**(243)**	(185)
Net - current service costs	**8,891**	7,397	**974**	699
Finance costs	**8,448**	8,405	**531**	499
Expected return on plan asset	**(7,060)**	(6,216)	**(316)**	(276)
Expense for the year	**10,279**	9,586	**1,189**	922

(All amounts in thousands of Islamic Dinars unless otherwise stated)

22. RETIREMENT BENEFITS (continued)

Principal assumptions used in the actuarial valuations dated 17 Rabi Awwal 1433H (9 Feb 2012) and extended as at the end of the years are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1433H	1432H	**1433H**	1432H
Discount rate	**4.5%**	5.4%	**4.5%**	5.4%
Expected return on plan assets	**6.0%**	6.0%	**6.0%**	6.0%
Rate of expected salary increase	**4.5%**	4.5%	**4.5%**	4.5%

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.

The following table presents the plan assets by major category:

	Staff Retirement Plan		Medical Benefit Scheme	
	1433H	1432H	**1433H**	1432H
Commodity placements	**3,465**	6,644	**2,867**	2,788
Investment in UIF	**19,140**	18,772	**-**	-
Syndicated Murabaha	**7,538**	1,647	**3,224**	306
Managed funds and Instalment Sales, net	**18,811**	30,909	**-**	-
Investments in Sukuk	**74,315**	62,403	**1,323**	1,285
Land	**4,635**	4,546	**-**	-
Others (net)	**3,995**	(16,844)	**(1,547)**	573
Plan Assets – net	**131,899**	108,077	**5,867**	4,952

14.5 % of staff retirement plan assets (1432H: 17.4%) are invested respectively within the IDB Group as of 29th Dhul Hijjah 1433H.

The following table summarizes the funding status of the staff retirement plan at the end of the last five fiscal years:

	1433H	1432H	1431H	1430H	1429H
Present value of defined benefit obligation	**(193,033)**	(161,496)	(142,718)	(125,605)	(117,261)
Fair value of plan assets	**131,899**	108,077	106,753	101,234	99,353
Plan deficit	**(61,134)**	(53,419)	(35,965)	(24,371)	(17,908)

(All amounts in thousands of Islamic Dinars unless otherwise stated)

22. RETIREMENT BENEFITS (continued)

The following table summarizes the funding status of the medical benefit scheme at the end of the last five fiscal years:

	1433H	1432H	1431H	1430H	1429H
Present value of defined benefit obligation	**(12,199)**	(9,686)	(7,398)	(6,106)	(5,332)
Fair value of plan assets	**5,867**	4,952	4,690	3,779	3,392
Plan deficit	**(6,332)**	(4,734)	(2,708)	(2,327)	(1,940)

The amounts recognized in the general reserve are as follows:

	Staff Retirement Benefit	**Medical Benefit Scheme**	**1433H Total**	1432H Total
Balance at the beginning of the year	53,419	4,734	**58,153**	38,673
Movement during the year	7,715	1,598	**9,313**	19,480
Balance at the end of the year	61,134	6,332	**67,466**	58,153

23. PAID-UP CAPITAL

The capital of the Bank at the end of the years is comprised of the following:

	1433H	1432H
Authorized 3,000,000 shares of ID 10,000 each	**30,000,000**	30,000,000
Issued: 1,800,000 shares of ID 10,000 each	**18,000,000**	18,000,000
Issued shares available for subscription	**(217,400)**	(217,400)
Subscribed capital	**17,782,600**	17,782,600
Callable capital	**(12,470,380)**	(12,469,121)
Called-up capital	**5,312,220**	5,313,479
Amount not yet due	**(579,851)**	(770,902)
Instalments overdue	**(142,130)**	(168,773)
Paid-up capital	**4,590,239**	`4,373,804

In its 287th meeting held in Safar 1434H (December 2012G), the Board of Executive Directors of the Bank resolved to recommend the following for consideration and approval of the Board of Governors of the Bank in the next Annual General Meeting:

(All amounts in thousands of Islamic Dinars unless otherwise stated)

23. PAID-UP CAPITAL (continued)

a. that the 50% cash callable portion of the 4th General Capital be called in so that the value of shares subscribed by each member country be paid in equal instalments over 20 years starting 01 January 2016G;

b. that the authorized capital of the Bank be increased from ID30 Billion to ID100 Billion;

c. that the subscribed capital of the Bank be increased from ID18 Billion to ID50 Billion,

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 member countries.

According to the Board of Governors' resolution No. BG/2-433 dated 12 Jumada Awwal 1433H (4 April 2012), and the Board of Executive Directors' resolution No. BED/BG/3-433, the higher of 5% of the Bank's 1432H net income and USD 5 million was allocated to finance technical assistance operations in the form of grants during the year 1433H amounted to ID 5.5 million (1432H: ID 7.17 million).

According to the Board of Governors' resolution No. BG/3-433 dated 12 Jumada Awwal 1433H (4 April 2012), and the Board of Executive Directors' resolution No. BED/BG/4-434, higher of 2% of the Bank's 1432H net income and USD Dollars 2 million was allocated to the merit scholarship programme in the form of grants during the year 1433H amounted to ID 2.2 million (1432H: ID 2.86 million).

25. CONTINGENCIES AND COMMITMENTS

25.1 Undisbursed commitments

Undisbursed commitments at the end of the years are comprise the following:

	1433H	1432H
Murabaha financing	-	7,931
Instalment financing receivables and Istisna'a assets	**4,264,961**	3,764,945
Qurood	**987,709**	1,060,101
Ijarah Muntahia Bittamleek assets	**1,147,371**	807,357
Investments in equity capital and profit sharing	**70,107**	8,675
Investment in ICD	**16,380**	48,194
ISFD (note 25.2)	**327,605**	385,552
Total	**6,814,133**	6,082,755

25. CONTINGENCIES AND COMMITMENTS (continued)

25.2. Islamic Solidarity Fund for Development - commitments

The Islamic Solidarity Fund for Development ("ISFD") 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 ISFD 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. ISFD 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 ISFD is USD 10 billion and the Bank has committed to contribute USD 1 billion, payable in 10 annual instalments of USD 100 million each (ID 64.8 million) (1432H: ID 63.86 million). The first five instalments amounting to USD 500 million have already been paid by the Bank as of 29 Dhul Hijjah 1433H.

25.3. Commitments and contingencies through IDB - Unit Investment Fund

The Bank's Unit Investment Fund ("UIF") is a Trust Fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of UIF 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 UIF.

Until 1429H, UIF was being managed by the Bank. During 1430H, its management was transferred to ICD, which is a subsidiary of the Bank.

The Bank has outstanding guarantees at 29 Dhul Hijjah 1433H of ID 50.3 million (1432H: ID 61.3 million) in respect of other operations, which are covered by counter guarantees acceptable to the Bank.

26. EARNINGS AND EXPENDITURES PROHIBITED BY SHARI'A

Earnings realised during the year from transactions which are not permitted by Shari'a amounted to ID 99 thousands (1432H: ID 16 thousands) in respect of the return from call accounts maintained with some conventional banks. These earnings have been transferred to Special Account Resource Waqf Fund during the year.

27. RESTRICTED INVESTMENT ACCOUNTS

The Bank in its capacity as a Mudarib has invested funds of holders of restricted investment accounts for a fixed fee and does not participate in the investment results. Restricted investments accounts are not shown in the Bank's statement of financial position. Right of holders of restricted investments accounts realised from their investments and the total obligation as at the end of Dhul Hijjah 1433H amounted to ID 53.4 million (1432H: ID 45.5 million).

(All amounts in thousands of Islamic Dinars unless otherwise stated)

28. RELATED PARTY BALANCES

In the ordinary course of its activities, the Bank transacts with related parties defined as member countries, subsidiaries and associates, other programmes initiated by the Bank and key decision making bodies comprising of the Board of Governors, the Board of Executive Directors and the Shari'ah Board.

Bank's development activities were principally conducted with its member countries.

The net balances due (to) / from IDB group entities at the end of the year are as follows:

	1433H		1432H	
	Assets	**Liabilities**	Assets	Liabilities
World Waqf Foundation	**-**	**(1,314)**	-	(935)
APIF	**33**	**-**	-	(734)
UIF	**-**	**(56)**	12,623	-
ICIIEC	**6,336**	**-**	2,705	-
Special Account Resources Waqf Fund	**29,318**	**-**	-	(41,317)
IDB Special Assistance Fund	**-**	**(5,554)**	-	(14,993)
IDB Pension Fund	**3,908**	**-**	5,320	-
IDB Medical Fund	**-**	**(4)**	1,287	-
Al-Aqsa Fund	**5**	**-**	-	(37,214)
Al Quds Fund	**995**	**-**	973	-
ICD	**12,789**	**-**	31,480	-
BADEA	**38**	**-**	-	(56)
ITFC	**-**	**(33,283)**	-	(105,084)
Fael Khair Program	**17,302**	**-**	24,030	-
ISFD	**88**	**-**	3,845	-
Sacrificial Meat Project	**3,319**	**-**	2,000	-
GCC Program for Reconstruction of Gaza	**-**	**(14)**	39,536	-
Kafala Program	**-**	**(1)**	-	(764)
ICD – Receivable under Wakala agreement (note 28 (a))	**32,760**	**-**	64,259	-
ITFC – Receivable under Wakala agreement (note 28 (a))	**72,073**	**-**	-	-
Waqf – Payable under Wakala agreement (note 28 (a))	**-**	**(54,198)**	-	-
Total	**178,964**	**(94,424)**	188,058	(201,097)

APIF, ICD and ITFC are the subsidiaries of the Bank. All the remaining entities are Bank's affiliated entities. The Bank provides management services to these entities.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

28. RELATED PARTY BALANCES (continued)

Other than the overall development activity transactions, which are entered into with member countries, the following significant related party transactions were entered into with the entities in IDB Group:

(a) The Bank entered into a Wakala agreement with ICD amounting to USD 50 million, on which the Bank will receive a quarterly Muwakkil profit of 2.75% per annum. This transaction will mature on26 Muharram1434H (10 December 2012). The Bank also entered into two Wakala agreements with ITFC amounting to USD 110 million, on which the Bank will receive a Muwakkil profit of 1.25% and 0.9% per annum respectively. These transactions will mature on 16 Muharram1434H (30 November 2012) and 29 Muharam1434H (13 December 2012) respectively. Similarly, the Bank also entered into two Wakala agreements with Special Account Resource Waqf Fund and borrowed an amount of EUR 65 million. The Bank will pay Muwakkil profit of 0.04% and 0.1% respectively to Special Account Resource Waqf Fund. These transactions will mature on 30 November 2012 and 7 February 2013 respectively.

(b) According to the IDB's Board of Executive Directors' resolution number BED/27/12/428(249)/157, dated 27 Dhul Hijja 1428H (6 January 2008), the Board resolved to allocate USD 1 billion of IDB OCR resources for the ITFC, wherein ITFC will act as Mudarib under a Mudaraba agreement dated 10 Rabi al Awwal 1429H (18 March 2008).

(c) Key management compensation

Key management comprises of the President and the three Vice Presidents. The compensation paid or payable to key management for their services is shown below:

	1433H	1432H
Salaries and other short-term benefits	**1,536**	1,457
Accumulated post-employment benefits	**1,056**	856

29. NET ASSETS IN FOREIGN CURRENCIES

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

	1433H	1432H
United States Dollars	**643,454**	654,741
Euros	**653,994**	437,600
Pound sterling	**186,095**	150,765
Japanese Yens	**121,618**	129,508

(All amounts in thousands of Islamic Dinars unless otherwise stated)

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

1433H	**Less than 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 Months To 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**
Total assets	**648,175**	**1,084,113**	**439,178**	**701,746**	**2,054,465**	**6,459,715**	**11,387,392**
Total Liabilities	**186,083**	**395,476**	**359,963**	**197,292**	**2,889,602**	**405,430**	**4,433,846**

1432H	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 Months To 1 Year	1 to 5 Years	Over 5 Years	Total
Total assets	664,218	1,041,926	609,080	655,689	1,551,633	5,828,611	10,351,157
Total Liabilities	508,480	773,373	443,863	89,389	1,564,041	342,325	3,721,471

31. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	Public utilities	**Transport and telecom**	**Agriculture**	**Industry and Mining**	**Social Services**	**Others**	**Total**
1433H							
Total assets	**3,866,886**	**1,905,892**	**142,554**	**565,634**	**592,297**	**4,314,129**	**11,387,392**
1432H							
Total assets	3,262,348	1,639,492	481,147	266,684	827,887	3,873,599	10,351,157

(All amounts in thousands of Islamic Dinars unless otherwise stated)

31. CONCENTRATION OF ASSETS (continued)

The geographical locations of assets are as follows:

	Member countries				
1433H	**Asia**	**Africa**	**Europe**	**Non-member countries**	**Total**
Total assets	**7,557,813**	**3,275,139**	**270,400**	**284,040**	**11,387,392**
1432H					
Total assets	6,494,411	2,739,463	611,418	505,865	10,351,157

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

32. RISK MANAGEMENT

The Bank has a Group Risk Management Department ("GRMD") that is fully independent from all business departments as well as other entities of the Bank. The GRMD is responsible for identification, assessment, mitigating and reporting of all risks inherent in the Bank's activities to maintain its low risk profile. The Bank has also established a Group Risk Management Committee which ensures that, based on the risk appetite; there are appropriate controls on all major risks arising from financing and investment operations through reviewing the risk management framework, policies, procedures, guidelines and risk reports.

a) Credit Risk

Credit risk refers to the risk that a Bank's counterparty, i.e. sovereign, financial institution, corporate, etc, will fail to discharge its obligation resulting in financial loss to the Bank. The Bank's credit risk arises mainly from its operating and financial assets.

For all classes of financial assets held by the Bank, the maximum credit risk exposure is their carrying value as disclosed in the statement of financial position. The assets which subject the Bank to credit risk, principally relates to financing operations under Murabaha, Istisna'a, Instalment sale, Ijarah Muntahia Bittamleek and other investments which are largely covered by sovereign guarantees, commercial bank guarantees and other securities acceptable to the Bank (in accordance with specific eligibility criteria and credit risk assessments).

The Bank also has strong protection against credit losses on sovereign financing due to its 'Preferred Creditor Status' affording the Bank priority over other creditors in the event of default. Historically, the Bank has had a very low level of overdues and write-offs. The Bank's Management is of the opinion that significant credit losses, beyond what has already been provisioned for, is unlikely to occur.

32. RISK MANAGEMENT (continued)

The Bank's liquid funds portfolio; comprising Commodity placements, Sukuk and other investments, are also exposed to credit risk which is mitigated by diversification and limiting exposure to highly rated banks and issuers including sovereigns.

The Bank has put in place comprehensive credit risk management framework including policies and guidelines on various types of financing operations. The credit policy formulation, credit limit setting, monitoring of credit exposures/exceptions and monitoring/review functions are performed independently by GRMD, which endeavours to ensure that business departments comply with risk parameters and prudential limits established by the Board of Executive Directors ("BED") and the Management.

An important element of the credit risk management framework is exposure limits structure for each obligor and group of connected obligors. Moreover, portfolio concentration limits relating to single country and single obligor are also in place with the view to maintain appropriate diversification. In summary, IDB has a well-developed exposure and concentration limit structure that is based on the credit strength of the beneficiary/obligor, the size of the obligor, as well as the size and structure of the portfolio.

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationships with IDB. While extending financing to its member countries, the Bank safeguards its interests by obtaining adequate guarantees and securities and ensures 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 approach for risk assessment and assignment of exposure limits for each type of obligors 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 are in place for assessing and monitoring country risk profiles and exposure to safeguard the Bank against undue risk. The country risk profiles and exposure limits are periodically reviewed taking into consideration the macro-economic, financial and other developments in the member countries, as well as the status of their business relationship with IDB, perception of the rating agencies and institutions of repute, risk perception of market participants and experience of other MDB's. Countries are classified under 7 risk categories; i.e., "A" to "G", whereby "A" represents the highest creditworthy category (lowest risk) and "G" represents the lowest creditworthy category (highest risk).

(All amounts in thousands of Islamic Dinars unless otherwise stated)

32. RISK MANAGEMENT (continued)

(i) Concentration of credit risk

The table below reflects the ten largest country exposures for financed operations (excluding equity and profit sharing) as of the end of years 1433H and 1432H:

	1433H			1432H	
Country	**Amount**	**% (of total exposure)**	Country	Amount	% (of total exposure)
Morocco	**738,011**	**9.9%**	Morocco	745,670	10.9%
Iran	**559,800**	**7.5%**	Iran	546,230	8.0%
Pakistan	**450,708**	**6.1%**	Pakistan	355,189	5.2%
Indonesia	**356,687**	**4.8%**	Saudi Arabia	352,550	5.1%
Tunisia	**341,460**	**4.6%**	Indonesia	318,431	4.7%
Azerbaijan	**337,986**	**4.5%**	Tunisia	316,356	4.6%
Saudi Arabia	**313,203**	**4.2%**	Azerbaijan	305,498	4.5%
Bahrain	**301,656**	**4.1%**	Bahrain	287,246	4.2%
Sudan	**251,157**	**3.4%**	Syria	228,241	3.3%
Syria	**244,615**	**3.3%**	Sudan	226,062	3.3%
Total Top 10	**3,895,283**	**52.4%**	Total Top 10	3,681,473	53.8%

(ii) Credit quality of financed operations

The table below provides analysis of the credit quality of country exposures related to financed operations (excluding equity and profit sharing) as of the end of years 1433H and 1432H:

	1433H		1432H	
Credit Risk Category	**Amount**	**%**	Amount	%
Category "A"	**466,948**	**6.3%**	529,700	7.7%
Category "B"	**2,706,685**	**36.4%**	2,533,283	37.0%
Category "C"	**1,523,547**	**20.5%**	1,321,642	19.3%
Category "D"	**784,004**	**10.5%**	754,995	11.0%
Category "E"	**1,456,185**	**19.6%**	1,252,780	18.3%
Category "F"	**432,824**	**5.8%**	386,498	5.7%
Category "G"	**69,956**	**0.9%**	68,485	1.0%
Other Non Rated	**45**	**0.0%**	81	0.0%
Total	**7,440,194**	**100%**	6,847,464	100%

(All amounts in thousands of Islamic Dinars unless otherwise stated)

32. RISK MANAGEMENT (continued)

Gross operating assets are covered by guarantees and securities as follows:

	Sovereign	Commercial & Others	Total
1433H			
Other operating assets	**6,166,165**	**1,012,545**	**7,178,710**
Murabaha financing	**178,744**	**82,740**	**261,484**
Total	**6,344,909**	**1,095,285**	**7,440,194**
As % of total operational assets	**85.3%**	**14.7%**	**100%**
1432H			
Other operating assets	5,578,370	1,001,418	6,579,788
Murabaha financing	213,760	53,916	267,676
Total	5,792,130	1,055,334	6,847,464
As % of total operational assets	84.6%	15.4%	100.0%

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 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 country exposure limits.

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

	1433H	1432H
Geographical Area		
Middle East	**47.9%**	50.7%
Asia & others	**29.9%**	27.2%
Africa	**22.2%**	22.1%
	100%	100%

32. RISK MANAGEMENT (continued)

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 Bank's 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 as the Bank has the Islamic Dinar (equivalent to Special Drawing Right – SDR of the International Monetary Fund) as the unit of account (which mitigates against translation risk) and the Bank does not speculatively trade in currencies and is therefore not exposed to currency trading risk. The treasury and operational investment portfolio are held in major currencies and are aligned 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 29 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 30.

iii) Equity price risk

The Bank is exposed to equity price risks arising from equity investments that 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 29 Dhul Hijjah 1433H 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 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 Sukuk 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.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

32. RISK MANAGEMENT (continued)

The effective mark-up rate for the various operational financial assets and financial liabilities are as follow:

	1433H	1432H
Commodity placements	**1.3%**	0.9%
Murabaha financing	**3.8%**	2.2%
Istisna'a assets	**4.4%**	4.0%
Instalment sales	**4.0%**	4.3%
Ijarah Muntahia-Bittamleek	**2.3%**	4.0%
Sukuk liability	**2.1%**	2.2%

The Bank also uses Murabaha-based swaps instruments approved by the Shari'ah 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 8.1.

c) Capital risk

The Bank's objective when managing its capital, which comprises Members' equity, is to maintain a strong capital base to support it in its development initiatives. The Bank is not subject to any external capital requirements.

d) 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:

	1433H		1432H	
Credit Risk Category	**Amount**	**%**	Amount	%
Category "A"	-	-	-	-
Category "B"	**248,700**	**13.6%**	10,919	0.7%
Category "C"	**1,136,173**	**62.0%**	1,166,077	72.2%
Category "D"	**105,612**	**5.8%**	216,229	13.4%
Category "E"	**335,183**	**18.3%**	207,680	12.9%
Category "F"	-	-	-	-
Category "G"	**5,977**	**0.3%**	12,996	0.8%
Total	**1,831,645**	**100%**	1,613,901	100%

(All amounts in thousands of Islamic Dinars unless otherwise stated)

32. RISK MANAGEMENT (continued)

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, equity investments, profit sharing, etc. According to the approved guidelines, a maximum of 30% of IDB's financing operations can be made against such alternatives to Sovereign/Bank guarantees.

The Bank has a strict framework for corporate financing risk evaluation. Further, the GRMD, while reviewing the financing proposals ensures that the due-diligence has been performed 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.

e) Fair values of financial assets and liabilities

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 29 Dhul Hijjah 1433H and 1432H.

1433H

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through income statement				
- Sukuk investments	-	388,549	-	388,549
- Murabaha based profit rate cross currency swaps	-	37,691	-	37,691
Available for sale financial assets				
- Investment in equity capital	629,408	-	-	629,408
Total assets	629,408	426,240	-	1,055,648
Liabilities				
Financial liabilities at fair value through profit or loss				
- Murabaha based profit rate cross currency swaps	-	31,432	-	31,432
Total liabilities	-	31,432	-	31,432

(All amounts in thousands of Islamic Dinars unless otherwise stated)

32. RISK MANAGEMENT (continued)

1432H

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Sukuk investments	-	266,631	-	266,631
- Murabaha-based profit rate cross currency swaps	-	44,372	-	44,372
Financial assets at fair value through equity				
- Investments in equity capital	564,583	-	-	564,583
Total assets	564,583	311,003	-	875,586
Liabilities				
Financial liabilities at fair value through profit or loss				
- Murabaha-based profit rate cross currency swaps	-	23,761	-	23,761
Total liabilities	-	23,761	-	23,761

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

The 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. These amounted to ID 129.64 million (1432H ID 139.2 million). Fair value of listed equity investments are measured based on market quotes. Fair value of investments in Sukuk and Murabaha-based profit rate cross currency swaps are measured based on inputs other than quoted prices that are observable.

33. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Executive Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. In order to ensure sufficient resources to enable it to meet its developmental objectives, the Bank actively engages in treasury and liquidity management. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Bank's capital and Sukuk liabilities. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Executive Directors monitors the performance and financial position of the Bank as a whole, without distinguishing between the developmental activities and the ancillary supporting liquidity management activities or geographical distribution of its development programmes. Further, the internal reports furnished to the Board of Executive Directors do not present discrete financial information with respect to the Bank's performance to the extent envisaged in FAS 22 - the sectorial and geographical distribution of the Bank's assets is set out in note 32.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
(IDB – WAQF FUND)

FINANCIAL STATEMENTS

29 Dhul Hijjah 1433H (14 November 2012)

with

INDEPENDENT JOINT AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

29 Dhul Hijjah 1433H (14 November 2012)

CONTENTS

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INDEPENDENT JOINT AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah,
Kingdom of Saudi Arabia,

We have audited the accompanying statement of financial position of the Islamic Development Bank - Special Account Resources Waqf Fund (the "Fund") as of 29 Dhul Hijjah 1433H (14 November 2012) and the related statements of activities, changes in net assets and cash flows for the year then ended and the attached notes from 1 to 32 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and to operate in accordance with Islamic Shari'ah rules and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the AAOIFI and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 29 Dhul Hijjah 1433H (14 November 2012), and the results of its activities, changes in net assets and 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 and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Fund.

Emphasis of mater

We refer you to note 2(a) which states that the accompanying financial statements represent the separate financial statements of the Fund. Our opinion is not qualified in this respect.

PricewaterhouseCoopers

Ali A. AlOtaibi
Certified Public Accountant
Registration No. 379

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Ebrahim Oboud Baeshen
Certified Public Accountant
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برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

13 Jumada Al Awal 1434H
25 March 2013
Jeddah

كي. بي. إم. جي الفوزان والسدحان
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Notes	1433H	1432H
Assets			
Cash and cash equivalents	4	**29,716**	59,304
Commodity placements through banks, net	5	**384,104**	415,055
Investment in Murabaha	6	**-**	221
Due from related parties	7	**67,644**	103,243
Investments in units	8	**78,410**	78,410
Investments in subsidiaries	9	**73,536**	60,516
Investments in Sukuk	10	**73,156**	87,831
Investments in equity capital, net	11	**19,324**	19,324
Investments in associates	12	**9,523**	9,523
Instalment financing receivables, net	13	**1,417**	1,780
Investments in Ijarah	14	**18,665**	18,539
Istisna'a assets, net	15	**-**	756
Qard, net	16	**167,022**	156,720
Accrued income and other assets		**7,236**	8,524
Other investments	17	**164,464**	202,552
Fixed assets, net	19	**26,581**	23,987
Total assets		**1,120,798**	1,246,285
Liabilities			
Commodity purchase liabilities	20	**269,949**	361,296
Due to related parties	7	**31,713**	22,329
Accruals and other liabilities	21	**3,418**	6,750
Specific deposit from IDB – Unit Investment Fund	8	**-**	9,505
Total liabilities		**305,080**	399,880
Net assets		**815,718**	846,405
Represented by:			
Waqf Fund principal amount	31	**763,291**	761,179
Special assistance	31	**(91,691)**	(56,077)
Special account for Least Developed Member Countries (LDMC)	31	**144,118**	141,303
		815,718	846,405

The accompanying notes from 1 through 32 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF ACTIVITIES AND CHARGES IN NET ASSETS

For the year ended 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

		1433H				
	Notes	Waqf Fund Principal Amount	Special Assistance	Special Account for LDMC	**Total**	1432H Total
Income from:						
Commodity placements through banks		-	-	-	**6,310**	7,937
Investments in Murabaha		-	-	-	**224**	267
Investments in units		-	-	-	**2,656**	2,628
Investments in Sukuk		-	-	-	**9,420**	4,885
Instalment financing receivable		-	-	-	**319**	303
Investments in Ijarah		-	-	-	-	154
Istisna'a assets		-	-	-	-	75
Other investments		-	-	-	**11,685**	4,067
Dividend income		-	-	-	**437**	477
Other income		-	-	-	**1,895**	500
					32,946	21,293
Foreign currency exchange gains		-	-	-	**3,771**	1,737
Financing costs		-	-	-	**(4,418)**	(4,943)
					32,299	18,087
Provision for impairment of financial assets	18	-	-	-	**(13,859)**	(250)
Attributable net income					**18,440**	17,837
Income attributable to Special Assistance		-	5,091	-	-	-
Allocation of attributable net income	23	2,002	8,677	2,670	-	-
Share of income transferred from IDB-OCR	24	47	203	62	**312**	48
Contributions from IDB-OCR for technical assistance grants and scholarship program	25	-	7,713	-	**7,713**	10,028
Income before grants and program expenses		2,049	21,684	2,732	**26,465**	27,913
Grants for causes	22		(31,497)		**(31,497)**	(37,719)
Program expenses	22		(11,787)		**(11,787)**	(11,204)
		2,049	(21,600)	2,732	**(16,819)**	(21,010)
Capital losses		-	-	-	-	(141)
Change in net assets / (liabilities)		**2,049**	**(21,600)**	**2,732**	**(16,819)**	(21,151)
Fair value reserve		63	(504)	83	**(358)**	1,523
Movement in general reserve		-	(13,510)	-	**(13,510)**	-
Net assets / (liabilities) at the beginning of the year		761,179	(56,077)	141,303	**846,405**	866,033
Net assets / (liabilities) at end of the year	31	**763,291**	**(91,691)**	**144,118**	**815,718**	846,405

The attached notes from 1 through 32 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF CASH FLOWS

For the year ended 29 Dhul Hijjah 1433H (14 November 2012)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Note	1433H	1432H
Cash flows from operations:			
Attributable net income		**18,440**	17,837
Adjustments to reconcile attributable net income to net cash provided by (used in) operating activities:			
Depreciation		**903**	886
Provision for impairment		**13,859**	250
Investments fair value loss		**765**	-
Foreign exchange gain		**(1,734)**	619
Change in operating assets and liabilities:			
Investments in Murabaha		**221**	10,605
Instalment financing receivable		**363**	1,127
Istisna'a assets		**756**	403
Qard		**(10,302)**	8,636
Accrued income and other assets		**1,288**	(344)
Accruals and other liabilities		**6,052**	21,595
Special Assistance Program Expenses		**(31,497)**	(11,204)
Grant for causes		**(11,787)**	(37,719)
Net cash (used in) /provided operations		**(12,673)**	12,691
Cash flows from investing activities:			
Commodity placements through banks		**30,951**	218,441
Investments in Subsidiaries		**(13,020)**	-
Investments in equity capital		**-**	(12,492)
Investments in associates		**-**	(2,517)
Investments in Ijara		**-**	6,053
Investments in Sukuk		**(16,131)**	(22,299)
Redemption of Sukuk		**18,139**	18
Other investments		**23,873**	(42,153)
Specific deposit from IDB - Unit Investment Fund		**(9,505)**	-
Additions to fixed assets		**(3,497)**	(6,627)
Net cash provided by investing activities		**30,810**	138,424
Cash flows from financing activities:			
Changes in receivable from IDB Group Entities		**35,599**	(80,538)
Commodity purchase liabilities		**(91,349)**	(181,394)
Income transferred from IDB-OCR		**312**	48
Contribution from IDB		**7,713**	10,028
Net cash used in financing activities		**(47,725)**	(251,856)
Net decrease in cash and cash equivalents		**(29,588)**	(100,741)
Cash and cash equivalents at the beginning of the year		**59,304**	160,045
Cash and cash equivalents at the end of the year	4	**29,716**	59,304

The attached notes from 1 through 32 form an integral part of these financial statements.

1. INCORPORATION AND ACTIVITIES

The Special Account Resources Waqf Fund (the "Fund") of the Islamic Development Bank (the "Bank" or "IDB") was established on 1 Muharram 1418H (7 May 1997) 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 Fund.

The Board of 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 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 Fund until it reaches one billion 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 billion Islamic Dinars shall be used. Such percentage will be reviewed each year on the basis of annual income earned for that year (see Note 23).

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 Fund. The balance of the Special Reserve Account has been taken as the uncommitted resources of the Special Accounts and formed the balance of the 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 Fund, but do not form part of the Fund principal amount. All assets of the Fund are commingled and are not distinguished between the Fund principal amount and the other committed resources of the Fund (see note 30).

The 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 of the Fund. Its activities are carried out through the Bank's headquarters in Jeddah, Kingdom of Saudi Arabia.

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

As a Fund of the Bank which is a multilateral development bank, the Fund is not subject to any local or foreign external regulatory authority.

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

The financial statements were authorized for issue in accordance with a resolution of the Executive Directors on, 29 Rabi Thani 1434H (11 March 2013).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

These separate financial statements are considered to be the primary financial statements of the Fund and have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank. For matters, which are not covered by AAOIFI standards, the Fund follows the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB).

The financial statements contain information about the Fund on an individual basis and do not contain consolidated financial information related to the Fund's subsidiaries, Islamic Corporation for the Insurance of Investment and Export Credit ("ICIEC") and Investment in BBI Leasing and Real Estate Company ("BBI"). Such subsidiaries have been reflected at cost in accordance with the requirements of AAOIFI Standards. The Fund also prepares consolidated financial statements which include the results of all subsidiaries.

The financial statements are prepared under the historical cost convention except for the revaluation of investments in units, equity, Sukuk and other investments to fair value.

b) Critical accounting estimates and judgments

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

i) *Provision for impairment of financial assets:*

The Bank exercises judgement in the estimation of provision for impairment of financial assets. For equity investments, the determination of whether a reduction in fair value compared to cost is significant or prolonged requires the exercise of judgement. The methodology for the estimation of the provision is set out in note 2(r).

ii) Useful lives of Ijarah Muntahia Bittamleek and fixed assets

The Bank uses estimates of useful lives of assets under Ijarah Muntahia Bittamleek and fixed assets for depreciating these assets and assessing the remaining useful lives of items of such assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. These estimates may have a significant impact on the amount of the carrying values of the assets and on the depreciation expense for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translations

(i) Functional and presentation currency

These financial statements are presented in thousands of Islamic Dinars (ID) which is the functional and presentation currency of the Fund. Islamic Dinar is the unit of account of the Fund and is equal to one Special Drawing Right (SDR) of the International Monetary Fund ("IMF").

(ii) Transactions and balances

Foreign currency transactions are translated into Islamic Dinars using the SDR rates declared by the IMF at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates declared by the IMF are recognized in the statement of activities except for unrealized gains and losses on investment in equity capital which are charged to fair value reserve account under the statement of activities and changes in net assets.

Non-monitory items measured at historical cost denominated in a foreign currency are translated with the exchange rate at the date of initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and commodity placements through banks having a maturity of three months or less at the date of placement.

e) Commodity placements through banks

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

f) Murabaha and Installment financing receivable

Murabaha financing and installment financing are agreements 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.

Amounts receivable from Murabaha financing and installment financing receivable are stated at the cost of goods sold or disbursements made to the beneficiaries plus income recognized by the Fund to the date of the statement of financial position, less repayments received and any provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Investment in units, equity capital and other assets

i. Equity-type instruments

Investments in units, equity and other assets are equity-type instruments and are intended to be held for a long-term period, and may be sold in response to needs for liquidity or changes in prices. Such investments are measured at fair value, and any unrealized gains arising from the change in their fair value are recognized statement of changes in net assets until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded under the statement of changes in net assets is recognized in the statement of activities.

Investments in, equity capital, and other assets whose fair value cannot be reliably measured are carried at cost, less provision for any impairment in the value of such investments.

ii. Debt-type instruments

Investments in Murabaha and leasing funds, which are of debt-type instruments in nature are measured at amortized cost, less provision for any impairment in the value of such investments.

h) Investments in subsidiaries

Investments in subsidiaries are recognized at cost and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the investment in the subsidiaries' carrying amount exceeds its recoverable amount, the recoverable amount being the higher of the fair value less costs to sell and value in use. Previously recognized impairment losses, if any, are reviewed for possible reversal of the impairment at each reporting date.

i) Investments in associates

Investments in associates are measured at cost, less provision for any impairment in the value of such investments.

j) Investments in Sukuk

Debt-type instruments

Investments in Sukuk are classified as investments at fair value through income. These investments 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 activities. Transaction costs are expensed on the date the contract is entered into.

k) Istisna'a assets

Istisna'a is an agreement between the Fund and a customer whereby the Fund 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 repayment received and provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Ijarah Muntahia Bittamleek

Ijarah is an agreement whereby the Fund, acting as a lessor, purchases according to the customer request (lessee), based on the customer's promise to lease the asset for an agreed rent for a specific period. The Fund transfers the title of the asset to the lessee without consideration upon completion of all payments due.

Investment in Ijarah Muntahia Bittamleek consists 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 under construction.

m) Investments in Ijara

Investments in Ijara, which are of debt type in nature are initially recognized at fair value and subsequently are measured at amortized cost, less provision for any impairment in the value of such investments. These are investments managed by third parties or Bank affiliates in which the Fund has participated as part of its liquidity management.

n) Qard

Qard is recognized when cash is disbursed to the borrowers.

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

o) Fixed assets

Fixed assets are recorded at cost. Maintenance and repair costs are expensed as incurred. Cost includes expenditures that are directly attributable to the acquisition/ construction of the asset. Subsequent expenditures are only capitalized when it increases the useful life of the asset.

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

	years
• Permanent headquarters buildings	40
• Pre-fabricated buildings	6 to 7
• Furniture and equipment	4 to 10
• Motor vehicles	5

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of activities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition

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

Murabaha and installment financing receivable
Income from Murabaha and installment financing 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.

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

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

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

Qard service fees
Income from Qard service fees is accrued according to the service fee repayment schedule appended to the Qard agreement.

Investment Ijarah
Income from Ijarah is accrued based on the repayment schedules or the rate stipulated in the Ijara agreement.

Investment in units, equity capital and other assets
Income from investment in units, equity capital and other investments are recognized when the right to receive the payments is established.

p) Commodity purchase and sale agreements

The Bank on behalf of the Fund enters into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank purchases certain commodities from these banks on a deferred payment basis and sells these through those banks to third parties. The payable related to the purchase price under these agreements is included as commodity purchase liabilities in the Statement of financial position. The difference between sale and purchase price is treated as finance cost and accrued on a time apportionment basis over the period of the agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Impairment of financial assets

Operational assets
Operational assets are the assets controlled by the Fund to conduct its operations. An assessment is made at each balance sheet date to determine whether there is evidence that a financial asset or a group of financial assets may be impaired. Accordingly, the Fund determines the provision for impairment losses based on an assessment of incurred losses. This involves a review of the financial assets on the statement of financial position date in order to determine if there are any indications of impairment in their value individually; and also the losses that the Fund 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 in the Fund's Statement of activities. In determining the adequacy of the provision, the Fund 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 Statement of 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 other financial assets 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, the asset is written off against the allowance account and any excess loss is recognised in the Statement of activities. Subsequent recoveries of amounts previously written-off are credited to the Fund's Statement of activities.

r) Impairment of non-financial assets

The carrying amounts of assets (other than for financial assets covered above) are reviewed for impairment at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of activities. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

t) Zakat and tax

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

u) Provisions

Provisions are recognized when a reliable estimate can be made by the Fund 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.

3. SHARI'AH COMMITTEE

The Fund's business activities are subject to the supervision of a Shari'ah Committee consisting of members appointed by the IDB's General Assembly. IDB Group's Shari'ah Committee was established pursuant to the Board Resolution No.BED/24/11/421/(198)/138. Members of the Shari'ah Committee of IDB Group are appointed for a period of 3 years renewable.

The Committee has the following functions:

i. to consider all that are referred to it of transactions and products introduced by the Fund for use for the first time and rule on its conformity with the principles of the Shari'ah, and to lay down the basic principles for the drafting of related contracts and other documents;

ii. to give its opinion on the Shari'ah alternatives to conventional products which the Fund intends to use, and to lay down the basic principles for the drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Fund's experience in this regard;

iii. to respond to the questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the Fund;

iv. to contribute to the Fund's programme for enhancing the awareness of its staff members of Islamic banking and to deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and

v. to submit to the Board of Executive Directors a comprehensive report showing the measure of the Fund's commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the years comprised of the following:

	1433H	1432H
Cash in hand	**38**	48
Cash at banks	**16,303**	23,294
Commodity placements through banks (Note 5)	**13,375**	35,962
Total	**29,716**	59,304

5. COMMODITY PLACEMENTS THROUGH BANKS, NET

Commodity placements through banks at the end of the years are comprised of the following:

	1433H	1432H
Commodity placements through Islamic banks	**26,842**	8,919
Commodity placements through conventional banks	**370,637**	442,098
Total	**397,479**	451,017
Less: maturity of three months or less at the date of placement (Note 4)	**(13,375)**	(35,962)
	384,104	415,055

6. INVESTMENT IN MURABAHA, NET

Investment in Murabaha at the end of the years comprised of the following:

	1433H	1432H
Gross amounts receivable	-	221
Less: unearned income	-	-
Investment in Murabaha, net	-	221

7. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Fund has certain transactions with IDB Group entities relating to investments and realization of investments made through the inter-fund account between the Fund and the Bank. The balances due to/from IDB Group entities as the end of the year are as follows:

(All amounts in thousands of Islamic Dinars unless otherwise stated)

7. RELATED PARTY TRANSACTIONS (continued)

(i) Due from related parties

	1433H	1432H
International Islamic Trade Finance Corporation	**57**	18,346
Unit Investment Fund	**-**	2,268
Islamic Corporation for the Development of the Private Sector	**-**	1,328
Awqaf Properties Investment Fund	**330**	323
Kafala Program	**68**	414
IDB-Special Assistance Fund	**-**	7,713
IDB-World Waqf Fund	**4,411**	1,876
IDB-Pension Fund	**2**	5,021
Sacrificial Meat Project	**5,303**	5,352
Islamic Solidarity Fund for Development	**54**	19,285
IDB-Fael Al Khair Fund	**3,221**	-
IDB-Ordinary Capital Resources (OCR) – Receivable under Wakala agreement (note 7(a))	**54,198**	41,317
	67,644	103,243

(ii) Due to related parties

	1433H	1432H
Ordinary Capital Resources	**29,318**	-
IDB-Pension Fund	**288**	-
IDB-Medical	**409**	346
IDB - Special Assistance Fund	**1,634**	-
IDB-Al Aqsa Fund	**64**	-
GCC Program for Reconstruction of Gaza	**-**	15,526
IDB - Fael Al Khair Program	**-**	6,457
	31,713	22,329

The Fund has entered into the following significant related party transactions with affiliates:

a) The Fund entered into two Wakala agreements with OCR. The OCR borrowed an amount of EUR 65 million from the Fund. The OCR will pay Muwakkil profit of 0.04% and 0.1% respectively to the Fund. These transactions will mature on 16 Muharram 1434 (30 November 2012) and 26 Rabiul'awwal 1434 (7 February 2013) respectively.

b) The cost of the permanent Headquarters buildings and other related furniture and equipment was funded out of IDB's Ordinary Capital Resources and the Fund. The cost of such fixed assets and the related depreciation was split according to the following proportions:

IDB - Ordinary Capital Resources	65%
The Fund	35%

(All amounts in thousands of Islamic Dinars unless otherwise stated)

8. INVESTMENTS IN UNITS

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 UIF 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 Bourse.

9. INVESTMENTS IN SUBSIDIARIES

	1433H	1432H
ICIEC (Note 9.1)	**50,000**	50,000
BBI (Note 9.2)	**23,536**	10,516
	73,536	60,516

9.1 Investment in ICIEC

ICIEC was established on 1 August 1994 by the Bank. The objective of ICIEC 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 ICIEC is ID 400 million, divided into 400,000 shares of ID 1,000 each. The subscribed capital of ICIEC at 29 Dhul Hijjah 1433H is ID 229.99 million (1432H: ID 148.99 million), with callable installments of ID 114.99 million (1432H: ID 74.49 million) of which ID 101.00 million were paid (1432H: ID 73.53 million).

The Fund has subscribed in 100,000 shares and paid for 50,000 shares in ICIEC, which represents 43.48% of ICIEC's share capital at 29 Dhul Hijjah 1433H (1432H: 67.12%). The Fund controls ICIEC.

9.2. Investment in BBI

BBI Leasing and Real Estate D.O.O. is a limited liability company ("BBI") established in Bosnia and Herzegovina by Court Decision no. UF/1-1411/05 dated 2 September 2005 and commenced its operations in 2006. BBI is principally engaged in development and leasing of real estate. The subscribed and paid-up capital of BBI is Convertible Mark ("KM") 39,915 thousand (ID 16,729 thousand) at 29 Dhul Hijjah 1433H. As of 29 Dhul Hijjah 1433H, the Fund has subscribed in and paid for KM 39,905 thousand (ID 23,536 thousand) (1432H: KM 21,531 thousand - ID 10,516 thousand), representing a share of 99.97% (1432H: 53.94%) in the total paid up capital of BBI.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

10. INVESTMENTS IN SUKUK

Investments in Sukuk represent a portion in the Sukuk issued by various governments, financial institutions and certain other entities.

Investments in Sukuk at the end of the years comprise of the following:

	1433H	1432H
Government	**30,880**	16,660
Financial Institutions	**21,864**	24,044
Other entities	**20,412**	47,127
	73,156	87,831

The movement in investments in Sukuk is summarized as follows:

	1433H	1432H
Balance at the beginning of the year	**87,831**	85,192
Additions during the year	**16,131**	22,299
Sales/redemptions during the year	**(18,139)**	(18)
Transfer to investments in Ijara	**-**	(2,599)
Transfer to investment in Murabaha	**-**	(8,628)
Transfer to other funds	**(13,510)**	-
Transfer to other investments	**-**	(7,796)
Fair value losses	**(765)**	-
Exchange revaluation gains/(losses)	**1,608**	(619)
Balance at the end of the year	**73,156**	87,831

11. INVESTMENTS IN EQUITY CAPITAL, NET

The Fund through the Bank invests in the equity of industrial, agro-industrial and Investment management institutions.

Investments in the equity at the end of the years comprised of the following:

	1433H	1432H
Equity investments:		
Listed	**13,512**	13,512
Unlisted	**5,812**	5,812
	19,324	19,324

(All amounts in thousands of Islamic Dinars unless otherwise stated)

11. INVESTMENTS IN EQUITY CAPITAL, NET (continued)

The movement in investments in equity capital is summarized as follows:

	1433H	1432H
Balance at the beginning of the year	**19,324**	6,393
Additions during the year	-	12,492
Fair value gains	-	689
Less: Provision for impairment (Note 18)	-	(250)
	19,324	19,324

The Fund intends to hold these investments for the long-term as strategic investments and exits from such investments would be made within the overall context of the Fund's developmental activities. During the year there were no transfers of investments carried at cost to investments at fair value through equity.

12. INVESTMENTS IN ASSOCIATES

Investments in associates at the end of the years comprised of the following:

	Country of Incorporation	Ownership % **1433H**	Ownership % **1432H**	**1433H**	**1432H**
Caspian International Investment Co.	Azerbaijan	27	27	**7,006**	7,006
Islamic Bank of Niger	Niger	35	35	**2,517**	2,517
				9,523	9,523

13. INSTALLMENT FINANCING RECEIVABLE, NET

Installment financing receivable at the end of the years comprised of the following:

	1433H	1432H
Gross amounts receivable	**1,522**	2,108
Less: unearned income	**(105)**	(328)
Installment financing receivable, net	**1,417**	1,780

(All amounts in thousands of Islamic Dinars unless otherwise stated)

14. INVESTMENT IN IJARAH

	1433H	1432H
Balance at the beginning of the year	**18,539**	15,004
Transfer from Sukuk	-	2,599
Transfer from other investment	-	6,989
Redemption during the year	-	(6,053)
Revaluation gain	**126**	-
Balance as at the end of the year	**18,665**	18,539

15. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of the years comprised of the following:

	1433H	1432H
Istisna'a receivable	-	756
Less: unearned income	-	-
Istisna'a assets, net	-	756

16. QARD, NET

Qard at the end of the years comprised of the following:

	1433H	1432H
Qard	**174,458**	164,156
Less: Provision for impairment	**(7,436)**	(7,436)
Qard, net	**167,022**	156,720

17. OTHER INVESTMENTS

Other investments at the end of the years are summarized as follows:

	Notes	**1433H**	1432H
Real estate, equity & other funds	17.1	**118,345**	143,195
Infrastructure Fund	17.2	**42,325**	39,907
Infrastructure and Growth Capital Fund ("IGCF")	17.3	**17,653**	19,450
Organization of Islamic Conference - Network SDN BHD	17.4	-	1,379
Total		**178,323**	203,931
Provision for impairment		**(13,859)**	(1,379)
Other investments, net		**164,464**	202,552

(All amounts in thousands of Islamic Dinars unless otherwise stated)

17. OTHER INVESTMENTS (continued)

17.1 Ijarah, real estate and other funds are debt-type investments managed by third party institutions in which the Fund has made specific investments as part of its management of liquidity.

17.2 Investment in the Infrastructure Fund is equity-type instrument and is classified as investment at fair value through equity and represents investment in IDB Infrastructure Fund LLP (the "Infrastructure Fund"), a limited liability partnership incorporated in the Kingdom of Bahrain, promoted by the Bank. The primary objective of the Infrastructure Fund is to promote the use of Islamic Finance in infrastructure projects and seeks long-term capital appreciation through participation in such projects.. The total capital committed by the partners to the Infrastructure Fund is USD 730.50 million (ID: 478.63million) (1432H: US$ 730.50, ID 469.40 million). The Waqf Fund has committed USD 100 million (ID 65.52 million) (1432H: USD100 million, ID 64.26 million) of which USD 64.59 million (ID 42.32million) was not paid up to 29 Dhul Hijjah 1433H (1432H USD 62.71 million, ID 39.90 million). The investment is currently stated at cost, as fair value cannot be reliably measured.

17.3 IGCF is equity-type instrument and is classified as investment at fair value through equity and represents investment made by the Fund in a USD 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 Fund has committed an amount of USD 35 million (ID 22.9 million), out of which a net amount of USD 26.86 million (ID 17.6 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 Fund.

18. PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

The movement in provision for specific impairment of financial assets is as follows:

	1433H	1432H
Balance at the beginning of year	**10,738**	22,819
Charge for the year	**13,859**	250
Write-off during the year	**(1,379)**	(12,331)
Balance at the end of year	**23,218**	10,738

(All amounts in thousands of Islamic Dinars unless otherwise stated)

19. FIXED ASSETS, NET

Fixed assets at the end of the years are comprised of the following:

	Buildings	Furniture and equipment	Total
Cost:			
At the beginning of the year	41,042	108	41,150
Additions	3,423	74	3,497
At the end of the year	44,465	182	44,647
Accumulated depreciation:			
At the beginning of the year	17,106	57	17,163
Charge for the year	861	42	903
At the end of the year	17,967	99	18,066
Net book value:			
29 Dhul Hijjah 1433H	**26,498**	**83**	**26,581**
29 Dhul Hijjah 1432H	23,936	51	23,987

20. COMMODITY PURCHASE LIABILITIES

The Bank on behalf of the Fund has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Fund has purchased certain commodities from other banks on deferred payment basis and has simultaneously sold these through those banks to third parties. The purchase price includes the accrued markup under these agreements. The related finance cost for the year ended 29 Dhul Hijjah 1433H was ID 4.4 million (1432H: ID 4.9million).

21. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of the years comprised the following:

	Note	1433H	1432H
Accrued expenses		**3,418**	6,750

(All amounts in thousands of Islamic Dinars unless otherwise stated)

22. SPECIAL ASSISTANCE

On 1 Muharram 1418H, the Special Assistance resources were transferred to the 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; and
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 the Bank is its supreme policy making body. Since 1 Muharram 1418H, the entire activities of IRTI are financed out of the Fund resources and are included as part of the program expenses of the Special Assistance accounts in these financial statements.

The following amounts were distributed as grants from the Fund during the years ended end of Dhul Hijjah 1433H and 1432H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives:

	1433H	1432H
Relief against disasters and calamities	**499**	2,302
Assistance for Islamic causes	**7,772**	9,608
Technical assistance grants	**12,514**	15,587
Technical cooperative program	**651**	1,589
Scholarship program	**10,061**	8,633
Total	**31,497**	37,719

The following amounts were incurred as program expenses from the Fund during the years ended end of Dhul Hijjah 1433H and 1432H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1433H	1432H
IRTI, Program share & others	**6,040**	6,316
Technical cooperation office	**955**	238
Special Assistance office	**2,500**	2,005
Sacrificial meat project	**1,010**	1,250
Scholarship Program	**1,282**	1,395
Total	**11,787**	11,204

(All amounts in thousands of Islamic Dinars unless otherwise stated)

23. ALLOCATION OF FUND INCOME

The Fund's regulations stipulate that the net income of the Fund for the year is allocated to the Fund's Resources as follows:

	1433H	1432H
Fund principal	**15%**	15%
Special Assistance	**65%**	65%
Special Account for Least Developed Member Countries ("LDMC")	**20%**	20%

24. SHARE OF INCOME TRANSFERRED FROM 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 Fund in accordance with the Board of Governors' Resolutions No. BG/3-417 and BG/4-420.

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 Fund's resources during the years ended end of Dhul Hijjah is as follows:

	1433H	1432H
Fund principal amount	**47**	7
Special Assistance	**203**	31
Special Account for LDMC	**62**	10
Total	**312**	48

25. CONTRIBUTION FROM IDB-OCR FOR TECHNICAL ASSISTANCE GRANT AND SCHOLARSHIP PROGRAMS

According to the Board of Governors' resolution No. BG/2-432, and the Board of Executive Directors' resolution No. BED/BG/2-432, 5% but not less than USD 5 million of the IDB-OCR 1432H net income was allocated to finance Technical Assistance Operations in the form of grants during the year 1433H. This amounts to ID 5.5 million (1432: ID 7.2 million).

According to the Board of Governors' resolution No. BG/3-432, and the Board of Executive Directors' resolution No. BED/BG/3-432, an amount equivalent to 2% but not less than USD 2 millions of IDB-OCR net income for 1432 was allocated for financing of Scholarship Programmers in the form of grants for the year 1433H. This amounts to ID 2.2 million (1432: ID 2.9 million).

26. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of the years are as follows:

	1433H	1432H
Special assistance grants	**37,614**	52,116
Qard to LDMC	**67,313**	88,028
Special loans	**2,340**	1,974
Technical assistance grants	**42,464**	42,749
Scholarship program	**46,220**	40,000
Total	**195,951**	224,867

27. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

	1433H	1432H
United States Dollar	**315,218**	303,929
Euro	**194,627**	190,246
Japanese Yen	**49,573**	49,098
Pound Sterling	**54,676**	54,852
Other currencies	**7,055**	(29,946)

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

	29 Dhul Hijjah 1433H					
	Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets	**118,268**	**377,351**	**302,457**	**170,776**	**151,946**	**1,120,798**
Liabilities	**305,080**	**-**	**-**	**-**	**-**	**305,080**

	29 Dhul Hijjah 1432H					
	Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets	614,373	48,520	55,826	388,640	138,926	1,246,285
Liabilities	390,375	-	-	9,505	-	399,880

(All amounts in thousands of Islamic Dinars unless otherwise stated)

29. CONCENTRATION OF ASSETS

Economic sectors:

All operations of the 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 Fund or are in accordance with furthering the aims and objectives of the Bank.

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

	29 Dhul Hijjah 1433H				
	Member countries			Non-member countries	
	Asia	Africa	Europe		Total
Assets	**904,146**	**135,321**	**37,135**	**44,196**	**1,120,798**
Liabilities	**305,080**	**-**	**-**	**-**	**305,080**

	29 Dhul Hijjah 1432H				
	Member countries			Non-member countries	
	Asia	Africa	Europe		Total
Assets	1,022,841	129,247	50,216	43,981	1,246,285
Liabilities	399,880	-	-	-	399,880

The geographical locations of assets and liabilities for 1433H and 1432H reflect the countries in which the beneficiaries of the assets are located.

30. COMMINGLING OF ASSETS

The management of the Fund has reviewed the commingling of the assets of the Fund, Principal amount, Special Assistance account and Special Account for LDMC as presented in these financial statements. The management has taken the advice of the Bank's legal counsel. As per the Bank's legal counsel's opinion and the Fund's management, the presentation set out in these financial statements is in accordance with the requirements of the regulations of the Fund.

(All amounts in thousands of Islamic Dinars unless otherwise stated)

31. CHANGES IN NET ASSETS

	Waqf Fund Principal Amount	Special Assistance	Special Account for LDMC	Total
Net assets at 1 Muharram 1432H	758,343	(29,831)	137,521	866,033
Changes in net assets during the year 1432H	2,608	(27,236)	3,477	(21,151)
Fair value reserve	228	990	305	1,523
Net assets at 1 Muharram 1433H	761,179	(56,077)	141,303	846,405
Changes in net assets during the year 1433H	2,049	(21,600)	2,732	(16,819)
Fair value reserve	63	(504)	83	(358)
General Reserves	-	(13,510)	-	(13,510)
Net assets at 29 Dhul Hijjah 1433H	763,291	(91,691)	144,118	815,718

32. 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, including the Fund. 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 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 Fund's credit risk arises mainly from its operating assets.

For all classes of financial assets held by the Fund, the maximum credit risk exposure to the Fund is their carrying value as disclosed in the statement of financial position. The assets which subject the Fund to credit risk, principally consist of commodity placements, Murabaha financing, Istisna'a assets, installment financing, loans and Ijarah Muntahia Bittamleek, which are mainly covered by sovereign guarantees and commercial bank guarantees acceptable to theFund, in accordance with specific eligibility criteria and credit risk assessments. The Fund's liquid fund investments portfolio is managed by the Bank's Treasury Department and comprise deals with reputable banks. Murabaha financing, Istisna'a assets, Installment financing, Qard 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 Bank per its policies, or sovereign guarantees from Member Countries. 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 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.

32. 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 Fund. In this respect, the Fund has developed and put in place comprehensive credit policies and guidelines as a part of overall credit risk management framework to provide clear guidance on various types of financing.

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

An important element tool of credit risk management is the established exposure limits for single beneficiary or an obligor and group of connected obligors. In this respect, the Fund has a well developed limit structure, which is based on the credit strength of the beneficiary, the obligor. Moreover, credit commercial limits in member countries regarding financing operations as well as placement of liquid funds are also in place.

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with the Fund. While extending financing to its member countries the Fund safeguards its interests by obtaining 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. In addition to the above risk mitigation tools, the Fund has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best banking practices.

b)Market risks

The 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 Fund does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the Fund's financing operations are ID denominated, the same currency in which the Fund's resources – i.e. equity are denominated. The 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 Dinar basket, namely US Dollar, Sterling Pound, Euro and Japanese Yen. The Fund has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

32. RISK MANAGEMENT (continued)

ii) Liquidity risk

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

iii) Equity price risk

The Fund is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Fund does not actively trade these investments. If equity prices had been 5% higher or lower, net assets at the year ended 29 Dhul Hijjah 1433H would have not been significantly affected 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 Fund is exposed to Mark-up on its investments in cash and cash equivalents, Murabaha financing, Istisna'a assets, Ijarah Muntahia Bittamleek assets and investments in Sukuk. In respect of the financial assets, the Funds returns are based on a benchmark and hence vary according to the market conditions.

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 because of non-availability of required information for such determination. Fair value of listed equity investments are measured based on market quotes, fair value of investments in Sukuk and other investments carried at fair value are measured based on inputs other than quoted prices that are observable.

32. RISK MANAGEMENT (continued)

d) Segment information

Management has determined the chief operating decision maker to be the Board of Executive Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. In order to ensure sufficient resources to enable it to meet its developmental objectives, the Fund actively engages in treasury and liquidity management. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Fund's capital and Sukuk liabilities. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Executive Directors monitors the performance and financial position of the Fund as a whole, without distinguishing between the developmental activities and the ancillary supporting liquidity management activities or geographical distribution of its development programmes. Further, the internal reports furnished to the Board of Executive Directors do not present discrete financial information with respect to the Fund's performance to the extent envisaged in FAS 22.

BRIEF CORPORATE PROFILE OF IDB GROUP ENTITIES

ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) as the research and training arm of the IDB. IRTI plays a key role in supporting the transformation of the IDB Group into a world-class knowledge based organization. IRTI's mandate is to support the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry that enhances socio-economic development in IDB member countries. The Institute undertakes cutting edge applied and policy research as well as capacity building and advisory services in the field of Islamic economics and finance. IRTI aims to be the global knowledge centre for Islamic economics and finance in line with its new vision. www.irti.org

ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

ICIEC was established in 1415H (1994) by the Islamic Development Bank (IDB) and member countries of the Organization of Islamic Cooperation (OIC) as an independent entity within the IDB Group. Its mandate is to help increase the scope of trade transactions of member countries, to facilitate the flow of foreign direct investments into member countries, and to provide reinsurance facilities to Export Credit Agencies in member countries. ICIEC fulfils these objectives by providing appropriate Islamic *Shari'ah* compatible credit and country risk insurance and reinsurance instruments. www.iciec.com

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

ICD was established in 1420H (1999) as an independent entity within the IDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to compliment the role played by IDB through development and promotion of the private sector as a vehicle for economic growth and prosperity in member countries. The main objectives of ICD are: (i) support economic development of its member countries through provision of finance aimed at promoting private sector development in accordance with the principles of *Shari'ah*, and (ii) provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private sectors. www.icd-idb.org

INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)

The International Islamic Trade Finance Corporation (ITFC) was established in 1426H (2005) and commenced business operations in 1429H (2008) with an Authorized Capital of $3 billion, as an autonomous and dedicated trade finance entity of the Islamic Development Bank (IDB) Group. ITFC supports the development of markets and trading capacities of its member countries of the Organization of the Islamic Cooperation (OIC) in order to promote the IDB Group's strategic developmental objectives. Operating to world-class standards, the ITFC's mission is clear from its mandate to be a catalyst for the development of trade among OIC Member Countries and with the rest of the world. ITFC aspires to be a recognized provider of trade solutions for the OIC Member Countries' needs; in order to fulfill its brand promise of "Advancing Trade and Improving Lives". www.itfc-idb.org.

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