



ANNUAL REPORT 2019

WE EMPOWER AWQAF... TO ENABLE THE UMMAH

ANNUAL REPORT 2019

Awqaf Properties Investment Fund

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ABBREVIATIONS

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

ISLAMIC DEVELOPMENT BANK

BOARD OF EXECUTIVE DIRECTORS



H.E. Dr. Bandar M. H. Hajjar
President, IsDB Group and Chairman



Hon. Dr. Hamad Bin Suleiman Al Bazai



Hon. Bülent AKSU



Hon. Bader Ahmed Al Qayed



Hon. Bakhodir Ali Khanov



Hon. Ahmad Jefri Abd Rahman



Hon. Dr. Shehabeldin Marzban



Hon. Sami Mohamed Hameed



Hon. Zeina Toukan



Hon. Abbas MemarNejad



Hon. Dr. Diao Balde



Hon. Fredrick Twesiime



Hon. Ali Hamdan Ahmed



Hon. Dr. Abdalnaser Abouzkeh



Hon. Abdoulie Jallow



Hon. Ismail Ali Manik



Hon. Abdul Ghaffar Aqeel Al-Awadhi



Hon. Mohammed Gambo Shuaibu



Hon. Faouziah Zaaboul

2019 HIGHLIGHTS



During 2019, APIF approved

4 Projects valued
US\$ 38.53
million

The approvals include:



2
Projects

in MCs (Senegal and
Lebanon)



2
Projects

in NMCs
(USA & UK)

MCs

NMCs



Total disbursements for 2019
amounted **US\$ 8.4 million**



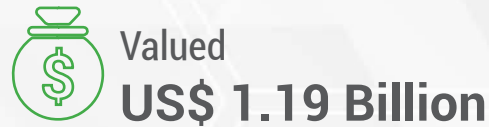
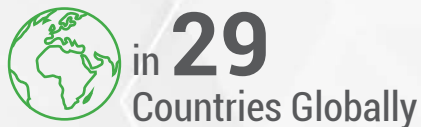
Total repayments for 2019
amounted **US\$ 6 million**



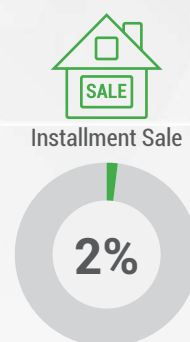
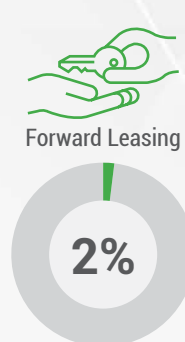
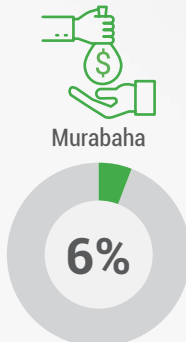
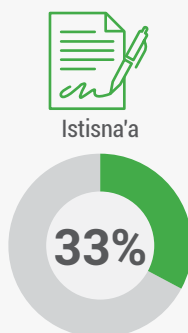
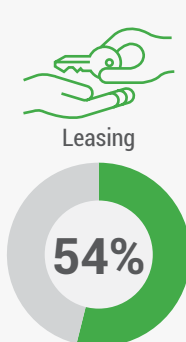
APIF paid a dividend of **3%** to its participants
in view of its enhanced performance

APIF Portfolio

APIF has approved as of the end 2019

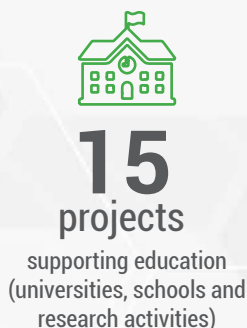


Approvals by Mode of Financing

























Social Impact of APIF Projects

APIF projects generate an average of US\$ 1 million in annual sustainable income for the beneficiary organizations. This amount is then used for the various human development activities.



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

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

| Waqf Beneficiary Institutions | Number of Long-Term Beneficiaries | Total Number of Beneficiaries | Proportion Funded by Waqf | Other/Notes | SDGs |
|--|---|-------------------------------|---------------------------|---|--|
| IsDB-BISEW (Bangladesh) |  7,000 completed IT and vocational training and placed in jobs; all other beneficiaries are in long-term-oriented programs | 43,000 | Full | 92% job placement for program graduates, many in life-changing career jobs |     |
| Fujairah Welfare Association (UAE) |  6,000 empowered via vocational training, workshops, and Productive Families Program | 9 Million | Partial | 50,000 annual sponsorships (orphans, students, families, special needs); and many one-time spot interventions |       |
| Towfiq Welfare Society (Somalia and Kenya) |  20,000 orphans, students, and instructors supported | 400,000 | Partial | Operate social infrastructure institutions, including 7 schools and 1 university with its hospital |      |
| High Authority of Waqf (Senegal) |  12,500 students in the major daras (Quranic schools) to benefit | 12,500 | Partial | 64 daras (Quranic schools) to be supported |    |

APIF has proven to provide an excellent multiplier effect, maximizing the impact of invested resources. Every dollar invested has had the following triple financial impact on the availability of development resources:



It has directly supported the financing of major real estate projects with a lasting income-generation potential

Average total size of approved projects is US\$ 18.9 million



It has mobilized and crowded-in additional financial resources from IsDB, the beneficiary organizations, and/or philanthropists

APIF's resource mobilization ratio is 5.5:1



It has revitalized previously endowed properties, unlocking massive untapped resources

Almost 1 million square meters of built-up area has been financed

Operational & Financial Performance of APIF

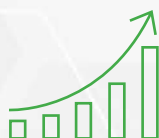
On average, 5 projects have been approved over the last 5 years.

| | Number of Projects  | Approvals (US\$ million)  | Disbursements (US\$ million)  |
|------|---|---|---|
| 2019 | 4 | 38.53 | 8.43 |
| 2018 | 5 | 217.50 | 13.95 |
| 2017 | 6 | 89.65 | 7.92 |
| 2016 | 5 | 84.05 | 10.58 |
| 2015 | 6 | 35.81 | 7.50 |

APIF generated an annual return of around 3% to 4% per annum

| | Total Asset (US\$) million  | Return on Equity  | Return on Assets  |
|------|---|---|---|
| 2019 | 94.84 | 3.88% | 2.44% |
| 2018 | 94.11 | 2.78% | 2.37% |
| 2017 | 88.74 | 3.63% | 3.60% |
| 2016 | 90.01 | 3.77% | 3.07% |
| 2015 | 87.04 | 2.79% | 2.80% |

As of the end of 2019,



as compared to
US\$ 10,000
at inception of the fund

the Net Asset
Value is
US\$ 11,577

Dividend Distribution



APIF has consistently paid dividends of 2.5% over the last 5 years even when the real estate market was underperforming due to global recession

STATEMENT BY THE **MUDARIB**



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

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

Dear Sisters and Brothers,

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank (IsDB), the Mudarib of the Fund, I am pleased to present the Eighteenth Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ending on 31 December 2019.

Since its inception, the Fund has approved a total of 54 projects in 29 countries valued at US\$1.18 billion. The social impact of the financed projects is significant as the income generated is used to support comprehensive human development in education and health, as well as other charitable activities, thereby meeting the wishes of waqf (APIF donors/investors). These projects also provide jobs for people and ensure sustainability of livelihoods for them and their families. Furthermore, the value of the developed Waqf properties have increased many times as they have turned into quality income generating assets.

In terms of performance, the Fund has approved four Waqf projects at a total value of US\$ 38.53 million during the period from 01/01/2019 to 31/12/2019. These approvals include two projects in Member Countries (Senegal and Lebanon) and two projects in Non-Member Countries (United States of America and United Kingdom).

Financially, the Fund has achieved satisfactory results and the net income for the year amounted to US\$ 3.10 million. The IsDB is pleased to announce the decision of the Board of Executive Directors to distribute dividends amounting 3% of the paid-up capital of the Fund.


All these achievements reflect APIF's efforts, with the support of the participants, particularly towards portfolio diversification, deployment of resources in different geographical locations and penetration into new markets for the development of the waqf sector. APIF has achieved these objectives in line with its clear strategy for continuous growth, and it will, InshAllah, continue to pursue all possible efforts to meet the objectives set by

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

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

Thank you for your continued support.

Yours sincerely,



Dr. Bandar M.H. Hajjar

Chairman, Supervisory Committee of the Awqaf Properties Investment Fund

SHARI'AH ADVISOR'S REPORT 2019

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

Shari'ah Advisor's Report – 2019
Awqaf Properties Investment Fund

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

Assalamu Alaikum Warahmatullahi Wabarakatuh

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

I have examined the applicable principles used and contracts governing the transactions and the applications developed by the Fund during the period. I have carried out the necessary audit to express my opinion as to whether the Fund has complied with Shari'ah principles in conformity with resolutions issued by the International Islamic Fiqh Academy and decision. (fatawa) made by the Shari'ah Board of the Islamic Development Bank Group.

I have reviewed projects approved and the financing agreements signed during the period 1/01/2019 to 31/12/2019. I have also listened to the clarifications presented by the management which confirmed that it applied the Bank's approved contracts in accordance with Shari'ah principles.

The management of the Fund bears the responsibility to ensure that its operational activities are carried out in accordance with the principles of Shari'ah. My responsibility

is limited to express an independent opinion based on my audit following the review of all the necessary information which is sufficient for making a reasonable assertion that the Fund has not contravened Shari'ah rules and principles, In my opinion:

- a) The contracts, operations and transactions concluded by the Fund during the period 01/01/2019 to 31/12/2019 and which I have reviewed have been implemented in conformity with Shari'ah rules and principles
- b) The distribution of dividends and charging of losses to the investment certificates comply with the approved rules in accordance with Shari'ah principles.
- c) There were no gains derived from sources or prohibited means that may be spent on charitable purposes.

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

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



Aboubcar Salihou KANTE

Shari'ah Advisor, APIF

CHAPTER 01

INTRODUCTION



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

Background on Awqaf

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

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

Indeed, historically, Awqaf have played a major role in providing sustainable finance for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf¹. First, Awqaf financed the basic social services (and infrastructure) of education and health as well as

sustenance or social security for the needy. Second, beyond these basic needs, Awqaf played an important role in the development of cultural and scientific life as they financed the production of books, the construction of libraries, as well as supporting scholars of various religious and secular sciences.

Furthermore, many modern Western institutions, most notably major universities, depend heavily on their endowments. In fact, scholars have argued that the West emulated and benefited from the experience of Islamic Awqaf in the development of educational institutions, designing Western educational institutions with endowments since the West's contact with the Ottoman civilization.

“

Historically, Awqaf have played a major role in providing sustainable finance for many social services, including but not limited to education and health



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



Students at IsDB-BISEW's Paksharif Madrasah, Bangladesh
Source: IsDB-BISEW Management Office.

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

Operationalization of Awqaf Support within IsDB

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

APIF operates by financing (via Sharia-compliant modes of finance) the construction or purchase of physical real estate assets that would generate a return.

These returns will then be used to make repayments to the fund, with residual amounts used to support the activities of the beneficiary during the repayment period. After this period, the asset is registered as a Waqf and all income generated accrues to the beneficiary, helping to provide a sustainable source of income for the beneficiary's socially desirable activities.

As a mechanism for operationalizing Awqaf to achieve their development impact, APIF has succeeded in providing a proof of concept, which is now ready to be scaled-up. Indeed, with a total paid-up capital of US\$79.92 million supplemented by a line of financing from IsDB of US\$100 million, APIF's portfolio includes 54 projects in 29 Member Countries (MCs) and Non-Member Countries (NMCs) of IsDB worth a total of US\$ 1.19 Billion. These projects have proven that Awqaf in general and the APIF model in particular can play a very significant development role. Although scientific documentation of impact is beyond the scope of this publication, especially given its retrospective nature, an idea of the thematic areas of impact achieved is contained in this document. Furthermore, in some instances, specific impact has indeed been established.



APIF operates by financing (via Sharia-compliant modes of finance) the construction or purchase of physical real estate assets that would generate a return





Children Receiving Education at IsDB-BISEW's Orphanage
Source: IsDB-BISEW Management Office.

CHAPTER 02

THE RELEVANCE OF APIF TO DEVELOPMENT



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

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

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

A. The Role of Awqaf in Development

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

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

Beyond this limited relevance, however, introducing the concept of Waqf as a development tool could

have broad significance for development practice in general, with both long-term and short-term development impacts. In the short run, it could help achieve financial independence and sustainability both of local development partners (organizations) as well as development projects. Indeed, it could help empower



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





Girls at the Rasulpur Madrasah Learn to Sew in the Vocational Training Workshops Sponsored by IsDB-BISEW
Source: IsDB-BISEW Management Office.

NGOs and civil society organizations providing social services by providing them with a sustainable source of income. Furthermore, it could relieve fiscal pressures on government by providing post-completion operational expenses, when Waqf components are included in larger social infrastructure projects. Examples of synergy with other IsDB efforts towards empowering civil society and relieving fiscal pressure are presented in the second and third subsections below, respectively.

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

B. The Role of APIF as an Impact Investment Fund

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

“

APIF has been engaged in fulfilling this double mandate of achieving a sustainable financial and social impact since the beginning of its operations in 2001



Achieving the 2030 Sustainable Development Goals agenda has become the priority of the Development Community wherein IsDB is a main player. In fact, attaining the 17 SDGs requires yearly funding of US\$ 5 trillion to US\$ 7 trillion. The total of all allocated financial resources from governments, Multilateral Development Institutions and other main actors combined is insufficient and requires innovative financing mechanisms to fill the funding gap estimated at US\$ 3 trillion yearly. Engaging and mobilizing resources from the private sector is the key in achieving the targeted developmental goals. Therefore, the Development Community is considering today among the innovative financing tools, Impact Investing, as a tool to inject resources from the private sector towards the 2030 agenda².

Impact Investing is defined as the deployment of funds to generate social and environmental impact as well as a financial return³ and is considered today as one of the main drivers of the 2030 agenda. Private Debt and Equity account for almost 65 percent of impact investments where bonds are the main instrument. High Net Worth Individuals and Development Finance Institutions also play a major role. However, with its deeply rooted ethical and social foundations, Islamic Finance boasts a good



Children Receiving Technical Education at IsDB-BISEW's Dakkhingaoan Madrasah, Bangladesh
Source: IsDB-BISEW Management Office.

² UNCTAD, World Investment Report, Geneva, 2014

³ Global Impact Investing Network (GIIN), thegiin.org

track record in achieving and completing the objectives of Impact Investing. In fact, both models target value-based Investment universes with a moral purpose⁴. One of these Islamic Finance Instruments that IsDB presents as an efficient tool for impact investing is the Awqaf Properties Investment Fund (APIF).

In fact, APIF has been engaged in fulfilling this double mandate of achieving a sustainable financial and social impact since the beginning of its operations in 2001. APIF provides financing to the entities holding or managing Waqf properties in accordance with the principles of Sharia to develop these properties based on financial feasibility and social return generally associated with the concept of Waqf (or endowments). APIF provides its participants or “shareholders” an opportunity to generate income returns from property development as well as social returns in the form of assistances to Waqf property holders to develop the properties whose income is used for various developmental and charitable goals.

APIF has been generating a net distributable return of 3-4 percent annually over the last five years. A portion of the return is distributed in the form of dividends and the remaining portion is reinvested in APIF and reflects capital gains for APIF participants. As of the end of 2019, the share value of APIF reached US\$11,577 as compared to US\$10,000 at inception. As for dividend distribution, APIF has consistently paid dividends of between 2.5 percent to 5 percent of the share capital over the last 10 years.

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

Indeed, APIF currently provides low-cost and high-impact financing to establish Awqaf for organizations that ultimately serve various Sustainable Development Goals (SDGs). Specifically, these include Poverty Alleviation (SDG No. 1), Good Health and Well-Being (SDG No. 3), Quality Education (SDG No. 4), Decent Work and

“

APIF currently provides low-cost and high-impact financing to establish Awqaf for organizations that ultimately serve various Sustainable Development Goals (SDGs).



Economic Growth (SDG No. 8), Empowerment of Women (SDG No. 10), Sustainable Cities and Communities (SDG No. 11) and Partnership for the Goals (SDG No. 17).

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

4 UNDP, I for Impact : Blending Islamic Finance and Impact Investing for the Global Goals, Istanbul, 2017.



Girls at the Rasulpur Madrasah Learn to Sew in the Vocational Training Workshops Sponsored by IsDB-BISEW
Source: IsDB- BISEW Management Office.

CHAPTER 03

APIF-OPERATIONALIZING THE ROLE OF AWQAF IN DEVELOPMENT WITHIN IsDB



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

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

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

A. The Resources of APIF

The IsDB along with nine other institutions created APIF in 2001 with total subscriptions of US\$50 million.

As of December 2019, there are 14 participants in APIF comprising IsDB, Ministries of Awqaf, Awqaf Organizations and Islamic banks with a total paid-up capital of US\$79.92 million. A full list of participants in APIF is provided in **Annex 1**.

To augment the resources of APIF, the IsDB has extended a US\$100 million line of financing for APIF to be utilized for the financing of APIF's projects. The breakdown of the financial resources of APIF is provided in chart below.



B. The Role of APIF

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

The APIF portfolio, as of the end of 2019, includes 54 completed or active projects, totaling US\$ 1.19 billion in total value. Of this, IsDB's contribution includes US\$ 180 million from APIF and US\$ 256 million from the IsDB line of financing and the remaining is from the beneficiaries.

APIF helps Awqaf and charitable organizations fulfil their mandate by providing required resources to develop Waqf land owned by these organizations, renovate Waqf properties, and/or purchase property to be utilized as Waqf. Supported Waqf institutions or

charitable organizations are then expected to utilize the rental income generated by such projects to support their social and charitable activities.

1. APIF's Mission



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

2. APIF's Objective



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



Traditional Weaving as part of FWA's FDRP.
Source: <https://www.alkhairia.org.ae>.

APIF's strategy relies on extending financing to develop and invest in accordance with the principles of Islamic Sharia, in Awqaf real estate properties, such as residential and commercial buildings, that are socially, economically, and financially viable, in either Member or Non-Member Countries. Thus, the value of the Waqf properties is increased and, from being idle, they are transformed into fully income-generating assets of high standing.

C. Operational Model of APIF and the Project Life Cycle

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

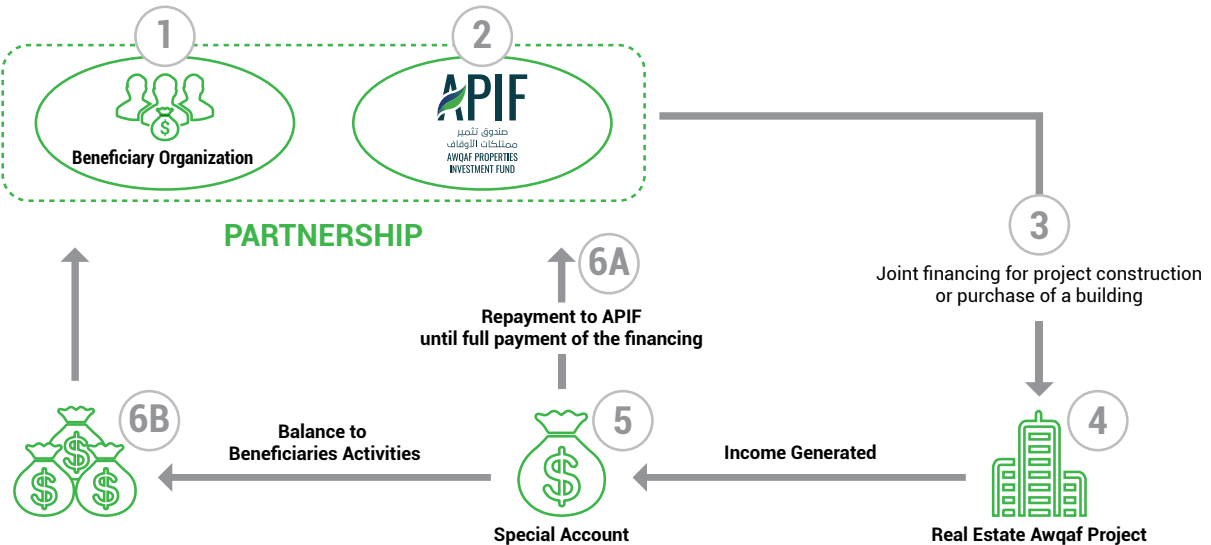


Figure 1. APIF Conceptual Model

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

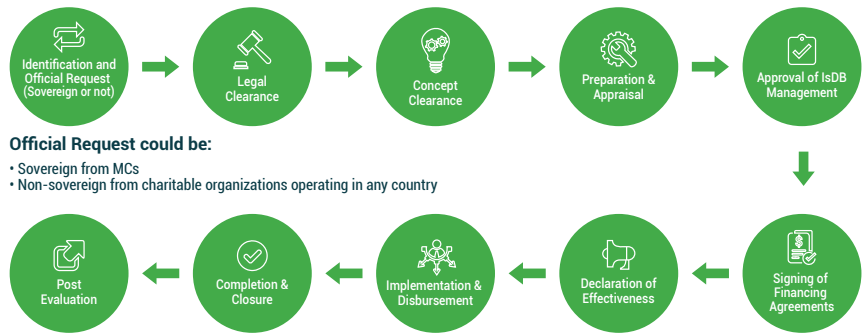
Second, APIF can consider requests from organizations operating in MCs and NMCs, alike.

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

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

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

Figure 2. APIF Project Life Cycle. Source: APIF team



D. Information Relevant to Potential APIF Impact Investors

Generally, APIF provides a secure avenue for investing with a social impact. Indeed, its relatively low dividend (averaging 3.5 percent of the invested amount annually since inception, with a minimum distributed dividend of 2.5 percent) is offset by its social dividend, its low-risk nature, in addition to appreciation in the value of its shares.

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

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



IsDB-BISEW's IT Scholarship project Aptitude Test
Source: IsDB-BISEW Management Office.

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

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

C. Information Relevant to Potential Beneficiaries of APIF Financing

APIF provides a competitive source of financing for income-generating real estate assets (Awqaf) with the

objective to serve charitable organizations. Specifically, APIF finances any of the following:



**Development of
New Construction
Projects**



**Enhancement/
Renovation of
Existing Property**



**Purchase
of Existing
Property**

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

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

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



Consideration for APIF financing is open to Awqaf ministries and institutions as well as charitable organization/trusts operating in accordance with Waqf principles in IsDB MCs and NMCs



CHAPTER 04

THE YEAR UNDER REVIEW



During the year 2019, APIF has delivered good results especially on the operational side despite difficulties in obtaining co-financing for Awqaf projects from other financial institutions.

The Fund was able to approve financing for four projects having total value of US\$ 38.53 million in Senegal, Lebanon, United States of America and United Kingdom. In the management of its liquidity, the Fund also invested in short-term Murabaha operations, Ijarah sukuk and non-waqf operations.

Financial Performance of the Fund

Assets of the Fund

APIF remains in a firm financial position underpinned by its strong balance sheet and the improved quality of its earnings, though the task ahead is to improve the return on capital.

The total assets of the Fund amounted to US\$ 94.84 million at the end of 2019 compared to US\$ 94.11 million at end of Year 2018, or an increase of 1%.

In terms of asset composition, there is slight change from last year, with 68% of the total assets deployed in investments (Ijarah and sukuk & Musharaka assets), versus 64% last year. The table below summarizes the asset composition at 31/12/2018 and 31/12/2019:

Table 1: Asset Composition

(US\$ million)

| | As at 31/12/2019 | | As at 31/12/2018 | |
|--|------------------|-------------|------------------|------------|
| | Amount | % | Amount | % |
| Cash & Cash Equivalent | 17.01 | 18% | 19.28 | 20.49 |
| Investments—Ijarah Muntahia Bittamleek | 29.61 | 31% | 29.05 | 30.87 |
| Investments—Islamic Ijarah Sukkuks | 29.55 | 31% | 28.98 | 30.79 |
| Investments—Islamic Lease Fund | 3.28 | 3% | 1.05 | 1.12 |
| Receivables—Murabaha Syndications | 0.00 | 0% | 0 | 0.00 |
| Receivables-Line of Financing | 0.35 | 0% | 2.70 | 2.87 |
| Receivables—Istisna'a | 7.77 | 8% | 7.23 | 7.68 |
| Receivables – Instalment Sales | 4.54 | 5% | 0.94 | 1.00 |
| Financing-Musharakah | 2.29 | 2% | 1.47 | 1.56 |
| Due from related parties | 0.44 | 0% | 1.72 | 1.83 |
| Accrued Income and Other Assets | 0.00 | 0% | 1.69 | 1.80 |
| Total Assets | 94.84 | 100% | 94.11 | 100 |

Financial Indicators

The financial performance indicators of the Fund for the year 2019 in comparison with the period of 2018 are presented in the following Table:

Table 2: Financial Indicators

| (US\$ million) | | |
|--|------------|------------|
| Financial Indicators | 31/12/2019 | 31/12/2018 |
| Net Assets | 92.53 | 91.42 |
| Net Income before Mudarib's share | 3.45 | 2.48 |
| Mudarib's share of net income | 0.34 | 0.25 |
| Transfer to General Reserve | 0.416 | 0.335 |
| Dividend | 2.40 | 1.98 |
| Dividend/Paid-up Capital - Declared Dividend | 3% | 2.50% |
| Average LIBOR (%) | 2.33% | 2.49% |
| Net Asset Value Per Certificate | 11,574 | 11,439 |

The earning per certificate, after Mudarib's share of net income amounted to US\$ 388 in 2019.

Dividend distribution

In accordance with Article 19.0 of the Fund's Regulations, the Fund has declared a dividend of 3% of the paid-up capital for the year ended 31/12/2019.

Operational Performance

During the year 2019, the Fund has approved four projects having a total project amount of US\$ 38.53 million in four different IsDB member and non-member countries. The table below provides the details:

Table-3: List of APIF Projects Approved in 2019

| (Amounts in US\$ million) | | | | | |
|---------------------------|--|-------|-----------|----------------------|-------------|
| # | Project Name | APIF | IsDB Line | Beneficiary & others | Total (USD) |
| 1 | Construction of a Commercial and Residential complex in Dakar - Senegal for the benefit of the Daras | 5.50 | 10.70 | 4.00 | 20.20 |
| 2 | Construction of a Waqf Medical Commercial Complex in Tripoli, Lebanon In Favor of Islamic Medical Association | 2.75 | 2.75 | 2.48 | 7.98 |
| 3 | Purchase of Properties in the United Kingdom to be used as Waqf for the Mercy Mission, United Kingdom | 1.60 | 1.60 | 1.11 | 4.31 |
| 4 | Construction of a Mixed-Use Commercial Center in Columbus, Ohio, USA to be Used as a Waqf for Abubakar Asiddiq Islamic Center Inc. | 2.20 | 2.20 | 1.64 | 6.04 |
| Total Amount | | 12.05 | 17.25 | 9.23 | 38.53 |

A brief description of each project is given below:

1. Construction of a Commercial and Residential complex in Dakar – Senegal

The objective of the project is to generate a regular income for the High Authority of Waqf (HAW), which will be used to sustainably support the development and modernization of Daras schools, through the construction of a 19-storeys commercial and residential complex in Dakar, Senegal and renting out its premises on commercial basis.

The project's land has a prime location in the Plateau Area in Dakar close to the Presidential Palace and the French Embassy and the total a built-up area will be around 20,000 m².

High Authority of Waqf (HAW) is the Beneficiary and Executing Agency of the project. It is independent administrative authority attached to the premature (Prime Minister's Office), whose main missions are to administer public WAQF, to promote and develop WAQF in Senegal and to control and supervise other types of WAQF will be executing agency for this project.

The total cost of the project is estimated at US\$ 20.20 million. IsDB will finance part of the cost of the project for an amount of US\$ 16.20 million (APIF: US\$ 5.50 million and APIF Line: US\$ 10.70 million). The remaining amount of US\$ 4.00 million (including US\$ 3.70 million value of land) will be contributed by the Beneficiary.



Conceptual Design of the Daras Waqf project (Est year of completion – 2022).
Source: APIF.

2. Construction of a Waqf Medical Commercial Complex in Tripoli, Lebanon

The objective of the project is to generate a regular income for Islamic Medical Association (IMA), which will serve to finance its charitable activities in the health sector as well as its future expansion in Tripoli, Lebanon. These objectives will be achieved through the construction of a Commercial Complex, consisting of retail units and independent medical functional areas that will be rented out in order to generate a regular income for IMA to support its medical charitable activities.

The project is located on a land having a total area of 5,434 m². The project will be built on a part of the land area of 1,950 m² as the rest of the land is occupied by the existing building of Dar El-Chifaa Hospital (owned by IMA). The site has all necessary amenities, efficient public transport and utilities.

The IMA was established in 1982 as a non-governmental organization specialized, as per its bylaws, in providing health services in Lebanon. It is managing a vast network of medical centers mainly in the North of Lebanon including



Dar el-Shifa Hospital, 11 dispensaries, 4 emergency centers and 2 movable clinics. It is also providing emergency medical assistance for the Syrian refugees.

The total cost of the project is estimated at US\$ 7.98 million. IsDB will finance part of the cost of the project for an amount of US\$ 5.50 million (APIF: US\$ 2.75 million and APIF Line: US\$ 2.75 million). The remaining amount of US\$ 2.48 million (including US\$ 1.37 million value of land) will be contributed by the Beneficiary.

3. Purchase of Properties in the United Kingdom



The objective of the project is to generate a regular income for the Mercy Mission UK (MMUK), which will be used to finance part of its charitable activities. This will be achieved through the purchase of buildings in UK. The project properties will be registered as Waqf in the name of the MMUK.

The project entails the purchase of two properties, which included a property in Hull and the other in Huddersfield. The Hull Property costs GBP 1.4 million (US\$ 1.72 million), whereas the property in the Huddersfield costs GBP 1.75 million (US\$ 2.15 million) including the cost of renovation.

Mercy Mission UK is the Beneficiary and Executing Agency of the project. It is a registered charity in UK, which plays its role in advocacy of the vulnerable in society and leverages external funding to support people to better achieve their goals in the country.

The total cost of the project is estimated at US\$ 4.31 million. IsDB will finance part of the cost of the project for an amount of US\$ 3.20 million (APIF: US\$ 1.60 million and APIF Line: US\$ 1.60 million). The Beneficiary will contribute the remaining amount of US\$ 1.11 million.

4. Construction of a Mixed-Use Commercial Center in Columbus, Ohio, USA

The objective of the project is to generate a regular income for the Abubakar Asiddiq Islamic Center-AAIC), which will serve to enhance the activities and operations of AAIC in the social, educational and religious fields in Columbus, Ohio, USA. These objectives will be achieved through the construction of two commercial buildings having a total built-up area of approximately 32,134 sq. ft on a land that will be designated as waqf and renting the space to generate income for the AAIC to finance its activities.

The AAIC is a non-profit tax-exempt organization that has been formed exclusively for educational, religious, and social purposes. AAIC is a multi-ethnic, multi-racial, multi-lingual, non-sectarian, diverse, and open community committed to full and equal participation and involvement of men and women who are community members of AAIC subscribe to accept its rules, regulations, and procedures.

The vision of AAIC is to establish AAIC as a multi-ethnic and vibrant Islamic center that caters to the religious, educational, and social needs of the Muslim communities of Central Ohio.

The total cost of the project is estimated at US\$ 6.04 million. IsDB will finance part of the cost of the project for an amount of US\$ 4.40 million (APIF: US\$ 2.20 million and APIF Line: US\$ 2.20 million). The remaining amount of US\$ 1.64 million (including US\$ 0.20 million value of land) will be contributed by the Beneficiary.



CHAPTER 05

THE WAY FORWARD



Awqaf Properties Investment Fund (APIF) was established for the development of Waqf properties globally. APIF played a pivotal role in the development of Waqf sector by providing technical and financial assistance for the promulgation of Waqf laws in the IsDB member countries. Additionally, **since its inception in 2001, APIF has approved 54 projects, worth of US\$ 1.19 billion in 29 IsDB member and non-member countries.**

Despite its limited resources, APIF has achieved numerous accomplishments and milestones; nonetheless, there is worth billions of dollars of Awqaf properties that could be effectively used to fight poverty and promote human development.

In a consideration of the above, a new vision has recently been adopted to achieve an operational volume of US\$ 2 billion for APIF within a period of 10 years. In light of this aspiration, APIF is currently revamping its internal processes, resource mobilization strategy, marketing strategy and image, as well as its staffing. Such positive changes are expected to further enhance the returns and impact of APIF – thereby boosting its attractiveness to investors. Indeed, in 2019, APIF succeeded in attracting a significant investment of US\$ 5 million from a new participant – the first from an NGO.

Pursuant to new vision to achieve a volume of operations of US\$ 2 billion, the IsDB has hired a consultancy Firm in 2018 to develop the fundraising strategy for APIF and define the targeted capital size for APIF. The consultants have indicated that US\$ 1.6 billion volume of operations for APIF is within reach during the next 10 years. This would be achievable via raising APIF's resources to approximately US\$ 700 million during this same period.

As per the recommendations of the consultants during 2019, the proposed authorized capital increase would also allow APIF to consider targeting a larger investor base. In addition to the current focus on institutional investors, targeting high-net-worth individuals could also be considered. Indeed, 2019 marked the first step in this direction by introducing the first NGO into the fund participants. Furthermore, larger-scale marketing campaigns would be justified, as APIF could absorb more and larger investments.



Makassed Philanthropic Islamic Association, Beirut, Lebanon Bazerkan Building Waqf Project. Source: APIF



IsDB-BISEW Project Land Source: IsDB-BISEW Management Office.

As APIF approaches its 20-year anniversary as well as the limit of its current authorized capital, the opportunity to raise the ceiling for APIF presents itself. For the first time since inception, and with the positive outlook gained from recent consultancies, APIF's full pipeline, and recent resource mobilization success, a capital increase for APIF is proposed.

Beyond traditional investors, also APIF is considering new, innovative methods to attract investments/raise capital. APIF will actively seek to incorporate the use of disruptive technologies and innovation to aid resource mobilization (e.g. via crowdfunding and Awqaf Sukuk). Also, APIF will consider issuing Awqaf Sukuk and developing/utilizing capital market vehicles in the service of Awqaf.

Within the framework of its new vision/strategy, APIF has implemented number of new initiatives aiming at enhancing awareness and augmenting the impact of APIF's activities. These initiatives include, Adoption of New APIF Brand Identity, Publication of Impact Report, Development of APIF Animated Video and website.

The main achievements of the APIF can be highlighted as under:

Adoption of New APIF Brand Identity



Since APIF is growing and evolving as part of its new strategy, APIF has redesigned its logo and adopted new brand identity in order to be aligned with the IsDB's new strategic direction.

Publication of Impact Report



To utilize the communication tools, mobilize resources, generate additional funds, and expand the outreach of its activities, APIF has launched its publication to strengthen stakeholder engagement and attract new stakeholders and beneficiaries.





“

In order to enhance its outreach and benefits at regional level, APIF is in the process of establishing “Regional Funds” to support the local Waqf properties



APIF is also partnering with the Islamic Solidarity Fund for Development (ISFD), which already has special agreements with several ISDB member countries that will enable ISFD to receive Waqf lands to develop them into revenue generating assets. Additionally, a pipeline of high quality waqf projects associated with the philanthropic organizations, NGOs and Ministries based in ISDB member and non-member countries has been developed. These projects will assist the governments and the philanthropic organizations to perform their human development role in a sustainable way.

Development of APIF Animated Video



As part of expanding knowledge and awareness about APIF model, activities, and achievements, APIF has developed an animated video into the bank three official languages for the benefit of the APIF's stakeholders and general public.



Development of APIF website



In order to be aligned with the bank's global strategy and its new business model, APIF has developed website which showcases APIF's model, achievements and attracts new investors and beneficiaries, as well as creates a knowledge center for the public to provide them with valuable information, which can be used for educational purposes, and replicating a similar development model as APIF and/or improving their existing one.

Visit our website: www.isdb.org/apif

In order to enhance its outreach and benefits at regional level, APIF is in the process of establishing “Regional Funds” to support the local Waqf properties. As a pilot project, a special fund for Saudi Arabia is being studied at the Bank. The fund will be used for the development of Waqf properties in the Kingdom. Upon its successful implementation, the model will be replicated in other regions.

The idea of establishing an Awqaf Capital Fund (ACAP) is also envisioned. This Fund will provide a global investment platform for Waqf donors, charity organizations and investors and will generate income that will be used in the field of socio-economic development.

CHAPTER 06

CORPORATE GOVERNANCE



Corporate Governance Statement

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

Principle 1: Lay Solid Foundations for Management and Oversight

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

The Board of Executive Directors

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

Participants Committee

The Participants Committee has the advisory and control powers to ensure implementation of the provisions of

the Fund's Regulations and the guidelines for investment of the Fund's financial resources, in addition to reviewing and approving the Annual Report and final accounts of the Fund. The Members of the Participants Committee during the year are listed in **Annex 2-I**.

Supervisory Committee

The Supervisory Committee is composed of the President of the Bank, three members of IsDB Board of Executive Directors, two members nominated by every participant holding certificates with a nominal value of US\$ 10 million or more and a member for each participant holding certificates with a nominal value of US\$ 5 million or more but less than US\$10 million. This Committee is responsible for examining the quarterly accounts of the Fund and for proposing guidelines and policies for the Fund. This Committee is also responsible for periodic review of the performance of the Fund and for submitting reports on such performance to the Participants Committee and the Board of Executive Directors. The Members of the Supervisory Committee are listed in **Annex 2-II**.

Management Committee

The Management Committee (MC) is chaired by the Vice President (Country Programs) and includes senior staff from the various departments of the Bank. The

MC has the responsibility to ensure full compliance with the Regulations and Investment Guidelines, and the requirements of the statutory authorities in the countries of the Fund's operations. In addition, the MC considers due diligence reports and issues relating to the Fund's investments. The members of the Management Committee are listed in **Annex-IV**.

Technical Review Committee

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

Other Committees

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

Principle 2: Ensure Shariah Compliance

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

Principle 3: Internal Audit and Control

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

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

The Group Internal Audit Department (GIAD) of IsDB liaises with the Management of the Fund to identify areas of procedural efficiency and improvement. The GIAD has direct access to all employees (and the external auditors) without management interference.

In addition, the external audit is also undertaken by the external auditors once at the end of the financial year.

Principle 4: Promote Ethical and Responsible Decision Making

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

Principle 5: Risk Management

The Mudarib of the Fund has a formal Group-wide risk management program, based on proactive rather than reactive management of risk. This program is supported by IsDB's Risk Management Policy which has been endorsed by the Board of Executive Directors. The Group Risk Management Department overviews and monitors the risk profile of existing and future business operations. Each investment operation is screened for viability and is protected by adequate guarantees and insurance

programs. The internal audit team reports to the Audit Committee of the Mudarib on the nature and materiality of risks. The external auditor also reports findings on relevant risk issues to the Board of Executive Directors and the Participants Committee.

Principle 6: Make Timely and Balanced Disclosures

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

The Fund's liquid balance and foreign exchange positions are managed by the IsDB Treasury Department, which, after consultation with the Fund, determines position taking with external organizations. Funding, cash management, financial instruments and commodity

hedging tools are managed through policies, procedures and limits that are subject to internal and external review.

Principle 7: Post Evaluation of Completed Operations

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

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

CHAPTER 07

APIF FINANCIAL STATEMENT AND REPORT 2019



ISLAMIC DEVELOPMENT BANK
AQAF PROPERTIES INVESTMENT FUND
Financial Statements and Independent Auditor's Report
For the year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying statements of net assets and portfolio investments and receivables of Islamic Development Bank – AWQAF Properties Investment Fund (the "Fund") as at 31 December 2019, and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and the results of its operations and its cash flows for the year then ended in accordance with the Islamic Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group and the financial accounting standards issued by the AAOIFI.

For Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356

30 March 2020
06 Sha'ban 1441H

Jeddah



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF NET ASSETS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

| | Note | 31 December 2019 | 31 December 2018 |
|---|------|---------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 3 | 2,475 | 19,312 |
| Commodity murabaha placements | 4 | 14,543 | - |
| Investments: | | | |
| Ijarah assets, net | 5&21 | 29,607 | 30,142 |
| Sukuk investments | 6 | 29,545 | 28,976 |
| Islamic lease fund | | 3,283 | 1,047 |
| Musharaka | 7 | 2,289 | 1,468 |
| Receivables: | | | |
| Istisna'a | 8&21 | 7,771 | 7,717 |
| Instalment sales | | 4,542 | 943 |
| Advance for musharaka | | 350 | 2,703 |
| Accrued income and other receivables | 20 | 3 | 74 |
| Due from related parties | 9 | 438 | 1,725 |
| TOTAL ASSETS | | 94,846 | 94,107 |
| LIABILITIES | | | |
| Accrued expenses and other payables | | 1,623 | 2,365 |
| Due to related parties | | 303 | - |
| Accrued mudarib's share of income | | 342 | 248 |
| Dividends payable | | 80 | 72 |
| TOTAL LIABILITIES | | 2,348 | 2,685 |
| NET ASSETS | | 92,498 | 91,422 |
| NET ASSETS REPRESENTED BY: | | | |
| Certificate holders' contribution | 10 | 79,920 | 79,920 |
| Premium on certificates | | 1,830 | 1,830 |
| General reserve | | 6,253 | 5,917 |
| Retained earnings | | 4,495 | 3,755 |
| TOTAL CERTIFICATE HOLDERS' EQUITY | | 92,498 | 91,422 |
| NUMBER OF CERTIFICATES OUTSTANDING | 10 | 7,992 | 7,992 |
| NET ASSET VALUE PER CERTIFICATE | | 11.574 | 11.439 |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF PORTFOLIO INVESTMENTS AND RECEIVABLES

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

| | 31 December 2019 | | 31 December 2018 | |
|--------------------|------------------|--------------------|------------------|--------------------|
| | Amount | % age of Portfolio | Amount | % age of Portfolio |
| INVESTMENTS | | | | |
| Ijarah assets, net | 29,607 | 38.4% | 30,142 | 42.9% |
| Sukuk investments | 29,545 | 38.3% | 28,976 | 41.2% |
| Islamic lease fund | 3,283 | 4.3% | 1,047 | 1.5% |
| Musharaka | 2,289 | 3.0% | 1,468 | 2.1% |
| RECEIVABLES | | | | |
| Istisna'a | 7,771 | 10.1% | 7,717 | 11.0% |
| Instalment sales | 4,542 | 5.9% | 943 | 1.3% |
| Total | 77,037 | 100% | 70,293 | 100% |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF OPERATIONS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

| | Note | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|-------|--|--|
| INCOME FROM INVESTMENTS AND RECEIVABLES | | | |
| Investments: | | | |
| Ijarah assets | | 3,513 | 3,680 |
| Depreciation - ijarah assets | 5 | (2,089) | (2,279) |
| Sukuk investments | | 1,553 | 815 |
| Islamic lease fund | | 80 | 80 |
| | | 3,057 | 2,296 |
| Receivables: | | | |
| Istisna'a | | 426 | 536 |
| Installment Sale | | 185 | 44 |
| | | 611 | 580 |
| Total income from investments and receivables | | 3,668 | 2,876 |
| Income from commodity murabaha placements | | | |
| Other income | | 55 | - |
| Impairment provision, net | 5,7&8 | (516) | (288) |
| Administrative expenses | | (149) | (88) |
| Exchange loss | | (48) | (157) |
| Net income before mudarib's share of income | | 3,416 | 2,483 |
| Mudarib's share of net income | | (342) | (248) |
| Increase in net assets representing net income for the year | | 3,074 | 2,235 |
| Earning per certificate | | 0.385 | 0.280 |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CHANGES IN NET ASSETS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

| | Notes | Certificate holders' contribution | Premium on certificate | General reserve | Retained earnings | Total |
|------------------------------------|-------|-----------------------------------|------------------------|-----------------|-------------------|---------------|
| Balance at 1 January 2018 | | 76,410 | 1,346 | 5,501 | 3,846 | 87,103 |
| Net income for the year before | | | | | | |
| Mudarib's share | | - | - | - | 2,483 | 2,483 |
| Mudarib's share of net income | 11 | - | - | - | (248) | (248) |
| Units issued | | 3,510 | 484 | - | - | 3,994 |
| Dividends* | 11 | - | - | - | (1,910) | (1,910) |
| Transfer to general reserve* | | - | - | 416 | (416) | - |
| Balance at 31 December 2018 | | 79,920 | 1,830 | 5,917 | 3,755 | 91,422 |
| Net income for the year before | | | | | | |
| Mudarib's share | | - | | | 3,416 | 3,446 |
| Mudarib's share of net income | 11 | | | | (345) | (342) |
| Dividends* | 11 | - | | | (1,998) | (1,998) |
| Transfer to general reserve* | | | | 336 | (336) | - |
| Balance at 31 December 2019 | | 79,920 | 1,830 | 6,253 | 4,495 | 92,498 |

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

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

| | Notes | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|---------|--|--|
| OPERATING ACTIVITIES | | | |
| Net income after Mudarib's fee | | 3,074 | 2,235 |
| <i>Adjustments of non-cash items:</i> | | | |
| Depreciation of ijarah assets | 5 | 2,089 | 2,279 |
| Mudarib's share of net income | | 342 | 248 |
| Unrealized fair value loss on sukuk investments | 6 | (517) | 285 |
| Movement in accrued income on sukuk investments | 6 | - | (191) |
| Amortization of discount | 6 | (52) | (50) |
| Impairment charge / (reversal) | 5,7 & 8 | 516 | 288 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Commodity murabaha placements | | (14,543) | - |
| Accrued income and other receivables | | 35 | (1,159) |
| Due from related parties | | 1,287 | 1,533 |
| Due to a related party | | 303 | - |
| Accrued expenses and other payables | | (734) | 1,071 |
| Cash (used in)/from operations | | (8,200) | 6,539 |
| Mudarib's share of income paid | | (248) | (309) |
| Net cash (used in)/from operating activities | | (8,448) | 6,230 |
| INVESTING ACTIVITIES | | | |
| Ijarah assets | | (3,850) | (4,009) |
| Islamic lease fund | | (2,236) | 90 |
| Instalment sales | | (3,599) | 1,807 |
| Istisna'a | | 915 | (2,102) |
| Sukuk Investments | 6 | - | 5,472 |
| Advance for diminishing musharaka | | 2,353 | 126 |
| Net cash (used in)/from investing activities | | (6,417) | 1,384 |
| FINANCING ACTIVITY | | | |
| Capital Contribution | | - | 3,994 |
| Dividends paid | | (1,972) | (1,838) |
| Net cash from/(used in) financing activities | | (1,972) | 2,156 |
| Net change in cash and cash equivalents | | (16,837) | 9,770 |
| Cash and cash equivalents at the beginning of the year | | 19,312 | 9,542 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | | 2,475 | 19,312 |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars)

DATA PER CERTIFICATE

| | | |
|---|---------|---------|
| Net Assets value – beginning of the year | 11.439 | 11.399 |
| Units issued | - | 0.010 |
| Net Income before Mudarib's share of Income | 0.428 | 0.311 |
| Less: Mudarib share of Income | (0.043) | (0.031) |
| Net Income after Mudarib's share of Income | 0.385 | 0.280 |
| Dividends | (0.250) | (0.250) |
| Net assets value – end of the year | 11.574 | 11.439 |

| For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|---|
| 11.439 | 11.399 |
| - | 0.010 |
| 0.428 | 0.311 |
| (0.043) | (0.031) |
| 0.385 | 0.280 |
| (0.250) | (0.250) |
| 11.574 | 11.439 |

The data per certificate is calculated using the number of certificates outstanding at 31 December 2019 and 31 December 2018, which were 7,992 certificates at each reporting date.

FINANCIAL RATIOS/SUPPLEMENTARY DATA:

| | | |
|--|--------|--------|
| Net assets - end of the year | 92,498 | 91,422 |
| Average of net assets | 91,960 | 89,263 |
| Ratio of expenses to average of net assets | 2.99% | 2.97% |
| Annual rate of return | | |
| Net Income after Mudarib's share of Income | 3.71% | 2.78% |

| For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|---|---|
| 92,498 | 91,422 |
| 91,960 | 89,263 |
| 2.99% | 2.97% |
| | |
| 3.71% | 2.78% |

The accompanying notes from 1 to 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019 (Expressed in thousands of US Dollars unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements of the Fund are prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). For matters which are not covered by AAOIFI standards, the Fund seeks guidance from the relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), provided they do not contradict the Rules and Principles of Islamic Shari'ah as determined by the Shari'ah Board of the IsDB Group.

b) Accounting convention

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

c) Sukuk investments

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

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

Sukuk classified and measured at fair value through income statement (statement of operations) are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value

at the end of each reporting period with the resulting gain or loss recognized in the income statement (statement of operations). Transaction costs are expensed immediately on the date the contract is entered into.

d) Ijarah Assets

This represents assets purchased by the Fund and leased to beneficiaries for their use under Ijarah Assets agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of the lease term and the completion of all payments under the agreement without consideration or at a nominal price. The assets are stated at their acquisition cost less accumulated depreciation up to the reporting date. Ijarah assets are depreciated on the estimated usage basis.

Ijarah assets under construction are stated at the cost of asset's manufacturing or acquisition. Assets under construction are not depreciated. No rental income is recognised on the assets during the period of construction/manufacturing.

A provision for doubtful receivable is made if, in the opinion of management, the outstanding rentals net of security, are doubtful of recovery.

e) Istisna'a

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

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

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

f) Instalment sales

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

g) Musharaka

Musharaka is partnership in which the Fund contributes capital. Musharaka is stated at cost (expected to be recovered) less amounts of Musharaka capital returned.

h) General reserve

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

i) Foreign currencies

Transactions in foreign currencies are recorded in US Dollars at the rate of exchange ruling at the date of the transaction. Any monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of operations.

j) Revenue recognition

Sukuk Investments

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

Ijarah Assets

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

Istisna'a

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

Instalment sale

Income from instalment sale are recognized using the effective yield over the period of respective transaction.

Musharaka

Income on Musharaka is recognized when the right to receive payment is established or on distribution. The Fund's share of loss is recognized in the period in which the losses are deducted from its share of Musharaka capital.

Commodity murabaha placements

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

k) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

l) Cash and cash equivalents

For the purpose of Statement of Cash Flows, "cash and cash equivalents" consist of cash at bank and short-term investments with original maturities of three months or less.

m) Zakat and tax

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

n) Subsequent event

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

Critical accounting judgments and estimates

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

Significant Judgments

Functional and presentation currency: Since most of the operations are conducted in USD and disbursements are made in USD, Fund's functional and presentation currency is USD.

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

Significant estimates

Provision for impairment of financial assets: The Fund exercises judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is set out in the Significant Accounting Policies section "Impairment of financial assets".

Fair value of financial Instruments: The fair values of financial instruments that are not quoted in active markets is measured by using valuation techniques which require a certain degree of judgement and estimation.

3. CASH AND CASH EQUIVALENTS

| | 31 December 2019 | 31 December 2018 |
|--|---------------------|---------------------|
| Cash in bank | 2,475 | 2,350 |
| Investments in short-term Commodity murabaha placements with banks | 14,543 | 16,962 |
| Cash and cash equivalents | 17,018 | 19,312 |

Commodity murabaha placements included within cash equivalents are those interbank placements, which have an original maturity equal to or less than three months.

4. COMMODITY MURABAHA PLACEMENTS

| | 31 December 2019 | 31 December 2018 |
|---|---------------------|---------------------|
| Commodity murabaha placements | 16,975 | - |
| Accrued incomewith banks | 43 | - |
| Commodity murabaha placements with maturities less than 3 months (note 3) | (2,475) | - |
| Cash and cash equivalents | 14,543 | - |

5. IJARAH ASSETS, NET

The movement in Ijarah Assets during the year is as follows:

| | For the Year ended 31 December 2019 | For the Year ended 31 December 2018 |
|--|--|--|
| Cost | | |
| Assets under construction: | | |
| Balance at beginning of the year | 13,994 | 15,336 |
| Additions | 1,903 | 3,870 |
| Transfer to assets in use | | (5,212) |
| Balance at end of the year | 15,897 | 13,994 |
| Assets in use: | | |
| Balance at beginning of the year | 67,430 | 61,180 |
| Transfer from assets in construction period | - | 5,212 |
| Other transfers | 2,706 | 1,038 |
| Balance at end of the year before allowance for impairment | 70,136 | 67,430 |
| Total costs | 86,033 | 81,424 |
| Accumulated depreciation: | | |
| Balance at beginning of the year | 54,343 | 52,064 |
| Other transfers | 2,891 | |
| Charge for the year | 2,089 | 2,279 |
| Balance at end of the year | 59,323 | 54,343 |
| Net book value | 26,710 | 27,081 |
| Plus: Ijarah overdue receivables & accruals | 3,114 | 2,369 |
| Less: Allowance for impairment | (770) | (402) |
| Accrued Income | 553 | 1,094 |
| Total Investment In Ijarah assets | 29,607 | 30,142 |

The movement in allowance for impairment against Ijarah assets is summarized as follows:

| | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--------------------------------------|--|--|
| Balance at the beginning of the year | 402 | 1,132 |
| Charge / (Reversal) | 368 | (730) |
| Balance at the end of the year | 770 | 402 |

6. SUKUK INVESTMENTS

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

Investments in Sukuk are classified as follows:

| | 31 December 2019 | 31 December 2018 |
|----------------|------------------|------------------|
| Governments | 24,281 | 23,845 |
| Other Entities | 5,264 | 5,131 |
| | 29,545 | 28,976 |

Investments in Sukuk as at 31 December comprised the following:

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Sukuk classified as fair value through income statement | 14,739 | 14,754 |
| Sukuk classified at amortised cost | 14,806 | 14,222 |
| Total | 29,545 | 28,976 |

The movement during the year is as follows:

| | For the Year ended 31 December 2019 | For the Year ended 31 December 2018 |
|--|--|--|
| Balance at beginning of the year | 28,976 | 34,492 |
| Redemptions | - | (5,472) |
| Fair value(loss)/gain | 517 | (285) |
| Coupon accrual on sukuk classified at amortised cost | - | 191 |
| Amortization of discount | 52 | 50 |
| Balance at end of the year | 29,545 | 28,976 |

Credit Ratings

| | 31 December 2019 | 31 December 2018 |
|--------------|------------------|------------------|
| A- | 20,070 | 14,754 |
| AA | - | 5,036 |
| AA- | 5,256 | 5,131 |
| Unrated | 4,219 | 4,055 |
| Total | 29,545 | 28,976 |

7. MUSHARAKAH INVESTMENT

| | 31 December 2019 | 31 December 2018 |
|----------------------------------|------------------|------------------|
| Investment in Musharakah | 2,486 | 2,486 |
| Less: Impairment Provision (7.1) | (197) | (1,018) |
| Total | 2,289 | 1,468 |

The Fund entered into a partnership agreement with a local contactor on a musharaka basis with the establishment of a Special Purpose Entity (SPE). The project was subsequently cancelled. The amount reported net of impairment is expected to be collected in full.

7.1 - The movement in allowance for impairment against musharakah investment is summarized as follows:

| | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--------------------------------------|--|--|
| Balance at the beginning of the year | 1,018 | - |
| (Reversal)/ Charge | (821) | 1,018 |
| Balance at the end of the year | 197 | 1,018 |

The reversal of the impairment provision is due to increase in net assets of the investee as result of reversal of the accrual for Zakat to reflect the fact that it is considered a Bait-ul-Mal (public money), hence not subject to Zakat or any Taxes

8. ISTISNA'A

| | 31 December 2019 | 31 December 2018 |
|----------------------------|------------------|------------------|
| Investment in Istisna'a | 8,740 | 7,717 |
| Less: Impairment Provision | (969) | - |
| Total | 7,771 | 7,717 |

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

As at 31 December 2019 and 31 December 2018, IsDB held 2,950 of the subscribed certificates.

The Fund is managed by the IsDB and its transactions are done through the IsDB and its related entities. Principal arrangements related to investment in Sukuk, Commodity murabaha placements and their related income are between IsDB and its related entities and counter parties. The bank account of the Fund is in the name of IsDB.

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

| Due from related parties | 31 December 2019 | 31 December 2018 |
|--------------------------|------------------|------------------|
| IsDB – OCR | 438 | 737 |
| Waqf Fund | - | 988 |
| | 438 | 1,725 |

10. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 31 December comprise the following:

Authorized: 20,000 certificates of US \$ 10,000 each

Issued, subscribed and paid-up:
7,992 certificates of US \$ 10,000 each

(2018 – 7,992 certificates of US \$ 10,000 each)

| 31 December 2019 | 31 December 2018 |
|------------------|------------------|
| 200,000 | 200,000 |
| 79,920 | 79,920 |

11. DISTRIBUTION OF NET INCOME

As per the Regulations of the Fund, the net income for each financial year shall be distributed as follows:

| | |
|---------------------|-----|
| Mudarib | 10% |
| Certificate holders | 90% |

12. CREDIT RISK

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund manages credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

13. CONCENTRATION OF CREDIT RISK

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

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

| Description | 31 December 2019 | | | | |
|--------------|---------------------------|-------------|-------------|--------|--------|
| | Cash and cash equivalents | Investments | Receivables | Others | Total |
| Africa | - | 13,381 | 7,609 | - | 20,990 |
| Asia | 2,475 | 51,343 | 4,704 | 15,334 | 73,856 |
| Total Assets | 2,475 | 64,724 | 12,313 | 15,334 | 94,846 |

| Description | 31 December 2018 | | | | |
|--------------|---------------------------|-------------|-------------|--------|--------|
| | Cash and Cash Equivalents | Investments | Receivables | Others | Total |
| Africa | - | 13,484 | 1,110 | 2,401 | 16,995 |
| Asia | 19,312 | 48,149 | 7,550 | 2,101 | 77,112 |
| Total Assets | 19,312 | 61,633 | 8,660 | 4,502 | 94,107 |

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

| Description | 31 December 2019 | | | | |
|---------------------------------|------------------|------------------|------------------------|---------------|---------------|
| | Real estate | Public utilities | Financial institutions | Other | Total |
| Cash and cash equivalents | - | - | 2,475 | - | 2,475 |
| Commodity murabaha placements | - | - | 14,543 | - | 14,543 |
| Investments | 26,216 | 18,446 | - | 20,062 | 64,724 |
| Receivables | 12,313 | - | - | - | 12,313 |
| Accrued income and other assets | - | - | - | 791 | 791 |
| Total assets | 38,529 | 18,446 | 17,018 | 20,853 | 94,846 |

| Description | 31 December 2018 | | | | |
|---------------------------------|------------------|------------------|------------------------|--------------|---------------|
| | Real estate | Public utilities | Financial institutions | Other | Total |
| Cash and cash equivalents | - | - | 19,312 | - | 19,312 |
| Investments | 23,914 | 17,571 | 20,148 | - | 61,633 |
| Receivables | 8,660 | - | - | - | 8,660 |
| Accrued income and other assets | - | - | - | 4,502 | 4,502 |
| Total assets | 32,574 | 17,571 | 39,460 | 4,502 | 94,107 |

14. LIQUIDITY RISK

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

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

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

| | 31 December 2019 | | | | |
|--------------------------------------|--------------------|----------------|---------------|---------------|---------------|
| Description | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| Assets | | | | | |
| Cash and cash equivalents | 2,475 | - | - | - | 2,475 |
| Commodity murabaha placements | 9,543 | 5,000 | - | - | 14,543 |
| Investments | 1,194 | 2,686 | 23,335 | 37,509 | 64,724 |
| Receivables | - | - | - | 12,313 | 12,313 |
| Accrued income and other receivables | 3 | - | 350 | - | 353 |
| Due from related parties | 438 | - | - | 438 | 438 |
| Total assets | 13,653 | 7,686 | 23,685 | 49,822 | 94,846 |
| Liabilities | | | | | |
| Accrued expenses and other payables | - | 1,623 | - | - | 1,623 |
| Accrued Mudarib's share of income | - | 342 | - | - | 342 |
| Dividends payable | - | 80 | - | - | 80 |
| Due to related parties | 303 | - | - | - | 303 |
| Total liabilities | 303 | 2,045 | - | - | 2,348 |
| Net Assets | 13,350 | 5,641 | 23,685 | 49,822 | 92,498 |

| | 31 December 2018 | | | | |
|-------------------------------------|--------------------|----------------|---------------|---------------|---------------|
| Description | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| Assets | | | | | |
| Cash and cash Equivalents | 19,312 | - | - | - | 19,312 |
| Investments | 1,519 | 2,799 | 24,899 | 32,416 | 61,633 |
| Receivables | - | - | - | 8,660 | 8,660 |
| Accrued income and other assets | 3,383 | - | 1,119 | - | 4,502 |
| Total assets | 24,214 | 2,799 | 26,018 | 41,076 | 94,107 |
| Liabilities | | | | | |
| Accrued expenses and other payables | - | 2,365 | - | - | 2,365 |
| Accrued Mudarib's share of income | - | 248 | - | - | 248 |
| Dividends payable | - | 72 | - | - | 72 |
| Total liabilities | - | 2,685 | - | - | 2,685 |
| Net Assets | 24,214 | 114 | 26,508 | 40,586 | 91,422 |

15. CURRENCY RISK

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

The fund defines operational risk as the risk of loss resulting from inadequate or failed processes, people and systems; or from external events. This also includes possible losses resulting from Sharia non-compliance risks, failure in fiduciary responsibilities and legal risk.

16. OPERATIONAL RISK

Operational risk management forms part of the day-to-day responsibilities of management at all levels. The fund manages operational risk based on a consistent framework that enables the fund to determine its operational risk profile and systematically identify and assess risks and controls to define risk mitigating measures and priorities.

Shariah non -compliance risk (SNCR)

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

17. SEGMENTAL INFORMATION

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

18. COMMITMENTS

As at 31 December 2019, the undisbursed commitment relating to ijarah and istisna'a amounted to USD 32.94 million (2018 USD: 23.87 million).

19. FAIR VALUES OF FINANCIAL ASSETS

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

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

31 December 2019

Assets

Financial assets at fair value through income statement
(statement of operations):

Investments in sukuk

Total

| Level 1 | Level 2 | Level 3 | Total |
|---------|---------|---------|--------|
| | | | |
| 14,738 | | | 14,738 |
| 14,738 | | | 14,738 |

31 December 2018

Assets

Financial assets at fair value through income statement
(statement of operations):

Investments in sukuk

Total

| Level 1 | Level 2 | Level 3 | Total |
|---------|---------|---------|--------|
| | | | |
| 14,754 | - | - | 14,754 |
| 14,754 | - | - | 14,754 |

20. SHARI'AH BOARD

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

The Board has the following functions:

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

21. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to current year's presentation. The Table below summarizes the 2018 reclassifications as follows:

| Category | 31 December 2018 (Originally Reported) | Amount (Increase / Decrease) | 31 December 2018 (Reclassified) |
|---|--|------------------------------|---------------------------------|
| Commodity murabaha placements (cash and cash equivalents) | 19,276 | 36 | 19,312 |
| Ijarah | 29,048 | 1,094 | 30,142 |
| Istisna'a | 7,227 | 490 | 7,717 |
| Accrued income & other receivables | 1,694 | (1,620) | 74 |

22. AAOIFI STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards of the Accounting and Auditing organization for Islamic Financial Institutions ("AAOIFI") have been issued except for FAS 29 "sukuk issuances" which is in the stage of exposure draft and is expected to be issued in near future. The Fund intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

(i) Financial Accounting Standard – 29 "Sukuk Issuances"

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

(ii) Financial Accounting Standard – 30 "Impairment and credit losses"

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

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

(iii) Financial Accounting Standard – 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)"

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

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2020.

(iv) Financial Accounting Standard – 33 "Investment in Sukuk, shares and similar instruments"

This standard improves upon and supersedes the AAOIFI's Financial Accounting Standard (FAS) 25 "Investment in Sukuk, Shares, and Similar Instruments" issued in 2010. This standard aims at setting out principles for the

classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions).

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

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2020.

(v) Financial Accounting Standard – 34 “Financial reporting for Sukuk-holders”

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

This standard shall be applicable to Sukuk in accordance with the Islamic Shari'ah Rules and Principles issued by an Islamic Financial Institution or other institution (called “originator”), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with the requirements of FAS 29 “Sukuk in the books of the originator”, the originator may opt not to apply this standard. This Standard shall be effective from the financial periods beginning on or after 1 January 2020.

(vi) Financial Accounting Standard – 35 “Risk Reserves”

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

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

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2021. Early adoption is permitted, only if the IFI decided to early adopt FAS 30 “Impairment, Credit Losses and Onerous Commitments”.

23. SUBSEQUENT EVENT

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The Fund considers this outbreak to be a non-adjusting post balance sheet event. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 16 February 2020 (corresponding to 22 Jumada II 1441H).

ANNEXES



ANNEX 01

CURRENT INVESTORS IN APIF

1. APIF PARTICIPANTS AND THEIR CONTRIBUTION IN THE PAID-UP CAPITAL AS OF 31/12/2019

| No. | Name of Participant | Country | Paid-up Capital (US\$ Million) | Percentage |
|-------|---------------------------------------|--------------|--------------------------------|------------|
| 1 | Islamic Development Bank | Saudi Arabia | 29.50 | 36.91% |
| 2 | OIC – Islamic Solidarity Fund | Saudi Arabia | 15.51 | 19.41% |
| 3 | General Authority for Awqaf | Saudi Arabia | 7.50 | 9.38% |
| 4 | Faisal Islamic Bank | Egypt | 6.76 | 8.46% |
| 5 | Kuwait Awqaf Public Foundation | Kuwait | 5.00 | 6.26% |
| 6 | Kuwait Finance House | Kuwait | 5.00 | 6.26% |
| 7 | Iran Endowment Fund | Iran | 2.90 | 3.63% |
| 8 | Social Islami Bank Bangladesh | Bangladesh | 1.75 | 2.19% |
| 9 | Al-Baraka Islamic Bank | Bahrain | 1.00 | 1.25% |
| 10 | Bahrain Islamic Bank | Bahrain | 1.00 | 1.25% |
| 11 | Tadamon Islamic Bank | Sudan | 1.00 | 1.25% |
| 12 | Jordan Islamic Bank | Jordan | 1.00 | 1.25% |
| 13 | Ministry of Awqaf and Islamic Affairs | Jordan | 1.00 | 1.25% |
| 14 | Arab Islamic Bank | Palestine | 1.00 | 1.25% |
| Total | | | 79.92 | 100% |

2. BRIEF PROFILE OF THE INVESTORS IN APIF BESIDES ISDB



OIC – Islamic Solidarity Fund⁵

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



General Authority for Awqaf⁶

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



Faisal Islamic Bank⁷

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



Kuwait Awqaf Public Foundation⁸

The Kuwait Awqaf Public Foundation was established by virtue of the Emiri Decree of 13 November 1993, which stipulated that the Foundation would exercise the mandated powers of the Ministry of Awqaf and Islamic Affairs in the field of Awqaf to oversee the affairs of Awqaf at home and abroad. The General Secretariat of Awqaf is specialized in promoting Waqf and supporting all aspects related to its affairs, including the

5 Source: https://www.oic-oci.org/page/?p_id=64&p_ref=33&lan=en

6 Source: <http://careers.awqaf.gov.sa/EN/content.php?ulid=272128-about-awqaf>

7 Source: <http://www.faisalbank.com.eg/FIB/english/about-us/incorporation-history.html>

8 Source: <http://www.awqaf.org.kw/EN/Pages/Establishment.aspx>

management of its funds and investment and disbursement of its proceeds within the conditions of the Waqf. It aims to achieve the legitimate purposes of the Awqaf and to support the development of society culturally and socially as well as to alleviate the burden on the needy in society.

بيت التمويل الكويتي
Kuwait Finance House



Kuwait Finance House (KFH)⁹

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

Iran Endowment Fund¹⁰

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



Social Islami Bank Bangladesh¹¹

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

9 Source: <https://www.kfh.com/en/home/Personal/aboutus/story.html>

10 Source: <http://www.icrjournal.org/icr/index.php/icr/article/download/106/102>

11 Source: <https://www.sibld.com/home/profile>



Al-Baraka Islamic Bank¹²

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



Bahrain Islamic Bank¹³

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



Tadamon Islamic Bank¹⁴

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

12 Source: <https://albaraka.bh/en-gb/our-story/>

13 Source: <https://www.bisb.com/en/about-bisb>

14 Source: <http://tadamonbank-sd.com/index.php/ar/pages/details/8>



Jordan Islamic Bank¹⁵

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



Jordanian Ministry of Awqaf Islamic Affairs and Holy Places¹⁶

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



Arab Islamic Bank (Palestine)¹⁷

The Arab Islamic Bank was established as the first Islamic banking company to operate in Palestine in 1995. It is a public shareholding company. It started its banking activities in early 1996. It is engaged in banking and investment activities in accordance with the provisions of Islamic Sharia, through its head office in Al-Bireh and its twenty-two branches in Palestine. There are no branches outside Palestine, and the Bank does not have any subsidiaries as of 31/12/2017. The vision of the Bank includes the following: to consolidate and deepen the Islamic banking system as a first option; to play an active role in the advancement of the Palestinian economy and to achieve the principle of solidarity and taking into account Islamic social goals; and to provide high quality and competitive Islamic banking solutions and services.

15 Source: <https://www.jordanislamicbank.com/en/content/bank-establishment>

16 Source: <http://www.awqaf.gov.jo/Pages/viewpage.aspx?pageID=147>

17 Source: <http://aib.ps/aboutus/vision>

ANNEX 02

APIF COMMITTEES

I. MEMBERS OF THE PARTICIPANTS COMMITTEE OF APIF AS OF 31 DECEMBER 2019

| | |
|---|-----------------|
| Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt | Chairman |
| Dr. Bandar M.H. Hajjar President, Islamic Development Bank Group, Saudi Arabia | Member |
| H.E. .Dr. ABDEL NASER MOUSA A. Abu ELBASAI Minister of Awqaf, Islamic Affairs and Holy Places, Jordan | Member |
| H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi Chairman of the Council of the OIC-Islamic Solidarity Fund | Member |
| Mr. Sultan Adel Shaker Chief Executive Director, Financial Investments The General Authority for Awqaf, KSA | Member |
| Mr. Mohammed Abdullah Al-Jalahma Secretary General, Kuwait Awqaf Public Foundation, Kuwait | Member |
| Mr. Meshal Abdulaziz Al Nassar Assistant Vice President, International Real Estate Investment, Kuwait Finance House, Kuwait | Member |
| Mr. Musa Abdel Aziz Shihadeh Chairman of the Board of Directors and Director General, Jordan Islamic Bank, Jordan | Member |
| Mr. Hassan Amin Jarrar Chief Executive Officer, Bahrain Islamic Bank | Member |
| Mr. Hamad Al-Eqab Chief Executive Officer and Board Member, Al Baraka Islamic Bank, Bahrain | Member |
| Mr. Abbas Abdulla Abbas General Manager, Tadamon Islamic Bank, Sudan | Member |
| Dr. Atef Alewneh Chairman, Board of Directors, Arab Islamic Bank, Ramallah, Palestine | Member |
| Mr. Abdulreda Abed Managing Director, Iran Endowments Reclamation Development Institute, Tehran, Iran | Member |
| Mr. MD kamal Uddin Assistant Vice President, Islamic Social Bank of Bangladesh, Bangladesh | Member |

II. MEMBERS OF THE SUPERVISORY COMMITTEE OF APIF AS OF 31 DECEMBER 2019



H.E. Dr. Bandar M.H. Hajjar
President, IsDB Group,
Islamic Development Bank

Chairman



Hon. Fauzia Ziaaboul
Executive Director,
Islamic Development Bank

Member



Hon. Mohammed Gambo Shuaibu
Executive Director
Islamic Development Bank

Member



Hon. Dr. Abbas Memar Nejad
Executive Director
Islamic Development Bank

Member



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

Member



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

Member



Mr. Sultan Adel Shaker

Chief Executive Director, Financial Investments
The General Authority of Awqaf
Saudi Arabia.

Member



Mr. Abdulhamid Abu Mousa

Governor, Faisal Islamic Bank of Egypt,
Egypt

Member



Mr. Mohammed Abdullah Al-Jalahma

Deputy Secretary General
Kuwait Awqaf Public Foundation, Kuwait

Member



Mr. Meshal Abdulaziz Al-Nassar

Assistant Vice President, Real Estate Investment,
Kuwait Finance House, Kuwait

Member



Mr. Ali Jameel Alasali

Chief, Internal Audit
Ministry of Awqaf, Islamic Affairs and Holy Places, Jordan

Member



Mr. Abass Abd Allah Abass

General Manager
Tadamon Islamic Bank

Member

III. MEMBERS OF THE IsDB GROUP SHARIAH BOARD AS OF 31 DECEMBER 2019



His Eminence
Shaikh Dr. Hussein Hamed Hassan

Chairman



His Eminence
Shaikh Dr. Abdulsattar Abughuddah

Vice Member



His Eminence
Shaikh Abdulla Bin Sulaiman AlManea

Member



His Eminence
Shaikh Muhammad Taqi Usmani

Member



His Eminence
Ayatollah Shaikh Mohammad Ali Taskhiri

Member



His Eminence
Shaikh Dr. Mohamed Raougui

Member



His Eminence
Shaikh Dr. Muhammad Syafi

Member

**IV. MEMBERS OF THE MANAGEMENT COMMITTEE OF THE AWQAF PROPERTIES INVESTMENT FUND
AS OF 31 DECEMBER 2019**



H.E. Dr. Mansur Muhtar
Vice President (Country Programs)
Islamic Development Bank

Chairman



Dr. Waled AlWahaeb
Director General, Islamic Solidarity Fund for Development

Member



Br. Adil AlSharif
Advisor to the President, Al Aqsa and Palestine Funds

Member



Dr. Mansur. A. Noibi
Director
Legal Department

Member



Br. Zaki Mansour
Director, Global Partnership and Resource Mobilization Department

Member



Br. Abdullah Al-Laham
Director, Resilience and Social Development Department

Member



Dr. Mohamed Ali Chatti
Acting Director IFSD Department

Member



Br. Fawaz Abdulnoor
Officer in Charge, Crowd Engagement and External Funds Management
Department

Member



Br. Abdourabbih Abdouss
Director, Risk Management Department

Member



Br. Aboubacar Kante
Head, Shari'ah Compliance Section

Member

V. MEMBERS OF THE TECHNICAL REVIEW COMMITTEE OF THE AWQAF PROPERTIES INVESTMENT FUND AS OF 31 DECEMBER 2019

| | |
|---|-----------------|
| Br. Fawaz Abdulnoor Crowd Engagement and External Funds Management Department | Chairman |
| Dr. Mohamadou Gamdji Legal Division | Member |
| Br. Sami Faruqi Economic and Social Infrastructure Department | Member |
| Br. Sharol Razi Treasury Department | Member |
| Br. Mohammad Rizwan Eunos Group Risk Management Department | Member |
| Br. Syed Muhammad Asim Raza Islamic Financial Sector Development Department | Member |
| Br. Aboubacar Kante Head, Shari'ah Compliance Section | Member |

VI. APIF STAFF MEMBERS



ANNEX 03

INFORMATION FOR APIF INVESTORS

THE FOLLOWING INFORMATION IS USEFUL FOR POTENTIAL INVESTORS:

| | | |
|---|-----------------------------|---|
| 1 | Nature & Legal Form | <p>APIF is established as a U.S. Dollar denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the Regulations of APIF. The IsDB undertakes the role of Mudarib acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal and KYC, and financial control) as well as the general Islamic-finance-based development ecosystem provided by IsDB.</p> <p>The Islamic Development Bank (IsDB), the Mudarib (fund Manager) is a multilateral development financing institution headquartered in Jeddah, Saudi Arabia. It was founded in 1973 as a specialized institution of the Organization of Islamic Cooperation (OIC). It has 57 shareholding Member Countries.</p> |
| 2 | Shareholders (Participants) | <p>Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as individual investors.</p> |
| 3 | Organization Structure | <p>APIF has a Participants Committee, which oversees implementation of the Regulations and the Guidelines for Investment of APIFs financial resources, in addition to looking into the Annual Report and Final Accounts of APIF after their approval by IsDB's Board of Executive Directors.</p> <p>APIF has a Supervisory Committee (a subcommittee of IsDB's Board of Executive Directors) which is responsible for examining the quarterly accounts of APIF and for proposing polices and guidelines to the BED. It is also responsible for the periodic review of APIFs performance and submission of related reports to the Participants Committee and IsDB's Board of Executive Directors.</p> <p>As per APIF regulations, representation on APIF committees is as follows:</p> <ul style="list-style-type: none"> • All the shareholders investing more than US\$1 million (the minimum investment amount) may attend the Participants Committee Meeting of APIF; • The shareholders investing between US\$ 5 million (the minimum investment amount) and US\$ 10 million have one representative in the Supervisory Committee; and • The shareholders investing more than US\$ 10 million have two representatives in the Supervisory Committee. |

| 4 | Capital Structure and Resources | <p>The authorized capital of APIF is US\$100 million divided into 10,000 "A" Certificates with a par value of US\$10,000 each.</p> <p>The Mudarib may mobilize additional resources for APIF for investing in specific projects, through syndication, co-financing, or issuing of "B" Certificates that can take the form of Muqarada Certificates, Ijara (Leasing) certificates, etc. The Participants may purchase "B" certificates.</p> <p>To augment the resources of APIF, the IsDB has extended a US\$100 million line of financing for APIF to be utilized for the financing of APIF's projects.</p> | | | | | | | | | | |
|---------------------------|---------------------------------|---|-------------|------------------|---------------------------|-----|-----------------|----------|-------------------------|-----------|-------|------|
| 5 | Profitability | <p>Notwithstanding the noble cause for which APIF was established, its operations are market oriented to secure a reasonable return for its investors. The overriding consideration, however, is to ensure continuity of APIF by aiming at building a strong General Reserve to the tune of 50 percent of paid-up capital before ensuring high dividend payout ratios to investors.</p> | | | | | | | | | | |
| 6 | Profit Distribution | <p>Up to 20 percent of any year's net income can be transferred by the Mudarib to the General Reserve. The total scheme of profit appropriations is, therefore, as follows:</p> <table><tr><th>Particulars</th><th>Percent of Total</th></tr><tr><td>Mudarib (Management) Fees</td><td>10%</td></tr><tr><td>General Reserve</td><td>0% - 20%</td></tr><tr><td>Distributable Dividends</td><td>70% - 90%</td></tr><tr><td>Total</td><td>100%</td></tr></table> | Particulars | Percent of Total | Mudarib (Management) Fees | 10% | General Reserve | 0% - 20% | Distributable Dividends | 70% - 90% | Total | 100% |
| Particulars | Percent of Total | | | | | | | | | | | |
| Mudarib (Management) Fees | 10% | | | | | | | | | | | |
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| Distributable Dividends | 70% - 90% | | | | | | | | | | | |
| Total | 100% | | | | | | | | | | | |
| 7 | Exit Mechanism | <p>The IsDB undertakes, from the fourth financial year of APIF, to purchase from holders of "A" Certificates not more than 50 percent of the certificates held by each of them provided that such purchase shall not result in the holder being a holder of certificates the aggregate par value of which is less than one million U.S. Dollars.</p> | | | | | | | | | | |
| 8 | Security | <p>The Mudarib (the IsDB) applies very prudent measures for extending financing out of APIFs resources. These measures include, among others, the requirement of Government guarantees, first class bank guarantees, mortgage or insurance cover of renowned credit insurance companies.</p> <p>To guard against concentration of risk, APIF strives to diversify its financing portfolio by setting ceilings for countries and beneficiaries within one country.</p> | | | | | | | | | | |
| 9 | External Auditors | <p>APIF is audited by an internationally reputed audit firm that provides a review and audit of APIF's financial statements.</p> | | | | | | | | | | |

ANNEX 04

INFORMATION FOR APIF BENEFICIARIES

THE FOLLOWING CLARIFIES HOW TO BENEFIT FROM APIF FINANCING:

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|------------------------------------|--|
| Scope | APIF Interventions: <ul style="list-style-type: none"> • New construction • Existing property enhancement • Existing property purchase Including projects in the following sectors: <ul style="list-style-type: none"> • Residential, • Commercial, • Retail, and • Mixed-use facilities. |
| Eligible for APIF Financing | <ul style="list-style-type: none"> • Awqaf Ministries/Institutions • Charitable Organization/Trusts operating in accordance with Waqf principles in IsDB Member Countries and Non-Member Countries • Beneficiary contribution: <ul style="list-style-type: none"> o Minimum 25 percent of financing; or o Project land |
| Main Condition of Financing | At the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust). |
| Mode of Financing | <ul style="list-style-type: none"> • Leasing, • Murabaha, or • Any other Sharia-compliant mode of financing |
| Project Value | Above US\$5.0 million (Including land value) |
| Terms of Financing | The maximum tenor is 15 years including gestation period not exceeding 3 years |
| Collateral Security | Depends on the nature of the project (Sovereign guarantee, bank guarantee, mortgage, etc.) |
| Pricing/Mark-up | On a case-by-case basis |
| Currency of Financing | US Dollars |
| Documents Required to Apply | <ul style="list-style-type: none"> • Financing request (letter) including objective of the Waqf, project brief, estimated cost and income. • Registration of the Organization and its By-laws. • Organization Brief (objectives & activities of the organization and its board members). • Land Deed Document (up to date deed with permanent ownership or long-term lease). • Financial statements of the organization for the last 3 years. |



صندوق تـمـيـر
مـمـتـلـكـات الأوقاف
AWQAF PROPERTIES
INVESTMENT FUND



The APIF Investment Guidelines
سياسة الاستثمار و الخطوط الإرشادية
المعدلة لصندوق تـمـيـر مـمـتـلـكـات الأوقاف



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سياسة التمويل و الخطوط الإرشادية
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