



صندوق تميمير  
ممتلكات الأوقاف  
AWQAF PROPERTIES  
INVESTMENT FUND



WE EMPOWER AWQAF TO ENABLE THE UMMAH

# ANNUAL REPORT 2021





# AWQAF PROPERTIES INVESTMENT FUND ANNUAL REPORT 2021

Islamic Financial Sector Development Department (IFSDD)  
Awqaf Investment Funds (AIF) Division  
Awqaf Properties Investment Fund (APIF)

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# GLOSSARY

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

# IsDB BOARD OF EXECUTIVE DIRECTORS



**H.E. Dr. Muhammad Al Jasser**  
Chairman, IsDB Group



**H.E. Dr. Hamad Bin Suleiman Al Bazai**



**Hon. Khalaf Sultan Al Dhaeri**



**Hon. Bader Ahmed Al Emadi**



**Hon. Şakir Ercan Gül**



**Hon. Hamed Arabi Elhouderi**



**Hon. Dr. Mahmoud ISA-DUTSE**



**Hon. Eric Mbaihasra**



**Hon. Khalifa SARR**



**Hon. Abbas Memar Nejad**



**Hon. Issa JANDI**



**Hon. Mian Asad Hayaud Din**



**Hon. Dr. Nada Massoud**



**Hon. Laaziz Faid**



**Hon. Dr. Ammar Hamad  
Khalaf Ibrahim**



**Hon. Hassan Jaafar  
Abdulrahman**



**Hon. Abdulghaffar Al Awadhi**



**Hon. Tamerlan Taghiyev**



**Hon. Mrs. Anuska Ramdhani**

# 2021 HIGHLIGHTS

## Operational and Financial Highlights Dashboard



**4** New Approved Projects:

**3** Projects in MCs  
(2 in Saudi Arabia and 1 in Senegal)



**1** Projects in NMCs (Tanzania)



The Total Assets Growth

**14.83%**



Total Value of Approved Projects

**US\$ 67.41**  
MILLION



Total Assets Value:

**US\$ 134.16**  
MILLION  
(compared to 2020's  
US\$ 116.84 million)



Total Disbursements from APIF and APIF Line:

**US\$ 45.98**  
MILLION

APIF share of disbursements:

**US\$ 16.15**  
MILLION

APIF Line share of disbursements:

**US\$ 23.52**  
MILLION

Net Assets Value (NAV) Per Certificate:

**US\$ 11,378**

(compared to US\$ 11,590 in 2020)



## Shareholders Dashboard



Increase of the  
total Certificate  
Holders' Equity

**13.94%**

Number of  
Shareholders:

**19**



Total Certificate  
Holder's Equity  
Value:

US\$ **130.16**  
MILLION

(rising from  
2020's US\$  
114.40 million)



Number of  
Countries  
Represented by  
Shareholders:

**9** in addition  
to the  
international  
organizations

# 2021 HIGHLIGHTS

## The APIF Portfolio Performance Dashboard (As of the End of 2021)



Total Number of Approved Projects: **55**

Number of countries with APIF projects: **28**



Total value of APIF projects: **US\$ 1 BILLION**

Total value of APIF & APIF Line & IsDB Windows Financing: **US\$ 486 MILLION**



Number of Approved Projects in MCs: **37**

Value of projects in MCs: **US\$ 698 MILLION**

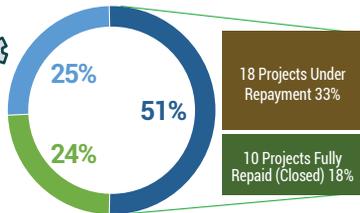


Number of Approved projects in NMCs: **18**

Value of projects in NMCs: **US\$ 304 MILLION**



### Status of Projects:

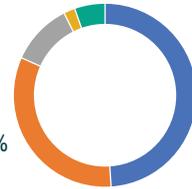


● 14 Projects Under Disbursement ● 13 Projects Yet to be Disbursed ● 28 Projects Completed



### The Diversification of the Approvals by Mode of Financing was as follows:

- Leasing 49%
- Istisna's 33%
- Murabaha 11%
- Forward Leasing 2%
- Other 5%



## Social Impact of APIF Projects

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

This amount is used for various human development activities:



Focused SDGs:

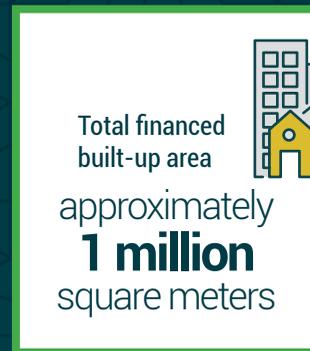


## Social Impact of APIF Projects

APIF empowers its beneficiary organizations to have a sustainable impact on the end beneficiaries. The table below provides three different examples from the APIF portfolio.

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

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



## The Financial Performance of APIF

Over the last 5 years, the Fund approved 5 new projects on average:

Years	 Number of Projects	 Approvals (US\$ million)	 Disbursements (US\$ million)
2021	4	67.41	45.98
2020	5	51.47	32.90
2019	4	38.53	8.43
2018	4	217.50	13.95
2017	7	74.21	7.92

APIF generated a net distributable return of around 3% to 4% per annum over the last five years.

Years	 Total Assets (US\$ million)	 Return on Equity	 Return on Assets
2021	134.16	2.93%	2.67%
2020	116.84	2.59%	2.41%
2019	94.85	3.85%	3.24%
2018	94.11	2.78%	2.37%
2017	88.74	3.63%	3.6%



As of the end of 2021,  
the NAV is

**US\$ 11,378**

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



### Dividend Distribution:

In 2021, APIF has exceptionally paid dividends of 1.25 percent due to the impact of the COVID-19 pandemic and the implementation of a new accounting standard (FAS 30).

# STATEMENT BY THE MUDARIB

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

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

**Dear Brothers, and Sisters**

**Assalamu Alaikum  
Warahmatullahi Wabarakatuh**



On behalf of the Islamic Development Bank (IsDB), the Mudarib of the Fund, I am pleased to present the twentieth Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ending on 31<sup>st</sup> December 2021.

The report was prepared in accordance with Article 17 of the Fund's regulations, and it provides an overview of the Fund, its approved operations and audited financial statements as of the end of 2021.

Since its inception, the Fund has approved a total of 55 projects in 28 countries valued at around US\$ 1 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 new projects for a total value of US\$ 67.41 million during the period from 01/01/2021 to 31/12/2021.

These approvals included three projects in Member Countries (two in Saudi Arabia and one in Senegal) and one project in Non-Member Country (Tanzania).

Financially, the Fund has achieved satisfactory results and the net income for the year amounted to US\$ 3.35 million (increase of more than 30% compared to 2020).

Therefore, the IsDB is pleased to announce the decision of the Board of Executive Directors to distribute dividends amounting 1.25% of the paid-up capital of the Fund.

All these achievements reflect APIF's team 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 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. Muhammad Al Jasser**

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

# SHARI'AH ADVISOR'S REPORT – 2021

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

**Shari'ah Advisor's Report – 2021  
Awqaf Properties Investment Fund**

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

**Assalamu Alaikum Warahmatullahi Wabarakatuh**

In accordance with the second principle of the governance statement of the Awqaf Properties Investment Fund (the Fund) which stipulates that the Fund shall ensure its commitment to Shari'ah through an independent Shari'ah Advisor, I hereby submit the report in fulfillment of my duties and responsibilities as a 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 the rules and principles of Shari'ah in conformity with decisions (*fatawa*) made by the Islamic Development Bank Group Shari'ah Board and resolutions issued by the Council of the International Islamic Fiqh Academy.

I have reviewed projects approved and the financing agreements signed during the period 1/01/2021 to 31/12/2021. I have also listened to the clarifications presented by the management which confirmed that it applied the Bank's approved contracts in accordance with the rules and principles of Shari'ah.

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 contract concluded by the Fund during the period 01/01/2021 to 31/12/2021 and which I have reviewed has been implemented in conformity with the rules and principles of Shari'ah.
- b) The distribution of dividends and charging of losses to the investment certificates comply with the approved rules in accordance with the rules and principles of Shari'ah.
- 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 Endowment (Waqf) is an important institution of the Islamic social finance being supported by the Islamic Development Bank (IsDB).** Beyond Islamic heritage, the concept of Waqf / Awqaf is highly relevant to modern international development practice. Thus, through its unique Awqaf Properties Development Fund (APIF), IsDB is seeking to operationalize the role of Awqaf in development.

## A. BACKGROUND ON AWQAF

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

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

Indeed, historically, Awqaf have played a major role in providing sustainable financial support for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf<sup>1</sup>. First, Awqaf financed the basic social services, infrastructure of education & health as well as providing

sustenance and social security to the needy segment of the society. Second, beyond these basic needs, Awqaf played a vital role in the development of cultural and scientific progression as it provided financial support in the production and printing of books, the establishment of libraries, as well as supporting scholars in their research on various religious and secular sciences.

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



Historically, Awqaf have played a major role in providing sustainable financial support for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf

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



Students are study in the Dakkhingon Madrasah. 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.

## B. OPERATIONALIZATION OF AWQAF SUPPORT WITHIN ISDB

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

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

**As a mechanism for operationalizing Awqaf to achieve their development impact, APIF has succeeded in providing a proof of concept, which is now ready to be scaled-up.** Indeed, with a total paid-up capital of US\$114.40 million supplemented by a line of financing from IsDB of US\$100 million, APIF's portfolio includes 55 projects in 28 Member Countries and Non-Member Countries of IsDB with a total worth of US\$ 1 billion. These projects have proven that Awqaf in general and the APIF model in particular can play a significant development role.



IsDB Bhaban Building, Dhaka, Bangladesh 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 NGOs and civil society organizations providing social services by providing them with a sustainable source of



**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.**

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 2<sup>nd</sup>-degree development interventions that can in fact be profitable.

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



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

today among the innovative financing tools, Impact Investing, as a tool to inject resources from the private sector towards the 2030 agenda<sup>2</sup>.

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

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

<sup>2</sup> UNCTAD, World Investment Report, Geneva, 2014

<sup>3</sup> Global Impact Investing Network (GIIN), [thegiin.org](http://thegiin.org)

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

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

**APIF has been generating a net distributable return of 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 2021, the share value of APIF reached US\$11,378 as compared to US\$10,000 at inception. As for dividend distribution, APIF used to pay dividends of between 2.5 percent to 5 percent of the share capital over the last 10 years. In 2021, APIF has exceptionally paid dividends of 1.25 percent due to the impact of the COVID-19 pandemic and the implementation of a new accounting standard (FAS 30).



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

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

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

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

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

## CHAPTER 03

# APIF-OPERATIONALIZING THE ROLE OF AWQAF IN DEVELOPMENT WITHIN ISDB



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

**Subsequently, APIF was established based on the approval of the 6<sup>th</sup> 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 31<sup>st</sup> December 2021, there are 19 participants in APIF comprising IsDB, Ministries of Awqaf, Awqaf Organizations, nonprofit organizations, and Islamic banks with a total paid-up capital of US\$114.40 million. A full list of participants in APIF is provided in **Annex 1**.

To augment APIF's resources, the IsDB has extended a line of financing of US\$100 million to be utilized in financing APIF projects. To continuously support the development of Awqaf Sectors through APIF, the IsDB has approved an IsDB Technical Assistance Grant amounting to US\$ 280,000 for Preparation of Feasibility Studies, Property Valuations and Legal Services for APIF and the Awqaf Financing Fund- Saudi Arabia (AFF-KSA). The breakdown of the financial resources of APIF is provided in chart below.

### APIF Financial Resources Allocation



## B. THE ROLE OF APIF

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

The APIF portfolio, as of the end of 2021, includes 55 completed or active projects, totaling US\$ 1 billion in total value. Of this, IsDB's contribution includes US\$ 187 million from APIF, US\$ 259 million from the IsDB line of financing, US\$ 74 million from other IsDB windows, and the remaining value is from the beneficiaries.

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



### APIF's Mission

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



### APIF's Objective

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

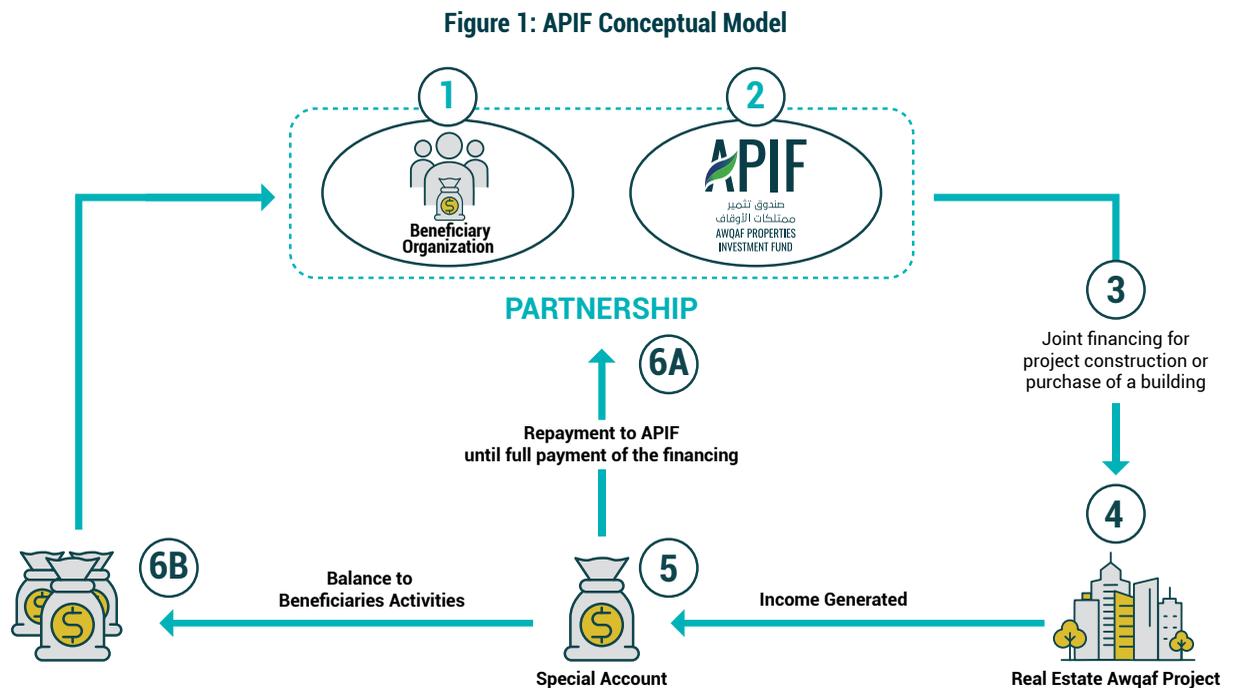


Children in a school sponsored by the Al-Tawfiq Charitable Society in Somalia - Source: Al-Tawfiq Charitable Society.

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 **Figure 1**, below.



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.



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

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.

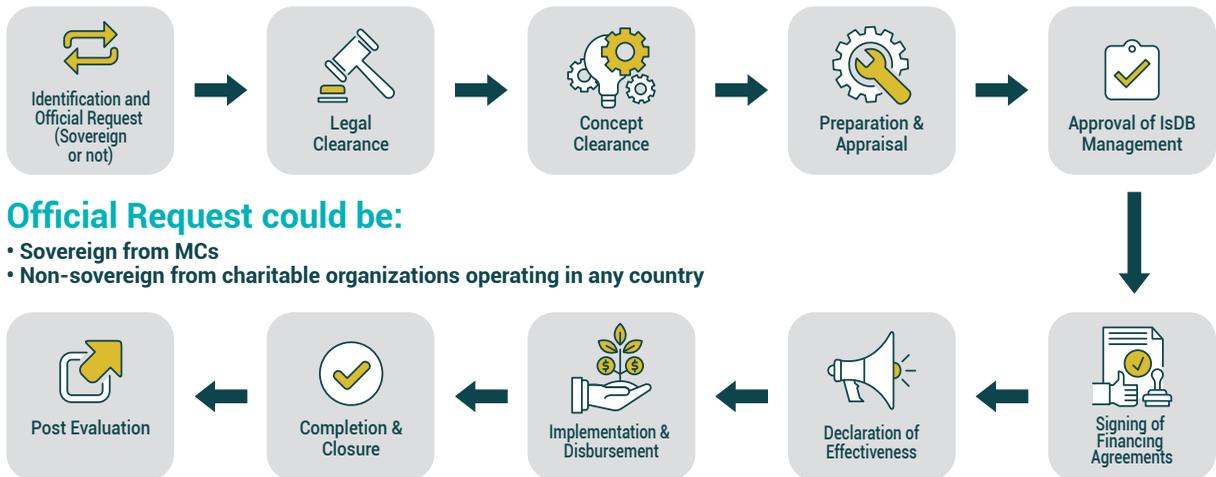
**A further distinguishing feature of the APIF project lifecycle is the financial metrics of interest during the appraisal stage.** Here, the crucial metrics are the Financial Internal Rate of Return (FIRR) as well as the Debt Service Coverage Ratio (DSCR). Indeed, unlike typical sovereign development 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.

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

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

**Figure 2: APIF Project Life Cycle**



## 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, is offset by its social dividend, its low-risk nature, in addition to appreciation in the value of its shares.

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

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

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

mortgage or insurance cover from renowned credit insurance companies.

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

## E. INFORMATION RELEVANT TO POTENTIAL BENEFICIARIES OF APIF FINANCING

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

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

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

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

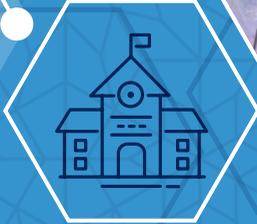
Full information of interest to prospective beneficiaries, including how to benefit from APIF financing, can be found in **Annex 4**.



APIF provides a competitive source of financing for income-generating real estate assets (Awqaf) with the objective to serve charitable organizations

## CHAPTER 04

# THE YEAR UNDER REVIEW



During the year 2021, despite the ongoing COVID-19 pandemic affecting the market and businesses worldwide, APIF successfully overcame the obstacle and performed quite well.

APIF was also successful in attracting four new investors with a total investment value of US\$ 18.75 million for 1,626 certificates issued (Hajj Fund of Indonesia (BPKH), Faisal Islamic Bank of Egypt, Ms. Monerah Al-Sabhan, the International Islamic Fiqh Academy).

The Fund approved financing of four projects having total value of US\$ 67.41 million in Saudi Arabia, Senegal and Tanzania.

## 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\$ 134.16 million at the end of year 2021 compared to US\$ 116.84

million at end of Year 2020, or an increase of 14.83%. The increase in total assets is funded by new capital injections from four certificates holders for 1,626 new certificates for a total amount of US\$ 18.75 million.

In terms of asset composition, there was a decrease in the value of assets compared to last year as 52% of the total assets were used in investments (Ijarah, Sukuk and Musharaka assets) compared to 61% last year. The table below summarizes the asset composition at 31/12/2020 and 31/12/2021:

**Table 1: Asset Composition (US\$ million)**

	As at 31/12/2021		As at 31/12/2020	
	Amount	%	Amount	%
Cash & Cash Equivalent	12.34	9.20%	8.08	6.91%
Commodity murabaha placements	17.43	12.99%	19.11	16.35%
Investments–Ijarah Muntahia Bittamleek	31.1	23.18%	29.75	25.46%
Investments–Islamic Ijarah Sukkuks	29.41	21.92%	29.75	25.46%
Investments–Islamic Lease Fund	3.04	2.27%	3.44	2.94%
Investments–Real Estate	6.21	4.63%	6.37	5.45%
Investments-Musharakah	0.57	0.42%	2.03	1.74%
Receivables–Istisna'a	19.87	14.81%	12.2	10.44%
Receivables – Project murabaha	7.96	5.93%	4.57	3.91%
Due from related parties	6.09	4.54%	1.55	1.33%
Accrued Income and Other Assets	0.14	0.10%	0.01	0.01%
<b>Total Assets</b>	<b>134.16</b>	<b>100%</b>	<b>116.83</b>	<b>100%</b>

## Financial Indicators

The financial performance indicators of the Fund for the year 2021 in comparison with the period of 2020 are presented in the following table:

**Table 2: Financial Indicators (US\$ million)**

Financial Indicators	31/12/2021	31/12/2020
Net Assets	130.16	114,24
Net Income before Mudarib's share	3.72	2.83
Mudarib's share of net income (10%)	(0.37)	(0.28)
Transfer to General Reserve (15%)	0.38	0.46
Dividend	1.430	2.398
Dividend/Paid-up Capital - Declared Dividend	1.25%	2.50%
Average LIBOR (%)	0.20%	0.69%
Net Asset Value Per Certificate	11,378	11,590

The earning per certificate, after Mudarib's share of net income amounted to US\$ 293 in 2021.

## Dividend distribution

In accordance with Article 19 of the Fund's Regulations, the Fund has declared a dividend of 1.25% of the paid-up capital for the year ended 31/12/2021.

## Operational Performance

During the year 2021, the Fund has approved four projects having a total project amount of US\$ 67.41 million in four different IsDB member and non-member countries. The table below provides the details:

**Table-3: List of APIF Projects Approved in 2021 (Amounts in US\$ million)**

#	Project Name	APIF	IsDB Line	IsDB Group	Beneficiary & others	Total (USD)
1	Purchase of a Commercial Building in Riyadh to Be Used as a Waqf for World Assembly of Muslim Youth, Saudi Arabia	8.00	8.00	-	13.41	29.41
2	Purchase of a Commercial Building in Dar es Salaam to be Used as a Waqf for Direct Aid Society, Tanzania	1.75	1.75	-	1.20	4.70
3	Purchase of a hotel in Abha for Alber Society in Doga	3.20	3.20	-	2.70	9.10
4	Construction of a Commercial and Residential Waqf Complex in Dakar	5.00	10.00	5.00	4.2	24.2
	<b>Total Amount</b>	<b>17.95</b>	<b>22.95</b>	<b>5.00</b>	<b>21.51</b>	<b>67.41</b>

## A BRIEF DESCRIPTION OF EACH PROJECT IS GIVEN BELOW:

### **Purchase of a Hotel in Abha to be used as Waqf for Al Bir Charitable Society in Dogah, Saudi Arabia**

The objective of this project aims to generate regular income to support the charitable and relief activities of Al Bir Charitable Society in Dogah, Saudi Arabia.

The project entails the purchase of a nine-story hotel building with two basements, eighty-two hotel rooms, and facilities then equipped to be a 4-star hotel. It covers a total land area of 1,510m<sup>2</sup> and a total building area around 10,023m<sup>2</sup>. The 4-star hotel will be located in Abha, the capital of Asir Region, located on the road to Khamis Mushayt city and close to the airport and the university city.

The total cost of the project is US\$ 9.10 million, and IsDB will contribute with US\$ 6.40 million, US\$ 3.20 million from APIF and US\$ 3.20 million from APIF Line through Project Murabaha's mode of financing.

Income generated from the 4-star hotel rentals will be used to support Al Bir Society in Dogah, which is the beneficiary and executing agency of the project. This nonprofit Society aims to provide charitable and social support for destitute families in Dogah and surrounding Dogah. The programs of the Society offer family sponsorships, orphan sponsorships, healthcare provision, water and food provision, house rebuilding, and emergency relief.



### **The Purchase of a Commercial Building in Dar es Salaam to be used as a Waqf for Direct Aid Society, Tanzania**

The objective of this project aims to generate a regular income to support the educational, health care, and social programs of Direct Aid Society in Tanzania. The Direct Aid Society is the beneficiary and executing agency of the project, and one of the largest, most active and most reputable NGOs in the region, being active in 30 African countries including Yemen.

The project achieves this objective through the purchase of a commercial building that is currently rented to six different tenants, used mostly as office space which the rental revenues to support the organization's activities. Activities of the organization cover all charitable work, including education, health, relief and care for orphans, wells digging and development projects.

Furthermore, the property consists of a commercial seven-story office building with two parking floors which covers a per-floor area of 775 m<sup>2</sup> and a total built-up area of 5,585 m<sup>2</sup>; it is also located a few meters off Haile Selassie Road in Msasani Peninsula, approximately seven kilometers north of Dar es Salaam city center within Oyster Bay area. The cost of the project is estimated at US\$ 4.70 million with US\$ 3.70 million of said cost contributed by IsDB's participation in financing of the cost of the project which implementation will be carried out over a period of six months. The purchase of property will be implemented through direct purchase of the selected property in coordination with the IsDB Legal Department.



## Construction of A Commercial and Residential Waqf Complex in Dakar For the Benefit of the Traditional Quranic Schools (Daras) in Senegal



The objective of this project is to generate regular income for the High Authority of WAQF (HAW) to sustainably support the development and modernization of the Daras schools by administering, promoting, and developing WAQF in Senegal. The High Authority of Waqf (HAW), an independent administrative authority attached to the Prime Minister's Office whose primary missions are to administer public WAQF, to promote and develop WAQF in Senegal and to control and supervise other types of WAQF, will be the executing agency for this project.

The project entails the construction of a commercial and residential complex in Dakar and rents out its premises commercially. The land covers a total area of 2,273 m<sup>2</sup> and

a built-up area of 26,000 m<sup>2</sup>, all of which is located in the Plateau Area in Dakar, close to the Presidential Palace and French Embassy.

Noting the unit cost of US\$780 per m<sup>2</sup> which is the range of rates for high-standard buildings, the total project cost is estimated at US\$ 24.2 million with US\$ 20 million contributed by IsDB through way of Leasing, whereas US\$ 5 million from ISFD, US\$ 5 million from APIF, and US\$10 million from APIF Line. The tenor will be 25 years, including a gestation period of 3 years and a tolerance period of 6 months. Repayment will be in 43 semi-annual installments.

### **The Purchase of a Commercial Building in Riyadh to be used as a Waqf for World Assembly Muslim Youth, Saudi Arabia**

The objective of this project aims to support the efforts of World Assembly Muslim Youth, Saudi Arabia (WAMY) to generate a regular income to fund its charitable activities and programs. WAMY activities include building bridges of peace and unity especially in multicultural societies, educating the Muslim youth to the common good and promoting understanding among people of different communities.

The project entails the purchase of a commercial building. This building is an eleven-floor office building, including two basements and 234 parking spaces, and has a built-up area of approximately 16,500m<sup>2</sup> with a per-floor area of 1,164.7m<sup>2</sup>, totaling a net leasable area of 9,900m<sup>2</sup>. It is also located in the North of Riyadh off the King Fahd Road behind Rafal Tower.



The cost of the project is estimated at US\$ 29.41 million, and IsDB will participate in the financing of the project's cost with an amount of US\$ 16.00 million through direct purchase of the selected property in coordination with the IsDB Legal Department. Additionally, the implementation of the project will be carried out over a period of 2 months.

## APIF PROJECTS IN THE IMPLEMENTATION PROCESS

Until the end of 2021, the Fund has 15 projects under disbursements, of which eight are in member countries and seven projects in non-member countries of the Islamic Development Bank. The table below provides details of the projects under implementation:

2009					
SUDAN 					
 Name of the Project	 Beneficiary	 Mode of Finance	 IsDB Contribution (APIF & APIF Line)	 Total Disbursements	 Disbursements Accomplished
Al Azhari Residential & Commercial Complex	National Student Welfare Fund	Leasing	US\$ <b>8.00</b> MILLION	US\$ <b>5.87</b> MILLION	<b>73%</b>
2012					
SUDAN 					
 Name of the Project	 Beneficiary	 Mode of Finance	 IsDB Contribution (APIF & APIF Line)	 Total Disbursements	 Disbursements Accomplished
Construction of Hayat Aldawaah Furnished Apartment Tower, Khartoum, Sudan.	Hayat Aldawaah Al Islamia - Sudan	Leasing	US\$ <b>4.80</b> MILLION	US\$ <b>3.39</b> MILLION	<b>71%</b>
2013					
SRI LANKA 					
 Name of the Project	 Beneficiary	 Mode of Finance	 IsDB Contribution (APIF & APIF Line)	 Total Disbursements	 Disbursements Accomplished
Construction of Makola Twin Tower Commercial, Colombo, Sri Lanka.	Makola Muslim Orphanage	Leasing	US\$ <b>10.00</b> MILLION	US\$ <b>7.02</b> MILLION	<b>70%</b>

2015


**UAE**



Name of the Project

Construction of Al-Ihsan  
Commercial & Residential  
Waqf Building in Ajman



Beneficiary

Al-Ihsan Charity  
Association,  
Ajman, UAE

Mode of  
Finance

Leasing

IsDB Contribution  
(APIF & APIF Line)

US\$ **11.00**  
MILLION

Total  
Disbursements

US\$ **10.38**  
MILLION

Disbursements  
Accomplished

**94%**

2016


**GUINEA**



Name of the Project

Construction of Waqf City  
Commercial and Residential  
Complex in Conakry.



Beneficiary

IDB-Guinea Waqf

Mode of  
Finance

Istisna'a

IsDB Contribution  
(APIF & APIF Line)

US\$ **16.00**  
MILLION

Total  
Disbursements

US\$ **9.60**  
MILLION

Disbursements  
Accomplished

**60%**

2016


**UGANDA**



Name of the Project

Construction of  
Residential & Commercial  
Complex



Beneficiary

Uganda Muslim  
Education  
Association

Mode of  
Finance

Leasing

IsDB Contribution  
(APIF & APIF Line)

US\$ **12.75**  
MILLION

Total  
Disbursements

US\$ **4.72**  
MILLION

Disbursements  
Accomplished

**37%**

2017


**MAURITANIA**



Name of the Project

Construction of a Waqf  
Commercial and Office  
Complex in Nouakchott



Beneficiary

Government of  
Mauritania

Mode of  
Finance

Leasing

IsDB Contribution  
(APIF & APIF Line)

US\$ **10.75**  
MILLION

Total  
Disbursements

US\$ **2.11**  
MILLION

Disbursements  
Accomplished

**20%**

## 2019

### KENYA



Name of the Project

Construction of a Mixed-use Building in Nairobi



Beneficiary

Zamzam Foundation, Somalia



Mode of Finance

Istisna'a



IsDB Contribution (APIF & APIF Line)

US\$ **6.50** MILLION



Total Disbursements

US\$ **3.68** MILLION



Disbursements Accomplished

**57%**

## 2019

### UGANDA



Name of the Project

Construction of a Waqf Residential Complex in Kampala



Beneficiary

Mogadishu University Foundation, Uganda



Mode of Finance

Istisna'a



IsDB Contribution (APIF & APIF Line)

US\$ **10.66** MILLION



Total Disbursements

US\$ **5.26** MILLION



Disbursements Accomplished

**49%**

## 2019

### USA



Name of the Project

Construction of CAIR Plaza in Washington DC, USA.



Beneficiary

Washington Trust Foundation



Mode of Finance

Istisna'a



IsDB Contribution (APIF & APIF Line)

US\$ **16.00** MILLION



Total Disbursements

US\$ **1.47** MILLION



Disbursements Accomplished

**9%**

## 2019

### SAUDI ARABIA



Name of the Project

Construction of a Hotel in the Central Region of Al Madinah Al Munawarah, Saudi Arabia



Beneficiary

Al Bayan Charitable Foundation for Education



Mode of Finance

Istisna'a



IsDB Contribution (APIF & APIF Line)

US\$ **8.80** MILLION



Total Disbursements

US\$ **5.53** MILLION



Disbursements Accomplished

**63%**

2020


**USA**



Name of the Project

Construction of a Dormitory  
Project in New York



Beneficiary

Turken  
Foundation

Mode of  
Finance

Istisna'a

IsDB Contribution  
(APIF & APIF Line)

US\$ **35.00**  
MILLION

Total  
Disbursements

US\$ **20.33**  
MILLION

Disbursements  
Accomplished**58%**

2020


**SAUDI ARABIA**



Name of the Project

Construction of  
Zamzam Health  
Waqf-3 in Makkah Al-  
Mukaramah



Beneficiary

Zamzam Society for  
Voluntary Health  
Services, Saudi  
Arabia

Mode of  
FinanceForward  
LeasingIsDB Contribution  
(APIF & APIF Line)

US\$ **12.00**  
MILLION

Total  
Disbursements

US\$ **6.05**  
MILLION

Disbursements  
Accomplished**50%**

2021


**UK**



Name of the Project

Purchase of Properties in  
the United Kingdom



Beneficiary

Mercy Mission

Mode of  
FinanceMaster  
MurabahaIsDB Contribution  
(APIF & APIF Line)

US\$ **3.20**  
MILLION

Total  
Disbursements

US\$ **1.42**  
MILLION

Disbursements  
Accomplished**44%**

2021


**KENYA**



Name of the Project

Construction of Al-Furqan  
Mixed Use Waqf Building,  
Nairobi



Beneficiary

Maahad Daawah  
Organization

Mode of  
Finance

Istisna'a

IsDB Contribution  
(APIF & APIF Line)

US\$ **3.60**  
MILLION

Total  
Disbursements

US\$ **0.43**  
MILLION

Disbursements  
Accomplished**12%**

## SUCCESS STORIES OF THE IMPLEMENTATION OF APIF PROJECTS

The pace of completion of the construction projects and purchases have been significantly accelerated.

The Fund has successfully completed the financing processes for the purchase and implementation of the projects in a record-breaking time.

The following section describes the success stories of two projects that were implemented in a short time:

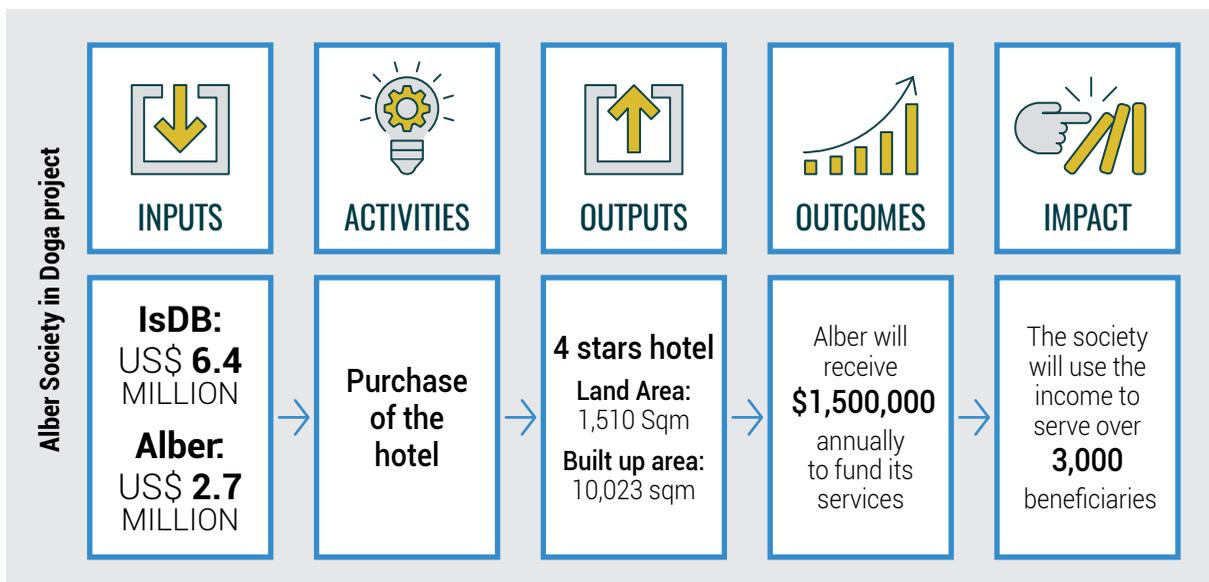
### 1. Purchase of a hotel in Abha, Saudi Arabia to be used as a Waqf for Alber Society in Doga, Saudi Arabia

The Bank approved a financing amount of US\$ 6.4 million towards Abubakar Alber Society in Doga, Saudi Arabia in August 2021 for the purchase of a 4 stars hotel in Abha, Saudi Arabia to be utilized as waqf. The total cost of the project was US\$ 9.1 million, and it is located in Abha, Aseer Region, Saudi Arabia.

The purchase of the property was completed in December 2021. The objective of the project is to generate a regular income for the Alber Society, which will serve to enhance the activities and operations of the Society in Supporting orphans and poor families, improve people’s life through renovation of houses for needy people and operate water desalination stations. These objectives will be achieved through the operations of the hotel.

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

**Figure 1 Alber Society in Doga project in Abha, Saudi Arabia**





Al Bir Charitable Society in Doga, Saudi Arabia



**Inputs:** The project cost amounts to US\$ 9.1 million where the IsDB share amounts to US\$ 6.4 million (70%) and the Beneficiary contribution stands at US\$ 2.70 million (30%).

**Activities:** The project was financed through Master Murabaha. It took less than 4 months from the approval of the project till its completion of purchase. The time was spent on: Signing of the financing agreement, fulfilling disbursement precedents by the beneficiary, effectiveness and finally issuing the disbursement of funds.

**Outputs:** The main output of the project is the 4 stars hotel with a built-up area of 10,023 sqm (9-storey hotel building with two basements). The hotel will be operated through a specialized operator, and it will be Sharia Compliant operations.

**Outcomes:** The hotel will generate around US\$1,500,000 an average net income annually, which shall be used to support the activities of Alber Society in Doga.

**Impact:** The project will support the activities of the society in serving over 3,000 beneficiaries including over 1,000 needy families, 1,800 orphans etc

#### **Lessons Learned:**

The project was implemented in a record time of **4 months**, which is the fastest Murabaha project in the history of APIF. There are several lessons learned from this success story:

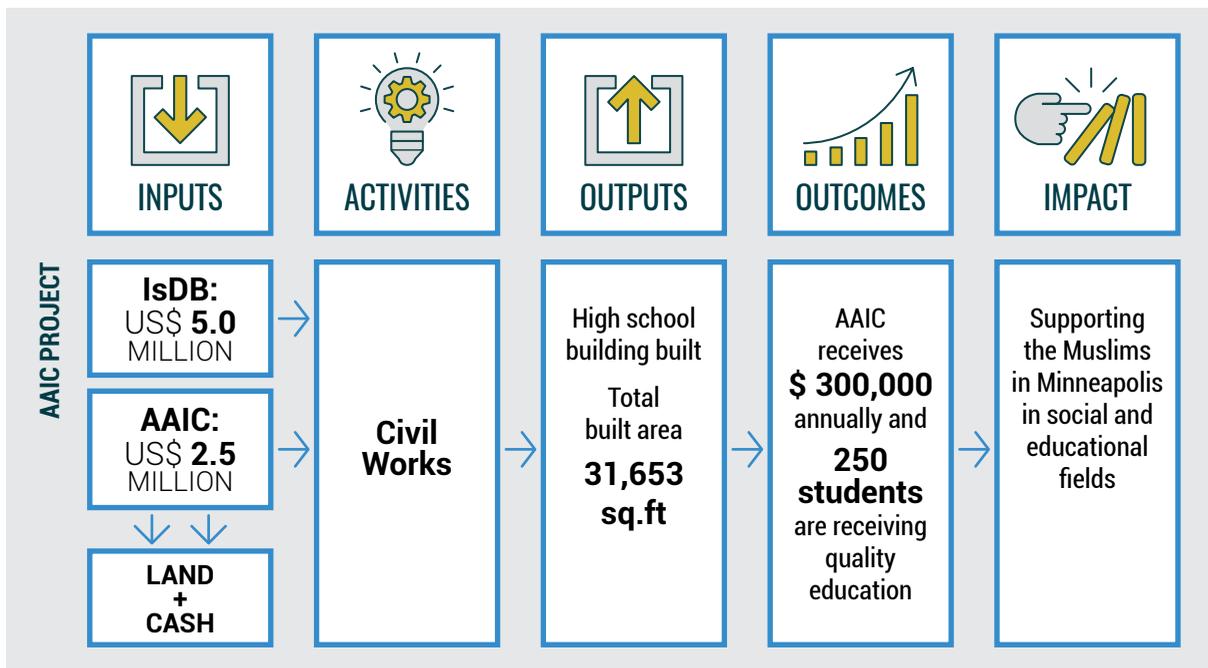
- **Quality at Entry:** During the appraisal stage, the bank ensured that initial agreement with the hotel operations company is in placed.
- **Efficient Processing:** The activities from the approval till disbursement was listed down, and parallel activities identified. This allowed us to complete the activities quickly.
- **Operations Agreement:** The Bank insisted before approving the project that hotel operations agreement with qualified and experienced operator is in place. Additionally, the agreement guaranteed minimum income for the beneficiary throughout the contract period, which will cover the IsDB instalment and remaining amount for the society to use it for its philanthropic activities. This model minimized the risk of fluctuating demand.

## 2. Construction of a Mixed-Use Commercial Center in Minneapolis, Minnesota, USA to be used as a Waqf for Abubakar As-Saddique Islamic Center, Minnesota (AAIC)

The Bank approved a financing amount of US\$ 5.0 million towards Abubakar As-Saddique Islamic Center (AAIC) on 9<sup>th</sup> April 2020 for the construction of a mixed-use real estate development to be utilized as waqf. The total cost of the project, including land value, was US\$ 7.50 million. The project, located in Minneapolis, United States, was successfully completed on 1<sup>st</sup> September 2021. The objective of the project is to generate a regular income for the AAIC, which will serve to enhance the activities and operations of AAIC in the social, educational, and religious fields. These objectives will be achieved through renting the commercial space.

The project can be assessed using results framework approach as summarized in **Figure 2** below:

**Figure 2 AAIC Waqf Project in Minneapolis, USA**



**Inputs:** In terms of inputs, the project cost amounts at US\$ 7.50 million where the IsDB share amounts to US\$ 5.0 million (66.67%) and the Beneficiary contribution stands at US\$ 2.50 million (33.33%).

**Activities:** In terms of implementation, **the civil works took 9.5 months from the date of first disbursement to project handover.** The IsDB financing was fully disbursed with no balance outstanding. The first disbursement was made on 18<sup>th</sup> November 2020 whereas the last disbursement was made on 12<sup>th</sup> July 2021. The project was successfully completed on 1<sup>st</sup> September 2021, while the project lease started on 7<sup>th</sup> September 2021.

**Outputs:** The main output of the project is the high-school building having a built-up area of 31,653 square feet. It comprises of 15 classrooms, a basketball ground, a cafeteria, locker rooms, two sets of bathrooms, a media center, and 65 parking lots. The project has been fully implemented as planned.

**Outcomes:** In terms of outcomes, the AAIC is receiving US\$ 300,000 annually, which shall be used to support the activities of the organization in favour of the local Muslim community. Furthermore, the charter high school is providing quality education to 250 students and this number is expected to increase in the future.

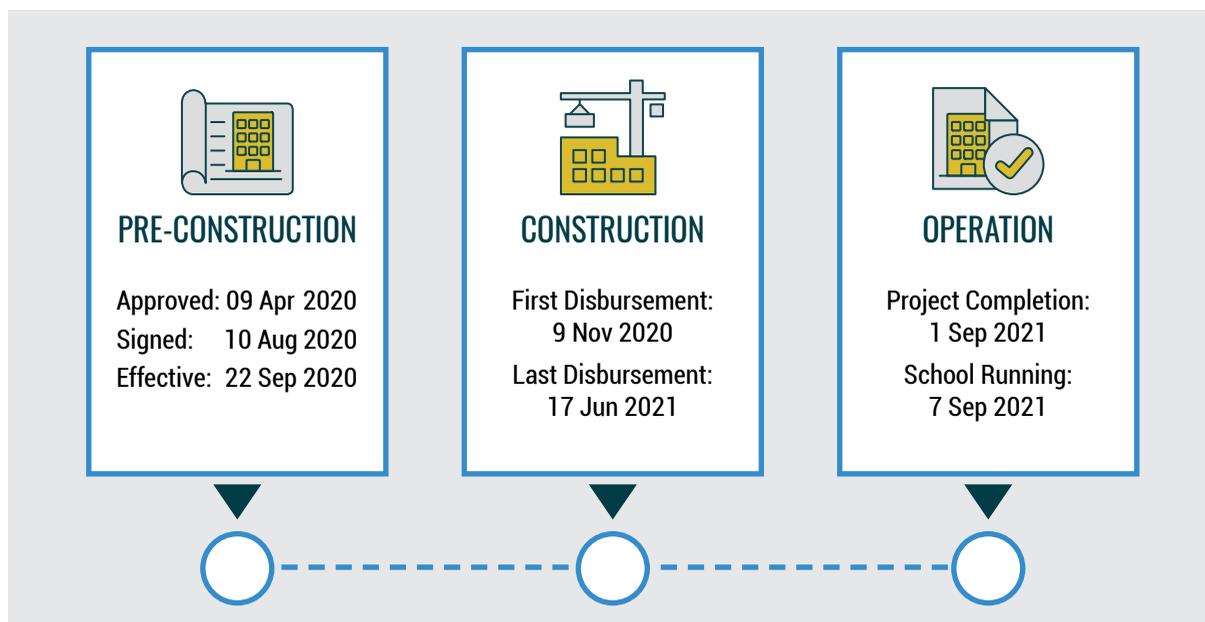
**Impact:** In terms of impact, the project has created a permanent waqf for the Muslim community of Minneapolis that will support social, educational, and religious activities of AAIC. It has also created employment opportunities for staff at the high school.

### Lessons Learned:

The project was implemented in a record time of 9.5 months, which is the fastest in the history of APIF since 2001. There are several lessons learned from this success story:

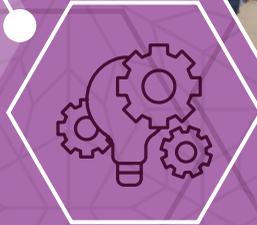
- **Quality at Entry:** At the approval stage, efforts were expended to ensure readiness of the project before the Bank approved the project. The project designs were ready, the building permit had been issued and the contractors had been shortlisted. Soon after the approval, the contractors were invited to bid for the civil works contract of the project. Based on a competitive bid, the lowest cost technically qualified contractor was awarded the contract.
- **Efficient Processing:** After the approval of the project, the contractor selection, the signature of the financing agreements and the fulfillment of the effectiveness conditions were achieved in parallel.
- **Offtake Agreement:** While the construction was in process, the APIF team closely coordinated with the AAIC to find suitable tenants for the high school building. After a thorough process, a suitable tenant was identified, and an offtake agreement was signed. As soon as the construction was completed, the property was leased out to the tenant. The construction completed on 1st September 2021 and the school became operational on 7<sup>th</sup> September 2021!

**Figure 3: Project Implementation Timeline**



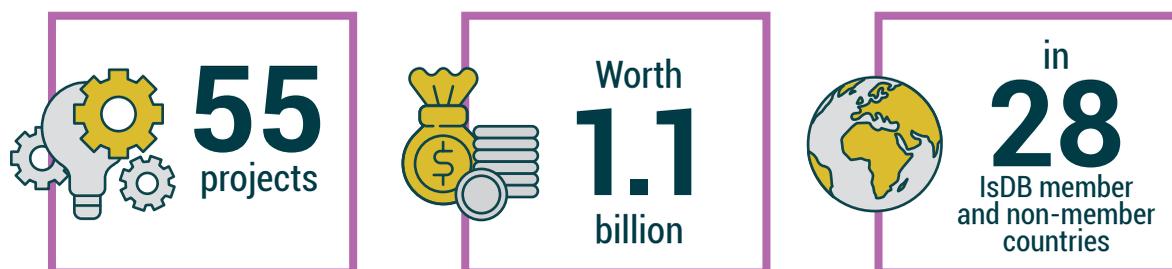
## CHAPTER 05

# THE WAY FORWARD



The Awqaf Properties Investment Fund (APIF) was established for the development of Waqf properties globally. APIF has played a pivotal role in the development of Waqf sector worldwide by providing technical and financial assistance for creating an environment to support development of waqf through the promulgation of Waqf laws in the IsDB member countries.

Additionally, since its inception in 2001, APIF has approved



**Despite its limited resources, APIF has achieved numerous accomplishments and milestones;** nonetheless, there remain Awqaf properties worth billions of dollars that could be effectively used for poverty alleviation and human development.

**Based on the above, a new vision for APIF was envisioned and new targets were set in early of 2019 to achieve an operational volume of US\$ 2 billion within a period of 10 years.** In this backdrop, APIF is progressing well on the process of revamping its internal policies and processes, developing resource mobilization strategy, defining a new marketing strategy and image building, and reinforcing the staffing as well. Such positive changes are expected to further enhance the returns and impact of APIF investments, thereby boosting its attractiveness to investors.

In 2020 APIF successfully attracted 4 new investors with a total investment value of US\$ 21.59 million. In its continuous efforts and consideration of the new vision, the Fund also attracted new investors in 2021 and some existing participants have increased their investment:

Haji Fund of Indonesia (BPKH), Faysal Islamic Bank of Egypt, Ms. Monerah Al-Sabhan and the International Islamic Fiqh Academy with a total investment value of US\$18.75 million. Moreover, the Fund has received three grants with a total value of around US\$ 300,000 in support of some of its projects.

To continuously support the development of Awqaf Sectors through APIF, the IsDB has approved an IsDB



**A new vision for APIF was envisioned and new targets were set in early of 2019 to achieve an operational volume of US\$ 2 billion within a period of 10 years**



SOMAK House, the Waqf Building in Held by Towfiq Trust in favor of TWS.  
Source: [www.somak.com](http://www.somak.com)

Technical Assistance Grant amounting to US\$ 280,000 for preparation of feasibility studies, property valuations and legal services for APIF and AFF-KSA. Whereas previously, the IsDB has granted the Fund with the US\$ 200,000 and US\$ 275,000 in 2009 and 2015 respectively.

**As per the new strategy, the targeted capital increase would allow APIF to consider targeting larger investors base.** In addition to the current focus on institutional investors, targeting high-net-worth individuals could also be considered. In fact, in 2021, APIF has successfully attracted an individual investor, Ms. Monerah Al-Sabhan, with a total investment value of US\$ 8.00 million.

**Beyond traditional investors, APIF is also considering new innovative methods to attract investments to mobilize resources.** In this context, APIF has begun actively seeking the incorporation of new technology and innovative methods to enhance resource mobilization (e.g. via crowdfunding, Synergistic Resource

Mobilization, and Issuing Awqaf Sukuk). For the time being, APIF has approved crowdfunding campaigns to support three specific projects.

In addition, in 2021, APIF has also developed with the Regional Cooperation and Integration (RCI) Department an innovative idea for resource mobilization, where investors and / or donors would invest in APIF, and a portion of the returns will be earmarked to support the initiatives / projects of the Reverse Linkage team, which constitute a unique value proposition for supporting its operations in member countries.

Additionally, APIF is studying issuing of Awqaf Sukuk and developing & utilizing the capital market vehicles in the field of Awqaf.

**Within the framework of its new vision and strategy, APIF has implemented several new initiatives aiming at enhancing awareness and strengthening the impact of APIF's activities.** Started in 2019, these initiatives include: Adoption of a New Brand Identity, Publication of an Impact Report, creation of APIF Animated Videos and development of the website.

In 2020, APIF launched the crowdfunding initiative. In 2021, APIF has focused its efforts on attracting new investors by creating new marketing material. Moreover, the Fund has been developing an APIF Operational Dashboard targeting investors and displaying a comprehensive view of the Fund's operations and financial performance.



**Within the framework of its new vision and strategy, APIF has implemented several new initiatives aiming at enhancing awareness and strengthening the impact of APIF's activities**

## Some of the achievements of the APIF can be highlighted as follows:



### Development of Promotional APIF Videos for Investors

In light of APIF's resource mobilization strategy, the Fund has produced a promotional video in Arabic and English elucidating the benefits and impacts of investing in APIF and methods of contacting the Fund management.



### Publication of Promotional APIF Brochures for Investors

APIF has also produced three promotional brochures in Arabic and English on the Fund's Objectives and Operational Model, the Fund's Social and Developmental Impacts, and an elucidation on Investment in APIF.



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

lands for their development into revenue generating assets.

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 also been developed. These projects will assist the governments and the philanthropic organizations to perform their human development role in a sustainable way.

### In order to enhance its outreach and benefits at regional level, the IsDB has launched a similar fund to APIF at country level.

In February 2020, the IsDB BED has approved the establishment of a new Fund called the "Awqaf Financing Fund, KSA (AFF-KSA)" dedicated to financing Awqaf Projects in Saudi Arabia. The authorized Capital of AFF-KSA is SAR 1.0 billion (around US\$ 267 million). The IsDB's and the General Authority for Awqaf of Saudi Arabia have a participation of 10% of authorized Capital of the Fund. The new Fund's operations are projected to begin by the end of the first quarter of 2022. This new fund is considered a strategic initiative in line with the Kingdom's Vision 2030, which aims to develop the third sector and raise its contribution to the gross national product to 5%. Upon its successful implementation, the model will be replicated in other regions as well.



IsDB Bhaban Building, Dhaka, Bangladesh Source: IsDB-BISEW Management Office.

## CHAPTER 06

# CORPORATE GOVERNANCE



## CORPORATE GOVERNANCE STATEMENT

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

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

#### The Board of Executive Directors

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

#### Participants Committee

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

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

#### Supervisory Committee

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

#### Management Committee

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



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

### Technical Review Committee

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

### Other Committees

Other committees are established from time to time as required to consider matters of special importance including capital strategies, major investments and

commitments, capital expenditure, staff appointments and the allocation of resources.

### PRINCIPLE 2: ENSURE SHARIAH COMPLIANCE

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

### PRINCIPLE 3: INTERNAL AUDIT AND CONTROL

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

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

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

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

#### **PRINCIPLE 4: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

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

#### **PRINCIPLE 5: RISK MANAGEMENT**

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

of risks. The external auditor also reports findings on relevant risk issues to the Board of Executive Directors and the Participants Committee.

#### **PRINCIPLE 6: MAKE TIMELY AND BALANCED DISCLOSURES**

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

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

#### **PRINCIPLE 7: POST EVALUATION OF COMPLETED OPERATIONS**

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

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

## CHAPTER 07

# APIF FINANCIAL STATEMENT AND AUDITORS REPORT 2021





Deloitte and Touche & Co.  
Chartered Accountants  
Jeddah branch office  
License #323/11/96/1  
Date 24/4/1419  
www.deloitte.com

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Islamic Development Bank - Awqaf Properties Investment Fund (the "Fund") which comprise the statement of net assets and statement of portfolio investments and receivables as of December 31, 2021, and the related statement of operations, statement of changes in net assets, statement of cash flows and statement of financial highlights for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets of the Fund as of December 31, 2021, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

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

#### Basis for Opinion

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

#### Other Matter

The financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2021.

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

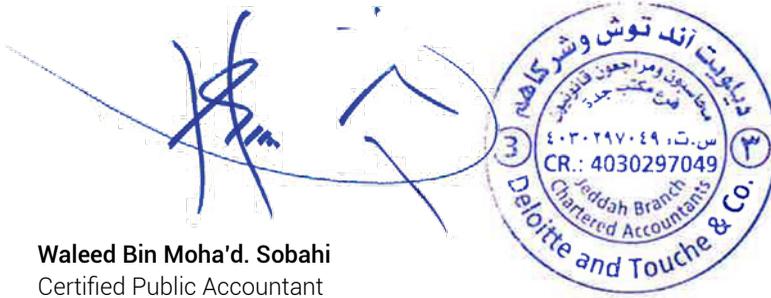
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

**Deloitte and Touche & Co.**  
**Chartered Accountants**



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

14 Shawwal 1443H  
May 15, 2022

## ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

### STATEMENT OF NET ASSETS

AS AT 31 DECEMBER 2021 (Expressed in thousands of US Dollars)

	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
Cash and cash equivalents	3	12,342	8,075
Commodity murabaha placements	4	17,434	19,105
<b>Investments:</b>			
Ijarah assets, net	5	31,104	29,750
Sukuk investments	6	29,408	29,749
Islamic lease fund & line	7	3,040	3,435
Musharaka	8	571	2,025
Real Estate	9	6,212	6,368
<b>Receivables:</b>			
Istisna'a	10	19,874	12,201
Project murabaha	11	7,955	4,567
Advance for musharaka, accrued income and other receivables		137	10
Due from related parties	13	6,086	1,549
<b>TOTAL ASSETS</b>		<b>134,163</b>	116,834
<b>LIABILITIES</b>			
Accrued expenses, dividend payables and other payables		3,629	2,314
Accrued mudarib's share of income		373	283
<b>TOTAL LIABILITIES</b>		<b>4,002</b>	2,597
<b>NET ASSETS</b>		<b>130,161</b>	114,237
<b>NET ASSETS REPRESENTED BY:</b>			
Certificate holders' contribution	14	114,400	98,570
Premium on certificates		7,206	4,766
General reserve		7,097	6,714
Retained earnings		1,458	4,187
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>130,161</b>	114,237
<b>NUMBER OF CERTIFICATES OUTSTANDING</b>		<b>11,440</b>	9,857
<b>NET ASSET VALUE PER CERTIFICATE</b>		<b>11.378</b>	11.589

The accompanying notes from 1 to 26 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 2021 (Expressed in thousands of US Dollars)

	31 December 2021		31 December 2020	
	Amount	% age of Portfolio	Amount	% age of Portfolio
<b>INVESTMENTS</b>				
Ijarah assets, net	31,104	31.7%	29,750	33.8%
Sukuk investments	29,408	29.9%	29,749	33.8%
Real Estate	6,212	6.4%	6,368	7.2%
Islamic lease fund	3,040	3.1%	3,435	3.9%
Musharaka	571	0.6%	2,025	2.3%
<b>RECEIVABLES</b>				
Istisna'a	19,874	20.2%	12,201	13.8%
Project murabaha	7,955	8.1%	4,567	5.2%
<b>TOTAL</b>	<b>98,164</b>	<b>100.0%</b>	<b>88,095</b>	<b>100%</b>

The accompanying notes from 1 to 26 form an integral part of these financial statements.

## ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

### STATEMENT OF OPERATIONS

AS AT 31 DECEMBER 2021 (Expressed in thousands of US Dollars)

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
<b>INCOME FROM INVESTMENTS AND RECEIVABLES</b>			
<b>Investments:</b>			
Ijarah assets, net		1,949	1,767
Sukuk investments		643	1,188
Islamic lease fund		154	79
Real Estate		397	3
		<b>3,143</b>	3,037
<b>Receivables:</b>			
Istisna'a		873	536
Project murabaha		229	246
		<b>1,102</b>	782
<b>Total income from investments and receivables</b>		<b>4,245</b>	3,819
Income from commodity murabaha placements		119	240
Other income		247	61
Impairment provision, net	5, 8, 10 & 11	(576)	(1,423)
Administrative expenses		(84)	(106)
Exchange gain/ (loss)		(231)	243
<b>Net income before mudarib's share of income</b>		<b>3,720</b>	2,834
Mudarib's share of net income		(372)	(283)
<b>Increase in net assets representing net income for the year</b>		<b>3,348</b>	2,551
<b>Earning per certificate</b>		<b>0.293</b>	0.259

The accompanying notes from 1 to 26 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 2021 (Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificate	General reserve	Retained earnings	Total
Balance at 1 January 2020		79,920	1,830	6,253	4,495	92,498
Contributions During the Year		18,650	2,936	-	-	21,586
Net income for the year before Mudarib's share		-	-	-	2,834	2,834
Mudarib's share of net income		-	-	-	(283)	(283)
Dividends*		-	-	-	(2,398)	(2,398)
Transfer to general reserve*		-	-	461	(461)	-
<b>Balance at 31 December 2020</b>		<b>98,570</b>	<b>4,766</b>	<b>6,714</b>	<b>4,187</b>	<b>114,237</b>
<b>Adjustment against credit losses -FAS-30 (Note 18)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,392)</b>	<b>(3,392)</b>
<b>Revised balance as at 1 January 2021 after FAS-30 adjustment</b>		<b>98,570</b>	<b>4,766</b>	<b>6,714</b>	<b>795</b>	<b>110,845</b>
Contributions During the Year		16,260	2,508	-	-	18,768
Redemptions		(430)	(68)	-	-	(498)
Net income for the year before Mudarib's share		-	-	-	3,720	3,720
Mudarib's share		-	-	-	(372)	(372)
Dividends*		-	-	-	(2,302)	(2,302)
Transfer to general reserve*		-	-	383	(383)	-
<b>Balance at 31 December 2021</b>		<b>114,400</b>	<b>7,206</b>	<b>7,097</b>	<b>1,458</b>	<b>130,161</b>

\* 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 26 form an integral part of these financial statements.

## ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

### STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2021 (Expressed in thousands of US Dollars)

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
<b>OPERATING ACTIVITIES</b>			
Net income after mudarib's share of net income		3,348	2,551
<b>Adjustments of non-cash items:</b>			
Depreciation of ijarah assets	5	2,272	2,276
Depreciation of real estate		126	5
Mudarib's share of net income		372	283
Unrealized fair value loss on sukuk investments	6	394	(151)
Amortization of discount	6	(53)	(53)
Impairment charge	12	576	1,423
<b>Changes in operating assets and liabilities:</b>			
Commodity murabaha placements		1,671	(4,562)
Accrued income and other receivables		(127)	343
Due from related parties		(4,537)	(1,111)
Due to related parties		-	(303)
Accrued expenses and other payables		1,315	611
<b>Cash from operations</b>		<b>5,357</b>	<b>1,307</b>
Mudarib's share of income paid		(282)	(342)
<b>Net cash from operating activities</b>		<b>5,075</b>	<b>965</b>
<b>INVESTING ACTIVITIES</b>			
Ijarah assets		(6,220)	(3,658)
Musharakah Investment		1,454	
Islamic lease fund & line		395	(152)
Project murabaha		(3,562)	(25)
Istisna'a		(8,873)	(4,350)
Real Estate Investments		30	(6,368)
<b>Net cash (used in) investing activities</b>		<b>(16,776)</b>	<b>(14,553)</b>
<b>FINANCING ACTIVITIES</b>			
Capital Contribution		18,768	21,586
Certificate redemption		(498)	
Dividends paid		(2,302)	(2,398)
<b>Net cash from financing activities</b>		<b>15,968</b>	<b>19,188</b>
<b>Net change in cash and cash equivalents</b>		<b>4,267</b>	<b>5,600</b>
Cash and cash equivalents at the beginning of the year		8,075	2,475
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2021</b>		<b>12,342</b>	<b>8,075</b>

The accompanying notes from 1 to 26 form an integral part of these financial statements.

## ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

### STATEMENT OF FINANCIAL HIGHLIGHTS

AS AT 31 DECEMBER 2021 (Expressed in thousands of US Dollars)

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
DATA PER CERTIFICATE		
Net Assets value – beginning of the year	<b>11.589</b>	11.574
Impairment from first time adoption of FAS 30	<b>(0.297)</b>	-
Units issued	<b>0.053</b>	0.057
Net Income before mudarib's share of Income	<b>0.325</b>	0.288
Less: mudarib share of Income	<b>(0.032)</b>	(0.029)
Net Income after mudarib's share of Income	<b>0.293</b>	0.259
Dividends	<b>(0.260)</b>	(0.300)
Net assets value – end of the year	<b>11.378</b>	11.589

The data per certificate is calculated using the number of certificates outstanding at 31 December 2021 and 31 December 2020, which were 11,440 and 9,857 certificates respectively at each reporting date.

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
<b>FINANCIAL RATIOS/SUPPLEMENTARY DATA:</b>		
Net assets - end of the year	<b>130,161</b>	114,237
Average of net assets	<b>122,200</b>	103,368
Ratio of operating expenses to average of net assets	<b>2.40%</b>	3.68%
Annual rate of return	<b>2.86%</b>	2.74%

The accompanying notes from 1 to 26 form an integral part of these financial statements.

# ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021 (Expressed in thousands of US Dollars unless otherwise stated)

### 1. ORGANIZATION AND ACTIVITIES

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

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

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

The financial statements of the Fund are prepared in accordance with the Financial Accounting Standards

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

#### b) Accounting convention

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

#### c) Financial assets and liabilities

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

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

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

Recognized financial assets and financial liabilities are initially measured at fair value, for concessional loans (Qard) fair value is best evidenced by the

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

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

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

### **Financial Assets**

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

#### **(i) Classification**

##### ***Debt-type instruments***

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

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

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on

a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the statement of operations.

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

##### ***Equity-type instruments***

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

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

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

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

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

**(ii) Recognition and derecognition**

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

**(iii) Measurement*****Initial recognition***

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

***Subsequent measurement***

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

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

statement of changes in net assets is transferred to the statement of operations.

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

**(iv) Measurement principles*****Amortised cost measurement***

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

***Fair value measurement***

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

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

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

#### Offsetting of financial assets and liabilities

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

#### **d) 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.

#### **e) Ijarah Assets**

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

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

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

**f) Investment in Real Estate**

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

**g) Istisna'a**

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

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

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

**h) Project murabaha**

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

**i) Musharaka**

Musharaka is partnership in which the Fund contributes a certain percentage of capital and is entitled to share profits or loss proportionately. Musharaka is stated at net asset value being the

cost (expected to be recovered) less amounts of Musharaka capital returned.

**j) Mudaraba and Wakakla Lease Financing****Mudaraba**

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

**Wakala**

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

**k) 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.

**l) 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.

**m) Revenue recognition*****Sukuk Investments***

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

***Ijarah Assets***

Income from ijarah assets is 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.

***Project murabaha***

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

***Mudaraba lease financing***

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

***Wakala Lease financing***

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

***Musharaka***

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

***Commodity murabaha placements***

Income from placements with other Islamic and conventional banks is recognized using the effective

yield over the period of the contract based on the principal amounts outstanding.

**n) Impairment assessment**

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

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

Allocation to different stages is based on the degree of deterioration in the credit quality of the financial asset. At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Fund considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

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

The Fund applies 12-month Expected Credit Loss (ECL) measurement to stage 1 instruments. 12-month ECLs represent the ECLs that result from possible default events within the 12 months after the reporting date.

The Fund recognizes an allowance amount based on Lifetime ECL (i.e., ECLs that result from all possible default events over the expected life of the financial instrument) for stage 2 instruments.

As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Real state overdue rental Receivables are tested for impairment using the average of three scenarios of estimated expected credit loss.

#### **o) 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.

#### **p) Commodity murabaha placements**

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

#### **q) Zakat and tax**

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

#### **r) Subsequent event**

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

#### **Critical accounting judgments and estimates**

The preparation of financial statements in accordance with FAS issued by AAOIFI requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and incomes and expenses. It also requires Management to exercise its judgment in the process of applying the Fund's accounting

policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarized below:

#### **Significant Judgments**

##### **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**

##### **Expected credit losses against financial assets**

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

The APIF's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their

interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The APIF's internal credit grading model, which assigns PDs to the individual grades.
- (ii) The APIF's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment.
- (iii) Development of ECL models, including the various formulas and the choice of inputs.
- (iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- (v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

### Impact of COVID-19

More than 2 years since the first case of the Coronavirus Disease 2019 ("COVID-19") was reported, the pandemic is still significantly impacting economic and social life in member countries. The anticipated recovery from COVID-19 in 2021 was disrupted by the arrival of new variants and high inflation. Several countries, including Saudi-Arabia reimposed mobility restrictions, while escalating energy prices and supply disruptions have produced high and broad-based inflation. The repercussions of the pandemic have stifled growth, with the aggregated output of ISDB member countries contracting by 1.7 percent in 2020.

Considering these factors, the Fund's management carried out an impact assessment on the overall Funds operations and business aspects including factors like dealing with member countries, continued day to day business activities, financing, investment and collection as well as working capital projections, etc. and concluded that, as at the issuance date of

these financial statements, the Bank did not have significant adverse impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Bank took measures, in line with the recommendations of the World Health Organisation and Ministry of Health - Kingdom of Saudi Arabia, such as working from home, social distancing at work place, rigorous cleaning of workplaces and staff accommodation, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature. In addition, the Fund's nature of activities facilitated seamless operations during the pandemic.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Bank to date and the continued operations ensures that the Bank has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic.

### The effect of new and revised financial accounting standards

#### FAS 32 Ijarah

In these financial statements, the Fund has applied FAS 32 – Ijarah, for annual periods beginning on or after January 1, 2021, with earlier permitted. The Fund decided to adopt the standard from January 1, 2021.

Impact of initial application of FAS 32 – Ijarah

In the current year, the Fund has applied FAS 32 Ijarah that is effective for annual periods that begin on or after January 1, 2021.

FAS 32 introduces some new changes as explained below

- changes in the classification. Ijarah transactions under in this standard are classified into the Operating Ijarah, Ijarah Muntahia Bittamleek (Ijarah MBT) with expected transfer of ownership after the end of the Ijarah term either through a sale or gift and Ijarah MBT with gradual transfer;
- new recognition and measurement principles for initial recognition for right-of-use asset, Ijarah liability and advance payments for lessee and lessor accounting;
- requirement to identify and separate Ijarah and non-Ijarah components, if needed.
- new recognition and measurement principle for an Ijarah MBT through gradual transfer/ Diminishing Musharaka Ijarah;
- allowing effective rate of return/ profit rate method for accounting for rental income, in the hand of the lessor;
- testing for impairment of right-of-use asset shall be subject to requirements off FAS 30 "impairment, Credit Losses and Onerous Commitments"; and
- detailed guidelines are provide-d for presentation and disclosures with enhanced disclosure by lessor and lessee of information as compared to previous requirements in FAS 8;

### **Impact on Lessor Accounting**

FAS 32 does not change substantially how a lessor account for Ijarah. FAS 32 has changed and expanded the disclosures required.

Under FAS 32, an intermediary lessor accounts for the head Ijarah and the sub-ijarah as two separate contracts. As required by FAS 32, an allowance for expected credit losses has been recognised on the finance lease receivables.

### FAS 30 Impairment, credit losses and onerous commitments

In these financial statements, the Fund has applied, for the first time, FAS 30 Financial Instruments effective for annual periods beginning on or after 1 January 2021.

FAS 30 replaces FAS 11 Provisions and Reserves, for annual periods beginning on or after 1 January 2021, with earlier adoption permitted. The Fund decided to adopt the standard from 1 January 2021.

As permitted by the transitional provisions of FAS 30, the Fund elected not to restate comparative figures. Therefore, the comparative information for 2020 is reported under FAS 11 and is not comparable to the information presented for 2021. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening equity reserves of the current period without restating prior year numbers.

### **Changes to the impairment calculation**

The adoption of FAS 30 has fundamentally changed the Fund's accounting for impairment by replacing FAS 11's specific and portfolio loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Fund to record an allowance for ECLs for all treasury and project assets not held at fair value. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination when a lifetime ECL applies.

The table below, reconciles the closing impairment allowances for financial assets as at 31 December 2020 under FAS 11 and the opening impairment allowances determined in accordance with FAS 30 as at 1 January 2021 which have been directly recognized in equity as per the requirements of the transitional provisions of FAS 30:

	Impairment allowance under FAS 11 as at 31 December 2020	Adjustment to credit losses on adoption of FAS 30 (recognized in equity as at 1 January 2021)	Credit loss under FAS 30 after adjustment as at 1 January 2021
Project Murabaha financing	-	80	80
Istisna'a assets	889	1,121	2,010
Ijarah assets	2,009	2,191	4,200
Total	2,898	3,392	6,290

The introduction of FAS 30 increased the total impairment allowance held by the Fund by approximately US\$3,392 thousand from US\$2,898 thousand as at 31 December 2020 to US\$6,290 thousand as at 1 January 2021.

### 3. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in banks	1,918	1,185
Short-term commodity murabaha placements with banks (note 4)	10,424	6,890
Cash and cash equivalents	12,342	8,075

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 2021	31 December 2020
Commodity murabaha placements	27,810	25,990
Accrued income	48	5
Commodity murabaha placements with maturities less than 3 months (note 3)	(10,424) (3,220)	(6,890)
	17,434	19,105

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

## 5. IJARAH ASSETS, NET

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

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
<b>Cost</b>		
<b>Assets under construction:</b>		
Balance at beginning of the year	12,392	15,897
Additions	4,224	1,722
Transfer to assets in use	(5,713)	(5,227)
Balance at end of the year	10,903	12,392
<b>Assets in use:</b>		
Balance at beginning of the year	75,792	70,136
Transfer from assets in construction period	5,713	5,227
Other transfers	526	429
Balance at end of the year before impairment provision	82,031	75,792
<b>Total costs</b>	<b>92,934</b>	<b>88,184</b>
<b>Accumulated depreciation:</b>		
Balance at beginning of the year	61,599	59,323
Charge for the year	2,272	2,276
Balance at end of the year	63,871	61,599
<b>Net book value</b>	<b>29,063</b>	<b>26,585</b>
Plus: Ijarah overdue receivables & accruals	5,955	4,347
Less: impairment	(4,603)	(2,009)
Accrued Income	689	827
<b>Total Investment in Ijarah assets</b>	<b>31,104</b>	<b>29,750</b>

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

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Balance at the beginning of the year	2,009	770
Increase in provision due to first time adoption of FAS 30	2,191	-
Charge for the year	403	1,239
Balance at the end of the year	4,603	2,009

The net ijarah income is summarized as follows:

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Rental Income	<b>4,221</b>	4,043
Depreciation Expense	<b>(2,272)</b>	(2,276)
Net Rental Income	<b>1,949</b>	1,767

## 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:

	<b>31 December 2021</b>	31 December 2020
Governments	<b>24,305</b>	24,479
Other Entities	<b>5,103</b>	5,270
	<b>29,408</b>	29,749

Investments in Sukuk as at 31 December comprised the following:

	<b>31 December 2021</b>	31 December 2020
Sukuk classified as fair value through income statement (statement of operations)	<b>14,494</b>	14,888
Sukuk classified at amortised cost	<b>14,914</b>	14,861
<b>Total</b>	<b>29,408</b>	29,749

The movement during the year is as follows:

	<b>For the Year ended 31 December 2021</b>	For the Year ended 31 December 2020
Balance at beginning of the year	<b>29,749</b>	29,545
Fair value (loss)/ gain	<b>(394)</b>	151
Amortization of discount	<b>53</b>	53
Balance at end of the year	<b>29,408</b>	29,749

	<b>31 December 2021</b>	31 December 2020
Credit Ratings		
A-	<b>20,016</b>	20,131
AA-	<b>5,216</b>	5,344
Unrated	<b>4,176</b>	4,274
Total	<b>29,408</b>	29,749

## 7. ISLAMIC LEASE FUNDS & LINE

	<b>31 December 2021</b>	31 December 2020
Wakala Lease - Bank Bosnia International	<b>2,141</b>	2,227
Mudaraba - Malaysia Shariah Courthouse	<b>1,322</b>	1,388
Foreign Currency Revaluation	<b>(423)</b>	(180)
<b>Total</b>	<b>3,040</b>	3,435

## 8. MUSHARAKA INVESTMENT

	<b>31 December 2021</b>	31 December 2020
Investment in Musharakah	<b>1,032</b>	2,486
Less: Impairment Provision	<b>(461)</b>	(461)
<b>Total</b>	<b>571</b>	2,025

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.

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

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Balance at the beginning of the year	<b>(461)</b>	(197)
Charge for the year	<b>-</b>	(264)
<b>Balance at the end of the year</b>	<b>(461)</b>	(461)

The increase of the impairment provision during 2020 was to cover the shortfall in distributable net assets of the investee upon liquidation.

## 9. INVESTMENT IN REAL ESTATE

	<b>31 December 2021</b>	31 December 2020
<b>Building</b>	<b>4,559</b>	4,559
Less: Accumulated Depreciation	<b>(136)</b>	(10)
<b>Net Book value of Building</b>	<b>4,423</b>	4,549
<b>Land</b>	<b>7,813</b>	7,813
Share of Syndicate member	<b>(6,024)</b>	(5,994)
<b>Total</b>	<b>6,212</b>	6,368

Investment in real estate comprises of properties acquired in 2020 for rental and capital appreciation over time. These are located in the Kingdom of Saudi Arabia. The market value of the property as at 31 December 2021 amounted to US\$ 13,33 million of which APIF's share is 51.51%.

## 10. ISTISNA'A

	<b>31 December 2021</b>	31 December 2020
Istisna'a	<b>21,964</b>	13,090
Less: Impairment Provision	<b>(2,090)</b>	(889)
Total	<b>19,874</b>	12,201

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

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Balance at the beginning of the year	<b>889</b>	969
Increase in provision due to first time adoption of FAS 30	<b>1,121</b>	-
Charge/(Reversal) for the year	<b>79</b>	(80)
Balance at the end of the year	<b>2,089</b>	889

## 11. PROJECT MURABAHA

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Project Murabaha	<b>8,129</b>	4,567
Less: Impairment Provision	<b>(174)</b>	-
Total	<b>7,955</b>	4,567

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

The fund Provision for impairment comprised of the following:

	<b>31-Dec-21</b>				31-Dec-20
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	
Ijarah Assets	<b>977</b>	<b>670</b>	<b>2,956</b>	<b>4,603</b>	2,009
Istisnaa	<b>328</b>	-	<b>1,761</b>	<b>2,089</b>	889
Project Murabaha	<b>174</b>	-	-	<b>174</b>	-
	<b>1,479</b>	<b>670</b>	<b>4,717</b>	<b>6,866</b>	2,898
Musharaka				<b>461</b>	461
Total				<b>7,327</b>	3,359

The movement in provision for impairment is as follows:

	<b>2021</b>	2020
Opening Balance	<b>3,359</b>	1,936
Additional provision on first time adoption of FAS 30	<b>3,392</b>	-
Adjusted Opening Balance	<b>6,751</b>	1,936
Charge for the year	<b>576</b>	1,423
Closing Balance	<b>7,327</b>	3,359

### 13. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

As at 31 December 2021 and 31 December 2020, IsDB held 2,950 of the subscribed certificates.

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

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

<b>Due from related parties</b>	<b>31 December 2021</b>	31 December 2020
IsDB – OCR	<b>6,086</b>	1,497
Waqf Fund	-	52
	<b>6,086</b>	1,549

### 14. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 31 December comprise the following:

	<b>31 December 2021</b>	31 December 2020
Authorized: 50,000 certificates of US \$ 10,000 each (2020-50,000 certificates of US \$ 10,000 each)	<b>500,000</b>	500,000
<b>Issued, subscribed and paid-up:</b> 11,440 certificates of US \$ 10,000 each (2020- 9,857 certificates of US \$ 10,000) each	<b>114,400</b>	98,570

## 15. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk arises mainly from its operating assets and treasury investments.

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

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

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

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

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

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

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

### **Expected Credit Risk for financial assets measured at amortized cost**

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

### **Determining the stage for impairment**

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

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

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

Where there is objective evidence that an identified financial asset is impaired, specific provisions for

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

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

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

### **Measurement of Expected Credit Losses (ECLs)**

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

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

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

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

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

FAS 30 requires ECLs to be forward-looking. The APIF uses a statistical model that links its counterparties' future performance to the current

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

#### **Exposure Amounts and ECL coverage**

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

## **16. CONCENTRATION OF CREDIT RISK**

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

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

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

31 December 2021						
Description	Cash and cash equivalents	Commodity murabaha placement	Investments	Receivables	Others	Total
Africa	-	-	17,136	15,372	-	32,508
Asia	12,342	17,434	53,199	12,457	6,086	101,655
Total Assets	12,342	17,434	70,335	27,829	6,086	134,163

31 December 2020						
Description	Cash and Cash Equivalents	Commodity murabaha placement	Investments	Receivables	Others	Total
Africa	-	-	14,662	9,382	-	24,044
Asia	8,075	19,105	56,665	7,386	1,559	92,790
Total Assets	8,075	19,105	71,327	16,768	1,559	116,834

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

31 December 2021					
Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and cash equivalents	-	-	12,342	-	12,342
Commodity murabaha placements	-	-	17,434	-	17,434
Investments	40,052	14,068	-	16,215	70,335
Receivables	27,829	-	-	-	27,829
Accrued income and due from related parties	-	-	-	6,223	6,223
Total assets	67,881	14,068	29,776	22,438	134,163

31 December 2020					
Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and cash equivalents	-	-	8,075	-	8,075
Commodity murabaha placements	-	-	19,105	-	19,105
Investments	36,383	15,921	-	19,023	71,327
Receivables	16,768	-	-	-	16,768
Accrued income and due from related parties	-	-	-	1,559	1,559
Total assets	53,151	15,921	27,180	20,582	116,834

## 17. LIQUIDITY RISK

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

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

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

Description	31 December 2021					Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not Determined	
<b>Assets</b>						
Cash and cash equivalents	12,342	-	-	-	-	12,342
Commodity murabaha placements	12,940	4,494	-	-	-	17,434
Investments	992	10,956	35,459	4,969	17,959	70,335
Receivables	-	12,703	1,116	14,010	-	27,829
Accrued income and other receivables	6,223	-	-	-	-	6,223
<b>Total assets</b>	<b>32,497</b>	<b>28,153</b>	<b>36,575</b>	<b>18,979</b>	<b>17,959</b>	<b>134,163</b>
<b>Liabilities</b>						
Accrued expenses and other payables	3,629	-	-	-	-	3,629
Accrued Mudarib's share of income	373	-	-	-	-	373
<b>Total liabilities</b>	<b>4,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,002</b>
<b>Net Assets</b>	<b>28,495</b>	<b>28,153</b>	<b>36,575</b>	<b>18,979</b>	<b>17,959</b>	<b>130,161</b>

Description	31 December 2020					Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not Determined	
<b>Assets</b>						
Cash and cash equivalents	8,075	-	-	-	-	8,075
Commodity murabaha placements	-	9,600	9,505	-	-	19,105
Investments	1,119	1,606	23,982	38,252	6,368	71,327
Receivables	-	911	5,366	10,491	-	16,768
Accrued income and other receivables	1,559	-	-	-	-	1,559
<b>Total assets</b>	<b>10,753</b>	<b>12,117</b>	<b>38,853</b>	<b>48,743</b>	<b>6,368</b>	<b>116,834</b>
<b>Liabilities</b>						
Accrued expenses and other payables	-	2314	-	-	-	2,314
Accrued Mudarib's share of income	283	-	-	-	-	283
<b>Total liabilities</b>	<b>283</b>	<b>2314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,597</b>
<b>Net Assets</b>	<b>10,470</b>	<b>9,803</b>	<b>38,853</b>	<b>48,743</b>	<b>6,368</b>	<b>114,237</b>

## 18. CURRENCY RISK

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

## 19. OPERATIONAL RISK

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

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

### **Shariah non -compliance risk (SNCR)**

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

## 20. SEGMENTAL INFORMATION

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

## 21. COMMITMENTS

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

	<b>31 December 2021</b>	31 December 2020
Istisnaa	<b>20,400</b>	26,642
Ijarah	<b>11,921</b>	16,121
Grants	<b>98</b>	153
Total	<b>32,419</b>	42,916

## 22. FAIR VALUES OF FINANCIAL ASSETS

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

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

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

<b>31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through income statement (statement of operations):				
Investments in sukuk	<b>14,494</b>	-	-	<b>14,494</b>
<b>Total</b>	<b>14,494</b>	-	-	<b>14,494</b>
<u>31 December 2020</u>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through income statement (statement of operations):				
Investments in sukuk	14,888	-	-	14,888
<b>Total</b>	<b>14,888</b>	-	-	<b>14,888</b>

## 23. SHARI'AH BOARD

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

The Board has the following functions:

- to consider all products introduced by the Bank, its affiliates and trust funds for use for the first time and rule on their conformity with the Rules and Principles of the Islamic Shari'ah, and lay down basic principles for drafting of related contracts and other documents.
- to give its opinion on the Islamic Shari'ah alternatives to conventional products which the Bank, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the Bank's, its affiliates' and trust funds' experience in this regard.

- to respond to the Islamic Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the Bank, its affiliates and trust funds.
- to contribute to the Bank, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the Bank, its affiliates and trust funds a comprehensive report showing the measure of the Bank's, its affiliates' and trust funds' commitment to the Rules and Principles of Islamic Shari'ah in the light of the opinions and directions given, and the transactions reviewed.

## 24. 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. The Bank 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 – 36 "First Time Adoption of AAOIFI Financial Accounting Standards"

This standard provides principles of financial reporting for Islamic financial institutions, to be applied in the financial statements prepared for the first time according to the AAOIFI FASs, and to prescribe the transitional effects arising at the time of adoption.

The standard became effective from the date of issuance. Management believes that FAS 36 shall

not impact the financial statements as the Bank is not the first-time adopter.

### (ii) Financial Accounting Standard – 37 "Financial Reporting by Waqf Institutions"

This standard provides comprehensive accounting and financial reporting requirements for Waqf and similar institutions including general presentation and disclosures, specific presentation requirements (e.g. in case of Ghallah) and the key accounting treatments in respect of certain aspects specific to Waqf institutions.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2022, with early adoption permitted. FAS 37 shall not impact the financial statements as the Bank is not the Waqf or a similar institution.

### (iii) Financial Accounting Standard – 38 "Wa'ad, Khiyar and Tahawwut"

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

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2022. The Bank is currently assessing the impact of tahawwut on its financial statements. The Bank believes that wa'ad will not have any significant impact and khiyar is not applicable as the Bank does not use Khiyar in its contractual arrangements.

### (iv) Financial Accounting Standard – 39 "Financial Reporting for Zakah"

This standard improves upon and supersedes the AAOIFI's FAS 9 "Zakah" issued in 1998. This

standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institutions.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2023. FAS 39 shall not impact the financial statements as the Bank is not zakah payer.

**(v) Financial Accounting Standard – 40 “Financial reporting for Islamic Finance Windows”**

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). This standard shall be effective on the financial statements of Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted.

**(vi) Financial Accounting Standard – 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”**

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

on or after 1 January 2023 with early adoption permitted. The fund is currently evaluating the impact of this standard.

## 25. LIBOR TRANSITION

### Benchmark transition

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

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

In the year 2021, various key milestones were overcome involving i) formulation of detailed implementation roadmap and action plan with the help of an external consultant, ii) formulation and incorporation of enhanced ‘fallback’ clause for all prospective contracts, iii) obtaining clearance from Shari’ah Technical Committee on use of CME Term SOFR (Chicago Mercantile Exchange ‘CME’ is an American global markets company. It is the world’s largest financial derivatives exchange. CME Group estimates the Term SOFR Reference Rates benchmark as a daily set of forward-looking profit rates for 1-month, 3-month, 6-month and 12-month tenors) as preferred replacement rate

to USD LIBOR, iv) revision in the Sovereign Pricing policy based on new benchmark rates, v) resource mobilization based on SOFR curve and maintaining the cost pass through mechanism to minimize the ALM (Asset and Liability Management) risks, and vi) initiation of system upgradation project to enable the use of new pricing policy and reference rates.

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

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

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

IsDB and its affiliates have started dialogue with its member countries and other partners to enable smooth transition to CME Term SOFR. IsDB is also engaging with external stakeholders to ensure an

orderly transition responsive to regulatory and market developments.

### **Risks arising from the benchmark reform**

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

1. **Shariah risk:** Given that the Fund must abide but the Shariah principles, the clearance on use of a new benchmark rate for pricing the financial exposures was one of the major milestones in Fund's transition programme. However, this risk has been addressed by obtaining the clearance from IsDB's Shariah Technical Committee on use of CME Term SOFR as replacement benchmark.
2. **Legal risk:** There is a possibility of not reaching an agreement with the counterparts on revised pricing particularly on the legacy contracts. This could be a result of having ineffective fallback clauses in the signed legal agreements. This risk has been addressed by appointing external Law firm to develop the 'Fallback' clause which has been added to all new contracts. Another Law firm is in process of onboarding to address the conversion of Legacy contracts.
3. **IT and system risks:** It is expected that the booking of new contracts and conversion of legacy contracts from old benchmark to new will require certain enhancements in system functionalities and processes. This risk is addressed by performing the testing on existing systems, by identifying gaps and by upgrading the Fund's core banking systems to the latest versions that offer the needed functionality required for utilizing the new reference rates.

### **Progress towards adoption of alternative benchmark rates**

All newly transacted contracts that referenced a benchmark rate for pricing are already executed with the improved fallback clause. All the new

sovereign financing contracts will adopt the new pricing policy which is based on alternative benchmark rates.

The Fund's main risk policies such as ALM Framework, Exposure Management Framework and Liquidity Policy will remain effective without requiring any change due to benchmark reform.

#### **Profit rate benchmark transition for non-derivative financial contracts**

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

For the legacy contracts in Treasury portfolio, the strategy is to wait for the Issuer to propose the alternate pricing to all the issue participants. This is because Fund is only a participant investor amongst many other investors and hence cannot determine and negotiate an alternate rate on its own. In the absence of any such alternate rate from issuer, it is not possible nor logical to run the impact analysis. Therefore, for legacy treasury assets, strategy is to wait till Q3-Q4 2022 for issuer to propose an alternate rate and if not, Treasury will formulate an exit strategy for all such trades.

Same is the case of legacy contracts for non-sovereign financing. Fund is part of large PPP syndicates and hence Fund is unable to negotiate an alternate rate with the counterparty. The Syndicate leads are expected to propose alternate rates based on which, Fund will run the assessment and decide accordingly.

For legacy contracts on Capital Markets, the only exposure linked to Libor is a bilateral exposure with another group entity. Therefore, the strategy is to continue with it till the time we have clarity on all

the viable alternate pricing options on the Treasury assets so that the same could be discussed and negotiated with the group entity to agree on one of them

For legacy contracts for sovereign financing, the Fund has decided to follow a gradual approach by allowing early adoption option to its member countries on selective basis. During this period, member countries will be offered the conversion option to the new Sovereign Pricing policy. The relevant regional hubs will accordingly present the new pricing policy and markup rate structure to the member countries.

## **26. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue in accordance with the resolution of the Board of Executive Directors dated 17 April 2022 (corresponding to 16 Ramadan 1443H).

# ANNEXES



# ANNEX 01

## CURRENT INVESTORS IN APIF

### 1. APIF PARTICIPANTS AND THEIR CONTRIBUTION IN THE PAID-UP CAPITAL AS OF 31/12/2021

No.	Name of Participant	Country	Paid-up Capital (US\$ Million)	Percentage
1	Islamic Development Bank	Saudi Arabia	29.50	25.79 %
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.51	13.56%
3	Islami Bank Bangladesh Limited	Bangladesh	10.00	8.74%
4	Badan Pengelola Keuangan Haji	Indonesia	10.00	8.74%
5	Faisal Islamic Bank	Egypt	9.15	8.00%
6	General Authority for Awqaf	Saudi Arabia	7.50	6.56%
7	Ms. Monerah Al-Sabhan	Saudi Arabia	6.90	6.03%
8	Kuwait Awqaf Public Foundation	Kuwait	5.00	4.37%
9	Kuwait Finance House	Kuwait	5.00	4.37%
10	Direct Aid Society	Kuwait	4.46	3.90%
11	Iran Endowment Fund	Iran	2.47	2.16%
12	Social Islamic Bank Bangladesh	Bangladesh	1.75	1.53%
13	International Islamic Fiqh Academy	Saudi Arabia	1.29	1.13%
14	Al-Baraka Islamic Bank	Bahrain	1.00	0.87%
15	Bahrain Islamic Bank	Bahrain	1.00	0.87%
16	Tadamon Islamic Bank	Sudan	1.00	0.87%
17	Jordan Islamic Bank	Jordan	1.00	0.87%
18	Ministry of Awqaf and Islamic Affairs	Jordan	1.00	0.87%
19	World Assembly of Muslim Youth	Saudi Arabia	0.87	0.76%
	<b>Total</b>		<b>114.40</b>	<b>100%</b>

## 2. BRIEF PROFILE OF THE INVESTORS IN APIF BESIDES ISDB



### OIC – Islamic Solidarity Fund<sup>5</sup>

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



### Islami Bank Bangladesh Limited<sup>6</sup>

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



### Badan Pengelola Keuangan Haji<sup>7</sup>

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



### Faisal Islamic Bank<sup>8</sup>

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

5 Source: [https://www.oic-oci.org/page/?p\\_id=64&p\\_ref=33&lan=en](https://www.oic-oci.org/page/?p_id=64&p_ref=33&lan=en)

6 Source: <https://www.islamicbankbd.com/>

7 Source: <https://bpkh.go.id/>

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



### General Authority for Awqaf<sup>9</sup>

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



### Kuwait Awqaf Public Foundation<sup>10</sup>

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

بيت التمويل الكويتي  
Kuwait Finance House



### Kuwait Finance House (KFH)<sup>11</sup>

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



### Direct Aid Association<sup>12</sup>

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

### Iran Endowment Fund<sup>13</sup>

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

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

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

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

12 Source: <https://direct-aid.org/donate/en/>

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



### Social Islami Bank Bangladesh<sup>14</sup>

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



### International Islamic Fiqh Academy<sup>15</sup>

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



### Al-Baraka Islamic Bank<sup>16</sup>

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



### Bahrain Islamic Bank<sup>17</sup>

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

14 Source: <https://www.siblb.com/home/profile>

15 Source: <https://iifa-aifi.org/en>

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

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



### Tadamon Islamic Bank<sup>18</sup>

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



### Jordan Islamic Bank<sup>19</sup>

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



### Jordanian Ministry of Awqaf Islamic Affairs and Holy Places<sup>20</sup>

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



### World Assembly of Muslim Youth<sup>21</sup>

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

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

19 Source: <https://www.jordanislamicbank.com/en/content/bank-establishment> 20 Source: <https://wamy.org/>

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

21 Source: <https://wamy.org/>

## ANNEX 02

# APIF COMMITTEES

### I. MEMBERS OF THE PARTICIPANTS COMMITTEE OF APIF AS OF 31 DECEMBER 2021

#### Chairman

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

**Mr. Rayan Saleh Al Rashid**  
Executive Director, Financial Investments, The General Authority for Awqaf, KSA

#### Member

**Mr. Fawaz Sulaiman AlRajhi**  
Representing Ms. Monerah Al-Sabhan

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

#### Member

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

## II. MEMBERS OF THE SUPERVISORY COMMITTEE OF APIF AS OF 31 DECEMBER 2021



### Chairman

**H.E. Dr. Muhammad Sulaiman Al Jasser**

President, IsDB Group, Islamic Development Bank



### Member

**Mr. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi**

Chairman of the Council of the OIC-Islamic Solidarity Fund



### Member

**Hon. Abdulghaffar Al Awadhi**

Executive Director, Islamic Development Bank



### Member

**Mr. Ibrahim Abdullah Al-Khuzayem**

Executive Director, OIC-Islamic Solidarity Fund



### Member

**Hon. Hamed Arabi Elhouderi**

Executive Director, Islamic Development Bank



### Member

**Prof. Mr. Nazmul Hassan, Ph.D**

Honorable Chairman, Islami Bank Bangladesh Limited



### Member

**Hon. Hassan Jaafar Abdulrahman**

Executive Director, Islamic Development Bank



### Member

**Mr. Mohammed Monirul Mousa**

Managing Director & CEO, Islami Bank Bangladesh Limited



**Member**

**Dr. Hurriyah El Islamy**

Executive Board Member, Foreign Investment and International Relations at Badan Pengelola Keuangan Haji, Indonesia



**Member**

**Mr. Meshal Abdulaziz Al-Nassar**

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



**Member**

**Mr. Abdulhamid Abu Mousa**

Governor, Faisal Islamic Bank of Egypt, Egypt



**Member**

**Dr. Abdullah Abdul Rahman Al Sumait**

General Manager, Direct Aid Association – Kuwait



**Member**

**Mr. Fawaz Suleiman Al-Rajhi**

Representing Ms. Monerah Al-Sabhan



**Member**

**Mr. Atif Mousa Dawood Yousif**

Director of the Finance and Administrative Ministry of Awqaf, Islamic Affairs and Holy Places, Jordan



**Member**

**Mr. Rayan Saleh Al Rashid**

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



**Member**

**Mr. Abass Abd Allah Abass**

General Manager, Tadamon Islamic Bank



**Member**

**Mr. Nasir Ahmad Al Kheder**

Secretary General, Kuwait Awqaf Public Foundation, Kuwait

### III. MEMBERS OF THE ISDB GROUP SHARIAH BOARD AS OF 31 DECEMBER 2021

**Chairman**

His Eminence  
Shaikh Muhammad  
Taqi Usmani

**Member**

His Eminence  
Shaikh Dr. Muhammad Syafii  
Antonio

**Vice Chairman**

His Eminence  
Shaikh Abdulla Bin  
Sulaiman AlManea

**Member**

His Eminence  
Shaikh Dr. Bashir Aliyu Umar

**Member**

His Eminence  
Shaikh Dr. Usaid AlKilani

**Member**

His Eminence  
Shaikh Dr. Koutoub Moustapha  
Sano

**Member**

His Eminence  
Shaikh Dr. Mohamed  
Raougui

## IV. MEMBERS OF THE MANAGEMENT COMMITTEE OF THE AWQAF PROPERTIES INVESTMENT FUND AS OF 31 DECEMBER 2021



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

**Chairman**



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

**Member**



**Dr. Mansur. A. Noibi**  
Director,  
Legal Department

**Member**



**Dr. Mohamed Ali Chatti**  
Acting Director,  
Islamic Financial Sector Development Department

**Member**



**Br. Syed Husain Qudri**  
Acting Director,  
Resilience and Social Development Department

**Member**



**Br. Fawaz Abdulnoor**  
Lead Strategic Coordinator,  
Global Practice & Partnerships Directorate

**Member**



**Dr. 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 2021

<b>Br. Fawaz Abdulnoor,</b> Lead Strategic Coordinator, Global Practice & Partnerships Directorate	<b>Chairman</b>
<b>Dr. Mohamadou Gamdji</b> Legal Division Representative	<b>Member</b>
<b>Br. Sami Faruqi</b> Economic and Social Infrastructure Department	<b>Member</b>
<b>Br. Sharol Razi</b> Treasury Department	<b>Member</b>
<b>Br. Mohammad Rizwan Eunos</b> Group Risk Management Department	<b>Member</b>
<b>Br. Syed Muhammad Asim Raza</b> Islamic Financial Sector Development Department	<b>Member</b>
<b>Br. Aboubacar Kante</b> Head, Shari'ah Compliance Section	<b>Member</b>

## VI. APIF STAFF MEMBERS



**Dr. Mohamed Ali Chatti**  
Acting Director for the Islamic  
Financial Sector Development  
Department



**Dr. Bandar Alhoweish**  
Senior Awqaf Investment  
Specialist



**Dr. Mohamed Ahmed Salem**  
Lead Awqaf Investment Specialist



**Yoseph Ataa Alsawady**  
Awqaf Investment Specialist



**Syed Muhammed Asim Raza**  
Lead Awqaf Investment Specialist



**Bayan Atallah Almazroui**  
Fund Management and Marketing  
Specialist



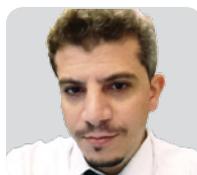
**Mohamed Guermazi**  
Lead Awqaf Investment Specialist



**Abdullah Eissa**  
Technical Assistant



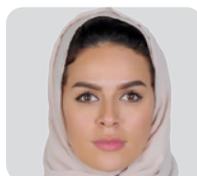
**Ala Owaidah**  
Lead Awqaf Investment Specialist



**Farouk Al Ghazzi**  
Technical Assistant



**Faisal AlShami**  
Senior Awqaf Investment  
Specialist



**Alaa Falemban**  
Technical Assistant



**Hassan Mahfooz**  
Senior Awqaf Investment  
Specialist

# ANNEX 03

## INFORMATION FOR APIF INVESTORS

### THE FOLLOWING INFORMATION IS USEFUL FOR POTENTIAL INVESTORS:

1	<h3>Nature &amp; Legal Form</h3>	<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	<h3>Shareholders (Participants)</h3>	<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	<h3>Organization Structure</h3>	<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 policies 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"> <li>• All the shareholders investing more than US\$1 million (the minimum investment amount) may attend the Participants Committee Meeting of APIF;</li> <li>• The shareholders investing between US\$ 5 million (the minimum investment amount) and US\$ 10 million have one representative in the Supervisory Committee; and</li> <li>• The shareholders investing more than US\$ 10 million have two representatives in the Supervisory Committee.</li> </ul>

4	<b>Capital Structure and Resources</b>	<p>The authorized capital of APIF is US\$500 million divided into 50,000 "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	<b>Profitability</b>	<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	<b>Profit Distribution</b>	<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 border="1" data-bbox="647 851 1312 1046"> <thead> <tr> <th data-bbox="654 857 1040 888">Particulars</th> <th data-bbox="1040 857 1304 888">Percent of Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="654 897 1040 928">Mudarib (Management) Fees</td> <td data-bbox="1040 897 1304 928">10%</td> </tr> <tr> <td data-bbox="654 937 1040 968">General Reserve</td> <td data-bbox="1040 937 1304 968">0% - 20%</td> </tr> <tr> <td data-bbox="654 977 1040 1008">Distributable Dividends</td> <td data-bbox="1040 977 1304 1008">70% - 90%</td> </tr> <tr> <td data-bbox="654 1017 1040 1048"><b>Total</b></td> <td data-bbox="1040 1017 1304 1048"><b>100%</b></td> </tr> </tbody> </table>	Particulars	Percent of Total	Mudarib (Management) Fees	10%	General Reserve	0% - 20%	Distributable Dividends	70% - 90%	<b>Total</b>	<b>100%</b>
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Mudarib (Management) Fees	10%											
General Reserve	0% - 20%											
Distributable Dividends	70% - 90%											
<b>Total</b>	<b>100%</b>											
7	<b>Exit Mechanism</b>	<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	<b>Security</b>	<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	<b>External Auditors</b>	<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:

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



# APIF

صندوق تميمير  
ممتلكات الأوقاف  
AWQAF PROPERTIES  
INVESTMENT FUND

