صندوق تثمير
ممتلكات الأوقاف
AWQAF PROPERTIES
INVESTMENT FUND

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

AWQAF PROPERTIES INVESTMENT FUND
ANNUAL REPORT 2023

WE EMPOWER AWQAF TO ENABLE THE UMMAH

AWQAF PROPERTIES INVESTMENT FUND
ANNUAL REPORT 2023

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

TABLE OF CONTENTS

GLOSSARY

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

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Chairman, IsDB Board of Executive Directors

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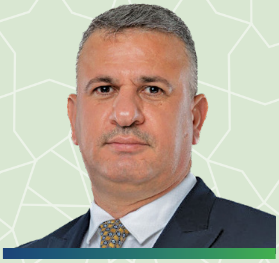

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Hon. Abdulghaffar Al Awadhi

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Hon. Mrs. Anuska Ramdhani

2023 HIGHLIGHTS

OPERATIONAL AND FINANCIAL HIGHLIGHTS

APIF's Key performance results during the year 2023

Net Income Before Mudarib Share
US$ 3.53 MILLION

Mudarib Share of Net Income
US$ 0.35 MILLION

Net Income After Mudarib Share
US$ 3.17 MILLION

Income From Operations
US$ 5.38 MILLION

Income From Commodity Placements
US$ 1.82 MILLION

Impairment Charge
US$ (3.60) MILLION

Project Disbursements
US$ 26.97 MILLION

Project Repayments
US$ 11.49 MILLION

Net Transfers
US$ 15.48 MILLION

FINANCIAL HIGHLIGHTS

APIF's financial results during the year 2023

Statement of Operations Summary

In US$ Millions (Except otherwise stated)

Details	31st December 2023	31st December 2022		Change	%Change
Total Income from Project Assets	4.85	4.24	↑	0.61	14%
Total Income from Treasury assets	2.36	1.32	↑	1.04	79%
Exchange gains/ (Loss)	0.05	(0)	↑	0.23	125%
Other income	0.00	0.01	↓	-0.01	(99%)
Total Income	**7.25**	**5.38**	↑	1.87	35%
Expenses:					
Impairment Provision	-3.60	-3.05	↑	0.55	18%
Administrative expenses	-0.14	-0.12	↑	0.01	11%
Net income before Mudarib share	**3.52**	**2.21**	↑	**1.31**	**59%**
Mudarib's share of net income	-0.35	-0.22	↑	0.13	60%
Net income for the Period	**3.17**	**1.99**	↑	**1.18**	**59%**
Less: FV Unrealized (gain) /loss on sukuk investments	0.00	0.26	↓	-0.26	(100%)
Operating/ (Normalised) Profit	**3.17**	**2.24**	↑	**0.92**	**41%**

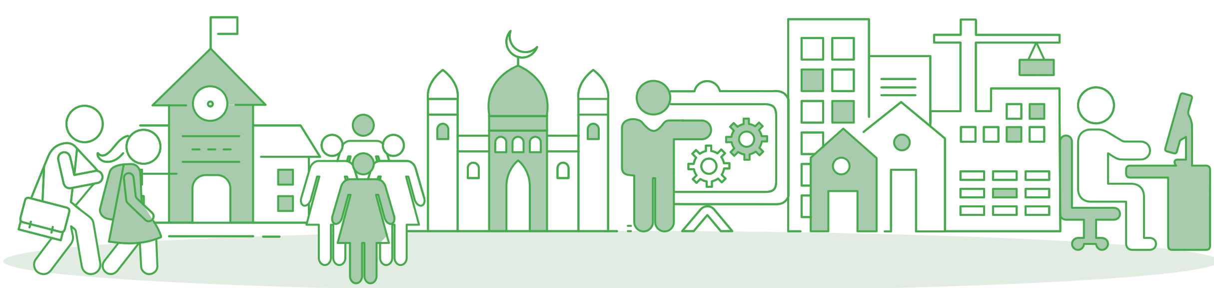
Financial Position and Financial Ratios

APIF's key financial position and key financial ratios as of 31 December 2023.

Statement of Operations Summary

In US$ Millions

Description	31st December 2023	31st December 2022	Change	%Change
Financial Position				
Liquid Funds	32.87	40.15	-7.27	(18.12%)
Investments	57.76	69.44	-11.75	(16.92%)
Sales Project Assets	46.07	31.87	14.20	44.56%
Other Assets	0.30	0.43	-0.13	(30.07%)
Total assets	**137.01**	141.89	**-4.88**	**(3.44%)**
Total liabilities	4.16	11.05	-6.89	(62.38%)
Net Assets/Total Certificate Holders' Equity	**132.86**	130.84	**2.01**	**1.54%**
Key Financial Ratios				
Return on Capital before Mudarib Share of profit	2.65%	1.69%	0.96%	57.17%
Annual rate of return on Average Total Assets Before Mudarib share of profits	2.53%	1.60%	0.93%	57.96%
Net Asset per certificate (US$)	$11,533	$11,426	106	0.93%



OPERATIONAL HIGHLIGHTS

Projects Disbursements and Repayments 2023

Disbursements and Repayments (in US$ Million)

Project Disbursements
US$ **26.97** MILLION

Project Repayments
US$ **11.49** MILLION

Net Transfers
US$ **15.48** MILLION

APIF and Co-Financiers Share of Disbursements

Sum of Co-Financiers Disbursements $15.93M
59.04%

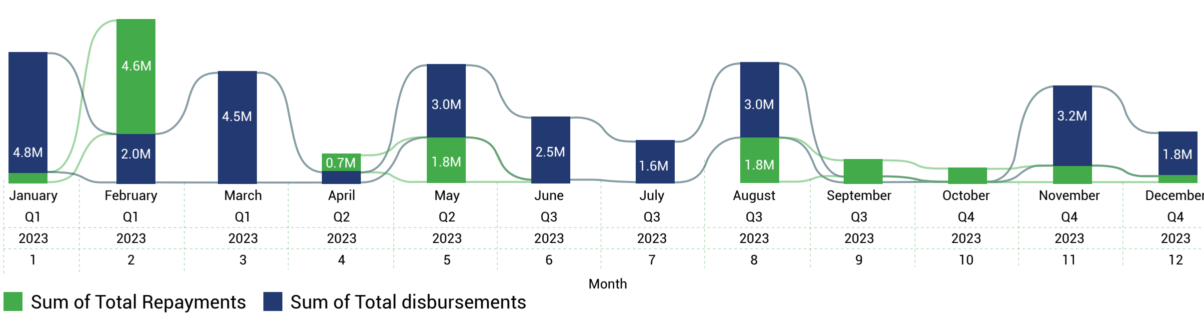
Sum of APIF's Disbursement Share $11.05M
40.96%

APIF and Co-Financiers Share of Repayments

Sum of APIF's Share of Repayments $5.99M
52.14%

Sum of Co-Financiers Share of Repayments $5.50M
47.86%

Total Disbursements vs. Repayments by Due Date



THE APIF PORTFOLIO PERFORMANCE DASHBOARD
(As of the End of 2023)

1

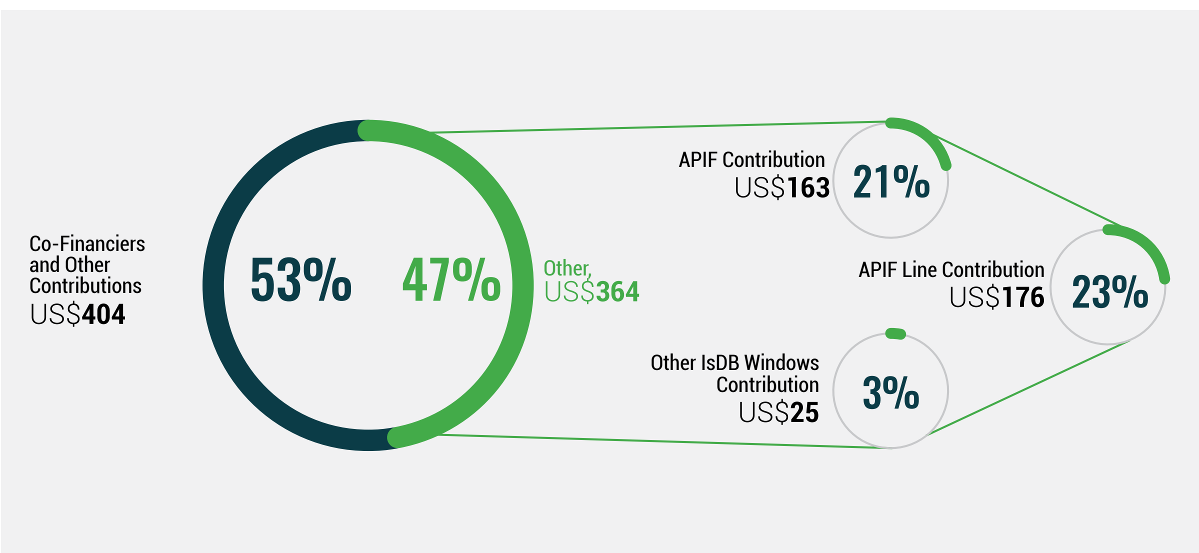
Total number of approved projects **44**

Number of countries with APIF projects **22**

Total value of APIF projects US$ **767.35** MILLION

Total value of APIF & APIF Line & IsDB Windows Financing US$ **363.67** MILLION

Projects' Funding Distribution (US$ Million)



2 Number of approved projects in MCs **33**

Value of projects in MCs
US$ 556.19 MILLION

3 Number of approved projects in NMCs **11**

Value of projects in NMCs
US$ 211.16 MILLION

4 Status of projects

Number of Projects by Phase

Disbursement	Repayment	Closed	Under Effectiveness
20 Projects	15 Projects	6 Projects	3 Projects
45%	34%	14%	7%

Number of Projects by Approved Amount

Disbursement	Repayment	Closed	Under Effectiveness
US$ 202,305,883.04	US$ 95,082,312.19	US$ 39,778,066.77	US$ 26,500,000.00
56%	26%	11%	7%

5 The diversification of the approvals by mode of financing:

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

	Equity	Installment Sale	Istisnaa	Leasing	Murabaha
Approval Amount US$	12.81	4.17	115.21	204.16	27.31
No. of Projects	01	03	11	25	4

SHAREHOLDERS DASHBOARD

1 **Number of Shareholders**

19

2 **Number of countries represented by shareholders**

9

3 **Number of International organizations**

4

SOCIAL IMPACT OF APIF PROJECTS

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

This amount is used for various human development activities:

14
projects are supporting various charitable and relief activities

12
projects are supporting education (universities, schools and research activities)

14
projects are supporting religious education and Awqaf institutions

2
projects are supporting youth development and empowerment

2
projects are supporting health sector

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

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

Average total size of approved projects
US$ 17.81 MILLION

Resource mobilization ratio
4:1

Total financed built-up area approximately
1 MILLION square meters

Focused SDGs:

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

THE FINANCIAL PERFORMANCE OF APIF

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

Year	Total Assets US$ million	Return on Equity	Return on Assets
2023	**137.01**	**2.39%**	**2.27%**
2022	141.89	1.52%	1.44%
2021	134.16	2.93%	2.67%
2020	116,84	2.59%	2.41%
2019	94.85	3.85%	3.24%
2018	94.11	2.78%	2.37%

As of the end of 2023, the NAV is
US$11,533
as compared to US$ 10,000 at inception of the Fund.

Dividend Distribution
2.3%


فن الشعر ناداني
و الخاليين أرقود
منجود بالموجود
بو سالم المقصود
و عن أعشرة معدود
و يتبع رسم الجدود
أهيف المنشود
فيها العسل موجود
بين العسل مفقود
و يشافي الميهود
لي يسعو المنشود
في غراش ولا كمود
راعي الكرم والجود
و العذر للدهماني
كان العذر موجود

STATEMENT BY THE MUDARIB

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

Dear Members of the Participants Committee,

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank (IsDB), the Mudarib of the Awqaf Properties Investment Fund (APIF), I am pleased to present the 22nd Annual Report of APIF for the year ending on 31st December 2023.

The report provides an overview of the Fund, its operations and audited financial statements as of the end of 2023.

Since its inception, the Fund has approved a total of 44 projects in 22 countries, valued at around US$ 767.35 million. The social impact of the financed projects is significant as the income generated is used to support comprehensive human development in education and health, as well as other charitable activities, thereby meeting the expectations of APIF donors and investors.

These projects also provide jobs for people and ensure sustainable livelihoods for them and their families. Furthermore, the value of the developed Waqf properties has increased many times as they have turned into quality income-generating assets.

In terms of performance, the Fund (and other IsDB windows) disbursed US$ 26.97 million and received total repayments of US$ 11.49 million during the period from 01/01/2023 to 31/12/2023.

Financially, the Fund achieved very encouraging and satisfactory results. Total income for the year 2023 showed a significant increase of 35% to US$ 7.25 million, up from US$ 5.38 million in 2022.

Therefore, the IsDB is pleased to announce the decision to distribute dividends amounting to 2.3% of the Fund's paid-up capital.

All these achievements reflect the significant efforts exerted by APIF team, with the support of the participants, particularly to diversify the portfolio, deploy resources in different geographical locations, and penetrate into new markets for the development of the Waqf sector.

APIF has achieved these objectives in line with its clear strategy for continuous growth. It remains committed to pursuing all avenues to meet participants' goals, InshaAllah.

We should all take pride in the leading role that APIF is playing to revive the Sunnah of Waqf and raising awareness about this noble cause.

Finally, I extend my sincere thanks to the IsDB Board of Governors and Board of Executive Directors for their insightful vision and guidance, to our APIF members for their generous contribution and support, and to all staff for their commendable performance and commitment. Together, let's keep building on APIF's success.

Dr. Muhammad Al Jasser
Chairman of the APIF Supervisory Committee
Chairman of the IsDB Group

The Fund achieved very encouraging and satisfactory results. Total income for the year 2023 showed a significant increase of 35% to US$ 7.25 million, up from US$ 5.38 million in 2022

SHARI'AH BOARD REPORT – 2023

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

Islamic Development Group Shari'ah Board
Shari'ah Audit Report for 1444h/1445h

All praise is due to Allah, the Lord of the Universe; and may blessings and peace be upon Prophet Muhammad and upon his household and companions.

H.E. Chairman of the Board of Governors,
Honorable Members of the Board of Governors,

Assalamu alaikum warahmatullahi wabarakatuh

According to the regulations of the Shari'ah Board of the Islamic Development Bank Group (IsDB Group), we are required to submit an annual Shari'ah Audit Report to the honorable Board of Governors on the extent to which the transactions and activities conducted by the IsDB Group comply with Shari'ah, in light of the fatwas and decisions issued by the Shari'ah Board and its sub-committee. We have reviewed the activities of the Group for the year 1444/1445 through the sub-committee - according to the approach practiced by the Board - which has carried out an overall audit of the applied principles as well as the contracts pertaining to the transactions and applications that have been presented to us. This includes the IsDB Group (Ordinary Capital Resources), the Special Account Resources Waqf Fund (Waqf Fund), the Islamic Corporation for the Insurance of Investment and Export Credit, the Islamic Corporation for the Development of the Private Sector, the International Islamic Trade Finance Corporation, the Islamic Solidarity Fund for Development, the Awqaf Properties Investment Fund, the World Waqf Foundation, and all funds managed by IsDB during the year ending on 31 December 2023G (18 Jumada Al-akhirah 1445H).

We have undertaken the audit required with the help of Sahri'ah Affairs Division to give an opinion on whether the IsDB Group has complied with the rules and principles of the Shari'ah as well as the specific *Fatwas*, decisions, rulings, and guidelines that we have issued.

The responsibility of ensuring the IsDB Group's compliance with the Shari'ah rules and principles lies with the management of the IsDB Group, while our responsibility is limited to expressing an independent Shari'ah opinion based on our audit of the IsDB Group's operations.

We planned and carried out our audit to obtain every fact and explanation that we deemed necessary to provide us with enough proof to reasonably confirm that the IsDB Group has not contravened the rules and principles of the Shari'ah.

In Our opinion

1. The IsDB Group has followed the procedures required to comply with the contracts that we have prepared and audited.
2. The dividends paid and the losses incurred on the investment accounts are in conformity with the basis that we adopted in line with the rules and principles of the Shari'ah.
3. All gains achieved from transactions or methods prohibited by Shari'ah have been set aside in accordance with the decisions issued by us in preparation for spending them for charitable purposes with our clearance.
4. The IsDB Group is not obligated to pay *Zakat* because the sources of its assets are either from public or *Waqf* funds. As for the funds of other institutions, IsDB Group does not pay Zakat on behalf of their owners without their authorization. Accordingly, the payment of *Zakat of these funds* is the sole responsibility of their owners.

We pray that Allah the Almighty enables the IsDB Group to follow the right path in the interest of the ***Ummah***.

Wassalamu alaikum warahmatullahi wabarakatuh

His Eminence Dr. Mohamed Ali Elgari
Chairman of the Shari'ah Board

His Eminence Dr. Nizam Yaqoobi
Deputy Chairman of the Shari'ah Board

His Eminence Dr. Aznan Hasan
Member of the Shari'ah Board

His Eminence Dr. Sa'id Adekunle Mikail
Member of the Shari'ah Board

His Eminence Dr. Mufti Muhammad Hassaan Kaleem
Member of the Shari'ah Board

Dr. Abdallahi Mohamed
Acting Manager of the Sharia Affairs Division

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).

> 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.

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

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

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

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.

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$115,200 million supplemented by a line of financing from IsDB of US$100 million, APIF's portfolio includes 44 projects in 20 Member Countries and Non-Member Countries of IsDB with a total worth of US$ 767.35 million. 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

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

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

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

B. THE ROLE OF APIF AS AN IMPACT INVESTMENT FUND

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

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

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

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

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

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

As of the end of 2023, the share value of APIF reached US$11,533 as compared to US$10,000 at inception. As for dividend distribution, APIF used to pay dividends of between 2.5 percent to 5 percent of the share capital until 2020. However, beginning in 2021, APIF started the implementation of the accounting standard (FAS 30); consequently, the dividends distributed during 2021, 2022, and 2023 amounted to 1.25%, 1.7%, and 2.3%, respectively.

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

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

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

CHAPTER 03

APIF-OPERATIONALIZING THE ROLE OF AWQAF IN DEVELOPMENT WITHIN IsDB

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

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

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

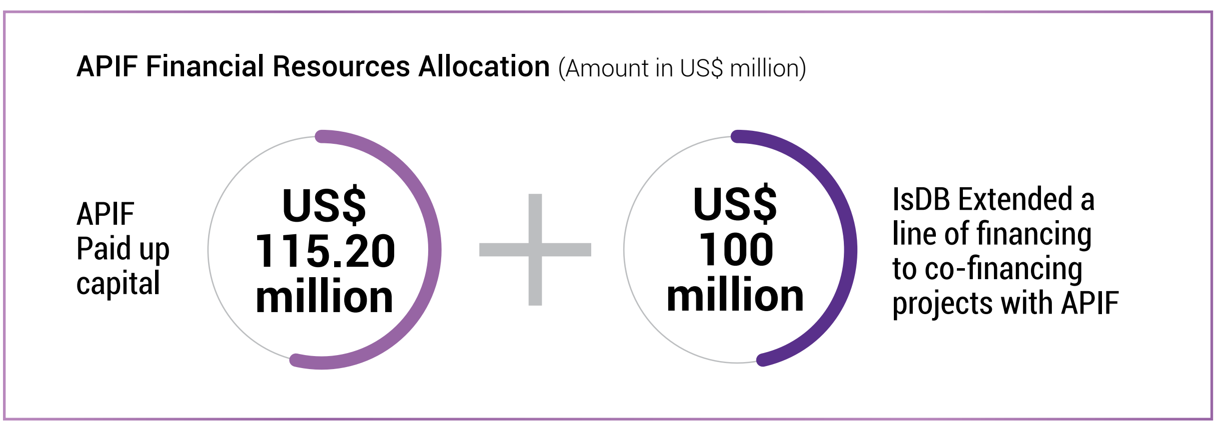
A. THE RESOURCES OF APIF

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

As of 31st December 2023, 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$115.20 million. A full list of participants in APIF is provided in **Annex 1**.

To augment APIF's resources, the IsDB has extended a line of financing of US$100 million to be utilized in financing APIF projects. To continuously support the development of Awqaf Sectors through APIF, the IsDB has approved three Technical Assistance Grants for preparation of feasibility studies, property valuations and legal services amounting to US$ 200,000, US$ 275,000 and US$ 280,000. The breakdown of the financial resources of APIF is provided in figure 1, below.

Figure 1: APIF Financial Resources Allocation

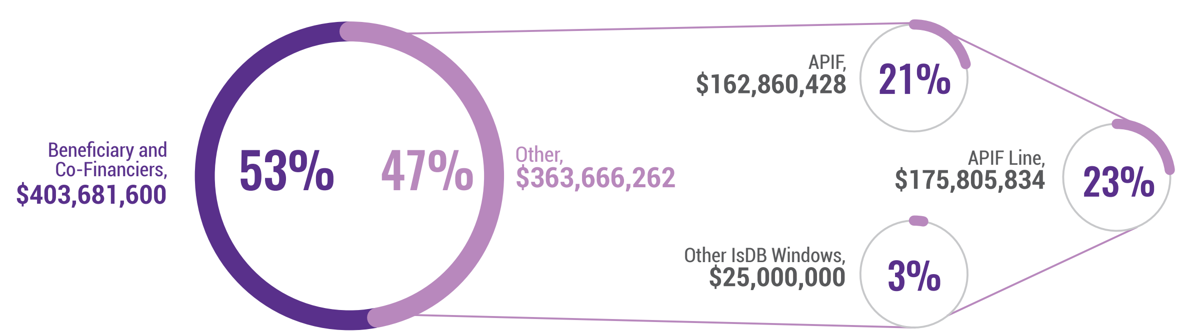


B. THE ROLE OF APIF

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.

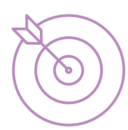
The APIF portfolio, as of the end of 2023, includes 44 completed or active projects, totaling US$ 767.35 million in total value. Of this, IsDB's contribution includes US$ 162.86 million from APIF, US$ 175.81 million from the IsDB line of financing, US$ 25 million from other IsDB windows, and the remaining value is from the beneficiaries.

Figure 2: Projects' Funding Distribution



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.

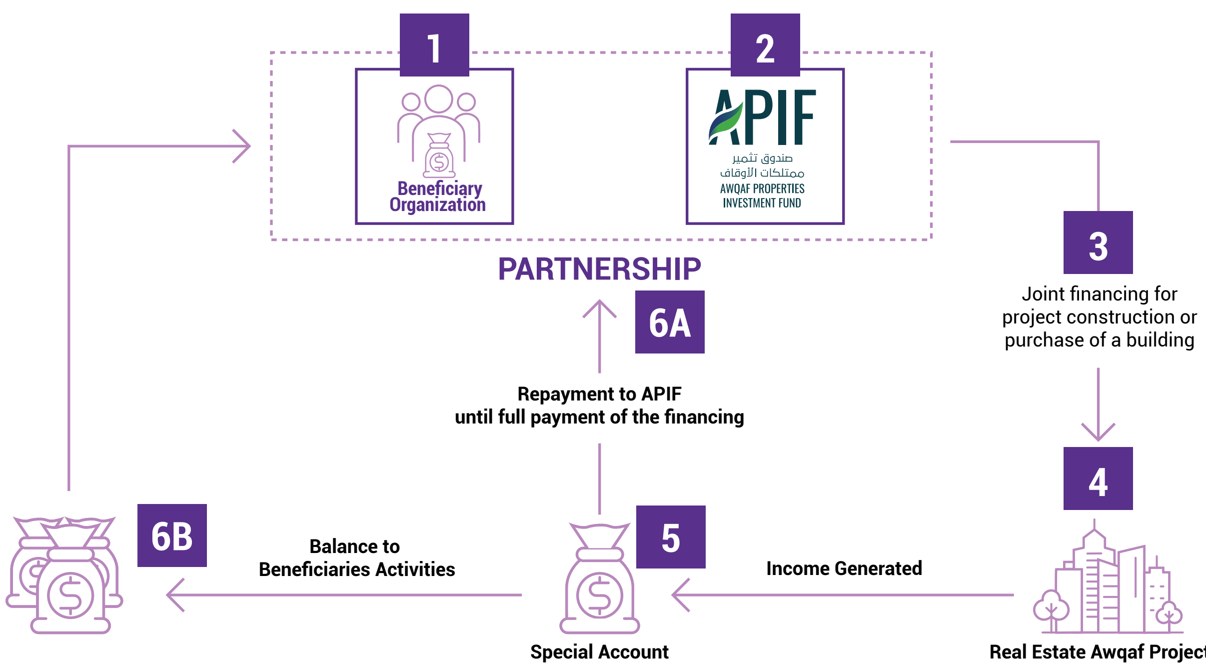
APIF helps Awqaf and charitable organizations fulfil their mandate by providing required resources to develop Waqf land owned by these organizations, renovate Waqf properties, and/or purchase property to be utilized as Waqf. Supported Waqf institutions or charitable organizations are then expected to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

APIF's strategy relies on extending financing to develop and invest in accordance with the principles of Islamic 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 3, below.

Figure 3: APIF Conceptual Model



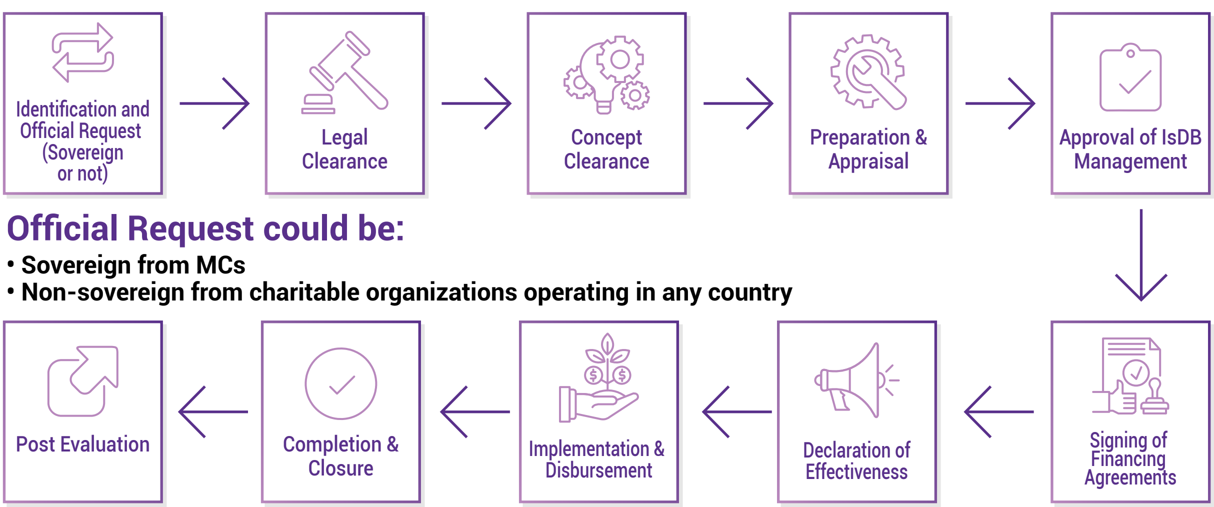
The life cycle of APIF projects is mostly similar to other development projects executed by IsDB, with a few notable exceptions. First, unlike sovereign projects, the initiating document can be a formal request from either a non-sovereign or a sovereign entity. Indeed, APIF is one of the few sources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

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

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

A further distinguishing feature of the APIF project lifecycle is the financial metrics of interest during the appraisal stage. Here, the crucial metrics are the Financial Internal Rate of Return (FIRR) as well as the Debt Service Coverage Ratio (DSCR). Indeed, unlike typical sovereign development projects, most APIF projects are expected to depend on income from the project itself for repayment and are otherwise unjustified if they fail to cover debt installments (since the sole purpose of the projects is income generation). Ideally, beyond providing a factor of safety, the DSCR should be large enough to allow income over-and-above the installment amounts to be available to support beneficiary activities even during the repayment period. The full life cycle of APIF projects is depicted in Figure 4, below.

Figure 4: 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 2.5-3.5 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**.

CHAPTER 04

THE YEAR UNDER REVIEW

In 2023, APIF was focused on the process of revamping its internal policies and processes, improving the quality-at-entry of its interventions, and building its image. Such positive changes are expected to further enhance the returns and impact of APIF investments, thereby boosting its attractiveness to investors and its relevance as a model for the sector.

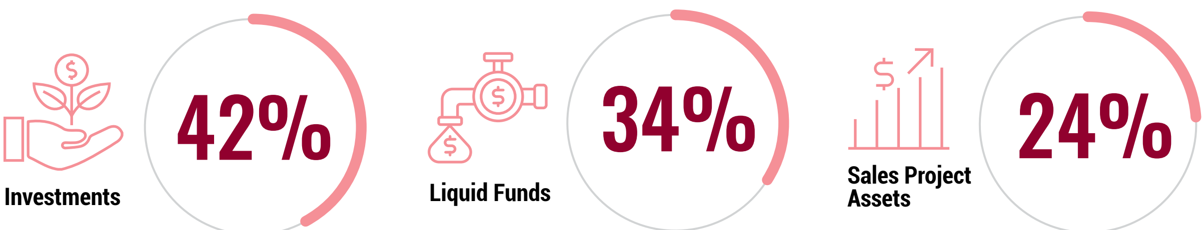
FINANCIAL PERFORMANCE OF THE FUND

Assets of the Fund

The **total assets** of the Fund amounted to US$ 137.01 million at the end of year 2023 compared to US$ 141.89 million at end of Year 2022, or a decrease of (3.44%). The decrease is mainly due to the closure of the Al-Ihsan Commercial and Residential Waqf Building project in Ajman, UAE.

In terms of asset composition, during the current year, investment assets[5] represented a higher portion of APIF's total assets or 42% (2022: 48.94%). Figure 5 illustrates the APIF's asset class proportion to total assets.

Figure 5:APIF's Asset Class Proportion to Total Assets



5 Investment assets include Sukuk, Ijarah Muntahia Bittamleek, Real Estate (Sultan Center), and Investment in leasing Funds with BBI and Malaysia Courthouse

The table 1 below summarizes the asset composition at 31/12/2022 and 31/12/2023:

Table 1: Asset Composition (US$ million)

	As at 31/12/2023		As at 31/12/2022	
	Amount	%	Amount	%
Cash & Cash Equivalent	7.38	5.39%	13.62	9.60%
Commodity Murabaha placements	25.49	18.60%	26.53	18.70%
Investments–Ijarah Muntahia Bittamleek	34.50	25.18%	36.81	25.94%
Investments–Islamic Ijarah Sukkuks	15.02	10.96%	24.10	16.98%
Investments–Islamic Lease Fund	2.30	1.68%	2.65	1.87%
Investments–Real Estate	5.95	4.34%	5.88	4.14%
Investments-*Musharakah*	0.00	0.00%	0.00	0.00%
Receivables–*Istisna'a*	38.39	28.02%	23.96	16.89%
Receivables – *Instalment Sales*	7.68	5.61%	7.91	5.57%
Due from related parties	0.00	0.00%	0.00	0.00%
Accrued Income and Other Assets	0.30	0.22%	0.43	0.30%
Total Assets	**137.01**	**100%**	**141.89**	**100%**

Financial Indicators

The financial performance indicators of the Fund for the year 2023 in comparison with the period of 2022 are presented in the Table 2:

Table 2: Financial Indicators (US$ million)

Financial Indicators	31/12/2023	31/12/2022
Net Assets	132.86	130.84
Net Income before Mudarib's share	3.52	2.21
Mudarib's share of net income (10%)	(0.35)	(0.22)
Transfer to General Reserve	0.32	0.00
Dividend	2.650	2.003
Dividend/Paid-up Capital - Declared Dividend	2.3%	1.75%
Net Asset Value Per Certificate	11,533	11,426

The earning per certificate, after Mudarib's share of net income amounted to US$ 275.21 in 2023.

Dividend distribution

In accordance with Article 20 of the Fund's Regulations, the Fund has declared a dividend of 2.3% of the paid-up capital for the year ended 31/12/2023.

OPERATIONAL PERFORMANCE

Projects Disbursements and Repayments:

In 2023, the Fund disbursed a total of US$ 26.97 million, with US$ 11.05 million from APIF and US$ 15.93 million from APIF line and other IsDB windows, allocated across 12 projects. During the same year, APIF received repayments totaling US$ 11.49 million, with US$ 5.99 million repaid to APIF and US$ 5.50 million repaid to APIF Line. Figure 6 illustrates these disbursements and repayments.

Figure 6:Disbursements and Repayments (in US$ Million)

Project Disbursements
US$ **26.97** MILLION

Project Repayments
US$ **11.49** MILLION

Net Transfers
US$ **15.48** MILLION

APIF and Co-Financiers Share of Disbursements

Sum of Co-Financiers Disbursements $15.93M — **59.04%**

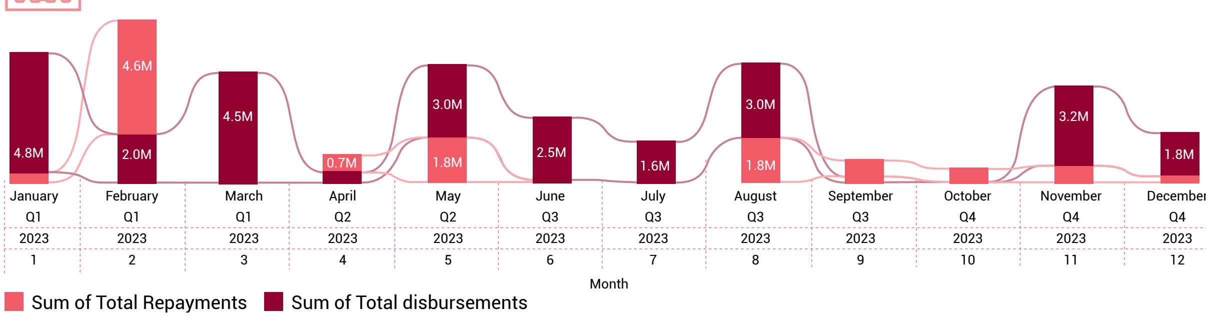
Sum of APIF's Disbursement Share $11.05M — **40.96%**

APIF and Co-Financiers Share of Repayments

Sum of APIF's Share of Repayments $5.99M — **52.14%**

Sum of Co-Financiers Share of Repayments $5.50M — **47.86%**

Total Disbursement vs Repayments by Due Date



Project Disbursements and Repayments Details

Figure 7: Total Disbursements and Repayments during the year ended 31st December 2023 (Amounts in US$)

Disbursements by Country and Mode of Finance

GUINEA	KENYA	SAUDI ARABIA	UGANDA	USA	MAURITANIA	SAUDI ARABIA	UGANDA
5.38%	6.78%	9.71%	12.5%	42.2%	5.1%	1.08%	17.16%
US$ **1.45** MILLION	US$ **1.83** MILLION	US$ **2.62** MILLION	US$ **3.37** MILLION	US$ **11.38** MILLION	US$ **1.38** MILLION	US$ **0.29** MILLION	US$ **4.63** MILLION

Mode of Finance

Istisna'a   Leasing

Repayments by Country and Mode of Finance

DJIBOUTI	NIGER	SAUDI ARABIA	UAE	KENYA	SAUDI ARABIA	KENYA	USA
10.57%	17.32%	11.79%	38.17%	3.81%	2.68%	3.15%	4.31%
US$ **1.26** MILLION	US$ **2.07** MILLION	US$ **1.41** MILLION	US$ **4.57** MILLION	US$ **0.46** MILLION	US$ **0.32** MILLION	US$ **0.38** MILLION	US$ **0.52** MILLION

Mode of Finance

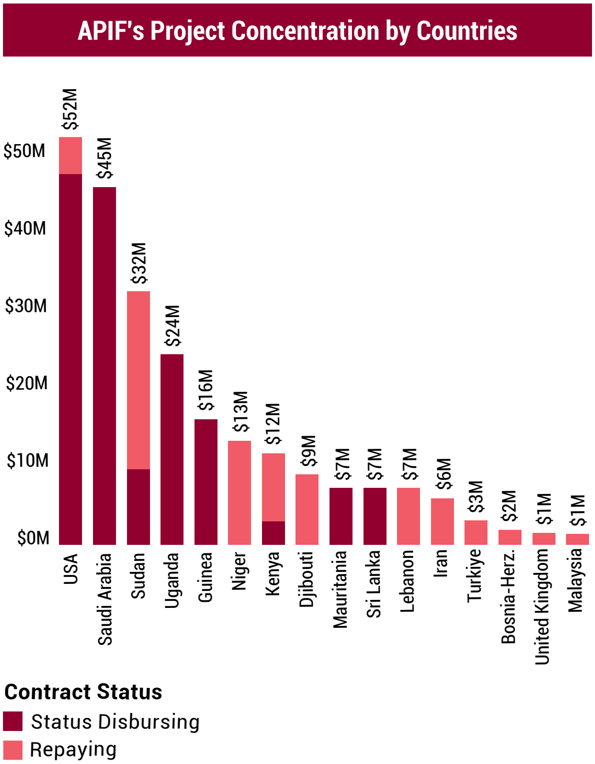
Istisna'a   Leasing   Murabaha

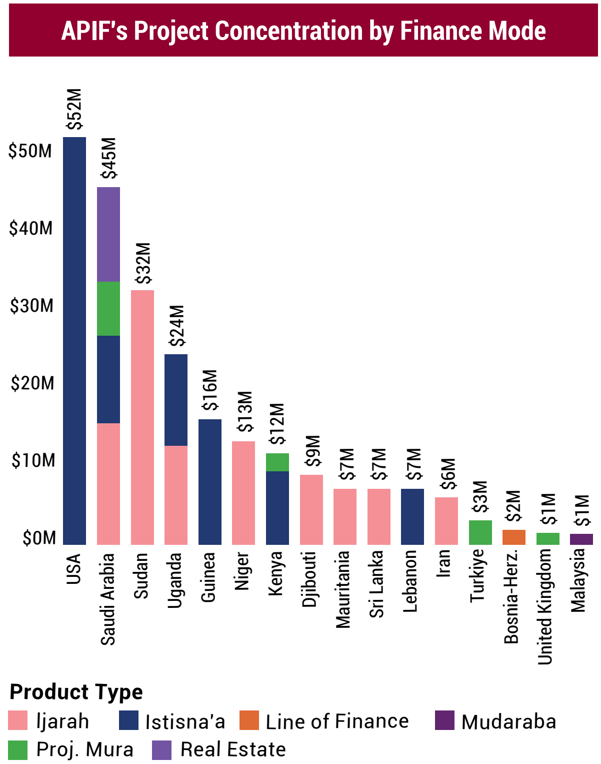
Note. Disbursements for projects in the USA represent a higher portion of disbursement during the year, whereas Repayments for projects in the UAE represent a higher portion of repayments due to the early settlement of the Construction of the Al-Ihsan Commercial & Residential Waqf Building in the Ajman Project. Figure 8 illustrates the projects concentration by Countries and Finance Mode.

Total Disbursement by Project	
Name of the Project	**Total Disbursements**
Construction of Cair Plaza	5,995,139.00
Construction of a Dormitory Project in New York, United States of America	5,387,394.53
Commmercial & Residential Complex for Umea in Kampala	4,629,335.53
Construction of a Waqf Residential Complex in Kampala, Uganda in Favor of Mogadishu University Foundation	3,371,388.93
Construction of a Hotel in the Central Region of Al Madinah Al Munawarah as Waqf for Al Bayan Charitable Foundation for Education	2,617,865.66
Waqf City Project in Conakry in Favour of Idb-Guinea Waqf (Phase I)	1,452,218.00
Waqf Commercial and Office Complex in Nouakchott for the Islamic University of Al Aioun	1,375,532.17
Construction of Kilimani Mixed use Waqf Building, Nairobi in Favor of Zamzam Foundation	1,033,688.30
Construction of Al-Furqan Mixed use Waqf Building, Nairobi in Favor of "Maahad Daawah Organization"	795,869.46
Construction of Zamzam Health Waqf- 3 in Makkah Al-Mukarrama	291,928.27
Preparation of Feasibility Studies for Awaqf Projects - APIF	16,482.00
Construction of a Commercial and Residential Waqf Complex in Dakar for The Benefit of the Daras	7,392.00
Total	**26,974,233.85**

Total Repayment by Project	
Name of the Project	**Total Repayments**
Al-Ihsan Commmercial & Residential Building in Ajman	4,565,122.06
Commercial & Residential Complex for Iun in Niamey	2,071,284.97
Commercial and Residential Complex in Djibouti	1,264,625.92
Construction of Zamzam Health Waqf-3 in Makkah Al-Mukarrama	908,512.71
Construction of A Mixed-Use Commercial Center in Minneapolis, Aaicm	515,910.16
Resi & Comm. Waqf for Pac, Ksa	501,097.22
"Purchase of a Commercial Complex in Nairobi	455,976.49
Construction of Kilimani Mixed use Waqf Building, Nairobi in Favor of Zamzam Foundation	376,599.50
Purchase of a Student Hostel in Eskişehir	361,644.09
Purchase of a Hotel in Abha for Alber Society in Doga, Saudi Arabia	320,398.81
Purchase of Properties in United Kingdom to be used as Waqf for the Mercy Mission.	148,527.60
Total	**11,489,699.53**

Figure 8: APIF's Project Concentration by Countries and Finance Mode





Figures 9 and 10 illustrate APIF's share of cumulative disbursements and repayments during the year ended 31st December 2023.

Figure 9: APIF's Share of Cumulative Disbursements and Repayments

Project Disbursements
US$ **11.05** MILLION

Project Repayments
US$ **5.99** MILLION

Net Transfers
US$ **5.06** MILLION

Total Disbursement vs. Repayments by Due Date

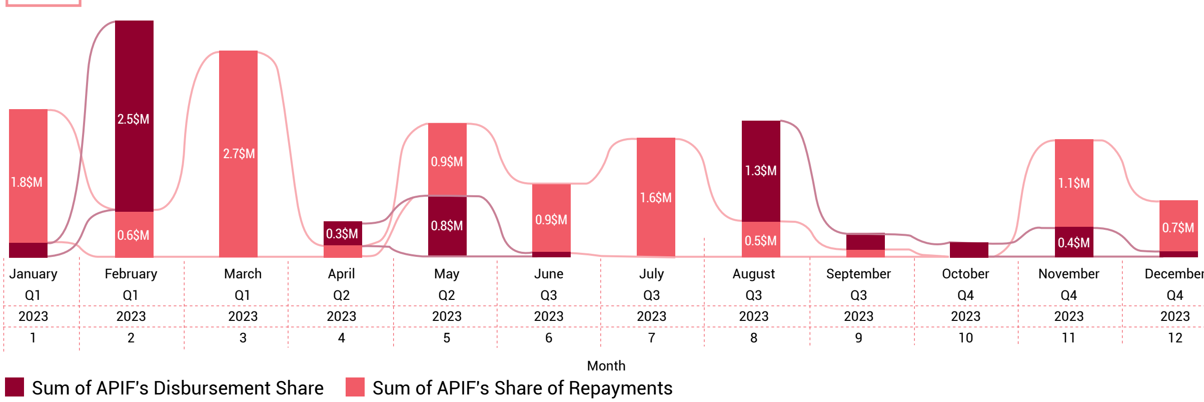


Figure 10: APIF's Share of Disbursements and Repayments details

Disbursements by Country and Mode of Finance

GUINEA	SAUDI ARABIA	UGANDA	USA	MAURITANIA	SAUDI ARABIA	UGANDA
4.52%	11.85%	30.51%	23.92%	3.48%	2.64%	16.43%
US$ 0.50 MILLION	US$ 1.31 MILLION	US$ 3.37 MILLION	US$ 2.64 MILLION	US$ 0.38 MILLION	US$ 0.29 MILLION	US$ 1.82 MILLION

Mode of Finance

Istisna'a Leasing

Repayments by Country and Mode of Finance

DJIBOUTI	NIGER	SAUDI ARABIA	UAE	KENYA	SAUDI ARABIA	USA
8.69%	11.52%	19.26%	41.57%	2.77%	2.67%	4.31%
US$ 0.52 MILLION	US$ 0.69 MILLION	US$ 1.15 MILLION	US$ 2.49 MILLION	US$ 0.17 MILLION	US$ 0.16 MILLION	US$ 0.26 MILLION

Mode of Finance

Istisna'a Leasing Murabaha

Total Disbursement by Contract	
Name of the Project	**Disbursements Share**
Construction of a Waqf Residential Complex in Kampala, Uganda	3,371,388.93
Construction of CAIR Plaza in Washington DC, USA.	1,873,480.94
Construction of Res & Comm. Complex in favour of UMEA.	1,815,425.70
Construction of a Hotel in the Central Region of Al Madinah Al Munawarah, Saudi Arabia	1,308,932.83
Construction of a Dormitory Project in New York, USA	769,627.79
Construction of Waqf City Commercial and Residential Complex in Conakry.	499,199.94
Construction of Al-Furqan Mixed Use Waqf Building, Nairobi	397,934.73
Construction of a Waqf Commercial and Office Complex in Nouakchott	384,226.86
Construction of a Mixed use Building in Nairobi, Kenya	318,057.94
Construction of Zamzam Health Waqf-3 in Makkah Al-Mukaramah	291,928.27
Technical Assistance Grant	16,482.00
Construction of a Commercial and Residential complex in Dakar - Senegal for the benefit of the Daras	2,464.00
Total	**11,049,149.92**

Total Repayment by Contract	
Project	**Repayments Share**
Construction of a Commercial & Residential Complex, Niamey, Niger.	690,428.32
Construction of a Mixed use Building in Nairobi, Kenya	115,876.77
Construction of a Mixed-Use Commercial Center in Minneapolis, Minnesota, USA	257,955.08
Construction of Al-Ihsan Commercial & Residential Waqf Building in Ajman, UAE	2,490,066.58
Construction of Commercial & Residential Complex in Djibouti.	520,802.23
Construction of Zamzam Health Waqf-3 in Makkah Al- Mukaramah	908,512.71
Purchase of a hotel in Abha, Saudi Arabia, for Al Bir Society	160,199.41
Purchase of a Residential and Commercial Complex in Riyadh to be used as Waqf	245,217.79
Purchase of a Student Hostel in Eskişehir	361,644.09
Purchase of Res.& Com. Complex in Nairobi, Kenya	165,809.63
The Purchase of Properties in the United Kingdom	74,263.80
Total	**5,990,776.41**

APIF PROJECTS IN THE IMPLEMENTATION PROCESS

As of the end of 2023, the Fund has 20 projects under disbursement, of which six are in Member Countries and five projects in Non-Member Countries of the Islamic Development Bank. The table below highlights some of the projects that were actively in implementation during 2023:

SRI LANKA

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

GUINEA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Waqf City Commercial and Residential Complex in Conakry	IDB-Guinea Waqf	Istisna'a	US$ 16.00 MILLION	US$ 13.6 MILLION	85%

UGANDA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Residential & Commercial Complex	Uganda Muslim Education Association	Leasing	US$ 12.75 MILLION	US$ 12.50 MILLION	98%

MAURITANIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Waqf Commercial and Office Complex in Nouakchott	Government of Mauritania	Leasing	US$ 10.74 MILLION	US$ 7.21 MILLION	67%

KENYA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Mixed-use Building in Nairobi	Zamzam Foundation, Somalia	Istisna'a	US$ 2.75 MILLION	US$ 2.75 MILLION	100%

UGANDA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Waqf Residential Complex in Kampala	Mogadishu University Foundation, Uganda	Istisna'a	US$ 10.66 MILLION	US$ 10.13 MILLION	95%

USA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of CAIR Plaza in Washington DC, USA.	Washington Trust Foundation	Istisna'a	US$ 7.77 MILLION	US$ 7.77 MILLION	100%

SAUDI ARABIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Hotel in the Central Region of Al Madinah Al Munawarah, KSA.	Al Bayan Charitable Foundation for Education	Istisna'a	US$ 10.20 MILLION	US$ 10.20 MILLION	100%

USA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of a Dormitory Project in New York	Turken Foundation	Istisna'a	US$ 35.00 MILLION	US$ 35.00 MILLION	100%

SAUDI ARABIA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Zamzam Health Waqf-3 in Makkah Al-Mukaramah	Zamzam Society for Voluntary Health Services, Saudi Arabia	Forward Leasing	US$ 12.00 MILLION	US$ 11.99 MILLION	100%

KENYA

Name of the Project	Beneficiary	Mode of Finance	IsDB Contribution (APIF &APIF Line)	Total Disbursements	Disbursements Accomplished
Construction of Al-Furqan Mixed Use Waqf Building, Nairobi	Maahad Daawah Organization	Istisna'a	US$ 3.60 MILLION	US$ 2.70 MILLION (Organization revised funding request to 2.70 million from 4 million and project completed)	100%

SUCCESS STORIES OF THE IMPLEMENTATION OF APIF PROJECTS

The following section describes the success story of a project that was completed in 2023:

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

The Bank approved a financing amount of US$ 12 million towards Zamzam Foundation for Voluntary Health Services in February 2017 for the construction of a two-tower commercial complex in Makkah to be used as waqf. The total cost of the project was US$ 32.6 million.

The project's construction concluded in January 2023. Its aim is to establish a consistent and sustainable income stream for the Zamzam Foundation. This income will support and bolster the Foundation's various activities, including the mobile clinic, Haj clinic, charitable pharmacy, and other programs.

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

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

INPUTS	ACTIVITY	OUTPUTS	OUTCOMES	IMPACT
IsDB: US$ **12** million **Beneficiary**: US$ **23.13** million	**Civil Works**	Two commercial connected towers with (total construction area 19,252 sq.m.) Total land area **2173 m2**	Zamzam Association will receive US$ **1,500,000** in average net income annually	The society will use the income to serve over **34,000** beneficiaries

Inputs: The total project cost at completion is US$ 32.6 million, of which the IsDB contribution is US$ 12 million, and the beneficiary contribution is US$ 20.6 million (project cost of US$ 6.5 million + land value of US$ 14.1 million).

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

Outputs: The primary outcome of the project is a two-tower commercial complex spanning 19,250 square meters in built-up area. The complex comprises a 15-floor North Tower, a 9-floor South Tower, and a 3-storey basement. Featuring two floors designated for retail and approximately 6,000 square meters of leasable space for customizable offices of varying sizes, the building is currently managed by a specialized operator, and its operations adhere to Sharia compliance standards.

Outcomes: The two-tower commercial complex will generate around US$1,500,000 in average net income annually, which shall be used to support the activities of Zamzam Association for Voluntary Health Services.

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

Lessons Learned:

There are several lessons learned from this success story:

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

CHAPTER 05

RECENT ACHIEVEMENTS AND THE WAY FORWARD

The Awqaf Properties Investment Fund (APIF) was established for the development of Waqf properties globally. APIF has played a pivotal role in the development of the Waqf sector worldwide by financing projects and providing technical assistance. Perhaps most importantly, it has demonstrated the viability of such an impact-investment model targeting Awqaf. Furthermore, it has generated momentum in the sector, inspiring the establishment of a conducive environment for Awqaf, at times even triggering macro-level transformations such as the adoption of Waqf legislation in IsDB member countries.

Despite its limited resources, APIF has achieved numerous accomplishments and milestones. Indeed, since its inception in 2001, APIF has approved 44 projects, worth US$ 767.35 million in 20 IsDB member and non-member countries. Nonetheless, there remain unutilized or under-utilized Awqaf properties worth billions of dollars that could be effectively used for poverty alleviation and human development.

Indeed, the paid-up capital of APIF (par value of shares) has experienced a growth from USD 76.41 million at the end of 2018 to USD 115.20 million as of the end of 2023. Since its inception in 2001 with a capitalization of USD 50 million, APIF has experienced a greater growth rate since 2018 than it did in the preceding seventeen years.

Additionally, beyond managing the Fund as Mudarib, investing in its equity, and supporting it with a Line of Finance, IsDB has further supported the Waqf sector via targeted grants. Indeed, over the years, it has approved three Technical Assistance Grants for preparation of feasibility studies, property valuations and legal services amounting to US$ 200,000, US$ 275,000 and US$ 280,000.

Indeed, the paid-up capital of APIF (par value of shares) has experienced a growth from USD 76.41 million at the end of 2018 to USD 115.20 million as of the end of 2023. Since its inception in 2001 with a capitalization of USD 50 million, APIF has experienced a greater growth rate since 2018 than it did in the preceding seventeen years.

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

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

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

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

Moving forward, 2024 presents a chance to focus on the optimal deployment of APIF's resources via emphasizing project implementation and associated disbursements,

APIF has implemented several new initiatives aiming at enhancing awareness and strengthening the impact of APIF's activities.

in addition to focusing on underperforming projects. Indeed, APIF is considering different initiatives to improve efficiency and increase impact. These initiatives will help to gradually increase approvals over the coming years while ensuring quality at entry as well as maintaining a strong focus on implementation.

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

In the meantime, a pipeline of high-quality waqf projects associated with the philanthropic organizations, NGOs and Ministries based in IsDB member and non-member countries will continue to be built during 2024. This will be achieved via processing strong project concepts, to set the stage for improved quality of projects in coming years.

CHAPTER 06

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The Board of Executive Directors

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

Participants Committee

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

Supervisory Committee

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

Investment Management Committee

The Investment Management Committee (IMC) is chaired by the Vice President (Finance & CFO) and includes senior staff from the various departments of the Bank. The IMC 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 IMC considers due diligence reports and issues relating to the Fund's investments. The members of the Investment Management Committee are listed in **Annex-IV**.

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 2023

Deloitte and Touche & Co.
Chartered Accountants
The Headquarters Business Park Tower 2444,
Taha Khasiyfan, Ash Shati District,
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Islamic Development Bank - Awqaf Properties Investment Fund (the "Fund") which comprises the statement of net assets and statement of portfolio investments and receivables as of December 31, 2023, 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, 2023, and the results of its operations, changes in net assets and its cash flows and financial highlights 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 Islamic Shari'ah Rules and Principles as determined by the Group Shari'ah Board of the Islamic Development Bank Group during the year under audit.

Basis for Opinion

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

Other information included in the Fund's 2023 Financial Statements

Other information consists of the information included in the Fund's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Fund's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Your Excellencies the Chairman and Members of the Board of Governors

Islamic Development Bank - Awqaf Properties Investment Fund

Jeddah, Kingdom of Saudi Arabia

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 Islamic 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 the management.

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

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte and Touche & Co.
Chartered Accountants

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب جدة
س.ت: ٤٠٣٠٢٩٧٠٤٩
CR.: 4030297049
Jeddah Branch
Chartered Accountants
Deloitte and Touche & Co.

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

1445
2024

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF NET ASSETS

AS AT 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	Note	2023	2022
ASSETS			
Cash and cash equivalents	3	**7,383**	13,620
Commodity murabaha placements	4	**25,490**	26,525
Investments:			
Ijarah assets, net	5	**34,496**	36,816
Sukuk investment	6	**15,019**	24,102
Mudaraba and wakala financing	7	**2,303**	2,648
Real estate investments	8	**5,947**	5,878
Receivables:			
Istisna'a	9	**38,388**	23,963
Project Murabaha	10	**7,683**	7,906
Other receivable		**302**	434
TOTAL ASSETS		**137,011**	141,892
LIABILITIES			
Due to related parties	12	**11**	7,766
Accrued expenses and other payables		**3,672**	2,994
Accrued mudarib's share of income		**352**	221
Dividend payable		**121**	68
TOTAL LIABILITIES		**4,156**	11,049
NET ASSETS		**132,855**	130,843
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	13	**115,200**	114,510
Premium on certificates		**7,320**	7,221
General reserve	13.1	**7,097**	7,097
Retained earnings		**3,238**	2,015
TOTAL CERTIFICATE HOLDERS' EQUITY		**132,855**	130,843
NUMBER OF CERTIFICATES PAID UP		**11,520**	11,451
NET ASSET VALUE PER CERTIFICATE		**11.533**	11.426

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF PORTFOLIO INVESTMENTS AND RECEIVABLES

AS AT 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	2023		2022	
	Amount	**% age of Portfolio**	Amount	% age of Portfolio
INVESTMENTS				
Ijarah assets, net	**34,496**	**33.1%**	36,816	36.2%
Sukuk investments	**15,019**	**14.4%**	24,102	23.7%
Mudaraba and wakala financing	**2,303**	**2.2%**	2,648	2.6%
Real estate investments	**5,947**	**5.7%**	5,878	5.8%
RECEIVABLES				
Istisna'a	**38,388**	**36.9%**	23,963	23.6%
Project murabaha	**7,683**	**7.4%**	7,906	7.8%
Other receivable	**302**	**0.3%**	434	0.3%
Total	**104,138**	**100%**	101,313	100%

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF OPERATIONS
YEAR ENDED 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	Note	2023	2022
INCOME FROM INVESTMENTS AND RECEIVABLES			
Investments:			
Ijarah assets, net	5	**2,439**	2,080
Sukuk investments	6	**532**	573
Mudaraba and wakala financing		**158**	175
Real estate investments	8	**131**	416
		3,260	3,244
Receivables:			
Istisna'a		**1,773**	1,100
Project Murabaha		**351**	470
		2,124	1,570
Total income from investments and receivables		**5,384**	4,814
Income from commodity murabaha placements		**1,824**	743
Other income		**5**	10
Impairment provision, net	11	**(3,600)**	(3,054)
Administrative expenses		**(136)**	(123)
Exchange gain / (loss)		**46**	(182)
Net income before mudarib's share of income		**3,523**	2,208
Mudarib's share of net income		**(352)**	(221)
Increase in net assets representing net income for the year		**3,171**	1,987
Earnings per certificate		**0.275**	0.173

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificate	General reserve	Retained earnings	Total
Balance at 1 January 2022		**114,400**	**7,206**	**7,097**	**1,458**	**130,161**
Contributions during the year		110	15	-	-	125
Net income for the year before Mudarib's share		-	-	-	2,208	2,208
Mudarib's share of net income		-	-	-	(221)	(221)
Dividends*		-	-	-	(1,430)	(1,430)
Balance at 31 December 2022		**114,510**	**7,221**	**7,097**	**2,015**	**130,843**
Contributions during the year		**690**	**99**	**-**	**-**	**789**
Net income for the year before Mudarib's share		**-**	**-**	**-**	**3,522**	**3,522**
Mudarib's share of net income		**-**	**-**	**-**	**(352)**	**(352)**
Dividends*	24	**-**	**-**	**-**	**(1,947)**	**(1,947)**
Balance at 31 December 2023		**115,200**	**7,320**	**7,097**	**3,238**	**132,855**

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

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	Notes	2023	2022
OPERATING ACTIVITIES			
Net income after mudarib's share of net income		**3,171**	1,987
Adjustments of non-cash items:			
Depreciation of ijarah assets	5	**4,780**	4,922
Depreciation of real estate investments		**125**	125
Mudarib's share of net income		**352**	221
Unrealized fair value gain on sukuk investments	6	**(161)**	(119)
Accrued income on sukuk investments	6	**138**	51
Amortization of discount on sukuk investment	6	**(53)**	(53)
Loss on redemption of investment in sukuk	6	**159**	375
Unrealised foreign exchange (gain) / loss		**(46)**	180
Impairment charge	11	**3,600**	3,054
Changes in operating assets and liabilities:			
Commodity murabaha placements		**1,035**	(9,091)
Other receivable		**(1)**	(297)
Due from a related party		**-**	6,086
Due to related parties		**(7,755)**	7,766
Accrued expenses and other payables		**626**	(587)
Cash generated from operations		**5,970**	14,620
Mudarib's share of income paid		**(221)**	(373)
Net cash generated from operating activities		**5,749**	14,247
INVESTING ACTIVITIES			
Investments in Ijarah assets		**(5,172)**	(11,506)
Proceeds from redemption of investments in sukuk		**9,000**	5,052
Repayments from mudaraba and wakala financing		**369**	212
Investments in project Murabaha		**417**	(126)

Investments in istisna'a		**(15,302)**	(5,525)
Net cash used in investing activities		**(10,687)**	(11,893)
FINANCING ACTIVITIES			
Capital contribution		**789**	2,625
Certificate redemption		**-**	(2,500)
Dividends paid		**(1,894)**	(1,410)
Investments in real estate		**(194)**	209
Net cash used in financing activities		**(1,299)**	(1,076)
Net change in cash and cash equivalents		**(6,238)**	1,278
Cash and cash equivalents at the beginning of the year	3	**13,620**	12,342
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**7,383**	13,620

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2023 (Expressed in thousands of US Dollars)

	2023	2022	2021
DATA PER CERTIFICATE			
Net Assets value – beginning of the year	**11.426**	11.378	11.589
Impairment from first time adoption of FAS 30	**-**	-	(0.297)
Units issued	**0.0007**	0.0002	0.053
Net Income before mudarib's share of Income	**0.306**	0.192	0.325
Less: mudarib share of net Income	**(0.031)**	(0.019)	(0.032)
Net Income after mudarib's share of net Income	**0.275**	0.173	0.293
Dividends	**(0.169)**	(0.125)	(0.260)
Net assets value – end of the year	**11.533**	11.426	11.378

The data per certificate is calculated using the number of certificates outstanding at 31 December 2023 and 31 December 2022, which were 11,520 and 11,451 certificates respectively at each reporting date.

	2023	2022	2021
FINANCIAL RATIOS/SUPPLEMENTARY DATA:			
Net assets - end of the year	**132,855**	130,843	130,161
Average of net assets	**131,849**	130,502	122,200
Ratio of operating expenses to average of net assets	**6.41%**	6.21%	2.40%
Annual rate of return	**2.75%**	1.69%	2.86%

1. ORGANIZATION AND ACTIVITIES

Awqaf Properties Investment Fund (the"Fund") is a trust fund established under Article numbers 2 and 23 of the Articles of Agreement of Islamic Development Bank ("IsDB" or the "Bank") based in Jeddah, Kingdom of 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 objectives 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 also have a Participants Committee which is composed of all Participants 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") and Shari'ah Rules and Principles as determined by the Group Shari'ah Board of the IsDB Group. For matters which are not covered by AAOIFI standards, the Fund follows generally accepted accounting principles as required by the conceptual framework of AAOIFI, provided they do not contradict the rules and principles of Islamic Shari'ah as determined by the Shari'ah Board of the IsDB Group.

Functional and presentation currency:

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

b) Accounting convention

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

c) Financial assets and liabilities

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

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

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

Recognized financial assets and financial liabilities are initially measured at fair value, for concessional loans (Qard) fair value is best evidenced by the transaction amount. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of operations) 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 fair value through statement of operations are recognized immediately in statement of operations.

Financial assets

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 comprise investments in debt-type, equity-type financial instruments and other investment instruments.

(i) Classification

Debt-type instruments

Categorization

Debt-type instruments are instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability.

Investments in debt-type instruments are categorized into following a) non-monetary debt-type instruments or b) monetary debt-type instruments.

a) Non-monetary debt-type instruments – these are debt-type instruments whereby the transaction structure results in creation of a non-financial liability or usufruct or services to be delivered in future; and are classified into the following categories: 1) at amortized cost, 2) at fair value through changes in net assets or 3) fair value through statement of operations.

A non-monetary debt-type instrument is classified and measured at amortised cost only if investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument classified and measured at fair value through changes in net assets only if the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument 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. At inception, a non-monetary debt-type instrument can only be designated at fair value through statement of operations if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise on measuring the assets or liabilities or quasi equity recognising the gains or losses on them on different bases.

b) Monetary debt-type instruments – these are debt-type instruments whereby the transaction structure results in creation of a financial liability / debt; and are classified and measured at cost, till the time the transaction at the back-end is executed: and at amortised cost thereafter.

Equity-type instruments

Equity-type instruments are instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

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 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'.

Investments designated at fair value through statement of operations are those 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 changes in net assets.

Other investment instruments

Other investment instruments are investment instruments which do not meet the definition of either debt-type or equity-type instruments.

Other investment instruments are classified into the following categories: 1) at amortized cost, 2) at fair value through changes in net assets or 3) at fair value through statement of operations.

Other investment instrument is classified and measured at amortised cost only if investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument and the investment have a reasonably determinable effective yield.

Other investment instrument classified and measured at fair value through changes in net assets only if the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment and the investment have a reasonably determinable effective yield.

Other investment instrument 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. At inception, other investment instrument can only be designated at fair value through statement of operations if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise on measuring the assets or liabilities or quasi equity recognising the gains or losses on them on different bases.

(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 are 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 changes in net assets are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the statement of changes in net assets and presented in a separate fair value reserve within equity. When the investments classified as fair value through net assets 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 Fund measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of 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
Ijarah assets	Amortized cost less depreciation and impairment
Investments in sukuk classified as either:	Fair value through statement of operations; or amortized cost
Mudaraba and wakala lease financing	Amortized cost
Musharaka	Amortized cost
Istisna'a	Amortized cost
Project Murabaha	Amortized cost
Due from a related party	Amortized cost
Due to related parties	Amortized cost

<u>Offsetting of financial assets and liabilities</u>

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 FAS issued by AAOIFI, or for gains and losses arising from a group of similar transactions.

Financial liabilities

The Fund derecognizes financial liabilities when, and only when, its contractual obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of operations.

The Fund also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of operations and statement of changes in net assets.

d) Cash and cash equivalents

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

e) Commodity murabaha placements

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

f) Sukuk investments

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

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

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

g) Ijarah assets

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

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

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

h) Real estate investments

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

i) Istisna'a

Istisna'a is an agreement whereby the Fund sells to the customer an asset which is either constructed or manufactured with agreed-upon specifications, for an agreed-upon price.
Istisna'a assets in progress represent disbursements made as well as accrued income against assets being either constructed or manufactured.
After completion, the istisna'a asset is transferred to the istisna'a receivable account and is carried at the value of amounts disbursed, plus income accumulated over the construction / manufacturing period, less repayments received and allowance for credit losses.

j) Project murabaha

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

k) 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.

l) Mudaraba and wakakla lease Financing

Mudaraba

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

Wakala

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

m) Foreign currencies

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

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

Non-monetary assets and liabilities in foreign currencies that are measured at fair value are translated into the functional currency of the Fund at the spot exchange rate at the date on which the fair value was determined. Foreign currency

differences resulting from translation of such investments are recognised in the fair value reserve account under changes in net assets.

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

n) Revenue recognition

Commodity murabaha placements

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

Sukuk Investments

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

Ijarah Assets

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

Istisna'a

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

Project murabaha

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

Mudaraba lease financing

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

Wakala lease financing

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

Musharaka

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

o) Impairment assessment

Impairment of Assets held at amortized cost

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

i. Stage 1 – No significant increase in credit risk;

ii. Stage 2 – Significant increase in credit risk (SICR); and

iii. Stage 3 – Credit impaired financial assets.

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

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

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

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

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

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

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

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

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

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).

- As for instruments classified in stage 3, loss allowance is quantified as the product of LGD and EAD of each instrument.

Credit-impaired financial assets

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

For Sovereign:

Prolonged Civil War/ external arms conflict

For Non-Sovereign:

Company files for bankruptcy

Cancellation of Operating License

Clear evidence that the company will not be able to make the future repayments.

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

Purchased or originated credit-impaired (POCI) financial assets

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

Modification and derecognition of financial assets

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

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

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

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective

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

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

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

- the remaining lifetime PD at the reporting date based on the modified terms.

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

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

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

Definition of default

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

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

- All contracts or obligors rated 21 in the Fund's internal scale (equivalent to C in Moody's scale and D in both S&P's and Fitch Ratings' scale); or

- Moreover, the Fund also uses a rebuttable presumption based on DPD. This rule is applied if the contractual payments are due for more than 180 days for sovereign contracts and 90 days for non-sovereign ones, unless there is reasonable and supportable information indicating that the contract is not credit-impaired.

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

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

Write-off

When the non-sovereign exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the statement of operations. Such assets are written-off only after all necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the Fund's statement of operations. Sovereign exposures are not written-off based on the Fund's past experience, since its inception. Fund has not written off any non-sovereign financial assets during the current and prior year.

Impairment of investments held at fair value through statement of changes in net assets

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

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

Other amortised cost assets

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

p) Zakat and tax

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

q) 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.

r) Critical accounting judgments and estimates

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

Significant Judgments

Going concern

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

Significant estimates

Expected credit losses against financial assets

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

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice

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

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

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

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

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

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

Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets is measured by using valuation techniques which require a certain degree of judgement and estimation.
Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

The effect of new and revised financial accounting standards

The following new financial accounting standards ("FAS") of The Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements if found to be applicable.

Financial Accounting Standard – 39 "Financial Reporting for Zakah"

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

Financial Accounting Standard - 41 “Interim Financial Reporting”

This standard prescribes the principles for the preparation of interim financial reports and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to the Islamic financial institutions in line with AAOIFI FAS.

The standard considers and aligns with the relevant requirements with FAS 1 “General Presentation and Disclosures in the Financial Statements” and other recently issued / revised FASs. This standard also provides an option for an institution to prepare and publish a complete set of financial statements at interim reporting dates in line with the respective FASs. This standard shall be effective for financial periods beginning on or after 1 January 2023.

The Fund has evaluated the requirements of the standard and concluded that it is not applicable on the Fund. The Fund, being a supranatural institution, is not required under law or regulation to prepare interim financial reports neither it prepares interim financial reports on a voluntary basis.

Financial Accounting Standard - 44 “Determining control of assets and business”

This standard prescribes the criteria of obtaining control of assets, i.e., having risks and rewards incidental to ownership of assets, including those related to underlying assets of instruments such as Sukuk and participatory arrangements such as Mudaraba, Musharaka and Investment Wakala. Furthermore, the standard addresses circumstances when control is lost.

This standard also sets out the principles for assessing the need to consolidate financial statements in case an institution controls a business, taking the form of an independent legal entity. This standard shall be effective for the financial periods ended 31 December 2023. The Fund has evaluated the provisions of this standard and concluded that the Fund is already in compliance with the requirements of the Standard.

Standards issued but not yet effective

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

I. Financial Accounting Standard – 40 “Financial Reporting for Islamic Finance Windows”

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

II. 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 2024 with early adoption permitted. The Fund is currently evaluating the impact of this standard on its financial statements.

III. Financial Accounting Standard - 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions"

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules.

This standard improves the presentation and disclosure requirements, in line with the global best practices, and supersedes the existing FAS 12 "General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies".

This standard shall be effective on the annual financial statements of the Takaful institutions beginning on or after 01 January 2025. FAS 42 shall not impact the financial statements as the Fund is not a Takaful institution.

IV. Financial Accounting Standard - 43 "Accounting for Takaful: Recognition and Measurement"

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business.

This standard shall be effective on the financial statements of the Takaful institution for the annual financial reporting period beginning on or after 01 January 2025. FAS 43 shall not impact the financial statements as the Fund is not a Takaful institution.

V. Financial Accounting Standard - 45 "Quasi Equity (including Investment Accounts)"

This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instrucments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance sheet accounting and are reported as quasi-equity.

This standard provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure of quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Fund is currently evaluating the impact of this standard on its financial statements.

VI. Financial Accounting Standard - 46 "Off balance sheet assets under management"

This standard prescribes the criteria for characterization of off-balance sheet assets under management and the related principles of financial reporting in line with the "AAOIFI conceptual framework for financial reporting".

This standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies etc relating to off balance sheet assets under management, as well as, certain specific aspects of financial reporting, e.g. impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements, particularly aligning the same with the requirements of FAS 1 "General Presentation and Disclosures in the financial statements" in respect of the Statement of changes in the off balance sheet assets under management.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-equity (including investment accounts)". The Fund is currently evaluating the impact of this standard on its financial statements.

VII. Financial Accounting Standard - 47 "Transfer of assets between investment pools"

This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfer of assets between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Sha'riah principles and rules and describes general disclosure requirements in this respect.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Fund is currently evaluating the impact of this standard on its financial statements.

3. CASH AND CASH EQUIVALENTS

	2023	2022
Cash in banks	**4,900**	2,661
Commodity murabaha placements with maturities less than 3 months (note 4)	**2,483**	10,959
Cash and cash equivalents	**7,383**	13,620

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

4. COMMODITY MURABAHA PLACEMENTS

	2023	2022
Commodity murabaha placements	**27,716**	37,299
Accrued income	**257**	185
Commodity murabaha placements with maturities less than 3 months (note 3)	**(2,483)**	(10,959)
	25,490	26,525

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

5. IJARAH ASSETS, NET

IJARAH MUNTAHIA BITTAMLEEK

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

	2023	2022
Cost		
Assets under construction:		
Balance at beginning of the year	**22,904**	10,903
Additions	**2,250**	12,001
Transfer to assets in use	**(11,703)**	-
Balance at end of the year	**13,451**	22,904
Assets in use:		
Balance at beginning of the year	**81,798**	82,031
Transfer from assets under construction	**11,703**	-
Other transfers	**966**	(233)
Balance at end of the year before impairment provision	**94,467**	81,798
Total costs	**107,918**	104,702
Accumulated depreciation:		
Balance at beginning of the year	**68,269**	63,871
Other adjustment	**192**	(524)
Charge for the year	**4,780**	4,922
Balance at end of the year	**73,241**	68,269
Net book value	**34,676**	36,433

Plus: Ijarah overdue receivables & accruals	**6,515**	5,090
Less: impairment provision (note 11)	**(8,258)**	(5,475)
Accrued income	**1,563**	768
Total investment in ijarah assets	**34,496**	36,816

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

	2023	2022
Balance at the beginning of the year	**5,475**	4,603
Charge for the year	**2,783**	872
Balance at the end of the year	**8,258**	5,475

The net ijarah income is summarized as follows:

	2023	2022
Rental income	**7,219**	7,002
Depreciation expense	**(4,780)**	(4,922)
Net rental income	**2,439**	2,080

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

6. SUKUK INVESTMENTS

Investment in Sukuk certificates represents a share in the sukuk issued by various governments.
Investments in sukuk are classified as follows:

	2023	2022
Governments	**15,019**	24,102

Investments in sukuk as at 31 December comprised the following:

	2023	2022
Sukuk classified as fair value through statement of operations	**-**	9,135
Sukuk classified at amortised cost	**15,019**	14,967
Total	**15,019**	24,102

The movement during the year is as follows:

	2023	2022
Opening balance	**24,102**	29,408
Movement during the year		
Redemption	**(9,159)**	(5,427)
Unrealised fair value gain	**161**	119
Accrued income	**(138)**	(51)
Unamortised discount	**53**	53
Balance at end of the year	**15,019**	24,102

Credit Ratings	2023	2022
A-	**15,019**	14,966
AA-	**-**	5,072
Unrated	**-**	4,064
Total	**15,019**	24,102

Income from sukuk investments is comprised of the following:

	2023	2022
Coupon income	**477**	776
Loss on redemption of sukuks held at fair value through statement of operations	**(159)**	(375)
Unrealised fair value gain	**161**	119
Amortisation of discount	**53**	53
Total	**532**	573

7. MUDARABA AND WAKALA FINANCING

	2023	2022
Wakala financing – Bosnia Bank International	**1,825**	1,991
Mudaraba - Malaysia Shariah Courthouse	**1,057**	1,260
Total Wakala financing and Mudaraba	**2,882**	3,251
Foreign currency revaluation	**(579)**	(603)
Total	**2,303**	2,648

The movement in mudaraba and wakala financing is summarized as follows:

	2023	2022
Balance at beginning of the year	**3,251**	3,463
Repayments	**(369)**	(212)
Balance at the end of the year	**2,882**	3,251

8. REAL ESTATE INVESTMENTS

	2023	2022
Building	**4,559**	4,559
Less: Accumulated depreciation	**(386)**	(261)
Net Book value of Building	**4,173**	4,298
Land	**7,813**	7,813
Share of syndicate member	**(6,039)**	(6,233)
Total	**5,947**	5,878

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 Fund adopted a policy of revaluing properties every three years using an independent appraiser report. The latest independent appraisal report was on 10th December 2021. The appraiser used the income and replacement cost approaches to conclude the fair value of the properties.

Based on the appraiser reporting using the income approach, the market value of the property as at 31 December 2021 amounted to USD 13,33 million of which the Fund's share is 51.51%. In contrast, the property's value using the replacement cost amounted to USD 7,87 million, considering the fund's share as mentioned earlier (including the land's value and building costs). The appraiser concluded that the property value is USD 13,33 million (using the income approach) considering the effect of COVID-19 circumstances on the real estate market in the Kingdom of Saudi Arabia.

The management believes that the market value of the property is substantially the same as at 31 December 2023, based on current economic conditions, and the demand and supply conditions of the real estate market in the city of Jeddah, Kingdom of Saudi Arabia.

The rental income during 2023 was USD 634 (2022: USD1,009), and the operating expense was USD 503 (2022: USD 593). The Net rental income during the year was USD 131 (2022: USD 416).

9. ISTISNA'A

	2023	2022
Istisna'a assets in progress	**68,142**	64,175
Istisna'a receivable	**37,330**	14,118
Accrued income	**9,391**	6,846
Less: Deferred profit	**(7,628)**	(2,309)
Less; Share of syndication participants	**(64,442)**	(55,342)
Less: impairment provision (note 11)	**(4,405)**	(3,525)
Total	**38,388**	23,963

The Fund's share in the aforementioned syndicated projects range from 14.3% to 80% (2022: 14.3% to 80%) of the project receivables.

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

	2023	2022
Balance at the beginning of the year	**3,525**	2,089
Charge for the year	**880**	1,436
Balance at the end of the year	**4,405**	3,525

10. PROJECT MURABAHA

	2023	2022
Project murabaha receivable	**17,279**	15,360
Accrued income	**108**	113
Less: Deferred profit	**(4,211)**	(1,418)
Less; Share of syndication participants	**(5,339)**	(5,800)
Less: impairment provision (note 11)	**(154)**	(349)
Total	**7,683**	7,906

11. PROVISION FOR IMPAIRMENT OF TREASURY, INVESTMENT AND RECEIVABLE ASSETS

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

	31-Dec-23			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Ijarah assets	**414**	**1,146**	**6,698**	**8,258**
Istisna'a	**1,369**	**-**	**3,036**	**4,405**
Project Murabaha	**87**	**-**	**67**	**154**
	1,870	**1,146**	**9,801**	**12,817**
Musharaka				**1,031**
Other receivable				**133**
Total				**13,981**

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

The movement in provision for impairment is as follows:

	2023	2022
Balance at the beginning of the year	**10,381**	7,327
Charge for the year	**3,600**	3,054
Balance at the end of the year	**13,981**	10,381

12. 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 reporting date, the number of the subscribed certificates held by IsDB is 3,200 (2022: 3,200).
The Fund is managed by the IsDB and its transactions are done through the IsDB and the majority of the principal arrangements are managed by IsDB.

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

Due to related parties	**2023**	2022
IsDB – Ordinary Capital Resources	**11**	7,764
Economic Empowerment Fund for Palestinian People	**-**	2
	11	7,766

13. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 31 December comprise the following:

	2023	2022
Authorised: 50,000 certificates of USD 10,000 each (2022- 50,000 certificates of USD 10,000 each)	**500,000**	500,000
Issued, subscribed and paid-up: 11,520 certificates of USD 10,000 each (2022- 11,451 certificates of USD 10,000) each	**115,200**	114,510

During the year, the Fund's capital was further increased by USD 150,000 on 25th Rajab, 1445H (July 17, 2023), and USD 540,000 on 25th Rabi ul Awal, 1445H (October 10, 2023) as approved by the President, IsDB.

13.1. 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.

14. CREDIT RISK

Credit risk is the risk that an obligor (i.e. sovereign, financial institution, corporate, project company, etc.) may fail to discharge its contractual obligation resulting in financial loss to the Fund. Credit risk is the largest source of risk for the Fund arising essentially from its financing and investment operations.

The Fund manages three principal sources of credit risk:

(i) credit risk pertaining to its sovereign financing operations portfolio;

(ii) credit risk pertaining to its non-sovereign financing portfolio (projects, corporates, and financial institutions)

(iii) counterparty credit risk in its treasury portfolio.

IsDB has put in place a comprehensive credit risk management framework including policies, guidelines, and tools on various types of financing operations. The credit policy formulation, limit setting and exposure monitoring are performed independently by Risk Management Department, which ensures that business departments comply with relevant guidelines and prudential limits established by the Board of Executive Directors ("BED") and management. IsDB uses a 21-scale risk rating system, with "1" being the best rated exposure and corresponding to "AAA" on the international rating agencies scale and 21 as selective default. The 21 scales are again grouped into 7 categories starting from "A" to "G". 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 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 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.

Sovereign credit risk

When the Fund finances sovereign entities, it requires a full sovereign guarantee or the equivalent. In extending such financing, the Fund is exposed to country risk, which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Fund. IsDB manages country credit risk, taking into consideration its preferred creditor treatment, through appropriate policies and guidelines covering the end-to-end process including country risk assessment (via country's credit rating) and limit setting, operations planning, quality at entry of project proposals, disbursement, repayment and overdue management. Portfolio monitoring is performed on regular basis to ensure adherence to guidelines and limits and appropriate actions are taken to preserve the quality of the portfolio.

Non-sovereign credit risk

Exposure to non-sovereign credit risk arises from financing operations extended to projects, corporates, and financial institutions without explicit guarantees of concerned governments. Such financing are however limited to strategic entities and projects in member countries whereby the government is generally a major stakeholder as a shareholder or guarantor of supplier / off-taker, such as in Private Public Partnership (PPP) projects.

The Fund manages credit risk inherent in non-sovereign financing operations at two levels; transaction level and portfolio level. At the transaction level, the Fund adopts comprehensive risk assessment guidelines and rating models for projects, corporates and financial institutions to enhance the due diligence process and ensure quality at entry of new proposals. IsDB has in place a limit management framework to determine maximum exposure to any financing operation based on its credit profile. Moreover, appropriate guarantees and securities are obtained for non-sovereign operations based on the risk assessment and due diligence process. The due diligence and approval process is vetted through the technical committees and the operations committees before submission to the President or Board for approval.

At the portfolio level, monitoring is performed on regular basis within an established early warning system. Based on the outcome of the assessment, the risk rating of the operations are updated accordingly and appropriate actions taken as regards any operation showing signs of deterioration of its credit profile.

Expected Credit Risk for financial assets measured at amortized cost

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

Determining the stage for impairment

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

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

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

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

A financial asset is no longer considered impaired when all past due amounts have been recovered, and it is determined that the outstanding amounts with future expected income are fully collectable in accordance with the original contractual terms or revised terms of the financial instrument with all criteria for the impaired classification having been remedied. The financial asset will be transferred back to stage 2 after a cure period of 6 months.

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, Stage 2 and Stage 3 instruments by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD) and discounting the resulting provision using the instrument's effective profit rate (EPR).

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

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

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

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

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

Exposure Amounts and ECL coverage

The Fund recognizes 12-month ECL for stage 1 instruments and lifetime ECL for stage 2 instruments. For stage 3 instruments, the Fund calculates the ECL as the product of LGD and EAD of each instrument.

Tables below present the breakdown of gross exposure amount (treasury, investment and receivable assets that are subject to credit risk), impairment allowance, and the coverage ratio by exposure type for financial instruments measured at amortized cost as at 31 December 2023.

31 December 2023	Gross Exposure Amount				Impairment Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	**6,274**	**-**	**5,792**	**12,066**	**71**		**1,692**	**1,763**
Non-Sovereign	**55,666**	**8,433**	**13,882**	**77,981**	**1,798**	**1,146**	**8,110**	**11,054**
Total 31 December 2023	**61,940**	**8,433**	**19,674**	**90,047**	**1,869**	**1,146**	**9,802**	**12,817**

31 December 2023	Coverage Ratio (Impairment Allowance /Gross Exposure Amount)			
	Stage 1	Stage 2	Stage 3	Total
Sovereign	**1.13%**	**0.00%**	**29.21%**	**14.61%**
Non-Sovereign	**3.23%**	**13.59%**	**58.42%**	**14.18%**
Total 31 December 2023	**3.01%**	**13.59%**	**49.82%**	**14.23%**

31 December 2022	Gross Exposure Amount				Impairment Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	29,391	-	5,740	35,131	59	-	1,404	1,463
Non-Sovereign	68,150	13,812	19,960	101,922	1,468	1,267	5,151	7,886
Total 31 December 2022	97,541	13,812	25,700	137,053	1,527	1,267	6,555	9,349

31 December 2022	Coverage Ratio (Impairment Allowance / Gross Exposure Amount)			
	Stage 1	Stage 2	Stage 3	Total
Sovereign	0.20%	0.00%	24.46%	4.16%
Non-Sovereign	2.15%	9.17%	25.81%	7.74%
Total 31 December 2022	1.57%	9.17%	25.51%	6.82%

15. 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 and investing activities to avoid undue concentration of risk with individuals or customers in specific locations or industry sectors.

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

31 December 2023

Description	Cash and cash equivalents	Commodity murabaha placement	Investments	Receivables	Total
Africa	-	-	16,424	21,491	37,915
Asia	7,383	25,490	39,083	11,525	83,481
Europe	-	-	2,258	3,634	5,892
North America	-	-	-	9,723	9,723
Total Assets	7,383	25,490	57,765	46,373	137,011

31 December 2022

Description	Cash and cash equivalents	Commodity murabaha placement	Investments	Receivables	Total
Africa	-	-	19,745	14,866	34,611
Asia	13,620	26,525	46,984	8,198	95,327
Europe	-	-	2,715	2,514	5,229
North America	-	-	-	6,725	6,725
Total Assets	13,620	26,525	69,444	32,303	141,892

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

31 December 2023

Description	**Real estate**	**Public utilities**	**Financial institutions**	**Other**	**Total**
Cash and cash equivalents	**-**	**-**	**7,383**	**-**	**7,383**
Commodity murabaha placements	**-**	**-**	**25,490**	**-**	**25,490**
Investments	**26,699**	**28,762**	**-**	**2,304**	**57,765**
Receivables	**46,071**	**-**	**-**	**-**	**46,071**
Other receivable	**302**	**-**	**-**	**-**	**302**
Total assets	**73,072**	**28,762**	**32,873**	**2,304**	**137,011**

31 December 2022

Description	**Real estate**	**Public utilities**	**Financial Institutions**	**Other**	**Total**
Cash and cash equivalents	-	-	13,620	-	13,620
Commodity murabaha placements	-	-	26,525	-	26,525
Investments	31,434	17,971	-	20,039	69,444
Receivables	31,869	-	-	-	31,869
Other receivable	434	-	-	-	434
Total assets	63,737	17,971	40,145	20,039	141,882

16. 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:

Description	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not Determined	Total
	31 December 2023					
Assets						
Cash and cash equivalents	**7,383**	**-**	**-**	**-**	**-**	**7,383**
Commodity murabaha placements	**-**	**25,490**	**-**	**-**	**-**	**25,490**
Investments	**3,465**	**2,711**	**25,404**	**20,237**	**5,948**	**57,765**
Receivables	**712**	**1,685**	**7,963**	**10,765**	**24,946**	**46,071**
Other receivable	**302**	**-**	**-**	**-**	**-**	**302**
Total assets	**11,862**	**29,886**	**33,367**	**31,002**	**30,894**	**137,011**
Liabilities						
Due to a related party	**11**	**-**	**-**	**-**	**-**	**11**
Accrued expenses and other payables	**3,672**	**-**	**-**	**-**	**-**	**3,672**
Accrued Mudarib's share of income	**352**	**-**	**-**	**-**	**-**	**352**
Dividend payable	**121**					**121**
Total liabilities	**4,156**	**-**	**-**	**-**	**-**	**4,156**
Net Assets	**7,706**	**29,886**	**33,367**	**31,002**	**30,893**	**132,855**

Description	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not Determined	Total
	31 December 2022					
Assets						
Cash and cash equivalents	13,620	-	-	-	-	13,620
Commodity murabaha placements	-	26,525	-	-	-	26,525
Investments	12,780	4,096	20,124	3,663	28,781	69,444
Receivables	569	805	5,671	7,913	16,911	31,869
Other receivable	434	-	-	-	-	434

Total assets	27,403	31,426	25,795	11,576	45,692	141,892
Liabilities						
Due to related parties	7,766	-	-	-	-	7,766
Accrued expenses and other payables	2,994	-	-	-	-	2,994
Accrued Mudarib's share of income	221	-	-	-	-	221
Dividend payable	68					68
Total liabilities	11,049	-	-	-	-	11,049
Net Assets	16,354	31,426	25,795	11,576	45,692	130,843

17. 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.

18. 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.

19. 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.

20. UNDISBURSED COMMITMENTS

As at 31 December 2023, the undisbursed commitment relating to ijarah, istisna'a and grants are as shown in the table below:

	2023	2022
Istisna'a	**19,101**	16,297
Ijarah	**29,173**	7,878
Grants	**68**	85
Total	**48,342**	24,260

21. FAIR VALUES OF FINANCIAL ASSETS

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

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

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

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through statement of operations:				
Investments in sukuk	**-**	**-**	**-**	**-**
Total	**-**	-	**-**	**-**

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

22. 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.

23. LIBOR TRANSITION

Benchmark transition

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

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

Various key milestones were overcome involving:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks arising from the benchmark reform

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

1. Shariah risk: Given that the Fund must abide but the Shariah principles, the clearance on use of a new benchmark rate for pricing the financial exposures was one of the major milestones in Fund's transition program. However, this risk has been addressed by obtaining the clearance from IsDB's Shariah Technical Committee on use of CME Term SOFR as replacement benchmark.

2. Legal risk: There is a possibility of not reaching an agreement with the counterparts on revised pricing particularly on the legacy contracts. This could be a result of having ineffective fallback clauses in the signed legal agreements. This risk has been addressed with the formulation of enhanced 'Fallback' clause which has been added to all new contracts and for legacy contracts, an external Law firm is in process of drafting amendment agreements while the Fund is engaged

with paying agencies and counterparts on building consensus on the conversion of Libor linked outstanding contracts.

3. IT and system risks: It is expected that the booking of new contracts and conversion of legacy contracts from old benchmark to new may require certain enhancements in system functionalities and processes. This risk is addressed by performing thorough business user testing on existing systems, and running various use cases that will be required for utilizing the new reference rates.

Progress towards adoption of alternative benchmark rates

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

Profit rate benchmark transition for non-derivative financial contracts

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

The same is the case of legacy contracts for non-sovereign financing. The Fund is part of the syndicate's finances, 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, IsDB will run the assessment and decide accordingly. IsDB has already communicated to the relevant Lead Syndicate that the preferred alternate reference rate is Term SOFR and it has been confirmed that there is a consensus amongst MDBs on use of Term SOFR for PPP portfolio.

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

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

24. SUBSEQUENT EVENT

Subsequent to the year, the Participants Committee in their meeting held on March 30, 2023, approved to distribute dividend amounting to USD 1.95 million (USD 170 per certificate).

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with the resolution of the Board of Executive Directors dated April 1, 2024 (corresponding to 10 Ramadan, 1445H).

ANNEXES

ANNEX 1:
CURRENT INVESTORS IN APIF

1. APIF PARTICIPANTS AND THEIR CONTRIBUTION IN THE PAID-UP CAPITAL AS OF 31/12/2023

No.	Name of Participant	Country	Paid-up Capital (US$ Million)	Percentage
1	Islamic Development Bank	Saudi Arabia	32	27.78%
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.51	13.46%
3	Islami Bank Bangladesh Limited	Bangladesh	10.26	8.91%
4	Badan Pengelola Keuangan Haji	Indonesia	10	8.68%
5	Faisal Islamic Bank	Egypt	9.15	7.94%
6	General Authority for Awqaf	Saudi Arabia	7.5	6.51%
7	Monerah Al-Sabhan	Saudi Arabia	6.9	5.99%
8	Kuwait Awqaf Public Foundation	Kuwait	5	4.34%
9	Direct Aid Society	Kuwait	5	4.34%
10	Kuwait Finance House	Kuwait	2.5	2.17%
11	Iran Endowment Fund	Iran	2.47	2.14%
12	Social Islamic Bank Bangladesh	Bangladesh	1.75	1.52%
13	International Islamic Fiqh Academy	Saudi Arabia	1.29	1.12%
14	Al-Baraka Islamic Bank	Bahrain	1	0.87%
15	Bahrain Islamic Bank	Bahrain	1	0.87%
16	Tadamon Islamic Bank	Sudan	1	0.87%
17	Jordan Islamic Bank	Jordan	1	0.87%
18	Ministry of Awqaf and Islamic Affairs	Jordan	1	0.87%
19	World Assembly of Muslim Youth	Saudi Arabia	0.87	0.76%
Total			**115,200**	**100%**

2. BRIEF PROFILE OF THE INVESTORS IN APIF BESIDES ISDB

OIC – Islamic Solidarity Fund[6]

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[7]

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

Badan Pengelola Keuangan Haji[8]

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.

6 Source: https://www.oic-oci.org/page/?p_id=64&p_ref=33&lan=en
7 Source: https://www.islamibankbd.com/
8 Source : https://bpkh.go.id/

Faisal Islamic Bank[9]

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.

General Authority for Awqaf[10]

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[11]

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.

9 Source: http://www.faisalbank.com.eg/FIB/english/about-us/incorporation-history.html
10 Source: http://careers.awqaf.gov.sa/EN/content.php?ulid=272128-about-awqaf
11 Source: http://www.awqaf.org.kw/EN/Pages/Establishment.aspx

Kuwait Finance House (KFH)[12]

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[13]

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[14]

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.

12 Source: https://www.kfh.com/en/home/Personal/aboutus/story.html
13 Source : https://direct-aid.org/donate/en/
14 Source: http://www.icrjournal.org/icr/index.php/icr/article/download/106/102

Social Islami Bank Bangladesh[15]

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[16]

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

Al-Baraka Islamic Bank[17]

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.

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

Bahrain Islamic Bank[18]

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

Tadamon Islamic Bank[19]

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[20]

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.

18 Source: https://www.bisb.com/en/about-bisb
19 Source: http://tadamonbank-sd.com/index.php/ar/pages/details/8
20 Source: https://www.jordanislamicbank.com/en/content/bank-establishment

Jordanian Ministry of Awqaf Islamic Affairs and Holy Places[21]

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[22]

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.

21 Source: http://www.awqaf.gov.jo/Pages/viewpage.aspx?pageID=147
22 Source: https://wamy.org/

ANNEX 02
APIF COMMITTEES

I. MEMBERS OF THE PARTICIPANTS COMMITTEE OF APIF AS OF 31 DECEMBER 2023

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
Mr. Fadlul Imansyah
Chief of Executive Board Badan Pengelola Keuangan Haji, Indonesia

Member
Ms. Noura Al Hokair
Executive Director, Financial Investments, General Authority for Awqaf, KSA

Member
Mr. Fawaz Suleiman Al-Rajhi
Representative of Ms. Monira Al Sahban

Member
Mr. Hamad Abdul Mohsen Al Marzouq
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
Mr. Md. Akmal Hossain
Executive Vice President, Social Islami Bank, Bangladesh

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

Mr. Yousef Al Qudah
Minister of Awqaf, Islamic Affairs and Holy Places, Jordan

Member
Mr. Hussain Said Saifan
Chairman of the Board of Directors and Director General, Jordan Islamic Bank, Jordan

Member
Mr. Yaser Alsharifi
Chief Executive Officer, Bahrain Islamic Bank

Member
Mr. Dr. Adel Salem
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 2023

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. Mohammed Aba Alkhayl

Executive Director OIC-Islamic Solidarity Fund

Member

Hon. Hamed Arabi Elhouderi

Executive Director,
Islamic Development Bank

Member

Prof. Mr. Nazmul Hassan, Ph.D

Honorable Chairman,
Islami Bank Bangladesh Limited

Member

Hon. Hassan Jaafar Abdulrahman

Executive Director,
Islamic Development Bank

Member

Mr. Mohammed Monirul Moula

Managing Director & CEO,
Islami Bank Bangladesh Limited

Member

Mr. M. Arief Mufreini

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

Member

Mr. Nasir Ahmad Al Kheder

Secretary General,
Kuwait Awqaf Public Foundation,
Kuwait

Member

Mr. Fadlul Imansyah

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

Member

Dr. Abdullah Abdul Rahman Al Sumait

General Manager,
Direct Aid Association – Kuwait

Member

Mr. Abdulhamid Abu Mousa

Governor, Faisal Islamic Bank of Egypt,
Egypt

Member

Mr. Yousef Al Qudah

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

Member

Ms. Noura Al Hokair

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

Member

Mr. Abass Abd Allah Abass

General Manager,
Tadamon Islamic Bank

Member

Rayan Alluhidan

Representative of Ms. Monira Al Sahban

III. MEMBERS OF THE IsDB GROUP SHARIAH BOARD AS OF 31 DECEMBER 2023

Chairman

His Eminence
Dr. Mohamed Alqari

Member

His Eminence
Dr. Aznan Hassan

Vice Chairman

His Eminence
Dr. Nizam Yacoubi

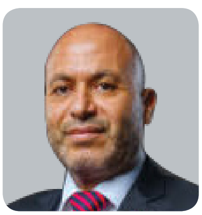
Member

His Eminence
Dr. Hassan Kaleem

Member

His Eminence
Dr. Said Adekunle Mikai

IV. MEMBERS OF THE INVESTMENT MANAGEMENT COMMITTEE AS OF 31 DECEMBER 2023

	**H.E. Dr. Zamir Iqbal** Vice President Finance & CFO Islamic Development Bank	Chairman
	**Adil AlSharif** Director, Special and Trust Funds	Member
	**Mohamed Hedi Mejai** Director, Investment Managements Department	Member
	**Mohammed Sharaf** Director, Treasury Department	Member
	**Abdulkadir Farah** Director, Financial Control Department	Member

Zine Elabidine Bachiri
Director,
Financial Policies, Planning & Analytics

Member

Dr. Abdourabbih Abdouss
Director,
Risk Management Department

Member

Muhammad Yahya Muhammad Tahir
Manager,
Legal

Member

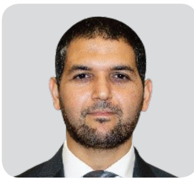
Dr. Abdallahi Mohamed
Acting Head,
Shari'ah Affairs

Member

Hamid Abdullah
Manager,
Compliance Division

Member

V. APIF STAFF MEMBERS



Dr. Mohamed Ali Chatti
Manager,
Awqaf Investments

Hassan Mahfooz
Senior Awqaf Investment Specialist

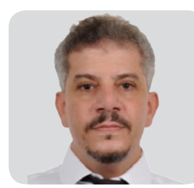
Syed Muhammed Asim Raza
Lead Awqaf Investment Specialist

Ghassen Khelifi
Senior Awqaf Investment Specialist

Mohamed Guermazi
Lead Awqaf Investment Specialist

Bayan Atallah Almazroui
Awqaf Investment Specialist

Ala' Owaidah
Senior Awqaf Investment Specialist



Farouk Al Ghazzi
Technical Support Officer

Faisal AlShami
Senior Awqaf Investment Specialist

Sami Wadi
Technical Support Officer

ANNEX 03
INFORMATION FOR APIF INVESTORS

THE FOLLOWING INFORMATION IS USEFUL FOR POTENTIAL INVESTORS:

1	**Nature & Legal Form**	APIF is established as a U.S. Dollar-denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the APIF Regulations. The Islamic Development Bank (IsDB) undertakes the role of Mudarib, acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal and KYC, and financial control) as well as the general Islamic-finance-based development ecosystem provided by IsDB. The IsDB, the Mudarib (fund Manager) is a multilateral development financing institution headquartered in Jeddah, Saudi Arabia. It was founded in 1973 as a specialized institution of the Organization of Islamic Cooperation (OIC). It has 57 shareholding Member Countries.
2	**Shareholders (Participants)**	Subscription to APIF's capital is open to institutional, individual, and third-sector parties subject to adequate KYC (Know-Your-Customer) and due diligence process.
3	**Organization Structure**	APIF has a Participants Committee, which oversees the implementation of APIF Regulations and Financing and Investment Policy, in addition to reviewing the Annual Report and Final Accounts of APIF before their approval by IsDB's Board of Governors. APIF has a Supervisory Committee, which is responsible for examining the interim accounts of APIF and for proposing policies to the BED. It is also responsible for the periodic review of APIF's performance and submission of related reports to the Participants Committee and IsDB's Board of Executive Directors. As per APIF regulations, representation on APIF committees is as follows: • All shareholders investing more than 100 units will have one representative on the Participants Committee. • All shareholders investing more than 1,000 units will have two representatives on the Supervisory Committee. • All shareholders investing between 500-999 units will have one representative on the Supervisory Committee.

4	**Capital Structure and Resources**	The authorized capital of APIF is US$500 million divided into 50,000units with a par value of US$10,000 each. The Mudarib may mobilize additional resources (grants, cofinancing, etc.) for financing / investing in specific projects directly on such terms and conditions as the Mudarib may deem appropriate. For the grants, the Mudarib and the donor will agree on the modalities and the terms and conditions for their use on a case by case basis. To augment the resources of APIF, the IsDB has extended a US$100 million line of financing for APIF to be utilized for the financing of APIF's projects.
5	**Profitability**	Notwithstanding the noble cause for which APIF was established, its operations are market-oriented to secure a reasonable return for its investors. The overriding consideration, however, is to ensure the continuity of APIF by aiming at building a strong General Reserve to the tune of 50 percent of paid-up capital before ensuring high dividend payout ratios to investors.
6	**Profit Distribution**	Up to 20 percent of any year's net income can be transferred by the Mudarib to the General Reserve. The total scheme of profit appropriations is, therefore, as follows: Particulars — Percent of Total Mudarib (Management) Fees — 10% General Reserve — 0% - 20% Distributable Dividends — 70% - 90% **Total** — **100%**
8	**Security**	The Mudarib (the IsDB) applies very prudent measures for extending financing out of APIFs resources. These measures include, among others, the requirement of Government guarantees, first-class bank guarantees, mortgage or other suitable security packages. To guard against the concentration of risk, APIF strives to diversify its financing portfolio by setting ceilings for countries and beneficiaries within one country.
9	**External Auditors**	APIF is audited by an internationally reputed audit firm that provides a review and audit of APIF's financial statements.

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

ANNEX 04
INFORMATION FOR APIF BENEFICIARIES

THE FOLLOWING CLARIFIES HOW TO BENEFIT FROM APIF FINANCING:

Scope	**APIF Interventions:** • New construction • Existing property enhancement • Existing property purchase **Including projects in the following sectors:** • Residential, • Commercial, • Retail, and • Mixed-use facilities.
Eligible for APIF Financing	• Non-profit organizations, NGOs, trusts, foundations, and waqf institutions in accordance with Waqf principles in IsDB Member Countries and Non-Member Countries • Beneficiary contribution: o Minimum 20 percent of financing; or o Project land if its value exceeds 20% of the project cost
Main Condition of Financing	At the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust).
Mode of Financing	• Leasing, • Murabaha, or • Any other Sharia-compliant mode of financing
Project Value	Above US$2.50 million (Including land value)
Terms of Financing	The maximum tenor is 20 years, including the gestation period
Collateral Security	Depends on the nature of the project (Sovereign guarantee, bank guarantee, mortgage, etc.)
Pricing/Mark-up	On a case-by-case basis
Currency of Financing	US Dollars
Documents Required to Apply	• Financing request (letter) including objective of the Waqf, project brief, estimated cost and income. • Registration of the Organization and its By-laws. • Organization Brief (objectives & activities of the organization and its board members). • Land Deed Document (up to date deed with permanent ownership or long-term lease). • Financial statements of the organization for the last 3 years.


IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

صندوق تثمير ممتلكات الأوقاف
AWQAF PROPERTIES INVESTMENT FUND

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

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

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