

# **IsDB Trust Services No. 2 SARL**

**(Incorporated as a Private limited liability company in  
Luxembourg)**

**Financial Statements and Independent Auditor's Report  
For the year ended 31 December 2021**

**IsDB Trust Services No. 2 SARL**  
**(Incorporated as a limited liability par value company in Luxembourg)**  
**Financial Statements**

For the year ended 31 December 2021

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# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

To the Sole Shareholder,

The Sole Manager is pleased to present the annual accounts of IsDB Trust Services No.2 S.à r.l. (the "Company") for the year ended 31 December 2021.

### **1. Activities and development of the business**

The Company was incorporated on 15 September 2020 and organised under the laws of the Grand-Duchy of Luxembourg (the "Laws") as a *société à responsabilité limitée* for an unlimited period.

The object of the Company, as set out in its Articles of Incorporation, is (i) the holding of participations and interests in any form whatsoever in Luxembourg and foreign companies, partnerships or other entities, (ii) the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stocks, sukuk (islamic bonds), debentures, notes and other securities of any kind, and (iii) the acquisition, ownership, administration, development, management, the holding of any type of instruments as nominee and disposal of its portfolio. The Company may enter into any agreements relating to the acquisition, subscription or management of the aforementioned instruments and the financing thereof.

The Company may borrow in any form and proceed to the issuance of sukuk (islamic bonds), debentures, notes and other instruments convertible or not.

The Company may not issue shares (parts sociales) to the public.

The Company may grant assistance and lend funds to its subsidiaries, affiliated companies, to any other group company as well as to other entities or persons provided that the Company will not enter into any transaction which would be considered as a regulated activity without obtaining the required license. It may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other group company as well as other entities or persons provided that the Company will not enter into any transaction which would be considered as a regulated activity without obtaining the required license. The Company may further mortgage, pledge, transfer, encumber or otherwise hypothecate all or some of its assets.

The Company may generally employ any techniques and utilize any instruments relating to its investments for the purpose of their efficient management, including the entry into any forward transactions as well as techniques and instruments designed to protect the Company against credit risk, currency fluctuations, interest rate fluctuations and other risks.

In a general fashion it may grant assistance to affiliated companies, take any controlling and supervisory measures and carry out any operation, which it may deem useful in the accomplishment and development of its purposes.

The Company may carry out any commercial or financial operations and any transactions with respect to movable or immovable property, which directly or indirectly further or relate to its purpose.

The Company aspires to fulfil its corporate object in accordance with the principles of Shariah.

### **1. Activities and development of the business (continued)**

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

Within the framework of a USD 25 Bln Trust Certificate Issuance Programme, the Company has been established to raise funds by the issuance of Series of listed Trust Certificates, under the conditions established by a Base Prospectus, and to use the net proceeds of such issuances to purchase the Sukuk Assets originated by The Islamic Development Bank ("IDB") and in accordance with a Trustee Purchase Agreement.

On 25 February 2021, an amended and restated Master Purchase Agreement was entered into between the Company and The Islamic Development Bank – Ordinary Capital Resources (IDB-OCR), whereby the Company may issue, from time to time, up to USD 25 billion of Trust Certificates, in series.

As part of the Agreement referred to above, IDB-OCR must, in respect of each series, create a separate and independent portfolio of assets comprising of:

- At least 51% tangible assets, comprised of Leased Assets (Ijara), Disbursing Istisna'a Assets, Shares, Sukuk and/or Restricted Mudaraba Assets; and
- No more than 49% intangible assets, comprised of Istisna'a Receivables, Loans (Qard) Receivables, Commodity Murabaha Receivable and/or Murabaha Receivables.

On 31 March 2021, the Company issued Trust Certificates for USD2,500 million.

The Company applied the proceeds of such issue to purchase a portfolio of Sukuk Assets from IDB-OCR.

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 31 March 2026 and confer on Certificate Holders the right to receive semi- annual distributions commencing 30 September 2021 at the fixed rate of 1.262 per cent per annum.

On 21 October 2021, the Company issued Trust Certificates for USD1,700 million.

The Company applied the proceeds of such issue to purchase a portfolio of Sukuk Assets from IDB-OCR.

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 21 October 2026 and confer on Certificate Holders the right to receive semi- annual distributions commencing 21 April 2022 at the fixed rate of 1.435 per cent per annum.

### **1. Activities and development of the business (continued)**

# IsDB Trust Services No. 2 SARL

## SOLE MANAGER'S REPORT

For the year ended 31 December 2021

On 7 December 2021, the Company issued Trust Certificates (Tap issuance) for USD100 million. The Company applied the proceeds of such issue to purchase a portfolio of Sukuk Assets from IDB-OCR.

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 21 October 2026 and confer on Certificate Holders the right to receive semi- annual distributions commencing 21 April 2022 at the fixed rate of 1.435 per cent per annum.

Financial highlights for the year ended 31 December 2021:

	Notes	31 December 2021	unaudited 31 December 2020
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Amount due from Islamic Development Bank – Ordinary Resources (IDB-OCR) -non-current portion	2(c)	4,296,057,812	-
Cash and Cash equivalent		14,224	14,224
<b>Current Assets</b>			
Amount due from Islamic Development Bank -Ordinary Resource (IDB-OCR)- Current Portion	2(c)	13,157,028	-
<b>Total Assets</b>		<b>4,309,229,064</b>	<b>14,224</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>Shareholder's Equity</b>			
Share Capital	3	14,224	14,224
<b>Non-Current Liabilities</b>			
Trust Certificates – non-current portion	4	4,296,057,812	-
<b>Current Liabilities</b>			
Trust Certificate -Current Portion	4	13,157,028	-
<b>Total Liabilities and Shareholder's Equity</b>		<b>4,309,229,064</b>	<b>14,224</b>

The continuance of the existing programme is foreseen without any significant change in the future except for events disclosed in the “Subsequent events” section.

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **1. Activities and development of the business (continued)**

#### *Acquisition of own shares*

During the year ended 31 December 2021, the Company has not purchased any of its own shares.

#### *Research and development activities*

The Company was not involved or participating in any kind of research or development activities in the period ended 31 December 2021.

#### *Branches of the Company*

The Company does not have any branches.

### **2. Principal risks and uncertainties**

The Company's business purpose is the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stocks, sukuk (islamic bonds), debentures, notes and other securities of any kind, and (ii) the acquisition, ownership, administration, development, management, the holding of any type of instruments as nominee and disposal of its portfolio within the limits foreseen in the transaction documents in relation to the selection of the assets and/or titles that may be acquired (the "Permitted Assets").

The Company shall not actively source Permitted Assets but shall only securitize those Permitted Assets that are proposed to it by IDB-OCR.

The Company has exposure to the following risks from its use of financial instruments and does not have any externally imposed capital requirements, other than the minimum capital requirements of the Commercial Law in Luxembourg.

#### **i - Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Trustee is the carrying value as disclosed in the statement of financial position. The Company's credit risk is concentrated in the amount due from IDB-OCR.

The Company is subject to the risk of default in payment by the obligors under each of the Ijara contracts, Sukuk Investments, Murabaha contracts, Instalment sales and Istisna'a contracts comprised in the Sukuk Assets. This risk is addressed in respect of the Trust Certificates by IDB-OCR, primarily pursuant to a combination of a Liquidity Facility and Purchase Undertaking Deed. IDB-OCR has agreed to make advances to the Company pursuant to the Liquidity Facility Agreement to allow timely payment of amounts due to Trust Certificate

# ***IsDB Trust Services No. 2 SARL***

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **2. Principal risks and uncertainties (continued)**

Holders. Furthermore, the exercise price payable by IDB-OCR in respect of any Sukuk Assets under the Purchase Undertaking Deed will be based on (a) the aggregate nominal amount of the relevant series of Trust Certificates and (b) the amount of payable but unpaid periodic distribution amounts on such date.

#### ii - Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not trade in currencies and is therefore not exposed to currency trading risk. The company is of the opinion that it is not exposed to any currency risk.

#### iii – Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with the financial liabilities when they fall due. The Company is not exposed to such a risk as IDB-OCR guarantees any shortfall in the scheduled installments.

#### iv - Investment return risk

The income received from IDB-OCR will be matched by the distribution amounts payable to the holders of the Trust Certificates. The Sole Manager therefore believe that there is no investment return risk.

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## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **3. Manager(s) and their interests**

The Sole Manager who held office until 31 December 2021 did not hold any shares in the Company or in any group company at that date, or during the financial year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, at any time during the year.

### **4. Corporate Governance Statement**

#### *Introduction*

The Company is subject to and complies with the Commercial Law of Luxembourg, the Law of Transparency, the Listing Rules of the Irish Stock Exchange, the Listing Rules of NASDAQ Dubai. The Company does not apply additional requirements in addition to those required by the above.

The Company has no employees. Corporate and domiciliation services are provided by Intertrust (Luxembourg) S.à r.l., a private limited company organised under the laws of the Grand-Duchy of Luxembourg, registered under number B 103123 on the Luxembourg Trade and Companies register, a regulated service provider, supervised by the CSSF (“**Intertrust**”).

Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

For the accounting reporting the Company relies on services rendered by IDB-OCR.

#### *Financial Reporting Process*

The Sole Manager is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Sole Manager has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These segregation of roles among different parties rendering services to the Company.

The Company relies on the services of IDB-OCR for the accounting and preparation of financial statements. In addition, and due to the services provided by Intertrust, the four eyes principle is established. Intertrust is contractually obliged to maintain proper books and records as required by the service agreement. To that end, Intertrust performs reconciliations of its records to those of the IDB-OCR and other transaction parties. Intertrust is also contractually obliged to carry out a high level review of the financial statements and request any supporting documents to verify the information in the Annual Accounts where required. Before submitting the Annual Accounts for approval to the Sole Manager, Intertrust and IDB-OCR have to ensure that those provide a true and fair view of the financial situation of the Company. The Sole Manager evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Sole Manager

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

also examines and evaluates the external auditor's performance, qualifications and independence. Intertrust, together with IDB-OCR, has operating responsibility for internal control in relation to the financial reporting process.

#### **4. Corporate Governance Statement (continued)**

##### *Risk Management and Internal Control*

The Sole Manager has overall responsibility for the Company's system of internal control and risk management, incident to the day-to-day control of the Company's business, the internal control and the preparation of the annual accounts.

The Company has an embedded risk management and reporting process which ensures that risks are identified, assessed and mitigated at an executive level and reported to the Sole Manager.

The results of risk management activities are consolidated and reviewed by the Sole Manager on an annual basis.

The system of internal control is designed to manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's systems of internal control ensure key risks are managed through:

- 1 The management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- 2 Authorisation processes for any contract entailing an obligation for the Company is subject to appropriate authorisation procedures;
- 3 Formal reporting to the Sole Manager on specific areas of financial and operational risk.

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **4. Corporate Governance Statement (continued)**

The Sole Manager conducts reviews of the risk management process and system of internal controls. To achieve this, the Sole Manager receives regular updates on key risks and control priorities such as business controls, business continuity planning, tone at the top and anti-fraud procedures. The Sole Manager reviews the results of all internal and external audits performed over systems of internal controls and tracks management's response to any identified control issues.

The effectiveness of the system of internal control and risk management process is reviewed annually by the Sole Manager.

#### *Rules governing the appointment and replacement of a Manager*

The Company is managed by a Sole Manager.

The Sole Manager is appointed by the General Meeting of the Shareholder for an unlimited period. He/She may be removed at any time by a resolution of the general meeting of shareholder or by the Sole Shareholder. A Manager will remain in function until his/her successor has been appointed. In the event of vacancy, the shareholder promptly elects another manager to fill such vacancy until the next general meeting of shareholder which will be asked to ratify such election.

#### *Amendment of Articles of associations*

Any amendments made to the articles of association of the Company are subject to requirements, procedures and majorities provided by the governing Laws of the Grand-Duchy of Luxembourg.

#### *General powers of the Sole Manager*

The Sole Manager is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. All powers not expressly reserved by law to the general meeting of the shareholder falls within the competence of the Sole Manager. The Sole Manager is authorised to transfer, assign and dispose of the assets of the Company in such manner as the Sole Manager deems appropriate as well as, for the avoidance of doubt, in accordance and within the limits set in the Articles of the Company and the Luxembourg Commercial Law and the terms and conditions of the securities issued by the Company in the context of the transaction and the relevant assets.

It is not foreseen to buy back any issued shares.

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **4. Corporate Governance Statement (continued)**

#### *Voting rights*

Each issued share holds one vote in a meeting of the shareholders. No special voting rights exist.

The Company is managed by a Sole Manager:

- Rachid Mallouk, Sole Manager until 2 February 2021;
- Claudio Chirco, Sole Manager since 2 February 2021.

### **5. Shares and shareholders**

The subscribed share capital amounts to EUR 12,000 (twelve thousand euros) which is divided into 12,000 (twelve thousand) ordinary shares with a nominal amount of EUR 1 (one) each. Intertrust Fiscal Trustee a.r.l. acting as Trustee of The IsDB Trust Services No.2 Trust holds 100% shares of the Company.

The shares may be represented, at the owner's option, by certificates representing single shares or certificates representing two or more shares.

The shares shall only be held in registered form.

### **6. Subsequent events**

#### **UKRAINE/RUSSIA CONFLICT**

The invasion of Ukraine at the end of February 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict or experienced a direct impact from the conflict, the Sole Manager continues to monitor this situation. As of the date of signing these annual accounts, there has been no impact to the operations of the Company.

On 28 April 2022, the Company issued Trust Certificates for USD1,600 million.

The Company applied the proceeds of such issue to purchase a portfolio of Sukuk Assets from IDB-OCR.

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 28 April 2027 and the right to receive semi-annual distributions commencing 28 October 2022 at the fixed rate of 3.213 per cent per annum.

# **IsDB Trust Services No. 2 SARL**

## **SOLE MANAGER'S REPORT**

For the year ended 31 December 2021

### **6. Subsequent events (continued)**

In addition, the Sole Manager has not been made aware of any breaches to the Company's financial obligations under existing contracts, including interest payments to date.

Lastly, the Sole Manager noted and agreed that the risk management and control systems in place were effective to deal with the situation and determined the future course of action for the ongoing monitoring of the activities of the Company.

### **7. Audit Committee**

The Company has not established an Audit Committee.

The sole business of the Company relates to the issuing of asset-backed trust certificates.

Under the Art. 52 5 c) of the Law of 23 July 2016 on Audit Profession as amended, such a Company may avail itself of an exemption from the requirement to establish an audit committee.

Given the limited recourse nature of the issuance documents and the independency of the Sole Manager, it has been concluded that there is currently no need for the Company to have a separate audit committee in order for the management to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Sole Manager resolved to apply according to Art. 52 5 c) of the Law of 23 July 2016 on Audit Profession the exemption from the requirements to set up an audit committee, as it acts as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission Regulation (EC) No 809/2004.

### **8. Statement of Sole Manager's responsibilities**

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit of loss of the Company, and the Sole Manager's report and the Corporate Governance Declaration include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.



Claudio Chirco  
Sole Manager  
22.08.2022

To the Sole manager of  
IsDB Trust Services No.2 SARL  
6, rue Eugène Ruppert  
L-2453 Luxembourg  
Luxembourg

## REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

### Opinion

We have audited the financial statements of IsDB Trust Services No.2 SARL (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *réviseur d'entreprises agréé*" for the Audit of the Financial Statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

### Other Matters

We draw your attention that the financial statement for the period from September 15, 2020 (incorporation date) to December 31, 2020, were unaudited. Our opinion is not modified with respect to that matter.

## Other information

The Sole Manager is responsible for the other information. The other information comprises the information stated in the financial statements including the management report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## Responsibilities of the Sole Manager of the Company for the Financial Statements

The Sole Manager of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Sole Manager of the Company 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 Sole Manager is responsible for assessing the Company'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 Sole Manager either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Manager.

- Conclude on the appropriateness of the Sole Manager' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the annual accounts 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 report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

## **Report on Other Legal and Regulatory Requirements**

We have been appointed as "*réviseur d'entreprises agréé*" by the Sole Manager on April 8, 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

Ekaterina Volotovskaya, *Réviseur d'entreprises agréé*  
Partner

Luxembourg, August 22, 2022

**IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in Luxembourg)

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

	Notes	31 December 2021	unaudited 31 December 2020
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Amount due from Islamic Development Bank – Ordinary Capital			
Resources (IDB-OCR) -non-current portion	2(c)	4,296,057,812	-
Cash and Cash equivalent		14,224	14,224
<b>Current Assets</b>			
Amount due from Islamic Development Bank -Ordinary Capital			
Resource (IDB-OCR)- Current Portion	2(c)	13,157,028	-
<b>Total Assets</b>		<b>4,309,229,064</b>	<b>14,224</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>Shareholder's Equity</b>			
Share Capital	3	14,224	14,224
<b>Non-Current Liabilities</b>			
Trust Certificates – non-current portion	4	4,296,057,812	-
<b>Current Liabilities</b>			
Trust Certificate -Current Portion	4	13,157,028	-
<b>Total Liabilities and Shareholder's Equity</b>		<b>4,309,229,064</b>	<b>14,224</b>



.....  
Sole Manager

The financial statements were approved and authorized for issue on ~~22.08.2021~~ **22.08.2022** by the Sole Manager of the Company.

The attached notes from 1 through 8 form an integral part of these financial statements.

**IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in Luxembourg)

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

	Notes	31 December 2021	unaudited 15 September to 31 December 2020
<b>Revenue</b>			
Net income on amount due from IDB-OCR	2 (e)	29,361,716	-
<b>Expenses</b>			
Amortisation of transaction costs on issue of Trust Certificates		(406,173)	-
Return on Trust Certificates	4	(28,932,028)	-
Professional fees		(23,515)	-
<b>Profit for the year</b>		-	-
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		-	-

*Oliver G*

The attached notes from 1 through 8 form an integral part of these financial statements.

**IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in Luxembourg)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

	Notes	31 December 2021	unaudited 31 December 2020
<b>Cash flows from financing activities</b>			
Capital Contribution	5	-	14,224
<b>Net cash from/(utilized in) financing activities</b>			14,224
<b>Net change in cash and cash equivalents</b>		-	14,224
Cash and cash equivalents at 1 January		14,224	-
<b>Cash and cash equivalents at 31 December</b>	5	<b>14,224</b>	<b>14,224</b>

	Notes	31 December 2021
<b>MATERIAL NON-CASH TRANSACTIONS</b>		
Issue of Trust Certificates, the gross proceeds of which were credited directly to IDB-OCR	4	4,300,000,000
Transaction costs, payments of which were made by IDB-OCR	4	(4,348,361)
Redemption of Trust Certificates, payment of which was done directly by IDB-OCR	4	-
Net income received and credited directly to account from IDB-OCR	4	29,361,716
Payments made on behalf of the Trust by IDB-OCR		(15,775,000)
Amortisation of transaction costs	4	(406,173)

Note:

The Company does not have any cash funds as all cash transactions are undertaken by IDB-OCR.

The attached notes from 1 through 8 for an integral part of these financial statements.

**IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in Luxembourg)

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

	<b>Notes</b>	<b>Capital</b>	<b>Comprehensive Income</b>	<b>Total Equity</b>
<b>Balance at 1 January 2020</b>	3	14,224	-	14,224
Profit for the period		-	-	-
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	-	-
		-	-	-
<b>Balance at 31 December 2020(unaudited)</b>	3	<b>14,224</b>	-	<b>14,224</b>
Profit for the year		-	-	-
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	-	-
		-	-	-
<b>Balance at 31 December 2021</b>	3	<b>14,224</b>	-	<b>14,224</b>

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

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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#### 1. INCORPORATION AND ACTIVITIES

IsDB Trust Services No.2 SARL (the "Company") was incorporated in Luxembourg on 15 September 2020 as a Private limited liability company (Société à responsabilité limitée) under the laws of the Grand Duchy of Luxembourg and registered with the Trade and Companies Register under the number B247570. The registered office has been established at 6, rue Eugene Ruppert, L-2453 Luxembourg. The financial year of the Company begins on 1 January and ends on 31 December each year. The first financial year of the company started on 15 September 2020 (the date of incorporation) and ended on 31 December 2020."

The Company's authorized share capital is EUR12,000 (USD 12,442), made up of 12,000 ordinary shares of EUR1.00 each, all fully subscribed and entirely paid up

All of the issued shares of the Company are held by Intertrust Fiscal Trustee a.r.l., acting as Trustee of IsDB Trust Services No.2 Trust, a charitable trust incorporated in Jersey under private seal on 18 September 2019.

The object of the Company, as set out in its Articles of Incorporation, is (i) the holding of participations and interests in any form whatsoever in Luxembourg and foreign companies, partnerships or other entities, (ii) the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stocks, sukuk (islamic bonds), debentures, notes and other securities of any kind, and (iii) the acquisition, ownership, administration, development, management, the holding of any type of instruments as nominee and disposal of its portfolio. The Company may enter into any agreements relating to the acquisition, subscription or management of the aforementioned instruments and the financing thereof.

The Company may borrow in any form and proceed to the issuance of sukuk (islamic bonds), debentures, notes and other instruments convertible or not.

The Company may not issue shares (parts sociales) to the public.

The Company may grant assistance and lend funds to its subsidiaries, affiliated companies, to any other group company as well as to other entities or persons provided that the Company will not enter into any transaction which would be considered as a regulated activity without obtaining the required license. It may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other group company as well as other entities or persons provided that the Company will not enter into any transaction which would be considered as a regulated activity without obtaining the required license. The Company may further mortgage, pledge, transfer, encumber or otherwise hypothecate all or some of its assets.

The Company may generally employ any techniques and utilize any instruments relating to its investments for the purpose of their efficient management, including the entry into any forward transactions as well as techniques and instruments designed to protect the Company against credit risk, currency fluctuations, interest rate fluctuations and other risks.

In a general fashion it may grant assistance to affiliated companies, take any controlling and supervisory measures and carry out any operation, which it may deem useful in the accomplishment and development of its purposes.

The Company may carry out any commercial or financial operations and any transactions with respect to movable or immovable property, which directly or indirectly further or relate to its purpose.

The Company aspires to fulfil its corporate object in accordance with the principles of Shariah.

Within the framework of a USD 25 Bln Trust Certificate Issuance Programme, the Company has been established to raise funds by the issuance of Series of listed Trust Certificates, under the conditions established by a Base Prospectus, and to use the net proceeds of such issuances to purchase the Sukuk Assets originated by The Islamic Development Bank ("IDB") and in accordance with a Trustee Purchase Agreement.

On 25 February 2021, an amended and restated Master Purchase Agreement was entered into between the Company and The Islamic Development Bank – Ordinary Capital Resources (IDB-OCR), whereby the Company may issue, from time to time, up to USD 25 billion of Trust Certificates, in series.

As part of the Agreement referred to above, IDB-OCR must, in respect of each series, create a separate and independent portfolio of assets comprising of:

- At least 51% tangible assets, comprised of Leased Assets (Ijara), Disbursing Istisna'a Assets, Shares, Sukuk and/or Restricted Mudaraba Assets; and
- No more than 49% intangible assets, comprised of Istisna'a Receivables, Loans (Qard) Receivables, Commodity Murabaha Receivable and/or Murabaha Receivables.

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

The financial statements are presented in United States Dollars (USD), which is the Company's presentation currency as most of the Trust Certificates are denominated in USD.

The financial statements are prepared on the going concern basis under the historical cost convention.

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

#### (i) Standards, amendments and interpretations that have been adopted by the Company:

There were no new standards adopted by the Company during the financial year ended 31 December 2021.

#### a) Basis of preparation (continued)

#### (ii) Standards, amendments and interpretations that became effective for financial periods of the Company beginning on or after 1 January 2021 which had no effect on the financial statements of the Company.

- Amendment to IFRS 3 Business Combination.
- Amendment to IFRS 16 (Covid-19 Related Rent Concessions)
- Amendment to IAS 1 Presentation of Financial Statements
- Amendment to IAS 8 Accounting Policies, changes in accounting estimates and errors

#### (iii) New or revised IFRS standards and Interpretations which will become effective for financial periods of the Company beginning on or after 1 January 2022.

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. The listing is of standards and interpretations issued and the Company intends to adopt the standards that are applicable when they become effective.

- Amendment to IAS 16 Property, Plant and Equipment-Effective date 1 January 2022.
- Amendment to IFRS 3 Business Combination-updating a reference to the conceptual framework – Effective date 1 January 2022.
- Amendment to IAS 37- Provisions, Contingent Assets and Contingent Liabilities – Effective date 1 January 2022.
- Amendment to IAS 1- Presentation of Financial Statements – Effective date 1 January 2023.
- Amendment to IFRS 1- First time adoption of IFRS – Effective date 1 January 2022
- Amendment to IAS 8 – Accounting Policies, changes in accounting estimates and errors – Effective date 1 January 2023.

### b) Going concern

The Company is reliant on the continued support of the Islamic Development Bank ("IDB"), in IDB's capacity as the Wakeel (Agent) to service the Sukuk assets, in respect of the Company's ongoing activities. IDB have committed to provide all necessary support and accordingly the Sole Manager has prepared the financial statements on the going concern basis.

## **IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in Luxembourg)

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **c) Loans and receivables (Amount due from Islamic Development Bank – Ordinary Capital Resources)**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company was established to raise funds by the issue of Trust Certificates and to use the net proceeds of such issuance to purchase the Sukuk Assets in accordance with a Master Purchase Agreement. Legal title of the Sukuk Assets passed from IDB-OCR to the Company. However, since IDB-OCR continues to guarantee any shortfall in the return to the Trust Certificate holders, the assets did not satisfy the derecognition criteria of IFRS 9 (as carried over from IAS 39) as the associated risks and rewards have not been transferred. Consequently, the Sukuk Assets continue to be recognized in the financial statements of IDB-OCR.

Accordingly, the Company has not recognized the transferred assets, or the associated derivative instruments, in its statement of financial position. The Trustee has recorded these assets as an amount due from IDB-OCR. This amount due is deemed to have the characteristics and terms that mirror the Trust Certificates. The Company also recognizes income based on the deemed terms of the amount due from IDB-OCR.

### **d) Loans and borrowings (Trust Certificates issued)**

All loans and borrowings (Trust Certificates issued) are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

### **e) Finance Income**

Income is recognized on the amount due from IDB-OCR using the effective interest method on the amount of Trust certificates issued by the Company, and including amortization of transaction costs and related professional fees.

### **f) Amortisation of Transaction costs**

Transaction costs incurred on the issuance of Trust Certificates and additional transaction costs incurred over the Trust Certificates period are capitalized. The transaction costs are then amortised over the period of the Trust Certificates on a straight-line basis. The amortization of transaction costs is charged to the statement of comprehensive income.

The unamortized transaction costs in respect of Trust Certificates redeemed earlier than the maturity dates are charged to the statement of comprehensive income when the Trust Certificates are redeemed.

### **g) Translation of currencies**

Transactions in currencies are recorded at the exchange rates prevailing at the dates of the respective transactions. Financial assets and liabilities denominated in foreign currencies are translated into United States Dollars at exchange rate prevailing at the statement of financial position date. Foreign currency exchange gains and losses, if any, are credited or charged to the statement of comprehensive income. The Company operates in US Dollars, Saudi Riyals, British Pounds and Euros.

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### h) Impairment and non-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of comprehensive income.

### i) Cash and cash equivalents

Cash and cash equivalents comprise bank balances including cash pool assets, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

### j) Taxation

The Company is subject to all taxes applicable to commercial companies in Luxembourg.

### k) Expenses

All expenses have been accounted for on the accrual basis.

## 3. SHARE CAPITAL

### Authorised:

12,000 ordinary shares of EUR 1.00 each

### Allotted, called up and fully paid

12,000 ordinary shares of EUR 1.00 each

	2021 USD	2020 USD
	14,224	14,224
	14,224	14,224

As of 31 December 2021, the Company has an issued and fully paid up capital of EUR 12,000 comprised of 12,000 ordinary shares with a nominal value of EUR 1 each.

Ordinary shares entail ownership and voting rights in line with provisions of the Articles of Incorporation of the Company and within the limits of the provisions of the Luxembourg Law on Commercial Companies in relation to rights and obligations attached to ordinary shares in a private limited liability company.

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

#### 4. TRUST CERTIFICATES

	2021 USD	2020 USD
Gross value of Trust Certificates in issue at the beginning of the year	-	
Gross value of Trust Certificates issued during the year	4,300,000,000	
Gross value of Trust Certificates redeemed during the year	-	
<b>Gross value of Trust Certificates in issue at the end of the year</b>	<b>4,300,000,000</b>	
Gross value of transaction costs relating to Trust Certificates at the beginning of the year	-	
Gross value of transaction costs incurred during the year	4,348,361	
Gross value of transaction costs written off due to redemption of Trust Certificates during the year	-	
<b>Gross value of transaction costs at the end of the year</b>	<b>4,348,361</b>	
Amortised transaction costs at the beginning of the year	-	
Amortisation for the year	406,173	
Amortisation written off on redemption during the year	-	
<b>Amortisation at the end of the year</b>	<b>406,173</b>	
Net value of transaction costs	3,942,188	
Net value of Trust Certificates	4,296,057,812	

The Trust Certificates issued by the Company and referred to below are listed on the Euronext Dublin and NASDAQ Dubai.

IDB-OCR continues to recognize the Sukuk Assets and records the amounts due to the Company and ultimately to the holders of Trust Certificates as a liability in its financial statements. Accordingly, the Company has not recognized these assets in these financial statements. The amount paid to IDB-OCR against purchase of these assets is recorded as a receivable from IDB-OCR.

Each Trust Certificate of a particular Series represents an undivided beneficial ownership interest in the Sukuk Assets for such Series. Recourse against the Company in respect of its obligations under the Trust Certificates will be limited to the extent that funds for that purpose are available from the relevant Sukuk Assets.

- (a) The Company issued Trust Certificates on 31 March 2021 for USD 2,500 million. The Company, on that date, applied the proceeds of such issue to purchase a portfolio of Sukuk Assets comprising certain completed installment sale & Istisna'a projects (USD 613 million), Sukuk Investments (USD 331 million), completed ijarah projects (USD 361 million), completed loans (USD 28 million) and disbursing projects (USD 1,169 million) from IDB-OCR

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. Total transaction costs incurred to date amounted to USD 2,185,757. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 31 March 2026 and confer on Certificate Holders the right to receive semi-annual distributions commencing 30 September 2021 at the fixed rate of 1.262 per cent per annum, payable semi-annually in arrears. During the year ended 31 December 2021, the Company distributed USD 15,775,000 (31 December 2020: USD NIL) to the Certificate Holders and recognized returns amounting to USD 15,755,000 (31 December 2020: USD NIL).

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in -Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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#### 4. TRUST CERTIFICATES (continued)

- (b) The Company issued Trust Certificates on 21 October 2021 for USD1,700 million. The Company, on that date, applied the proceeds of such issue to purchase a portfolio of Sukuk Assets comprising certain completed installment sale & Istisna'a projects (USD 506 million), Sukuk Investments (USD 538 million), completed ijarah projects (USD 286 million), completed loan (USD 58 million) and disbursing projects (USD 322 million) from IDB-OCR

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. Total transaction costs incurred to date amounted to USD 2,162,604. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai.

The Trust Certificates mature on 21 October 2026 and confer on Certificate Holders the right to receive semi-annual distributions commencing 21 April 2022 at the fixed rate of 1.435 per cent per annum, payable semi-annually in arrears. During the year ended 31 December 2021, the Company distributed USD Nil (31 December 2020: USD NIL) to the Certificate Holders and recognized returns amounting to USD Nil (31 December 2019: USD NIL).

The Company issued Trust Certificates (Tap issuance) on 07 December 2021 for USD 100 million. The Company, on that date, applied the proceeds of such issue to purchase a portfolio of Sukuk Assets comprising certain completed installment sale & Istisna'a projects (USD 10 million), completed loan (USD 40 million) and disbursing projects (USD 53 million) from IDB-OCR.

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai. The Trust Certificates mature on 21 October 2026 and confer on Certificate Holders the right to receive semi-annual distributions commencing 21 April 2022 at the fixed rate of 1.435 per cent per annum, payable semi-annually in arrears.

#### 5. FINANCIAL RISK MANAGEMENT

The Company has issued financial instruments in the form of Trust Certificates. The Company has used the proceeds of the Trust Certificates issuance to purchase a portfolio of Sukuk Assets and has the benefit of a liquidity facility available from IDB-OCR in order to ensure that sufficient returns are generated to meet its liabilities to Trust Certificate Holders. It is intended that all financial instruments will be held until maturity and that the Company will not trade in financial instruments. The fair value of all financial instrument approximates the carrying value.

##### a) Sensitivity analysis

IFRS 7 requires disclosure of 'a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date'. Whilst the financial instruments are separately exposed to investment return risk and market price risk, the profit or loss and equity of the Company is not exposed to any significant investment return risk or market price risk. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

##### b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Trustee is the carrying value as disclosed in the statement of financial position. The Company's credit risk is concentrated in the amount due from IDB-OCR.

The sukuk certificate is exposed to the credit risk of IDB-OCR but not the underlying assets. This risk is addressed by the IDB-OCR primary pursuant to a combination of the guarantee and the purchase undertaking deed. Pursuant to the guarantee, IDB-OCR has guaranteed the punctual performance of any or all payment obligations in respect of the assets constituting the portfolio related to relevant series of trust certificate.

Furthermore, the exercise price payable by IDB-OCR in respect of any Sukuk Assets under the Purchase Undertaking Deed will be based on (a) the aggregate nominal amount of the relevant series of Trust Certificates and (b) the amount of payable but unpaid periodic distribution amounts on such date.

The Company is of the opinion that no credit loss is likely to occur.

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in -Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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#### 5. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

The Bank'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 Bank considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition and has not suffered a significant downgrade.

Stage 2 includes financial assets that experience an SICR. When determining whether the risk of default has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank'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 Bank presumes that the credit risk on its sovereign and non-sovereign exposures has increased significantly since initial recognition when contractual payments are more than 90 days past due for sovereign financings and more than 30 days past due for non-sovereign financings on a material repayment amount. When a stage 2 instrument shows a significant enhancement in credit quality at the assessment date, it can move back to stage 1.

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognized in the income statement, and under FAS 30, the asset is classified in Stage 3. The Bank 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 Bank may consider an asset as impaired if the Bank assesses that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realizing security.

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

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

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

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

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

PD represents the likelihood of a counterparty defaulting on its financial obligation over different time horizon (e.g., 1 year or lifetime). The estimates the PDs using internal rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on internally and externally compiled data comprising both quantitative and qualitative factors. They produce a relative credit risk grading, which in turn are associated with a likelihood of default (PD) over a one-year horizon, that is calibrated to reflect the Bank's long run average default rate estimates (through-the-cycle (TTC) PD). The Bank 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 Bank 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 Bank as well as the Multilateral Development Banks' consortium data.

## IsDB Trust Services No. 2 SARL

(Incorporated as a limited liability par value company in -Luxembourg)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

#### 5. FINANCIAL RISK MANAGEMENT (continued)

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

##### c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not trade in currencies and is therefore not exposed to currency trading risk. The company is of the opinion that it is not exposed to any currency risk.

##### d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with the financial liabilities when they fall due. The Company is not exposed to such a risk as IDB-OCR guarantees any shortfall in the scheduled installments.

##### e) Investment return risk

The income received from IDB-OCR will be matched by the distribution amounts payable to the holders of the Trust Certificates. The Sole Manager therefore believe that there is no investment return risk

##### f) Maturity of financial assets and liabilities

The maturity profile of the Company's financial assets and financial liabilities is as follows:

	31-Dec-2021		31-Dec-2020	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	USD	USD	USD	USD
In three months	13,157,028	13,157,028	-	-
In three to twelve months	-	-	-	-
In more than one year but less than two years	-	-	-	-
In two to five years	4,300,000,000	4,300,000,000	-	-
In more than five years	-	-	-	-
<b>Total</b>	<b>4,313,157,028</b>	<b>4,313,157,028</b>	-	-

##### g) Capital Risk Management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. IDB-OCR has committed to provide all necessary support to the Company.

#### 6. RELATED PARTIES

The entirety of the shares in IsDB Trust Services No.2 SARL are owned by Intertrust Fiscal Trustee a.r.l., as Trustee of IsDB Trust Services No.2 Trust. No other related parties to the Company have been identified.

Administration expenses represent fees paid to different entites of Intertrust Group for corporate secretarial services and administration of USD26,740 (2020: USD 39,237).

## **IsDB Trust Services No. 2 SARL**

(Incorporated as a limited liability par value company in -Luxembourg)

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

(All amounts expressed in United States Dollars unless otherwise stated)

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#### **7. ULTIMATE CONTROLLING PARTY**

The Company is wholly owned by Intertrust Fiscal Trustee a.r.l., as Trustee of IsDB Trust Services No.2 Trust. Given the charitable nature of the Company's shareholder and as per the Luxembourg Law dated 12 November 2004, as amended from time to time, the Sole Manager of the Company has been identified as ultimate controlling party in his position of senior managing official of the Company.

#### **8. SUBSEQUENT EVENTS**

The invasion of Ukraine at the end of February 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict or experienced a direct impact from the conflict, the Sole Manager continues to monitor this situation. As of the date of signing these annual accounts, there has been no impact to the operations of the Company.

The Company issued Trust Certificates on 28 April 2022 for USD1,600 million. The Company, on that date, applied the proceeds of such issue to purchase a portfolio of Sukuk Assets comprising certain completed instalment sale& Istisna'a projects (USD 211 million), completed loan (USD168 million) and disbursing projects (USD1,167 million) and completed ijarah and rest mudaraba projects (USD59 million) from IDB-OCR

The Trust Certificates were issued in denominations of USD 200,000 (with integral multiples of USD 1,000 in excess thereof), with a price of 100% of the aggregate nominal amount of the Trust Certificates. The Trust Certificates are listed on the Euronext Dublin and NASDAQ Dubai. The Trust Certificates mature on 28 April 2027 and confer on Certificate Holders the right to receive semi- annual distributions commencing 28 October 2022 at the fixed rate of 3.213 per cent per annum, payable semi- annually in arrears.

**GENERAL INFORMATION**

MANAGER	Claudio Chirco (appointment date 2 February 2021) Rachid Mallouk (resignation date 2 February 2021)
CORPORATE SERVICE	Intertrust (Luxembourg) S.à r.l. 6, rue Eugene Ruppert L-2453 Luxembourg
REGISTERED OFFICE	6, rue Eugene Ruppert L-2453 Luxembourg
INDEPENDENT AUDITORS	Deloitte Audit Société à responsabilité limitée a responsabilitée limitée 20, Boulevard de Kocklescheuer L-1821 Luxembourg Grand-Duchy of Luxembourg