



**itfc**

International  
Islamic Trade  
Finance Corporation

# Annual Report

## 1431H

(2010G)



Member of Islamic  
Development Bank Group



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
In the Name of Allah, the Merciful  
the Compassionate

# > Table of Contents

<b>I. POSITIONING ITFC FOR A SUSTAINABLE FUTURE</b>	<b>6</b>
– Letter of the Board of Directors to the General Assembly	7
– CEO’s Message	8
– Organizational Structure and Corporate Governance	9
– Strengthening Risk Management and Internal Controls	11
– Board of Directors	13
– ITFC Management Team	14
– ITFC Strategy	16
– 1431H – A Year At a Glance	19
– The Global Trade Environment	22
<b>II. ADVANCING TRADE, IMPROVING LIVES</b>	<b>25</b>
– Trade Finance Overview	26
– Supporting Strategic Sectors	27
– Breaking New Grounds	28
– Providing Trade Solutions	29
– Creating Value for Impact	31
– Access for SMEs	31
<b>III. PROMOTING INTRA-OIC TRADE</b>	<b>33</b>
– Expanding ITFC’s Reach through More Focused Approach & Enhanced Partnerships	34
– Enhancing Member Countries’ Trade Capacity	35
– Responding to Member Countries’ Trade Development Needs	36
<b>IV. CREATING SYNERGY &amp; PARTNERSHIPS</b>	<b>38</b>
– Mobilizing Resources	39
– Partnering with other Financial Institutions	40
– Creating Synergy within the IDB Group	40
<b>V. AUDITED FINANCIAL STATEMENTS</b>	<b>42</b>
– Financial Statements with Independent Auditors’ Report	43
– Statement of Financial Position	45
– Statement of Income	46
– Statement of Cashflows	47
– Statement of Changes in Members’ Equity	48
– Notes to the Financial Statements	49
<b>VI. APPENDICES</b>	<b>63</b>

<b>List of Tables:</b>	
– Table 1- ITFC Factsheet	19
– Table 2- Evolution of OIC Member States’ Foreign Trade (2007 - 2009)	24
– Table 3- OIC Trade and Intra-OIC Trade (2008 - 2009)	24
– Table 4- 1431H Trade Approvals by Region	26
– Table 5- 1431H Trade Approvals by Type of Security	26
– Table 6- 1431H Structured Trade Finance Operations	29
– Table 7- 1431H 2-Step Murabaha Lines for SMEs	31
– Table 8- 1431H Trade Approvals for Co-Financing and Syndication by Beneficiary	39
<b>List of Figures:</b>	
– Figure 1- Three Year Progress of ITFC Approvals and Disbursement	20
– Figure 2- 1431H Trade Approvals by Sector	20
– Figure 3- 1431H Trade Approvals Public vs. Private	20
– Figure 4- 1431H Trade Approvals by Source of Supply	20
– Figure 5- World Merchandise Exports (1965 - 2000)	23
– Figure 6- Prices of Selected Primary Products (2000 - 2010)	23
<b>List of Boxes</b>	
– Box 1- ITFC’s Support for Bangladesh’s Energy Needs	27
– Box 2- Supporting wheat exports in Kazakhstan	28
– Box 3- Contributing to trade and market developments in Indonesia	30
– Box 4- Providing access to finance for SMEs	32
– Box 5- Baku Meeting recommendation on developing Intra-OIC Trade	37



## Positioning ITFC for a Sustainable Future



## Letter of the Board of Directors to the General Assembly



### In the Name of Allah, the Merciful, the Compassionate

H.E. the Chairman  
General Assembly of the International Islamic Trade Finance Corporation

Dear Mr. Chairman,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

Pursuant to Article 26(1) of the Articles of Agreement of the International Islamic Trade Finance Corporation (ITFC), I have the honor to present to the esteemed Members of the General Assembly, on behalf of ITFC's Board of Directors, the Annual Report of ITFC for the year 1431H (2010G). The report highlights ITFC's activities, achievements and audited financial statements for the year which ended on 30/12/1431H (6/12/2010G).

Please accept, Mr. Chairman, the assurances of my highest consideration.

Yours Sincerely,

**Dr. Ahmad Mohamed Ali**  
Chairman, Board of Directors



## CEO's Message



### In the name of Allah, the Merciful, the Compassionate

It is my great pleasure to state that ITFC has successfully completed third year of its existence and has achieved most of its operational and development goals in 1431H. More importantly, it has emerged stronger and robust despite the sluggish business environment caused by the lingering effects of the global financial meltdown that nearly decimated the world economy in 2008. This has been possible due to the resilience of the Corporation and its strong footing that has helped us weather the financial crisis with minimal negative impact. ITFC has reached a major milestone during the year with the completion of its Strategy Map, and more encouragingly, it has moved to the implementation phase through the development of initiatives under various themes.

The year 1431H saw a surge in ITFC activities as demonstrated by the spike in trade operation approvals amounting to \$2.6 billion--the highest since it was established three years ago. The surge is attributed to a combination of factors: great emphasis on diversification, addition of several new clients and commodities to the portfolio, and introduction of Structured Trade Finance. In order to reach this impressive approval level, ITFC mobilized an amount of \$1.1 billion from the financial market. It also focused on development of Small and Medium Enterprises (SMEs) through Line of Financing extended to local banks in member countries, The intra-OIC trade under the Ten-Year Program of Action of the Makkah Declaration has reached 16.6 percent, and as planned, the target of 20 percent is likely to be achieved by 2015. The Executive Program for the enhancement of intra-OIC Trade remained under review as well as its implementation during the year. ITFC has carried out the planned activities and events in the areas of trade promotion, facilitation and capacity-building for the development and expansion of trade. Furthermore, it launched and implemented the initiative regarding Aid for Trade (AFT) Road Map under the United Nations Special Program for the Economies of Central Asia (SPECA) Region in cooperation with the governments of Kyrgyzstan and Azerbaijan, UNDP, UNECE, ITC and UNIDO. At the same time, ITFC launched a new initiative on Aft Road Map for the Arab States in partnership with UNDP, ITC, UNIDO, WTO and other concerned organizations.

ITFC is also working closely with the IDB Group for developing synergy amongst the IDB and its affiliates aimed at capitalizing on their mutual strengths and experiences. This is being done by focusing on integrating their efforts and resources in order to better serve the member countries. ITFC is also actively engaged with the IDB Group in preparation and execution of the Member Country Partnership Strategy (MCPS). With the global economic recovery in sight, ITFC is set to scale up its operations with more financing products and services to better serve the member countries by enhancing intra-OIC trade as well as development of their economies.

Finally, I want to take this opportunity to put on record my sincere appreciation and thanks to all ITFC staff for their motivation, commitment and dedication without which it would not have been possible to accomplish the goals we set out to achieve towards fulfillment of the Corporation's mission and vision.

Best regards,

**Dr. Waleed A. Al-Wohaib**  
Chief Executive Officer

## Organizational Structure and Corporate Governance



### Overview

The International Islamic Trade Finance Corporation is an autonomous entity within the Islamic Development Bank Group created with the purpose of advancing trade to improve the economic condition and livelihood of people across the Islamic world. ITFC has consolidated all the trade finance businesses that used to be handled by various windows within the IDB Group. It commenced operations in 01 Muharram 1429H (January 2008G) The consolidation of the IDB Group's trade finance activities under a single umbrella increased the efficiency of service delivery by enabling rapid response to customer needs in a market-driven business environment.

As a leader in Shari'a-compliant trade finance, ITFC deploys its expertise and funds to businesses and governments in its member countries. Its primary focus is to encourage intra-trade among OIC member countries. As a member of the IDB Group, ITFC has unique access to governments in its member countries and it works as a facilitator to mobilize private and public resources towards achieving its objectives of fostering their economic development through trade. The Corporation helps businesses in Islamic countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools so that they can compete successfully in the global marketplace.

### General Assembly

The General Assembly is the highest governing body of ITFC. The powers of the Corporation are vested in the General Assembly which is composed of members representing the Member Countries and other Financial Institutions. The General Assembly is responsible for laying down the rules and regulations governing the overall business of the Corporation.

### Board of Directors (BoD)

The ITFC BoD is comprised of 10 members and is chaired by the President of the IDB Group. The Board is mainly responsible for the Corporation's general conduct including the adoption of policies, approval of the operational strategy, plan and budgets, as well as ITFC's operations within the powers delegated to it by the General Assembly.

Since its inception, ITFC's Board members have played an active role in order to ensure proper oversight, accountability and integrity and make informed decisions in good faith and in the best interest of the institution and its stakeholders.

### Audit Committee

The Audit Committee is responsible for overseeing the financial and internal control aspects of ITFC as well as its compliance with its mandate. The Committee reports its findings to the BoD.

### Corporate Governance

The conduct of ITFC as a part of IDB group, is guided by the Group's principles of corporate governance. These principles also constitute the basis for building sound relationships with the stakeholders and promoting a culture of trust and confidence among them. The principles were developed in line with the OECD Principles of Corporate Governance for Multinational Enterprises, the United Nations Development Program (UNDP) Principles of Governance, the Islamic Financial Services Board (IFSB) Guiding Principles on Corporate Governance, and the Accounting, Auditing & Governance Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). They also draw on other internationally recognized codes, standards, agreements and benchmarking guidelines for corporate governance, social accountability and environmental responsibility.

The IDB Group's principles of corporate governance are captured in 8 major pillars: Vision & Strategy; Sharia Compliance; Legitimacy & Voice; Enhanced Performance; Accountability; Transparency; Fairness; and Integrity. IDB's vision calls for a comprehensive human development and all its activities are conducted in conformity with the principles of Islamic Shariah. Furthermore, the principles promote the protection of ownership rights; participatory approach in the decision-making process; commitment to consultation and cooperation; commitment to undertake our development activities in compliance with social and environmental responsibility goals as well as driving enhanced performance based on a result-driven culture demonstrating impact and added value. Furthermore, the Group principles emphasize accountability throughout the whole process, transparency and integrity in reporting to our stakeholders on business activities, operational and financial performance, promotion of fairness, impartiality, and equity in all our activities and treatment of our stakeholders.

## Strengthening Risk Management and Internal Controls



Effective management of risk is a prerequisite for maintaining financial soundness through sustainable earnings and balance sheet growth. It is in this context and in accordance with ITFC's approved strategic map that the management decided to further strengthen the overall governance and internal control mechanism through the establishment of an independent entity within ITFC reporting to the CEO. Consequently, the Risk Management Function was formally launched in Rabi ul Thani 1431H (March 2010G) in order to take over assignments, which were previously handled by the Group Risk Management Department.



Concerning the current corporate governance, ITFC’s board of directors has the ultimate responsibility for risk management oversight and it has delegated the day-to-day management to the CEO, including some of the risk-related responsibilities. In addition, at senior management level, ITFC has various committees dealing with risk management such as the Asset and Liability Committee, the Credit Committee as well as the Technical Committee and the Portfolio Assessment Committee. This internal infrastructure is complemented by the Group Risk Management Committee that reviews all IDB Group risk-related policies.

ITFC risk management team has devised a comprehensive risk management framework that encompasses a robust governance process relying on individual responsibility, collective oversight and comprehensive reporting. The proposed framework is based on the following three pillars:

- Best practice policies covering credit, market and operational risks;
- Best practice infrastructure covering people, technology, data & operations; and
- Best practice methodologies covering pricing and risk measurement.

Since ITFC’s Risk Management Function is currently at the formative stage, the concerned team has already initiated the development of standards for managing all major risk types. In this connection, consolidated Policies and Procedures for Credit Administration have already been developed along with a detailed operational document on Customer and Integrity Due Diligence.

Going forward, various modules of guidelines and policies dealing with credit, market and operational risks will continue to be developed.



## > Board of Directors



Hon. Dr.  
Ahmed Mohammed Ali



Hon. Br.  
Adama Sall



Hon. Mr.  
Aissa Abdellaoui



Hon. Br.  
Bader Abu Aziza



Hon. Br.  
Fahad Bin Abdullah  
AlNuwaiser



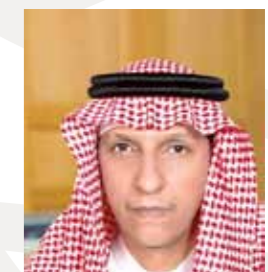
Hon. Br.  
Faisal Al Zamil



Hon. Br.  
Ibrahim Al-Mofleh



Hon. Br.  
Mashoud Yerima  
Amadou



Hon. Br.  
Sami Al Yousef



Hon. Dr.  
Selim Cafar Karatas



Hon. Tan Sri. Dr.  
Wan Abdul Aziz Wan  
Abdullah

Note: Names are sorted by alphabetical order.



## > ITFC Management Team



*(R-L) In the front row: Dr. Waleed Al-Wohaib, CEO with Eng. Hani Salem Sonbol, DCEO.  
 (R-L) In the middle row: Abou MS Jallow, Acting GM Operations / Mohammad Hebshi, GM TCPP / Nazeem Noordali, GM Marketing / Mubarak El Tayeb, GM Finance / Mahanna Sobieh, GM Treasury / Ahmed J. Sabbagh, Acting GM HR & CS.  
 (R-L) In the back row: Ali E. Sulais, GM Credit / Ibrahima S. Soumah, GM Risk Management / Muhammad I. Azad, Advisor to CEO.*

## > ITFC Strategy



The strategy development exercise was initiated in the latter part of 1430H (2009G), with an approach that incorporated the design of an execution framework. In 1431H (2010G), the implementation stage started with emphasis on defining and focusing on strategic priorities using the Strategy Map. The purpose was to translate strategy into operational terms and effectively communicate it throughout the Corporation using the Balanced Scorecard framework.



### Mission

In order to adhere to the Corporation's purpose as stated in the ITFC Article of Agreement (AOA) and meet the expectations of both its member countries and stakeholders, ITFC recognizes the catalytic role it has to play in international trade as reflected in its mission statement.

**“We exist to be the catalyst for the development of trade among OIC member countries and with the rest of the world”**

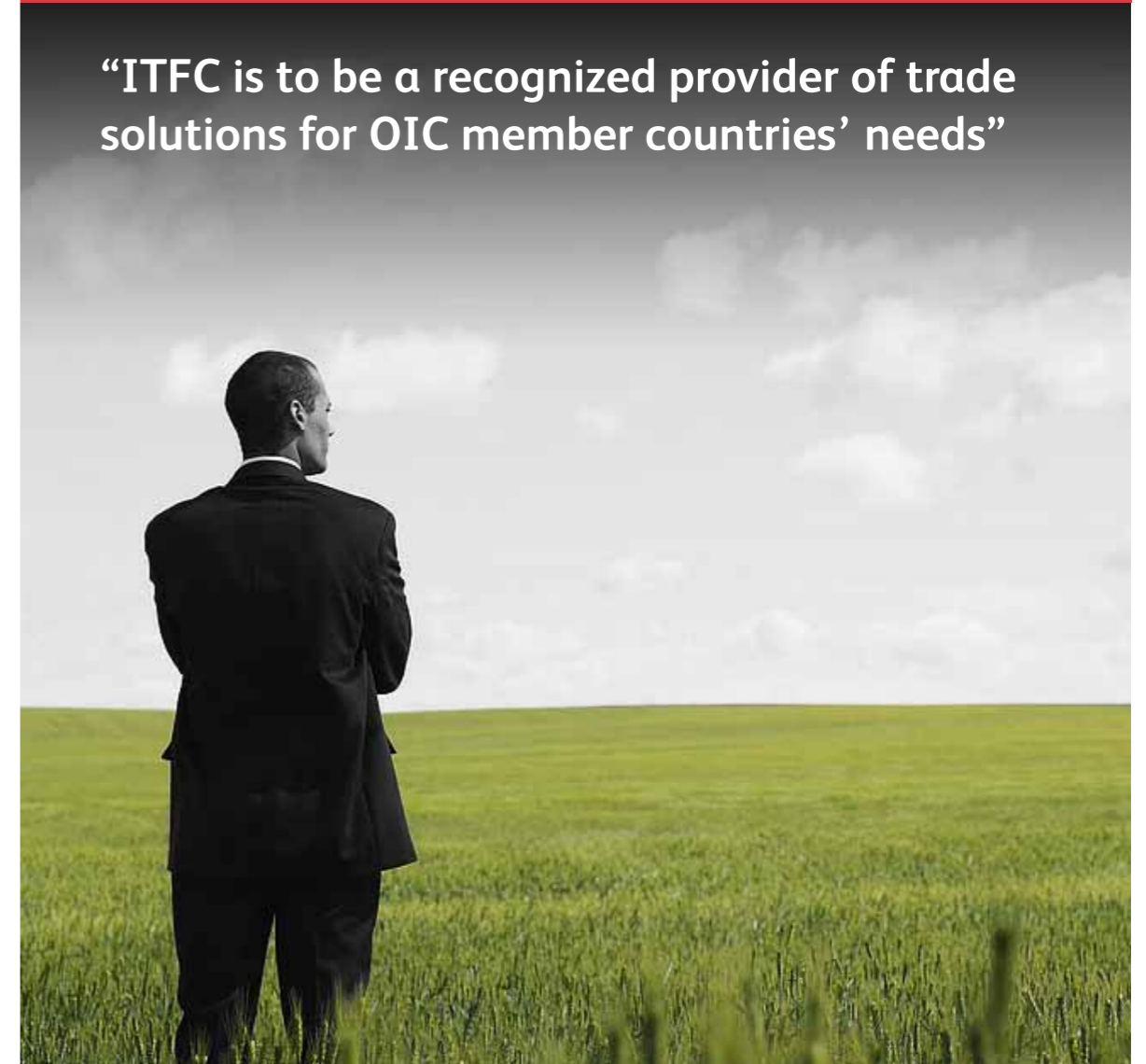


The main focus of ITFC strategy is geared towards: (i) achieving sustainable growth with measurable impact on trade; and (ii) expanding the business while preserving a balanced portfolio mix as well as adopting a customer-centric approach. In doing so, ITFC aims to provide unrivalled value to its clients by delivering competitive, responsive and integrated solutions that meet the customer's needs as well as ensure efficient work processes. This strategy-focused approach will enable ITFC to become a more dynamic and responsive institution in line with the IDB Reform Agenda.

### Vision

As an institution, ITFC is highly committed to fulfill its mandate and to build a sustainable organization that delivers high impact for its stakeholders. With its strategy framework, ITFC has defined a clear vision that inspires for excellence and one that focuses the organization to deliver for its member countries.

**“ITFC is to be a recognized provider of trade solutions for OIC member countries' needs”**



To provide clear strategic directions aimed at achieving ITFC's vision and mission, the four overarching goals set to be attained by 1431 - 1435H (2010 - 2014G) are summarized below:

- We are fostering OIC member countries' trade and trade-integration
- We are responsive to customers' needs with innovative Shari'ah compliant solutions
- We are the preferred choice for trade solutions
- We are delivering fair returns for our shareholders

### Strategic Objectives

ITFC has a catalytic role towards promoting member countries' trade and enhancing intra-trade potential by providing trade solutions across the entire value chain and potentially across regions. To achieve its vision and meet the expectation of its stakeholders, ITFC combines the commercial reality with its developmental objectives. In 1431H, the Balanced Scorecard framework was used as a performance reporting and management tool to translate ITFC's strategy into a set of actions, measures, targets and strategic initiatives under each perspective of the Scorecard. This will ultimately be cascaded to the business units to drive a performance-oriented culture aimed at realizing ITFC's mission and vision.

Four strategic teams were appointed to identify initiatives that would close performance gaps, and ensure that both operational business activities and strategic initiatives are geared towards helping to achieve the desired future goals.

These are shown in the strategy map as:

1. Diversify, Integrate, and Grow (DIG): This theme focuses on the need to grow the business through developing new products, increase ITFC's accessibility as well as putting in place integrated sector-focused programs.
2. Partner for Success (PFS): This is about leveraging strategic partners to create unique solutions for customers, expand ITFC's reach and impact, and potentially attract external funding for joint member countries' trade cooperation and promotion activities.
3. Embed Operations Excellence (EOE): This focuses on optimizing the internal process to deliver the optimum outcome.
4. Work as One ITFC Team: It relates to establishing the appropriate enabling environment of people, tools, systems as well as the right work culture.



Brainstorming session during a Strategy Workshop.

## > 1431H - A Year At a Glance

Table 1 – ITFC Fact Sheet

<b>Commenced Operations on</b>	01 Muharram 1429H (January 10, 2008)
<b>Headquarter</b>	Jeddah, Saudi Arabia
<b>Member of</b>	The Islamic Development Bank Group
<b>Mandate</b>	To contribute to the economic development of its member countries through trade
<b>Authorized Capital</b>	\$3 billion
<b>Subscribed Capital</b>	\$750 million
<b>Approved Trade Finance Operations (1431H)</b>	72 operations, totaling \$2.6 Billion
<b>Total Disbursement (1431H)</b>	\$1.8 billion
<b>Approvals by Sector ( 1431H)</b>	Energy Sector =\$1.6 billion Industrial Sector = \$598 million Agriculture Sector = \$154 million Line of financing = \$191 million
<b>Approvals by Region (1431H)</b>	ASIA/CIS = \$1.54 billion MENA = \$849 million Africa =\$161 million

In 1431H, ITFC undertook a number of measures in order to cope with the aftermath of the global financial crisis. Many initiatives were introduced towards scaling up the trade financing operations and improving overall performance. Efforts were also made to strengthen risk management and internal controls in order to position ITFC for a sustainable future. The Corporation proved to be resilient in the face of challenging market conditions and was able to achieve good performance. In 1431H, trade financing approvals increased by 18 percent reaching \$2.6 billion compared to \$2.2 billion in 1430H.

Furthermore, ITFC was able to attract 20 new clients with a total amount of \$348.5 million. Additionally, in line with the Corporation's diversification strategy, new countries and new non-oil sectors were penetrated.



Figure 1- Three Year Progress ITFC Approvals and Disbursement

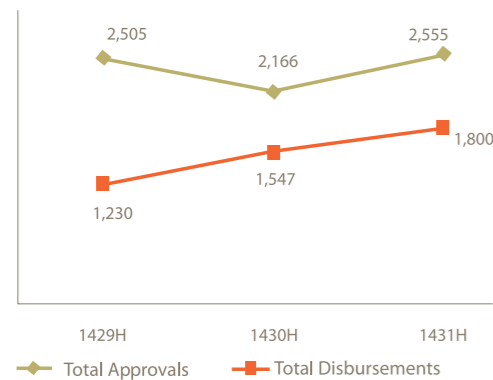
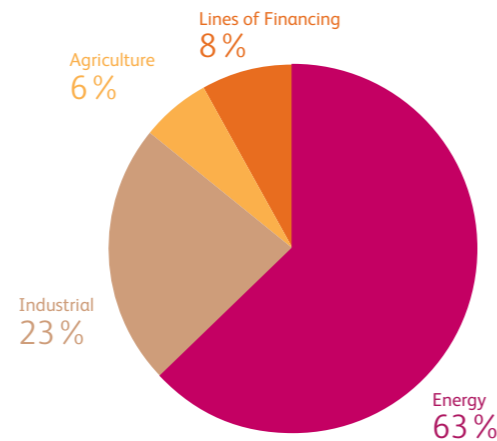


Figure 2- 1431H Trade Approvals by Sector (US \$million)



Utilization also improved markedly during the year, reaching \$1.8 billion, up from \$1.5 billion in the previous year. On the resource mobilization front, ITFC was able to mobilize \$1.1 billion from the financial market to fund 16 trade finance operations through co-financing and syndication benefiting 10 member countries.

In 1431H, ITFC continued to support the vital sectors of its member countries. Out of the total approved operations, financing to the energy sector accounted for 63 percent. Other important sectors included industry (i.e., manufacturing and other related sectors), representing 23 percent, while Lines of Finance made up 8 percent and agriculture 6 percent.

Furthermore, ITFC continued its strong commitment and support towards the development of the private sector as well as the development of trade among its OIC member countries, as shown in the graphs below.

Figure 3- 1431H Trade Approvals Public vs. Private sector

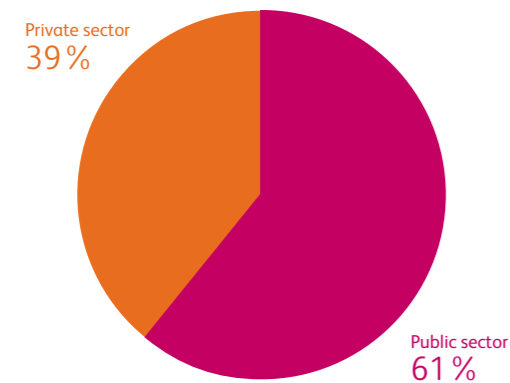
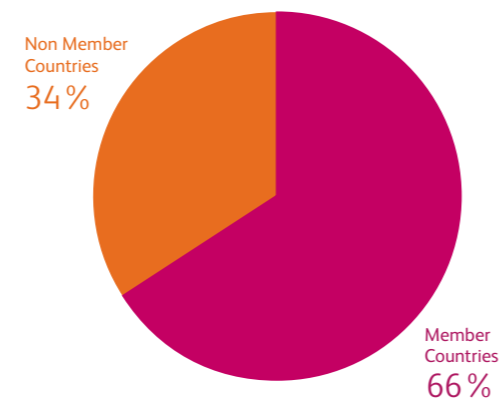


Figure 4- 1431H Trade Approvals by Source of Supply



On the other hand, ITFC made greater efforts to enhance implementation of Lines of Finance in Least Developed Member Countries (LDMCs). In 1431H, 45 percent, or \$1.1 billion, of ITFC’s total approvals was for the LDMCs.

### Awards and Recognition

In 2010, ITFC gained a number of international awards and recognitions for its outstanding achievements and commitment to excellence at both the institutional and operational levels.

At the institutional level, ITFC received two prestigious awards from prominent magazines specialized in international trade: the “Best Islamic Trade Finance Bank/Institution” –for the second consecutive year - from Global Trade Review (GTR) Magazine, and the “Best Development Financial Institution (DFI)” by Trade Finance Magazine. This further acknowledges ITFC’s commitment in fulfilling its mandate and to become the preferred financier of choice for trade solutions.

At the operational level, two of ITFC’s trade finance operations won the “Best Deal of the Year” awards. The Islamic Finance News (IFN) nominated the US\$40 million Wheat Exports Deal in Kazakhstan as the Best Structured Finance Deal of the Year, whilst the US\$50 million Sugar deal in Sudan was chosen as the Best Murabaha Deal of the Year. The Sugar Deal in Sudan was also selected as the “Deal of the Year” by GTR and Euromoney.

The success in both deals truly reflects the role of ITFC in contributing to the development of markets and trade capacities of OIC member countries by introducing customized trade solutions that are suitable for the particular markets and clients. The sugar deal was the first Co-Financed Operation provided by the IDB Group to the private sector in Sudan. ITFC has supported the largest integrated sugar producer in Sudan and this has helped the country in its endeavor to become recognized as one of the biggest sugar exporters in the region.

Similarly, in the structured wheat Deal for Kazakhstan, ITFC managed to integrate the first of its kind Islamic Structured deal in Central Asia, that serves as a model for future agricultural and supply chain transactions. The success of the case was based on the ITFC’s capability to deliver the tailor made financing structure and the genuine spirit of cooperation between the financier and the beneficiary. ITFC was also able to contribute to the development of the rural areas through this trade operation.



(R-L) Eng. Hani Salem Sonbol, DCEO and Abou Jallow, GM Operations at the Euromoney Awards Ceremony in London.

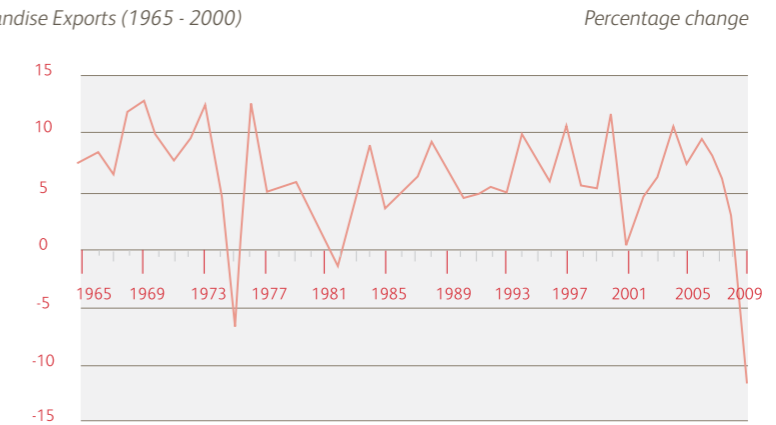
# > The Global Trade Environment



## Global Trade Overview

In 1430H (2009G), the most recent year for which data is available, world trade in current US dollar contracted by 23 percent, which resulted from a drop in both volume and commodity prices. With the weak global demand, the fall in commodity price was not surprising. However, volume drop amounting to 12 percent in 2009 was beyond the predictions as it has not been observed often in world trade. Although there has been some improvement in 2010, world trade still remains below its pre-crisis level.

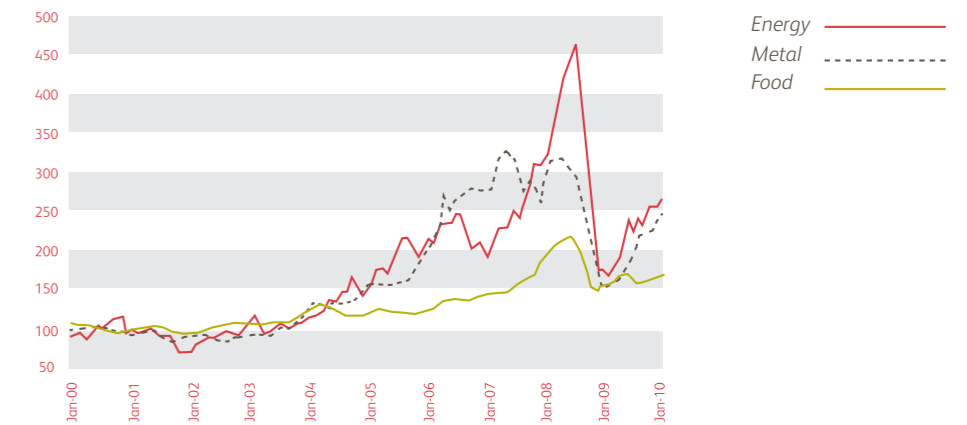
Figure 5- World Merchandise Exports (1965 - 2000)



Source: WTO Secretariat

According to WTO projections, world trade was estimated to grow by 9.5 percent in 2010, as commodity prices recovered from their bottom levels in 2009. This, coupled with the anticipated robust demand, substantial recovery could be expected in world trade. Still, it would be far from its pre-crisis levels for 2010.

Figure 6- Prices of Selected Primary Products (2000 - 2010)



Source: IMF Primary Commodity Prices

## International Trade and Intra-OIC Trade

In 2009, intra-OIC trade contracted by about 22.5 percent, which was almost the same level as the decline seen in the global trade during the same year (down 23 percent). However, unlike intra-OIC trade, OIC exports to the rest of the world (\$1.3 trillion) saw a much bigger drop, decreasing by 29.7 percent while OIC global imports (\$1.2 trillion) fell only by 16.8 percent. The larger decline in exports was due to the drop in basic commodity prices, which account for substantial part of OIC countries' exports to the world. In 2009, intra-OIC exports decreased to \$208 billion, while intra-OIC imports plummeted to \$219 billion, which constitutes about \$124 billion drop. This was almost 22.5 percent decrease in trade among OIC countries. However, the intra-OIC trade ratio (defined as intra-OIC trade over OIC trade with the world), which is the reference point for the Makkah declaration calling for 20 percent intra-OIC trade by 2015, did not decrease. This is because the decline in the overall OIC trade with the rest of the world surpassed the decrease in intra-OIC trade.



Table 2- Evolution of OIC Member States' Foreign Trade (2007 - 2009)

(US\$ billions)

	2007	2008	2009	Change %
World exports	13,800.00	15,775.00	12,147.00	-23.00%
World imports	14,300.00	16,120.00	12,385.00	-23.17%
OIC world exports	1,395.31	1,890.99	1,329.35	-29.70%
OIC world imports	1,164.59	1,489.21	1,239.67	-16.76%
Intra-OIC exports	200.2	265.32	207.92	-21.63%
Intra-OIC imports	220.39	285.63	218.83	-23.39%
Intra-OIC trade	420.59	550.95	426.75	-22.54%
	<b>Share in %</b>			
OIC world exports/world exports	10.11%	11.99%	10.94%	-8.73%
OIC world imports/world imports	8.14%	9.24%	10.01%	8.33%
OIC world trade/world trade	9.13%	10.61%	10.47%	-1.30%
Intra-OIC exports/OIC world exports	14.35%	14.03%	15.64%	11.48%
Intra-OIC imports/OIC world imports	18.92%	19.18%	17.65%	-7.97%
Intra-OIC trade ratio	16.64%	16.60%	16.65%	0.30%

Source: Islamic Center for Development of Trade

As an Islamic finance institution, ITFC trade finance business has been affected substantially due to the decline in the intra-OIC trade and the volatile commodity prices. Decrease in OIC countries' trade has a direct bearing on ITFC's trade finance business. The decline in OIC countries' imports seen in 2009 is expected to translate into a substantial drop in trade finance opportunities. This correlation between OIC countries' imports and ITFC trade finance approvals was evident in 2009 as trade approvals witnessed a decline during the year along with the decrease in OIC imports. However, the business environment is poised to improve for ITFC because of the expected recovery in 2010 and 2011 in world trade as well as rising commodity prices.

OIC countries represent a diverse group characterized by large disparities with regard to their economic indicators. Saudi Arabia, Malaysia, Iran, Pakistan, Indonesia, Turkey and the United Arab Emirates account for about 60 percent of the combined OIC GDP. In the foreseeable future, these countries would continue to dominate intra-OIC trade as well as overall OIC trade with the rest of the world.

Table 3- OIC Trade and Intra-OIC Trade (2008 - 2009)

(US\$ million)

Country	Imports from OIC		Share		Exports OIC		Share	
	2008	2009	2008	2009	2008	2009	2008	2009
Saudi Arabia	15,573	12,154	5%	6%	35,036	27,703	13%	13%
Malaysia	15,794	11,868	6%	5%	20,772	17,595	8%	8%
Iran	18,694	15,136	7%	7%	13,804	14,238	5%	7%
Pakistan	19,281	13,650	7%	6%	7,897	7,364	3%	4%
Indonesia	22,698	16,613	8%	8%	16,197	11,479	6%	6%
Turkey	29,179	17,706	10%	8%	32,595	28,634	12%	14%
U.A.E	30,349	23,031	11%	11%	30,524	27,024	12%	13%
All Other 50 Countries	134,061	108,673	47%	50%	108,498	73,880	41%	36%
<b>Intra-OIC Imports/Exports</b>	<b>285,630</b>	<b>218,831</b>	<b>100%</b>	<b>100%</b>	<b>265,324</b>	<b>207,917</b>	<b>100%</b>	<b>100%</b>

Source: Islamic Center for Development of Trade

As shown in the above table, the seven countries imported about \$110 billion from other OIC countries. The amount is more than the imports of all the other 50 countries combined, totaling \$108 billion in 2009. The share of the 50 countries in intra-OIC exports goes even further down to only 36 percent. A close look at the figures also reveals that the seven countries tend to trade among each other more than they trade with the remaining OIC countries. This feature points to the potential for enhancing intra-OIC trade by facilitating trade between the big and small OIC countries, as well as stimulating trade among the small countries.

## Advancing Trade, Improving Lives



## Trade Finance Overview

In 1431H, ITFC achieved good performance in a number of areas while adjusting itself to the aftermath of the global financial crisis. This underscores the organization’s resilience and the strong footing on which it stands. The positive performance is reflected in the trade approvals, which reached \$2,555 million for the year. Furthermore, ITFC was able to attract 20 new clients with a total amount of \$348.5 million. New countries and new non-oil sectors were penetrated, which is in line with the Corporation’s diversification strategy. It was done in pursuit of reaching more customers and expanding its coverage to include more member countries. As shown in the table below, approvals achievement had been commendable, representing a remarkable increase of 18 percent compared to 1430H approvals.

Table 4- 1431H Trade Approvals by Region (US\$ million)

Region	1431H Actual	%	1430H Actual	%
ASIA/CIS	1,544	61	1,477	68
MENA	849	33	530	25
Sub-Saharan Africa	161	6	160	7
<b>Total</b>	<b>2,555</b>	<b>100</b>	<b>2,166</b>	<b>100%</b>

During 1431H, utilization reached \$1,800 million, up from \$1,500 million in 1430H. The uptick in utilization can be attributed to the successful implementation of the business plan in the Asian sub-region, particularly in Bangladesh, Central Asia and Indonesia. Also, the quick disbursement of big ticket operations helped achieve these results. In addition, efficient follow-up mechanism was implemented which helped improve utilization levels. Another factor was the implementation of a process to recover and follow up delayed payments. These measures, together with accelerated approval rates, boosted profit generation capabilities of ITFC’s trade financing activities.

Table 5- 1431H Trade Approvals by Type of Security (US\$ million)

Type of security	1431H	%	1430H	%
Sovereign	1,021	40	49	2
Bank guarantee	494	19.4	1,478	69
Unsecured	658	26	569	26
Structured Trade Finance	376	15	70	3
Credit insurance	5	0	0	0
<b>Total</b>	<b>2,555</b>	<b>100%</b>	<b>2,166</b>	<b>100%</b>

## Supporting Strategic Sectors

In 1431H, there had been a substantial increase in financing of commodities considered strategic in nature for the concerned countries. As part of the strategy for bolstering its resilience in the midst of global financial crisis, ITFC supported strategic sectors such as oil, cotton and wheat in a number of countries, which proved to be vital for the sustainability of these economies. Crude oil and refined products worth \$1,612 million had been major items in the portfolio. Big ticket/quick disbursed oil financing has long been a crucial contributor to ITFC’s trade financing portfolio. In 1431H, two more strategic operations have been approved--one for the cotton sector in Sudan for euro 20 million, and the other for the wheat sector in Kazakhstan for \$40 million.

Box 1 - ITFC’s Support for Bangladesh’s Energy Needs

“ITFC plays a strategic role in supporting Bangladesh’s energy sector,”

H.E. Dr. Atiur Rahman, Governor of Bangladesh Central Bank



ITFC has approved 12 operations in 1431H (2010G) in favor of the Government of Bangladesh (GoB) amounting to US\$880 million for the purchase of crude oil to be refined by Bangladesh Petroleum Company’s Refinery and distributed in the local market. This amount represented approximately 37% of the annual oil importation requirement of the Country.

Assisting a developing country by providing finance for the energy importation requirement with a significant package of US\$880 million is considered as an important contribution to the economy since the energy is one of the main inputs for any economic activity. Providing favorable terms compared to other financing institutions for financing the energy requirements of Bangladesh has made possible for the GoB to spare the resources saved in the budget for alternative expenditures such as investment in infrastructure, education and health.

Commenting on ITFC’s financing, H. E. Dr. Atiur Rahman, Governor of Bangladesh Bank noted “ITFC plays a strategic role in supporting Bangladesh’s energy sector which is vital for the country’s economic growth and development.” He further said, “it is of utmost importance for the country to get its energy requirements met where ITFC plays an important role in this area enabling the country to keep and enhance its momentum of growth and development.” ITFC and the GoB agreed to improve the cooperation with a financing plan for up to US\$2.0 billion in 1432H (2011G).



## Breaking New Grounds

As part of ITFC’s strategy, which calls for diversification of the trade finance portfolio, a lot of efforts have been made to reach new markets and new sectors. In 1431H, 20 new clients were attracted with a total amount of \$348.5 million, representing 13.7 percent of total approvals. Furthermore, new sectors were penetrated, particularly in the non-oil sectors (such as coal, steel, grain, petrochemicals, soybean meal, corn, and palm oil). These efforts resulted in a more healthy and diversified portfolio in line with the new strategy. This once again demonstrated ITFC’s resilience in facing the challenges amid stiff competition.

Box 2 - Supporting wheat exports in Kazakhstan

“ITFC delivered the tailor made financing solution in an enthusiastic and expeditious manner”



Mr. Nurlan Tleubayev, Chairman of AIC

Kazakhstan is among the world’s top five exporters of wheat. The high quality of production has enabled Kazakh wheat to meet standards set by the European Union and the WTO.

Capitalizing on the opportunities offered by the Kazakhstani Grain Law, ITFC managed to put together a Shari’a-compliant structured trade finance deal, the first of its kind in Central Asia. With its unique features, the deal should serve as a model for future agricultural and supply chain transactions. It will make the financing structure more competitive in addition to the developmental impact.

ITFC provided a customized Shari’a-compliant wheat export financing facility in the amount of \$40 million to AIC Invest LLP of Kazakhstan. Mr. Nurlan Tleubayev, Chairman of AIC, says, “ITFC’s tailor made financing solution and the enthusiastic and expeditious manner with which it was delivered was one of the most crucial features that an economic operator would like to expect from any financial institution, and this is even more relevant for companies in trading business, such as AIC Invest.” Commenting on the partnership, Mr. Nurlan said “Frankly, during our initial contacts with the ITFC, we were pondering about the impact that ITFC’s location in Jeddah, being far away from Kazakhstan, could have on the effectiveness and efficiency of our prospective cooperation”. He added, “We were pleasantly surprised by the eagerness and motivation of the ITFC team which eliminated the factor of distance.”

## Providing Trade Solutions

ITFC shifted its strategy by moving away from extending financing alone to providing trade finance solutions to customers. In this context, ITFC is increasing its focus on Structured Trade Finance (STF) as a way to increase its reach to Member Countries while at the same time growing and diversifying its financing portfolio. The continued effect of the global financial crisis necessitates more stringent criteria for granting financing facilities. This goes beyond relying on balance sheet and stretches to ensuring relevant use of funds and creating linkage of credit assessment to primary sources of repayment. In this regard, ITFC is stepping up its efforts to increase the size and share of STF deals in its total portfolio. This is being done not only to improve resilience but also to bring customization to its trade operations in order to accommodate the needs of its clients.

Structured Trade Finance can be defined as the means through which trade solutions are provided outside and beyond the traditional fall back on securities. Under STF, the focus shifts from the strength of the borrower to the underlying commodities and resulting cash flow and to structures that enhance safe financing. In the emerging markets, STF is said to have demonstrated a good track record compared to other forms of lending or investing. This should allow ITFC more flexibility towards providing trade solutions to clients in emerging markets as an alternative to balance sheet financing.

Furthermore, there is a growing recognition that better understanding of clients’ business transactions and their operating cycle could be an important factor in appraising financing needs and reducing the risk of non-performing loans.

Table 6 - 1431H Structured Trade Finance Operations (US\$ million)

Country	Commodity	Total Amount
Indonesia	Soybean meal, corn and sugar	155
Kazakhstan	Wheat	40
Burkina Faso	Fertilizer and agricultural Inputs	56
United Arab Emirates	Petroleum Products	125
<b>Total</b>		<b>376</b>

In 1430H, a total of four structured trade finance operations amounting to \$95 million were approved. In 1431H, STF operations have been expanded both in number and in amount as 10 operations were approved with an aggregate amount of \$376 million. Pre-export structured trade finance facility in favor of a company in Kazakhstan was the first wheat financing operation, which assumes collateral in the form of commodity financed by ITFC while repayment is tied to receivables from sales.

Box 3 - Contributing to trade and market developments in Indonesia

“ITFC has opened doors of possibilities to PTAP and created new opportunities for further projects”

Tony Wijaya, PTAP's President Director



Indonesia is one of the largest exporters of resource-based commodities in South East Asia with a big percentage of the population engaged in agriculture.

In 1430H, the Indonesian raw sugar refiner PT Angels Products (PTAP) benefited from the first-ever structured financing operation in Indonesia. It turned out to be a landmark deal since it was nominated for the best deal of the year for 2009 from the Islamic Finance News (IFN), Global Trade Review (GTR) and Euromoney. Building on the excellent progress made and with the Supply Chain Finance gaining more popularity, ITFC approved another \$155 million structured trade financing operation in favor of PTAP in 1431H. PTAP uses the funds for the purchase of raw sugar to be stored, processed and refined into white sugar for industrial use.

Commenting on the structure, PTAP's President Director, Tony Wijaya said, "ITFC has opened doors of possibilities to PTAP. With its innovation, we are able to conduct business more efficiently, not to mention create new opportunities for further projects, not only within members of OIC but also globally. Together with ITFC, PTAP constructed a new financing structure that covers refined sugar which is imperative for sugar refineries to run their businesses in an effective manner."

## Creating Value for Impact

ITFC has placed substantial efforts on accelerating input financing for agriculture through adding value to products as early as possible at the upstream stages within the production cycle. This approach acknowledges the contribution of farmers' efforts by making instant payment to them upon delivery instead of waiting for proceeds of final sales. Unlike commercial banks whose main concerns are profits, ITFC, in addition to ensuring its commercial viability, has a developmental mandate requiring its interventions create a developmental impact and ultimately make a difference in peoples' lives. In this regard, €13 million financing was given to the government of Cameroon for providing fertilizer and agricultural inputs to its farmers. In the same fashion, similar input financing was provided to Sudan amounting to €20 million and a post harvesting financing for purchase of seed cotton amounting to \$56 million to Burkina Faso. In the above cases, direct involvement of ITFC in cotton is crucial in sustaining the livelihood of the rural population.

## Access for SMEs

Lack of access to trade finance is identified as one of the major impediments to enhancing OIC countries' trade as evidenced from the Framework Agreement on Trade Preferential System among the Member States of the Organization of the Islamic Conference (TPS-OIC). Article-2 of the agreement proposes the use of trade finance for promoting trade among OIC countries. The lack of trade finance seems to be a severe problem for least developed member countries and greater efforts are under way to enhance implementation of Lines of Financing in LDMCs. A trigger is needed for them to ignite their production cycle through trade. In 1431H, total approvals made towards the LDMCs amounted to \$1,141 million.

Due to the significantly large number of small disbursements involved as well as difficulties in assessing their credit worthiness, ITFC does not extend direct facilities to SMEs. To overcome this, it has devised a mechanism to provide Line of Financing and 2-Step Murabaha Financing (2SMF) to local banks, which have better access to information on SMEs and can handle small amount more efficiently. Under this mechanism, ITFC makes funds available to a local bank, which then provides it to the SMEs. In 1431H, ITFC maintained its focus on 2-Step Murabaha mechanism for SME financing. Details about the 2-Step Murabaha financing provided in 1431H are given below.

Table 7- 1431H 2-Step Murabaha Lines for SMEs (US\$ million)

Country	Amount
Albania	5.00
Azerbaijan	35.50
Egypt	10.00
Iran	55.00
Jordan	10.00
Turkey	75.00
<b>Total</b>	<b>190.50</b>



Box 4 - Providing access to finance for SMEs

“ITFC’s financing mechanism supports SMEs’ growth and competitiveness, and boosts economic diversification”

*Ms. Onamma Amucheazi, PHB Correspondent Banking*



Worldwide, SMEs account for an estimated 90 percent of the businesses and over 50 percent of employment. The development of SMEs plays a vital role in poverty alleviation and job creation, which in turn contributes significantly to trade and socio-economic welfare, particularly in developing countries.

Yet, the growth of SMEs is often hindered by lack of access to financing. Due to logistical constraints, which entail a significantly large number of small disbursements as well as difficulties in assessing credit worthiness of individual companies, ITFC cannot directly finance SMEs. In order to overcome these difficulties, the Corporation has devised a two-step Murabaha Financing scheme through which it reaches out to a large number of SMEs via local financial institutions or commercial banks. Through this mechanism, ITFC fills the market gap in terms of trade finance in countries with little or no access to international markets. The two-step Murabaha operation involves financing of trade activity between the ITFC, a local bank and the ultimate beneficiary.

A local bank in Nigeria is a case in point. The Bank PHB (Lagos) benefited from that arrangement. According to Ms. Onamma Amucheazi, Correspondent at the Bank, “The relationship has been extremely rewarding, innovative and mutually beneficial to both institutions”. She added, “Through the Murabaha financing, our Bank was able to close transactions in the energy sector with a suitable repayment timeframe, thereby reducing repayment pressure amongst other benefits. Not only does this financing mechanism support SMEs’ growth and competitiveness but it also boosts economic diversification as SMEs form the backbone of a number of sectors in Nigeria.”



## Promoting Intra-OIC Trade





The Trade Cooperation and Promotion Program (TCPP), which is the trade promotion and facilitation arm of the ITFC, is charged with planning and implementation of effective trade-related technical assistance programs with the objective of contributing to ITFC's mandate in promoting intra-OIC trade and enhancing trade cooperation among OIC MCs. TCPP's activities fall into four categories, namely: trade promotion, trade facilitation, capacity building and development of strategic products.

The aim for the first two categories, i.e., trade promotion and facilitation, is to increase trade cooperation among the member countries for achieving higher economic growth. On the other hand, capacity-building focuses on improving and enhancing human and institutional capacity, which will accelerate trade development in each country. Lastly, the development of strategic product aims at assisting MCs to enhance their production and expansion of products, which have strategic importance.

In 1431H, ITFC continued to deliver trade-related technical assistance to the trade support institutions (TSIs) of MCs and Small and Medium Enterprises (SMEs) in an effort to enhance trade cooperation among OIC member countries. ITFC organized and supported 24 different activities and programs under the four main areas discussed above. Detailed list of the trade promotion related activities are given in Appendix IV.

## Expanding ITFC's Reach Through More Focused Approach & Enhanced Partnerships

In 1431H, ITFC intensified its trade promotion efforts by adopting a more focused approach in line with the Corporation's strategy. At the same time, special emphasis was placed on expanding and strengthening relationship with trade-related organizations in order to better coordinate joint efforts aimed at helping ITFC achieve its objectives.

Under this new approach, ITFC's trade promotion efforts are now divided into two parts; (1) planning, programming and designing activities based on the need assessment studies; and (2) resource mobilization from both internal and external sources for the implementation of its projects and programs.

The new initiative is based on knowledge-driven need-oriented programming approach, enabling ITFC to develop its responses to member countries' trade development needs with corresponding solutions. The following are some of the new initiatives undertaken in 1431H:

- Aid for Trade Initiative for SPECA;
- Project on Revitalization of groundnut sector in selected African Countries;
- Development of Training capacities of selected TPOs;
- Meeting on How to improve implementation of Executive Program.

With the aim of achieving better coherence and higher impact on Member Countries trade development, ITFC focused on aligning its efforts with IDB Group through several platforms, including: 1) Working Group on OIC Transportation Corridor; 2) IDB Cross-border Cooperation Program; 3) MCPS for Turkey and Mali; 4) G-20 Technical Support Team; 5) IDB Group Mission to Egypt, Libya; and 6) OIC Capacity-building Program.

On another front, ITFC, in collaboration with the Islamic Center for Development of Trade (ICDT), continued to work on establishment of OIC TPOs network and facilitated the organization of meetings of TPOs for French- and Arabic-speaking Member Countries. OIC TPOs network is a platform where trade promotion and capacity-building initiatives would be designed and implemented jointly, enabling ITFC to reach out to more Member Countries and mobilize additional resources for the implementation of trade development programs.

## Enhancing Member Countries' Trade Capacity

Human and institutional development is the key for sustainable trade development. Thus, ITFC continued to place greater emphasis on supporting human development in member countries in trade-related areas under two domains: capacity-building programs for SMEs and familiarization and knowledge-sharing programs for TSIs.

In 1431H, capacity-building programs targeting SMEs were organized jointly with Foreign Trade Training Center (FTTC). Nearly 60 SMEs participated in three ITFC-sponsored training courses on Export Strategies and International Marketing. These courses were intended to enhance their competitiveness in the global market. Moreover, the participants had a chance to improve their managerial skills and capacities on various subjects including conducting market research, international marketing, product and quality development as well as supply chain management.

In addition, four capacity-building programs were organized jointly with the Union of Chamber and Commodity Exchanges of Turkey (TOBB) and Islamic Chamber of Commerce and Industry (ICCI). Nearly 30 different Chambers of Commerce and Industry participated and benefited from these programs. The aim was to improve chamber management and familiarize participants with best practices of countries like Turkey. Participants upgraded their knowledge on chamber-specific IT solutions and daily functions of chambers. They also had the opportunity to get familiar with trade and export promotion services of the host chambers. This fruitful partnership between ITFC and its partners, TOBB and Islamic Chamber of Commerce and Industry (ICCI) paved the way towards standardizing and institutionalizing these programs by designing OIC Chamber Development Program.



(L-R) Mr. Mohammad Hebshi, GM TCPP with Mr. Sultan Akhmatov, Deputy Minister of Economic Regulation of the Kyrgyz Republic.

## Responding to Member Countries' Trade Development Needs

ITFC continued to support trade promotion activities of TPOs by organizing and sponsoring their collective participations in international trade fairs' buyers-sellers meetings, with a focus on development of Halal industry in Member countries (MCs) Under the trade promotion business line, four activities were supported, where 11 trade support institutions and a number of companies promoted their products and had a chance to establish new business links. Through participation of those 11 organizations, around 50 different companies exhibited their products in three international trade fairs in major importing OIC countries- Turkey, Iran and Malaysia.

In line with its new strategy and in response to reducing dependency of LDMCs on basic agricultural commodities and to help them diversify their production and exports, ITFC initiated and supported a project to revitalize the groundnut sector in selected countries in the Sub-Saharan Africa. Through this project, ITFC identified the current needs of targeted countries and corresponding actions were developed to meet those needs. Findings of the study along with corresponding actions were presented to local and regional stakeholders, and international donor community. Similarly, ITFC was actively involved in the preparation of a concept paper for integrated sector-specific project on development of cotton sector in selected OIC countries, which is expected to identify ITFC's intervention in this sector.

Aid for Trade (AFT) Road Map for the United Nations Special Program for the Economies of Central Asia and Afghanistan Region (or SPECA Region: Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Azerbaijan) was one of the important achievements of ITFC in 1431H. This initiative aimed at strengthening SPECA countries' capacities to participate in and benefit from international trade.

During the year, ITFC organized a number of high profile meetings and conferences. It started with the consultative meeting on SPECA Aid for Trade Initiative in 2009, which was followed by the organization of Experts Meeting in March 2010. Both were carried out with ITFC's financial, technical and organizational support, which ultimately resulted in the organization of Ministerial Meeting in December 2010 in Baku, Azerbaijan, where Regional AFT Review with its action matrix was presented to international donor communities.

In addition, ITFC, in collaboration with several international organizations and national trade authorities, prepared a stock of trade proposals aimed at developing national supply side capacity, enhancing cross-border cooperation and improving human and institutional capacity in the member countries. The move also aimed to facilitate integration of SPECA countries into multilateral trading system. The participants included the United Nations Development Program (UNDP), World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), International Trade Center (ITC) and United Nations Industrial Development Organization (UNIDO).

Furthermore, ITFC took the lead in organizing the Baku Meeting in June 2010 to review the implementation and to enrich the scope and content of the Executive Programme in light of the experience and knowledge gathered from international and regional trade organizations.

The "Road Map" and "Executive Program" identified five pillars for synergy among OIC organs, IDB Group and member countries. They are:

- Trade Finance for SMEs and LDMCs by developing new mechanism and introducing new tools;
- Trade Facilitation in pursuance of decreasing cost and price of cross-border movement of goods and services;
- Capacity-building with particular emphasis on LDMCs;
- Trade Promotion in order to expand trade opportunities among OIC countries; and
- Development of Strategic Products for enhancing export capacity while focusing on food security.

### Box 5 - Baku Meeting recommendation on developing Intra-OIC Trade

**On the sidelines of the 35th IDB Group Annual Meeting, ITFC organized a meeting with the objective of improving the executive program for enhancing intra-OIC trade in light of the experience, expertise and knowledge of international and regional trade organizations.**

**International trade organizations, representatives of the business sector, and trade promotion organizations from some Member countries (MCs) were invited to participate. The meeting was also attended by the participants of the Annual Meeting. Discussions of the meeting were concentrated on trade facilitation and promotion with the main recommendations of the meeting being:**

1. Design OIC-specific trade information tools such as OIC Market Access Map, OIC Trade Map, and OIC Product Map.
2. Enhance networking and cooperation among TPOs of MCs and support the establishment of export federation or OIC TPOs network.
3. Support accession and negotiation process of MCs to WTO in order to have common trade policy framework among OIC MCs under the umbrella of WTO membership.
4. Urge MCs to simplify and harmonize customs and cross-border procedures and utilize international conventions and instruments developed by the World Customs Organization (WCO) in order to facilitate intra-OIC trade.
5. Focus on development of trade corridors and logistical services in OIC countries, particularly for the benefit of the landlocked countries in Africa and CIS. Organize a specific EGM on transportation and trade facilitation.
6. Develop a mechanism by which governments of MCs can support the objective of the executive program and integrate their local efforts within the framework of the program.
7. Organize meetings for private sector to review the executive program and for trade ministers to determine the roles of governments in the implementation of the program.
8. Increase the budget allocation to trade promotion within ITFC and ICDT. Establish export diversification fund and seek for potential donors, who can contribute to the financing of the activities of executive program.
9. Prepare investment plans for the sectors with high trade potential. Develop sector-specific national export strategies in order to help MCs diversify their export products.

## Creating Synergy & Partnerships

## Mobilizing Resources

In 1431H, ITFC mobilized \$1,135million from the financial market to fund 16 trade finance operations amounting \$1,390 million through co-financing and syndications benefiting 10 member counties. These funds represent 44.4 percent of the 1431H total approvals of \$2,555 million. The success in this area is attributed to the efficient planning in ITFC, which aims to achieve operational targets and better utilization of all available resources.

To effectively cover the cost of fund mobilization efforts and to enhance revenue, ITFC noticeably improved the Mudarib's share of profit. This additional revenue helps to cover the actual costs that ITFC incurs to lead, arrange, process and implement co-financing and syndicated operations, while at the same time taking into account the interests of its co-financing partners.

Various entities in IDB Group, especially IDB's Treasury Department, ICD, ICIEC and various funds managed by IDB were essential partners in ITFC's syndicated and co-financing operations. Out of the total mobilized resources, IDB Group's entities contributed a total of \$223 million, representing 19.6 percent.

ITFC resource mobilization efforts also assisted in activating new financing operations of some existing and new clients. In addition, it helped re-establish the relationship with some old clients who stopped benefiting from ITFC financing. These efforts contributed to the Corporation's overall achievement of higher return from operations as well as improving relationship with clients.

The table below illustrates the details of trade operations, which were syndicated and co-financed during 1431H including the amounts and allocation of funding for each operation.

Table 8 - 1431H Trade Approvals for Co-Financing and Syndication by Beneficiary (US\$ million)

Beneficiary	No. of Operations	Total Approved Amount	Funding from (ITFC Resources)	External Funding (Syndication/Co-Financing )
Bangladesh	5	560.00	97.00	463.00
Burkina Faso	1	56.10	22.50	33.60
Egypt	3	358.00	27.00	331.00
Ethiopia*	1	40.00	10.00*	30.00
Gambia	1	15.00	8.00	7.00
Maldives	1	40.00	11.00	29.00
Indonesia	1	20.00	5.00	15.00
Morocco	1	126.00	15.00	111.00
Sudan	1	50.00	25.00	25.00
UAE	1	125.00	35.00	90.00
<b>Total</b>	<b>16</b>	<b>1,390.10</b>	<b>255.50</b>	<b>1,134.60</b>

\*\$10 million sourced from BADEA Fund



## Partnering with other Financial Institutions

As one of the focus areas under ITFC's strategy, the Corporation continued building relationships with multilateral and governmental institutions as well as selected international and regional financial institutions.

ITFC has two main objectives in this endeavor:

First, it aims to attract more resources for its trade finance operations and share the risks associated with these operations. In this respect, ITFC had been successful to establish, for the first time, a direct relationship with a central bank in a member country to be a partner in its operations. It was also successful to involve one major developmental fund to co-finance an operation.

Second, in order to improve efficiency and introduce new solutions, it aims to adopt the best practices of its international partners in the area of operations and treasury activities. In this regards, ITFC is collaborating with well-known financial institutions in order to benefit from their expertise in an effort to improve its internal capacity related to treasury function.

On the trade finance side, ITFC was also successful in partnering with other financial institutions. In 1431H, it signed a Memorandum of Understanding (MOU) with Bank Muscat, Oman. The purpose of the MoU was to create close cooperation and coordination of efforts between ITFC and Bank Muscat and its branches in providing trade financing and other related services in Oman as well as in other OIC Member Countries in an efficient and cost effective manner.

ITFC and Bank Muscat have agreed to exchange market intelligence information and invite each other to participate in syndicated financing operations in all OIC Member Countries. The MOU also allows for ITFC's clients in Oman to approach Bank Muscat for services related to trade financing such as issuing Letter of Credit and applying for documentary collection.

Similarly, another MOU was signed with the Commercial Bank of Dubai (CBD), which will enable ITFC clients in the UAE to benefit from CBD services in opening Letters of Credits under ITFC financing.

## Creating Synergy within the IDB Group

The management of IDB Group has established a Task Force to study the Group Synergy concept and recommend ways, means, mechanisms, responsibilities and time-line for implementing a group-wide synergy program. The task force has submitted a report to the IDB Group management with its recommendations, which fall within the following four categories:

- Shared Corporate Services
- Business Synergy
- Group Governance
- Group-related Departments

As such, ITFC has accorded high priority to the need for maintaining synergy within the IDB Group and it fully supports the efforts made in this area. The following are highlights of activities, which ITFC was involved in 1431H with the aim to increase group synergy.

### Member Country Partnership Strategy (MCPS)

In 1431H, IDB Group has embarked on an important collaborative initiative called the Member Country Partnership Strategy (MCPS) where the IDB engages with a member country and discusses at the highest level what the IDB strategy would be to help that country. This is a departure from the previous practice in which collaboration was on a piecemeal or project-by-project basis. This ensures synergy and a more holistic approach to support member countries. In 1431H, ITFC has joined the IDB to conduct Member Country Partnership Strategy exercises in five countries (Turkey, Indonesia, Mali, Uganda and Mauritania) in pursuit of creating group synergy and enhance the impact of ITFC interventions in Member Countries. These exercises have been completed successfully and the recommendations are being currently evaluated for implementation at various stages for different countries.

### Cooperation with other IDB Group Entities

In 1431H, ITFC and ICIEC have signed Islamic Financing Insurance Policy aimed at providing insurance for ITFC operations in member countries. This new cooperation is expected to enhance ITFC intervention in several countries such as Syria. Besides, ITFC leveraged synergy directly with other IDB Group entities such as ICIEC and ICD with the signing of MoU with ICIEC in 1431H. The partnership with IDB Group entities contributed to several ITFC operations. In 1431H, ICIEC provided guarantee insurance services for two ITFC operations.

### Group Trade Related Issues Committee (GTRC)

This Committee was formed under the guidance of the Chairman of the IDB Group as a means to actively engage the Group on issues related to intra-OIC trade. The Committee has developed into a platform where the various IDB Group entities share experiences and strengthen alliances on trade-related issues. The GTRC's mandate is to carry out the following tasks:

- Study the overall role to be played by the IDB Group in enhancing Intra-OIC-trade;
- Monitor the implementation of the road map agreed upon in the Expert Group Meeting;
- Prepare reports on developmental topics which have trade-related components;
- Study ways of increasing cooperation with international organizations in trade matters;
- Coordinate "Aid for Trade" initiatives within the IDB Group; and
- Coordinate COMCEC initiatives within the IDB Group.

The GTRC strives to translate the strategic thrusts of the IDB Group Vision 1440H into actionable programs based on the Group's new way of doing business. It utilizes and participates in all the available tools of the IDB Group, including the Member Country Partner Strategy, Policy Dialogues, and Awareness Seminars. The GTRC plays a catalytic role in embodying trade as an integral part of IDB's mandate to alleviate poverty in its member countries.

Currently, the GTRC has established five sub-teams to further consolidate and enhance IDB's interventions in trade-related issues. They are:

- Aid for Trade;
- Transport and Trade;
- Trade Competitiveness;
- Trade and Agriculture; and
- Integrated Projects.

All members of the GTRC are part of one or more of the sub-teams, cross-fertilizing the GTRC with their wide-range of experience and knowledge and also offering ideas and initiatives to their respective sub-teams.



# Audited Financial Statements



THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

FINANCIAL STATEMENTS  
30 Dhul Hijjah 1431H (6 December 2010)  
With  
INDEPENDENT AUDITORS' REPORT

To the General Assembly  
The International Islamic Trade Finance Corporation

We have audited the accompanying statement of financial position of The International Islamic Trade Finance Corporation (the "Corporation") as of 30 Dhul Hijjah 1431H (6 December 2010) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of 30 Dhul Hijjah 1431H (6 December 2010), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation.

PricewaterhouseCoopers

By:  
Sami E. Farah  
License No. 168  
2011(1432H)

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As of 30 Dhul Hijjah 1431H (6 December 2010)**

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

	<u>Notes</u>	<u>1431H</u>	<u>1430H</u>
<b>ASSETS</b>			
Cash And Cash Equivalents	4	31,695	430,685
Commodity Placements Through Banks	5	155,000	50,000
Murabaha Financing	6	367,353	354,940
Investment In Sukuk	7	20,146	-
Accrued Income And Other Assets	9	34,896	2,001
Receivable From Islamic Development Bank - Ordinary Capital Resources	12	168,097	-
Receivable From Badea Fund	12	492	-
Fixed Assets	10	<u>265</u>	<u>303</u>
		<u>777,944</u>	<u>837,929</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND MEMBERS' EQUITY LIABILITIES</b>			
Payable To Islamic Development Bank - Ordinary Capital Resources	12	-	103,144
Payable To Badea Fund	12	-	2,448
Accruals And Other Liabilities	11	<u>34,835</u>	<u>3,113</u>
		<u>34,835</u>	<u>108,705</u>
<b>Total liabilities</b>			
<b>MEMBERS' EQUITY</b>			
Paid-Up Capital	13	671,700	659,243
General Reserve	14	69,981	81,016
Net Income (Loss) For The Year		<u>1,428</u>	<u>(11,035)</u>
		<u>743,109</u>	<u>729,224</u>
<b>Total members' equity</b>			
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY AL LIABILITIES AND MEMBERS' EQUITY</b>		<u>777,944</u>	<u>837,929</u>
<b>Undisbursed Commitments</b>	15		

The accompanying notes on pages 6 to 18 form an integral part of these financial statements.



**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**  
**STATEMENT OF INCOME**  
For the year ended 30 Dhul Hijjah 1431H (6 December 2010)

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

	<u>Notes</u>	<u>1431H</u>	<u>1430H</u>
Income From:			
Commodity Placements Through Banks		2,467	4,122
Murabaha Financing		10,366	18,959
Investment In Sukuk		407	-
Mudarib Fees And Others		<u>5,438</u>	<u>3,788</u>
		18,678	26,869
Exchange (Loss) Gain		(2,644)	11,904
Administrative Expenses:			
Staff Costs		(9,568)	(8,628)
Depreciation	10	(76)	(58)
Other		<u>(3,837)</u>	<u>(3,188)</u>
		2,553	26,899
Provision For Impairment Of Assets	<u>8, 9</u>	<u>(1,125)</u>	<u>(37,934)</u>
<b>Net income (loss) for the year</b>		<u>1,428</u>	<u>(11,035)</u>

The accompanying notes on pages 6 to 18 form an integral part of these financial statements. Statement of Cashflows

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 Dhul Hijjah 1431H (6 December 2010)

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

	<u>Notes</u>	<u>1431H</u>	<u>1430H</u>
<b>CASH FLOWS FROM OPERATIONS</b>			
Net Income (Loss) For The Year		1,428	(11,035)
Adjustment To Reconcile Net Income (Loss) To Net Cash From Operating Activities:			
Depreciation	10	76	58
Provision For Impairment Of Assets		1,125	37,934
Changes In Operating Assets And Liabilities:			
Commodity Placements Through Banks	5	(105,000)	(50,000)
Murabaha Financing	6	(45,487)	44,479
Accrued Income And Other Assets	9	(946)	(1,133)
Receivable From Islamic Development Bank - Ordinary Capital Resources	12	(271,241)	15,321
Receivable From Badea Fund	12	(2,940)	2,448
Accruals And Other Liabilities	<u>11</u>	<u>31,722</u>	<u>(2,649)</u>
Net Cash (Utilized In) Generated From Operating Activities		<u>(391,263)</u>	<u>35,423</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment In Sukuk	7	(20,146)	-
Purchase Of Fixed Assets	<u>10</u>	<u>(38)</u>	<u>(266)</u>
Cash Utilized In Investing Activities		<u>(20,184)</u>	<u>(266)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital Contribution	13	12,457	127,300
Cash Generated From Financing Activities		<u>12,457</u>	<u>127,300</u>
Net Change In Cash And Cash Equivalents		(398,990)	162,457
Cash And Cash Equivalents At The Beginning Of The Year		<u>430,685</u>	<u>268,228</u>
Cash And Cash Equivalents At The End Of The Year	<u>4</u>	<u>31,695</u>	<u>430,685</u>
<b>Supplemental non-cash information</b>			
Other Investments	<u>9</u>	<u>33,781</u>	-

The accompanying notes on pages 6 to 18 form an integral part of these financial statements.

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**For the year ended 30 Dhul Hijjah 1431H (6 December 2010)**

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

	Notes	Paid-Up Capital	General Reserve	Net income (loss) for the year	Total
Balance At 01 Muharrum 1431H		659,243	81,016	(11,035)	729,224
Capital Contributed	13	12,457	-	-	12,457
Transfer To General Reserve	14	-	(11,035)	11,035	-
Net Income For The Year		-		<u>1,428</u>	<u>1,428</u>
Balance At 30 Dhul Hijjah 1431H		<u>671,700</u>	<u>69,981</u>	<u>1,428</u>	<u>743,109</u>
Balance At 01 Muharrum 1430H		531,943	63,546	17,470	612,959
Capital Contributed	13	127,300	-	-	127,300
Transfer To General Reserve	14	-	17,470	(17,470)	-
Net Loss For The Year		-	-	<u>(11,035)</u>	<u>(11,035)</u>
Balance At 30 Dhul Hijjah 1430H		<u>659,243</u>	<u>81,016</u>	<u>(11,035)</u>	<u>729,224</u>

The accompanying notes on pages 6 to 18 form an integral part of these financial statements.

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 Dhul Hijjah 1431H (6 December 2010)**

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

## 1. Incorporation, Activities And Other

The International Islamic Trade Finance Corporation (the "Corporation") was established, pursuant to the decision taken by the Board of Governors ("BG") of the Islamic Development Bank ("IDB" or the "Bank") in their 30th meeting held on 17 Jamad Awaal 1426H (24 June 2005). The Corporation is governed by the terms of the Articles of Agreement of the Corporation. The Corporation is an international organization and derives its legal personality from public international law. As a result, it is able to enter into contracts, acquire and dispose of property, and take legal action. As an international institution, the Corporation is not subject to an external regulatory authority.

The purpose of the Corporation is to promote trade of member countries of the Organization of the Islamic Conference through providing trade finance and engaging in activities that facilitate intra-trade and international trade. Majority of the Corporation's operational assets are considered sovereign debts made to or guaranteed by the respective member countries or investments in member countries, which are guaranteed in a manner acceptable to the Corporation.

The Corporation carries out its business activities through the Bank's head quarter in Jeddah, Saudi Arabia. The financial statements of the Corporation are expressed in thousands of United States Dollars ("USD") and the financial year of the Corporation is the lunar Hijri year.

The financial statements were authorized for issue by the Corporation's Board of Executive Directors on / / 1432H - / / 2011).

## 2. Significant Accounting Policies

### A) Basis Of Preparation

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation. For matters which are not covered by AAOIFI standards, the Corporation uses the relevant standard issued or adopted by the International Accounting Standards Board (the "IASB") and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

The accompanying financial statements are prepared under historic cost convention except for the measurement at fair value of investments in equity capital, see Note 2(h).

### b) Critical Accounting Judgments And Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. Management is also required to exercise its judgments in the process of applying the Corporation'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 Corporation exercises judgement in the estimation of the provision for impairment of murabaha financing assets. The methodology for the estimation of the provision is provided in note 2(i).

### c) Foreign Currency Translations

#### (i) Functional and presentation currency

These financial statements are presented in thousands of USD which is the functional and presentation currency of the Corporation.

#### (ii) Transactions And Balances

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

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

### d) Cash And Cash Equivalents

Cash and cash equivalents comprise bank balances and other short term highly liquid investments and commodity placement through banks having a maturity of three months or less at the date of placement.

### e) Commodity Placements

Commodity placements are made with Islamic banks and are utilized in the purchase and sale of commodities at profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and the Islamic banks. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less any amounts written off (if any).

### f) Murabaha Financing

Murabaha is an agreement whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha financing are stated at the cost of goods sold or disbursements made to the beneficiaries plus profit recognized by the Corporation up to the date of the statement of financial position, less repayments received.

Unearned income represents the unamortized portion of total murabaha financing income committed at the time of actual disbursement of funds.

### g) Investment In Sukuk

Investments in sukuk are classified as held-to-maturity and are stated at cost, less any provision for impairment. Provisions are created when the Bank identifies investments in specific sukuk as potentially impaired.

### h) Investment In Equity Capital

Investments in equity capital are intended to be held for a long-term period, and may be sold in response to needs for liquidity or changes in prices. Such investments are measured at fair value, and any unrealized gains arising from the change in their fair value are recognized directly in the fair value reserve under Members' Equity, whereas, unrealized losses resulting from re-measurement at fair value are recognized in the fair value reserve under Members' Equity to the extent of the available fair value reserve balance. Excess of unrealized loss over the available fair value reserve balance is recognized in the income statement. In case there are unrealized losses

that have been recognized in the income statement in previous years, the unrealized gains related to the current year are recognized in the income statement to the extent of such previous losses.

For impairment of investments in equity capital, see accounting policy in Note 2 (i).

### i) Impairment Of Financial Assets

#### Murabaha Financing:

An assessment is made at each statement of financial position date to determine whether there is evidence that a financial asset or group of financial assets may be impaired. Accordingly, the Corporation determines the provision for impairment losses based on an assessment of incurred losses. This involves a review of the financial assets on the balance sheet date in order to determine if there are any indications of impairment in their value individually; and also the losses that the Corporation suffers as a result of rescheduling the dues from certain countries or individuals and from settlement plans mutually agreed. The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return of the financial asset mentioned in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

Adjustments to the provision are recorded as a charge or addition to the statement of income. In determining the adequacy of the provision, the Corporation takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

#### Other Financial Assets:

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at cost is calculated as the difference between the asset's carrying amount and its estimated fair value.

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

### j) Fixed Assets

Fixed assets are recorded at cost, less accumulated depreciation. Depreciation is charged to the statement of income, using the straight line method, to allocate their cost to their residual values over the following estimated useful lives:

Office and Computer equipment	4 years
Motor vehicles	5 years

Maintenance and repair costs which do not materiality extend the estimated useful life of an asset are expensed and charged to the statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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

### k) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably measured.



**l) Revenue recognition***Murabaha financing*

Income from Murabaha financing is accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

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

*Investment in sukuk*

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

*Mudarib fee*

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

*Earnings prohibited by Shari'ah*

Any income from cash and cash equivalents and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income. Such income is included in accrued liabilities until the board of directors takes a decision where to transfer such income.

**m) Offsetting**

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

**n) Zakat and Tax**

Any liability for zakat and income tax is the responsibility of the individual members.

**3. Shari'ah Supervisory Board**

The Corporation's business activities are subject to the supervision of a Shari'ah supervisory board of IDB consisting of members appointed by the IDB's general assembly. Shari'ah Committee was established pursuant to Board Resolution No. BED/24138/(198)/421/11/. Members of the Shari'ah Committee of IDB are appointed for the period of 3 years renewable.

The Committee has the following functions:

- i. To consider all that are referred to it of transactions and products introduced by the Corporation for use for the first time and rule on its conformity with the principles of the Shari'ah, and to lay down the basic principles for the drafting of related contracts and other documents.
- ii. To give its opinion on the Shari'ah alternatives to conventional products which the Corporation intends to use, and to lay down the basic principles for the drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Corporation's experience in this regard.
- iii. To respond to the questions, enquiries and explications referred to it by the Board of Directors or the Management of the Corporation.
- iv. To contribute to the Corporation's programme for enhancing the awareness of its Staff Members of Islamic Banking and to deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions.
- v. To submit to the Board of Executive Directors a comprehensive report showing the measure of the Corporation's commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

**4. Cash And Cash Equivalents**

Cash and cash equivalents 30 Dhul Hijjah are comprised of the following:

	Note	1431H	1430H
Cash At Banks		17,695	133,685
Commodity Placements Through Banks	5	14,000	297,000
Total		<u>31,695</u>	<u>430,685</u>

**5. Commodity Placements Through Banks**

Commodity placements through banks at 30 Dhul Hijjah are comprised of the following:

	Note	1431H	1430H
Placements Through Islamic Banks		169,000	347,000
Less: Maturity Of Three Months Or Less At The Date Of Placement	4	(14,000)	(297,000)
		<u>155,000</u>	<u>50,000</u>

Placements through Islamic banks are utilized in the purchase and sale of commodities. Trading is conducted by Islamic banks on behalf of the Corporation. The discretion of Islamic banks over buying and selling is limited by the terms of the agreements between the Corporation and the Islamic banks.

**6. Murabaha Financing**

Murabaha financing at 30 Dhul Hijjah are comprised of the following:

	Note	1431H	1430H
Gross Amounts Receivable		1,149,441	1,350,101
Less: Share Of Syndicate Members		(736,826)	(949,901)
Unearned Income		(4,818)	(3,785)
		407,797	396,415
Less: Provision For Impairment Of Murabaha Financing	8	(40,444)	(41,475)
Murabaha Financing, Net		<u>367,353</u>	<u>354,940</u>

All goods purchased for resale under murabaha financing are made on the basis of specific purchase for resale to a specific customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods would be made good by the customer. The Corporation also participates in syndicated murabaha financing.

The Corporation has entered into joint murabaha financing agreements with certain entities. The share of syndicate members represent the portion of gross amounts receivable relating to those entities.

## 7. Investment In Sukuk

The movement in investment in sukuk is summarized as follows:

	<u>1431H</u>	<u>1430H</u>
Balance 01 Muharram	-	-
Additions During The Year	<u>20,146</u>	-
Balance At 30 Dhul Hijjah	<u>20,146</u>	-

Investment in sukuk certificates at 30 Dhul Hijjah 1431H and 1430H represents a share in the sukuk issued by various governments and certain other entities, which have been measured at cost. The fair value of these sukuk cannot be reliably measured.

## 8. Provision For Impairment Of Murabaha Financing

The movement in specific provision for impairment of murabaha financing at 30 Dhul Hijjah is as follows:

	<u>1431H</u>	<u>1430H</u>
Balance At 01 Muharram	41,475	3,541
Charge For The Year	-	37,934
Foreign Exchange Translation Adjustments	(324)	-
Write-Off	<u>(707)</u>	-
Balance At 30 Dhul Hijjah	<u>40,444</u>	<u>41,475</u>

The above impairment provision consists of the following:

a) The differences between the carrying amount of the murabaha financing assets and the net present value of the expected future cash flows discounted at the implicit rate of return of the assets mentioned in the respective agreements. These differences arise either as a result of agreed rescheduled installments or management's best estimates of the timings of future cash flows from such assets.

b) A murabaha financing provision based on management's assessment of unidentified losses present in the portfolio using the country risk ratings and a probability analysis of the rates and severity of defaults. Income on the impaired murabaha financing assets included in the statement of income for the year ended 30 Dhul Hijjah 1430H was USD 3.92 million (1431H: Nil).

Included in murabaha financing assets at 30 Dhul Hijjah 1431H USD 89.67 million (1430H: USD 101.47 million) that is past due at the balance sheet date for which the Corporation has not made provisions, as the amounts are still considered recoverable. The following is the aging of these past due amounts:

	<u>1431H</u>	<u>1430H</u>
Less Than Three Months	29,564	79,235
Three Months To Twelve Months	31,072	19,206
One Year To Five Years	29,036	3,030

Disclosures relating to the credit quality of the operating assets have been presented in note 19.

## 9. Accrued Income And Other Assets

Accrued income and other assets at 30 Dhul Hijjah are comprised of the following:

	<u>1431H</u>	<u>1430H</u>
Investment In Equity Capital	31,949	-
Accrued Income From Commodity Placements	1,523	135
Accrued Mudarib Fees	206	1,257
Accrued Income In Investment In Sukuk	264	-
Prepayments And Other Assets	<u>954</u>	<u>609</u>
Total	<u>34,896</u>	<u>2,001</u>

Investment in equity capital represents the equity capital acquired by the Corporation upon settlement of a Murabaha financing balance.

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

	<u>1431H</u>	<u>1430H</u>
Balance At 01 Muharram	-	-
Additions During The Year	33,074	-
Net Unrealized Fair Value Losses	<u>(1,125)</u>	-
Balance At 30 Dhul Hijjah	<u>31,949</u>	-

## 10. Fixed Assets

Fixed assets at 30 Dhul Hijjah are comprised of the following:

Cost	<u>Motor Vehicles</u>	<u>Office and Computer Equipment</u>	<u>Total</u>
At 01 Muharram 1431H	105	270	375
Additions During The Year	-	<u>38</u>	<u>38</u>
At 30 Dhul Hijjah 1431H	<u>105</u>	<u>308</u>	<u>413</u>
Accumulated Depreciation:			
At 01 Muharram 1431H	35	37	72
Charge For The Year	<u>21</u>	<u>55</u>	<u>76</u>
At 30 Dhul Hijjah 1431H	<u>56</u>	<u>92</u>	<u>148</u>
Net Book Value:			
At 30 Dhul Hijjah 1431H	<u>49</u>	<u>216</u>	<u>265</u>
At 01 Muharram 1430H	105	4	109
Additions During The Year		<u>266</u>	<u>266</u>
At 30 Dhul Hijjah 1430H	<u>105</u>	<u>270</u>	<u>375</u>

<u>Accumulated Depreciation</u>			
At 01 Muharram 1430H	14	-	14
Charge For The Year	<u>21</u>	<u>37</u>	<u>58</u>
At 30 Dhul Hijjah 1430H	<u>35</u>	<u>37</u>	<u>72</u>
<u>Net Book Value:</u>			
At 30 Dhul Hijjah 1430H	<u>70</u>	<u>233</u>	<u>303</u>

## 11. Accruals And Other Liabilities

Accruals and other liabilities at 30 Dhul Hijjah are comprised of the following:

	<u>Note</u>	<u>1431H</u>	<u>1430H</u>
Payable To Islamic Development Bank - Ordinary Capital Resources ("IDB-OCR") Under Wakala Agreement	12	25,000	-
Security Deposit		7,242	-
Accrued And Other Expenses		1,419	1,598
Excess Capital Receipts		853	1,201
Others		<u>321</u>	<u>314</u>
		<u>34,835</u>	<u>3,113</u>

*Excess capital receipts represent amounts received from members in respect of paid up capital that is not due.*

## 12. Related Party Balances

In the ordinary course of its activities, the Corporation receives funding from IDB and executes business transactions with related parties. The terms of the funding that is provided by IDB and the transactions that are executed with related parties are approved by the Corporation's management and subject to current IDB rules, regulations and guidelines.

According to the IDB's board of executive directors' resolution number BED/27157/(249)428/12/, dated 27 Dhul Hijja 1428H (6 January 2008), the Board resolved to allocate USD 1 billion of IDB OCR resources for the Corporation, wherein the Corporation will act as Mudarib under a mudaraba agreement dated 10 Rabi al Awal 1429H (18 March 2008).

During the year the Corporation entered into a Wakala agreement with IDB-OCR amounting to USD 25 million, on which the Corporation will pay Wakala profit of Libor plus 110 bps. The transactions will mature on 12 December 2010. The balance due from IDB - OCR at 30 Dhul Hijjah 1431H amounting to USD 168.10 million is commission free and has no repayment terms (1430H: Payable to IDB - OCR amounting to USD 103.14 million). The amount receivable from BADEA Fund of USD 0.49 million at 30 Dhul Hijjah 1431H (1430: Payable to BADEA fund amounting to USD 2.4 million) represents amounts received by the Corporation from the customers of the BADEA Fund. The Corporation earns mudarib fees of 15% and 20%, respectively from IDB and BADEA Fund based on its share of profit related to murabaha financing transactions.

## 13. PAID-UP CAPITAL

The capital of the Corporation at 30 Dhul Hijjah are comprised of the following:

	<u>1431H</u>	<u>1430H</u>
Authorized 300,000 Shares Of Usd 10,000 Each	<u>3,000,000</u>	<u>3,000,000</u>
Issued: 75,000 Shares Of Usd 10,000 Each	750,000	750,000
Issued Shares Not Subscribed	<u>(42,920)</u>	<u>(76,390)</u>
Subscribed Capital	707,080	673,610
Share Capital Not Yet Called	<u>(25,647)</u>	<u>(6,667)</u>
Called-Up Capital	681,433	666,943
Installments Due, Not Yet Paid	<u>(9,733)</u>	<u>(7,700)</u>
Paid-Up Capital	<u>671,700</u>	<u>659,243</u>

## 14. GENERAL RESERVE

In accordance with chapter 6 of Article 27 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to the general reserve, when approved by the Board of Directors, until this reserve equals 25% of the Corporation subscribed capital. Any excess of the net income over the above limit is available for distribution to member countries.

In accordance with chapter 6 of Article 27 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to the general reserve, when approved by the Board of Directors, until this reserve equals 25% of the Corporation subscribed capital. Any excess of the net income over the above limit is available for distribution to member countries.

## 15. UNDISBURSED COMMITMENTS

Undisbursed commitments at 30 Dhul Hijjah are comprised of the following:

	<u>1431H</u>	<u>1430H</u>
Murabaha Financing	<u>131,520</u>	<u>200,611</u>

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

	<u>30 Dhul Hijjah 1431H</u>					
	<u>Maturity period determined</u>					
	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Maturity period determined</u>	<u>Total</u>
Cash And Cash Equivalents	31,695	-	-	-	-	31,695
Commodity Placements	115,000	40,000	-	-	-	155,000
Investment In Sukuk	-	-	20,146	-	-	20,146



30 Dhul Hijjah 1431H						
Murabaha Financing	250,956	99,482	2,148	-	14,767	367,353
Accrued Income And Other Assets	-	2,947	-	-	31,949	34,896
Receivable From Islamic Development Bank - Ordinary Capital Resources ("IDB-OCR")	168,097	-	-	-	-	168,097
Receivable From BADEA Fund	492	-	-	-	-	492
Fixed Assets	-	-	265	-	-	265
<b>Total Assets</b>	<b>566,240</b>	<b>142,429</b>	<b>22,559</b>		<b>716</b>	<b>777,944</b>

30 Dhul Hijjah 1431H						
Maturity period determined						
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Maturity period not Determined	Total
Accruals And Other Liabilities	34,835	-	-	-	-	34,835
<b>Total Liabilities</b>	<b>34,835</b>					<b>34,835</b>

30 Dhul Hijjah 1430H						
Maturity period determined						
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Maturity Determined	Total
Cash and cash equivalents	430,685	-	-	-	-	430,685
Commodity placements	-	50,000	-	-	-	50,000
Murabaha financing	220,242	130,526	4,129	43	-	354,940
Accrued income and other assets	135	1,866	-	-	-	2,001
Fixed assets	-	-	303	-	-	303
<b>Total assets</b>	<b>651,062</b>	<b>182,392</b>	<b>4,432</b>	<b>43</b>		<b>837,929</b>

30 Dhul Hijjah 1430H						
Maturity Period Determined						
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Maturity period not Determined	Total
Payable to IDB-OCR	-	-	-	-	103,144	103,144
Payable to BADEA Fund	-	-	-	-	2,448	2,448
Accruals and other liabilities	-	3,113	-	-	-	3,113
<b>Total liabilities</b>		<b>3,113</b>			<b>105,559</b>	<b>108,705</b>

## 17. Concentration Of Assets

The geographical locations of assets are as follows:

30 Dhul Hijjah 1431H								
	Cash and cash equivalents	Commodity placements through banks	Investment in sukuk	Murabaha financing	Accrued income and other assets	Receivable from IDB-OCR and BADEA Fund	Fixed assets	Total
Azerbaijan	-	-	-	1,960	-	-	-	1,960
Bahrain	4,355	-	-	1,808	-	-	-	6,163
Bangladesh	-	-	-	229,925	-	-	-	229,925
Gambia	-	-	-	10,681	-	-	-	10,681
Indonesia	-	-	-	14,823	-	-	-	14,823
Iran	-	-	-	2,749	71	-	-	2,820
Japan	-	-	5,000	-	41	-	-	5,041
Jordan	-	-	-	9,616	-	-	-	9,616
Khazakhstan	-	-	-	21,444	-	-	-	21,444
Maldives	-	-	-	2,525	172	-	-	2,697
Malaysia	-	-	10,146	-	26	-	-	10,172
Morocco	-	-	-	6,993	-	-	-	6,993
Nigeria	-	-	-	13,312	-	-	-	13,312
Qatar	-	90,000	-	-	567	-	-	90,567
Saudi Arabia	10,466	25,000	-	23,400	34,652	168,589	265	262,372
Sudan	-	-	-	1,862	206	-	-	2,068
Tadzikistan	-	-	-	2,185	-	-	-	2,185
Turkey	-	40,000	5,000	9,357	941	-	-	55,298
Uae	-	-	-	11,875	-	-	-	11,875
United Kingdom	16,874	-	-	-	15	-	-	16,889
Other	-	-	-	1,006	37	-	-	1,043
<b>Total</b>	<b>31,695</b>	<b>155,000</b>	<b>20,146</b>	<b>365,521</b>	<b>36,728</b>	<b>168,589</b>		<b>777,944</b>

30 Dhul Hijjah 1430H						
	Cash and cash equivalents	Commodity placements through banks	Murabaha financing	Accrued income and other assets	Fixed assets	Total
Burkina Faso	-	-	6,712	-	-	6,712
Bahrain	4,825	-	5,984	-	-	10,809
Bangladesh	-	-	118,212	-	-	118,212
Egypt	-	-	6,877	-	-	6,877
Gambia	-	-	4,333	-	-	4,333
Indonesia	-	-	9,942	-	-	9,942
Jordan	-	-	9,149	-	-	9,149
Kuwait	-	-	5,508	-	-	35,508
Malaysia	54,000	-	-	-	-	54,000

	30 Dhul Hijjah 1430H					
Morocco	-	-	15,990	-	-	15,990
Nigeria	-	-	16,215	-	-	16,215
Qatar	39,000	-	-	-	-	39,000
Saudi Arabia	1,711	-	96,607	2,001	303	100,622
Senegal	-	-	3,003	-	-	3,003
Sudan	-	-	32,620	-	-	32,620
Tajikistan	-	-	4,749	-	-	4,749
Tunisia	-	-	2,055	-	-	2,055
Turkey	-	-	12,447	-	-	12,447
Uae	21,000	-	4,035	-	-	25,035
United Kingdom	127,149	50,000	-	-	-	330,149
Others	-	-	502	-	-	502
<b>Total</b>	<b>430,685</b>	<b>50,000</b>	<b>354,940</b>	<b>2,001</b>	<b>303</b>	<b>837,929</b>

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

## 18. Net Assets In Foreign Currencies

	1431H	1430H
Euro	82,196	122,436
Pound Sterling	19,424	20,003
Saudi Riyal	12,402	10,150
Dutch Mark	2,583	2,708
Uae Dirham	65	-
Islamic Dinar	(42,265)	(43,299)
Canadian Dollar	(460)	(432)
Moroccan Dirham	(136)	(41)
Japanese Yen	(79)	(73)
Malysian Ringgit	(61)	(55)

## 19. Risk Management

The Corporation's risk management is governed by the IDB's risk management guidelines. IDB's Risk Management Department ("RMD") also provides risk management services to the Corporation.

The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Corporation through the identification, measurement and monitoring of all types of risks inherent in its activities.

The Corporation has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Corporation's risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Corporation's financial transactions.

### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation's credit risk arises mainly from its murabaha financing assets.

For all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is their carrying value as disclosed in the statement of financial position.

The assets which subject the Corporation to credit risk principally consist of commodity placements and Murabaha financing which are mainly covered by sovereign guarantees and commercial banks guarantees acceptable to the Corporation, in accordance with specific eligibility criteria and credit risk assessments.

Murabaha financing is covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from Corporations whose ratings are acceptable to the Corporation per its policies, or sovereign guarantees from Member Countries.

The Corporation benefits from preferred creditor status on murabaha financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses.

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

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

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

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with Corporation.

While extending financing to its member countries the Corporation should safeguard its interests by obtaining the relevant guarantees for its financing operations and has to ensure that the concerned beneficiaries as well as the guarantors are able to meet their obligations to Corporation.

In addition to the above risk mitigation tools, the Corporation has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best banking practices.

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines were developed for monitoring country exposure to safeguard the Corporation against undue risk.

The country exposure limits are determined and periodically reviewed and updated taking into consideration the recent macro-economic, financial, and other developments in the member countries, the status of their business relationship with Corporation.

### b) Market risks

The Corporation is exposed to following market risks:

**i) Currency risk**

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, the Corporation does not hedge its currency exposure by means of hedging instruments.

The Corporation monitors the composition of its assets and liabilities and adjusts balances regularly to limit its exposure to fluctuations in foreign exchange rates. A significant portion of the Corporation's financing operations are USD-denominated, the same currency in which the Corporation resources - i.e., equity are denominated. The Corporation does not trade in currencies.

**ii) Liquidity risk**

Liquidity risk is the risk that the Corporation will be unable to meet its net funding requirements. To guard against this risk, the Corporation adopts a conservative approach by maintaining high liquidity levels through investment in cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months. The liquidity profile of the Corporation's assets and liabilities has been presented in note 16.

**iii) Equity price risk**

The Corporation is exposed to equity price risks arising from equity investments that are held for strategic rather than trading purposes.

The Corporation does not actively trade these investments.

If equity prices had been 5% higher or lower, net income for the year ended 30 Dhul Hijjah 1431H would have been unaffected as equity investments are classified as available-for-sale and adequate provision has been made as per the accounting policy disclosed in Note 2(h).

**iv) Mark-up risk**

Mark-up risk arises from the possibility that changes in Mark-up will affect the value of the financial instruments. The Corporation is exposed to Mark-up on its investments in commodity placements, and murabaha financing.

In respect of the financial assets, the Corporation's returns are based on a benchmark and hence vary according to the market conditions.

The sensitivity analysis have been determined based on the exposure to profit rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting profit rate risk internally to key management personnel and represents management's assessment of the possible change in profit rates.

At reporting date, if profit rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net loss would not be changed significantly.

**c) Fair values of financial assets and liabilities**

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

The fair values of operational assets are not significantly different from the carrying values included in the financial statements.

**COMPARATIVE FIGURE**

Certain comparative figures have been re-grouped to conform to the presentation in the current year.



# APPENDICES

<b>I – ITFC Shareholder Information</b>	<b>60</b>
<b>II – 1431H Trade Approvals And Developmental Impact</b>	<b>62</b>
<b>III – 1431H Trade Approvals For The LDMCS</b>	<b>64</b>
<b>IV – TCPP Activities In 1431H</b>	<b>64</b>
<b>V – Acronyms &amp; Abbreviations</b>	<b>66</b>
<b>VI – Islamic Development Bank Group Structure</b>	<b>68</b>
<b>VII – ITFC 2010 Awards</b>	<b>70</b>



## Appendix I – ITFC Shareholder Information

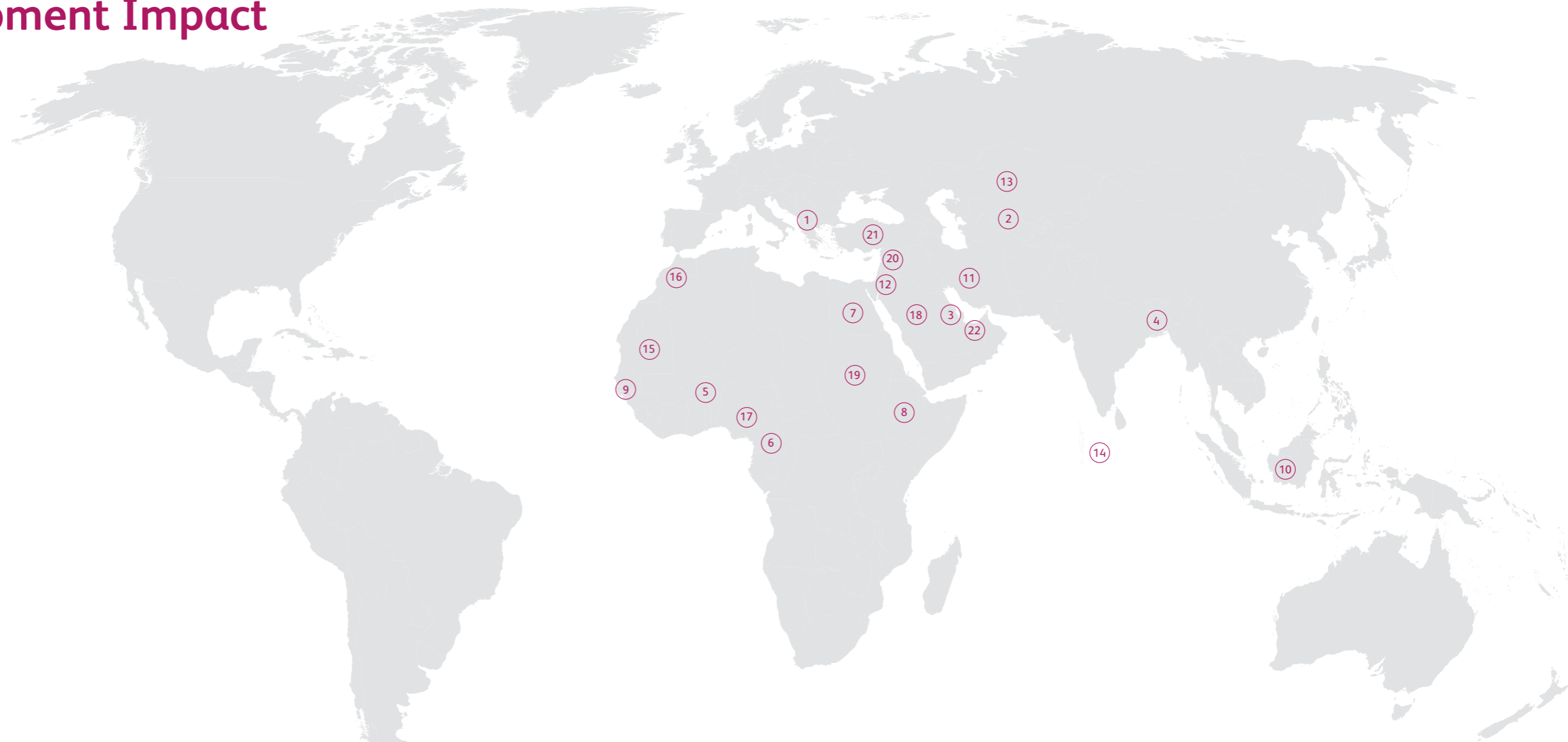
Paid-up Capital as of 30/12/1431H (06/12/2010G) Sorted by Subscription

	Member	Total subscription	Percentage of subscribed	Called-up amount	Percentage of called-up	Paid up amount	Percentage of paid-up
1	Islamic Development Bank	266,370,000	37.7%	266,370,000	39.1%	266,370,000	39.7%
2	Saudi Arabia	120,000,000	17.0%	120,000,000	17.6%	120,000,000	17.9%
3	Saudi Fund for Development, Saudi Arabia	50,000,000	7.1%	50,000,000	7.3%	50,000,000	7.4%
4	Kuwait	40,000,000	5.7%	17,686,667	2.6%	17,686,667	2.6%
5	Public Investments Fund, Saudi Arabia	30,000,000	4.2%	30,000,000	4.4%	30,000,000	4.5%
6	Turkey	29,150,000	4.1%	29,150,000	4.3%	29,150,000	4.3%
7	Malaysia	28,980,000	4.1%	28,980,000	4.3%	28,980,000	4.3%
8	Export Development Bank, Iran	25,000,000	3.5%	25,000,000	3.7%	25,000,000	3.7%
9	Egypt	12,730,000	1.8%	12,730,000	1.9%	12,730,000	1.9%
10	Qatar	10,000,000	1.4%	10,000,000	1.5%	10,000,000	1.5%
11	Iraq	10,000,000	1.4%	6,666,667	1.0%	-	0.0%
12	Pakistan	8,430,000	1.2%	8,430,000	1.2%	8,430,000	1.3%
13	Albaraka Islamic Bank, Bahrain	8,180,000	1.2%	8,180,000	1.2%	8,180,000	1.2%
14	Algeria	6,080,000	0.9%	6,080,000	0.9%	6,080,000	0.9%
15	Faisal Islamic Bank of Egypt, Egypt	5,920,000	0.8%	5,920,000	0.9%	5,920,000	0.9%
16	Brunei Darussalam	5,820,000	0.8%	5,820,000	0.9%	5,820,000	0.9%
17	Tunisia	5,600,000	0.8%	5,600,000	0.8%	5,600,000	0.8%
18	Morocco	5,100,000	0.7%	5,100,000	0.7%	5,100,000	0.8%
19	Bank Mellat, Iran	5,000,000	0.7%	5,000,000	0.7%	5,000,000	0.1%
20	Indonesia	2,060,000	0.3%	2,060,000	0.3%	2,060,000	0.3%
21	Bangladesh	2,020,000	0.3%	2,020,000	0.3%	2,020,000	0.3%
22	Iran	1,920,000	0.3%	1,920,000	0.3%	1,920,000	0.3%
23	Bahrain	1,850,000	0.3%	1,850,000	0.3%	1,850,000	0.3%
24	Syria	1,850,000	0.3%	1,850,000	0.3%	1,850,000	0.3%
25	Palestine	1,840,000	0.3%	1,840,000	0.3%	1,840,000	0.3%
26	UAE	1,840,000	0.3%	1,840,000	0.3%	1,840,000	0.3%
27	Albaraka Investment Company, London	1,610,000	0.2%	1,610,000	0.2%	1,610,000	0.2%
28	Libya	1,390,000	0.2%	1,390,000	0.2%	1,390,000	0.2%
29	Jordan	1,300,000	0.2%	1,300,000	0.2%	1,300,000	0.2%

	Member	Total subscription	Percentage of subscribed	Called-up amount	Percentage of called-up	Paid up amount	Percentage of paid-up
30	Jordan Islamic Bank for Finance & Investment, Jordan	1,180,000	0.2%	1,180,000	0.2%	1,180,000	0.2%
31	Yemen	1,000,000	0.1%	1,000,000	0.1%	1,000,000	0.1%
32	Bank of Industry and Mines, Iran	1,000,000	0.1%	1,000,000	0.1%	1,000,000	0.2%
33	Bank Mellat, Iran	1,000,000	0.1%	1,000,000	0.1%	1,000,000	0.2%
34	Mauritania	1,000,000	0.1%	1,000,000	0.1%	333,333	0.1%
35	EN Bank, Iran	1,000,000	0.1%	1,000,000	0.1%	1,000,000	0.1%
36	Bank Keshavarzi, Iran	1,000,000	0.1%	1,000,000	0.1%	-	0.0%
37	Sudan	770,000	0.1%	770,000	0.1%	770,000	0.1%
38	Burkina Faso	750,000	0.1%	750,000	0.1%	750,000	0.1%
39	Somalia	720,000	0.1%	720,000	0.1%	720,000	0.1%
40	Cote D'Ivoire	700,000	0.1%	700,000	0.1%	700,000	0.0%
41	Albaraka Turkish Finance House, Turkey	690,000	0.1%	690,000	0.1%	690,000	0.1%
42	Lebanon	610,000	0.1%	610,000	0.1%	610,000	0.1%
43	Mozambique	600,000	0.1%	600,000	0.1%	200,000	0.0%
44	Beit Ettamweel Saudi Tunsi (BEST), Tunisia	530,000	0.1%	530,000	0.1%	530,000	0.1%
45	Bank Tejarat, Iran	500,000	0.1%	500,000	0.1%	500,009	0.1%
46	Gambia	500,000	0.1%	500,000	0.1%	500,000	0.1%
47	Benin	500,000	0.1%	500,000	0.1%	500,000	0.0%
48	Djibouti	500,000	0.1%	500,000	0.1%	-	0.0%
49	Niger	500,000	0.1%	500,000	0.1%	-	0.0%
50	Uganda	490,000	0.1%	490,000	0.1%	490,000	0.1%
51	Senegal	480,000	0.1%	480,000	0.1%	480,000	0.1%
52	Islamic Cooperative Development Bank, Sudan	260,000	0.0%	260,000	0.0%	260,000	0.0%
53	Sudanese Islamic Bank, Sudan	260,000	0.0%	260,000	0.0%	260,000	0.0%
54	Tadamon Islamic Bank, Sudan	260,000	0.0%	260,000	0.0%	260,000	0.0%
55	Gabon	220,000	0.0%	220,000	0.0%	220,000	0.0%
56	Cameroon	20,000	0.0%	20,000	0.0%	20,000	0.0%
57	Nigeria*	-	0.0%	-	0.0%	-	0.0%
<b>TOTAL</b>		<b>707,080,000</b>	<b>100.0%</b>	<b>681,433,333</b>	<b>100.0%</b>	<b>671,700,000</b>	<b>100.0%</b>

\* Nigeria is yet to specify the number of shares it is subscribing to.

# Appendix II – 1431H Trade Approvals and Development Impact



- 1 Albania**  
No. of operations: 1  
Total Amount: US\$ 5.00 million  
Developmental impact: Supporting SMEs and contributing to the private sector
- 2 Azerbaijan**  
No. of operations: 4  
Total Amount: US\$ 35.50 million  
Developmental impact: Supporting SMEs and contributing to the private sector
- 3 Bahrain**  
No. of operations: 3  
Total Amount: US\$ 24.00 million  
Developmental impact: Sustain private companies to enhance the private sector
- 4 Bangladesh**  
No. of operations: 12  
Total Amount: US\$ 880.00 million  
Developmental impact: Support towards affordable energy prices and contributing to the overall economic activities
- 5 Burkina Faso**  
No. of operations: 1  
Total Amount: US\$ 56.10 million  
Developmental impact: Strengthening the agricultural sector of the country
- 6 Cameroon**  
No. of operations: 1  
Total Amount: US\$ 17.00 million  
Developmental impact: Strengthening the agricultural sector of the country
- 7 Egypt**  
No. of operations: 4  
Total Amount: US\$ 368.00 million  
Developmental impact: Sustaining private sector companies, supporting the SMEs and providing support to the vital energy sector

- 8 Ethiopia**  
No. of operations: 1  
Total Amount: US\$ 40.00 million  
Developmental impact: Contributing to efforts for achieving energy stability and contributing to economic development
- 9 Gambia**  
No. of operations: 4  
Total Amount: US\$ 33.00 million  
Developmental impact: Support towards affordable energy prices and contributing to economic development
- 10 Indonesia**  
No. of operations: 7  
Total Amount: US\$ 155.00 million  
Developmental impact: Strengthening the agricultural sector and providing support to private sector companies

- 11 Iran**  
No. of operations: 10  
Total Amount: US\$ 255.00 million  
Developmental impact: Providing support towards private sector development
- 12 Jordan**  
No. of operations: 1  
Total Amount: US\$ 10.00 million  
Developmental impact: Supporting SMEs and contributing to the private sector
- 13 Kazakhstan**  
No. of operations: 1  
Total Amount: US\$ 40.00 million  
Developmental impact: Strengthening the agricultural sector of the country

- 14 Maldives**  
No. of operations: 1  
Total Amount: US\$ 40.00 million  
Developmental impact: Support towards maintaining energy stability for sustaining economic activities
- 15 Mauritania**  
No. of operations: 1  
Total Amount: US\$ 15.00 million  
Developmental impact: Strengthening the agricultural sector of the country
- 16 Morocco**  
No. of operations: 3  
Total Amount: US\$ 174.00 million  
Developmental impact: Support towards affordable energy prices & supporting the development of the private sector

- 17 Nigeria**  
No. of operations: 1  
Total Amount: US\$ 15.00 million  
Developmental impact: Supporting the vital energy sector
- 18 Saudi Arabia**  
No. of operations: 1  
Total Amount: US\$ 30.00 million  
Developmental impact: Providing support to private sector companies
- 19 Sudan**  
No. of operations: 2  
Total Amount: US\$ 76.09 million  
Developmental impact: Strengthening the agricultural sector of the country

- 20 Syria**  
No. of operations: 2  
Total Amount: US\$ 5.00 million  
Developmental impact: Providing support towards private sector development
- 21 Turkey**  
No. of operations: 8  
Total Amount: US\$ 133.94 million  
Developmental impact: Supporting the SMEs and contributing towards private sector development
- 22 UAE**  
No. of operations: 3  
Total Amount: US\$ 147.00 million  
Developmental impact: Supporting the energy sector and companies in the private sector

## Appendix III – 1431H Trade Approvals For The LDMCS

Country	No. of Operations	Commodity	Total Amount (US\$ million)
Bangladesh	12	Crude Oil and Petroleum Products	880.0
Burkina Faso	1	Fertilizer and agricultural Inputs	56.1
Gambia	4	Petroleum Products	33.0
Albania	1	Goods Under ITFC Rules for Trade	5.0
Azerbaijan	4	Goods Under ITFC Rules for Trade	35.5
Sudan	2	Raw and White Sugar, Fertilizer	76.1
Maldives	1	Refined Petroleum Products	40.0
Mauritania	1	Seeds and Fertilizer	15.0
<b>TOTAL</b>	<b>26</b>		<b>1,140.7</b>

## Appendix IV – TCPP Activities in 1431H

Trade promotion activities		
S.N.	Activity	Host Country
1	1st Exhibitions Of Halal Food	Iran
2	IDB Day in Morocco	Morocco
3	7th Malaysia International Halal Showcase MIHAS (2010) -MATRADE	Malaysia
4	13th MUSIAD Int. Trade Fair & 14th IBF.	Turkey
5	Trade Promotion Organs Meeting TPOs (Arab Member Countries ) ICDT	Tunisia

### Trade facilitation activities

1	Preparatory Meeting on Aid for Trade Road Map for ESCWA Region (from accruals 1430H)	Lebanon
2	Expert Group Meeting on: Aid-For-Trade Road Map For SPECA Region.(from accruals 1430H)	Kyrgyzstan
3	Ministerial Meeting on : Aid-For-Trade Road Map For SPECA Region.	Azerbaijan
4	Meeting to develop the Road Map for enhancing Intra-OIC Trade	Azerbaijan
5	2nd Consultative Meeting of OIC Organ on Road Map for enhancing Intra-OIC Trade	Morocco
6	Seminar on Aid for Trade (AFT)	Saudi Arabia
7	International Conference on Economic & Trade Integration among OIC MCs	Iran

### Capacity-building activities

1	Familiarization and Knowledge-sharing Program for the government & Chambers of Commerce from ECO Countries-TOBB	Turkey
2	Networking & Knowledge-sharing Program for Senior Staff of Chambers of Commerce from Arab MCs -TOBB	Turkey
3	Capacity-building Program For Iranian Chambers – TOBB	Turkey
4	Familiarization and Knowledge-sharing Program on Commodity Exchange –TOBB	Turkey
5	Training course on Export Strategies & International Marketing for Palestine	Jordan
6	Training course on Export Strategies & International Marketing for Palestine	Jordan
7	Chambers Management :Training Course Program for Staff from Chambers of Commerce of Arab MC-ICCI	Kuwait
8	Training Course for Staff from Ministry of Commerce in Iraq - ICDT	Morocco
9	Training course on Export Strategies and International Marketing. FTTC	Saudi Arabia
10	Training courses on Export Strategies and International Marketing FTTC	Kuwait
11	Training s courses on Export Strategies and International Marketing FTTC	UAE

### Development of strategic commodities

1	Validation Symposium of Project on Revitalization of Groundnut Sector in Senegal, Gine-Bissau and Gambia	Gambia
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## Appendix V – Acronyms & Abbreviations

<b>AFT</b>	Aid for Trade
<b>AAOIFI</b>	Accounting and Auditing Organization for Islamic Financial Institutions
<b>CIS</b>	Commonwealth of Independent States
<b>COMCEC</b>	Standing Committee for Economic and Commercial Cooperation
<b>DMCC</b>	Dubai Multi Commodities Centre
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECA</b>	Export Credit Agency
<b>ESCWA</b>	United Nations Economic and Social Commission for Western Asia
<b>FDI</b>	Foreign Direct Investment
<b>FTTC</b>	Foreign Trade Training Center
<b>GCC</b>	Gulf Cooperation Council
<b>GDP</b>	Gross Domestic Product
<b>GTR</b>	Global Trade Review
<b>IBF</b>	International Business Forum
<b>ICCI</b>	Islamic Chamber of Commerce and Industry
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector
<b>ICDT</b>	Islamic Centre for Development of Trade
<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment and Export Credit
<b>ID</b>	Islamic Dinar (IDB unit of account equivalent to the Special Drawing Right)
<b>IDB</b>	Islamic Development Bank
<b>IRTI</b>	Islamic Research and Training Institute
<b>IFC</b>	International Finance Corporation
<b>IFN</b>	Islamic Finance News
<b>IFSB</b>	Islamic Financial Services Board
<b>IGEME</b>	Turkish TPO
<b>ITC</b>	International Trade Centre

<b>ITFC</b>	International Islamic Trade Finance Corporation
<b>KSA</b>	Kingdom of Saudi Arabia
<b>LDMCs</b>	Least Developed Member Countries
<b>MATRADE</b>	Malaysia External Trade Development Corporation
<b>MCPS</b>	Member Country Partnership Strategy
<b>MDFI</b>	Multilateral Development Finance Institution
<b>MENA</b>	Middle East and North Africa
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OIC</b>	Organization of the Islamic Conference
<b>PTA</b>	Preferential Trade Agreement
<b>SESRIC</b>	Statistical Economic and Social Research and Training Centre for Islamic Countries
<b>SME</b>	Small and Medium Enterprise
<b>SPECA</b>	United Nations Special Program for the Economies of Central Asia
<b>STF</b>	Structured Trade Finance
<b>TCPP</b>	Trade Cooperation and Promotion Program
<b>TOBB</b>	Union of Chamber and Commodity Exchanges of Turkey
<b>TPO</b>	Trade Promotion Organization
<b>TPS</b>	Trade Preferential System
<b>TSIs</b>	Trade Support Institutions
<b>UAE</b>	United Arab Emirates
<b>UNCTAD</b>	United Nations Conference on Trade Development
<b>UNDP</b>	United Nations Development Program
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>WB</b>	World Bank
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization

## Appendix VI – Islamic Development Bank Group Structure

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

### Vision

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

### Mission

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

### Membership

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

### Capital

Pursuant to the decision of the Board of Governors in their 31st Annual Meeting held in Kuwait in Jumad Awwal 1427H (May 2006G), the Authorized Capital of IDB was doubled from ID15 billion to ID30 billion and the Issued Capital was also increased from ID8.1 billion to ID15 billion. The Issued Capital was further increased to ID16 billion by the Board of Governors in their 33rd Annual Meeting held in Jeddah, Kingdom of Saudi Arabia on 29-30 Jumad Awwal 1429H (34- June 2008G); of which ID15.9 billion was subscribed with ID3.6 billion Paid-up as of end-1430H.

### Structure

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

### Head Office and Regional Offices

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

### Financial Year

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

### Accounting Unit

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

### Language

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



## IDB Group Affiliates

### Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981). As a member of the Islamic Development Bank Group, IRTI is entrusted with the key role of transforming the Group into a world-class knowledge-based organization. It shoulders the responsibility for leading the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry, which supports socio-economic development in member countries. Under the Vision 1440H, IRTI is envisioned to be a center of excellence, serving as a focal point for all capacity building and advisory services in basic and applied Islamic economics and finance that support member country governments and their agencies. With this objective, IRTI has been gradually strengthening its core business activities in knowledge services through research, policy dialogue and Shari'a advisory services, with the aim of eventually providing full consulting assistance to its stakeholders. [www.irti.org](http://www.irti.org)



### The Islamic Corporation for the Development of the Private Sector (ICD)

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral financial institution. It was established by the IDB Board of Governors in its 24th annual meeting held in Rajab 1420H (November 1999) in Jeddah, Kingdom of Saudi Arabia. The authorized capital of the Corporation is \$2.0 billion while the capital available for subscription is \$1.0 billion. Its shareholders are the IDB, 50 Islamic member countries, and 5 public financial institutions from member countries.

The mandate of ICD is to play a complementary role to the IDB activities and national financing institutions in member countries through the provision of financing and financial services to private sector projects in accordance with principles of the Shari'a. ICD also provides consultancy services to governments and private sector institutions in order to encourage the establishment, the expansion and the modernization of private sector enterprises, the development of capital markets, the adoption of best management practices and enhancement of the role of market economy. ICD focuses in its financing on developmental projects which contribute to the creation of employment opportunities and the encouragement of exports. To achieve these objectives, ICD creates and develops relations of cooperation and partnership to arrange co-financing and syndicated financing services. [www.icd-idb.org](http://www.icd-idb.org)



### The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in August 1994 by the Islamic Development Bank (IDB) and member countries of the Organization of Islamic Conference (OIC) as an independent entity within IDB Group. Its mandate is to help increase the scope of trade transactions of member countries, to facilitate the flow of foreign direct investments into member countries, and to provide reinsurance facilities to Export Credit Agencies (ECAs) in member countries.

ICIEC fulfils these objectives by providing appropriate Islamic Shari'a compatible credit and country risk insurance and reinsurance instruments. The subscribed capital of ICIEC is ID150 million (equal \$235 million), end-1430H, of which ID100 million (\$157 million) is subscribed by IDB (Waqf fund), while forty member countries have subscribed ID48.49 million (\$76.13 million). Since its inception, ICIEC has provided \$11.26 billion of credit and country risk insurance approvals in support of member countries' exports and inward investment flows, of which \$3.21 billion was achieved during 1431, 50% increase over the previous year. ICIEC has been assigned an Insurance Financial Strength rating of Aa3 by Moody's. [www.iciec.com](http://www.iciec.com)

## > Appendix VII - ITFC 2010 Awards



Syndicated Murabaha:  
\$50m Sugar Deal in Sudan



Syndicated Murabaha:  
\$50m Sugar Deal in Sudan



Syndicated Murabaha:  
\$50m Sugar Deal in Sudan



Structured Murabaha:  
\$40m Wheat Deal in Kazakhstan



Best Development Financial Institution (DFI) Middle East



Best Islamic Trade Finance Bank /Institution



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