itfc

International
Islamic Trade
Finance Corporation

Annual Report
1432H (2011G)

Member of Islamic
Development Bank Group

In The Name Of Allah, The Most Merciful, The Compassionate

FOCUSING ON SUSTAINABLE GROWTH

1

SUPPORTING TRADE GROWTH IN THE ISLAMIC WORLD

2

ADDRESSING THE NEEDS OF MEMBER COUNTRIES THROUGH TRADE PROMOTION AND FACILITATION

3

BRINGING SOLUTIONS THROUGH PARTNERSHIPS

4

AUDITED FINANCIAL STATEMENTS

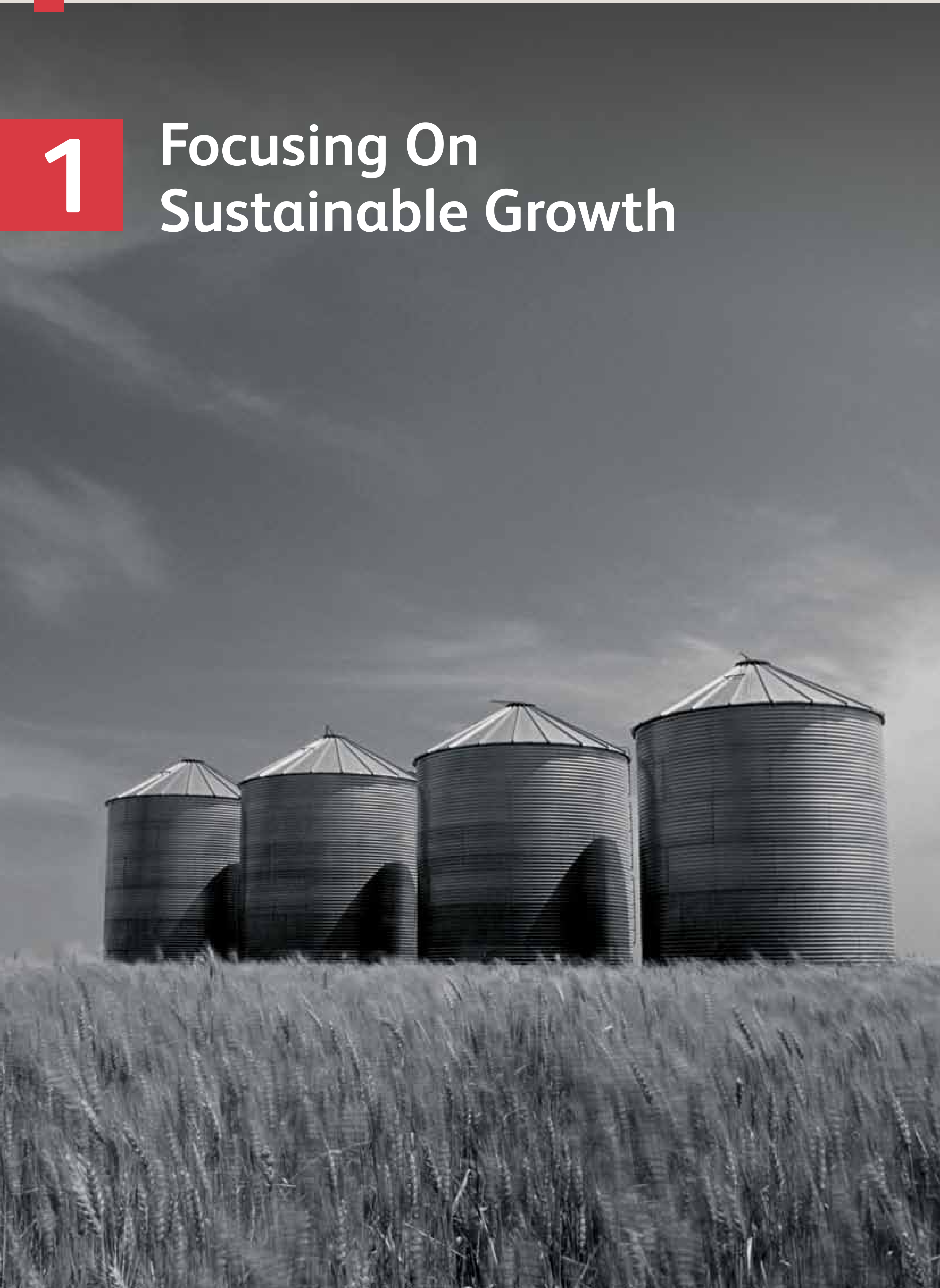
5

APPENDICES

6

CONTENTS

1 Focusing On Sustainable Growth



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 1432H (2011G). The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 30/12/1432H (25/11/2011G).

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 honor and privilege to report that ITFC has successfully completed its fourth year of operations, and it gives me immense pleasure to state that the year 1432H witnessed a year of growth, setting new records for the Corporation. It has shown resilience to the adverse effects caused by the global financial crisis and weakness in the world's biggest economies, particularly, the Euro zone debt crisis.

It was another record year for ITFC with regard to approvals, which reached $3.03 billion, an impressive 19 percent growth over the $2.55 billion approvals recorded in 1431H. Disbursements also reached a record level of $2.8 billion, which represents an increase of 57 percent over the previous year. The amount of money mobilized from the market to fund the approved operations stood at $1.8 billion and the approvals under BADEA Fund amounted to $40 million.

Portfolio diversification was an important focus in 1432H, attracting 18 new clients from 12 member countries. In addition, Structured Trade Finance gained strength and several new innovative Islamic trade operations were financed under this mechanism. The Corporation attained yet another milestone by adding to its financing facilities- the opening of Letters of Credit for its clients. Special emphasis was also given to income generation activities under which a substantial amount of money was realized by way of fee that boosted overall revenue.

In 1432H, ITFC made efforts aimed at enhancing intra-OIC trade as part of implementing the Executive Program in collaboration with ICDT. Furthermore, it contributed to the Aid-for-Trade initiatives for SPECA and the Arab States in cooperation with international institutions and governments of member countries. ITFC also participated in the Third Global Review on Aid-for-Trade held in Geneva in July 2011.

Notwithstanding the overall performance in 1432H, ITFC faced some challenges emanating from the: (i) continued weaknesses in the global economy, which has a bearing on the economies of member countries as well as on the intra-OIC trade; (ii) trade competitiveness among member countries;(iii) capacity of Trade Promotion Organizations; and (iv) infrastructure for trade facilitation. Therefore, supporting trade finance in the face of such challenges requires strengthening partnerships with other institutions in coordination with other IDB Group entities. To this end, ITFC participated in the strategic initiatives of the IDB under the Member Country Partnership Strategy (MCPS). At the same time, it also collaborated with the IDB in the development of transport networks in member countries, which is a very important initiative for trade facilitation.

At the institutional level, continuous efforts were exerted in terms of human resources development and IT systems. ITFC conducted a Leadership Development Program, and an ITFC Transformation Project to build, update and transform core HR strategic processes. ITFC also launched a comprehensive Information Technology Project, for optimizing the business processes as well as automating the core functions.

Finally, let me take this opportunity to express my deepest appreciation for the sincere efforts of all ITFC staff for their dedication, motivation and commitment without which it would not have been possible to accomplish the performance achieved in 1432H. I hope we will be able to continue the good work with renewed spirit and vigor aimed at excelling our performance in the coming year.

Best regards,

Dr. Waleed A. Al-Wohaib
Chief Executive Officer

Organizational Structure

About ITFC

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 Muharram 1429H (January 2008G). The consolidation of the IDB Group's trade finance activities under a single umbrella increased the Corporation's efficiency in 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 economic development through trade. The Corporation helps businesses in member countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools in order to help them compete successfully in the global market.

General Assembly

The General Assembly is the highest governing body of ITFC. The powers of the Corporation are vested in the General Assembly. It is composed of representatives from member countries and other Financial Institutions holding shares in ITFC. The General Assembly is responsible for laying down the rules and regulations governing the overall business of the Corporation.

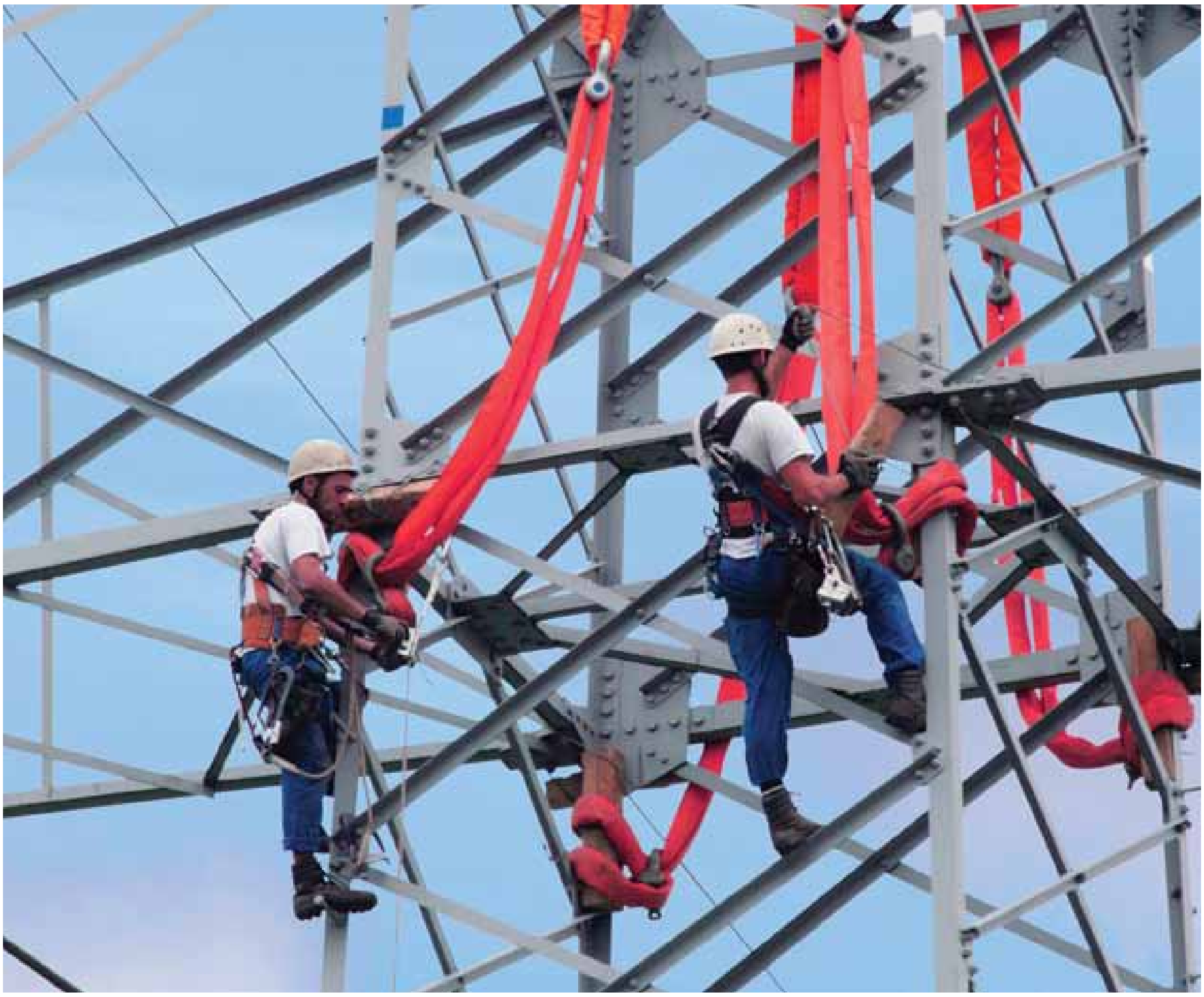
Board of Directors (BoD)

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

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.

Governance & Risk Management

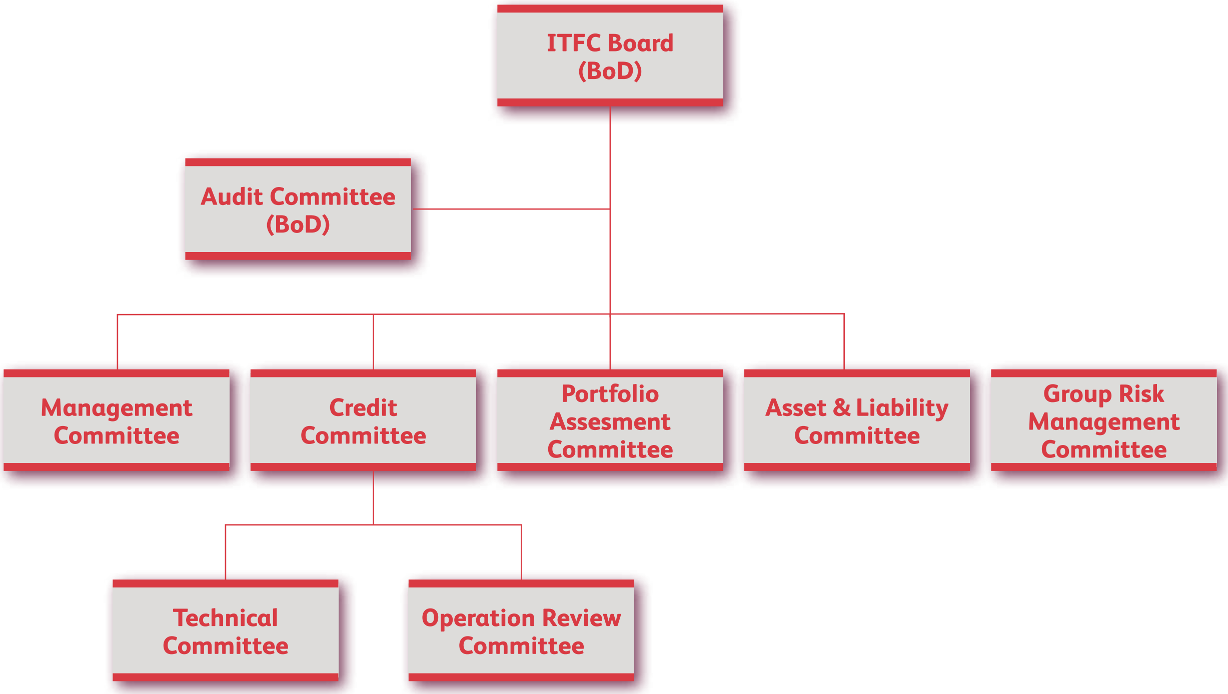


As a member of IDB Group, the conduct of ITFC activities is guided by the Group's principles of corporate governance, developed in line with the best corporate governance practices. The principles are reflected in eight major pillars: Vision & Strategy; Shari'ah Compliance; Legitimacy & Voice; Enhanced 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 Shari'ah. In addition, the principles promote protection of ownership rights; participatory approach in the decision-making process; commitment to consultation and cooperation; commitment to undertake 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 value addition. Furthermore, the Group's principles emphasize accountability throughout the whole process as well as transparency and integrity in reporting to stakeholders.

One of the important targets in the IDB Group 1440H vision is the improvement of governance. The Group's commitment to corporate governance is further evidenced by its active involvement in the Development Finance Institutions (DFI) Corporate Governance (CG) Working Group. In this regard, IDB Group hosted the 5th DFI conference on corporate governance in January 2011 on the theme "Adopting and Implementing a Common CG Methodology and Tools for the Due Diligence of Investment Processes."

ITFC Governance Structure

On risk management governance, ITFC Board of Directors has the ultimate responsibility for risk management oversight with day-to-day management delegated to the CEO. At senior management level, it has various committees dealing with risk management -- namely, the Asset and Liability Committee (ALCO), Credit Committee (CC) as well as the Technical Committee (TC), Operations Review Committee (ORC) and Portfolio Assessment Committee (PAC). This internal infrastructure is complemented by the Group Risk Management Committee that reviews all Group-wide risk-related policies. An illustration of the risk management governance structure is provided in the diagram below.



In line with international best practices in banking, ITFC risk management function is independent of its business functions. The function is divided into three main areas: 1) Credit and Market Risk Management; 2) Credit Review; and 3) Operational Risk, Credit Administration and Compliance.

The main priorities for ITFC risk function consist of preserving the Corporation's capital and strengthening its risk management framework (guidelines, policies, procedures and processes) across credit, market and operational risk clusters. The purpose of the risk management framework, which is being implemented, is to achieve an appropriate balance between risk and reward. Hence, ITFC is implementing a programmatic approach in rolling out all relevant activities aimed at setting up a sound risk infrastructure and culture. In 1432H, ITFC Risk Management launched and/or completed various working documents dealing with credit administration, liquidity management, credit and operational risks.

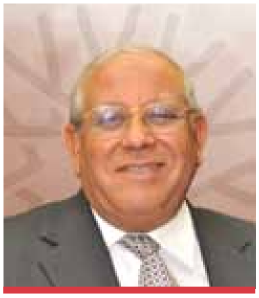
In addition, the compliance and internal control aspects relating to financing facilities have been improved through detailed scrutiny of transactions in the TC and the monthly review in the PAC. The implementation of credit administration policies and procedures has further improved the internal control mechanism.

In this connection, there is also a close coordination with IDB Group Risk Management Department either directly or through the Group Risk Management Committee. This is aimed at ensuring full consistency and synergy across the IDB Group. ITFC systematically leverages on Group efforts in order to improve risk management. It is in this connection that ITFC is actively participating in the updating of various IDB Group risk scorecards being carried out by Moody's. Similarly, the Group has signed a consultancy and software agreement with Chase Cooper for operational risk management and ITFC is actively involved in this Group effort.

Board of Directors

Hon. Dr.
Ahmad Mohamed Ali

Hon. Br.
Adel Ben Ali



Hon. Br.
Bader Abdullah. S. Abu Aziza

Hon. Br.
Fahad Bin Abdullah AlNuwaiser

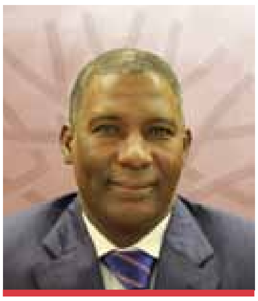
Hon. Br.
Faisal Abdul Aziz Al-Zamil

Hon. Dr.
Hamad Bin Suleiman Al Bazai

Hon. Br.
Ibrahim H. Çanakaci

Hon. Br.
Sami Bin A.Aziz Al Yusef

Hon. Br.
Said Abdalla Abdelsamie Younis



Hon. Br.
Sekou Ba

Hon. Tan Sri Dr.
Wan Abdul Aziz Wan Abdullah

Note: Names are sorted by alphabetical order.

- H.E Dr. Hamad Bin Suleiman Al-Bazai replaced Hon. Ibrahim Al Muflah. - Hon. Ibrahim H. Çanakaci replaced the late Hon. Dr. Selim Cafar Karatas. - Hon. Adel Ben Ali replaced Hon. Aissa Abdellaoui. -Hon. Sékou Ba replaced Hon. Mashoud Yerima AMADOU. -Hon. Said Abdalla Abdelsamie Younis replaced Hon. Adama SALL

Management Team

(L-R) In the front row: *Ahmed J. Sabbagh, GM HR&CS/ Dr. Waleed Al-Wohaib, CEO/ Eng. Hani Salem Sonbol, DCEO/ Mohammad Hebshi, GM TCPP.*
(L-R) In the middle row: *Mohammed H. Emrith, Head of Strategy Planning Office/ Nazeem Noordali, GM Corp.& Structured Finance/ Mohammed Al-Sayed, Head of Business Innovation Unit/ Ibrahima Soumah, GM Risk Management*
(L-R) In the back row: *Mahanna Sobieh, GM Treasury/ Mubarak ElTayeb, GM Finance/ Ali E.Sulais, GM Credit/ Abou MS Jallow, GM Operations*

Mission

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

The mission statement is aligned with the Corporation's mandate as stated in the Article 5 of ITFC's Articles of Agreement (AOA).

"Our purpose shall be to promote trade of member countries of the Organization of Islamic Cooperation (OIC) through providing trade finance and engaging in activities that facilitate intra-trade and international trade."

Vision

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

ITFC is fully committed to fulfill its mandate and aspire to build a sustainable organization that will deliver high impact for its stakeholders.

Strategic Approach

ITFC Strategy

The journey of ITFC's Strategy started in 1430H and culminated in 1431H, with the development of its strategy map for the period1431H-1435H. The map clearly defines and emphasizes the strategic focus and directions of ITFC priorities.

Strategic directions

- Fostering OIC member countries' trade and trade integration;
- Responsive to customers' needs with innovative Shari'ah compliant solutions;
- Be the preferred choice for trade solutions; and
- Consistently delivering fair return for our shareholders.

Strategic focus

- Achieving sustainable growth with a balanced portfolio;
- Increasing regional and sectoral trade;
- Delivering competitive, responsive and integrated solutions that meet the customers' needs;
- Ensuring efficient work processes.

The strategy focus approach is enabling ITFC to be a more dynamic and responsive institution in line with the IDB Group Reform agenda.

Strategy Management

ITFC uses the balance scorecard approach to supplement financial measures for its strategy performance management. Objectives and initiatives are planned according to measures, targets and initiatives that are tracked and reported for prompt actions.

ITFC is working on several programs and initiatives to boost regional presence, partnerships with identified stakeholders, skill enhancement, business facilitation and new product roll outs. A new trade facilitation program aimed at enhancing capabilities and business matching among OIC member countries is being activated. Developing a strategic commodities market initiative is another medium-term goal being addressed.

As far as the process and human capital management initiative are concerned, processes and capabilities alignment are being reviewed with the aim of transforming the institution so that it can face future challenges efficiently. Finally, a Strategy Planning Office has been recently set up to ensure better alignment with ITFC goals and priorities.

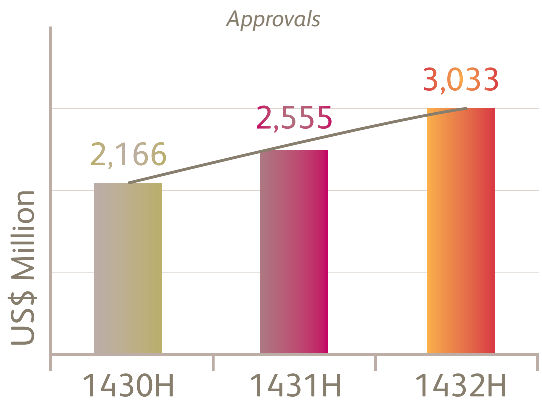
ITFC is opening new avenues for OIC member countries through strategic partnership

Key Highlights of 1432H

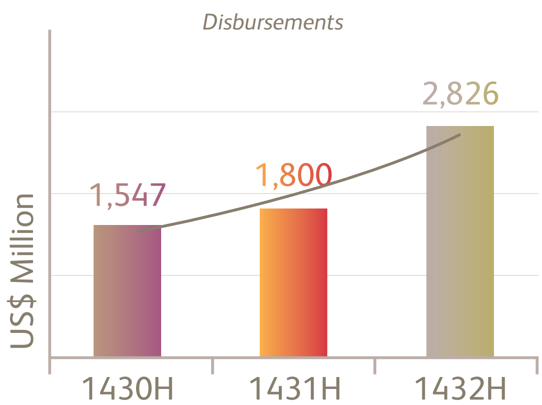
Authorized Capital	$ 3 billion
Subscribed Capital	$750 million
Approved Trade Finance Operations	66 Operations, value $3.03 billion

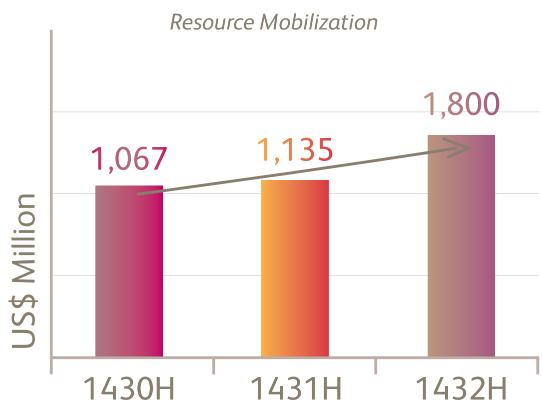
Operationally, ITFC had a record year in 1432H

Approvals exceeded US$ 3 billion



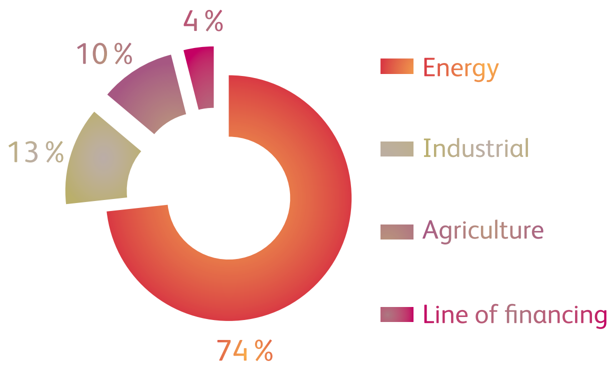
Disbursements reached new record of over US$ 2.8 billion



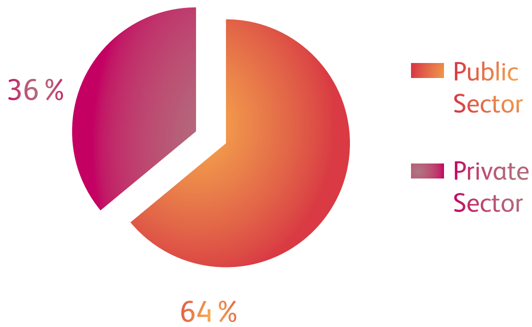


ITFC continues to support key sectors

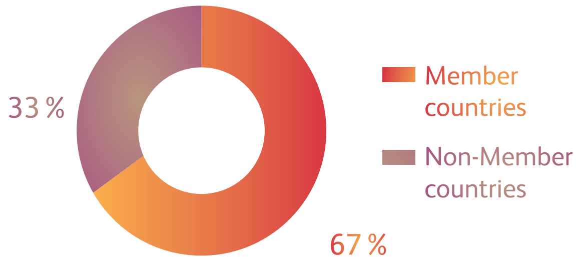
Approvals by Sector



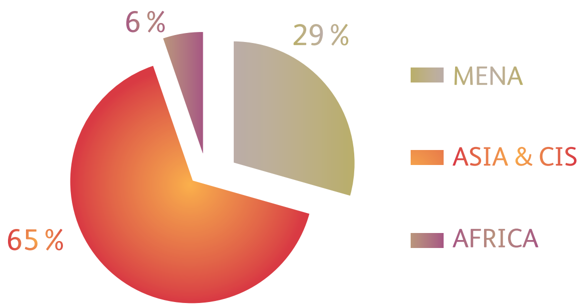
Approvals



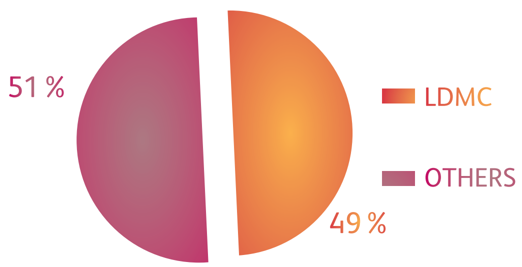
Approvals by source of supply



Approvals by Region



Approvals for Least Developed Member Countries



1432H
“A year of growth”

Economic and Trade Environment

Global Economic overview

Global economic growth started to decelerate in mid-2011 and the slow growth is forecasted to continue in 2012 and 2013. Hence, after expanding 3.8 percent in 2010, global GDP is projected to drop to 3.2 percent in 2011 before firming to a 3.6 percent growth in 2012 and 2013.

The European Union (EU) and the United States, the two largest economies in the world continue to face huge challenges which will likely constrain their future growth. The combined effect of financial turmoil and deepening of the euro zone debt crisis are the main source of economic downturn for these economies. The political upheaval in the Middle-East and North Africa had also exacerbated the global economic woes in 2011.

Developing countries and the economies in transition are expected to continue to stoke the engine of the world economy, growing on average by 5.6 percent in 2012 and 5.9 percent in 2013 in the baseline outlook. This is well below the 7.5 percent growth achieved in 2010.

On the other hand, OIC member countries managed to recover in 2010 after a sharp decline in 2009 caused by the world financial crisis. Their GDP growth registered an increase from 3.1 percent in 2009 to 5.3 percent in 2010. However, this figure was below the 5.5 percent growth achieved in 2008. OIC member countries' economy was expected to decelerate in 2011 due to impact of the Arab spring on one hand, and the continuing global recession on the other.

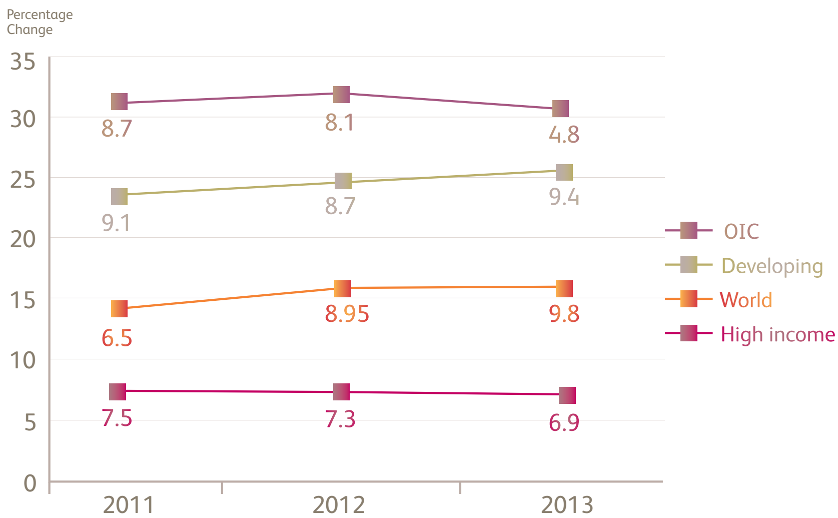
Figure 2: GDP Growth Forecasts, 2011 - 2013 (Annual % Change)

Source: Islamic Center for Development of Trade (ICDT)

International Trade

World trade is expected to grow by 6.5 percent in 2011, largely because of the 14.5 percent increase in exports volume in 2010. The final figures could be lower due to the impact of recent events, including the earthquake and tsunami in Japan, the Arab Spring and the Euro zone crisis. According to IMF forecasts (September 2011), global trade will improve in 2012 and 2013 and is expected to grow by 8.95 percent and 9.8 percent respectively. Developing countries are expected to continue to be at the forefront of the global trade revival and important source of demand, growing on average by 8.7 percent in 2012 and 9.4 percent in 2013. On the other hand, it can be seen from the graph below that OIC countries' trade growth rate is forecasted to be below that of developing countries and will decelerate, starting from 2013. This is due to the drop in commodity prices exported by OIC countries, particularly energy and food products.

Figure 3: Trade Growth Forecasts

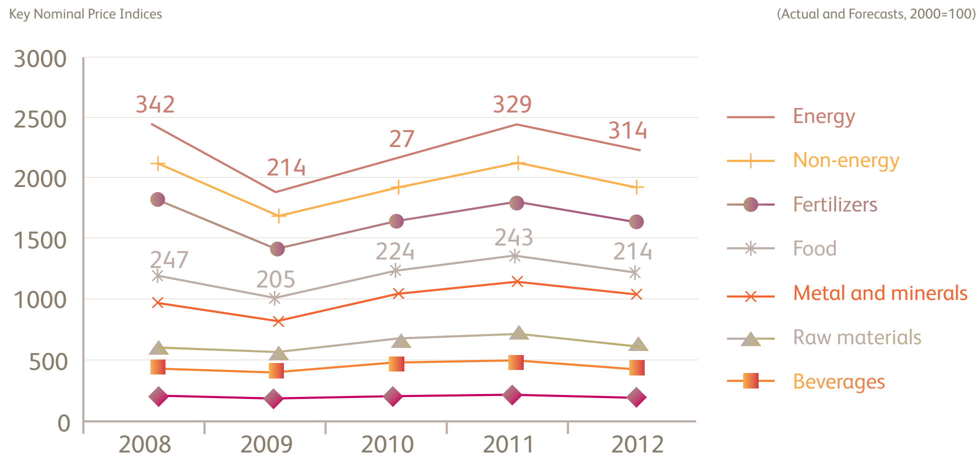


Source: IMF Outlook September 2011Source: IMF Primary Commodity Price

Evolution of foreign trade in the OIC Member Countries

In 2010, OIC member countries' global trade reached $1.59 trillion, i.e. 10.51 percent of world trade; it was $1.28 trillion in 2009 (10.2 percent of world trade). The trade balance of the OIC member countries showed a surplus of $179 billion in 2010 as against $90 billion in 2009, thus showing an improvement of the coverage ratio of imports by exports.

Figure 4: Commodity Price Index



Intra-OIC Trade

The overall intra-OIC trade reached $269.50 billion in 2010 and the share of the Member States global trade experienced an increase by 2.28 percent, rising from 16.65 percent in 2009 to 17.03 percent in 2010.

The intra-OIC trade continues to be concentrated among 10 actors, which accounted for 69 percent of the total trade. The countries are: United Arab Emirates, Turkey, Saudi Arabia, Malaysia, Indonesia, Iran, Pakistan, Syria, Egypt and Iraq. These countries are located in Asia, GCC and Middle East. Sub- Sahara Africa, which accounts for the largest number of OIC LDCs, Maghreb and Central Asia, is not represented in the top 10.

The degree of integration in intra-OIC trade reached on average 17 percent in 2010. Of the total, 35 member countries have exceeded this average; however, about 27 countries are still below the target of 20 percent of intra-OIC trade set by the 3rd OIC Extraordinary Summit held in Makkah, Saudi Arabia, in December 2005.

Table 1: Trends of Intra-OIC Trade 2009-2010 *(US$ billion)*

	2009	2010	Variation
Total exports of the OIC Member Countries	1,329.35	1,680.77	26.44 %
Total imports of the OIC Member Countries	1,239.70	1,501.35	21.11 %
Intra-OIC trade	213.38	269.50	26.30 %
Share of Intra-OIC trade	16.65 %	17.03 %	2.28 %

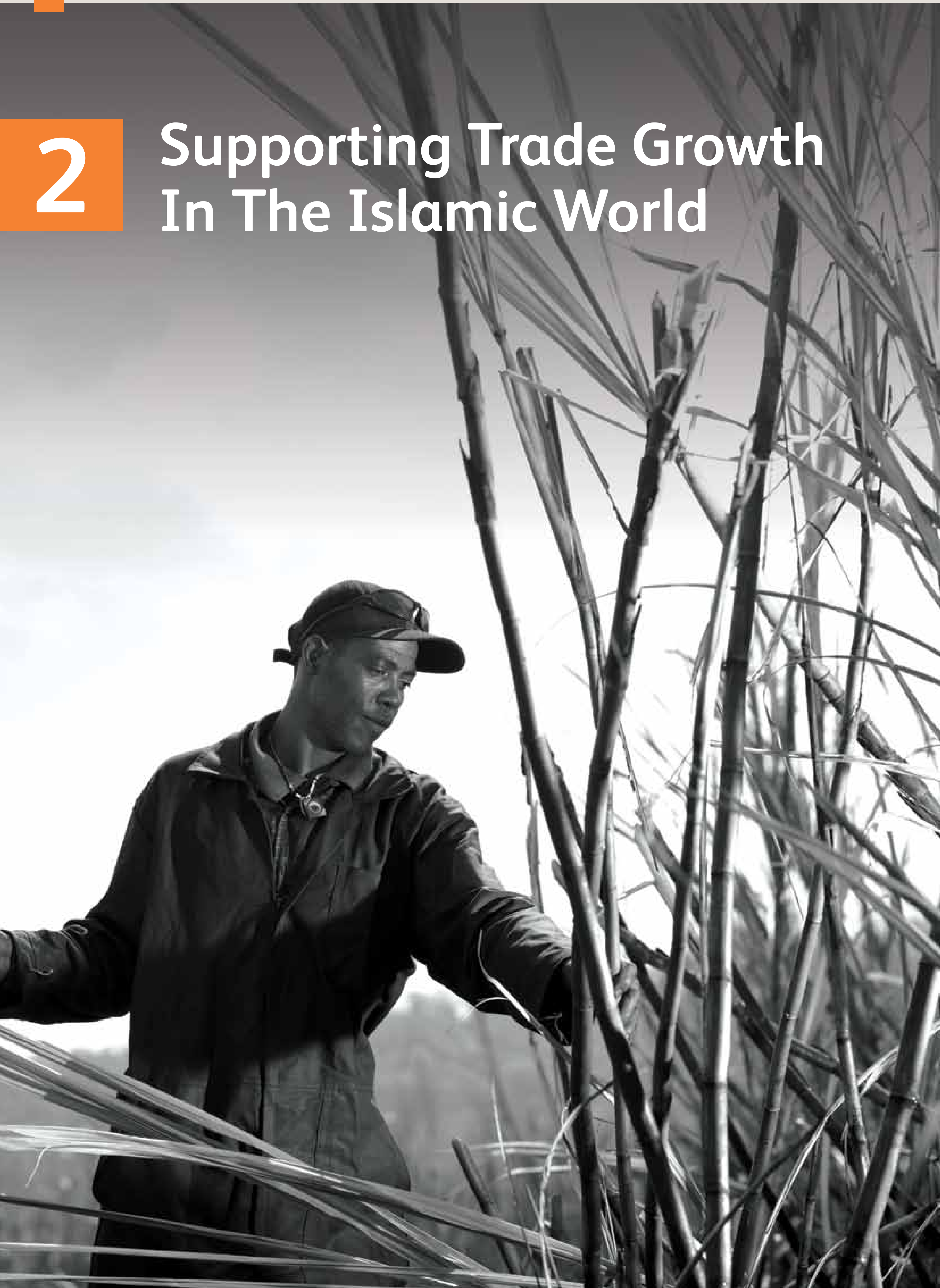
Source: Islamic Center for Development of Trade (ICDT)

Table 2: Trends of Intra-OIC Trade 1st Half 2011 *(US$ Million)*

	1st Q	2nd Q	Evolution 1st Q - 2nd Q
World Exports	498,056.72	541,903.64	8.80 %
Intra-OIC Trade Exports	77,468.05	83,236.82	7.45 %
World Imports	541,903.64	400,839.94	-26.03 %
Intra-OIC Trade Imports	84,721.04	91,203.90	7.65 %
Intra-OIC Trade Share	15.60 %	18.50 %	18.64 %

Source: Islamic Center for Development of Trade (ICDT)

2 Supporting Trade Growth In The Islamic World



Trade Finance Highlights in 1432H

In 1432H, ITFC achieved its objectives in several areas despite the continuing global economic and financial turmoil. Both trade approvals and utilization reached record levels. In addition, ITFC was able to attract 18 new clients and succeeded in penetrating new markets in line with its diversification strategy. In 1432H, trade financing approvals reached $3,033 million, an increase of 19 percent compared to the $2,554 million recorded in 1431H.

The breakdown of approvals by region is provided below.

Table 3: ITFC Trade Approvals by Region *(US$ Million)*

Region	1431H	%	1432H	%
Asia/CIS	1,544	61	1,959	65
MENA	849	33	879	29
Sub-Saharan Africa	161	6	195	6
Total Approvals	2,554	100	3,033	100
Total Disbursements	1,800		2,826	

The Asia/CIS region continues to comprise the largest share in total approvals, accounting for 65 percent in 1432H. The MENA region represented 29 percent while Sub Saharan Africa made up the remaining 6 percent. The increase in approvals was across all regions, but Asia/CIS and Sub Saharan Africa witnessed the largest growth, with approvals increasing by 27 percent and 21 percent respectively. Despite the unprecedented turmoil in MENA, approvals for the region managed to grow by 3.5 percent, while 7 new clients were attracted in 4 member countries.

As shown above, utilization reached $2,826 million (93 percent) in 1432H, a record level and a remarkable increase of 57 percent as compared to the $1,800 million registered in 1431H. The improvement in utilization can be attributed to the increased focus on short tenor financing and streamlining of internal processes. In addition, quick disbursement of big-ticket transactions in North Africa (Egypt and Morocco) and Asia (Bangladesh) has helped achieve these results. The higher approvals coupled with accelerated utilization translated into substantial enhancement of profit generation capabilities for ITFC from trade finance activities. Besides, rigorous follow up of the payment delays and close monitoring of repayments for possible late payments also helped achieve positive results.

Box 1: ITFC continued its Support to the Energy Sector in Egypt

"During 2011 alone, ITFC implemented trade finance operations in favor of EGPC amounting to US$308 million"

The petroleum industry plays a key role in the Egyptian economy. It is one of four main sources of foreign exchange with Egypt being currently an oil exporter. Net exports of crude oil and petroleum products have declined in recent years; higher prices on world markets have pushed Egypt's oil revenues upward. This strong sector provides support to other important sectors and industries in Egypt such as Transportation, Power Generation, Chemicals, Fertilizers and Petrochemicals industries and covers part of Egypt's energy requirements.

The partnership between the Egyptian General Petroleum Corporation (EGPC) and the Islamic Development Bank Group dates back to 10 years ago, when ITFC was Trade Finance and Promotion Department (TFPD). EGPC is considered one of the main sources of income to the government and a primary source of foreign currency along with Tourism & the Suez Canal; it remains an important factor in maintaining the stability of petroleum products prices in Egypt with the Government support.

We at EGPC highly value the role ITFC plays in supporting us with various trade finance solutions. These activities are a cornerstone to the Egyptian economy and surely highly impact the Oil Sector. Egypt's economy has witnessed a recession due to the political abruption and during the revolution; however ITFC has mandated its full support to provide its trade financing services to EGPC. During 1432H (2011G) alone, we have jointly implemented trade finance operations in favor of EGPC amounting to USD308 million. This gives a clear indication of the efforts ITFC exerts to its member countries, which achieves its strategic objective that is to be recognized provider of trade solutions for the OIC member countries' needs. These trade finance solutions offered by ITFC contributed to the financing of imports of petroleum products from the OIC Member Countries and have boosted the intra-trade among member countries.

We are indeed looking forward to enhancing our partnership with ITFC in the coming period and would like to express our sincere appreciation to ITFC for the keen concern it has towards the oil & gas sector, which is considered one of the most important economic sectors in Egypt contributing around 9% of GDP.

Providing Solutions for Impact

In addition to earning adequate return to maintain sound financial health, ITFC has a mandate to create a developmental impact. This places the Corporation in a unique position among other commercially-driven financial institutions operating in the trade finance space. It is with this in mind that ITFC strives to provide financing in countries where its interventions have the most potential to make a difference in the lives of people.

ITFC is also actively participating in IDB Group-wide efforts to improve food security in member countries. The Action Plan on the recommendations of the 21st IDB Annual Symposium titled: “Achieving Food Security in Member Countries in the post-crisis World” mandated ITFC with fostering significant increase in intra-OIC trade, particularly in agriculture commodities. In 1432H, ITFC continued its efforts to provide input financing for the sector. The main objective had been to provide funds to farmers in the early stages of the production cycle to allow them realize their full potential. On the other hand, ITFC’s post-harvest financing helped farmers gain immediate access to funds instead of waiting until proceeds from final sales arrive.

In 1432H, ITFC provided $303 million financing for the agriculture sector. The financing was utilized not only for providing fertilizer and agricultural inputs, but also for farmers’ produce that had been purchased upstream to provide them with immediate access to needed funds. Approved financing operations included input financing for beneficiaries in Cameroon and Zambia. In The Gambia, Indonesia and Kazakhstan post-harvest financing was provided for purchase of groundnut, wheat and coffee.

A unique transaction that ITFC undertook in 1432H was the financing of two coffee exporters in Indonesia under the Fair Trade scheme. Under this initiative, two structured trade finance operations were approved in favor of two exporters for $1 million each. With ITFC’s financing, the cooperatives received cash against delivery of the coffee beans in the warehouse.

As a result, the cooperatives were able to eliminate the middlemen and get fair prices for their produce. Though the financing amount was small, the impact was real and far-reaching as it touched the lives of the farmers and their families.

Box 2: ITFC's Coffee Finance's Developmental Impact on Farmers

"ITFC's financing had significant impact in advancing the country's socio-economic development"

Indonesia is currently the world's fourth largest producer of coffee, which highlights the important role this commodity plays in the country's economic growth.

Over the years, Indonesia's consumption data shows a steady growth in volume. About 90 percent of the coffee grown in Indonesia comes from small, independent farms and more than 11 million people depend on it for their livelihood. The most significant Indonesian processors produce high-end coffee for the international market. More than 67 percent of Indonesian coffee is exported to over 50 countries, making the commodity a major foreign currency earner.

One of the country's leading coffee processors is CV Arvis Sanada, which was established as a local coffee trading company in Medan, North Sumatra in April 2001. In 2007, the company started exporting coffee beans around the world, becoming a certified Organic Coffee and Fair Trade operator in 2007 and 2008. Since then it has been working with the Fair Trade Certified cooperatives for exporting its products.

With the availability of ITFC financing, Arvis managed to overcome the challenges it faced in the market in terms of pricing and exporting. ITFC provided a trade finance operation that had significant impact in advancing the country's socio-economic development. Arvis needed to ensure a smooth cash flow to buy the coffee from the producers and the ITFC stepped in. Its financing not only solved the working capital problem faced by Arvis, but it also proved to have direct impact on the lives of the farmers and their families.

ITFC's direct financing for the pre-export working capital requirements of Arvis played a catalytic role in building the trust among the producers/cooperatives. This had a two-fold impact: first, it allowed coffee produced in the country to be sold and exported to the US, Europe and Asia; second and more importantly, it directly impacted the livelihood of the farmers and their families as they were able to overcome their cash flow challenges.

Supporting Strategic Commodities

In 1432H, ITFC continued its support to strategic sectors/commodities in its member countries. In this respect, the financing of commodities considered as strategic witnessed significant increase during the year. ITFC's support continued to focus on strategic commodities such as oil, cotton, wheat, sugar and, coffee. These commodities were vital for the economic sustainability of many member countries. In 1432H, crude oil and refined products (a commodity critical to the economies of many member countries) continued to represent the largest share in the portfolio totaling $2,177 million. Member countries benefiting from these facilities include Bangladesh, Egypt, Morocco and The Gambia. Moreover, new strategic operations were approved in 1432H for instance, $20 million for the coal sector in Turkey, $48 million for corn, soybean and wheat in Egypt, and $42 million for sugar in Syria and Mauritania.

Furthermore, ITFC signed a financing agreement with the government of The Gambia for the support of its agriculture sector. The agreement provided funds for the export of groundnut, which is a key strategic sector in The Gambia, accounting for 35 percent of its GDP and employing over 70% of the country's rural population.

Box 3: Accessing Adequate Financing to Support the Groundnut Commodity in the Gambia

Groundnut is the main cash crop of The Gambia and its production and related marketing activities engage about 70 percent of the population. The Gambia Groundnut Corporation is charged with running this important organization.

For many years, the industry had been plagued by the constraints of obtaining adequate finance at reasonable cost. For long, the industry had been relying on borrowing crop finance funds from local commercial banks at high rates. Moreover, those banks lacked the capacity to meet its financing requirements. Not surprisingly, this made the operations less viable. Lack of adequate funding had also resulted in credit purchases, culminating in the producers lacking confidence in groundnut marketing arrangements, and therefore switching to other crops. The net effect had been a downward trend in groundnut production. Late payment to farmers also aggravated their financial uncertainty as the producers were unable to properly plan the use of their annual earnings. This uncertainty often forced them to resort to taking small loans to meet their daily financial needs.

With the availability of financing from ITFC, the above challenges have been overcome. The Gambian groundnut industry now has access

Box 3: Accessing Adequate Financing to Support the Groundnut Commodity in the Gambia

"With availability of financing from ITFC, the cash flow challenges have been overcome. The Gambian groundnut industry now has access to adequate financing"

adequate financing for the purchase of the country's entire commercial crop. The low cost means improved viability for GGC as financing and operating costs are reduced. During the last season all groundnut purchases were fully paid for and on time without recourse to any form of credit buying. This has also strengthened marketing arrangements for groundnuts. Since farmers are now able to sell their produce and receive cash on delivery, they feel more confident in participating in groundnut production. The result has been increased earnings for them, which in turn lead to poverty reduction. Except for the poor rainfall pattern last season, groundnut production would have increased considerably as farmers were assumed that funds will be made available by ITFC for the purchase of their produce. The only challenge that the producers faced during the last rainy season had been low precipitation due to erratic weather condition.

Increased purchases also meant increased export of products, which brought in foreign exchange to the country. Consequently, it helped improve the country's GDP significantly. The robust economic growth the country is now experiencing owes in part to the increase in agricultural production and exports, with groundnuts being the leading export crop. No wonder, ITFC's contribution to this has indeed been quite significant.

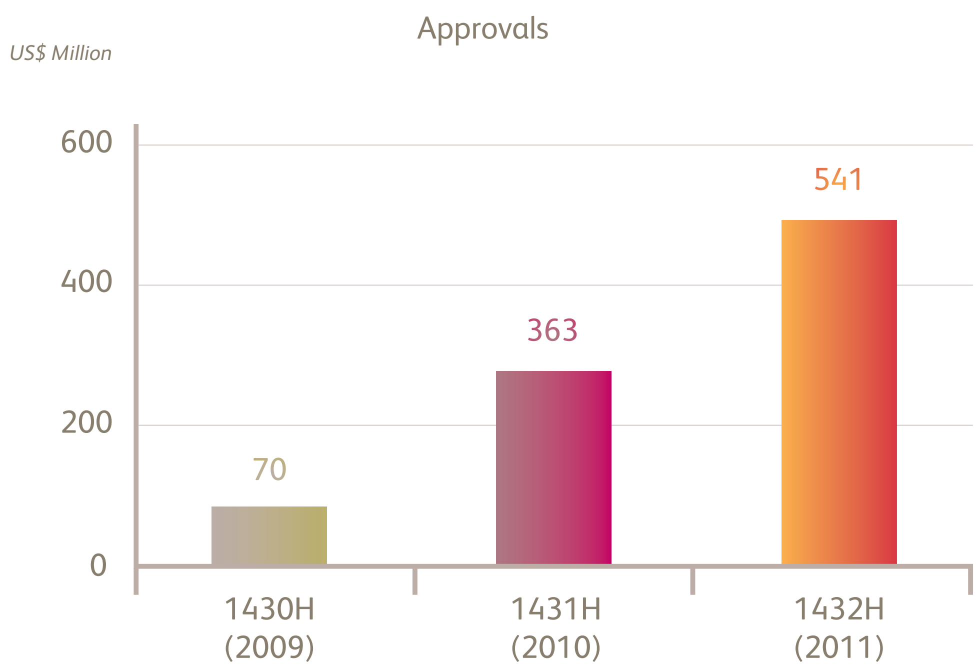
Providing Customized Solutions

In order to adjust to the new business environment following the financial crisis, ITFC shifted its focus to providing total trade solutions to its customers by expanding the Structured Trade Finance (STF) portfolio. The new approach aims at finding solutions beyond the traditional balance sheet-based financing. It seeks to ensure relevant use of funds, linking it to the customers' real business needs. By working with customers on providing suitable structures, ITFC gains better understanding of its customers and their real business needs, enabling it to deploy its funding more efficiently while improving the overall risk.

1432H was another strong year for the STF portfolio, which continued on its upward trajectory. STF operations witnessed further expansion both in terms of amounts and number of operations. In 1432H, 17 operations were approved amounting to $541 million, a remarkable growth of 33 percent compared to 1431H during which 10 operations were approved totaling $363 million.

The following graph illustrates how fast the STF portfolio has grown within the last three years. As can be seen, STF operations grew from $70 million (3 percent of total approvals) in 1430H to $541 million (18 percent of total approvals) in 1432H. This represents a significant increase of over 600 percent in the STF since its operation began in 1430H.

Figure 5: STF Operations 1430H-1432H



Box 4: ITFC Provides Solutions for the Moroccan Energy Sector

"ITFC was able to respond to SAMIR's needs and come up with suitable structured financing facilities"

Morocco depends almost entirely on external resources to meet its energy needs. It has no hydrocarbons of its own and imports more than 97 percent of its energy requirements. In 2011, Morocco's GDP growth was estimated at 3.9 percent. The petroleum sector is one of the strategically important sectors in Morocco with petroleum products accounting for 32% of total GDP.

Société Anonyme Marocaine De l'Industrie du Raffinage (SAMIR) is the sole refining company in Morocco established in 1959 as a joint venture between the Moroccan Government and Italian oil firm. It is also listed on the Casablanca Stock Exchange. The company enjoys 80 percent market share in the Moroccan Market excluding the LPG and Fuel Oil Products. SAMIR's main activities include refining crude oil, manufacturing oil lubricants and sale of oil products. Prior to its privatization, SAMIR has long benefited from the Islamic Development Bank Group's (IDB) Import Trade Financing Scheme. The fruitful business relationship with the IDB Group dates back to 1997. During that period 70 operations totaling $1.056 billion were approved.

Since the inception of ITFC, SAMIR has had a very good business relationship with the Corporation, and that dealt mainly with financing its crude oil imports. Furthermore, the complexity of SAMIR's business operation requires specific financial products. Fortunately, ITFC was able to respond to SAMIR's needs and come up with suitable structured financial facilities. Currently, ITFC Murabaha financing are geared towards procuring crude oil for SAMIR. "Working with ITFC had reflected a lot of constructive communication and tight synergy between the two entities. There are two key elements that help both companies to properly achieve the set objectives. Our business relationship is at its peak and hopefully we will continue to work towards this successful path", said Jamal BA'AMER, General Manager of SAMIR.

Diversifying the Business Portfolio

In 1432H, efforts were made to break into new sectors and new markets. This was in line with the ITFC strategy, which called for diversification of the trade finance portfolio. In 1432H, 18 new clients were attracted with a total amount of $ 324.35 million. Also, some new sectors, particularly in the non-oil sectors, such as coffee and groundnut have been penetrated. These sectors gave rise to a more healthy and diversified portfolio. In addition to its operations in member countries, ITFC approved two operations amounting to $75 million in Malawi and Zambia under the BADEA program.

Helping SMEs, and LDMCs Gain Access To Finance

Access to finance remains one of the main obstacles hindering trade in many countries; and this problem is particularly acute in the least developed member countries (LDMCs). This is why ITFC made it a priority to support LDMCs to help them gain access to finance. In 1432H, ITFC approvals to LDMCs increased to $ 1,494 million, up from $1,140 million in 1431H. In addition, ITFC approved operations in the non-member LDCs of Malawi and Zambia for $75 million under BADEA program.

At the same time, ITFC reaches small and medium enterprises (SMEs) through extension of Line of Financing and Two-Step Murabaha Financing (2SMF) to local banks. Under this mechanism, it makes funds available to local banks, which then provide the onward financing to the SMEs for specific trade finance transactions. In 1432H, approvals under Line of Finance and 2SMF amounted to $ 86.4 million, as shown below.

Table 4: ITFC Two-Step Murabaha Lines for SMEs in 1432H *(US$ Million)*

Country	Amount
Azerbaijan	2.50
Bahrain	20.00
Mauritania	3.85
Turkey	60.00
Total	86.35

Increasing ITFC's Reach through the BADEA Program

Since April 2008, ITFC has been entrusted by the Arab Bank for Economic Development in Africa (BADEA) to manage a $75 million-fund allocated for financing Arab exports to member countries of the African Union, which are not members of the Arab League. This win-win cooperation offers great opportunities for scaling up ITFC export finance operations in the Arab countries, while benefiting member and non-member countries in the Sub-Saharan African region in accordance with the IDB Group vision.

Successful operations financed under this scheme in 1432H amounted to $40 million, benefiting three countries: Kenya, Zambia and Malawi. With ITFC's new strategic focus on Sub-Saharan Africa and the continent's significant trade growth potential, the scheme is expected to register stronger performance in the coming year.

3 Addressing The Needs Of Member Countries Through Trade Promotion and Facilitation

Supporting Activities of TPOs and OIC Organs

Like previous years, ITFC continued to support activities of the Trade Promotion Organizations (TPOs) by organizing and sponsoring their collective participation in international trade fairs, buyers-sellers meetings and business forums. This support enabled them to reach new markets and promote products of their member companies in these markets.

In 1432H, ITFC organized collective participation of 10 TPOs and Chambers of Commerce and Industry in the 13th OIC Expo organized in Sharjah, UAE, during 24-29 April 2011. The countries that took part included Azerbaijan, Bangladesh, Kazakhstan, Uganda, Niger, Kyrgyz Republic, Sudan, Yemen and Palestine. ITFC also facilitated organizing the 14th Private Sector Meeting for the Promotion of Trade and Joint Venture Investment among Islamic Countries by extending financial support to the Islamic Chamber of Commerce Industry (ICCI), the main organizer of the meeting. Through ITFC's financial support, businessmen from Least Developed Member Countries (LDMCs) were able to participate and meet businessmen from other OIC member countries. Similarly, ITFC organized collective participations of TPOs in the 4th Trans-Saharan Exhibition in Niamey, Niger, held in September 2011. Mali, Gambia, Burkina Faso, Guinea, Togo and Chad were invited to participate in this exhibition under the ITFC Pavilion.

In addition, ITFC helped organize two important business forums and conferences by providing financial support to the organizers. It enabled participation of SMEs in these activities and gave them a chance to establish new business partnerships, and, in the process, expand their businesses. These activities were:

- Forum on trade and investments expansion among the CIS member countries and other OIC member countries organized by the Islamic Centre for Development of Trade (ICDT) in Kazakhstan during 22-23 November 2011, with the objective of enhancing trade and investment relations among CIS and the rest of OIC member countries; and
- Arab-Turkish Industrial Cooperation Conference organized by AIDMO and TOBB in December 2011 to promote trade and investment relations between Turkish and Arab business owners.

Addressing Trade Facilitation and Trade Development Needs of Member Countries

In terms of trade facilitation, ITFC's initial role, until recently, had been limited to facilitate organizing seminars, meetings and conferences in trade-related areas through financial support aimed at helping the concerned institutions prepare policies and programs. In 1432H, ITFC extended its role in this area by supporting and involving the Regional Aid for Trade (AfT) Initiatives, which helped member countries identify their trade development needs and the projects that address those needs.

On the other hand, in 2011(1432H), ITFC has explored the possibility of launching the AfT Road Map for the Arab States Initiative in collaboration with Arab League, United Nations Development Program (UNDP), International Trade Centre (ITC), United Nations Industrial Development Organization (UNIDO) and the United Nations Economic Commission for Europe (UNECE). Several consultative meetings among possible partners of the initiative were held to discuss the roles and responsibilities of partners in the implementation of AfT. These meetings were also attended by the Arab Industrial Development and Mining Organization (AIDMO), Arab Union of Land Transport (AULT), and Council of Arab Economic Unity (CAEU). The purpose of the "Aid for Trade Road Map for the Arab States" project was to design and realize a successful engagement by Arab States with the AfT initiative.

Regional Expert Meeting on the Aid for Trade Road Map for the SPECA Region

Box 5: Objectives of the Aid for Trade Road Map for the Arab States

The road map aims to:

- Review and aggregate national, sub-regional and regional needs in relation to trade and productive capacity;
- Assist beneficiary countries to establish national and regional priorities in relation to trade and productive capacity;
- Support member countries to mainstream these priorities in their development strategies; and
- Support the mobilization of resources from within and outside the region to address priority needs.

In the context of implementing the Committee for Commercial and Economic Cooperation (COMCEC) resolutions within the framework of executive program for enhancing Intra-OIC trade, ICDT and ITFC jointly

Box 6: Recommendations of the Third Meeting of Consultative Group for "Enhancing Intra-OIC trade" in Casablanca

The main recommendations of the meeting were as following:

1. to increase efforts by the concerned entities to implement the Framework Agreement on Trade Preferential System among OIC Member States and establish the desired OIC Free Trade Area;
2. to call upon Member Countries, through COMCEC recommendation or resolution, to consider establishment of foreign trade training centers aimed at meeting local capacity needs for trade development of their respective countries; and
3. to urge Member Countries, through OIC organs (such as COMCEC), to intensify their efforts towards promoting foreign trade and provide the Trade Promotion Organizations/Export Development Agencies of their respective countries the necessary support and funding to promote intra-OIC trade.

organized the Third Meeting of Consultative Group for "Enhancing Intra-OIC trade" in Casablanca on 3rd and 4th February 2011. The meeting was attended by different OIC organs, government officials and representatives of TPOs from Morocco, Kuwait, Senegal, Malaysia, Turkey and Egypt. The meeting reviewed the implementation process and accordingly revised the executive program based on the information provided by OIC organs.

Involvement and active participation of concerned authorities from member countries in the planning and implementation of actions was a key success for the Road Map and executive program. In this regard, ITFC organized a meeting on "The Role of the Private Sector to Improve the Implementation of the Road Map for Enhancing Intra-OIC Trade", on the occasion of the 36th IDB Annual Meeting. Businessmen from 11 OIC member countries -- namely, Saudi Arabia, Qatar, Yemen, Iraq, Pakistan, Oman, Algeria, Benin, Nigeria, Lebanon and Egypt attended the meeting.

As per resolutions of the 26th COMCEC Meeting, the workshop/Expert Group Meeting (EGM) on the impacts of transportation network on trade and tourism was organized by the IDB Group, SESRIC and the Ministry of Transportation of Turkey in Izmir, Turkey, during 7-9 June 2011. Preparatory works for the workshop/EGM were undertaken by ITFC and Infrastructure Department. It was coordinated by the Group Trade-Related Issues Committee's (GTRC) trade and transport sub-team. The workshop and EGM were attended by 21 Member Countries and 17 organizations, including all relevant OIC organs, various regional and international bodies and development banks.

In addition, ITFC in cooperation with the Ministry of Custom and Trade of Turkey and TOBB organized a workshop on trade facilitation with an emphasis on roles of custom administration. The workshop studied different aspects of trade facilitation on regional, international and national levels. Besides the local experiences gained during the program, concrete examples on how to implement global standards and recommendations on trade facilitation with particular emphasis on harmonization and modernization of customs rules and procedures were presented to participants. The program aimed at contributing to the development of technical capacities in OIC member countries in the trade facilitation areas. 17 out of 26 invited member countries participated in the workshop. Also, international organizations including UNCTAD, WCO, UNECE, UNESCAP, and UNESCWA participated in the program and shared their experience in the area of trade facilitation and custom modernization.

Enhancing Trade Support Capacities of Member Countries

Human and institutional development is the key to sustainable trade development. Because of this, ITFC places great emphasis on supporting human development in member countries in trade-related areas. It provides trade capacity building support under two domains: capacity building programs for SMEs and familiarization and knowledge-sharing programs for Trade Support Institutions (TSIs).

In 1432H, two capacity building programs targeting SMEs were organized jointly with the Foreign Trade Training Center (FTTC). One was held in Dubai, UAE and the other in Amman, Jordan. Almost 50 SMEs participated in two training courses on Export Strategies and International Marketing sponsored by ITFC. Similar capacity building programs were organized in Jeddah, Saudi Arabia in October 2011. 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, improving human and institutional capacities of chambers of commerce and industry in member countries was another priority for ITFC. In this regard, ITFC, TOBB and ICCI have jointly implemented several capacity development programs for chambers in recent years. This fruitful partnership between ITFC and its partners paved the way towards standardizing and institutionalizing these programs by designing the OIC Chamber Development Program. The first one was organized collectively by TOBB, ITFC and ICCI in Ankara, Turkey, during 20-24 June 2011, which was attended by 19 Chambers of Commerce and Industry from member countries. The program was exclusively designed for the senior and top-level management to equip them with required technical resources so that they are able to make necessary changes in their chambers aimed at providing better services to their members.

Helping Member Countries Develop Strategic Products

Under the program on developing strategic products, ITFC provided financial support to the organizers of meetings on strategic commodities, such as cotton and groundnuts. The purpose was to equip them adequately so that they can identify the basic problems and obstacles faced in the production and trade of these commodities, which in turn limit their international competitiveness. In addition, ITFC undertook studies to prepare development programs for commodities, where member countries have comparative advantage in production and trade.

In this context, ITFC provided financial support for the organization of the exhibition and exporters/importers meeting on textile, garment and cotton in the OIC member countries. It was organized by ICDT in Ouagadougou, Burkina Faso during 21-25 September 2011. During this event, OIC Cotton Program Steering Committee meeting was organized to review the implementation of proposed projects.

4 Bringing Solutions Through Partnerships

Building Partnerships

To improve efficiency and introduce new solutions, ITFC aimed to adopt the best practices of the international partners in the areas of resource mobilization, liquidity and cash management. To this end, ITFC signed a Memorandum of Understanding (MoU) with one of the most reputable international banks that outlined the areas of cooperation between the two institutions. The MoU outlined the partnership potentials in facilitation and implementation of ITFC's trade operations; joint participation in co-financing and syndicated trade finance operations; and provision of Shariah-compliant treasury and investment products and services.

Within the IDB Group, ITFC intensified its cooperation and synergy with the IDB Treasury Department as well as various entities and departments in the Group. The efforts led to numerous improvements within ITFC in the areas of returns from liquid funds investment and growing participation in ITFC-syndicated and co-financed operations.

Internally, ITFC also improved its interdepartmental collaboration in 1432H. This led to an improved responsiveness to the clients and streamlined business processes. These efforts contributed to the overall achievements of ITFC's targets in 1432H and the enhancement of its relationship with external financial institutions and banks, as well as within the IDB Group.

Fund Mobilization and Liquidity Management

ITFC's resource mobilization efforts contributed to activate new financing operations for existing and new clients. It also helped ITFC to re-establish its relationship with some former clients.

Under fund mobilization, ITFC was successful in meeting its 1432H goals by finalizing 22 co-financing and syndications in favor of 13 member countries. For this purpose, ITFC mobilized a total of $1.8 billion from various international, regional and local financial institutions and banks. This amount represented almost 60 percent of the total trade finance approvals of $3.03 billion in 1432H.

ITFC's liquidity investment activity was another area of focus in 1432H. In light of the continuing turmoil in financial markets, ITFC introduced a new policy for managing and investing its liquid funds in prudent and rewarding manner. ITFC's objective was to maximize the returns from idle liquid funds in attractive Shari'ah-compliant instruments with acceptable risk profiles, while, at the same time, preserving its capital.

Under liquidity investment, ITFC, through its close collaboration with IDB Treasury Department, diversified its investment in commodity Murabaha placements, sukuk, and participation in syndicated medium-term Murabaha facilities in favor of some well-known financial institutions.

Letters of Credit Issuance Initiative

A remarkable achievement for ITFC in 1432H was the launching of a new product of L/C issuance. Towards the end 1432H, ITFC successfully launched this new product, and for the first time, ITFC will have the capability to open L/C for its clients. This is a milestone for ITFC and one that will strengthen its product offering and enhance its competitiveness as well as its income stream. The product is expected to be fully implemented in 1433H.

Enhancing Synergy with the IDB Group

The IDB Group established a Task Force to study the concept of synergy across the Group -- i.e. the IDB and its affiliates -- namely, ICIEC, ICD, ITFC and IRTI. The Task Force carried out a thorough study of all aspects of the concept and discussed the same at the Group's top management level. ITFC fully participated in the discussions and the formulation of recommendations. The Task Force had also finalized its recommendations on the importance of creating synergy within the IDB Group, covering the ways, means, mechanisms, responsibilities and time-line for the implementation of the group-wide synergy programs. They were summarized in the following four categories:

- Shared Corporate Services;
- Business Synergy;
- Group Governance; and
- Group Related Departments

The year 1432H saw the implementation of the Task Force's recommendations by all the Group entities. As described below, ITFC had taken concerted actions to implement the recommendations.

ITFC signed Service Level Agreements with IDB for the Shared Corporate Services, entailing the cost sharing/ effectiveness and operational efficiency in delivery of services. In the area of business synergy, ITFC is working with IDB in its collaborative initiative -- namely, Member Country Partnership Strategy (MCPS). Under this initiative, IDB Group engages with member countries at the highest level for mapping out the strategy, with a holistic approach, to help and support the countries' economic development. ITFC worked closely with IDB in 1432H in this strategic initiative and participated in developing MCPS for several countries including Turkey, Indonesia, Mali, Uganda, Mauritania and Pakistan. The Corporation has consistently included, in its annual Detailed Action Plan, the role and intervention stipulated in the MCPS of the respective member countries for its implementation. The MCPS for countries like Kazakhstan, Malaysia, Morocco and Senegal are under preparation and ITFC is actively participating in this effort.

ITFC is also pursuing business synergy with other Group entities like ICIEC and ICD for business development and fostering economic integration among the member countries. As a step towards supporting synergy, ITFC signed MoU with ICIEC to obtain insurance coverage for some of its trade finance operations. This co-operation opened up new trade finance opportunities. Similarly, an active cooperation took place with ICD through Thiqah (Business Development Forum), formulating the Private Sector Development Strategy, and cross-selling of business opportunities. It is worth mentioning that ICIEC and ICD, as well as some windows of IDB, participated in syndicated trade operations under the lead of ITFC, for financing big-ticket trade operations in the member countries. The Corporation also collaborated with IRTI in the development of Islamic financing products.

Some other important platforms which leveraged the synergy within the IDB Group were the annual meeting of the IDB Group Joint Board of Directors Forum, monthly meetings of the IDB Group Coordination Forum (IGCF), Group Management Committee Meetings (GMCM), Joint Shariah Committee for all members of the IDB Group having unified Shariah rulings, and joint organization of various seminars/symposia.

ITFC is working in close coordination with the IDB and its other affiliates, for best serving the member countries. The synergy amongst the IDB Group entities is leveraging the performance of each entity individually, as well as the IDB Group collectively. The key areas of cooperation and coordination with IDB Group are (1) Creative Regional Integration, (2) Balanced and Responsible Development, (3) Investment in Knowledge, (4) Consolidation of Islamic Banking, and (5) Empowerment of Productive Families.

Group Trade Related Issues Committee (GTRC)

The GTRC was constituted by the Chairman of the IDB Group in October 2009, with the mandate, inter-alia, to actively engage the group in the issues related to the intra-OIC trade as well as to share experience and strengthen alliances in this domain. Since the establishment of GTRC, it had set an example of synergy and coordination among the Group. The GTRC consists of five main sub-teams:

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

During 1432H, GTRC's Aid-for trade sub-team was successfully involved in coordinating and consolidating the IDB Group's response to the joint WTO/OECD questionnaire on AfT. The Group's response was sent to the WTO and OECD Secretariats and is now available for viewing on their respective websites. The team had also submitted case studies on Trade Finance and the Silk Road Project, as depiction/manifestation of IDB Group's engagement on the AfT agenda.

The team had also successfully coordinated publication of the first IDB Group Report on Aid for trade to the Third Global Review on AfT at the WTO headquarters in Geneva. The report demonstrated the engagement/involvement of the IDB Group in various sectors for enhancing productivity and growth in its member countries with the ultimate objective of enhancing their capacity to export.

Moreover, the team, in collaboration with IDB's Cooperation Department, organized a very successful seminar for the African member countries to get a first-hand appraisal of the needs of respective members on Aid for Trade and to seek their guidance on the Group's future course of action for the African continent.

GTRC's Trade Integrated Project sub-team's work focused on the cotton sector development, given the important role cotton plays in the socio-economic development of many of the OIC member countries. In this regard, consultancy work was undertaken to align the team's work with existing plans, directives and strategic initiatives within various stakeholders.

GTRC's Transport and Trade sub-team prepared IDB Group Transport Corridors Report in collaboration with the IDB Study Group, which set the stage for developing a comprehensive Group-wide transport and trade facilitation strategy and program. Furthermore, the team coordinated a Transport and Trade Workshop/Expert Group meeting in Turkey that mapped the transport networks in OIC member countries and identified the development needs for transport corridors. In addition, the meeting raised awareness in OIC member countries on the importance of Trade and Transport Facilitation.

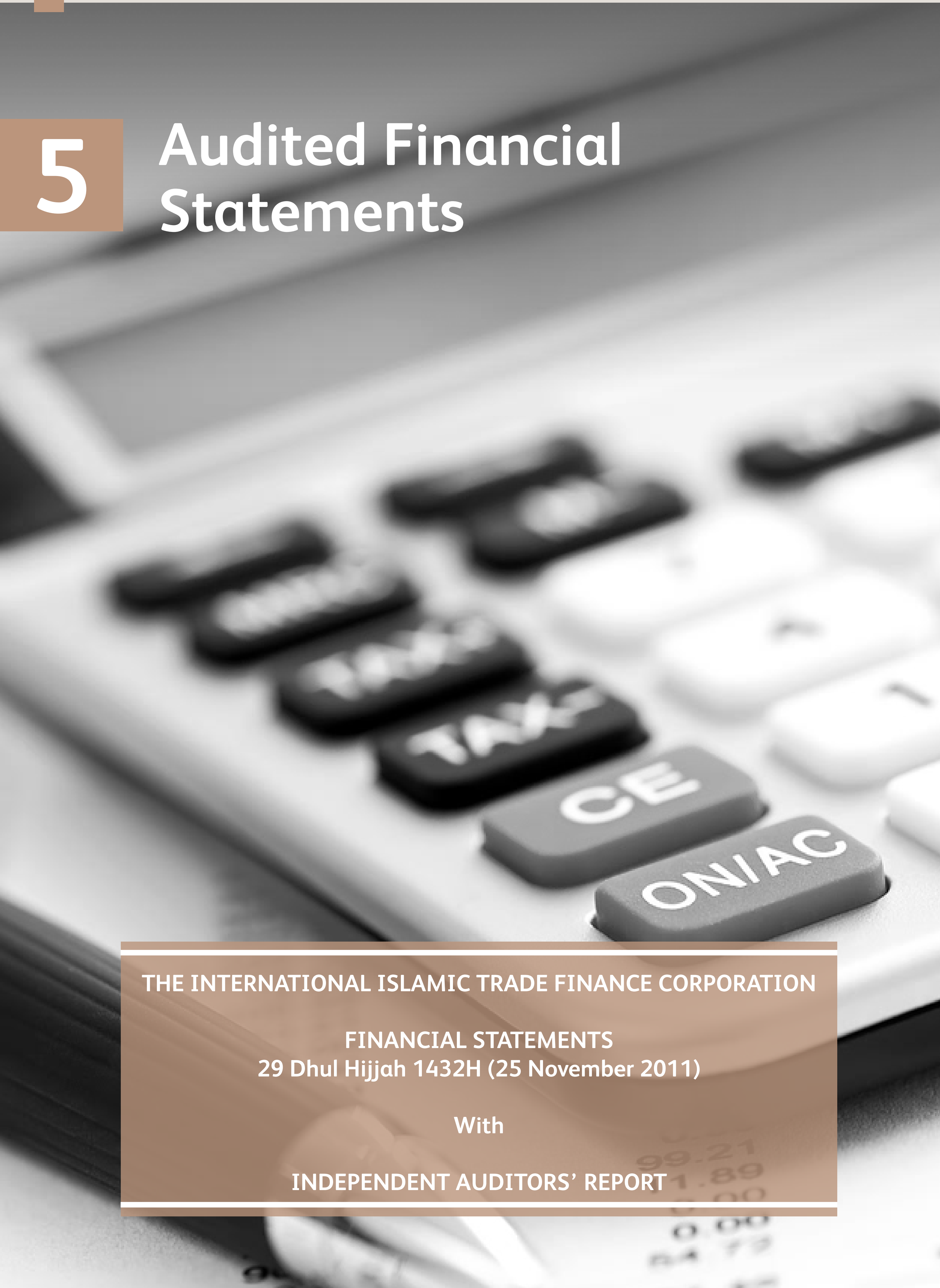
The Transport and Trade team was transformed by the IDB Group to become the Trade and Transport Facilitation Team (TTFT). It will be part of GTRC and its activities will be included in GTRC work plan.

GTRC's Trade and Agriculture sub-team conducted the fisheries study for Mauritania and Senegal that covered a number of criteria aimed at creating jobs and income, opening international markets and earning foreign exchange. More importantly, the study encompassed the poverty alleviating objectives.

In addition, the Trade Competitiveness sub-team of GTRC, in collaboration with the IDB Country Department, organized a joint IDB Group-World Bank Workshop on Capacity Building in Trade and Competitiveness among OIC member countries during 21-22 October, 2011.

The GTRC, within the framework of the implementation of the "OIC Ten Year Action Plan to meet the challenges facing the Islamic Ummah in the 21st Century," had been strengthening its efforts towards achieving the target of increasing the share of intra-OIC trade from 14 percent to 20 percent by 2015. The IDB Group, including the ITFC and the GTRC, organized a high-level trade forum on "the challenges of achieving intra-OIC trade target by 2015" at the IDB Group headquarters on 9th October 2011.

High Level Trade Forum on " The Challenges of Achieving Intra-OIC Trade Target by 2015"
(L-R) Eng. Hani Salem Sonbol, Deputy CEO ITFC and Chairman GTRC; Mr. Bakri Shata; Dr. Waleed Al-Wohaib, CEO ITFC; Dr. El Hassane Hzaine, Acting Director General of ICDT; Dr. Abdel Rahman Taha, CEO ICIEC



5 Audited Financial Statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

FINANCIAL STATEMENTS
29 Dhul Hijjah 1432H (25 November 2011)

With

INDEPENDENT AUDITORS' REPORT

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

29 Dhul Hijjah 1432H (25 November 2011)

CONTENTS

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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 29 Dhul Hijjah 1432H (25 November 2011) 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 29 Dhul Hijjah 1432H (25 November 2011), 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
Certified Public Accountant
License No. 168

29 March 2012
(06 Jumada Al-Awal 1433H)

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1432H (25 November 2011)

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

	Notes	1432H	1431H Restated
ASSETS			
Cash and cash equivalents	4	197,140	31,695
Commodity placements through banks,	5	66,194	165,000
Murabaha financing, net	6	343,332	367,353
Investment in sukuk	8	129,193	10,464
Investments at fair value through equity	9	25,507	31,948
Accrued income and other assets	10	19,955	2,947
Receivable from related parties	13	18,505	168,589
Fixed assets	11	242	265
TOTAL ASSETS		800,068	778,261
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	12	18,468	9,835
Payable to related parties	13	30,004	25,000
Total liabilities		48,472	34,835
MEMBERS' EQUITY			
Paid-up capital	14	687,384	671,700
General reserve	15	72,852	69,981
Fair value reserve		(7,567)	(1,126)
Net (loss) income for the year		(1,073)	2,871
Total members' equity		751,596	743,426
TOTAL LIABILITIES AND MEMBERS' EQUITY		800,068	778,261
UNDISBURSED COMMITMENTS	16	339,964	131,520

The accompanying notes on pages 47 to 63 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF INCOME
For the year ended 29 Dhul Hijjah 1432H (25 November 2011)

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

	Notes	1432H	1431H Restated
Income from:			
Commodity placements through banks		3,289	2,467
Murabaha financing		17,132	10,366
Investment in sukuk		2,892	407
Mudarib fees and others		9,652	5,438
		32,965	18,678
Exchange loss		(5,237)	(2,644)
Administrative expenses:			
Staff costs		(12,572)	(9,568)
Depreciation	11	(93)	(76)
Other		(2,258)	(3,837)
		12,805	(2,553)
Valuation gain (unrealized)	8	207	318
Provision for impairment of assets	7	(14,085)	-
Net (loss) income for the year		(1,073)	2,871

The accompanying notes on pages 47 to 63 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CASH FLOWS
For the year ended 29 Dhul Hijjah 1432H (25 November 2011)

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

	Notes	1432H	1431H Restated
CASH FLOWS FROM OPERATIONS			
Net (loss) / income for the year		(1,073)	2,871
Adjustment to reconcile net (loss) / income to net cash from operating activities:			
Depreciation	11	93	76
Provision for impairment of assets	7	14,085	-
Valuation gain (unrealized)	8	(207)	(318)
Changes in operating assets and liabilities:			
Commodity placements through banks		98,806	(115,000)
Murabaha financing		9,936	(45,487)
Accrued income and other assets		(17,008)	(946)
Receivable from / payable to related parties		155,088	(249,181)
Accruals and other liabilities		8,633	6,722
Net cash generated from (utilized in) operating activities		268,353	(401,263)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in sukuk		(118,522)	(10,146)
Purchase of fixed assets		(70)	(38)
Cash utilized in investing activities		(118,592)	(10,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution		15,684	12,457
Cash generated from financing activities		15,684	12,457
Net change in cash and cash equivalents		165,445	(398,990)
Cash and cash equivalents at the beginning of the year		31,695	430,685
Cash and cash equivalents at the end of the year	4	197,140	31,695
Supplemental non-cash information			
Settlement of Murabaha financing receivable against shares of a Company	7,9	-	33,781

The accompanying notes on pages 47 to 63 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 29 Dhul Hijjah 1432H (25 November 2011)

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

	Notes	Paid-up Capital	General reserve	Fair value reserve	Net income for the year	Total
Balance at 01 Muharrum 1431H (previously reported)		659,243	81,016	-	(11,035)	729,224
Impact of adoption of AAOIFI FAS 25	16	-	-	-	-	-
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	-
Fair value reserve - restated				(1,126)		(1,126)
Net income for the year - restated		-	-		2,871	2,871
Balance at 30 Dhul Hijjah 1431H		671,700	69,981	(1,126)	2,871	743,426
Balance at 01 Muharrum 1432H (previously reported)		671,700	69,981	-	1,428	743,109
Impact of adoption of AAOIFI FAS 25	16			(1,126)	1,443	318
Balance at 01 Muharrum 1432H		671,700	69,981	(1,126)	2,871	743,426
Capital contributed	13	15,684	-	-	-	15,684
Transfer to general reserve	14		2,871		(2,871)	-
Fair value reserve		-	-	(6,441)		(6,441)
Net loss for the year		-	-	-	(1,073)	(1,073)
Balance at 29 Dhul Hijjah 1432H		687,384	72,852	(7,567)	(1,073)	751,596

The accompanying notes on pages 47 to 63 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 29 Dhul Hijjah 1432H (25 November 2011)

(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 ("BoG") of the Islamic Development Bank ("IDB" or the "Bank") in their 30th meeting held on 17 Jumada-al-Awwal 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 Cooperation through providing trade finance and engaging in activities that facilitate intra-trade and international trade. The 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 quarters 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 Directors on 3 Jumada-al-Awwal 1433H (March 26, 2012).

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 the historic cost convention except for the measurement at fair value of investments in equity capital; see Note 2(h).

Adoption of the new Accounting Standard

The Corporation has adopted Financial Accounting Standard ("FAS") 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investments in Sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of this standard has an impact on the classification of investments and adjustment to the reported balance of reserves as disclosed in note 16.

Further, Statement of Financial Accounting No. 1 "Conceptual Framework of Financial Reporting by Islamic Financial Institution" became effective during the year ended 29 Dhul Hijjah 1432H. The adoption of this statement did not result in significant changes to the Corporation's financial reporting

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 set out in note 2(i).

c. Foreign currency translations

(i) Functional and presentation currency

These financial statements are presented in thousands of United States Dollars (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 through banks

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).

Commodity placements through banks having a maturity of three months or less at the date of placement are classified as cash and cash equivalents.

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 fair value through income statement. These investments are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss recognized in the income statement (See Note 7).

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 classified as fair value through Equity. These investments are measured at fair value, whereas, unrealized gain or losses resulting from re-measurement at fair value are recognized in the fair value reserve under Members' Equity until the investment is dercognised or an impairment loss is recognsied. At that time the gain or loss previously recognized in equity is transferred to the income statement .

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 objective evidence that a financial asset or a 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 set off 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/24/11/421/(198)/138. 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	1432H	1431H
Cash at banks		15,514	17,695
Commodity placements through banks	5	181,625	14,000
Total		197,140	31,695

Commodity placements through banks comprise those placements having a maturity of three months or less at the date of placement

5. COMMODITY PLACEMENTS THROUGH BANKS, Net

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

	Note	1432H	1431H
Commodity Placements through Islamic banks		247,820	179,000
Less: commodity placements with maturity of three months or less at the date of placement	4	(181,626)	(14,000)
		66,194	165,000

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, NET

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

	Note	1432H	1431H
Gross amounts receivable		1,211,780	1,149,441
Less: share of syndicate members		(810,721)	(736,826)
unearned income		(3,198)	(4,818)
		397,861	407,797
Less: provision for impairment of murabaha financing	7	(54,529)	(40,444)
Murabaha financing, net		343,332	367,353

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. PROVISION FOR IMPAIRMENT OF MURABAHA FINANCING

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

	1432H	1431H
Balance at 01 Muharram	40,444	41,475
Charge for the year	14,085	-
Foreign exchange translation adjustments	-	(324)
Write-off	-	(707)
Balance at end of Dhul Hijjah	54,529	40,444

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 years ended 29 Dhul Hijjah 1432H and 1431H was Nil.

Included in murabaha financing assets at end of Dhul Hijjah 1432H an amount of USD 8.27 million (1431H: USD 89.67 million) that are 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:

	1432H	1431H
Less than three months	8,269	29,564
Three months to twelve months	-	31,072
One year to five years	-	29,036

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

8. INVESTMENT IN SUKUK

The movement in investment in sukuk is summarized as follows:

	1432H	1431H
Balance 01 Muharram	10,464	-
Additions during the year	118,522	10,146
Fair value gains (Impact of adoption of AAOIFI FAS 25)	207	318
Balance at end of Dhul Hijjah	129,193	10,464

Investment in Sukuk certificates at end Dhul Hijjah 1432H and 1431H represents a share in the Sukuk issued by various governments and certain other entities, which have been measured at fair value through income statement.

Fair value of investments in Sukuk are measured based on inputs other than quoted prices that are observable.

9. INEVESTMENT AT FAIR VALUE THROUGH EQUITY

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

	1432H	1431H
Balance at 01 Muharram	31,948	-
Additions during the year	-	33,074
Net unrealized fair value losses (Impact of adoption of AAOIFI FAS 25)	(6,441)	(1,126)
Balance at end of Dhul Hijjah	25,507	31,948

The fair value of the investment is determined based on the available market quotes.

10. ACCRUED INCOME AND OTHER ASSETS

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

	1432H	1431H
Accrued income from commodity placements	1,204	1,523
Accrued mudarib fees	206	206
Accrued income in investment in sukuk	1,422	264
Due from syndication participants	15,054	-
Prepayments and other assets	2,069	954
Total	19,955	2,947

11. FIXED ASSETS

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

	Motor Vehicles	Office and Computer Equipment	Total
Cost:			
At 01 Muharram 1432H	105	308	413
Additions during the year	-	70	70
At 29 Dhul Hijjah 1432H	105	378	483
Less: Accumulated depreciation:			
At 01 Muharram 1432H	56	92	148
Charge for the year	21	72	93
At 29 Dhul Hijjah 1432H	77	164	241
Net book value:			
At 29 Dhul Hijjah 1432H	28	214	242
Cost:			
At 01 Muharram 1431H	105	270	375
Additions during the year	-	38	38
At 30 Dhul Hijjah 1431H	105	308	413
Less: Accumulated depreciation:			
At 01 Muharram 1431H	35	37	72
Charge for the year	21	55	76

At 30 Dhul Hijjah 1431H	56	92	148
Net book value:			
At 30 Dhul Hijjah 1431H	49	216	265

12. ACCRUALS AND OTHER LIABILITIES

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

	1431H	1430H
Security deposit	7,422	7,242
Accrued and other expenses	438	1,419
Excess capital receipts	105	853
Payable to syndication participants	8,313	-
Others	2,190	321
Total	18,468	9,835

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

13. 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.

a. Due from related parties

	1432H	1431H
IDB - OCR	18,007	168,097
BADEA Fund	498	492
	18,505	168,589

b. Due to related parties

	1432H	1431H
IDB – Special Accounts Resource Waqf Fund	29,295	-
IDB Pension Fund	698	-
IDB Medical Pension Fund	11	-
Payable to IDB-OCR under Wakala agreement	-	25,000
	30,004	25,000

(i) During 1431H the Corporation entered into a Wakala agreement with IDB-OCR amounting to USD 25 million (1432H: Nil), on which the Corporation will pay Wakala profit of Libor plus 110 bps.

(ii) The balance due from / to related parties are commission free and have no repayment terms.

(iii) According to the IDB's board of executive directors' resolution number BED/27/12/428(249)/157, 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).

(iv) The Corporation earns mudarib fees from IDB group entities based on its agreed share of profit related to murabaha financing transactions.

c. Key management compensation

The compensation paid or payable to key management for their services is shown below:

	1432H	1431H
Salaries and other short-term benefits	939	646

14. PAID-UP CAPITAL

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

	1432H	1431H
Authorized 300,000 shares of USD 10,000 each	3,000,000	3,000,000
Issued: 75,000 shares of USD 10,000 each	750,000	750,000
Issued shares not subscribed	(42,920)	(42,920)
Subscribed capital	707,080	707,080
Share capital not yet called	(17,823)	(25,647)
Called-up capital	689,257	681,433
Installments due, not yet paid	(1,873)	(9,733)
Paid-up capital	687,384	671,700

15. 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.

16. UNDISBURSED COMMITMENTS

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

	1432H	1431H
Murabaha financing	339,964	131,520

17. PRIOR-YEAR ADJUSTMENTS

The Corporation has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investments in Sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by Islamic financial institutions. The following is the summary of the impact on the classification of investments:

Type	Note	Before adopting FAS 25	On adopting FAS 25	Impact on equity
Equity type instruments	Note 9	Available for sale	Fair Value through Equity	None
Debt type instruments	Note 7	Held to maturity	Fair value through Statement of Income	See below

The financial statements for the year ended 30th Dhul Hijjah 1431H have been restated to account for the impact of adoption of FAS 25 in regards to the Equity type instruments has resulted in reducing the fair value reserve by US$ 1.126 million and increasing the income of the year by the same amount which was reported previously as per FAS 17. Also, in regards with the investment in debt type instruments and as a result of adopting FAS 25 the income previously reported for 1431H was increased by US$ 318 thousand. There was no impact on the opening balances of 1431H.

	USD thousands
Effect on 1431H:	
Increase in the income from investments in Sukuk	318
Increase in the investments in Sukuk	318
Decrease in investment at fair value through equity	(1,126)
Decrease of fair value reserve	(1,126)

18. FINANCIAL ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

29 Dhul Hijjah 1432H

	Maturity period determined					
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Maturity Period not Determined	Total
Cash and cash equivalents	197,140	-	-	-	-	197,140
Commodity placements	-	66,194	-	-	-	66,194
Investment in Sukuk	-	-	129,193	-	-	129,193
Murabaha financing	178,248	130,222	1,802	-	33,060	343,332
Investments at fair value through equity	-	-	-	-	25,507	25,507
Accrued income and other assets	15,054	4,901	-	-	-	19,955
Receivable from related parties	18,505	-	-	-	-	18,505
Total assets	408,947	201,317	130,995	-	58,567	799,826

29 Dhul Hijjah 1432H

	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	10,491	-	-	-	7,977	18,468
Payable to related parties	30,004	-	-	-	-	30,004
Total liabilities	40,495	-	-	-	7,977	48,472

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
Cash and cash equivalents	31,695	-	-	-	-	31,695
Commodity placements	115,000	40,000	10,000	-	-	165,000
Investment in Sukuk	-	-	10,464	-	-	10,464
Murabaha financing	250,956	99,482	2,148	-	14,767	367,353
Investments at fair value through equity	-	-	-	-	31,948	31,948
Accrued income and other assets	-	2,947	-	-	-	2,947
Receivable from related parties	168,589	-	-	-	-	168,589
Total assets	566,240	142,429	22,612	-	46,715	777,996

	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	1,740	-	-	-	8,095	9,835
Payable to related parties	25,000	-	-	-	-	25,000
Total liabilities	26,740	-	-	-	8,095	34,835

19. CONCENTRATION OF ASSETS

The geographical locations of assets are as follows:

	29 Dhul Hijjah 1432H							
	Cash and cash equivalents	Commodity placements through banks	Investment in sukuk	Investment at fair value through\ equity	Murabaha financing	Accrued income and other assets	Receivable from related parties	Total
Azerbaijan	-	-	-	-	17,555	-	-	17,555
Bahrain	461	-	-	-	8,377	-	-	8,838
Bangladesh	-	-	-	-	80,396	-	-	80,396
France	75,000	2,678	-	-	-	180	-	77,858
Gambia	-	-	-	-	11,059	-	-	11,059
Indonesia	-	-	10,969	-	39,813	14	-	50,796
Iran	-	-	-	-	44,003	-	-	44,003
Japan	60,000	9,016	-	-	-	127	-	69,143
Jordan	-	-	-	-	9,050	-	-	9,050
Khazakhstan	-	-	-	-	3,870	-	-	3,870
Kuwait	-	-		-	10,074	-	-	10,074
Maldives	-	-	-	-	7,079	-	-	7,079
Malaysia	4,925	-	38,433	-	-	562	-	43,920
Mauritania	-	-	-	-	4,344	-	-	4,344
Morocco	-	-	-	-	25,137	-	-	25,137
Nigeria	-	-	-	-	9,235	-	-	9,235
Qatar	-	-	5,105	-	-	29	-	5,134
Saudi Arabia	10,518	-	52,546	25,507	13,046	17,667	18,505	137,789
Sudan	-	-	-	-	15,301	-	-	15,301
Turkey	-	54,500	-	-	36,257	896	-	91,653
UAE	-	-	22,140	-	6,352	480	-	28,972
United Kingdom	46,236	-	-	-	-	-	-	46,236
Other	-	-	-	-	2,384	-	-	2,384
TOTAL	197,140	66,194	129,193	25,507	343,332	19,955	18,505	799,826

	30 Dhul Hijjah 1431H							
	Cash and cash equivalents	Commodity placements through banks	Investment in sukuk	Investment at fair value through equity	Murabaha financing	Accrued income and other assets	Receivable from IDB-OCR and BADEA Fund	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	-	-	10,464	-	-	26	-	10,490
Morocco	-	-	-	-	6,993	-	-	6,993
Nigeria	-	-	-	-	13,312	-	-	13,312
Qatar	-	90,000	-	-	-	567	-	90,567
Saudi Arabia	10,466	25,000	-	31,948	25,232	871	168,589	262,106
Sudan	-	-	-	-	1,862	206	-	2,068
Tajikistan	-	-	-	-	2,185	-	-	2,185
Turkey	-	45,000	-	-	9,357	941	-	55,298
UAE	-	-	-	-	11,875	-	-	11,875
United Kingdom	16,874	-	-	-	-	15	-	16,889
Other	-	-	-	-	1,006	37	-	1,043
TOTAL	31,695	165,000	10,464	31,948	367,353	2,947	168,589	777,996

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

20. NET ASSETS IN FOREIGN CURRENCIES

	1432H	1431H
Euro	38,461	82,196
Pound Sterling	17,153	19,424
Saudi Riyal	23,359	12,402
Dutch Mark	-	2,583
UAE Dirham	100	65
Islamic Dinar	-	(42,265)
Canadian Dollar	-	(460)
Moroccan Dirham	(136)	(136)
Japanese Yen	(85)	(79)
Malysian Ringgit	(61)	(61)

21. 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 Directors ("BoD") 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 18.

iii. Equity price risk

The Corporation is exposed to equity price risks arising from its investment in equity instruments that are intended to be held for strategic rather than trading purposes. The Corporation does not actively trade these instruments. If equity prices had been 5 % higher or lower, net income for the year ended 29 Dhul Hijjah 1432H would have been unaffected as these equity instruments are classified as investment at fair value through equity and any unrealized gain or loss are recognised in the fair value reserve under Members' Equity, 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 for the year and the Members Equity at year end 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.

22. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its shareholders. In order to ensure sufficient resources to enable it to meet its developmental objectives, the Corporation actively engages in treasury and liquidity management. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Corporation's capital. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitors the performance and financial position of the Corporation as a whole, without distinguishing between the developmental activities and the ancillary supporting liquidity management activities or geographical distribution of its development programmes. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22 - the geographical distribution of the Corporation's assets is set out in note 19.

23. COMPARATIVE FIGURE

Certain comparative figures have been re-grouped and restated to conform to the presentation in the current year and to reflect the impact of the adoption of the AAOIFI FAS 25.

6 Appendices

List of Appendices

Appendix I – ITFC Shareholders Information

Sr. No.	Member	Total Subscription	Percent of Subscribed	Called-up Amount	Percent of Called-up	Paid Up Amount	Percent of Paid-up
1	Islamic Development Bank	266,370,000	37.672 %	266,370,000	38.646 %	266,370,000	38.751 %
2	Saudi Arabia	120,000,000	16.971 %	120,000,000	17.410 %	120,000,000	17.457 %
3	Saudi Fund for Development, Saudi Arabia	50,000,000	7.071 %	50,000,000	7.254 %	50,000,000	7.274 %
4	Kuwait	40,000,000	5.657 %	28,843,333	4.185 %	28,843,333	4.196 %
5	Public Investments Fund, Saudi Arabia	30,000,000	4.243 %	30,000,000	4.353 %	30,000,000	4.364 %
6	Turkey	29,150,000	4.123 %	29,150,000	4.229 %	29,150,000	4.241 %
7	Malaysia	28,980,000	4.099 %	28,980,000	4.205 %	28,980,000	4.216 %
8	Export Development Bank, Iran	25,000,000	3.536 %	25,000,000	3.627 %	24,858,294	3.616 %
9	Egypt	12,730,000	1.800 %	12,730,000	1.847 %	12,730,000	1.852 %
10	Qatar	10,000,000	1.414 %	10,000,000	1.451 %	10,000,000	1.455 %
11	Nigeria	10,000,000	1.414 %	3,333,333	0.484 %	3,280,029	0.477 %
12	Pakistan	8,430,000	1.192 %	8,430,000	1.223 %	8,430,000	1.226 %
13	Albaraka Islamic Bank, Bahrain	8,180,000	1.157 %	8,180,000	1.187 %	8,180,000	1.190 %
14	Algeria	6,080,000	0.860 %	6,080,000	0.882 %	6,080,000	0.885 %
15	Faisal Islamic Bank of Egypt, Egypt	5,920,000	0.837 %	5,920,000	0.859 %	5,920,000	0.861 %
16	Brunei Darussalam	5,820,000	0.823 %	5,820,000	0.844 %	5,820,000	0.847 %
17	Tunisia	5,600,000	0.792 %	5,600,000	0.812 %	5,600,000	0.815 %
18	Morocco	5,100,000	0.721 %	5,100,000	0.740 %	5,100,000	0.742 %
19	Bank Mellat, Iran	5,000,000	0.707 %	5,000,000	0.725 %	4,999,994	0.727 %
20	Indonesia	2,060,000	0.291 %	2,060,000	0.299 %	2,060,000	0.300 %
21	Bangladesh	2,020,000	0.286 %	2,020,000	0.293 %	2,020,000	0.294 %
22	Iran	1,920,000	0.272 %	1,920,000	0.279 %	1,920,000	0.279 %
23	Bahrain	1,850,000	0.262 %	1,850,000	0.268 %	1,850,000	0.269 %
24	Syria	1,850,000	0.262 %	1,850,000	0.268 %	1,850,000	0.269 %
25	Palestine	1,840,000	0.260 %	1,840,000	0.267 %	1,840,000	0.268 %
26	UAE	1,840,000	0.260 %	1,840,000	0.267 %	1,840,000	0.268 %
27	Albaraka Investment Company, London	1,610,000	0.228 %	1,610,000	0.234 %	1,610,000	0.234 %
28	Libya	1,390,000	0.197 %	1,390,000	0.202 %	1,390,000	0.202 %

Sr. No.	Member	Total Subscription	Percent of Subscribed	Called-up Amount	Percent of Called-up	Paid Up Amount	Percent of Paid-up
29	Jordan	1,300,000	0.184 %	1,300,000	0.189 %	1,300,000	0.189 %
30	Jordan Islamic Bank for Finance & Investment, Jordan	1,180,000	0.167 %	1,180,000	0.171 %	1,180,000	0.172 %
31	Yemen	1,000,000	0.141 %	1,000,000	0.145 %	990,586	0.144 %
32	Bank of Industry and Mine, Iran	1,000,000	0.141 %	1,000,000	0.145 %	999,408	0.145 %
33	Bank Melli, Iran	1,000,000	0.141 %	1,000,000	0.145 %	999,998	0.145 %
34	Mauritania	1,000,000	0.141 %	1,000,000	0.145 %	332,346	0.048 %
35	EN Bank, Iran	1,000,000	0.141 %	1,000,000	0.145 %	1,000,000	0.145 %
36	Bank Keshavarzi, Iran	1,000,000	0.141 %	1,000,000	0.145 %	1,000,000	0.145 %
37	Sudan	770,000	0.109 %	770,000	0.112 %	770,000	0.112 %
38	Burkina Faso	750,000	0.106 %	750,000	0.109 %	750,000	0.109 %
39	Somalia	720,000	0.102 %	720,000	0.104 %	720,000	0.105 %
40	Cote D'Ivoire	700,000	0.099 %	700,000	0.102 %	700,000	0.102 %
41	Albaraka Turk Katilim Bankasi A.S. (Albaraka Turk Participation Bank).	690,000	0.098 %	690,000	0.100 %	690,000	0.100 %
42	Lebanon	610,000	0.086 %	610,000	0.089 %	610,000	0.089 %
43	Mozambique	600,000	0.085 %	600,000	0.087 %	599,990	0.087 %
44	Bank Albaraka, Tunis	530,000	0.075 %	530,000	0.077 %	530,000	0.077 %
45	Bank Tejarat, Iran	500,000	0.071 %	500,000	0.073 %	500,000	0.073 %
46	Gambia	500,000	0.071 %	500,000	0.073 %	500,000	0.073 %
47	Benin	500,000	0.071 %	500,000	0.073 %	500,000	0.073 %
48	Djibouti	500,000	0.071 %	500,000	0.073 %	-	0.000 %
49	Niger	500,000	0.071 %	500,000	0.073 %	-	0.000 %
50	Uganda	490,000	0.069 %	490,000	0.071 %	490,000	0.071 %
51	Senegal	480,000	0.068 %	480,000	0.070 %	480,000	0.070 %
52	Islamic Cooperative Development Bank, Sudan	260,000	0.037 %	260,000	0.038 %	260,000	0.038 %
53	Sudanese Islamic Bank, Sudan	260,000	0.037 %	260,000	0.038 %	260,000	0.038 %
54	Tadamon Islamic Bank, Sudan	260,000	0.037 %	260,000	0.038 %	260,000	0.038 %
55	Gabon	220,000	0.031 %	220,000	0.032 %	220,000	0.032 %
56	Cameroon	20,000	0.003 %	20,000	0.003 %	20,000	0.003 %
	Total	**707,080,000**	**100%**	**689,256,667**	**100%**	**687,383,979**	**100%**

Appendix II – 1432H Trade Approvals and Development Impact

1 Azerbaijan
No. of operations: 3
Total Amount: US$ 6.00 million
Sector: Finance
Developmental impact: Supporting SMEs and contributing to the private sector

2 Bahrain
No. of operations: 2
Total Amount: US$ 32.00 million
Sector: Finance, Industry & Mining
Developmental impact: Sustain private companies to enhance the private sector

3 Bangladesh
No. of operations: 10
Total Amount: US$ 1,370.00 million
Sector: Energy
Developmental impact: Support towards affordable energy prices and contributing to the overall economic activities

4 Cameroon
No. of operations: 1
Total Amount: US$ 18.00 million
Sector: Agriculture
Developmental impact: Strengthening the agricultural sector of the country

5 Egypt
No. of operations: 5
Total Amount: US$ 356.00 million
Sector: Energy, Agriculture
Developmental impact: Sustaining private sector companies, supporting the SMEs and providing support to the vital energy sector

6 The Gambia
No. of operations: 4
Total Amount: US$ 42.00 million
Sector: Energy, Agriculture
Developmental impact: Support towards affordable energy prices and contributing to economic development

7 Indonesia
No. of operations: 8
Total Amount: US$ 218.00 million
Sector: Industry & Mining, Agriculture
Developmental impact: Strengthening the agricultural sector and providing support to private sector companies

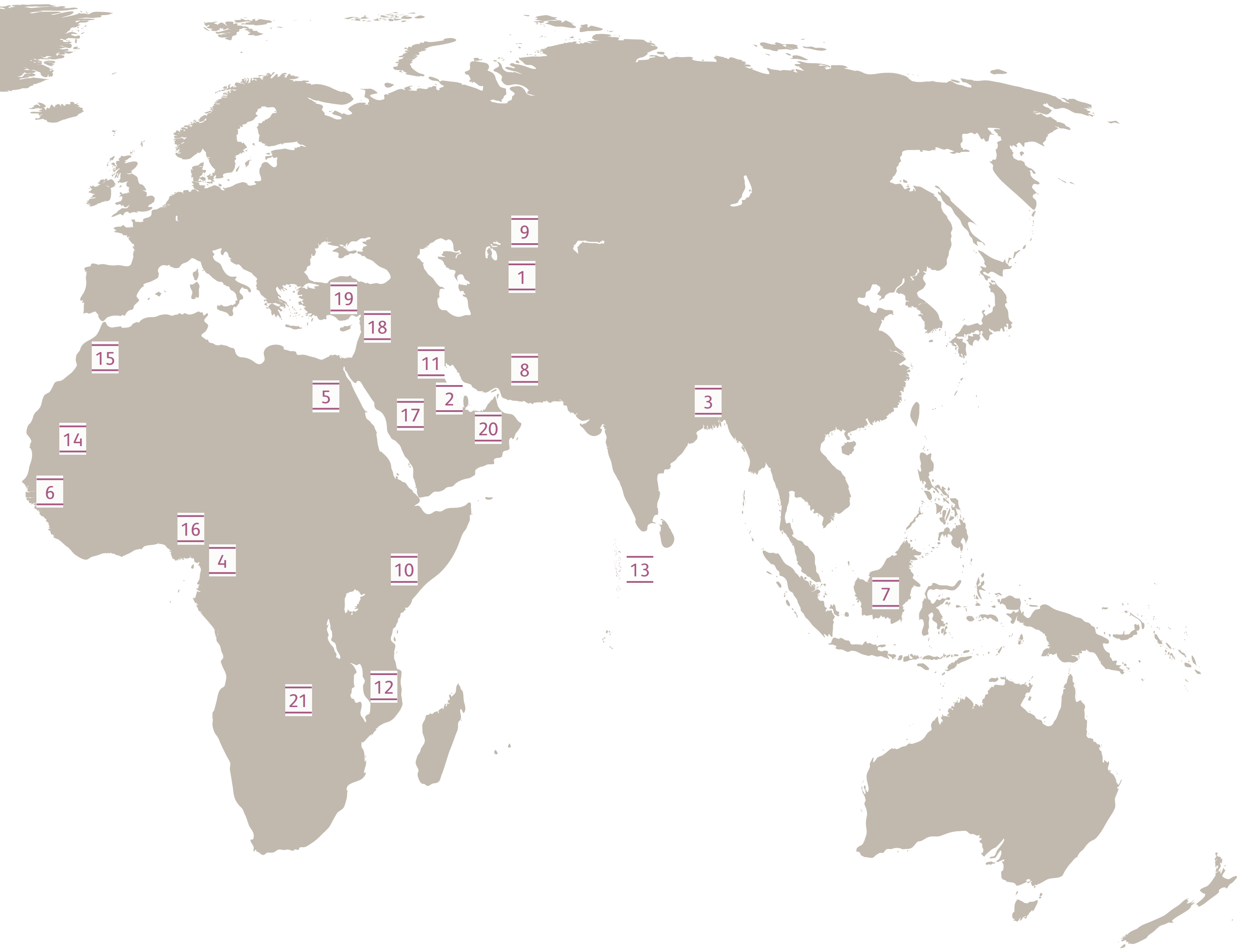
8 Iran
No. of operations: 2
Total Amount: US$ 70.00 million
Sector: Industry & Mining
Developmental impact: Providing support towards private sector development

9 Kazakhstan
No. of operations: 3
Total Amount: US$ 130.00 million
Sector: Agriculture
Developmental impact: Strengthening the agricultural sector of the country

10 Kenya
No. of operations: 1
Total Amount: US$ 20.00 million
Sector: Energy
Developmental impact: Support towards maintaining energy stability for sustaining economic activities

11 Kuwait
No. of operations: 1
Total Amount: US$ 30.00 million
Sector: Industry & Mining
Developmental impact: Supporting the vital energy sector

12 Malawi
No. of operations: 1
Total Amount: US$ 50.00 million
Sector: Energy
Developmental impact: Support towards affordable energy prices and contributing to economic development



13 Maldives
No. of operations: 1
Total Amount: US$ 40.00 million
Sector: Energy
Developmental impact: Support towards maintaining energy stability for sustaining economic activities

14 Mauritania
No. of operations: 3
Total Amount: US$ 75.85 million
Sector: Finance, Industry & Mining
Developmental impact: Contributing to efforts for achieving energy stability and contributing to economic development

15 Morocco
No. of operations: 3
Total Amount: US$ 254.00 million
Sector: Energy, Industry & Mining
Developmental impact: Support towards affordable energy prices & supporting the development of the private sector

16 Nigeria
No. of operations: 2
Total Amount: US$ 40.00 million
Sector: Energy, Industry & Agriculture
Developmental impact: Supporting the vital energy sector and Strengthening the agricultural sector of the country

17 Saudi Arabia
No. of operations: 2
Total Amount: US$ 17.00 million
Sector: Industry & Mining
Developmental impact: Providing support to private sector companies

18 Syria
No. of operations: 2
Total Amount: US$ 32.00 million
Sector: Industry & Mining
Developmental impact: Providing support towards private sector development

19 Turkey
No. of operations: 7
Total Amount: US$ 125.00 million
Sector: Finance, Energy, Agriculture, Industry & Mining
Developmental impact: Supporting the SMEs and contributing towards private sector development

20 UAE
No. of operations: 4
Total Amount: US$ 82.50 million
Sector: Agriculture, Industry & Mining
Developmental impact: Supporting the energy sector and companies in the private sector

21 Zambia
No. of operations: 1
Total Amount: US$ 25.00 million
Sector: Energy
Developmental impact: Supporting the vital energy sector

Appendix III -Trade Finance Approvals for LDMCs in 1432H

(US$ million)

S.No	Country	No of Operation	Amount
1	Azerbaijan	3	6.00
2	Bangladesh	10	1,370.00
3	Gambia	4	42.00
4	Mauritania	2	75.85
Total Approvals for LDMCs		19	1,493.85

Appendix IV- TCPP Main Activities in 1432H

	Activities	Date and Venue
01	The 13th OIC Expo- Sharjah, UAE	24-29 April - Sharjah
02	4th Trans-Saharan Exhibition, Niamey Niger	30 Sept-10 Oct - Niamey
03	Exhibition on Textiles and Cotton in the OIC Member countries -ICDT	21-25 Sep - Ouagadougou
04	3rd Meeting of the Consultative Group on Enhancing the Intra-OIC Trade	3-4 Feb 2011- Casablanca
05	Consultative Meeting in Doha for Launching AFT Initiative for Arab States	20-21 Feb 2011 - Doha
06	14th Private Sector Meeting for promotion of Trade and Investment among OIC MC-ICCI	25-26 April - Sharjah
07	Workshop/Experts Meeting on The Impact of Transportation Network on Trade & Tourism	7-9 June - Istanbul
08	Conference on Trade Development (side event of Annual IDB BOG Meeting)	27-28 June 2011 - Jeddah
09	Forum on trade and investments expansion among the CIS MCs and the other OIC Cs- ICDT-Kaznex	12-14 Oct 2011 - Kazakhstan
10	Seminar on the simplification & modernization of customs procedures- TOBB	20-24 Oct 2011
11	Arab-Turkish Industrial Cooperation Conference AIDMO	6-7 Dec - Istanbul
12	Mission to Cairo for Launching AFT Initiative for Arab States	7-15 Jul - Cairo
13	International Conference on Economic and Trade Integration among OIC Member Countries	21-22 November 2010 - Tehran
14	OIC Chamber Academy Training Programs - TOBB	20-24 June - Istanbul

Appendix V- Acronyms & Abbreviations

2SMF	2-Step Murabaha Financing
AfT	Aid for Trade
AIDMO	Arab Industrial Development and Mining Organization
AOA	Articles of Agreement
AULT	Arab Union of Land Transport
BADEA	Arab Bank for Economic Development in Africa
BoD	Board of Directors
CAEU	Council of Arab Economic Unity
CC	Credit Committee
CG	Corporate Governance
CIS	Commonwealth of Independent States
COMCEC	Committee for Commercial and Economic Cooperation
DFI	Developmental Financial Institution
ECO	Economic Cooperation Organization
EGM	Expert Group Meeting
EGPC	Egyptian General Petroleum Corporation
EU	European Union
FTTC	Foreign Trade Training Center
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GGC	Gambia Groundnut Corporation
GMCM	Group Management Committee Meetings
GTRC	Group Trade Related Issues Committee
ICCI	Islamic Chamber of Commerce Industry
ICD	Islamic Corporation for the Development of the Private Sector
ICDT	Islamic Centre for Development of Trade
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDB	Islamic Development Bank
IGCF	IDB Group Coordination Forum
IRTI	Islamic Research and Training Institute
ITC	International Trade Centre
ITFC	International Islamic Trade Finance Corporation
L/C	Letter of Credit
LDMCs	Least Developed Member Countries
MCPS	Member Country Partnership Strategy

MENA	Middle East and North Africa
MoU	Memorandum of Understanding
NTTFC	National Trade and Transport Facilitation Committees
OECD	Organization for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
OPEC	Organization of the Petroleum Exporting Countries
ORC	Operations Review Committee
PAC	Portfolio Assessment Committee
SAMIR	Société Anonyme Marocaine De l'Industrie du Raffinage
SESRIC	Statistical Economic and Social Research and Training Centre for Islamic Countries
SMEs	Small and Medium Enterprises
SPECA	United Nations Special Program for the Economies of Central Asia
SSA	Sub-Saharan Africa
STF	Structured Trade Finance
TC	Technical Committee
TCPP	Trade Cooperation and Promotion Program
TFPD	Trade Finance and Promotion Department
TOBB	Union of Chambers and Commodity Exchanges in Turkey
TPOs	Trade Promotion Organizations
TSIs	Trade Support Institutions
TTF	Trade and Transport Facilitation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCWA	Economic and Social Commission for Western Africa
UNIDO	United Nations Industrial Development Organization
WCO	World Customs Organization
WTO	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 (3-4 June 2008G); of which ID15.9 billion was subscribed with ID4.0 billion paid-up as of end1431H.

Structure

The IDB Group comprises of 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 Hijri 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.

www.isdb.org

IDB Group Affiliates

Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981) as the research arm of the Islamic Development Bank (IDB). 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 (IFSI), which supports socio-economic development in member countries. Under the IDB Group Vision 1440H, IRTI is envisioned to be a Centre 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'ah advisory services, with the aim of eventually providing full consulting assistance to its stakeholders. **www.irti.org**

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

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 stock of the Corporation is $2 billion, while the capital available for subscription is $1 billion. Its shareholders are the IDB, 50 Islamic member countries, and 5 public financial institutions from member countries.

The ICD mandate is to play a complementary role to the IDB activities and national financing institutions in member countries through provision of financing and financial services to private sector projects in accordance with the principles of the Shari'ah. ICD also provides consultancy services to governments and private sector institutions in order to encourage establishment, expansion and modernization of private sector enterprises, development of capital markets, and adoption of best management practices and enhancement of the role of market economy.

ICD focuses on developmental projects, which contribute to the creation of employment opportunities and encouragement of exports. To achieve these objectives, ICD creates and develops cooperation and partnership to arrange co-financing and syndicated financing services. **(www.icd-idb.com)**

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

ICIEC is a multilateral export credit and political risk insurer. It was established in August 1994 by the IDB and member countries of the Organization of Islamic Cooperation (OIC). Its mission is to expand commercial transactions and encourage investment flows among its member countries. ICIEC has been assigned an Insurance Financial Strength rating of Aa3 by Moody's.

ICIEC fulfills these objectives by providing Shariah-compliant export credit insurance and re-insurance services to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks. It also provides investment insurance against country risk, in particular the risk of exchange transfer restrictions, expropriation, war and civil disturbance, as well as the risk of breach of contract by host government.

In 1432H, ICIEC introduced new products, thus expanding its customer reach. In this regard, it is providing export credit insurance services to exporters from non-member countries by supplying capital equipment, infrastructure-related projects and food security-related items to its member countries on selective basis. Furthermore, ICIEC is set to insure domestic sales of exporters in member countries. **www.iciec.com**

Appendix VII – ITFC 2011 Awards

Islamic Finance news Awards Deals of the Year 2011	**Africa Deal of the Year:** Syndicated Murabaha Groundnut Deal in The Gambia
Islamic Finance news Awards Deals of the Year 2011	**Murabaha Deal of the Year:** Two Step Murabaha Finance in Favor of Mauritania to reach SMEs
Islamic Finance news Awards Deals of the Year 2011	**Most Innovative Deal of the Year:** A Pre-Export Finance for Export of Coffee in Indonesia
2011 TRADE FINANCE Deal of the Year	**Syndicated Murabaha:** US$ 420 million for the import of crude oil and refined petroleum products People's Republic of Bangladesh
GTR LEADERS IN TRADE Awards 2011	**The Best Islamic Trade Finance Bank**

Appendix VII - List of Tables, Figures, Boxes

List of Tables:

List of Figures:

List of Boxes:

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