



itfc

International
Islamic Trade
Finance Corporation



Annual Report 1433H (2012G)

MOVING TO THE NEXT PHASE



Member of Islamic Development Bank Group

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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Moving to The Next Phase





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 1433H (2012G). The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 29/12/1433H (14/11/2012G).

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

Yours Sincerely,



Dr. Ahmad Mohamed Ali | Chairman, Board of Directors

CEO Message

In the name of Allah, the Merciful, the Compassionate

The International Islamic Trade Finance Corporation (ITFC) has had another year of record achievements in 1433H, and I am happy to report that we were able to weather the debilitating effects caused by the global financial and the Euro zone crises. The Corporation has successfully steered its way, amid several challenges, to register very commendable growth in its business lines of trade finance as well as trade development.

In the past year, ITFC has achieved impressive growth, with the trade approvals, reaching \$4.5 billion, which is a record, showing an increase of 47 percent over the previous year. Similarly, disbursement of approved trade operations also attained a record \$4.0 billion, depicting an increase of 42 percent over the same period. The mobilization of funds from the international market, for financing trade in member countries, aggregated to \$3.1 billion, registering an increase of 72 percent.

The Trade Cooperation and Promotion Program (TCPP) has been restructured to be program oriented in order to enhance its delivery and performance. During the year under review, ITFC made substantial progress towards the Aid for Trade Initiative for Arab States, in cooperation with the international institutions (such as UNDP, UNCTAD, UNIDO and ITC) and governments of Member Countries. The fund mobilization process is in full swing and the implementation phase for the initiative will begin soon, which is expected to benefit 22 countries in the Arab region.

The Corporation has been making continuous efforts to develop new financing products for the benefit of its clients like Structured Trade Finance, Pre-shipment export Finance, and Reverse Istesna'a. The L/C opening for ITFC's clients has greatly facilitated the implementation and disbursement of approved operations. The Information Technology Project has progressed well for the acquisition of new core business solution and optimization of the business processes.

ITFC has successfully completed the first five years of its operations, which is indeed a landmark, and now has moved to the new phase of sustainable growth in its business. During the five year 1429H – 1433H, the Corporation has come of age, making significant achievements in the area of institution building, in addition to developing a strong portfolio of customers of trade finance. The trade finance approvals aggregated to US\$ 14.7 billion, and disbursements reached cumulative total of US\$ 11.4 billion in the last five years while resources mobilized totaled US\$7.7 billion.

Finally, let me take this opportunity to put on record my deep appreciation for the sincere and relentless efforts of all ITFC staff; their dedication, commitment, and hard work; which has enabled the Corporation to achieve such commendable overall performance in 1433H. I am confident that we will continue to reach new milestones in the years to come, with the selfless motivation and renewed spirit of the entire ITFC team.

Best regards



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

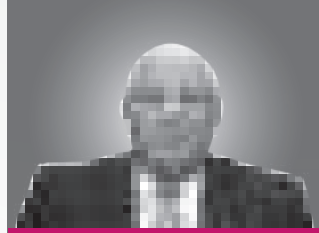
Board of Directors



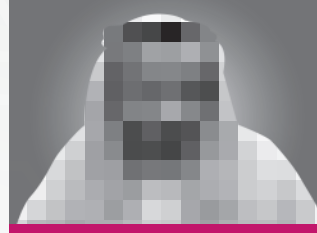
Hon. Dr. Ahmad Mohamed Ali
Chairman



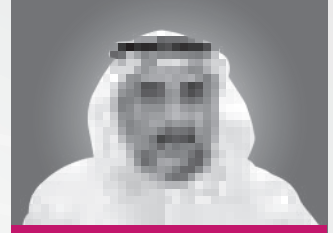
Hon. Br.
Adel Ben Ali



Hon. Br.
Bader Abdullah. S. Abu Aziza



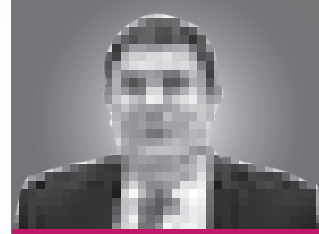
Hon. Br.
Fahad Bin Abdullah AlNuwaiser



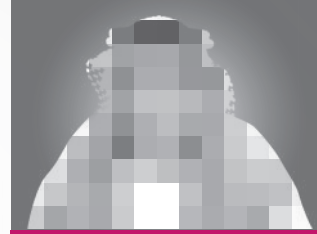
Hon. Br.
Faisal Abdul Aziz Al-Zamil



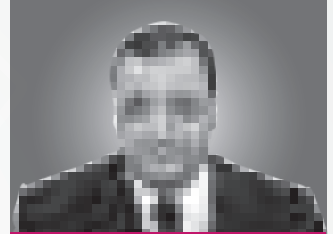
Hon. Dr.
Hamad Bin Suleiman Al Bazai



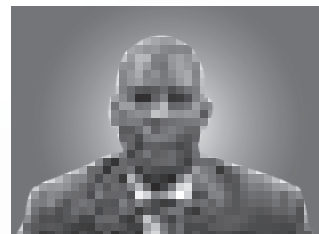
Hon. Br.
Ibrahim H. Çanakaci



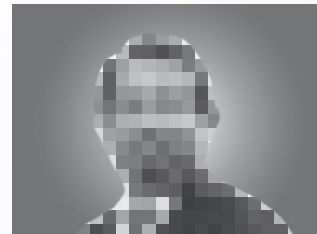
Hon. Br.
Sami Bin A.Aziz Al Yusef



Hon. Br.
Said Abdalla Abdelsamie Younis



Hon. Br.
Sekou Ba



Hon. Tan Sri Dr.
Wan Abdul Aziz Wan Abdullah

• Note: Names are sorted in alphabetical order.

Management Team



Mohammed Al-Sayed
Advisor to CEO

M. Iqbal Azad
Advisor to CEO

Nazeem Noordali
GM Corporate &
Structured Finance

Mubarak El-Tayeb El-Amin
Advisor to Deputy CEO

Ibrahima Soumah
GM Risk Management

Mahanna Sobieh
GM Treasury

Hosam Sadeddin
AGM Trade Cooperation &
Promotion Programme

Eng. Hani Salem Sonbol
Deputy CEO

Dr. Waleed Al-Wohaib
CEO

Ahmed J. Sabbagh
Acting GM HR&CS

M. Hafiz Emrith
Acting GM Finance

Abou Jallow
GM Operations

Organizational Structure



Inauguration of the new ITFC Headquarters Building in the presence of H.E Dr. Ahmad Mohamed Ali, President IDB Group, H.E Dr. Ahmet Tiktik, VP Corporate Services and H.E Dr. Waleed Al-Wohaib, CEO ITFC

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’ah-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 underscored by its active involvement in the Development Finance Institutions (DFI) Corporate Governance (CG) Working Group.

Risk Management

ITFC's business model involves risks that must be understood and managed in order to successfully deliver sustainable returns and play a key role in supporting wider economic growth by advancing trade and improving lives in member countries. The primary goal of ITFC's risk management function is to preserve the Corporation's capital by efficiently identifying, assessing, measuring, monitoring and controlling risks to the Corporation's strategic advantage.

ITFC plans to continue implementing comprehensive risk management and internal control standards, diversifying its business and ensuring sustained growth in the face of increasing competitiveness and challenges. To this end, ITFC has a well-defined Risk Management Framework consisting of an effective policy framework and a risk management structure. This structure is represented by various lines of defense in order to ensure that risks are managed consistently and effectively at all levels in the organization, as listed below:



- **Supervisory Level:**

Board of Directors and Audit Committee of the Board, which acts as the Board Risk Management Committee

- **Management Level:**

Group Risk Management Committee, Management Committee, Credit Committee, Technical Committee, Assets Liabilities Committee (ALCO) and Portfolio Assessment Committee (PAC)

- **Risk Ownership Level:**

Business Functions, Support Functions, Control Functions, Compliance/Internal Audit Functions

For effective implementation of the risk management framework, a dedicated function, i.e. Risk Management Department (RMD), operates within ITFC, independent of other business units and support functions. It is responsible for performing the functions pertaining to development and implementation of risk strategy, policy, framework, methodology and Management Information System. RMD has designated separate functions to cater to the following risk clusters:





Credit Risk Management

Credit risk makes up the largest part of ITFC's risk exposures. The Corporation's credit process is guided by the centrally established IDB Group credit guidelines as well as its internally developed guidelines and policies. Its objective is to maintain a good quality and well-diversified risk assets portfolio, which produces a consistent return and cater to the development needs of the member countries. ITFC has a system of checks and balances in place around the extension of credits. It involves: (1) Business's assessment of the credit risk; (2) An independent review by the risk management; and (3) An independent audit review by the Group Internal Audit function.

Limit control and disbursement monitoring of credit facilities are managed by Credit Administration. ITFC regularly monitors its credit portfolio and procedures are also in place to identify, at an early stage, credit exposures for which there may be a risk of loss.

Market & Liquidity Risk Management

The main market risk facing ITFC is primarily coming out of the banking book in the form of commodities holdings stemming from STF transactions. ITFC's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure.



ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management. ITFC follows a liquidity management policy and investment guidelines duly approved by the Board.

Operational Risk Management (ORM)

Operational risks are inherent in ITFC's business activities. ITFC RMD has already prepared a detailed Operational Risk Management Framework & Policy Document to be approved by the competent authority. ITFC's ORM Framework and Policy, which is consistent with IDB Group Operational Risk Framework, addresses all the significant areas of ORM within the ITFC including Risk Control Self Assessment (RCSA), Key Risk Indicators, Operational Loss Data Management and Operational Risk Reporting

Performance during 1433H

- There has been no addition in the non-performing financing facilities portfolio in spite of the difficult economic environment.
- Concentration risk in member countries is compliant with approved guidelines for the financing facilities portfolio booked for ITFC's own account.
- On the policy framework side, important policy/procedure documents related to credit and market risk management were prepared and approved by the competent authority.
- Synergy within the IDB Group yielded tangible results, such as: (i) the Group credit risk assessment guidelines and models developed with the support of Moody's Analytics; and (ii) the development and approval of Operational Risk Framework at the group level with the support of Chase Cooper.
- Limit Control function of the Credit Administration started working and yielding results in the form of improvements in the disbursement and limit monitoring.
- There has been a significant improvement in the propagation of risk culture in the organization through the introduction of various concepts, risk tools and international best practices.

■ *Strategic Pillars and Key Areas of Focus*

In light of the global economic and social upheavals coupled with the changing member countries' needs and requirements, the current strategy map 1431-1435H (2010-2014G) is being reviewed and updated to cover up to 1440H (2019G).

The process will also ensure continuous alignment with the IDB Group Reform Agenda as well as to work towards the realization of IDB's strategic focus in line with the IDB Group 1440H vision, which calls for "the IDB to become, by the year 1440 Hijrah, 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."

ITFC's strategy is focused on the following key priorities:

- Foster member countries' trade and trade integration;
- Be responsive to customers' needs with innovative Shari'ah compliant solutions;
- Be the preferred financier of choice for trade solutions;
- Deliver fair returns for shareholder.

To this end, a number of new initiatives geared towards capacity and institution building were introduced along with the HR & IT transformation projects in order to optimize the end-to-end core processes, develop tailored solutions to satisfy the different needs of the various stakeholders as well as meeting or exceeding customers' requirements.



Mission

ITFC's catalytic role in enhancing the member countries' trade, intra-trade and international trade potentials is clearly reflected in its mission statement.

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

The 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.

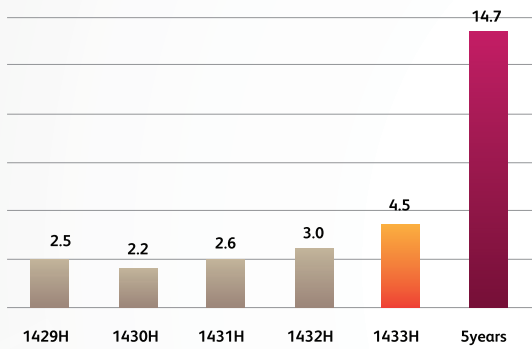
ITFC's Five-Year Achievements

1433: Another year of record approvals, record disbursements, and record resource mobilization

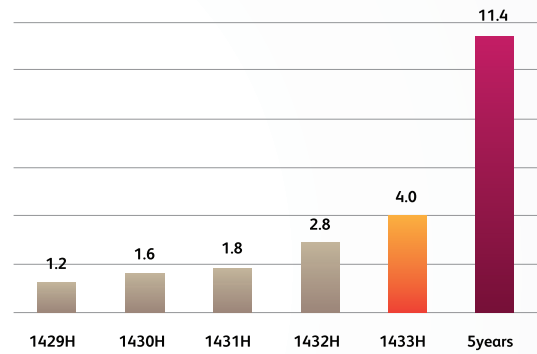
5-Year Cumulative Approvals: \$14.7 billion

5-Year Cumulative Disbursements: \$11.4 billion

Approvals US\$,Billion



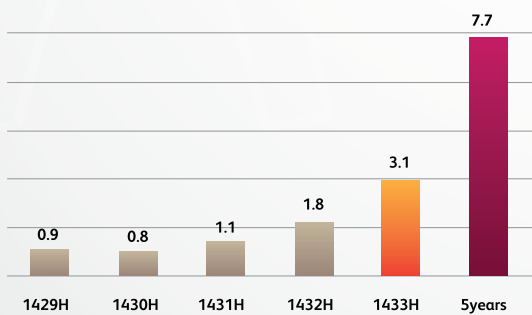
Disbursements US\$,Billion



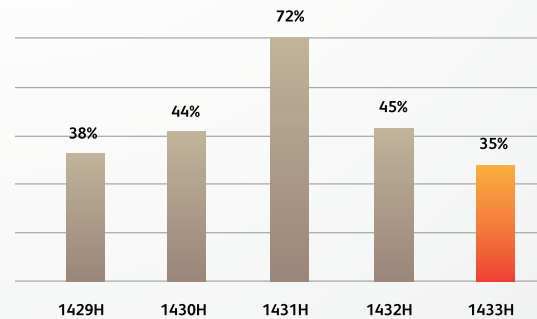
- Record \$3.1 billion mobilized from the market...with \$7.7 billion mobilized over the past 5-years

- Improving cost-to-income ratio

Resource Mobilization US\$,Billion

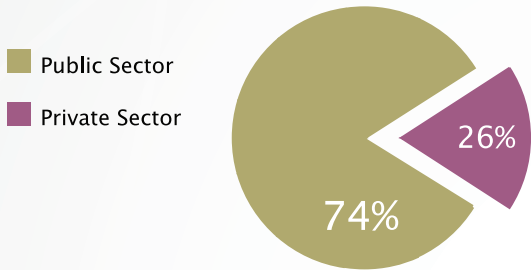


Cost Income Ratio

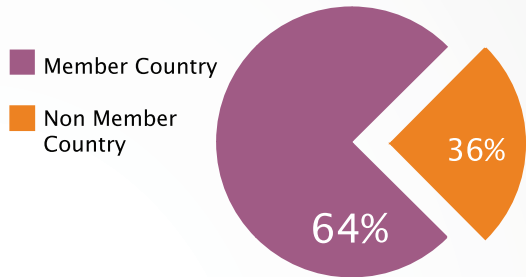


1433H Approvals Breakdown Public vs. Private Sector and by Source of Supply

Approvals by Sector

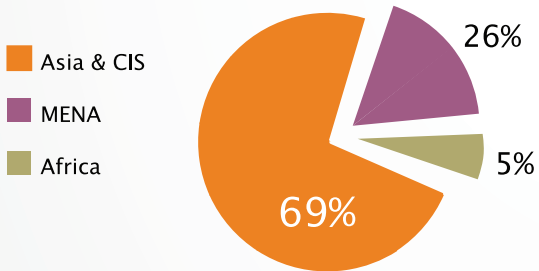


Trade Approvals by Source of Supply

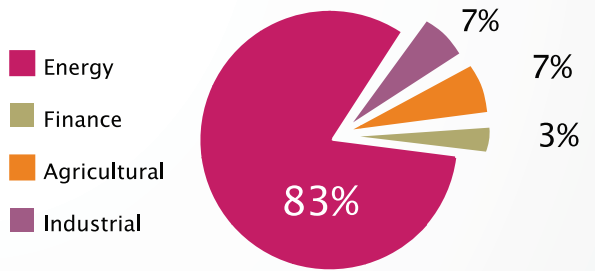


1433H Approvals by Sector and by Region

Approvals by Region

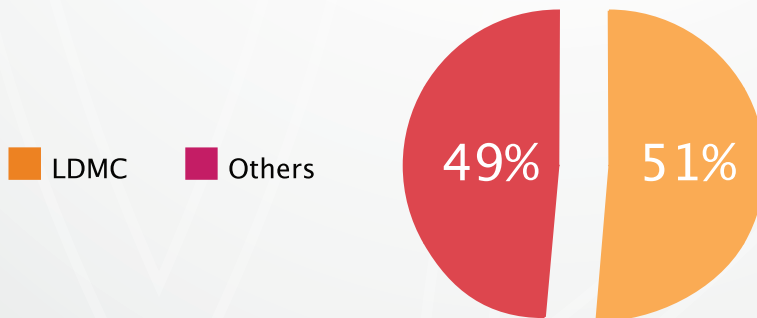


Approvals by Sector







ITFC Continues to Support Least Developed Member Countries (51% approvals to LDMC)

Approvals for Least Developed Member Countries



2012

 <p>Deal of the Year: US\$200 million Syndicated Murabaha Financing in favor of Samir</p>	 <p>Best Islamic Trade Finance Bank/Institution</p>	 <p>Sovereign DoY: US\$2.2 billion Syndicated Murabaha Financing in Favor of EGPC</p>	 <p>Africa DoY: US\$200 million Syndicated Murabaha Financing in Favor of SAMIR</p>
 <p>Deal of the Year: US\$200 million Syndicated Murabaha Financing in Favor of SAMIR</p>	 <p>Africa DoY: US\$50 million Structured Murabaha Financing in Favor of Malawi</p>	 <p>Africa DoY: US\$50 million Structured Murabaha Financing in Favor of Malawi</p>	

2011

 <p>Africa DoY: Syndicated Murabaha Groundnut Deal in The Gambia</p>	 <p>Murabaha DoY: 2 Step Murabaha Finance in Favor of Mauritania to Reach SMEs</p>	 <p>Most Innovative DoY: A Pre-Export Financing for the Indonesian Coffee</p>	 <p>Syndicated Murabaha: US\$420m for the Import of Crude Oil and Refined Petroleum Products for Bangladesh</p>
 <p>Best Development Financial Institution (DFI) Middle East</p>	 <p>Africa DoY: Syndicated Murabaha Groundnut Deal in The Gambia</p>	 <p>Best Islamic Commodities Provider</p>	 <p>Best Islamic Trade Finance Bank/Institution</p>

2010

 <p>Syndicated Murabaha: \$50m Sugar Deal in Sudan</p>	 <p>Structured Murabaha: \$40m Wheat Deal in Kazakhstan</p>	 <p>Syndicated Murabaha: \$50m Sugar Deal in Sudan</p>	 <p>Best Islamic Trade Finance Bank/ Institution</p>
 <p>Best Development Financial Institution (DFI) Middle East</p>		 <p>Syndicated Murabaha: \$50m Sugar Deal in Sudan</p>	

2009

 <p>Structured Trade Finance: \$25m Sugar Deal for the import of raw sugar in Indonesia</p>	 <p>Structured Trade Finance: \$25m Sugar Deal for the import of raw sugar in Indonesia</p>	 <p>Structured Trade Finance: \$25m Sugar Deal for the import of raw sugar in Indonesia</p>	 <p>Best Islamic Trade Finance Bank/ Institution</p>
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2008

 <p>Syndicated Murabaha: \$27m Cotton Deal in Côte d'Ivoire</p>
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Economic and Trade Environment

Global Economic Overview

The world economy declined significantly in 2012. A growing number of developed economies, especially in southern Europe, had already fallen into recession, while those facing sovereign debt crisis managed to avoid bankruptcy, thanks to the European Union solidarity, IMF intervention and to the ad hoc mechanism set up by the EU. As a consequence of the lingering crisis, developed countries are still suffering from high unemployment (reaching a record high of nearly 12 percent in the euro area during 2012), caused by weak domestic demand coupled with the austerity measures and continuing financial fragility.

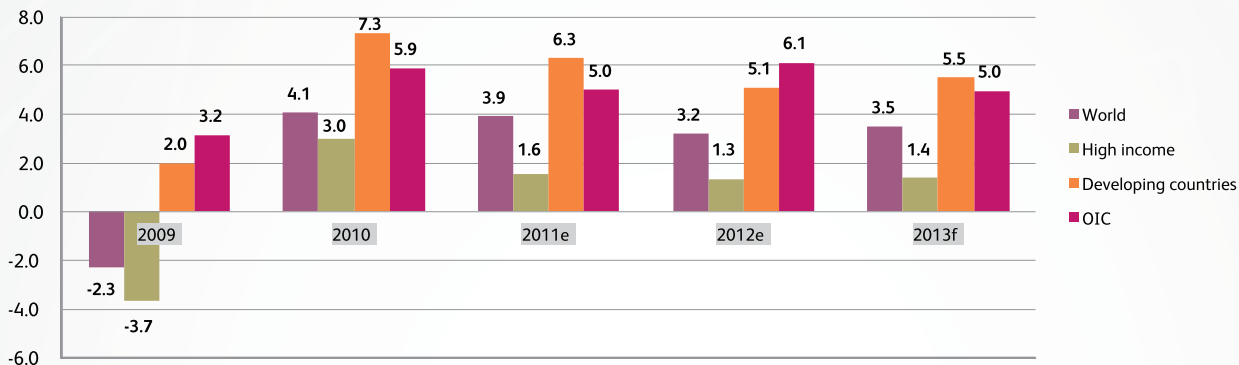
World GDP Growth is expected to reach 3.2 % in 2012, while for 2013, global growth is forecasted to be 3.5 % . At this modest growth rate, many economies will be unable to recover the many jobs lost during the recession. For the advanced economies, analysts predict a growth rate of 1.2 percent in 2013, compared to 1.1 percent in 2012. This is due largely to the struggling economies of Europe, which is expected to achieve a very slow growth of 0.3 percent after the -0.2 percent contraction in 2012. On the other hand, growth of the U.S. economy is expected to fall from 2.2 percent in 2012 down to 1.6 percent in 2013 (see graph 1).

With respect to developing countries, even though they made a quick recovery from the 2008-2009 crises, their recent slowdown indicates they cannot remain immune to the impact of slowing growth in advanced economies. Lower export earnings, coupled with domestic demand constraints have pushed down GDP growth in many developing countries and economies in transition during 2012. Besides, developing countries continue to be at the forefront of the global economic recovery and important sources of demand as well as being the main engine of global growth. As shown in the graph below (graph 1), developing countries are expected to register a 5.1 percent growth in 2012 and 5.5 percent in 2013. This performance is explained by implementation of good policies, a lower incidence of negative external shocks, and higher commodity prices.

On the other hand, growth in emerging economies is projected to drop from 5.5 percent in 2012 to 5.0 percent in 2013, due mainly to sluggish performance in China where GDP is projected to decline from 7.8 percent 7.5 percent and India from 5.5 percent to 4.7 percent.

While emerging and high-income developing countries (DCs) have shown, to an extent, resilience to the crisis and a rapid recovery, most of the low-income DCs are facing intensified adverse effects from the slowdown in both developed and major middle-income countries.

Graph1: GDP Growth 2009-2013



Source: ICDT, IMF Outlook

Economic Performance of OIC Countries

On average, the economic growth of OIC countries dropped from 6.0 percent in 2010 to 5.0 percent in 2011. It is expected to see a slight increase to 5.1 percent in 2012. OIC countries from Asia and Countries in Transition (CIT) experienced a period of slowdown in 2012. Economic growth of CIT member countries dropped from 6.6 percent in 2011 to 5.5 percent in 2012, due to declining global trade and shrinking capital flows. On the other hand, member countries in the Middle East and North Africa (MENA) experienced higher economic growth--from 4.6 percent in 2011 to 5.0 percent in 2012, due mainly to increase in oil revenues. Likewise, Sub-Sahara African (SSA) countries, as a group, also registered a slight increase in growth from 4.5 percent in 2011 to 4.9 percent in 2012.

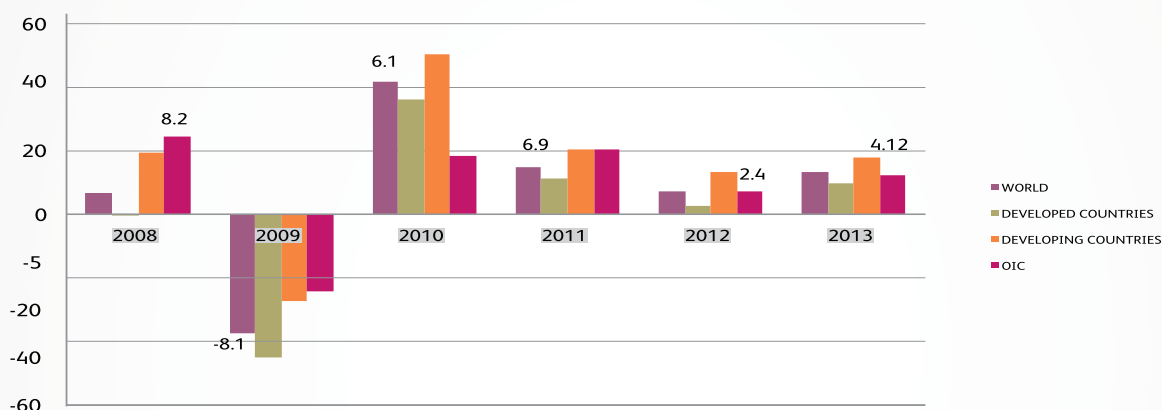
The economic growth of the Least Developed Member Countries (LDMCs) of OIC slowed down significantly--from 5.9 percent in 2010 to 3.0 percent in 2011. They, however, experienced a slightly higher growth of 3.3 percent in 2012. Growth in the non-LDMCs also slowed from 6.0 percent % in 2010 to 5.1 percent in 2011, but is expected to increase to 5.3 percent in 2012. Oil-exporting member countries, on the other hand, are expected to experience higher growth (5.6%) in 2012. In contrast, the growth of non-oil exporting member countries is expected to fall from 6.0 percent in 2011 to 4.4 percent in 2012.

The MENA region has experienced very mixed economic fortunes in recent years. The 40 percent surge in oil prices in 2011, to an average of about \$111 a barrel, has underpinned solid growth in oil-producing countries, while at the same time hampering growth among oil-importing countries. But for all countries, the political upheavals in parts of the region since early 2011 led to the erosion of business confidence, deterring investment inflows which led to sharply slower growth in some countries.

Evolution of International trade

After the severe slowdown of world trade by more than 10 percent caused by the global financial crisis of 2008-2009, international trade recovered strongly in 2010 increasing by 13 percent, before slipping again since 2011, with 5.9 percent in 2011 and around 2.5 percent in 2012, owing to a marked deceleration of import demand in Europe, United States and to a corresponding weakness in the exports of developing economies (see graph 2). On the whole, commodity exports from developed countries are expected to grow by 1.5 percent and those from developing countries by 3.5 percent in 2012.

Graph 2: Growth Of World Trade In Goods Volume



Source: ICDT

On average, advanced economies are expected to experience a fall in their trade volume by 2.6 percent, from 3.7 percent in 2011 to 0.9 percent in 2012. Several regions and countries, especially the LDCs were affected by the weakening demand in the euro zone, USA and Japan, as primary commodities represent a big share of their export revenues. East Asian economies that trade significantly with the major developed countries also experienced sharp declines in their exports.

Recent forecasts suggest that world trade growth is expected to rise to approximately 5 percent in 2013 and then continue to pick up in the following years, to about 6–7 percent a year in 2014–2016. As with the world GDP growth, trade flows will be driven by the emerging markets, especially in the Asia region, primarily China and India. Trade growth in other regions will be slower.

International Trade Performance of OIC Countries

Despite the economic downturn, global trade of the OIC member countries keeps on growing; this is explained by higher energy prices and other commodities during the period between 2010 and 2011 and by the increasing demand of the OIC countries. Member countries' trade rose from \$3.2 trillion in 2010 to \$3.9 trillion in 2011, i.e., an increase of 22 percent. Their combined trade accounted for 10.8 percent of the world trade in goods, and trade in services accounted for 7.4 percent in 2011.

Intra-OIC Trade Trends

Despite the global economic crisis, trade among the OIC member countries continues to grow; which is reflected in net Intra-OIC trade, which in 2011 reached a value of \$340.8 billion against \$269.5 billion in 2010; an increase of 26.5 percent. As shown in Table 1, the share of intra-OIC trade in the total trade of member countries increased from 17.03 percent in 2010 to 17.80 percent in 2011; i.e. an increase of 4.5 percent.

This positive result is due to the rise of energy and commodity prices and increase in intra-OIC trade of manufactured products with high added value.

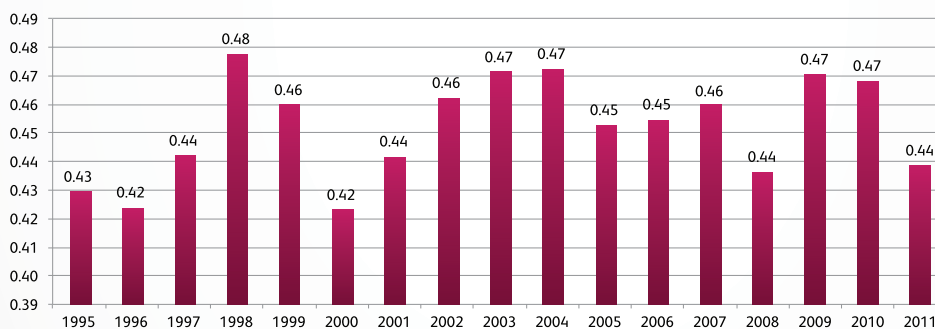
Table 1: Evolution of the OIC Member Countries' Trade 2010 and 2012(US\$ billions)

	2010	2011	2012 est.
Global Volume of Intra-OIC Trade (exports + imports)	539.00	681.58	738.52
Share of Intra-OIC Trade	17.03 %	17.80 %	18.08 %
Net Intra-OIC Trade	269.50	340.79	364.02

Source: ICDT

The intra-trade potential of OIC countries is still untapped. The main obstacles hampering intra-OIC trade are non-tariff barriers and logistics and transportation constraints. Another obstacle is the lack of complementarity among many countries; the average trade complementarity index is still below 50 percent (see graph 3) (this index varies between 0 and 1, with the former meaning no complementarity, and the later indicating perfect complementarity). Therefore, policies promoting intra trade should tackle the issue of building complementarities among countries with high trade potential.

Graph 3: Complementarity Index Among OIC Countries



Source: ICDT

Prospects of intra-OIC trade

According to ICDT, after the sharp decline in 2009 by -16 percent due to the financial crisis, intra OIC trade improved significantly in 2010 and 2011 with a growth rate of 17 percent and 22 percent, respectively. ICDT forecasts that intra-OIC trade is expected to grow at a moderate rate during the upcoming years by 7 percent on average per year and may reach nearly half a trillion dollars in 2016 if the price of oil and other commodities continue their upward trend and OIC countries recover rapidly.

Table 2: Evolution of the OIC Member Countries' Trade 2012 and 2016(US\$ billions)

Year	Value in US\$ billions	Change in %
2012	364.02	5.91
2013 (F)	395.21	8.57
2014 (F)	426.40	7.89
2015 (F)	457.59	7.31
2016 (F)	488.80	6.82

Source: ICDT

Fostering Development in OIC Member Countries Through Trade





Overview of ITFC's Performance

1433H marked the fifth year of ITFC's establishment. Since then, the institution has come a long way in its establishment phase with remarkable achievements registered in the area of institutional building and laying down strong foundation, putting it on a path for a sustainable future growth. During this period, ITFC introduced new Islamic trade finance products and developed customized solutions to attract new clients and reach out to more member countries. It is worth mentioning that it was during this period that the world witnessed one of the worst financial and economic crises, which led to recessions in major economies and caused turmoil in global financial markets.

ITFC's continued support to member countries during these difficult times helped alleviate some of the negative impact stemming from the liquidity crunch brought on by the crisis. Moreover, during this time, ITFC not only maintained its support to member countries, but also expanded into new markets. Its innovative trade solutions such as the structured trade finance (STF) helped small and medium enterprises (SMEs) gain better access to trade finance. At the same time, it provided a secure financing mechanism to SMEs, enabling ITFC to expand into new markets and diversify its business portfolio.

Over the five-year period, ITFC's strong and steady support to trade finance in OIC member countries is evidenced by the significant growth in approvals volume, which nearly doubled, reaching \$4.5 billion in 1433H, up from \$2.5 billion in 1429H.

In 1433H, ITFC registered another year of stellar performance with substantial growth in approvals and new record in disbursements. The Corporation's strong performance is commendable considering the challenging market environment caused by the lingering effects of the economic woes in Europe and the political turmoil in some member countries. In 1433H, trade financing approvals reached \$4,466 million, a remarkable increase of 47 percent compared to the \$3,033 million recorded in 1432H.

On the other hand, utilization reached new highs, with disbursements increasing by 42 percent, from \$2,826 million in 1432H to \$3,999 million in 1433H. The breakdown of approvals for the last two years by region is provided in the table below.

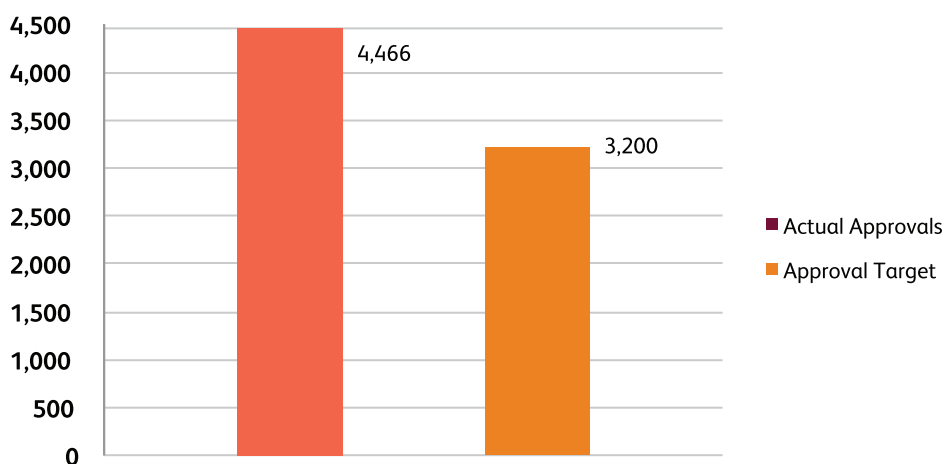
Table 3: ITFC Trade Approvals by Region (US\$ Million)

*SSA: Sub-Saharan Africa

Region	1432H Actual	%	1433H Actual	%
ASIA/CIS	1,959	65	3,086	69
MENA	879	29	1,171	26
SSA*	195	6	209	5
Total Approvals	3,033	100	4,466	100
Total Disbursement	2,826		3,999	

Despite the market challenges, in 1433H ITFC outperformed relative to its approvals target, which was set at \$3,200 million, surpassing it by \$1,266 million.

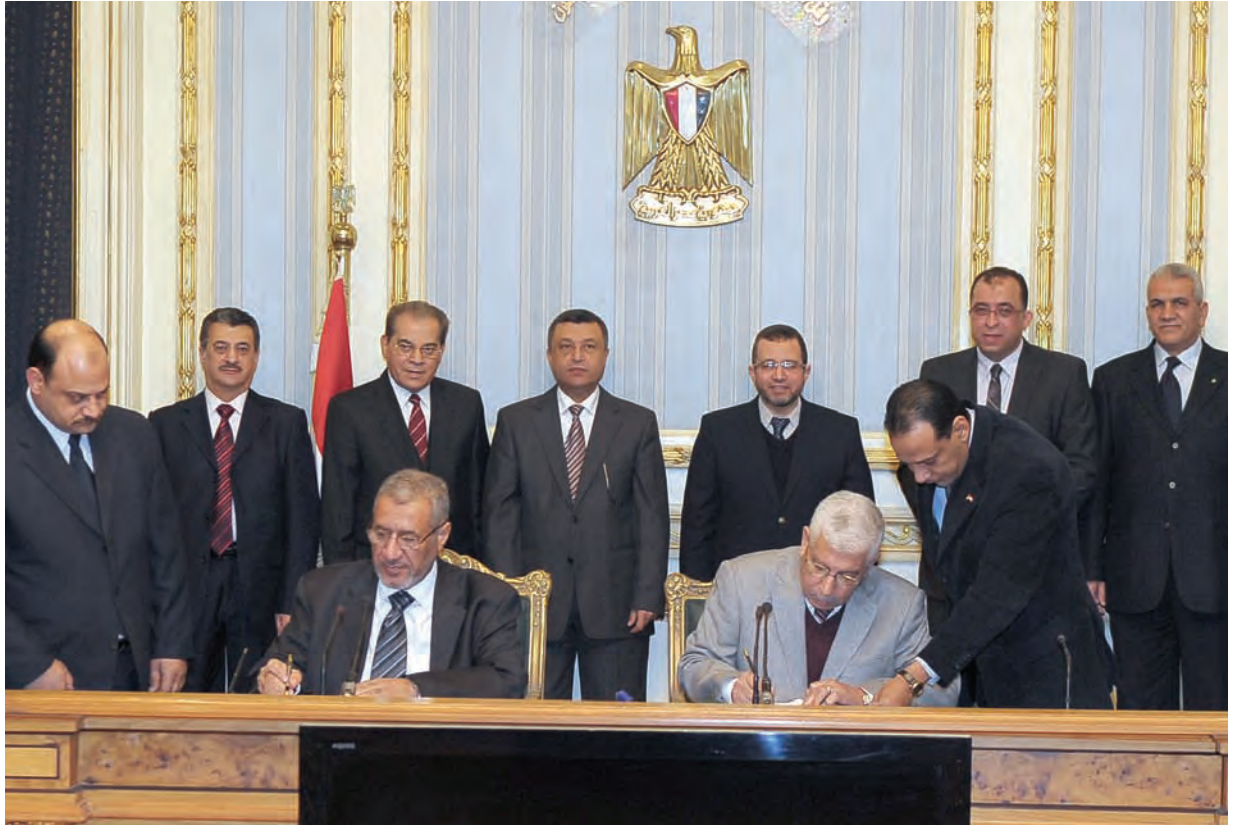
Graph 4: 1433H ITFC Approval Target Vs. Actual (US\$ Million)



In 1433H, some member countries, particularly in the Middle East and North Africa (MENA) region continued to face unprecedented challenges. During the turmoil, ITFC maintained its support to its member countries by making available more funds to help the member countries cope with these challenges. Most remarkably, ITFC provided \$765 million to Egypt, of which \$555 million was mobilized from the international market. Successful syndication in Egypt was achieved by structuring the right financing package and attracting international participants.

Another testament to ITFC's steadfast support to its member countries was the syndicated \$200 million facility provided to an oil refinery in Morocco under structured trade finance scheme. This transaction was considered a landmark as it was the first Islamic Structured Commodity Finance deal in Morocco as well as the biggest STF deal done by the ITFC to date.

In 1432H, more than 50 percent of ITFC facilities were approved for sovereigns. In 1433H, the sovereign lending proportion in the portfolio increased to about 71 percent, owing largely to high approvals in Bangladesh and re-establishment of relationship with Pakistan and the new facilities for Egypt. On the other hand, in 1433H unsecured operations witnessed substantial decrease, from 22 percent down to 9 percent, reflecting ITFC's strategic shift to focus more on secured operations and to grow its STF-based operations. This provided a win-win solution and a more secure alternative for reaching out to SMEs and the private sector.



Dr. Waleed Al-Wohaib, CEO ITFC and Dr. El-Morsi Hegazy, Minister of Finance, Egypt, at the signing of Agreement to support Egypt's Strategic Sectors

Trade Finance: Delivering Privileged Solutions

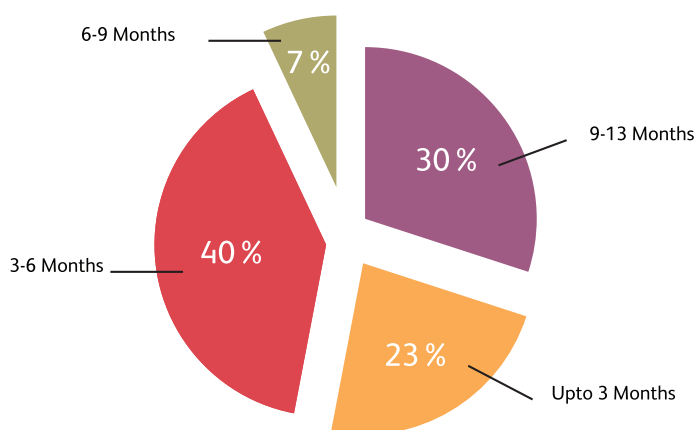
The utilization level amounting to \$4.0 billion, achieved in 1433H, represents a significant improvement. It happened because disbursement more than doubled over the past three years, increasing from \$1.8 billion in 1431H to \$2.8 billion in 1432H and to \$4.0 billion in 1433H. Total disbursement for the year stood at \$4.0 billion, representing 89 percent of the \$4.5 billion approved in the year.

There was great emphasis on disbursement of approved operations. It was intended to improve the utilization ratio, which has a direct bearing on the Corporation's income. This was done through extensive follow-up with the clients to expedite disbursement. Several improvements in operating procedures also contributed towards accelerating the pace of utilization of approved operations. Implementation of structured commodity trade finance operation, in addition to big-ticket oil financing operations, also helped achieve record high disbursement level. The increased disbursement and high approval amount, together with vigilance in monitoring repayment, led to enhanced income generation capabilities for ITFC. During the year, the member countries which received the highest level of disbursements were Bangladesh, Morocco, Turkey, Pakistan and Egypt.

Tenor of ITFC Financing

In 1433H, average tenor for approved operations was seven months. The majority of the portfolio (63 %) carried a short tenor of up to six months, while the remaining 37 percent carried a tenor of six to 13 months.

Graph 5: ITFC Operations Tenor of Financing in 1433H



In 1433H, ITFC initiated Letter of Credit (L/C) issuance for its approved operation. New L/C product, together with administrative and monitoring fees, improved the service quality to clients and increased ITFC's income from implementation of approved operations. The number of L/Cs issued was 39 - mainly for Bangladesh, Indonesia, Mauritania and Pakistan. The momentum gained in 1433H is expected to be maintained and an awareness session is planned to be extended to other member countries in 1434H, mainly for Commonwealth of Independent States (CIS) and African countries in order to grow the L/C issuance business.

Providing Privileged Solutions

Committed to its brand promise "Advancing Trade, Improving Lives", ITFC strives to provide financing in countries where the interventions have strong potential to make a real difference in peoples' lives. This is particularly true for rural communities, where creating value for agricultural output in early stages of production is essential for food security, which has emerged as an important topic. Action Plan on the Recommendations of the 21st IDB Annual Symposium entitled: "Achieving Food Security in Member Countries in the Post-Crisis World" mandates ITFC with making significant increase in intra-OIC trade in agricultural commodities through adoption of an integrated approach by all concerned entities within the IDB Group. As part of the synergy initiative within the IDB Group, ITFC is contributing to efforts aimed at improving food security for a number of the Least Developed Member Countries (LDMCs) in Sub-Saharan Africa. To this end, in 1433H, ITFC approved financing of \$15 million and \$20 million for Mauritania and Niger, respectively, for food import. Besides, ITFC's \$14 million structured trade finance solution for Gambia's groundnut sector was a remarkable achievement under food security initiative for the year. In 1433H, ITFC approved 15 operations for agricultural sector amounting to \$535 million, a 39 percent increase from the \$384 million approved in 1432H.

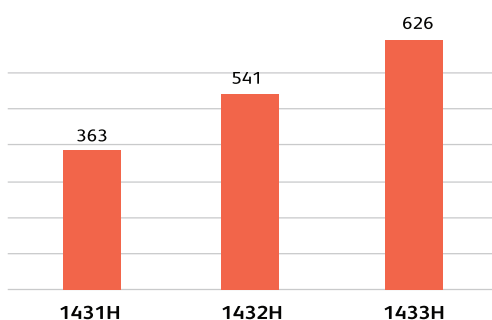
Employing Innovative Trade Solutions for Higher Impact

ITFC is set to continue on its strategic shift of focusing more on secured rather than unsecured financing. As such, it has become a priority for the Corporation to focus on the growth of Structured Trade Finance business. Also, the growth of the Sovereign portfolio is a reflection of this strategic shift. Under STF, ITFC provides total trade solutions to customers; the nature of STF operations is such that it requires ITFC to have thorough understanding of the Customer's business so that it can create strong partnership and mutual desire to see the business succeed. This makes STF a win-win solution for both customer and the fund-provider. STF also provides the means for ITFC to tap new markets and grow its income. This enables ITFC to achieve its broad objective of increasing the size of STF deals in its total portfolio. In 1433H, the STF portfolio grew to \$626 million, up from \$541 million in 1432H.



The ITFC/SAMIR Team that worked on the landmark STF deal which was the biggest STF transaction for ITFC. The US\$200 Million Syndicated Transaction was approved for SAMIR Refinery in Morocco.

Graph 6:
STF Approvals 1431H-1433H (in US\$ mil)



In order to provide customized solutions, ITFC is increasing its capacity to undertake further back office services, particularly for L/C issuing/confirmation and STF transactions in order to enhance responsiveness to its clients. It also presents an opportunity for ITFC to generate more fee income. To achieve that goal, ITFC is putting in place the necessary platform which includes IT system for L/C processing and STF Middle Office, capacity building, and updating and enhancing of procedures and guidelines.



(L-R) Dr. Waleed Al-Wohaib, CEO, ITFC, Mr. Mohammad Mejbahuddin Secretary, Energy and Mineral Resources Division and Mr. Md. Abubakar Siddique, Chairman of Bangladesh Petroleum Corporation (BPC) during the signing Ceremony for the US\$855 million Agreement to support Bangladesh's energy sector.

Supporting Strategic Sectors of Members Countries

In 1433H, ITFC increased financing of strategic commodities such as oil, aluminium, rice, groundnut, coal, coffee, sugar, wheat, maize, palm oil, sunflower and soybean in several member countries. During the year, about \$525 million financing was allocated for strategic commodities excluding oil. In 1433H, new operations have been approved, for Rice in Burkina Faso for \$15 million; Coal in Indonesia for \$15 million; Sugar, Vegetable Oil, Wheat, Rice, Powder Milk and Fertilizers in Mauritania for \$15 million; Rice, Maize and Other Essential Foods and Agriculture Inputs in Niger for \$20 million and Rice in Senegal for \$10 million. Big ticket/quick disbursed oil financing operations have long been crucial contributor to ITFC portfolio. In 1433H, Crude Oil and Refined Products continued to comprise the largest in the portfolio with approvals for oil totalling \$3,666 million.

Striving for a Diversified Business Portfolio

In pursuit of its diversification strategy, ITFC continues to make efforts aimed at entering new sectors and markets in order to improve the diversification of the trade finance portfolio. In 1433H, 14 new clients were attracted including some from Sub-Saharan Africa - such as Senegal, Ghana, Rwanda, Burkina Faso, Togo, Sierra Leone, Niger and Nigeria, with a total of \$337.5 million. Furthermore, new sectors, particularly in the non-oil sectors, have been penetrated. In addition to member countries, ITFC approved one operation in Malawi in cooperation with BADEA Export Finance scheme. This operation was unique as it was the first Islamic Murabaha operations in Malawi.

Another financing approval worth highlighting was the one implemented in Turkey in favor of a commodity trader. This was the first Islamic Structured Trade Finance operation implemented in Turkey. In terms of portfolio composition, oil continues to dominate the portfolio, the share of which rose in 1433H from 72 percent to 82 percent. Similarly, public sector financing ratio was on the rise due to ITFC mandate, which required supporting member countries after global financial crisis and recent political turmoil in some member countries. In 1433H, approvals for the public sector rose to \$3,285 million, or 74 percent of total approvals, up from \$1,938 or 64 percent in 1432H

Table 4: Approvals by Sector (Private vs. Public) US\$ millions

Type of security	1432H	Share (%)	1433H	Share %
Public	1,938	64 %	3,285	74 %
Private	1,095	36 %	1,181	26 %
Total	3,033	100 %	4,466	100 %

Reaching out to more customers, particularly in the non-oil sectors, was an area of focus in 1433H with a view to reducing the concentration in the portfolio. In this regard, the shift to STF is a major drive to both diversify the portfolio and reduce credit risk, while at the same time helping SMEs and other players in the private sector gain better access to trade finance.

Expanding Access to Finance for SMEs & LDMCs

The Framework Agreement on Trade Preferential System among the member countries of the Organization of the Islamic Conference (TPS-OIC) identifies trade finance as a tool for promoting trade among OIC countries. Although some member countries are better positioned with regard to liquidity and access to funding, lack of access to trade finance still remains a major hindrance in many member countries, particularly the least developed member countries (LDMCs). As such, it remains one of ITFC's priority areas to continue its efforts to increase direct operations and enhance implementation of 2-Step Murabaha Lines for LDMCs. In 1433H, financing to LDMCs increased to \$2,264 million from \$1,494 million in 1432H.

Box 1: ITFC's Support to SME Sector in Egypt Social Fund for Development, Egypt



Since 2011, the Arab Republic of Egypt, post revolution has been going through some challenges which directly affected its economic development. Consistent with its mandate, ITFC aspires to contribute to economic development in member countries through the provision of trade finance. Providing funding to the private sector is an important part of this mandate.

ITFC and the Social Fund for Development in Egypt signed a financing agreement with total amount of US\$10 million which was directed to financing small and medium enterprises (SMEs) through the provision of Shari'ah compliant financing facilities.

ITFC's financing helped provide needed inputs such as equipment and raw materials of projects for the benefit of SME's and in the process contributed to the creation of more than 500 jobs as well as to productivity and income increase, all of which supported the country's socio-economic development.

The following are the areas which benefited from ITFC's financing: machinery, spare parts & equipment, construction, livestock development and service areas such as medical centers and clinics.

Mrs. Hanaa Elhilaly, the General Manager of the Central Sector for Planning and International Cooperation said "with this financing, we were able to extend more than 65 million EGP through Islamic finance modalities, to 493 beneficiaries who created 1480 permanent jobs. The developmental impact of the partnership with ITFC has been significant as we were able to fund several key sectors, such as the service sector, industrial sector, commercial and other professions. In addition, the funding reached 27 Governorates across Egypt and focused on empowering beneficiaries."

**Mrs. Hanaa Elhilaly, General Manager
Central Sector for Planning and International Cooperation,
Social Fund for Development, Egypt**

In addition to member countries, ITFC approved operations in non-member LDCs of Ghana and Rwanda under BADEA export financing scheme as highlighted above.

Supporting SMEs is one of the main pillars of ITFC’s strategy as part of the high level OIC mandate. To fulfil this mandate, ITFC extends Line of Financing and 2-Step Murabaha Financing (2SMF) to local banks, which in turn provides the funding to the SMEs for specific trade finance transactions. In 1433H, ITFC continued its focus on these mechanisms for SME financing and provided \$143.9 million as detailed in the table below:

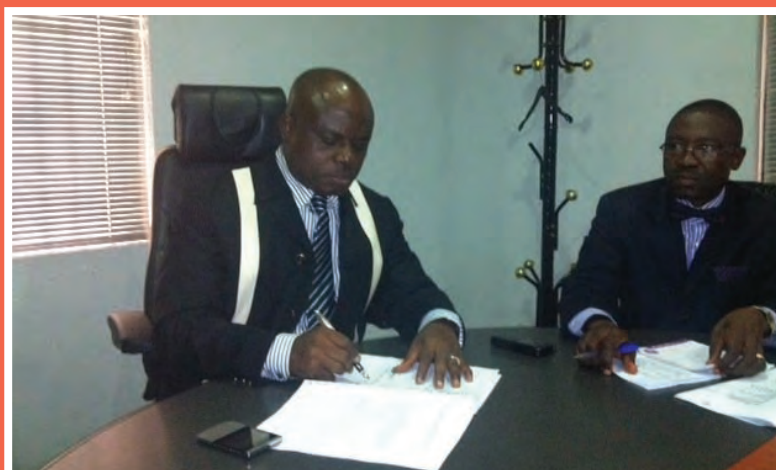
Table 5: ITFC 2-Step Murabaha Lines for SMEs in 1433H

Country	Amount (US\$ millions)
Azerbaijan	1.50
Ghana	5.00
Mauritania	3.85
Nigeria	35
Togo	40
Turkey	60.00
Total	143.85

As a future strategy to expand ITFC intervention in Sub-Saharan Africa, the Corporation puts special emphasis on developing partnership and providing support to local banks targeting SMEs in the region.



Box 2: ITFC's Support for Energy Sector in Nigeria Chicason Nigeria Ltd



Nigeria is the most populous country in Africa and the continent's largest producer of oil, with production capacity estimated at around 3 million barrels per day. Oil remains a highly strategic and important sector for Nigeria as it accounts for 75 % of federal government revenues, 90 % of export earnings, and about 25 % of GDP. Oil price is the single largest determinant of the health of Nigeria's external position, as diversification is expected to be subdued at best.

Chicason Nigeria Ltd is one of ITFC's private sector customers and continues to be ITFC's major client for the private sector in Nigeria benefiting from a US\$50 million financing facility. Chicason maintains its business with ITFC in the energy, oil and manufacturing sectors which are vital supporters to the engine of economic growth of Nigeria.

ITFC's financing is used for the importation of refined petroleum products, fertilizer, raw materials for the production lines and imports of parts for the motor cycle assembly plant. With this financing, Chicason was the first Nigerian owned private company to receive such facility from ITFC.

Dr. A.C Okafor, OON, Chairman/CEO said, "We at Chicason are very impressed with the partnership with ITFC, for their cooperation, openness, encouragement and commitment. Indeed it has been a privilege to work in all the stages of this transaction, and looking forward to grow the relationship further. We as a Group have benefited immensely from the trade finance facilities ITFC has extended to us."ensely from the trade finance facilities ITFC has extended to us."

Dr. A.C. Okafor, OON
Chairman/CEO, Chicason



Leveraging Partnerships For Effective Trade Promotion





New Way of Trade Promotion: TCPP Transformation

ITFC conducts the trade promotion activities through the Trade Cooperation and Promotion Program (TCPP). Activities undertaken by the TCPP include organizing international trade fairs, trade missions, business forums, specialized trade seminars, workshops, and trade-related capacity-development training programs.

In 1433H, continued efforts led to the preparation of the Road Map and Executive Program for enhancing intra-OIC trade, which is the consolidated work program of OIC Institutions. Since then, all trade-related technical assistance operations of ITFC are being undertaken within the framework of Executive Program with a view to achieving 20 percent intra-OIC trade target by 2015, as set by the 2005 Makkah Declaration.

As stated in the consolidated progress report on the implementation of the Executive Program prepared and submitted by the Islamic Center for Development of Trade (ICDT) to annual COMCEC Ministerial Meetings, ITFC's trade-related technical assistance program under the four business lines of the Executive Program account for 33 percent of total activities carried out by OIC institutions.

In 1433H, the program was concentrated on two main areas: (1) shifting to TCPP's new business model; and (2) crystalizing this new model under the management guidance by developing the Aid for Trade Initiative for Arab States. Two main objectives were pursued by this transitional change: first, to increase significantly the field level impact of the program on the member countries' economic development; and second, to re-position TCPP and enhance its effectiveness by improving its technical in-house capacities in order to become a recognized facilitator, catalyst and coordinator in trade-related areas.

As a result of the above mentioned shift, TCPP's business lines have been redefined and refined as described in the attached Appendix IV. This has been done to enable the program to play the technical and coordinative focal point role in trade-related areas. As a result, trade mainstreaming has become TCPP's main business line in order to ensure that trade development becomes a central point of ITFC interventions, using trade as engine of economic and social development in member countries.

In 1433H, ITFC started implementing a three-year agenda for change as described in attached Appendix V, which will re-position TCPP and transform its approach to delivering trade-related technical assistance as described above. As part of the TCPP Change Agenda, in 1433H, TCPP worked on a designated outreach program, comprising various sub-projects including: (i) development of ITFC Trade Development Forum; (ii) designing new web-site for TCPP; (iii) IDB trade development prize; and (iv) Establishing Trade Development Fund, which will support its external resource mobilization efforts. The flagship programs are expected to be implemented, starting 1434H.

Leveraging External Partnership to Prepare Regional Programs

Commencing in 1433H, ITFC has moved away from the event-based planning approach to a program-based approach. This has been done to achieve the objective of developing comprehensive regional trade development program and secure financial resources through designated resource mobilization programs and be actively involved in the implementation of such programs.

The first example of this new approach is the Aid for Trade (AfT) Initiative for Arab States. It is a partnership of 22 Arab countries and five agencies of the United Nations Inter Agency Cluster on Trade and Productive Capacity. This initiative is in addition to several potential donors, who are working together to accelerate the pace of trade reforms and regional economic integration and to enhance employment opportunities for unemployed youth in member countries.

The initiative came as a response to a request by World Trade Organization (WTO) Arab Group in Geneva and developed through intensive consultation with partners and beneficiary countries. This move has expanded ITFC's business network and strengthened its partnership with institutions at regional and international levels, ranging from the League of Arab States (LAS), Arab Maghreb Union (AMU), Gulf Cooperation Council (GCC), Arab Industrial Development and Mining Organization (AIDMO) and members of UN Cluster on Trade and Development, including ITC, UNIDO, UNCTAD, UNDP, and ILO.



Eng. Hani Salem Sonbol, Deputy CEO ITFC delivering speech during the UNCTAD's conference in Doha Qatar.

The AfT for Arab States project is organized around four main result areas and will be executed by ITFC and four other agencies participating in the UN Trade and Productive Capacity Cluster. These four results can be formulated as follows:

- **Result 1:** Capacity gaps and priorities for technical assistance in relation to trade and productive capacity-development are diagnosed at the national, sub-regional and regional levels. Action-oriented road maps are formulated to develop trade-related aspirations expressed in the outcome documents of Arab Economic and Social Summit.
- **Result 2:** Capacities of the LAS, GCC and AMU to implement regional integration processes and the Pan Arab Free Trade Area (PAFTA) are enhanced.
- **Result 3:** A regional platform and country-tailored solutions are provided for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions,
- **Result 4:** Skills development strategies to support growth and decent employment creation for men and women in sectors that have the potential to increase exports and to contribute to economic diversification.

After receiving financial support extended by the Boards of ITFC and IDB, UNDP also allocated fund for the implementation of the initiative. The external resource mobilization program, launched by ITFC in cooperation with UNDP, succeeded in receiving funds from the Swedish International Development Agency (SIDA), Government of Kuwait and several other IDB member countries are expected to provide funding for the initiative. The work program for each Result Areas is being prepared by UN Cluster Members and the initiatives are expected to be launched during the spring of 1434H.

Supporting Strategic Commodities

In pursuance of a resolution passed at the 23rd COMCEC Ministerial Meeting in 2007, an Experts Group Meeting was held in Turkey to explore further ways and means of enhancing intra-OIC trade. The event brought experts from OIC member countries and international organizations together to devise a work plan aimed at helping achieve the 20 percent intra-OIC trade target, by 2015, set under the Makkah Declaration. One of the areas highlighted by this meeting 'Road Map for achieving intra-OIC Trade Volumes (Road Map)' was the need to develop strategic commodities.

Following the adoption of the Road Map for Enhancing Intra-OIC trade, the first Consultative Meeting on this plan was held in February 2009 at the ICDT Headquarters in Casablanca, Morocco to identify specific actions/activities and projects to be carried out by OIC organs. Along with several recommendations, the consultative meeting produced the Executive Program for the Implementation of the Road Map and formalized this mandate for supporting strategic commodities.

As a part of the mandate delegated to ITFC by OIC/COMCEC, supporting strategic commodities, particularly in LDMCs remains one of the priority areas for ITFC in order to contribute to poverty alleviation in those countries. As such, in 1433H, ITFC continued its support for strategic commodities with increased approvals and addition of new commodities that are crucial for the member countries.





Increasing Mobilization & Enhancing Synergy

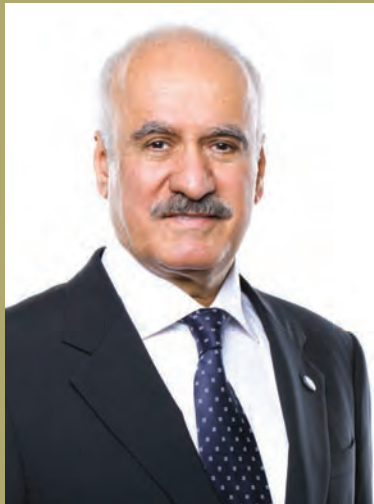


Tapping on the Power of Mobilization to Support Funding Needs

ITFC achieved excellent results in 1433H in the area of resource mobilization to raise the necessary funds for trade finance operations. ITFC leveraged on its strategic partnership network of more than 50 international, regional and local financial institutions and banks to mobilize a record \$3.08 billion, representing about 69 percent of the total trade finance approvals of \$4.46 billion achieved in 1433H.

During 1433H, ITFC arranged 23 different co-financing and syndicated trade finance operations for nine member countries. Building on its expertise as a leading arranger of Islamic trade finance syndications, it raised funding for several big-ticket operations, one of which was the largest syndication in ITFC's history, amounting to \$855 million with 29 syndicate members.

As operations under STF are growing, ITFC had been successful to attract a growing number of partners to this type of operations. In 1433H, it introduced and implemented 13 STF operations, totaling \$626 million, for which ITFC mobilized \$330 million, or 53 percent of the total financing requirement.



Box 3:

ITFC Partnership with the OPEC Fund for International Development (OFID)

“ITFC is one of OFID’s first and most valued partners in the area of trade finance. Since 2008, the two institutions have participated jointly in more than 60 transactions, allowing OFID to expand its outreach and promote trade in developing countries across Africa, Asia and Eastern Europe. OFID is proud of this relationship, and sees in ITFC a trustworthy field partner with in-depth knowledge of the markets in which it operates.”

Suleiman J. Al-Herbish

Director-General

OPEC Fund for International Development (OFID)

Working with Partners for Effective Liquidity Management

Similarly, 1433H was a remarkable year for ITFC in the area of liquidity management. It established a conservative and solid liquidity policy and investment guidelines aimed at ensuring sustainability of ITFC's business, its ability to meet its operational obligations, safeguarding against crises and enhancing confidence of ITFC's stakeholders in its financial standing and creditworthiness.

Through this new approach, and with continuous cooperation from the IDB Group, ITFC invested its idle liquidity in a diversified portfolio of various Shari'ah-complaint instruments, such as commodity Murabaha placements with banks, high-quality Sukuk, and medium-term Murabaha facilities with banks.

Moreover, besides raising funds through risk-sharing approach applied in co-financing and syndications, and following the general practice of all financial institutions and banks, ITFC, in 1433H, began to build strategic relationships with some financial institutions through signing master investment agreements in order to utilize excess liquidity with these institutions

Partnering with Others on Letters of Credit Issuance

Following the pilot launching of the Letters of Credit (L/C) issuance initiative at the end of last year, this service was fully implemented in 1433H in partnership with an international bank. The service is provided to complement the disbursement process of trade financing approved by ITFC for its clients across member countries. This will serve as a source of non-funded income for ITFC, while at the same time providing a much needed service to clients especially in LDMCs where access to such services is often a great challenge.

Enhancing Synergy with the IDB Group

The management of IDB Group has 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. ITFC has fully participated in the Task Force's deliberations, and the formulation of the recommendations. The Task Force's final recommendations have stressed on the need for creating the synergy in the IDB Group. It also covered the ways, means, mechanisms, responsibilities and time-line for implementation of the group wide synergy program, which are summarized in the following four categories:

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



The implementation of the Task Force's recommendation by all the Group entities, continued in 1433H and ITFC actively participated in this endeavor.

ITFC has 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 economic development of the member countries. ITFC worked closely with IDB in 1433H, in this strategic initiative and participated in developing MCPS for several countries including Turkey, Indonesia, Mali, Uganda, Mauritania and Pakistan. ITFC has consistently included in its annual plan, the role and interventions 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 the Business Synergy with other Group entities like ICIEC and ICD by joining hands with these entities for business development and fostering economic integration among the member countries. ITFC has signed a MoU with ICIEC, and has taken a Bank Master Policy from it, under which trade operations are structured with the insurance of export credit by ICIEC, and undertaking joint marketing missions. This co-operation has opened up new trade finance opportunities and a number of trade finance operations were structured with the collaboration of ICIEC. Similarly, there is active cooperation with ICD in THIQA (Business Development Forum), formulation of Private Sector Development Strategy, and cross-selling of business opportunities. ICIEC and ICD, as well as some windows of IDB, are regularly participating in syndicated trade operations under the lead of ITFC, for financing big-ticket trade operations in the member countries. ITFC is also collaborating with IRTI in the development of Islamic financing products.

There are several important platforms within the IDB Group, such as 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), and Joint Shari'ah Committee for all members of the Group. Collectively, they are having unified Shari'ah rulings, and joint organization of various seminars and symposia are having a long-term impact on enhancing the group-wide synergy.

Group Trade Related Issues Committee – (GTRC)

Background

Trade is regarded as a powerful engine for economic growth, poverty reduction and sustainable development. However, it is cross-cutting domain of the economic development, where cooperation and collaboration among the actors both from public and private sectors makes this engine run efficiently and effectively for the benefit of the people.

That was the main reason GTRC was established in 2009 under the guidance of IDB Group Chairman among various IDB entities and departments to enhance coordination and collaboration of the respective Group interventions on trade matters.

GTRC's overall objective is described as translating the trade-related strategic thrust of IDB Group, enhancing economic cooperation, regional integration and trade promotion among member countries (MCs) into actionable projects, programs through collective wisdom and efforts, ensuring the synergy within the Group in helping MCs in all aspects of trade.

To achieve its goals, GTRC has set up technical "sub-teams" that undertake its main task in a number of priority areas: 1) Aid for Trade; 2) Trade Competitiveness; 3) Trade and Agriculture; 4) Trade and Transport Facilitation; and 5) Integrated Projects.

GTRC has evolved into a platform for synergy and coordination in the IDB Group entities. Since its formation, GTRC has shown examples of collaborative works of relevant departments and entities of the Group, where human and financial resources of various departments have been put together to design and deliver collective actions, which have higher impacts on the development of MCs. While developing its capabilities and improving the synergy in the Group, GTRC played a crucial role in mainstreaming trade within the IDB Group entities and better showcased the efforts of the Group's in the domain of trade development. Here is a snapshot of its three years of activities.



Dr. Waleed Al-Wohaib, CEO ITFC highlighting ITFC's active role in enhancing intra-OIC trade, during the 4th Meeting of the Consultative Group.

GTRC's Efforts In Mainstreaming Trade in IDB Group Programs, Initiatives

1) Aid for Trade (Aft):

The Aft initiative, primarily aims at addressing the “supply side” constraints of the developing and the least developed countries through increasing their productive capacity and infrastructure. The initiative aims to enhance their exports, and make good use of market access opportunities offered by the multilateral trading system.

Aid for Trade sub-team has been tasked to act as the focal point for dealing with matters related to Aft. In this respect, the Aft team, through the GTRC, has also successfully coordinated the publication of the first IDB Group Report in the 3rd Global Review on Aid for Trade. This Report demonstrates the engagement/involvement of the IDB Group in various sectors for enhancing productivity and growth in the IDB member countries with the ultimate objective of enhancing their capacity to export.

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

Currently, the sub-team is closely working with Trade Cooperation and Promotion Program (TCPP) of ITFC and making necessary preparations for IDB Group's participation in the forthcoming fourth Global Review on Aid for Trade. In addition, the sub-team is working within all IDB Group entities and departments to prepare the new edition of IDB Group Report on Aid for Trade, which will showcase its accomplishments and achievements towards promotion and facilitation of trade and development of private sectors in its member countries.

2) Trade and Agriculture:

The Trade and Agriculture Sub Committee has conducted the Fisheries Study for Mauritania and Senegal, covering a number of criteria that satisfy economic objectives in terms of creating jobs and income, opening international markets and earning foreign exchange. Fish is a food security item and most of the member countries have coast lines but have primitive fishing sector with a large number of poor working there. Therefore, the study would encompass poverty alleviation objective.

5) *Trade and Transport Facilitation (TTF):*

Trade and Transport Facilitation Sub-team has been established with the following objectives: (i) developing and accumulating knowledge and expertise on TTF issues and be TTF knowledge window of the IDBG; and (ii) formulating and undertaking innovative IDB TTF operations and technical assistance projects. These objectives are tailored to assist MCs and OIC organs so that they can develop and implement TTF measures at national, regional, and OIC levels.

In this regard, TTF Team has been involved in preparation of preliminary study on OIC Transport Corridor Strategy and organized following events with the concerned IDB Group entities, departments.

- OIC Workshop/EGM on Roles of Transport Corridors on OIC Trade and Tourism, 7-9 June 2011, Izmir, Turkey.
- OIC Regional Workshop on Trade Facilitation with an Emphasis on Cross Border Cooperation & Roles of Customs Administrations, 21-23 Nov. 2011, Ankara, Turkey.

TTF sub-team of GTRC in cooperation with TCPP of ITFC and Infrastructure Department of the Operation Complex of IDB is organizing an OIC High Level Forum on Trade Facilitation and Single Window for Enhanced Regional Economic Cooperation in Casablanca, Morocco during 25-26 February 2013, where various trade facilitation project proposals are going to be elaborated by the participants from member countries. They include: 1) Establishing regional single windows in AMU and WAMEU countries to promote intra trade; 2) Establishing regional trade information portal/market access websites; and 3) Replication of successfully implemented trade facilitation measures in other IDB MCs through twinning projects and institutional capacity development programs.

Furthermore, TTF sub-team will continue to work with other concerned departments in the group and carry out some capacity building programs, workshops, and seminars with a focus on transport facilitation and logistics in 1434H.





The Way Forward for GTRC

GTRC, as a platform of incubation of ideas, where different skills, experiences, know-how and financial resources of the departments and entities have been coordinated and put in collective, collaborative actions to contribute to accomplishment of IDB's trade development mandate, has now entered a new phase.

Currently, GTRC's existing structure, team compositions, roles and functions of sub-teams, their working principles with IDB Group departments and entities are being reviewed and will shortly be finalized based on the IDB Group senior management guidance. GTRC's new look and mission will focus on designing and delivering trade-related IDB Group technical assistance within the framework of MCPSS, Aft Initiatives and the Executive Program for Enhancing Intra-OIC Trade, where IDB Group partnership relations with international trade institutions and OIC Organs will be coordinated on program-based, result-oriented approach.



Audited Financial Statements

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THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION FINANCIAL STATEMENTS

29 Dhul Hijjah 1433H (14 November 2012)

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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 1433H (14 November 2012) 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 1433H (14 November 2012), 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: _____
Ali A. Alotaibi
License No. 379



31 March 2013
(19 Jumad-ul-Awal 1434H)
Jeddah, Saudi Arabia

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THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1433H (14 November 2012)

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

	Notes	<u>1433H</u>	<u>1432H</u>
ASSETS			
Cash and cash equivalents	4	170,712	197,140
Commodity placements through banks	5	31,000	66,194
Murabaha financing, net	6	484,147	343,332
Investments in Sukuk	8	74,962	129,193
Investment at fair value through equity	9	26,409	25,507
Accrued income and other assets	10	46,401	19,955
Receivable from related parties	13	50,181	18,505
Fixed assets	11	313	242
TOTAL ASSETS		<u><u>884,125</u></u>	<u><u>800,068</u></u>
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	12	5,576	18,468
Payable to related parties	13	111,188	30,004
Total liabilities		<u><u>116,764</u></u>	<u><u>48,472</u></u>
MEMBERS' EQUITY			
Paid-up capital	14	698,541	687,384
General reserve	16	71,779	72,852
Fair value reserve		(6,665)	(7,567)
Net income (loss) for the year		3,706	(1,073)
Total members' equity		<u><u>767,361</u></u>	<u><u>751,596</u></u>
TOTAL LIABILITIES AND MEMBERS' EQUITY		<u><u>884,125</u></u>	<u><u>800,068</u></u>
UNDISBURSED COMMITMENTS	17	<u><u>241,565</u></u>	<u><u>339,964</u></u>

The accompanying notes on pages 58 to 72 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
INCOME STATEMENT
For the year ended 29 Dhul Hijjah 1433H (14 November 2012)

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

	Notes	<u>1433H</u>	<u>1432H</u>
Income from:			
Commodity placements through banks		1,139	3,289
Murabaha financing		21,030	17,132
Investment in Sukuk		2,959	2,892
LC Opening fees		1,694	-
Mudarib and upfront fees		16,758	9,647
Other		<u>458</u>	<u>5</u>
		44,038	32,965
Exchange loss		(6,087)	(5,237)
Administrative expenses:			
Staff costs		(13,152)	(12,572)
Depreciation	11	(116)	(93)
Other	15	<u>(3,646)</u>	<u>(2,258)</u>
		21,037	12,805
Valuation gain (unrealized)	8	2,847	207
Provision for impairment of assets	7	<u>(20,178)</u>	<u>(14,085)</u>
Net income (loss) for the year		<u><u>3,706</u></u>	<u><u>(1,073)</u></u>

The accompanying notes on pages 58 to 72 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 1433H (14 November 2012)

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

	Notes	<u>1433H</u>	<u>1432H</u>
CASH FLOWS FROM OPERATIONS			
Net income / (loss) for the year		3,706	(1,073)
<i>Adjustment to reconcile net income / (loss) to net cash (utilized in) generated from operating activities:</i>			
Depreciation	11	116	93
Provision for impairment of assets	7	20,178	14,085
Valuation gain (unrealized)	8	(2,847)	(207)
Gain from sale of fixed assets		(24)	-
Loss on disposal of Sukuk		222	-
<i>Changes in operating assets and liabilities:</i>			
Commodity placements through banks		35,194	98,806
Murabaha financing		(160,993)	9,936
Accrued income and other assets		(26,446)	(17,008)
Receivable from / payable to related parties		(60,492)	180,088
Accruals and other liabilities		(12,892)	8,633
Net cash (utilized in) generated from operating activities		<u>(204,278)</u>	<u>293,353</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in Sukuk		(27,000)	(118,522)
Proceeds from disposals of Sukuk		83,856	-
Purchase of fixed assets		(209)	(70)
Proceeds from sale of fixed assets		46	-
Net cash generated from (utilized in) investing activities		<u>56,693</u>	<u>(118,592)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution		11,157	15,684
Received from IDB-OCR under Wakala agreement		110,000	(25,000)
Net cash generated from (utilized in) financing activities		<u>121,157</u>	<u>(9,316)</u>
Net change in cash and cash equivalents		(26,428)	165,445
Cash and cash equivalents at the beginning of the year		<u>197,140</u>	<u>31,695</u>
Cash and cash equivalents at the end of the year	4	<u><u>170,712</u></u>	<u><u>197,140</u></u>

The accompanying notes on pages 58 to 72 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 1433H (14 November 2012)

(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 1 Muharrum 1432H		671,700	69,981	(1,126)	2,871	743,426
Capital contributed	14	15,684	-	-	-	15,684
Transfer to general reserve	16	-	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		<u>687,384</u>	<u>72,852</u>	<u>(7,567)</u>	<u>(1,073)</u>	<u>751,596</u>
Balance at 1 Muharrum 1433H		687,384	72,852	(7,567)	(1,073)	751,596
Capital contributed	14	11,157	-	-	-	11,157
Transfer to general reserve	16	-	(1,073)	-	1,073	-
Fair value reserve		-	-	902	-	902
Net income for the year		-	-	-	3,706	3,706
Balance at 29 Dhul Hijjah 1433H		<u>698,541</u>	<u>71,779</u>	<u>(6,665)</u>	<u>3,706</u>	<u>767,361</u>

The accompanying notes on pages 58 to 72 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 1433H (14 November 2012)

(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 any 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 20 Rabie Thani, 1434H (2 March, 2013G).

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 (“IASB”) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB.

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

b) Critical accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. Management is also required to exercise its judgments in the process of applying the Corporation’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. The Corporation exercises judgement in the estimation of the provision for impairment of Murabaha financing assets. The methodology for the estimation of the provision is set out in note 2 (i).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Foreign currency translation

(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 income statement except for unrealized gains and losses on investment in equity capital which are recorded in the fair value reserve account under members’ equity.

Non-monetary 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 through Islamic banks and are utilized in the purchase and sale of commodities at fixed 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 and provision for impairment.

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

g) Investments in Sukuk

Debt-type instruments

Investments in Sukuk are debt-type instruments classified at 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Investments at fair value through equity

Equity-type instruments:

Investments in equity instruments 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 investments at fair value through equity. These investments are initially 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 derecognised or an impairment loss is recognised. 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 general 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 income statement. 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 income statement. The impairment provision for investments at fair value through equity is recognized when the decrease in fair value below cost is significant or prolonged.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Fixed assets

Fixed assets are recorded at cost, less accumulated depreciation. Depreciation is charged to the income statement, 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 materially extend the estimated useful life of an asset are expensed and charged to the income statement 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 income statement.

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.

Investments 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 Share of Profit

Mudarib Share of Profit 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 income statement. 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 Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

n) Zakat and tax

The Corporation is not subject to Zakat or income tax. Any liability for zakat and income tax is the responsibility of the individual members.

3. SHARI'AH COMMITTEE

The Corporation's business activities are subject to the supervision of the IDB group Shari'ah committee consisting of members appointed by resolution of the board of directors of the corporation No. ITFC/BD/24/432/(24)/5. Members of the Shari'ah Committee of IDB group are appointed for a 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 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 at end of Dhul Hijjah are comprised of the following:

	Note	1433H	1432H
Cash at banks	5	40,442	15,514
Commodity placements through banks		130,270	181,626
Total		<u>170,712</u>	<u>197,140</u>

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

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

	Note	1433H	1432H
Commodity placements	4	161,270	247,820
Less: Commodity placements with maturity of three months or less at the date of placement		(130,270)	(181,626)
		<u>31,000</u>	<u>66,194</u>

5. COMMODITY PLACEMENTS THROUGH BANKS (Continued)

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

6. MURABAHA FINANCING, NET

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

	Note	1433H	1432H
Gross amounts receivable		2,308,630	1,211,780
Less: share of syndicate members unearned income		(1,742,538) (7,238)	(810,721) (3,198)
		558,854	397,861
Less: provision for impairment of murabaha financing	7	(74,707)	(54,529)
Murabaha financing, net		<u>484,147</u>	<u>343,332</u>

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

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

7. PROVISION FOR IMPAIRMENT OF MURABAHA FINANCING

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

	1433H	1432H
Balance at 1 Muharram	54,529	40,444
Charge for the year	20,178	14,085
Balance at end of Dhul Hijjah	<u>74,707</u>	<u>54,529</u>

The above impairment provision consists of 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.

Income on the impaired murabaha financing assets included in the income statement for the years ended 29 Dhul Hijjah 1433H and 1432H was Nil.

7. PROVISION FOR IMPAIRMENT OF MURABAHA FINANCING (Continued)

Included in murabaha financing assets at end of Dhul Hijjah 1433H is an amount of USD 1.87 million (1432H: USD 8.27 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:

	1433H	1432H
Less than three months	1,870	8,269
Three months to twelve months	-	-
One year to five years	-	-

Disclosures relating to the credit quality of the operating assets have been presented in note 22.

8. INVESTMENTS IN SUKUK

The movement in investments in Sukuk is summarized as follows:

	1433H	1432H
Balance 1 Muharram	129,193	10,464
Investments during the year	27,000	118,522
Disposals during the year	(84,078)	-
Fair value gains	2,847	207
Balance at end of Dhul Hijjah	<u>74,962</u>	<u>129,193</u>

Investments in Sukuk at end Dhul Hijjah 1433H and 1432H represents 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 (See note 22(c)).

9. INVESTMENT AT FAIR VALUE THROUGH EQUITY

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

	1433H	1432H
Balance at 1 Muharram	25,507	31,948
Additions during the year	-	-
Net unrealized fair value gain (loss)	902	(6,441)
Balance at end of Dhul Hijjah	<u>26,409</u>	<u>25,507</u>

The fair value of the investment is determined based on the available market quotes (See note 22 (c)).

10. ACCRUED INCOME AND OTHER ASSETS

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

	1433H	1432H
Due from syndication participants	42,180	15,054
Accrued income on investments in Sukuk	1,041	1,422
Accrued income from commodity placements	308	1,204
Accrued mudarib fees	206	206
Prepayments and other assets	2,666	2,069
Total	<u>46,401</u>	<u>19,955</u>

11. FIXED ASSETS

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

	Motor vehicles	Office and computer equipment	Total
<u>Cost:</u>			
At 01 Muharram 1433H	105	378	483
Additions during the year	173	36	209
Disposals	(105)	-	(105)
At 29 Dhul Hijjah 1433H	173	414	587
<u>Less: Accumulated depreciation:</u>			
At 01 Muharram 1433H	(77)	(164)	(241)
Charge for the year	(37)	(79)	(116)
Disposals	83	-	83
At 29 Dhul Hijjah 1433H	(31)	(243)	(274)
<u>Net book value:</u>			
At 29 Dhul Hijjah 1433H	142	171	313
<u>Cost:</u>			
At 01 Muharram 1432H	105	308	413
Additions during the year	-	70	70
At 29 Dhul Hijjah 1432H	105	378	483
<u>Less: Accumulated depreciation:</u>			
At 01 Muharram 1432H	(56)	(92)	(148)
Charge for the year	(21)	(72)	(93)
At 29 Dhul Hijjah 1432H	(77)	(164)	(241)
<u>Net book value:</u>			
At 29 Dhul Hijjah 1432H	28	214	242

12. ACCRUALS AND OTHER LIABILITIES

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

	1433H	1432H
Earnings prohibited by Shari'ah	3,043	550
Payable to syndication participants	722	8,313
Accrued and other expenses	362	438
Excess capital receipts	105	105
Security deposit	-	7,422
Others	1,344	1,640
Total	5,576	18,468

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	<u>1433H</u>	<u>1432H</u>
IDB - OCR	49,730	18,007
BADEA Fund	451	498
	<u>50,181</u>	<u>18,505</u>
(b) Due to related parties	<u>1433H</u>	<u>1432H</u>
IDB Special Accounts Resource Waqf Fund	75	29,295
IDB Pension Fund	1,052	698
IDB Medical Pension Fund	61	11
Payable to IDB-OCR under Wakala agreement	110,000	-
	<u>111,188</u>	<u>30,004</u>

- (i) During 1433H the Corporation entered into a Wakala agreement with IDB-OCR amounting to USD 110 million (1432H: Nil), on which the Corporation will pay Wakala profit of Libor plus 104 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:

	<u>1433H</u>	<u>1432H</u>
Salaries and other short-term benefits	880	939

14. PAID-UP CAPITAL

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

	<u>1433H</u>	<u>1432H</u>
Authorized 300,000 shares of USD 10,000 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued: 75,000 shares of USD 10,000 each	750,000	750,000
Issued shares not subscribed	<u>(42,920)</u>	<u>(42,920)</u>
Subscribed capital	707,080	707,080
Share capital not yet called	<u>(3,333)</u>	<u>(17,823)</u>
Called-up capital	703,747	689,257
Installments due, not yet paid	<u>(5,206)</u>	<u>(1,873)</u>
Paid-up capital	<u>698,541</u>	<u>687,384</u>

15. OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses for the year ended Dhul Hijjah are comprised of the following:

	<u>1433H</u>	<u>1432H</u>
Consultancy and marketing	1,117	805
Travel expenses	849	432
Support services	746	-
Meeting Expenses	552	482
Other	<u>382</u>	<u>539</u>
Total	<u>3,646</u>	<u>2,258</u>

16. 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.

17. UNDISBURSED COMMITMENTS

Undisbursed commitments at 29 Dhul Hijjah are comprised of the following:

	<u>1433H</u>	<u>1432H</u>
Murabaha financing	<u>241,565</u>	<u>339,964</u>

18. EARNINGS AND EXPENDITURES PROHIBITED BY SHARI'AH

Earnings realised during the year from transactions which are prohibited by Shari'ah are included in accruals and other liabilities amounting to USD 3.0 million in 1433H (1432H: USD 0.55 million). This is mainly as a result of the earnings from investment in a conventional bank (Note: 9). Such Investment represents the equity capital acquired by the Corporation upon settlement of a Murabaha financing balance.

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

<u>1433H</u>	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	170,712	-	-	-	-	170,712
Commodity placements	-	31,000	-	-	-	31,000
Murabaha financing	172,730	295,542	15,875	-	-	484,147
Investments in Sukuk	-	-	59,068	15,894	-	74,962
Investments at fair value through equity	-	-	-	-	26,409	26,409
Receivable from related parties	50,181	-	-	-	-	50,181
Total assets	<u>393,623</u>	<u>326,542</u>	<u>74,943</u>	<u>15,894</u>	<u>26,409</u>	<u>837,411</u>
Liabilities						
Accruals and other liabilities	1,437	-	-	-	4,139	5,576
Payable to related parties	111,188	-	-	-	-	111,188
Total liabilities	<u>112,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,139</u>	<u>116,764</u>
<u>1432H</u>	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	197,140	-	-	-	-	197,140
Commodity placements	-	66,194	-	-	-	66,194
Murabaha financing	178,248	130,222	1,802	-	33,060	343,332
Investments in Sukuk	-	-	129,193	-	-	129,193
Investments at fair value through equity	-	-	-	-	25,507	25,507
Receivable from related parties	18,505	-	-	-	-	18,505
Total assets	<u>393,893</u>	<u>196,416</u>	<u>130,995</u>	<u>-</u>	<u>58,567</u>	<u>779,871</u>
Liabilities						
Accruals and other liabilities	10,491	-	-	-	7,977	18,468
Payable to related parties	30,004	-	-	-	-	30,004
Total liabilities	<u>40,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,977</u>	<u>48,472</u>

20. CONCENTRATION OF FINANCIAL ASSETS

The geographical locations of financial assets are as follows:

1433H	Cash and cash equivalents	Commodity placements through banks	Murabaha financing	Investments in Sukuk	Investment at fair value through equity	Receivable from related parties	Total
Azerbaijan	-	-	23,406	-	-	-	23,406
Bahrain	30,270	-	9,976	-	-	-	40,246
Bangladesh	-	-	175,875	-	-	-	175,875
Egypt	-	-	24,541	-	-	-	24,541
France	60,000	15,000	-	-	-	-	75,000
Gambia	-	-	5,114	-	-	-	5,114
Indonesia	-	-	22,566	10,619	-	-	33,185
Iran	-	-	83,493	-	-	-	83,493
Japan	-	5,000	-	-	-	-	5,000
Kazakhstan	-	-	33,850	-	-	-	33,850
Malaysia	3,180	-	-	23,375	-	-	26,555
Mauritania	-	-	5,330	-	-	-	5,330
Pakistan	-	-	5,233	-	-	-	5,233
Qatar	-	-	-	5,246	-	-	5,246
Saudi Arabia	50,998	-	10,278	7,182	26,409	50,181	145,048
Turkey	-	11,000	79,439	-	-	-	90,439
UAE	-	-	4,201	28,540	-	-	32,741
United Kingdom	26,264	-	-	-	-	-	26,264
Other	-	-	845	-	-	-	845
TOTAL	170,712	31,000	484,147	74,962	26,409	50,181	837,411

1432H	Cash and cash equivalents	Commodity placements through banks	Murabaha financing	Investments in Sukuk	Investment at fair value through equity	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	-	-	-	-	77,678
Gambia	-	-	11,059	-	-	-	11,059
Indonesia	-	-	39,813	10,969	-	-	50,782
Iran	-	-	44,003	-	-	-	44,003
Japan	60,000	9,016	-	-	-	-	69,016
Jordan	-	-	9,050	-	-	-	9,050
Kazakhstan	-	-	3,870	-	-	-	3,870
Kuwait	-	-	10,074	-	-	-	10,074
Maldives	-	-	7,079	-	-	-	7,079
Malaysia	4,925	-	-	38,433	-	-	43,358
Mauritania	-	-	4,344	-	-	-	4,344
Morocco	-	-	25,137	-	-	-	25,137
Nigeria	-	-	9,235	-	-	-	9,235
Qatar	-	-	-	5,105	-	-	5,105
Saudi Arabia	10,518	-	13,046	52,546	25,507	18,505	120,122
Sudan	-	-	15,301	-	-	-	15,301
Turkey	-	54,500	36,257	-	-	-	90,757
UAE	-	-	6,352	22,140	-	-	28,492
United Kingdom	46,236	-	-	-	-	-	46,236
Other	-	-	2,384	-	-	-	2,384
TOTAL	197,140	66,194	343,332	129,193	25,507	18,505	779,871

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

21. NET ASSETS IN FOREIGN CURRENCIES

	1433H	1432H
Euro	(6,550)	38,461
Pound Sterling	(2)	17,153
Saudi Riyal	5,417	23,359
UAE Dirham	101	100
Moroccan Dirham	(131)	(136)
Japanese Yen	-	(85)
Malaysian Ringgit	-	(61)

22. 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.

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. 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

22. RISK MANAGEMENT (Continued)

a) Credit risk (continued)

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, and 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 19.

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 1433H 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 income for the year and the Members Equity at year end would not be changed significantly.

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Appendix 1 | ITFC Shareholders Information

Paid-up Capital as of 29/12/1433H (14/11/2012G) Sorted by Subscription

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	38.030 %	266,370,000	38.132 %
2	Saudi Arabia	120,000,000	16.971 %	120,000,000	17.133 %	120,000,000	17.179 %
3	Saudi Fund for Development, Saudi Arabia	50,000,000	7.071 %	50,000,000	7.139 %	50,000,000	7.158 %
4	Kuwait	40,000,000	5.657 %	40,000,000	5.711 %	40,000,000	5.726 %
5	Public Investments Fund, Saudi Arabia	30,000,000	4.243 %	30,000,000	4.283 %	30,000,000	4.295 %
6	Turkey	29,150,000	4.123 %	29,150,000	4.162 %	29,150,000	4.173 %
7	Malaysia	28,980,000	4.099 %	28,980,000	4.138 %	28,980,000	4.149 %
8	Export Development Bank, Iran	25,000,000	3.536 %	25,000,000	3.569 %	24,858,294	3.559 %
9	Egypt	12,730,000	1.800 %	12,730,000	1.817 %	12,730,000	1.822 %
10	Qatar	10,000,000	1.414 %	10,000,000	1.428 %	10,000,000	1.432 %
11	Nigeria	10,000,000	1.414 %	3,333,333	0.476 %	3,280,029	0.470 %
12	Pakistan	8,430,000	1.192 %	8,430,000	1.204 %	8,430,000	1.207 %
13	Albaraka Islamic Bank, Bahrain	8,180,000	1.157 %	8,180,000	1.168 %	8,180,000	1.171 %
14	Algeria	6,080,000	0.860 %	6,080,000	0.868 %	6,080,000	0.870 %
15	Faisal Islamic Bank of Egypt, Egypt	5,920,000	0.837 %	5,920,000	0.845 %	5,920,000	0.847 %
16	Brunei Darussalam	5,820,000	0.823 %	5,820,000	0.831 %	5,820,000	0.833 %
17	Tunisia	5,600,000	0.792 %	5,600,000	0.800 %	5,600,000	0.802 %
18	Morocco	5,100,000	0.721 %	5,100,000	0.728 %	5,100,000	0.730 %
19	Bank Mellat, Iran	5,000,000	0.707 %	5,000,000	0.714 %	4,999,994	0.716 %
20	Indonesia	2,060,000	0.291 %	2,060,000	0.294 %	2,060,000	0.295 %
21	Bangladesh	2,020,000	0.286 %	2,020,000	0.288 %	2,020,000	0.289 %
22	Iran	1,920,000	0.272 %	1,920,000	0.274 %	1,920,000	0.275 %
23	Bahrain	1,850,000	0.262 %	1,850,000	0.264 %	1,850,000	0.265 %
24	Syria	1,850,000	0.262 %	1,850,000	0.264 %	1,850,000	0.265 %
25	Palestine	1,840,000	0.260 %	1,840,000	0.263 %	1,840,000	0.263 %
26	UAE	1,840,000	0.260 %	1,840,000	0.263 %	1,840,000	0.263 %
27	Albaraka Investment Company, London	1,610,000	0.228 %	1,610,000	0.230 %	1,610,000	0.230 %
28	Libya	1,390,000	0.197 %	1,390,000	0.198 %	1,390,000	0.199 %

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	0.186 %	1,300,000	0.186 %
30	Jordan Islamic Bank for Finance & Investment, Jordan	1,180,000	0.167 %	1,180,000	0.168 %	1,180,000	0.169 %
31	Yemen	1,000,000	0.141 %	1,000,000	0.143 %	999,586	0.142 %
32	Bank of Industry and Mine, Iran	1,000,000	0.141 %	1,000,000	0.143 %	999,408	0.143 %
33	Bank Melli, Iran	1,000,000	0.141 %	1,000,000	0.143 %	999,998	0.143 %
34	Mauritania	1,000,000	0.141 %	1,000,000	0.143 %	332,346	0.048 %
35	EN Bank, Iran	1,000,000	0.141 %	1,000,000	0.143 %	1,000,000	0.143 %
36	Bank Keshavarzi, Iran	1,000,000	0.141 %	1,000,000	0.143 %	1,000,000	0.143 %
37	Sudan	770,000	0.109 %	770,000	0.110 %	770,000	0.110 %
38	Burkina Faso	750,000	0.106 %	750,000	0.107 %	750,000	0.107 %
39	Somalia	720,000	0.102 %	720,000	0.103 %	720,000	0.103 %
40	Cote D'Ivoire	700,000	0.099 %	700,000	0.100 %	700,000	0.100 %
41	Albaraka Turk Katilim Bankasi A.S. (Albaraka Turk Partticipation Bank).	690,000	0.098 %	690,000	0.099 %	690,000	0.099 %
42	Lebanon	610,000	0.086 %	610,000	0.087 %	610,000	0.087 %
43	Mozambique	600,000	0.085 %	600,000	0.086 %	599,990	0.086 %
44	Bank Al baraka, Tunis	530,000	0.075 %	530,000	0.076 %	530,000	0.076 %
45	Bank Tejarat, Iran	500,000	0.071 %	500,000	0.071 %	500,000	0.072 %
46	Gambia	500,000	0.071 %	500,000	0.071 %	500,000	0.072 %
47	Benin	500,000	0.071 %	500,000	0.071 %	500,000	0.072 %
48	Djibouti	500,000	0.071 %	500,000	0.071 %	-	0.000 %
49	Niger	500,000	0.071 %	500,000	0.071 %	-	0.000 %
50	Uganda	490,000	0.069 %	490,000	0.070 %	490,000	0.070 %
51	Senegal	480,000	0.068 %	480,000	0.069 %	480,000	0.069 %
52	Islamic Cooperative Development Bank, Sudan	260,000	0.037 %	260,000	0.037 %	260,000	0.037 %
53	Sudanese Islamic Bank, Sudan	260,000	0.037 %	260,000	0.037 %	260,000	0.037 %
54	Tadamon Islamic Bank, Sudan	260,000	0.037 %	260,000	0.037 %	260,000	0.037 %
55	Gabon	220,000	0.031 %	220,000	0.031 %	220,000	0.031 %
56	Cameroon	20,000	0.003 %	20,000	0.003 %	20,000	0.003 %
Total		707,080,000	100 %	700,413,333	100 %	698,540,646	100 %

Appendix II



-  Asia / CIS
-  MENA
-  Sub-Saharan Africa

1 Azerbaijan
 No. of Operations: 1
 Total Amount: US\$1.50 million
 Sector: Finance
 Developmental Impact: Supporting SMEs and contributing to the private sector

2 Bahrain
 No. of Operations: 1
 Total Amount: US\$10.00 million
 Sector: Industry & Mining
 Developmental Impact: Sustain private companies to enhance the private sector

3 Bangladesh
 No. of Operations: 8
 Total Amount: US\$2,090.00 million
 Sector: Energy
 Developmental Impact: Support towards affordable energy prices and contributing to overall economic growth

4 Burkina Faso
 No. of Operations: 1
 Total Amount: US\$15.00 million
 Sector: Agriculture
 Developmental Impact: Supporting the country's strategic sector/commodity

5 Egypt
 No. of Operations: 7
 Total Amount: US\$765.00 million
 Sector: Energy
 Developmental Impact: Supporting the vital energy sector, Sustaining private sector companies, and helping SMEs

6 Ghana
 No. of Operations: 1
 Total Amount: US\$5.00 million
 Sector: Finance
 Developmental Impact: Supporting SMEs and contributing to the private sector

7 The Gambia
 No. of Operations: 2
 Total Amount: US\$24.00 million
 Sector: Energy, Agriculture
 Developmental Impact: Support towards affordable energy prices and contributing to economic development

8 Indonesia
 No. of Operations: 5
 Total Amount: US\$196.00 million
 Sector: Industry & Mining, Agriculture
 Developmental Impact: Strengthening the agricultural sector and providing support to private sector companies

9 Kazakhstan
 No. of Operations: 3
 Total Amount: US\$160.00 million
 Sector: Agriculture
 Developmental Impact: Strengthening the agricultural sector

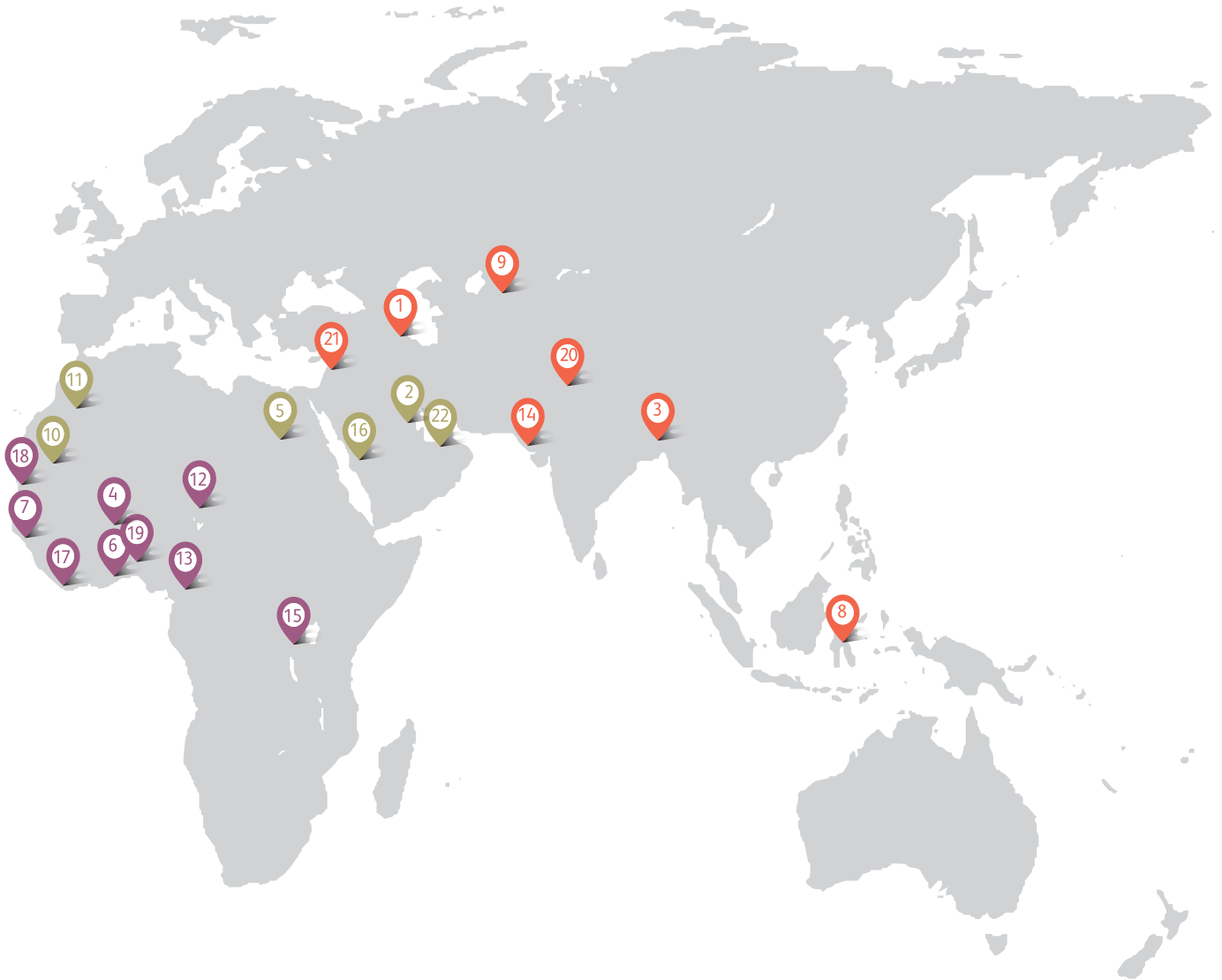
10 Mauritania
 No. of Operations: 2
 Total Amount: US\$18.85 million
 Sector: Finance, Agriculture
 Developmental Impact: Supporting SMEs and contributing to the private sector

11 Morocco
 No. of Operations: 3
 Total Amount: US\$327.00 million
 Sector: Energy, Industry & Mining
 Developmental Impact: Support towards affordable energy prices & contributing to the development of the private sector

12 Niger
 No. of Operations: 1
 Total Amount: US\$20.00 million
 Sector: Agriculture
 Developmental Impact: Strengthening the agricultural sector

13 Nigeria
 No. of Operations: 2
 Total Amount: US\$85.00 million
 Sector: Energy, Finance
 Developmental Impact: Supporting the vital energy sector and contributing to the development of the private sector

1433H Trade Approvals and Developmental Impact



14 Pakistan
 No. of Operations: 2
 Total Amount: US\$306.00 million
 Sector: Energy, Agriculture
 Developmental Impact:
 Support towards affordable energy prices and contributing to economic development

15 Rwanda
 No. of Operations: 1
 Total Amount: US\$5.00 million
 Sector: Energy
 Developmental Impact:
 Supporting the vital energy sector

16 Saudi Arabia
 No. of Operations: 1
 Total Amount: US\$30.00 million
 Sector: Industry & Mining
 Developmental Impact:
 Providing support to private sector companies

17 Sierra Leone
 No. of Operations: 1
 Total Amount: US\$5.00 million
 Sector: Energy
 Developmental Impact:
 Supporting the vital energy sector

18 Senegal
 No. of Operations: 1
 Total Amount: US\$10.00 million
 Sector: Agriculture
 Developmental Impact:
 Supporting the country's strategic sector/commodity

19 Togo
 No. of Operations: 2
 Total Amount: US\$40.00 million
 Sector: Finance
 Developmental Impact:
 Supporting SMEs and contributing to the private sector

20 Tajikistan
 No. of Operations: 1
 Total Amount: US\$40.00 million
 Sector: Energy
 Developmental Impact:
 Supporting the vital energy sector

21 Turkey
 No. of Operations: 9
 Total Amount: US\$292.157 million
 Sector: Finance, Energy, Agriculture, Industry & Mining
 Developmental Impact: Strengthening the agricultural sector and providing support to the energy and private sector companies

22 UAE
 No. of Operations: 2
 Total Amount: US\$20.00 million
 Sector: Industry & Mining
 Developmental Impact:
 Supporting companies in the private sector

Appendix III | Trade Finance Approvals for LDMCs in 1433H

ITFC Trade Finance Approvals for LDMCs in 1433H (US\$ million)

S.No	Country	No of Operation	Amount
1	Azerbaijan	1	1.50
2	Bangladesh	8	2,090.00
3	Burkina Faso	1	15.00
4	Gambia	2	24.00
5	Mauritania	2	18.85
6	Niger	1	20.00
7	Senegal	1	10.00
8	Sierra Leone	1	5.00
9	Tajikistan	1	40.00
10	Togo	2	40.00
Total Approvals for LDMCs		20	2,264.35

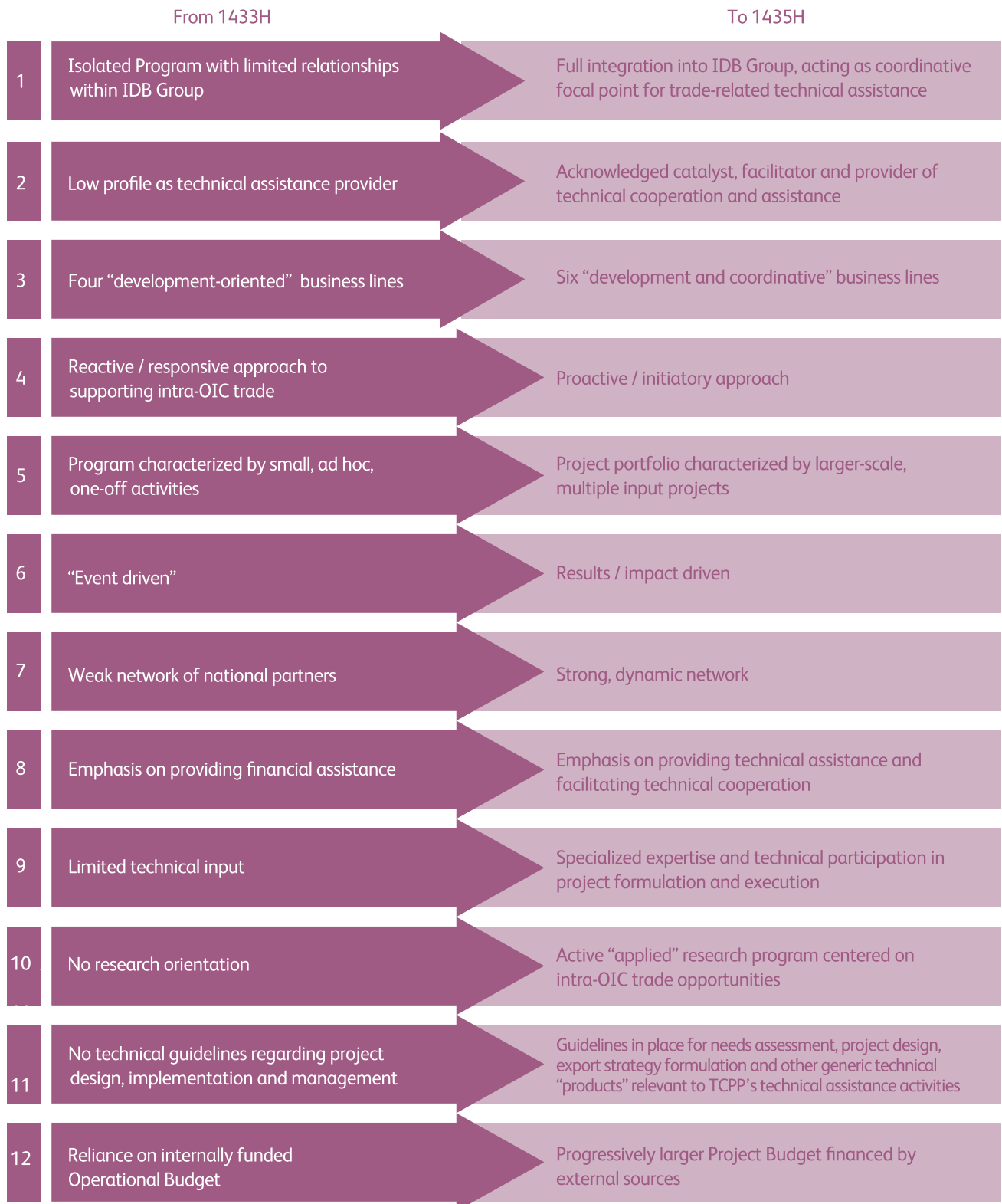
Appendix IV | TCPP's Redefined Business Lines

TCPP will become the technical and coordinative focal point within IDB for trade-related technical assistance. It will operate six business lines.

Business Line	Objective	Target Stakeholders	Technical / Operational Focus
1 Trade Promotion (technical and developmental orientation)	To identify and pursue intra-OIC trade opportunities	<ul style="list-style-type: none"> National TPOs / TSIs OIC business community 	<ul style="list-style-type: none"> initiating and coordinating research into intra-OIC trade opportunities building of technical partnerships, internal and external organizing and promoting OIC business community participation in TCPP sponsored matchmaking activities / buyer seller meets market development for Shari'ah compliant products
2 Trade Facilitation (technical and developmental orientation)	Reduce the cost of doing business among OIC MCs	<ul style="list-style-type: none"> National regulatory bodies Business community 	<ul style="list-style-type: none"> analysis of factors impacting transaction cost for intra-OIC trade simplification of trading procedures and documentation alignment of standards and trading regulations among OIC countries
3 Capacity-Building (technical and developmental orientation)	To expand and upgrade the quality of trade support services available to the OIC business community	<ul style="list-style-type: none"> National TPOs / TSIs 	<ul style="list-style-type: none"> promoting technical cooperation among OIC organizations (i.e. "reverse linkages") institution-building advisory services (planning, technical, organizational and managerial) network collaboration (sub-regional) "pro-poor" capacity development (capacity and organizational)
4 Development of Strategic Commodities (technical and developmental orientation)	To improve the performance of key sectors (in terms of sustained growth, value-addition and employment generation)	<ul style="list-style-type: none"> National and local TPOs / TSIs business community growers / producers 	<ul style="list-style-type: none"> market and export constraint analysis sector-level strategy design preparation of larger-scale, multi-donor projects for pipeline and promotion under resource mobilization plan
5 Trade Mainstreaming (technical, developmental and focal point-related)	To ensure that trade development becomes a central point of national economic-social development policy and planning and to generate greater support from international donors to this objective	<ul style="list-style-type: none"> ITFC / TCPP partners Prospective donors / sponsors IDB Group entities National TPOs / TSIs National trade policy-makers 	<ul style="list-style-type: none"> coordination of consultations and technical involvement in Aid for Trade and similar trade-related initiatives within OIC implementation of resource mobilization plan initiating collaboration and synergies in technical assistance with other IDB Departments and Entities, coordinating the IDB Group's response and follow-up to requests for trade-related technical assistance secretariat to the Group Trade Related Issues Committee needs assessment / preparation of trade chapter of MCPS designing / implementing of country-level projects relating to national export strategy providing MTS related advisory support to policy makers increasing awareness within public and private sectors of trade policy issues relating specifically to intra-OIC trade
6 Trade Finance Support	To reinforce ITFC's trade finance business line and to generate demand for ITFC services	<ul style="list-style-type: none"> ITFC OIC business community 	<ul style="list-style-type: none"> conducting advisory, counseling and training programs for ITFC national partners / financial intermediaries organizing trade finance information sessions targeting OIC business community

Appendix V | TCPP's Change Agenda

To achieve its objectives, and effectively deliver its business lines, TCPP will, within the next three years, implement a comprehensive agenda for change that will re-position TCPP and transform its approach to delivering technical cooperation and assistance.



Appendix VI | Acronyms & Abbreviations

AFT	Aid for Trade
AIDMO	Arab Industrial Development and Mining Organization
ALCO	Asset Liability Committee
AOA	Articles of Agreement
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
CIT	Countries in Transition
COMCEC	Committee for Commercial and Economic Cooperation
DC	Developing Countries
DFIs	Developmental Financial Institutions
EGM	Expert Group Meeting
EU	European Union
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GGC	Gambia Groundnut Corporation
GMCM	Group Management Committee Meetings
GTRC	Group Trade Related Issues Committee
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
ILO	International Labor Organization
IMF	International Monetary Fund
IRTI	Islamic Research and Training Institute
ITC	International Trade Centre
ITFC	International Islamic Trade Finance Corporation
LAS	League of Arab States
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
OECD	Organization for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
ORC	Operations Review Committee
PAC	Portfolio Assessment Committee
RCSA	Risk Control Self Assessment
SIDA	Swedish International Development Agency
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
TTF	Trade and Transport Facilitation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization
2SMF	2-Step Murabaha Financing

Appendix VII | Islamic Development Bank Group Structure

Establishment

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 1973). The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

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 membership of IDB stands at 56 countries spanning many regions. The basic condition for membership is that the prospective country should be a member of the Organization of the Islamic Cooperation, 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

The Authorized Capital of IDB is ID30 billion and the Issued Capital is ID18 billion, of which ID17.8 billion was subscribed and ID4.6 billion was paid up as at end-1433H.

Financial Year

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

Accounting Unit

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

Language

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

Islamic Development Bank Group

IDB Group comprises five entities: Islamic Development Bank (IsDB), 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. www.isdb.org

IDB Group Affiliates



Islamic Research and Training Institute (IRTI)

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) as the research and training arm of the IDB. IRTI plays a key role in supporting the transformation of the IDB Group into a world-class knowledge-based organization. IRTI's mandate is to support the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry that enhances socio-economic development in IDB member countries. The Institute undertakes cutting edge applied and policy research as well as capacity building and advisory services in the field of Islamic economics and finance. IRTI aims to be global knowledge center for Islamic economics and finance in line with its new vision. www.irti.org



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

ICD was established in 1420H (1999) as an independent entity within the IDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to complement the role played by IDB through development and promotion of the private sector as a vehicle for economic growth and prosperity in member countries.

The main objectives of ICD are: (i) support economic development of its member countries through provision of finance aimed at promoting private sector development in accordance with the principles of Shari'ah, and (ii) provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private sectors. www.icd-idb.com



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

ICIEC was established in 1415H (1994) by the Islamic Development Bank (IDB) and member countries of the Organization of Islamic Cooperation (OIC) as an independent entity within IDB Group. Its mandate is: (i) to help increase the scope of trade transactions of member countries, (ii) to facilitate the flow of foreign direct investments into member countries, and (iii) to provide reinsurance facilities to Export Credit Agencies in member countries.

ICIEC fulfills these objectives by providing appropriate Islamic Shari'ah compatible credit and country risk insurance and reinsurance instruments. www.iciec.com

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