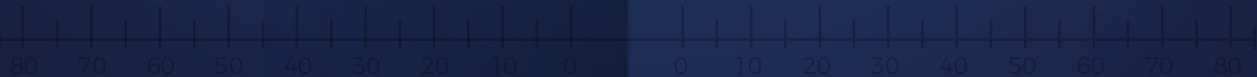
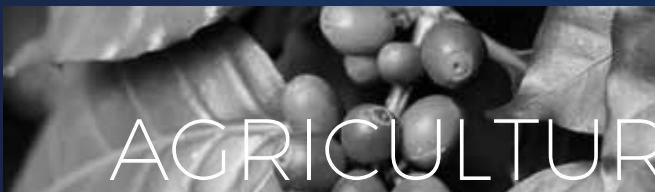
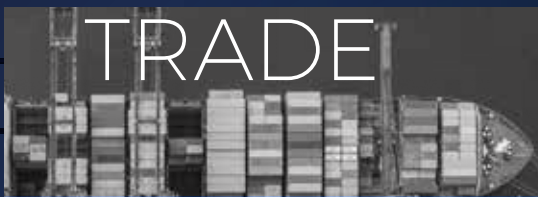




itfc

International
Islamic Trade
Finance Corporation

TRANSFORMATION FOR IMPACT



ANNUAL REPORT 2019



the theme

TRANSFORMATION FOR IMPACT

The rollout of the 10-year strategy coupled with organizational transformation and re-alignments has created fresh momentum—further brightening the prospects for future growth.

ITFC increasingly builds on this momentum to continue its success through the integrated trade solutions and programs to better serve the needs of member countries and reach more livelihoods



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Abbreviations

AATB	Arab Africa Trade Bridges
AATFPP	Arab Africa Trade Finance and Promotion Programme
AFCTA	African Continental Free Trade Area
AFTIAS	Aid for Trade Initiative for Arab States
ALCO	Assets Liabilities Committee
BADEA	Arab Bank for Economic Development in Africa
CBI	Coris Bank International
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
DER	Delegation for Rapid Entrepreneurship
DFU	Decentralization Facilitation Unit
EIF	Enhanced Integrated Framework
EXIM	Export/Import
FI	Financial Institution
GASC	The General Authority for Supply Commodities
GDP	Gross Domestic Product
HR	Human Resources
ICC	International Chamber of Commerce
ICD	The Islamic Corporation for the Development of the Private Sector
ICDT	The Islamic Centre for Development of Trade
ICIEC	The Islamic Corporation for the Insurance of Investment and Export Credit
ID	Islamic Dinar
IsDB	Islamic Development Bank
IsDBG	Islamic Development Bank Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IRTI	The Islamic Research and Training Institute
ISCB	Istanbul School of Central Banking
ISEF	ITFC Sovereign Energy Fund
ITC	International Trade Centre
ITFC	International Islamic Trade Finance Corporation
LC	Letter of Credit
LDC	Least Developed Country
LDMC	Least Development Member Country
LNG	Liquefied Natural Gas
MBF	Mol Bulak Finance
MC	Member Country
MDB	Multilateral Development Bank
MSME	Micro, Small & Medium Enterprise
NGO	Non-Government Organization
OCP	Cherifien Office of Phosphates
OECD	Organization for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
OIF	International Organization of la Francophonie
ONAV	National Office of Vanilla of Comoros
RFCU	The Rwenzori Farmers Cooperatives Union
RMO	Risk Management Office
SBP	State Bank of Pakistan
SDG	Sustainable Development Goal
SDR	Special Drawing Right
SECP	Securities and Exchange Commission of Pakistan
SEDA	Saudi Exports Development Authority
SESRIC	The Statistical, Economic and Social Research and Training Centre for Islamic Countries
SME	Small & Medium Enterprise
SMIIC	The Standards and Metrology Institute for Islamic Countries
STF	Structured Trade Finance
STI	Science, Technology and Innovation
T&BD	Trade & Business Development
TFO	Trade Facilitation Office
TRTA	Trade Related Technical Assistance
TSI	Trade Support Institution
UAE	United Arab Emirates
UEPB	Uganda Export Promotion Board
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WAEMU	West African Economic and Monetary Union
WA	West Africa
WHRF	Warehouse Receipt Financing
WTO	World Trade Organization



**Creating
Trade
Solutions
for
Sustainable
Impact**





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

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 2019. The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 31 of December 2019.

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

Yours Sincerely,

Dr. Bandar M. H. Hajjar
Chairman, Board of Directors



Message from the Chief Executive Officer

In the name of Allah, the most Gracious and Merciful

It is an honor to present the ITFC Annual Report for the year 2019. Since ITFC was established in 2008, our mandate always evolved around developing sustainable value chains and boosting trade between OIC member countries; our work has become a powerful force in delivering lasting socio-economic change across the developing world.

In 2019, we navigated through the challenging economic environments and continued the transformation of our business to achieve greater impact among our member countries. I am pleased to report that in 2019 the cumulative trade finance approvals reached US\$51 billion while disbursements stood at US\$40.6 billion, with trade support extended to the critical sectors of Energy, Agriculture, and SMEs, among others. At the same time, total cumulative funds mobilized from partner banks and financial institutions reached US\$31 billion, reflecting ITFC's crucial role as a catalyst to attract funding for the Member Countries' large-ticket trade transactions.

For the year 2019, ITFC's trade finance approvals reached US\$5.8 billion, a 12% increase, compared to the US\$5.2 billion in 2018. Disbursements reached US\$4.98 billion, an increase of 8.7%, compared to US\$4.58 billion in 2018. Funds mobilized from partner banks and financial institutions reached around US\$3.7 billion, covering 62% of the total approvals.

ITFC also closed the year with strong financial results with higher gross income reaching US\$71.33 million (up by 32%) and total assets increasing to US\$1.04 billion. Its strategy includes providing trade financing for the support of critical sectors in member countries as well as support programs: capacity building and trade development for SMEs and exporters.

On the trade finance side, ITFC extended trade financing to governments, private & public sector companies, and Small & Medium Enterprises (SMEs) through lines of financing extended to local and regional Banks. In 2019, ITFC continued to extend financing to a number of Member Countries under multi-year framework agreements for many of the large-ticket sovereign clients.

US\$51
billion
cumulative trade finance
approvals in 2019

US\$31
billion
total cumulative funds

In the area of trade development, the Corporation extended its services, technical assistance and capacity building activities through various programs some of which were launched in 2018 such as: (i) Indonesia Coffee Export Development Program; (ii) West Africa SME Program; (iii) ; and (iv) The Gambia Aflatoxin Project.

Moreover, notable progress was made in a number of flagship programs as the Arab Africa Trade Bridges Program (AATB) with its partners: Afreximbank, BADEA, ICIEC, IsDB and countries including Arab Republic of Egypt, Kingdom of Morocco and Senegal. In addition, expansion to CIS region took place to promote Islamic Trade Finance through a series of Workshops targeting Central Banks.

In 2019, ITFC continued with the implementation of its 10-year strategy, in line with IsDB Group 10-year strategy, as well as with IsDB Group President's 5 Years Plan (P5P). The Corporation entered the Renew Phase, after completing the Rebuild Phase in 2018. The Renew Phase is placing emphasis on 'future-proofing' the business by exploring new opportunities across Digitalization, Innovation and Trade Advisory, which also shall be the focus in 2020 onwards.

Finally, I would like to convey that through working with our partners, together we had made significant strides to advance trade and improve lives in member countries. I express my sincere appreciation to the Chairman and the Esteemed Members of the Board of Directors of ITFC for their continued support and guidance. Special thanks also to all ITFC staff members for their dedication and service to the organization.



Eng. Hani Salem Sonbol
Chief Executive Officer

Board of Directors





Hon. Ahmad Jefri Abd Rahman
IsDB



Hon. Ali Hemdan Ahmed
IsDB



Hon. Feras Al Khalifa
Group C



Hon. Dr. Hamad Bin Suleiman Al Bazai
IsDB



Hon. Dr. Syed Pervaiz Abbas
Group A



Hon. Zul-Kift Salami
Group B

Management Team



Eng. Hani Salem Sonbol
Chief Executive Officer



Abdihamid Aweis Abu
General Manager,
Trade Finance Department



Ahmed M. Yousef Jan
General Manager,
Treasury Department



Mohammad Hafiz Emrith
General Manager, Strategy &
Organizational Performance Office
(Acting) General Manager, Finance Department



KEY Financial Highlights

Financial and Operational Highlights 2019 (FACT SHEET)



Commenced Operations

**January
10, 2008**



Authorized Capital

**US\$3
billion**



Headquarter

**Jeddah,
Saudi Arabia**



Subscribed Capital

**US\$857.19
million**



Member

**The Islamic
Development
Bank Group**



Paid- Up Capital

**US\$749.788
million**



Mandate

**Contribute to economic
development of Member
Countries through trade
advancement**

Approved Trade Finance Operations

**US\$5,841
million**

Approvals by Sector



Energy
US\$4,449
million



Food & Agriculture
US\$565
million



Financial
US\$677
million



Others
US\$150
million

Disbursements

US\$4,977
million

Approvals by Region

Asia & Middle East
US\$3,809
million

Africa
US\$2,032
million

Private Sector Support

US\$821
million



Intra-OIC Trade Support

US\$3,934.5
million

LDMCs Portfolio Share

36%

Member Countries Served

26



























Number of Operations

84

OPERATIONAL HIGHLIGHTS

Trade Approvals

Amount (US\$ Mil)

 Bangladesh	815 Petroleum, Finance	 Morocco	40 Sulphur
 Burkina Faso	393 Petroleum, Cotton, Finance	 Nigeria	24 Finance
 Cameroon	180 Petroleum, Cotton	 Pakistan	1,107 Petroleum
 Comoros	111 Petroleum, Rice	 Regional	100 Finance
 Cote d'Ivoire	87 Finance	 Senegal	278 Petroleum, Food
 Djibouti	210 Petroleum	 Suriname	25 Food, Pharceuticals, Petroleum
 Egypt	880 Petroleum, Food	 Tajikistan	20 Petroleum, Food
 Gambia	55 Petroleum, Food	 Togo	62 Petroleum
 Indonesia	95 Crude Palm Oil, Textile	 Tunisia	280 Petroleum, Gas
 Kyrgyzstan	9 Finance	 Turkey	418 Finance
 Maldives	400 Petroleum, Food	 UAE	9 Petrochemicals
 Mali	72 Petroleum, Food	 Uganda	10 Finance
 Mauritania	105 Petroleum	 Uzbekistan	56 Petroleum, Food, Finance

Grand Total: 5,841

FLAGSHIP PROGRAMS



Created to develop trade & investment linkages between the Arab and African Countries, to increase economic opportunities and support inclusive and sustainable growth across the Arab and sub-Saharan countries of the OIC.



A combined capacity building and trade finance program to enhance capacity of selected SMEs and partner banks to achieve a better approval rate and generate more income to ITFC through better utilization rate of ITFC's lines of finance placed at partner banks

aftias

Aid for Trade Initiative
for the Arab States

A is a multi-donor, multi-country and multi-agency program, aiming to "foster Arab trade through enhancing enterprise competitiveness and facilitating trade

INTEGRATED PROGRAMS



Indonesia
Integrated Solutions



Uzbekistan
Integrated Solutions



Burkina Faso
Integrated Solutions



Comoros
Integrated Solutions



Pakistan
Integrated Solutions

NEW PRODUCTS

LC Confirmation

LC Confirmation is an important tool that ITFC aims to deploy to facilitate trade transactions of Member Countries.

Salam for Trade Finance:

Salam is a tool for Trade Finance to meet market demand for member countries to finance agricultural products in a streamlined manner

TARGETED INTERVENTIONS



Reverse Linkage
Between Guinea
and Tunisia on
Agriculture
Value Chains



Aflatoxin
Mitigation
Program in
the Cambia



Islamic Trade
Finance
Training for CIS
countries' Central
Banks+ Afghanistan

The logo for ITFC is a large, stylized outline of the letters 'ITFC' in red. To the right of the letters is a solid red L-shaped graphic. Below the letters, the text 'the Leading Trade Solutions Provider' is written in a bold, black, sans-serif font. A solid red horizontal line is positioned below the text.

ITFC

the Leading Trade Solutions Provider

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. It was established with the primary objective of advancing trade among OIC Member Countries, which would ultimately contribute to the overarching goal of improving socioeconomic conditions of the people across the world. Commencing operations in January 2008 (Muharram 1429H), ITFC has since consolidated all trade finance businesses that used to be handled by various windows within the IsDB Group. Earning the A1 rating by Moody's is a reflection of the Corporation's creditworthiness and financial strength to responding swiftly to customer needs in a market-driven business environment.

Since 2008, ITFC has provided more than US\$51 billion to OIC Member Countries, making it the leading provider of trade solutions for the Member Countries' needs. With a mission to become a catalyst for trade development for OIC Member Countries and beyond, the Corporation helps entities in Member Countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools, which would enable them to successfully compete in the global market.



Vision

ITFC is the leading provider of trade solutions for OIC Member Countries' needs

Mission

ITFC is a catalyst for trade development among OIC Member Countries and beyond



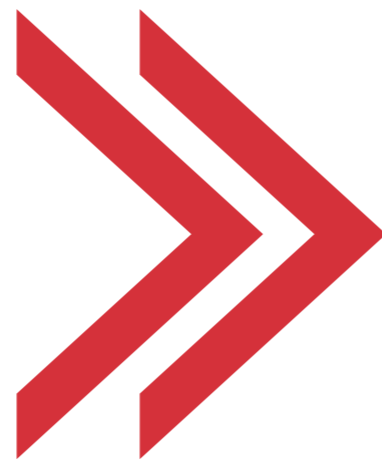
YEAR IN REVIEW

JAN

In collaboration with ITFC, Saudi Exports Development Authority (SAUDI EXPORTS) Launches the Export Finance Promotion Initiative – as part of an agreement to provide financing to local exporters and international importers of Saudi goods.



ITFC organized an Islamic Trade Finance Workshop in partnership with Uzbekistan Banking Association and partially sponsored by PSB Bank - Uzbekistan



APR

ITFC Signs Six High-Level Trade Agreements over US\$1.1bn with OIC member countries including CIS, MENA, South America and Sub-Saharan Africa regions during the IsDB Group 44th Annual Meeting in Marrakech – Morocco.



ITFC in collaboration with the IE School of Global and Public Affairs (IE) and ITC celebrated the launch of the groundbreaking Executive Master in Internationalization and Trade "EMIT" in Spain.



MAY



ITFC in Partnership with Dubai Exports organize the 2nd Arab African Buyers/Sellers Meeting on Agri-Food Products under the AATB Program – attracting 40 African Companies and witnessing over 200 B2B meetings.



Start

FEB

ITFC Provides more than US\$380 Million through Turk Eximbank for Supporting Turkish SMEs

ITFC Signs US\$154 Million Financing Agreement with STEG to Finance the Import of Natural Gas in Tunisia



MAR

ITFC Inaugurates the Graduation Ceremony of "Training and Employment for Export (TREE) Program" in Egypt - The program aims to train and empower Egyptian youth through building a cadre of export specialists that qualify for recruitment by Egyptian export companies.



ITFC organized an Islamic Trade Finance Workshop in Bishkek – Kyrgyz Republic in partnership with the Central Bank to support local FIs to further enhance their capacity in Trade Finance and Islamic Finance.

JUN

ITFC and FCI signed an MoU to create a new Islamic Factoring Chapter within the FCI network - the chapter will include thought leaders from the region, to increase financing opportunities for SMEs via Islamic Factoring.



ITFC announced the successful implementation of US\$1.13 billion of trade financing in favor of Egypt, with the presence of Ministers of: Investment & International Cooperation, Petroleum and Mineral Resources, Supply and Internal Trade and Planning. The financing included US\$393 million for the purchase of wheat and rice and US\$737 million for the purchase of petroleum products



Our Vision

"ITFC is the leading provider of trade solutions for OIC member countries' needs"

Our Mission

"ITFC is a catalyst for trade development among OIC member countries and beyond"



JUL



ITFC's Coffee Export Development Program sees over 300 coffee farmers in North Sumatera benefit from new techniques to enhance production while tackling climate change during a Graduation Ceremony for coffee farmers who have completed the series of training and capacity development workshops.



OCT

ITFC signs US\$1.5 billion framework agreement with Maldives, witnessed by the President of Maldives Ibrahim Mohamed Solih, to finance key sectors of fuel, which is a highly strategic commodity for the Maldivian economy.



The design and development of Innovation Zones is one initiative within ITFC's Innovation Culture program to promote continuous engagement and out of the box working spaces for staff.



NOV

ITFC hosted and launched Integrated Programs in Senegal – As part of the AATB Program, ITFC organized the 2nd Governing Board Meeting, the 3rd Buyers/Sellers Meeting on Pharmaceutical and Related Industries in partnership with BADEA and in collaboration with Saudi Exports and ACAME; and OCP Africa and ITFC Launch the OCP Mobile School Lab.



Launching the West Africa SMEs Program in Senegal during the Official Visit and under the witness of H.E Amadou Hott, Minister of Economy, Planning & Cooperation of Senegal.



SEP

During an Official Visit to Djibouti - US\$600 Million Framework Agreement for Trade Solutions in The Republic of Djibouti to support its energy security and socio-economic development

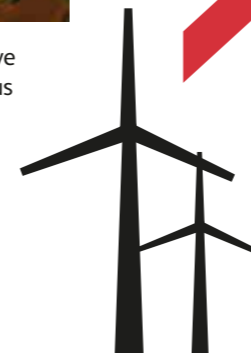


DEC

ITFC Partners Forum 2019 – a financial forum organized by ITFC inviting its Syndication and Treasury Partners from International, Regional and Local Financial Institutions, Banks and Funds.



ITFC PARTNERS FORUM 2019
Investing for Impact



ITFEC

Strategic Objectives



ITFCs 10-year strategic plan reflects the role and ambition to become a world class trade enabler and trade facilitator, and thereby become **“the leading provider of trade solutions for OIC member countries’ needs”**.

The elements of IsDBG’s 10-year Strategy, which ITFC contributes towards, are explicitly recast in ITFC’s Strategic Plan. There are three strategic objectives that ITFC has identified as central in its contribution towards achieving the wider IsDBG’s vision. This includes increasing



Specifically, ITFC's Strategic Objectives are supported through three Strategic Pillars:



ITFC’s contribution to private sector development within member countries is significant, given that trade is the most significant driver of economic development.

Expanding co-operation between member countries is facilitated by ITFC’s trade solutions, which specifically aims to increase trade between member countries.

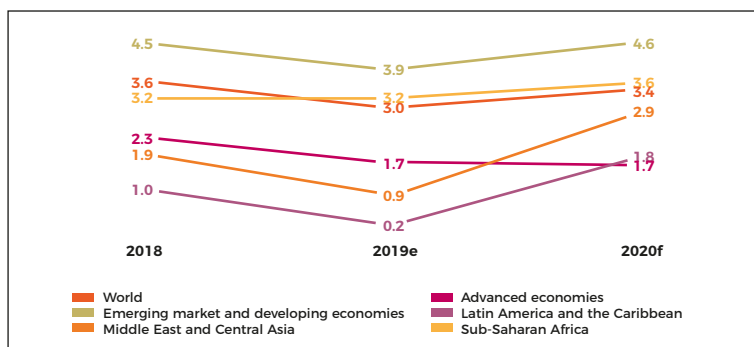
ITFC focuses on developing Islamic Trade Finance solutions both through its own provision of products, as well as by working with local banks to increase their capacity to provide such products.

World Economy & Trade Outlook

Global Economic Overview

The Organization for Economic Co-operation and Development (OECD) lowered its latest estimate of global economic growth for 2019 to its lowest level since the outbreak of the financial crisis in 2008, to 2.9 percent¹; 0.3 percent lower than its previous forecast at the beginning of 2019. Its forecast for the next year 2020 was 3 percent, 0.4 percent lower than the previous one. Similarly, the International Monetary Fund (IMF) lowered its global growth outlook at 3.0 percent for 2019 and projected growth at 3.4 percent in 2020 (Figure 1) owing to potential upturn "in economic performance in a number of emerging markets in Latin America, Middle East, emerging markets that is under macroeconomic strain"². Both Groups warned that the rising trade tensions were holding back growth prospects for the global economy. In addition, the IMF attributed low global growth forecasts to a "geographic widespread" decline in global manufacturing and trade.

Figure 1 Global Growth Rate between 2018 and 2020 (In percentages)



¹ OECD Interim Economic Outlook:
<https://www.oecd.org/economy/oecd-sees-rising-trade-tensions-and-policy-uncertainty-further-weakening-global-growth.htm>

² World Economic Outlook, October 2019-International Monetary Fund

³ WTO's Press Release 1 October 2019:
https://www.wto.org/english/news_e/pr19_e/pr840_e.pdf



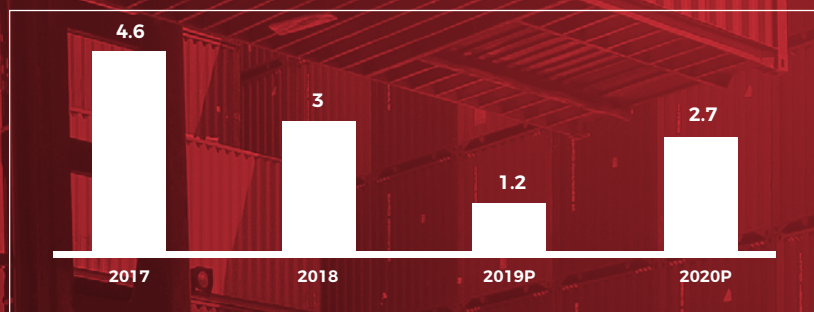
Fiscal policy stimuli in advanced economies and emerging markets have helped mitigate the impact of economic crises such as trade tensions which the later was responsible for reducing global GDP growth projections by 0.8% in 2020. Without those stimuli, global growth estimates may have fallen to 2.5% in 2019 and 2.9% in 2020.

Developed economies are expected to see a steady growth rate of 1.7% in 2019 and 2020 while emerging markets and developing economies are projected to accelerate from 3.9% in 2019 to 4.6% in 2020. Contrary to this, the growth estimates for the Middle East and Central Asia region were revised lower to 0.9 percent in 2019 but is expected to grow to 2.9 percent next year owing to the weakening in oil global market.

GLOBAL TRADE OVERVIEW

Rising trade tensions and a slowing global economy have also led to a sharp decline in trade growth forecasts in 2019 and 2020, and global merchandise trade is now likely to rise only 1.2 percent in 2019, much slower than growth forecasts, which was 2.6 percent as forecasted beginning of 2019 by the World Trade Organization (WTO). "The projected increase in 2020 is now 2.7%, down from 3.0% previously (Figure 2). The economists caution that downside risks remain high and that the 2020 projection depends on a return to more normal trade relations."⁵

Figure 2 World's Annual Merchandise Trade (% change)



Because of the high degree of uncertainty associated with trade forecasts under the current circumstances, the estimated growth rate of global trade in 2019 has been within the range of 0.5 percent to 1.6 percent. But the WTO warned that trade growth could fall below this range if trade tensions continued to build. On the other hand, the range of trade-weighted financial values is broader for 2020, ranging from 1.7 percent to 3.7 percent.

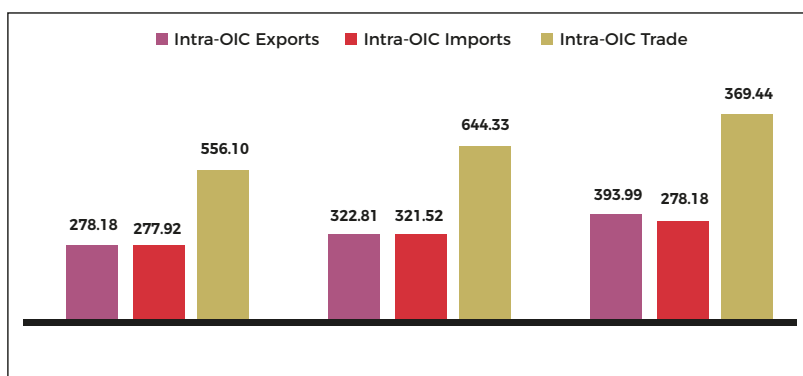
The WTO's report showed that North America had the fastest export growth rates in the first half of 2019, at 1.4%, followed by South America by 1.3%, while European and Asian exports rose by only 0.7% each. In terms of import growth, North America also led the way by 1.8%, while the demand for foreign goods remained stable in Europe and declined in both South America and Asia.

Economic and Trade Performance of OIC Countries

Member countries of the Organization of Islamic Cooperation (OIC) have also had their share in declining growth rate projections. The average overall GDP growth of the Member is expected to close at 2.7 percent in 2019 lower than the 3.4 percent growth in 2018. However, in 2020 it is expected that OIC member countries will record a better growth rate reaching almost 5 percent on average⁴. In current prices, the share of OIC member states in the global GDP is approximately 8% i.e. US\$ 6.6 trillion out of US\$ 86.6 trillion estimated by the IMF in 2019. The Member is still way below individual economies such as the United States and China with each expected to record higher shares US\$ 21 trillion and US\$ 14 trillion, respectively end of 2019.

However, a GDP growth above 10%, in 2018 current US\$ prices, was recorded in the following countries: Albania, Azerbaijan, Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Guinea, Libya, Malaysia, Mozambique, Niger, Oman, Qatar, Saudi Arabia, Senegal, Suriname and Togo⁵. The same is expected by end of 2019.

Figure 3 Intra-OIC 2016-2018 in US\$ Billion, ICDT calculations and UNCTAD



⁴ WTO's Press Release 1 October 2019: https://www.wto.org/english/news_e/pres19_e/pr840_e.pdf

⁵ IMF's latest World Economic Outlook

Trade among OIC countries experienced a growing trend by 18 percent increase in total OIC trade volume i.e. US\$644 billion in 2017 to more than US\$763 billion in 2018 (Figure 3). This also is well noticed with respect to the share of intra-OIC trade in the total trade of Member States from 18.69 percent in 2016 to 21.22 percent in 2018, representing an increase of 13.5 percent. As for the share of OIC trade with respect to world trade, it has witnessed a steady trend between 2016 and 2018 which represented 9.29 percent of the world trade in 2016 against 9.22% in 2018.

OIC countries' exports recorded a steady increase between 2016 and 2018⁶

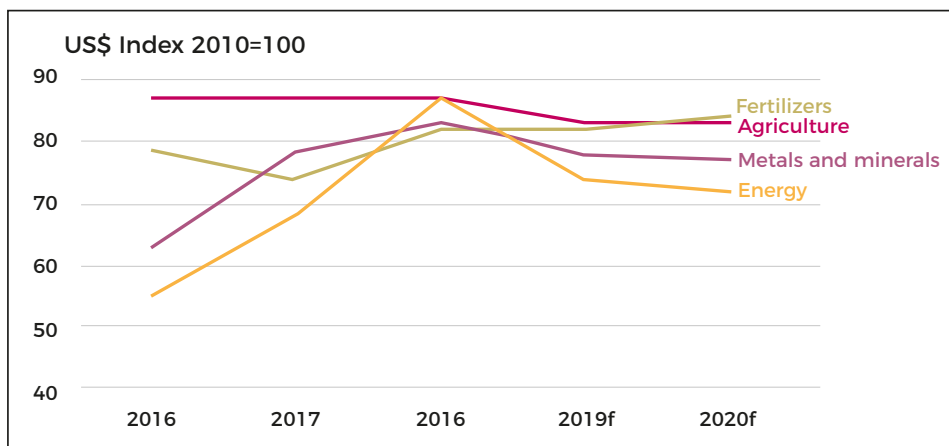
(US\$278 billion to US\$ 394 billion) a 21.9 percent increase from 2017 to 2018. Turkey, United Arab Emirates, Saudi Arabia, Malaysia, and Indonesia still top the OIC member states in exports accounting for about 61 percent of total intra-trade OIC volume in 2018.

As for OIC imports, they were in line with exports' trend in the period 2016-2018 which increased by 33 percent to close at US\$ 369.4 billion in 2018 i.e. an improvement of 14.9 percent from 2017. The top OIC importing countries, namely Turkey, United Arab Emirates, Saudi Arabia, Pakistan, and Indonesia accounted for about 43% of all intra-OIC imports in 2018.

STATE OF GLOBAL COMMODITY PRICES

The negative outlook is expected to continue to 2020 in most of the commodity prices as stated by the World Bank in its recent statement end of October 2019 (Figure 3). After falling sharply in 2019, energy and metal prices will continue to fall due to weak global growth expectations and the consequent decline in demand. According to the bank's experts, crude oil prices are expected to average \$ 60 a barrel in 2019 and then fall to \$ 58 a barrel in 2020. These forecasts are \$ 6 and \$ 7 a barrel lower than expected in their statement in Q1 2019. Overall, energy prices, which also include natural gas and coal, are expected to fall by about 15% in 2019 compared to 2018 and continue to fall in 2020.

Figure 4 Oct 2019 World Bank's Nominal price indexes



Metal prices are also expected to fall 5% in 2019 and continue the same in 2020 as falling global demand weighs heavily on the market. Precious metals, which have risen sharply in 2019, are forecast to make further gains in 2020 in response to growing global uncertainty and easing monetary policies.

Agricultural commodity prices are expected too to fall in 2019 but will stabilize in 2020. Resolving trade tensions could lead to higher prices for some agricultural commodities, such as soybeans and corn, while lower energy prices could lower fuel and fertilizer costs, reducing energy-intensive crops such as oilseeds.

⁶ The Islamic Centre for Development of Trade (ICDT) and the United Nations Conference on Trade and Development (UNCTAD) latest reports



Transformation

**for a
Greater
Impact**



ITFC's Business Model to Serve the Market Needs

ITFC's strategic plan reflects the role and ambition to become a world class trade enabler and trade facilitator, and thereby become "the leading provider of trade solutions for OIC member countries' needs".

This vision will be achieved through ITFC's business model as outlined below, which will propel the Corporation towards a transformational shift.



i. Growing visibility by becoming a global hub for Islamic trade finance and development through decentralization, international communications and thought-leadership.



ii. Build Trade Solutions to create market impact across Member Countries, through support from trade development partners, trade finance clients, financial institutions and off-balance sheet resource mobilization.



iii. Promoting development impact through inclusive growth and contributing towards the SDGs agenda.



iv. Building a resilient business model for sustainable growth by diversifying the portfolio and adopting an innovative integrated trade programs approach.



v. Achieving organizational excellence by creating a culture geared towards results and delivering internal process efficiencies.

ITFC has considered what it would take to truly become the leading provider of trade solutions for Member Countries and reflected upon the business and financial model required to achieve a step-change in performance.

The reforms proposed by ITFC will deliver a step-change in performance across ITFC's value proposition and the underlying operating and financial model.

The reforms proposed aim to deliver the following:

Diversify the portfolio through on-balance sheet leveraging

01

Reduced single customer, geographic, and sector/product concentration

02

Enhance income by launching new lines of business and new products

03

Deliver strong financial returns by growing income and rationalizing costs

04

Accelerate disbursements through client centricity

05

Grow the trade finance portfolio

06

Build Trade Solutions through integrate trade development programs with country partnership strategies

07

Promote development impact through the Sustainable Development Goals

08

Create visibility and business growth through decentralization

09

Efficient human capital management

10

Holistically aligned with the IsDB Group and the President's 5 Year Program

11

ITFC Commitment on Sustainable Development Goals

Advancing Trade and Improving Lives are the founding values of ITFC. These twin values are at the core of ITFC’s 10-year Strategy, which is designed to deliver financial growth through the provision of trade solutions and create development impact across our 57 Member Countries.

It is this balancing mandate which inspired ITFC to begin publishing its Annual Development Effectiveness Report, which is organized around six themes, each linked against ITFCs Strategic Pillars, the IsDB Strategic Objectives, and contributing towards globally recognized United Nations Sustainable Development Goals. This concept has come to represent ITFCs Development Impact Framework.



Theme 1: Inclusive Growth

Inclusive growth is a key outcome of ITFC's provision of trade financing. It denotes a focus on including everyone in the development process, making sure economic benefits from trade finance, cross-border trade and economic growth are shared with Less Development Member Countries.

Theme 2: Private Sector Development

The private sector provides on average 90% of all jobs in developing countries, and these jobs offer the best opportunity for millions around the world to lift themselves out of poverty. In addition, ITFC will be able to diversify the portfolio away from Sovereign financing towards a more balanced public-private portfolio by emphasizing Private Sector growth.

Theme 3: Technology, Skills and Innovation

Long-term growth is dependent on structural transformation and productivity growth, which in turn are achieved by accumulating technological capacity, skills, and by fostering innovation in Member Countries. ITFC is well situated to support these areas through targeted trade finance on marginal sectors, in alignment with the country vision, economic plan and development agenda of Member Countries.

Theme 4: Sustainability

Sustainability has taken center stage in the global consensus on development, and ITFC is committed to promoting sustainability by providing people of Member Countries with reliable access to energy, food security and health and well-being.

Theme 5: Delivery Effectiveness

Ensuring development effectiveness hinges on the efficient delivery of trade solutions through partnerships, driving intra-OIC trade and being responsive to customer demands by being regionally present.

Theme 6: Portfolio Management

As a member institution of the IsDB, ITFC shares its dual mandate of attaining strategic development objectives while maintaining financial sustainability – Advancing Trade and Improving Lives.

ITFC's 3-Year Transformation Journey

The transformation journey commenced in July 2017 with the formation of departmental and cross-functional teams focused on delivering a set of 35 strategic initiatives under ITFC's transformation roadmap.

This transformation roadmap covers three phases, with the first phase of the transformation, the 'Reset' phase completed in 2018, the second 'Rebuild' phase in 2019 and the final 'Renew' phase in 2020.

Reset
2017-2018

Rebuild
2018-2019

Renew
2019-2020

Reset Phase

2017-2018

Following the completion of the Reset phase in 2017, ITFC has begun to ensure financial sustainability while creating development impact – to fulfil its balancing mandate to Advance Trade and Improve Lives. For instance, several strategic initiatives include the implementation of a Streamlined Organizational Structure, enhanced Governance, set-up of a Performance Measurement Strategic Balanced Scorecard, establishment of a Development Impact Framework and consistent development reporting through ITFCs Annual Development Impact Reports.

Rebuild Phase

2018-2019

The Rebuild phase in ITFC emphasized upon the development of new trade finance products, new trade solutions and building new lines of Income. This is leading towards growth in new markets and new sectors, particularly SME Development financing through Financial Institutions. During this phase ITFC showcased success stories internationally, reached out to new trade development and syndication partners. For instance, several strategic initiatives include the development of LC Confirmation and Salam financial products, an enhanced Delegation of Authority, design and testing of a the flagship "West Africa SMEs Program", a new SME Partnership Structure and a refined Customer Experience Journey leading to record Client Satisfaction Results.

Renew Phase

2019-2020

During the Renew phase, ITFC is now placing emphasis on 'future-proofing' the business by exploring new opportunities across Digitalization, Innovation and Trade Advisory. The purpose is to augment ITFCs Vision in the market as the "Leading Provider of Trade Solutions for OIC Member Countries' Needs".

Improving the Organizational Efficiency

Bolstering Human Capital to Effectively Deliver on ITFC Mandate

Hand in hand with the conceptualization and the implementation of the new itfc Strategy, HR was working on the concept of “Performance Driven Organization” to instill a winning character within the ITFC culture, teams, and individuals. The “Performance Driven Organization” as a concept was further detailed to three main domains;

- Performance Driven Culture
- Performance Driven People
- Performance Driven Rules and Regulations

All those domains complement and integrate to enable ITFC to better perform with regards advancing trade and improving lives.

Policies, procedures, guidelines, initiatives, projects, meetings, discussions, and deliberations addressing the transformation journey of the ITFC to a performance driven organization has been taking place in the ITFC. A framework to inspire success balancing human needs to grow and develop and organizational needs to sustain and deliver.

As part of the efforts to realize a “Performance Driven People”, HR realized that innovation can be better achieved with more 360 degree understanding of the trade as a lever for development only when synergy exist between trade financing, trade promotion, and trade development. Such vision energized the HR to study the learning and development needs for such 360 understanding, that materialized in a quest to create an academic program with a practical approach building the competence and skills of executives working in the field of trade to question the norms, disrupt prevailing practices, reframe the landscape, and innovate new ways and waves of changes. IE school of global and public affairs was identified by ITFC to be the academic partner for such quest and together we co-created the “Executive Masters in Internationalization and Trade” with partnership with leading players in the trade industry; the International Chamber of Commerce (ICC) and the International Trade Center (ITC), who realized the need for such program and shared the ITFC vision of the Trade Executives of the future.



Executive Masters in Internationalization and Trade

More details of the program can be found on
<https://www.ie.edu/school-global-public-affairs/programs/graduate/executive-master-internationalization-trade/>

Enhancing Proximity to Stakeholders – Decentralization

ITFC, in partnership with the Decentralization Facilitation Unit (DFU) of the IsDB, has established a decentralization unit. Its goal is to initiate, manage, and maintain decentralization of client-facing staff to the field so that they can be closer to MCs and act in a more expedited and efficient manner. In line with this strategy, ITFC has relocated several client-facing staff to the Regional Hubs and is maintaining close and continuous collaboration with IsDB in the Regional Hubs of Dakar (Senegal), Dhaka (Bangladesh), Istanbul (Turkey), Jakarta (Indonesia), and Rabat (Morocco). In addition, ITFC is operating a branch in Dubai (UAE).

The decentralization and enhancement of regional presence strategy is already yielding significant benefits in improved client relationship, greater regional visibility, and increased business volume and approvals. Growth continued in 2019, with the hiring of a field representative in Cairo, Egypt.

Number of Staff in 2019



Governance, Legal and Risk Management

Risk Management

During the year under review, the Corporation continued strengthening the enterprise-wide risk management and control functions, which are essential components of corporate governance. The importance of the risk management function is of paramount consideration, especially in the current volatile business environment, since a robust risk management framework is critical for the achievement of the Corporation's twin goals, i.e. Development Impact and Financial Sustainability.

With the core risk management infrastructure already in place, the focus during the year has been on firming up the risk culture across the Corporation. Efforts were made to introduce or further improve various risk management working documents and instruments, i.e. policies & procedures, systems & tools. It is in this context that Moody's reaffirmed in October 2019 ITFC's credit rating of A1/P1 with a Stable outlook.

While refining the existing risk management infrastructure, the Corporation achieved some significant milestones which are mentioned hereunder:

- Development or Update of policies, guidelines and procedures pertaining to pricing, limit setting and management and credit Administration
- On boarding of Moody's Credit Lens software
- Strengthening of internal controls in the core banking system
- Regular delivery of awareness sessions/notes on various risk management and internal control topics

Over the next three years, ITFC will continue to focus on further improving the risk management framework through its three pillars (working documents, systems & measurement tools and people) and across the three main risk clusters (Credit, Market and Operational risks). Hence, the Corporation will continue dedicating special attention to the following areas of priority:

- Further enhancement of the risk culture
- Acquisition of new and improve existing systems and tools for risk management
- Introduction and update of risk management policies
- Strengthening of the compliance function

For the effective implementation of the risk management framework at the Corporate level, responsibilities are assigned at supervisory, management and department levels, which are described below.

At Supervisory Level

(Board of Directors and Audit Committee of the Board)

The Board provides strategic direction for effective risk management and has the ultimate responsibility for managing all material risks that ITFC may be exposed to and ensuring that the required resources, systems, practices and culture are in place to address such risks. In discharging these responsibilities, the Board has established the Audit Committee of the Board. The Audit Committee supervises most of the functions of risk management on behalf of the Board.

At Management Level

(Management Committee, Risk Management Committee, Credit Committee, Operations Review Committee, Assets Liabilities Committee and Portfolio Assessment Committee)

The Management and Risk Management Committee focuses on corporate-wide risk-related issues in terms of policy and risk infrastructure. Operations Review Committee, Credit Committee and Portfolio Assessment Committee are responsible for credit risk at transactions level. On the other hand, the Assets Liabilities Committee (ALCO) focuses on matters about liquidity and market risk.

At Department Level

(Business Functions/Owners of Risk, Support Functions, Control Functions, & Compliance)

Risk Management Office (RMO)

For effective implementation of the risk management framework, a dedicated Risk Management Office operates within ITFC and focuses on credit, market, operational, compliance and other risks. The RMO is independent of business and support functions.



“
**Offering
Trade
Solutions
to Meet OIC
Financing
Needs**”

Advancing Trade to Enhance Development Impact

Overview of 2019

2019 was another record year for ITFC on many fronts. The Corporation was well positioned to deliver on its core mandate of advancing trade by increasing the overall volume of financing, accelerating disbursements, reaching new Member Countries, and onboarding new clients.

With that said, the year was not without its fair share of challenging market conditions. Prolonged trade tensions continued to exacerbate the cyclical slowdown in the global economy and Member Countries were feeling the deceleration of growth over the year. Notwithstanding these challenges, ITFC registered remarkable performance in 2019, characterized by significant jump in approvals and disbursements, which are the core measures of ITFC's trade finance intervention.

In 2019, in terms of year-on-year comparison, total trade finance approvals were higher by 12%, increasing from US\$5.2 billion in 2018 to US\$5.8 billion. Moreover, disbursements reached new heights, increasing by 8.7% in 2019, from US\$4.57 billion in 2018 to US\$4.97 billion, a strong evidence of ITFC's ability to deliver on its mandate whilst adjusting to volatile and challenging market environments. Efforts to further decentralize helped boost overall efficiency in utilization of approved operations, leading to higher disbursements.

ITFC continued to allocate substantial amount of its financing towards Least Developed Member Countries aimed at enhancing financial inclusion and extending support where it is most needed. In this regard, out of the total trade finance approvals for 2019, 35% was allocated to LDMCs, compared to 32% in the previous year.

In 2019, ITFC continued its efforts towards advancing its strategic objective of pursuing a sustainable business model in line with the developmental aspirations and objectives of Member Countries. This required creating a balance between responding to the needs of Member Countries and diversifying the trade finance portfolio by engaging new Member Countries and onboarding new clients, with a particular focus on expanding line of finance as the primary tool to support the private sector. In this regard, 12 new clients were added, which further expanded ITFC's total number of clients, particularly banks, which is in line with the diversification strategy. Clients added included Financial Institutions from Bangladesh, Kyrgyz Republic, Nigeria, Senegal, Uzbekistan and Uganda.

A breakdown of the trade finance approvals by region is provided in Table 1:

	Asia & Middle East	Africa & Latin America	Total Approvals	Total Disbursements
2018 Actual	3,353.0 (64%)	1,847.8 (36%)	5,200.8 (100%)	4,578.0
2019 Actual	3,809 (65%)	2,032 (35%)	5,841 (100%)	4,977

In 2019, ITFC improved its developmental impact by enhancing in-house tools and instruments to track and monitor the developmental objectives of each financing extended by ITFC. This was done to measure the development impact by continuing the process of moving towards a program-based integrated approach, where trade finance operations are integrated with trade development and capacity building, to multiply the development impact.

In addition, the Corporation continued to maintain its solidarity with Member Countries by targeting sectors that are key to economic and social development, particularly energy, food & agriculture and private sector. In this respect, ITFC's financing for the energy sector amounted to US\$3,449 million, while financing for the food & agricultural sector stood at US\$565 million.

With respect to the private sector support, particularly focusing on SME development, ITFC made significant efforts in 2019 to maintain the current relationships and establish new partnerships with local Financial Institutions to provide alternative sources of finance. This support to private sector participants through Murabaha Financing and Lines of Financing to banks and non-bank financial institutions amounted to US\$677million, while ITFC's overall private sector financing stood at US\$821 million. ITFC was able to successfully establish new partnerships with 8 Financial Institutions to serve SMEs. The new partnerships enabled ITFC to increase the number of partner banks for SME support to 16 (sixteen).

A breakdown of the trade finance approvals by sector is provided in Table 2:

Sectors	2018 Actual	%	2019 Actual	%
Energy Sector	3,496.0	67.2	4,449	76.1
Food & Agriculture Sector	749.6	14.4	565	9.7
Financial Sector	635.8	12.2	677	11.6
Other Sectors	319.5	6.1	150	2.6
Total Approvals	5,200.9	100	5,841	100

In terms of portfolio breakdown by security type, sovereign exposure continued to comprise the bulk of the portfolio, accounting for 86% of the total, compared to 83.9% of 2018.

A breakdown of the portfolio by security type is provided in Table 3:

Type of Security	2018 Actual	%	2019 Actual	%
Sovereign	4,362.8	83.9	5,019	86.0
Bank Guaranteed	635.8	12.2	117	2.0
Unsecured Lending	92.0	1.8	601	10.0
STF	30.0	0.6	-	-
Credit Insurance	80.0	1.5	104	2.0
Total	5,200	100	5,841	100

ITFC's sovereign exposure is primarily driven by large-ticket deals to finance the energy and food & agriculture sectors, and it is mainly extended under strategic framework agreements signed with Member Countries, in line with their national development priorities.



BOX 01

Framework Agreements Signed in 2019



Republic of Uzbekistan

US\$500 million Framework Agreement signed in January 2019 to guide ITFC's interventions over the coming 4 years.



Republic of Mali

US\$300 million Framework Agreement signed in April 2019 to guide ITFC's interventions over the coming 3 years.



Republic of Niger

US\$80 million Framework Agreement signed in April 2019 to guide ITFC's interventions over the coming 5 years.



Republic of Djibouti

US\$600 million Framework Agreement signed in September 2019 to guide ITFC's interventions over the coming 3 years.



Republic of Maldives

US\$1.5 billion Framework Agreement signed in October 2019 to guide ITFC's interventions over the coming 5 years.



Republic of Tajikistan

US\$150 million Framework Agreement signed in June 2019 to guide ITFC's interventions over the coming 3 years.



Kyrgyz Republic

US\$150 million Framework Agreement signed in April 2019 to guide ITFC's interventions over the coming 3 years.



Republic of Suriname

US\$75 million Framework Agreement signed in April 2019 to guide ITFC's interventions over the coming 3 years.



Republic of Senegal

US\$1.5 billion Framework Agreement signed in November 2019 to guide ITFC's interventions over the coming 5 years.

ITFC is the Catalyst of Intra-OIC Trade

ITFC was established in response to calls for increase and acceleration of intra-OIC trade, driven by a market-oriented Corporation operating within the IsDB Group. As such, since inception, ITFC has made it central to its strategy and operations to focus on contributing to the increase and expansion of trade between the OIC Member Countries and beyond. In 2019, 67.3% of ITFC trade financing operations, representing US\$3,934.5 million, focused on facilitating trade between OIC Member Countries, thus increasing the ITFC contribution to the socio-economic well-being of OIC Member Countries.



ITFC and Afreximbank join efforts to support African Exporters



Afreximbank has developed a strategic partnership with ITFC under the Arab-Africa Trade Bridges programme and other initiatives that stimulate growth and development in the Arab-Africa regions. The programme has facilitated the expansion of African member countries' trade and Investment with the Arab countries. It helped to promote Arab-African economic integration and development of international trade through an improved access to trade finance by African countries exporting or importing from Arab markets and the expansion of value-added exports.

ITFC team has been constantly engaging with Afreximbank with professionalism and dedication to ensure that our mutual objective of boosting Afro-Arab trade and economic development is successfully achieved. It helped Afreximbank to familiarize itself with the key principles of Islamic Finance which enables the bank to access additional source of funds in support of its trade finance business activities. As a

result, Murabaha lines of credit for a total amount of US\$ 250 million were granted to Afreximbank to finance a tremendous number of trade finance transactions in its African member countries.

Thanks to ITFC's support, the beneficiaries of Afreximbank's facilities have been able to develop and grow their businesses, create jobs and drive economic growth on the continent.

ITFC has also been a strong supporter of Afreximbank's Intra-African Trade Fair through promotion as well as serving on its Advisory Council. Afreximbank expects to expand further this successful mutually beneficial partnership with ITFC in a bid to develop and promote Arab-Africa trade and investment to the benefit of our respective member countries.

Prof. B.O. Oramah,

President and Chairman of the Board of Directors

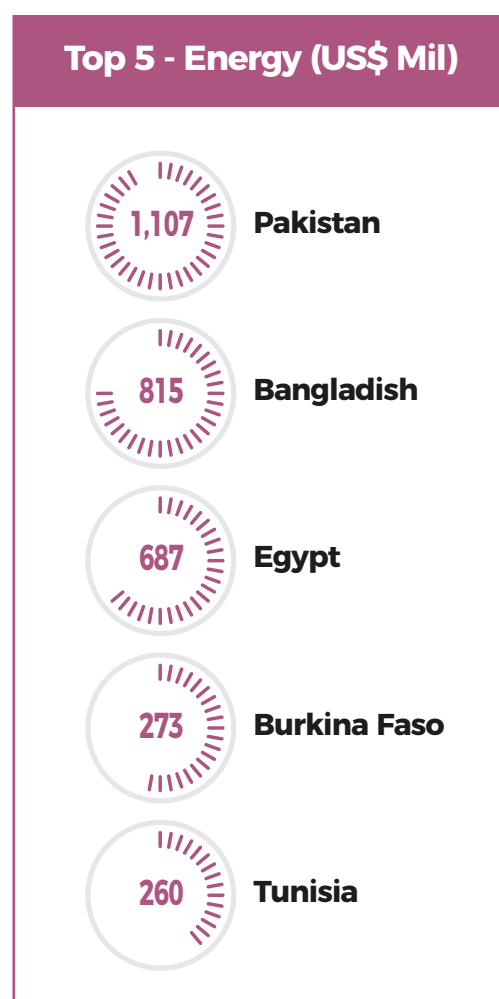
Ensuring the Sustainable Supply of Energy

Sustainable and uninterrupted supply of energy is the key to the economic and social development of all Member Countries. ITFC supports the MCs, particularly the LDMCs, to combat and alleviate poverty through providing needed financing for ensuring adequate and uninterrupted supply of energy, which has multiple impacts on productivity, health, education, sustainable employment, food and energy security.

Therefore, improving access to energy is crucial to unlock the potentials for faster economic and social development in MCs. In this context, ITFC considers supporting the energy sector as one of the main pillars of its strategy and objectives. As such, in 2019 ITFC remained a reliable and steadfast partner in providing financing to secure fuel and electricity supplies in order to maintain stable electricity generation and reaching large number of the populations including those residing in rural areas.

In many Member Countries where there are only limited financiers willing and able to fund energy sector-related transactions, which often require sizable funding, ITFC acts as a catalyst in mobilizing resources from international markets to fund large size syndicated deals. To this effect, sizeable deals were done for some member countries as follows.

Figure 5: ITFC 2019 Top Beneficiaries in Energy Sector



ITFC's Intervention in the Energy Sector in Pakistan

The facility provided by ITFC is very helpful in financing Oil and Gas imports bill of the country and easing of pressure on foreign exchange reserved of the country.

The petroleum product and LNG imported through ITFC financing are mainly consumed in automobile and manufacture sector, generation of thermal power and household energy needs. Through ITFC financing for import of oil and LNG 22% of the power consumption in the country with a total population of 208 million. More than 500,000 households are provided with access to electricity through ITFC financing.

ITFC may provide its expertise for capacity building of SBP and other stakeholders for promotion of Islamic mode of trade finance in line with international best practices. The experience and learning of ITFC experts would help in developing knowledge and expertise of Pakistani Banks in development of Sharia Compliant Products, risk management and implementation of Warehouse Receipt Financing (WRF).

Muhammad Hammad Azhar
Federal Minister of Economic Affairs
Republic of Pakistan



Agribusiness Sector Financing Boosting Food Security through access to Finance for Farmers

Supporting the Member Countries in achieving their national developmental aspirations and objectives, such as food security, stands at the core of the Corporation's goals and day-to-day operations. As such, in 2019 ITFC continued to provide financing for agricultural commodities that are essential for Member Countries to create jobs, enhance household incomes, improve productivity, alleviate poverty, and bolster food security.

In 2019, trade finance approvals for the food & agriculture sector amounted to US\$565 million, representing 9.7% of the total trade finance portfolio. During the year, ITFC approved 12 operations for the food & agriculture sector in 10 Member Countries.

ITFC's agriculture financing has expanded significantly over the past years, targeting critical areas of the value chain, from farm input to processing, pre-export, and export. It addresses funding needs where it is difficult to attract commercial providers due to the perceived high risk, particularly as it relates to pre-harvest financing. It is worth mentioning that a large portion of ITFC's agriculture financing goes towards the import of essential agriculture inputs, as well as towards harvested cotton and groundnut - two essential commodities that are vital both socially and economically in many Member Countries in Africa.



BOX 04

Food & Agriculture Sector Financing in Egypt

ITFC has had a great role over the years in supporting the Egyptian economy and has built strategic partnerships to provide innovative financial solutions to develop and finance trade in a way that directly impacts and benefits the Egyptian citizen and the development efforts of Egypt.

The General Authority for Supply Commodities (GASC) has teamed up with ITFC to finance the import of wheat and rice, basic food commodities for the country. Thanks to the partnership with ITFC, GASC has been availing these essential commodities to the mass population who rely on the government-subsidized ration card program to ensure food security for all Egyptians. ITFC has provided financing to the tune of US\$ 393 million to support GASC imports needs of wheat and rice.

ITFC has also reached out to different entities within GASC and external parties headed by the Ministry of International Cooperation, in order to achieve the maximum benefit from the trade financing provided by ITFC to the Authority as well as benefit from all its innovative solutions to support the Egyptian citizen and achieve their welfare and support the comprehensive economic development in Egypt.

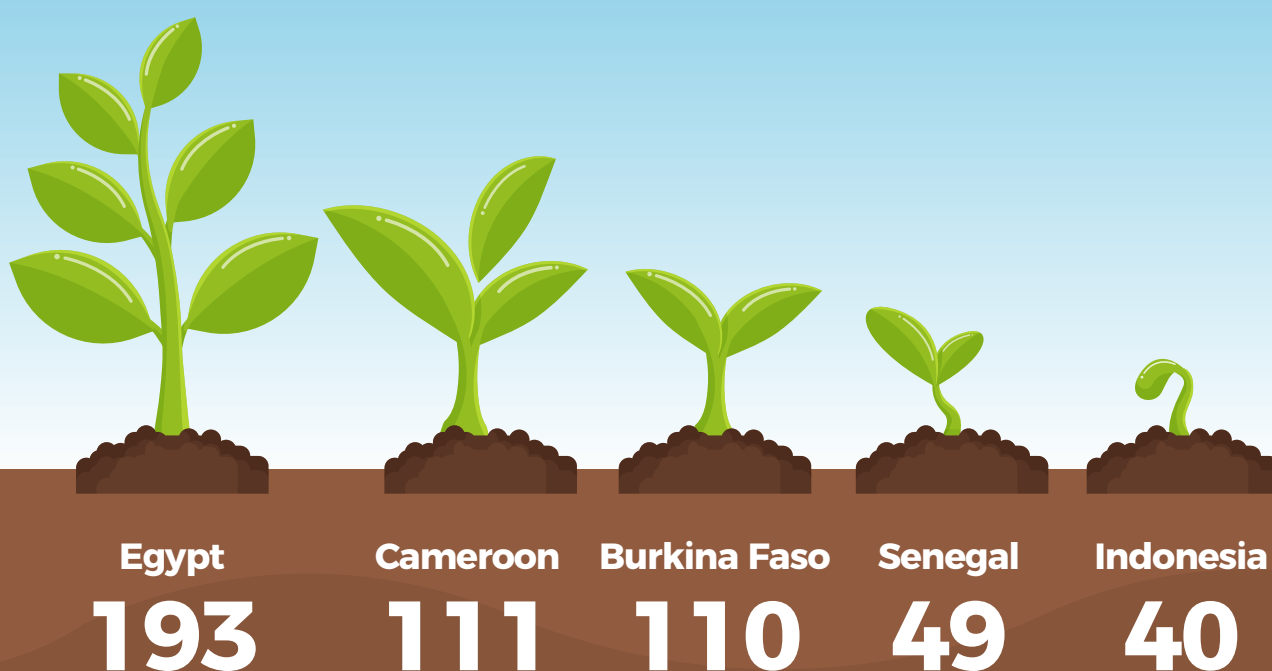
Dr. Ali Al Moseilhy,
Minister of Supply and Internal Trade
Arab Republic of Egypt



In addition to the interventions in Sub-Saharan Africa via financing the cotton and groundnut sectors, ITFC also extended funding in support of agriculture sector related products such as rice (Comoros), coffee beans and palm oil (Indonesia), wheat and sugar (Tajikistan), cotton (Uzbekistan), as well as wheat and rice (Egypt).

Figure 6: ITFC 2019 Top Beneficiaries in Food & Agriculture Sector

Top 5 Food & Agriculture (US\$ Mil)



Private Sector Support Contributing to Job Creation and Income Enhancement



Small and Medium Sized Enterprises (SMEs) are considered one of the major components of the economy, as SMEs play a crucial role in job creation, poverty alleviation and revenue generation. However, limited sources of financing and low access to finance among the SMEs still remain a major obstacle for their business expansion and growth. As such, in its 10-year Strategy, ITFC has further prioritized the importance of establishing partnerships with regional and local Financial Institutions (FIs) for the provision of alternate sources and modes of financing for private sector support, with a particular focus on SMEs.

In line with the above, in 2019 ITFC continued to enhance its cooperation with existing partnerships and made fresh efforts to establish new partnerships with FIs aimed at enabling SMEs so that they can access needed financing for their trade operations. In order to reach a larger number of SMEs in MCs, ITFC provides Murabaha Financing to local financial institutions through Murabaha Financing and Line of Financing mechanisms to banks and non-bank financial institutions, which in turn, extend the financing to SMEs and private sector clients. This not only contributes to creating needed access to finance, but it also helps

promote Islamic banking as partner financial institutions are introduced to Islamic financing instruments and mechanisms.

In addition to providing SMEs with access to finance through partnerships with regional and local FIs, ITFC also supports the private sector through the provision of direct financing to large enterprises and through secured mechanisms, such as the enhanced Structured Trade Finance (STF), Credit Insurance and other types of security mechanism. Total ITFC private sector financing in 2019 stood at US\$821 million, out of which US\$677 million were extended to partner Financial Institutions for SMEs support.



**Total ITFC
Private Sector
Financing in
2019 stood at
US\$821
million**

Murabaha Financing in the amount of US\$ 2 Million to support the Private Sector, with a particular focus on MSMEs, in the Kyrgyz Republic

As a leading Microfinance Company and one of the largest financial institutions in the Kyrgyz Republic, Mol Bulak Finance was the first entity in our country to establish cooperation under the Murabaha Financing scheme with ITFC. Currently MBF is managing the largest Islamic financing portfolio in the country through its Islamic Window and the facility provided by ITFC were utilized through the Islamic Window to finance various trade transaction of MBF clients in different regions of the country. This journey was not easy to implement due to large number of transactions, given the nature of microfinance business. However, thanks to MBF's experience and know-how and thanks to efficient collaboration from ITFC team, the established cooperation between MBF and ITFC had a positive impact on expanding the boundaries of Islamic finance, advancing trade and contributing towards SMEs access to finance in the Kyrgyz Republic. Also, in addition to providing Murabaha Financing, ITFC conducted several workshops on Islamic finance and trade finance, thereby contributing to capacity building of our staff in these areas.

Mr. Babur Tolbaev
CEO
MCC Mol Bulak Finance LLC



BOX 06

Line of Trade Financing in amount of **US\$ 4 Million**

It is a great honour for us to cooperate with ITFC. Partnership between the IsDB group and Trustbank has begun in 2017.

Joint work with ITFC allowed Trustbank to attract the first resources by signing of the Line of trade finance Agreement.

Thanks to ITFC's Line, we were able to finance our customers, support their participation in international trade and add our contribution to the development of SME in the Republic of Uzbekistan.

Activities related to ITFC became a new experience for our Bank in trade finance. We are confident that fruitful, intensive and constructive cooperation of both parties will expand the partnership between our two organizations in the future.

Mr. Sardor Normukhamedov,
Chairman of the Board,
Private Joint-Stock bank "Trustbank"





**Creating
Enabling
Environment
to Advance
Trade and
Economic
Development**



Leveraging on Partnership with FIs - Helping SMEs to Expand

One of ITFC's areas of intervention is to support SMEs in their efforts to be engaged in the economy. It is a known fact that SMEs constitute majority of any economy's activities, yet they are the ones facing most challenges and obstacles to grow. These obstacles are different from one country to another and range widely within one country.

For this reason, ITFC launched towards the end of 2018 a program to support SMEs and enhance their access to trade finance. The program is was launched in Burkina Faso during the Rebranding Africa Forum for the benefit of countries members of the WAEMU. The program is called the "West Africa SMEs Program" with two pilots planned, one in Burkina Faso and one in Senegal.

The Program includes four components:

1. capacity development to selected SMEs,
2. capacity building and SMEs' assessment tools for the partner banks,
3. Line of Trade Finance to partner banks
4. Support the successful SMEs in the submission process of their bankable projects

The table below illustrates the outcomes so far. In short, the SMEs component for Burkina Faso was concluded mid 2019 with 40% turnaround of sample SMEs from rejected to approved and obtained financing.

In 2019 also, the SMEs component for Senegal was launched along with the Bank component for both Burkina Faso and Senegal.

Trade Development Activities



Starting from
2019

Arab Africa Trade Bridges Program

Objective

To develop and enhance trade and investment relationships between the Arab and African Countries

Key Targets

- To create trade opportunities between businessmen and SMEs in both regions.
- Enhance partnerships to develop financial products to facilitate inter-regional trade and investment;
- Develop trade related training programs



Starting from
2019

Export Launchpad Program

Objective

- To develop human resources in the field of international trade and to equip the Trade Support Institutions (TSIs) with the capacity to deliver trade related training programs and support services to exporters and potential exporters.
- To assist SMEs in the beneficiary countries to access the Canadian market (Canadian Market access support).

Key Targets

- Develop human resources in the field of international trade
- Equip TSIs in the targeted countries with the capacity to deliver trade training and support services to exporters and potential exporters.
- Preparing and strengthening the capabilities of the target country SMEs and their products in order to access the Canadian market.



Starting
from
2018

West Africa SMEs Program

Objective

To reduce the gap between SMEs' abilities and Trade Finance's requirements through capacity building

Key Targets

• Burkina Faso Pilot:

1. 22 SMEs (previously rejected by Coris) were shortlisted, trained.
2. 20 SMEs supported and re-submitted application for financing and approval results will be utilized to assess the viability of the program
3. 40% of companies obtained financing of around US\$1.5 million
4. 9% are in the process of appraisal
5. Way forward: launch of banking component with Coris Bank Burkina Faso

• Senegal Pilot:

1. Launch of the SMEs component in Q4 2019
 2. Kick-off of the program in February 2020 to target 200 SMEs
 3. Way forward: launch of banking component with Coris Bank Senegal
-



**Trade Development
Solutions Through the
F.I.T Model:**

**FLAGSHIP TRADE
DEVELOPMENT
PROGRAMS**





The flagship programs are multi donor / multi country / multi-purpose trade development initiatives that are led by ITFC. These programs have as objective to develop trade of the targeted countries and to enhance the trade flows between them.

In 2019, ITFC implemented the following Programs/projects:





AATB Program

Aim

- Enhance trade as a tool to increase economic opportunities and support inclusive and sustainable growth across the Arab and sub-Saharan countries of the Organization of Islamic Cooperation.
- Promoting and Increasing Trade flows between Arab and African countries.
- Providing Opportunities to Offer and Promote Trade Finance, Investment, and Export Credit Insurance Products
- Provide Capacity Building on Trade & Investment related issues

Outcome

Two Executive Committee meetings were organized where the remaining establishing documents were approved.

Also, the 2nd Governing Board meeting was held in Dakar Senegal and witnessed participation of several Arab and African Countries. Also, the meeting welcomed the new members to the Board of AATB.

Meeting from the 6th to 8th of November 2019 in Dakar, Senegal where a series of events were rolled out including:

- OCP School Lab Field Visit
- Launch Ceremony West Africa SMEs Program in Senegal
- 3rd AATB Buyers/Sellers meeting

A study on the Export Opportunities between the Arab and African Regions, commissioned by the Arab Africa Trade Bridges (AATB) Program, has highlighted the Pharmaceutical sector as one of the sectors that can generate Trade and Investment Opportunities between both regions. For this purpose, ITFC has commissioned a private company to organize a B2B on Pharmaceutical Products in Dakar, Senegal, on 7th & 8th of November 2019.

The objective of this activity is to bridge the gap between businessmen and concerned officials from both regions and to increase the trade and investment opportunities between the Arab and African countries.

In view of the increasing demand from the States in Africa for the development of fertility maps and soil testing and given the lack of soil's information and the low awareness among smallholder's farmers, ITFC & OCP propose an innovative technology that meets both objectives: increase farmer's awareness and thus yields and build-up fresh data on African soils.

A field visit to Mboro was organized on the 6th of November 2019 with joint coordination between the AATB Program and the OCP school lab program in Senegal to include soil testing for the smallholder farmers, using a laboratory with latest innovations, providing live information on soil needs and fertilizer recommendations in terms of fertilizer type, application rate, and application time to optimize crop yields and profits.





Export Launchpad Development Trade Opportunities

Export Launchpad Program

Aim

- Bangladesh is the country to benefit from this program in 2019/2020 after Senegal in 2018.
- The targeted sectors are textile/apparel, fashion accessories, home décor and handicrafts.

Outcome

With reference to the visit of H.E. IsDB President to Bangladesh dated 9th September 2018, where H.E. the Prime Minister highlighted the importance of the support that IsDB Group would offer in many developmental areas, notably the development of export sector, which is the key factor for Bangladesh economic development and job creation.

In this context, ITFC partnered with TFO Canada, for the implementation of its capacity building program in Dhaka with the kick-off of a project titled “Export Launchpad Bangladesh”.

The Export Launchpad Bangladesh project is designed to address key constraints faced by SMEs. The rationale for this “aid-for-inclusive trade” project is to facilitate change towards an improved trade environment and leverage exports from developing countries, by addressing key constraints, to increase the benefits for Small and Medium Enterprise (SME) in selected developing countries.

The mission on the ground was held from 12th to 14th November 2019 and is still ongoing.



Aid for Trade Initiative
for the Arab States

AfTIAS Program

Aim

To foster Arab trade through enhancing enterprise competitiveness, strengthening Trade Support Institutions capacities and facilitating trade.

Outcome

After a successful implementation of the first phase, a second phase of the AfTIAS Program (2020-2025) will be designed and implemented starting from 2020.

Resource Mobilization campaign should precede the launching of the implementation expected towards Q3, 2020.

ITFC will submit to the Board early 2020 a request for financial contribution from ITFC to support AfTIAS 2



BOX 07

Testimony of H.E. Dr Kamal Hassan Ali

At the leagues of Arab States (LAS), we believe that the 1st phase of the Aid for Trade Initiative for the Arab States (AfTIAS) Program has managed to leave a footprint in the structure of trade in our Arab States. The AfTIAS 1.0 program brought together various partners, including from the Arab region, and succeeded to support 19 Arab countries with 28 projects with the aim of building their capacities in trade-related matters to increase intra-trade activities between our Member Countries.



As we are preparing ourselves to embark on a new phase of AfTIAS, we need to thoroughly reflect on the challenging circumstances that we are facing as Arab States. For the same reason, we need to ensure that all the concerted efforts are in place to move this ambitious program forward. The League of Arab States and the International Islamic Trade Finance Corporation (ITFC) are working hand in hand, since 2019, to finalize the design of the AfTIAS.2.0 Program, mobilize the required resources and launch it, early 2021, with the objective of reaching its ambitious targets in improving the level of intra-Arab-trade, which remains the lowest in the world.

In addition, I would like to reiterate the full support of the League of Arab States to the ITFC flagship program” the Arab Africa Trade Bridges” (AATB). Strengthening the trade and investment relations between the Arab and African regions has always been a priority of the League of Arab States. In this regard, we believe that the AATB program, is the most important and convenient vehicle that is dedicated to support the trade cooperation and Investment between the Arab and African regions.

Dr Kamal Hassan Ali,

Assistant Secretary-General,

Head of Economic Affairs, League of Arab States.



West Africa SMEs Program

Aim

Combined capacity building and trade finance program. The aim is to enhance capacity of selected SMEs and partner banks to achieve a better approval rate and better utilization rate of ITFC's lines of finance placed at partner banks.

Outcome

In Burkina Faso

- US\$ 8 million trade finance line granted to Coris Bank
- 60 SMEs selected in Coris rejection portfolio
- 22 SMEs benefited capacity building and have re-submitted a credit application
- US\$1 million additional credit from Coris Bank leveraged for SMEs
- US\$300,000 in credit currently under appraisal
- An SME assessment tool to be developed for Coris between Q1 to Q3 of 2020

In Senegal

- Launch on 6 November 2019 through a partnership between the multilateral, the private and the public sectors to increase the financing envelopes and reduce the cost for SMEs
- Partners are the Organisation Internationale de la Francophonie and Délégation générale à l'Entreprenariat Rapide (Government of Senegal)
- 100+ SMEs will benefit pre and post financing technical assistance
- Implementation kick off is in February 2020



The West Africa SME Program: Pilot Project in Senegal

The ITFC has partnered with Coris Bank International (CBI) Senegal, the Delegation for Rapid Entrepreneurship (DER) and the International Organization of la Francophonie (OIF) to implement the pilot project in Senegal of its flagship program, the West Africa SMEs Program. The pilot was launched in Dakar on November 6, 2019.

The West Africa SMEs Program aims to improve access to finance for local SMEs through the provision of Trade lines of Finance, Capacity Building and Advisory Services. Up to 200 multisector Senegalese SMEs will be selected by the partners to undergo a 15-month long pilot program. These SMEs will be identified based on pre-defined criteria relating to business and organizational readiness with up to 20% of the qualifying spots reserved for women-led enterprises.

By forming a partnership between the State (DER), multilateral organizations (ITFC and OIF) and the private sector (Coris bank), ITFC, through a combination of instruments specific to each of these agencies - debt, guarantee, equity and grant - expects to increase the funding envelope available for SMEs while reducing the cost.

The West Africa SME program was announced in October 2018 with the launch of the pilot project in Burkina Faso, in collaboration with Coris Bank (Burkina Faso). The pilot in Burkina Faso, which spanned eight months, resulted in over US \$ 1 Million in additional financing granted and over US\$ 300,000 currently under consideration for local SMEs that underwent the program.



Testimonials from the beneficiaries of the Program in Burkina Faso

"The impact of the ITFC West Africa SME Program was significant. We revisited basic management guidelines while also learning new things, especially how to pitch a project, from writing the pitch to actually delivering it to bankers. This was so necessary. Today I am happy because I was able to receive funding. There were many of us but if in the end, I am one of the lucky ones, it is because the training we had was successful."

Christophe Yaméogo,
Impulsion CEO, Burkina Faso

"Thanks to the advice given during the training, we have made a lot of changes in the company's financial management and improved our employee management. I sincerely believe that this has been beneficial, beyond the financing we received."

Aziz Kalli,
TWK Associate, Burkina Faso



INTEGRATED TRADE SOLUTIONS



The Trade Integrated Solutions are the immediate outcome of the new ITFC strategy adopted in 2017, which consists of offering to Member Countries solutions that include Trade finance and Trade Development components. Launched in 2018, this kind of solution was developed to meet the needs of the MCs in facilitating their foreign trade and enhancing their trade related capacities.

The Integrated Trade Solution implemented in 2019 included the following projects:



Comoros Integrated Trade Solution



Aim

ITFC, alongside the Uganda Export Promotion Board, has delivered support to the Government of Comoros in its efforts to address the absence of direct access to end markets for its main export cash crops.

Outcome

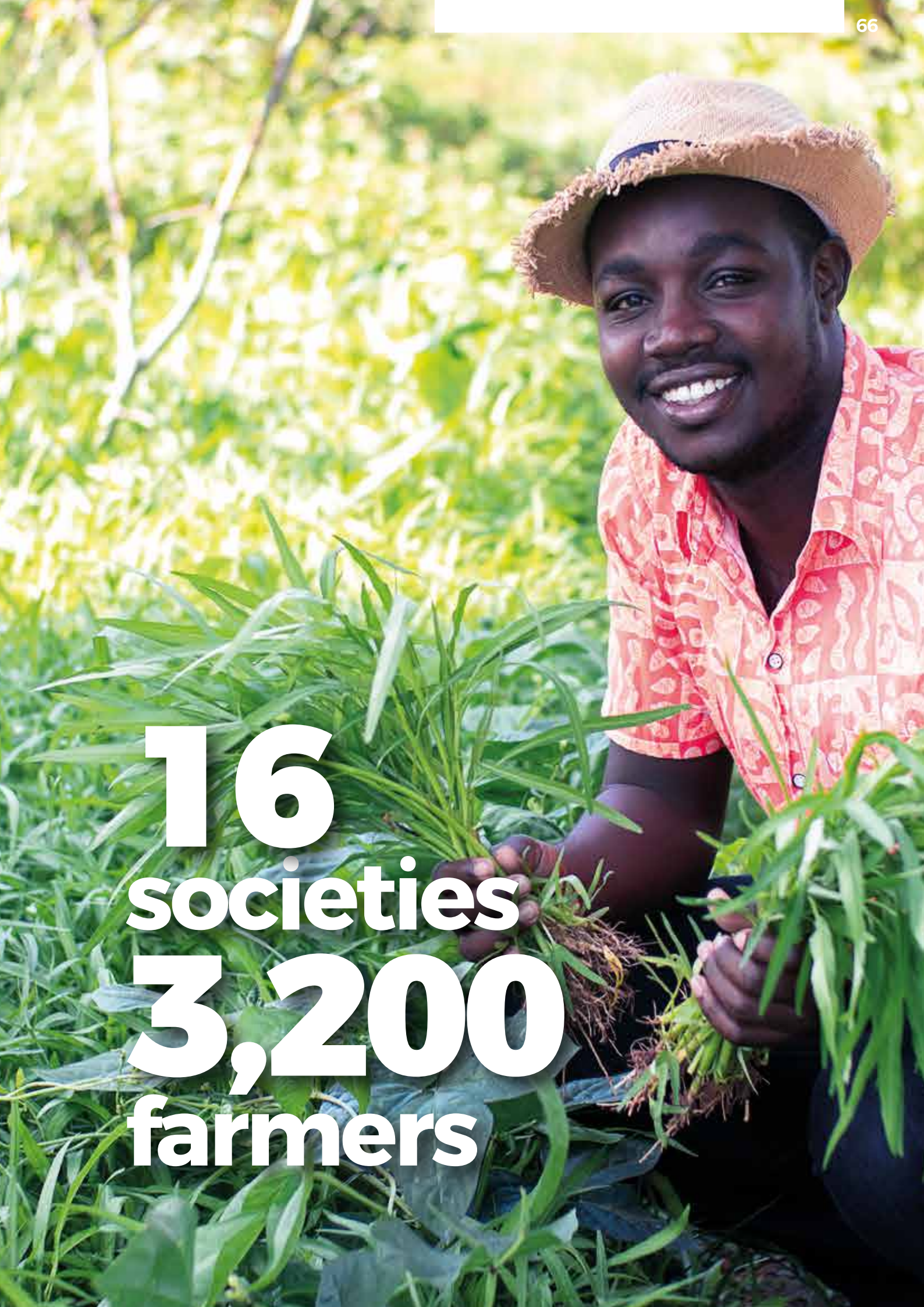
ITFC in cooperation with ONAV identified and supported 4 officials to visit Uganda from the 30 September-6 October 2019. The 6-day event involved:

In Kampala, 2 days and 3 workshops organized by UEPB with the support of:

Experts of UEPB: the focus was on the link between the export promotion agency and farmer's groups. It was to help to obtain the necessary tools to assess export ready companies, identify buyers, support farmer groups to set up collection centers based on learnings from Uganda; and set a monitoring framework to ensure efficient operations of farmer groups.

In Kasese, vanilla and coffee field visit with the support of The Rwenzori Farmers Cooperatives Union (RFCU) that exports coffee, cocoa and now vanilla through the support of partners like Progresso Foundation. It counts 16 societies of about 3,200 farmers. The cooperative buys vanilla from its members, processes, stores, and markets. The team then visited a coffee farmer where they learn more about the good agronomic practices and how they have enabled farmers increase their quality and quantity of coffee. The delegates also appreciated the level of commitment the farmer had to ensure his garden produced quality coffee

During the second phase of the program, 4 management and technical professionals of the National Office of Vanilla of Comoros (ONAV) took part in a 7-day training in Uganda. The training involved a combination of classroom sessions by practitioners in Ugandan successful cash crops development and export institutions and field visit. The mission included 15 hours of training and 2 days of field visits to learn from best practices in value chain management from the farm to the end market.



16
societies
3,200
farmers

Indonesia Coffee Development Program



Aim

To enhance coffee production and exports through developing partnerships and capacity building, providing trade finance, transfer of best practices, and establishment of specialized training facility

Outcome

T&BD will implement the new phase of the integrated solutions with identified partners for capacity building programs offered to coffee farmers in Indonesia

Trainings on organic farming and Good Agricultural Practices delivered to 349 coffee farmers in Dairi and Karo, North Sumatra. These trainings meant to equip the farmers in addressing the challenges brought on by climate change and increase the quality and quantity of their coffee production. It is envisaged that the output of the training will ultimately lead to improve the livelihoods of the farmers and ultimately enhance their export of coffee to the world. Making this Program an excellent example of enhancing the integration of our Member Countries in the global value chains.

In recognition of the farmers' efforts to upgrade their skills set, a graduation ceremony was organised on 16th of July 2019 in Karo North Sumatra, Indonesia, attended by the farmers, the partner NGO and the local authorities.

For the year 2020, ITFC will continue its program in North Sumatra and Aceh.



Pakistan Integrated Trade Solution

Aim

Facilitate access to finance and quality storage by farmers during the whole cycle of production through an electronic and negotiable instrument through warehouse receipt financing.

Outcome

ITFC designed a one-day awareness workshops on Collateral Management and Warehouse Receipt Financing (WHRF) in Islamabad and Karachi.

The purpose is to apprise leaders from the banking industry regarding recent progress on the subject and to initiate a dialogue on the way forward for engagement the financial sector in advancing the agenda of WHRF in Pakistan.

This workshop will provide an overview of the Collateral Management Companies (Establishment & Operations) Regulations, developed by Securities and Exchange Commission of Pakistan (SECP) in consultation with State Bank of Pakistan (SBP) and other stakeholders. The workshops are scheduled to take place on 27th January and 29th January 2020 in Islamabad and Karachi respectively.



CIS (Uzbekistan) Integrated Trade Solution



Aim

Present detailed information on ITFC's trade finance solutions, including modes of financing, and issues related to the utilization of ITFC financing by FIs and enhance knowledge and understanding of participating FIs in Islamic trade finance, with a particular focus on tools and mechanisms.

Outcome

The 'Islamic Trade Finance Training' project was held from 22-25 January 2019 in Uzbekistan to spread the knowledge about Islamic Trade Finance to the country and provide financing to combine the theoretical knowledge with real Islamic trade finance operations. 12 local FIs were informed / educated about the trade finance tools, ITFC trade finance solutions and Islamic trade finance products.

Burkina Faso Integrated Trade Solution



Aim

To increase the productivity of the Cotton sector in Burkina Faso

Outcome

The Burkinabe cotton sector remains one of the most prominent in the country's economy. Despite its importance, stagnant productivity growth over the past few decades hindered the ability of producers to compete in the world market. The cotton sector reform, although less successful, is an on-going process that should make Burkina Faso's cotton sector more efficient and responsive to world markets.

This project aimed at providing soil testing and mapping analysis in two regions in Burkina, in order to improve the yield and the use of fertilizers.

TARGETED TRADE DEVELOPMENT INTERVENTIONS



In accordance with its mandate as a Trade Finance and Trade Development Institution, ITFC supports the national economic development plans of its Member Countries through trade related programs and activities, but not necessarily, coupled with trade finance components.

In addition, ITFC continues to implement Trade Facilitation, Trade Promotion and Trade Related Technical Assistance (TRTA) Projects / Programs in Member Countries, and to strengthen its image as an implementing partner and not only as a funding agency. For this purpose, ITFC will explore, wherever is possible, innovative and new technology solutions related to trade to MCs. In the same regard, ITFC continues to provide trade-oriented support to the Halal sector, women economic empowerment and youth employment.

Some of the interventions that ITFC worked on in 2019 include the following:



Guinea Tunisia Reverse Linkage Program on Mango and Cashew

Aim

The main Goal of the project is to contribute to the efforts of the Government towards developing and improving the whole value chains for exporting mango and cashew. More specifically, the project aims at strengthening the technical and organizational capacities of the institutions in charge of promoting exports of mango and cashew.

The project is scheduled to start in January 2020.

Outcome

- Outcome 1: The national ecosystem of the value chains for exporting mango and cashew is improved and synergy between the various components of the value chains are established.
- Outcome 2: The packaging, conditioning and processing of mango are developed.
- Outcome 3: Public and private actors master the techniques and tools for market access and export promotion of mango and cashew products and the institutional environment of support to exporters is improved.



Halal Sector Development Program

Aim

Support the development of the Halal Sector in OIC Member Countries

Outcome

- Enhancing the participation of the least developed Islamic countries in the training session and strengthen the relations between Islamic countries
- Highlighting the efforts of ITFC in supporting Intra-Trade and Foreign Trade of the OIC LDMCs.

With the support from the International Islamic Trade Finance Corporation (ITFC) a Training Program was organized by SMIIIC on OIC/SMIIC 1 - Foundation Training was held during the 28 September 1st October 2019 in Istanbul, Republic of Turkey.

The Training program aimed to give the necessary foundational knowledge of the OIC/SMIIC 1 and encourage the harmonization of Halal Standards used in the OIC and internationally by aiding in the adoption and use of the OIC/SMIIC Halal Standards.



Arab Africa Investment Perspectives in the Era of African Continental Free Trade Area

Aim

This plenary session pointed out the trade & Investment opportunities that the African Continental Free Trade Area will create between the Arab and the African regions.

The session aimed at highlighting ITFC's programs and efforts to support trade in its MCs, especially in Africa.

Outcome

Organized by ITFC during the Investment for Africa Forum 2019, held in Cairo on 23 November 2019

The International Islamic Trade Finance Corporation (ITFC) and Afreximbank will organize, under the Arab Africa Trade Bridges (AATB) Program, a one day Forum on "Perspectives on Arab African Trade and Investment in the light of the creation of the African Continental Free Trade Area (AfCFTA)" to discuss and elaborate on the potential for Trade and Investment between the African and the Arab Regions, in the light of the creation of the AfCFTA

She Trades Morocco

Aim

The Project's strategic objective is to contribute to the economic and social development of Morocco through the expansion of business, economic empowerment of women and the creation of sustainable employment, in particular for women.

Outcome

The Project Specific objectives: (a) To enhance export capacity of women owned enterprises and enhance their compliance with market requirements. (b) Connect women entrepreneurs with global value chains.

The Gambia Aflatoxin National Mitigation Program

Aim

To eradicate Aflatoxin (a toxic fungus present in farm fields that affects the quality groundnut) in The Gambia.

This toxin prevents The Gambia from exporting its groundnut commodity to the international market (notably European market) in the best condition

Outcome

The main outcomes of the first pilot experience implemented in The Gambia in 2018 are the following:

- 1,163 households (equivalent to approximately 7,000 farmers) participated in the program
- 02 training of trainers for the application of Aflasafe were held in July 2018
- A total of 47.6 tons (95% application rate) of Aflasafe was applied to 4,753 hectares of land on August 2018.
- For the season 2019, out of 5,300 hectares initially identified, the program will deal only 2,300 hectares, since the rain did not come on time and when it started raining, the country experienced long periods of dry weather. It is the reason why the program will use the equivalent of 23 tons of Aflasafe SN01 instead of the 50 tons.
- Based on these conditions, ITFC will extend the program to cover the year 2020.



Islamic Trade Finance Training Workshop



Aim

Under the Cooperation with the Istanbul School of Central Banking (ISCB) and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and within the technical assistance granted to CIS countries and Afghanistan to enhance the capacities of their central banks in Islamic finance.

Outcome

ITFC in collaboration with the Istanbul School of Central Banking (ISCB) and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) hosted a four-day training program on Islamic Banking and Finance.

The training sessions brought together representatives of Central Banks and other relevant authorities from Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Afghanistan who are responsible for the regulation and development of Islamic banking and finance.

These workshops, the latest in a series organized by ITFC in the CIS region, that aim to promote and raise awareness about Islamic Finance as part of ITFC's Trade Development activities; were delivered by well-known Islamic Finance experts and were designed to provide a thorough understanding of Islamic Banking and Finance, give an overview of existing financial products, explain how Islamic financial institutions operate and elaborate on the main differences between conventional banking and finance and Shari'ah compliant banking.

In addition to acquiring necessary knowledge and skills in the area of Islamic Finance, the participants were also provided with a platform to network with representatives of the Central Bank of Turkey and Turkish Participative Banks.



Support the participation of the LDC MCs in the OIC Trade Fair

Aim

Under the cooperation between ITFC and ICDT, and within the support to the LDMCs and Intra-OIC Trade, ITFC will continue to support this important event.

Outcome

During the year 2019, ITFC continued to extend its support to enable the LDMCs to conquer new markets and explore new trade opportunities with other member countries. In this regard, ITFC sponsored the 16th Trade Fair of Islamic Countries which was held from 7 to 13 April 2019 at the International Exhibition Center of Baghdad - Republic of Iraq and lasted seven days and was open to the public and businessmen from 9:00 am to 4:00 pm and was held over an area of 7000 square meters.

The fair witnessed the participation of exhibitors from the following countries: Kingdom of Bahrain, Republic of Turkey, Republic of Tunisia, Republic of Senegal, Republic of Iraq, Sultanate of Oman, Republic of Cote d'Ivoire, Republic of Lebanon, Islamic Republic of Mauritania and the Arab Republic of Egypt.



Expanding Impact Through
Strategic Partnerships,

**Policy
Dialogue and
Resource
Mobilization
from Trade
Development
Programs**



Aligning with OIC And IsDB Group Objectives

ITFC Alignment with The President's 5-Year Program (P5P)

In line with the IsDB Group's mission to promote comprehensive human development, ITFC constantly pursues opportunities that focus on financing trade transactions which positively impacts inclusive growth and addresses the development needs of Member Countries. The support provided by ITFC, nurtures the trade led strategies of OIC Member Countries and fosters sustainable economic development and growth; as such, ITFC remains closely aligned with the P5P.

1. P5P Track 1: Delivery - Improve the Delivery of the Bank's Interventions in Member Countries

Bringing Islamic Trade Finance to the World

ITFC's total trade finance approvals increased by 12% from US\$5.2 billion in 2018 to US\$5.84 billion 2019. ITFCs disbursements reached new heights, increasing by 8.7% from US\$4.57 billion in 2018 to US\$4.97 billion in 2019 - evidence of ITFC's ability to deliver on its mandate whilst adjusting to challenging market environments driven by global protectionist trade policies and volatile commodity prices.

Driving Funds towards SMEs and Empowering the Youth

ITFC aspires towards creating a conducive environment for SMEs to grow and actively seeks to create opportunities for the younger generation to find jobs and increase personal income. The growth of SMEs is undoubtedly recognized as the foremost vehicle for growth, job creation, inclusiveness - and ITFC has a clear role to play to develop the OIC Private Sector.

ITFC contributed to the overall Group effort to promote SMEs by providing Lines of Financing to the amount of US\$677million, while ITFC's overall private sector financing stood at US\$821 million. ITFC was able to successfully establish new partnerships with a total of 13 Line Financing Banks in the portfolio. As a result, ITFC has been able to support over 45,000 jobs across SMEs within Member Countries.

Financial Inclusion across Less Development Member Countries

ITFC continued to allocate substantial amounts of financing towards Least Developed Member Countries - aimed at enhancing financial inclusion and extending support where it is most needed. Across the total trade finance approvals for 2019, 36% was allocated to LDMCs, compared to 32% in the previous year, amounting to US\$2.1 billion in 2019.

2. P5P Track 2: Linkages – New Development Model to Strengthen Natural Linkages with Operational Activities

Promoting Trade and Development

ITFC's Flagship Programs are multi donor / multi country / multi-purpose trade development initiatives (led by ITFC). These programs are specifically designed to develop trade flows across specific countries.

ITFC also provides Integrated Trade Solutions, which consists of tailored solutions to Member Countries that covers both Trade Finance and Trade Development components. This proposition was developed to meet the needs of the Member Countries in facilitating foreign trade as well as capacity building needs.

Strategic Partnerships

ITFC remained active on many fronts including policy advancement, resource mobilization and trade development programs implementation due its network of strategic partners. ITFC continued its activities with the longstanding partners like Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund and UN Agencies: UNCTAD and UNIDO the International Chamber of Commerce (ICC) and actively participated in the ICC Banking Commission and the Sustainable Trade Finance Working Group.

Engagements were executed with the WTO, notably the Heads of Institutions, meetings on Trade Finance and the Aid for Trade Global Review. The EIF and ITFC will continue to address key capacity building and trade promotion constraints in member countries through program development and technical assistance, especially in Comoros and Guinea. The partnership with Afreximbank has yielded the signature of a US\$500 million Arab Africa Trade Finance and Promotion Programme (AATFPP) under AATB during IsDB Annual Meetings.

3. P5P Track 3 Competency – Strategic knowledge in competitive sectors

Science, Technology and Innovation ITFC recognizes the important role in which Science, Technology and Innovation can play as a catalyst for economic growth. Over the course of 2019, ITFC continued with an innovation initiative, called “innov@ITFC” – designed to embed a culture of innovation across ITFC.

Given the rapid changes in the world of finance, influenced by advances in technology and digitization, the initiative aims to trigger and foster innovation processes and will promote the development of innovative solutions to meet Member Countries needs.

“People living in developing communities need long-term sustainable solutions. Science, technology and innovation (STI) can provide these solutions and have profound, positive implications for increasing productivity and economic growth. So, it is vital that we introduce innovation in our strategies, products and services.”

Dr. Bandar M. H. Hajjar, IsDB
Group President

In line with the IsDB Group President's direction, ITFC is engaged in reverse linkage programs focused on transforming value chains. In particular, the Guinea Tunisia Reverse Linkage Program on Mango and Cashew is designed to contribute to the efforts of the Government towards developing and improving the value chains for exporting mango and cashew. More specifically, the project aims at strengthening the technical and organizational capacities of the institutions in charge of promoting exports of mango and cashew.

- Outcome 1: The national ecosystem of the value chains for exporting mango and cashew is improved and synergy between the various components of the value chains are established.
- Outcome 2: The packaging, conditioning and processing of mango are developed.
- Outcome 3: Public and private actors master the techniques and tools for market access and export promotion of mango and cashew products and the institutional environment of support to exporters is improved.

Initiatives Promoting Islamic Finance

IsDB and ITFC are aligned in the promotion of Islamic finance and as a result, this strategic objective forms a central component of the IsDB and ITFC growth strategies. ITFC fulfilled this key objective in 2019 through the disbursement of US\$4.97 billion in trade financing. However, to go a step further, ITFC has undertaken 11 specific initiatives designed to promote Islamic finance across Member Countries. These initiatives cover areas including Islamic finance training, workshops, fund management, SME support and trade development program support. The full list of initiatives is illustrated below.

Uzbekistan Islamic Trade Finance Workshop

Kyrgystan Islamic Trade Finance Workshop

Central Banks and Afghanistan Islamic Trade Finance Training

ISEF - Islamic Fund Management

AATB Program

Export Launchpad Program

West Africa SMEs Program

AfTIAS 1 Program

Pakistan Integrated Trade Solution

She Trades Program - Morocco

US\$500 million Arab Africa Trade Finance and Promotion Program

4. P5P Track 4: Funding – Moving towards a self-sustaining business model

Off Balance Sheet Resource Mobilisation

Global development institutions have come together around the goal of ‘getting from billions to trillions’ by leveraging their financial capital and knowledge to mobilize funds from the private sector, in recognition of the fact that the scale of financing required to meet the SDGs far exceeds public budgets. ITFC has been exceptionally strong at leveraging external resources to mobilize funds towards trade activities. ITFC mobilized US\$3.66 billion in external funds for trade financing activities in 2019 through syndication deals.

Trade Development Grant Mobilization

ITFC mobilized US\$1.2 million through grants for trade development activities. These funds enabled ITFC to engage with partners to implement trade development programs, including the West Africa Program in Senegal, She Trades Morocco and the Export Launchpad Bangladesh. ITFC provided seed funding and played the leading role in mobilizing required resources from donors. ITFC’s ability to mobilize funds from external market participants highlights that the Corporation was able to support its Member Countries through its market power and was ready to respond to client needs in a proactive manner.

Sovereign Energy Fund

In line with ITFC business model and portfolio diversification strategy, ITFC seeks to strengthen and diversify its Asset Management / Investment Funds offering. The objective is to develop, structure, execute and manage funds in line with highest global standards and through innovative investment strategies. The ITFC Sovereign Energy Fund (ISEF) is ITFC’s first fund and will be managed until it reaches maturity in October 2022. The fund represents a move to further enhance the self-funding business model within ITFC.

Driving Gross Income and Rationalizing Costs

In line with the P5P, ITFC is seeking to continually develop a sustainable business

model focused on financial sustainability, new lines of business, portfolio diversification and increase the capacity to develop Islamic Trade Finance Solutions. As a result of ITFCs focus on financial sustainability across 2019, the Corporation reported a net profit of US\$33.4 million (after specific provisioning), return on equity of 3.50% and return on assets of 3.24%. Furthermore, ITFC reduced the cost-income ratio to 46.2%.

5. P5P Track 5: Reinforcement – Laying foundation for a decentralized business delivery model

Decentralization

ITFC, in partnership with the Decentralization Facilitation Unit (DFU) of the IsDB, has established a decentralization unit. Its goal is to initiate, manage, and maintain decentralization of client-facing staff to the field so that they can be closer to Member Countries and act in a more expedited and efficient manner. In line with this strategy, ITFC has relocated several client-facing staff to the Regional Hubs and is maintaining close and continuous collaboration with IsDB in the Regional Hubs of Dakar (Senegal), Dhaka (Bangladesh), Istanbul (Turkey), Jakarta (Indonesia), and Rabat (Morocco). In addition, ITFC is currently reviewing the decentralization plan and is assessing the lessons learnt from activities in the Regional Hubs. In particular, ITFC was able to increase the level of approvals managed by the Regional Hubs in 2019 to 58%.

6.P5P Track 6: Awareness – Positioning IsDB as a leader in strategic areas

Positioning ITFC as a Leader in Trade Finance and Trade Development

Increasing awareness is a central tenant of the ITFC 10-Year strategy and is also strategically aligned with the P5P. Specifically, ITFC aspires to become a global hub for Islamic trade finance through international events, communications and thought-leadership.

ITFC led 16 global events in 2019 whilst the CEO of ITFC led 36 high-level engagements – placing ITFC on the international stage. In addition, ITFCs event-based awareness strategy resulted in US\$32 million worth of publicity across global news and media outlets.

Synergy with IsDB Group Entities



The 3 entities of the IsDB Group, in consideration of their respective mandates, have recognized the need to join forces & enhance the offerings of innovative solutions to support OIC Member Countries' socio-economic welfare. On this occasion, a tripartite agreement has been signed between the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the Islamic Corporation for the Development of the Private Sector (ICD) and the International Islamic Trade Finance Corporation (ITFC) to identify new means of collaborations to work together harmoniously, in a structured manner, and help keep the momentum.

This collaboration shall enable the said Entities to follow into the footsteps & vision of the IsDB Group President's 5 Year Program (P5P), explore potential partnership opportunities among the entities, set up the basis for joint strategic cooperation to support the Member Countries and explore ways and means to achieve IsDB Group level competitive advantage.

The agreement will enable superior client centric approach and cross selling each other's products and services. The key benefit for the IsDB Group clients will be an access to a one-stop shop and taking advantage of the strengths of each entity, which are reflected in their flagship development and promotion programs. The collaboration also includes, among others, the organization of joint and dedicated workshops and forums in Member Countries.

Policy

ITFC has continued to meaningfully engage in policy advancement to advocate for the adoption and implementation of policies geared toward the effectiveness of International Trade in advancing trade and improving lives. An important component of its work has been conducted with the publication of “Contribution of International Trade and Global Value Chains to the Sustainable Development” as part of Group’s participation in the World Trade Organization 7th Aid for Trade Global Review.

Additionally, ITFC continued to be engaged with other MDBs on issues related to the reduction of the Global Trade Finance Gap with dedicated contributions, among other things, to the WTO Experts Group Meeting on Trade Finance, ICC Banking Commission, G20/B20 Consultations, and policy interventions at global forums, including its participation in the Heads of Institutions Dialogue. It has continued its efforts to promote Islamic Trade Finance through thought leadership and released a course in Islamic finance in partnership with the Islamic Research Training Institute and the ICC Academy for ITFC partner banks in West and Central Africa. Other reports were published in 2019, including a contribution in "Trade Finance and the Compliance Challenge - A Showcase of International Cooperation" in collaboration with WTO and IFC

Partnerships

In 2019, ITFC remained active on many fronts including policy advancement, resource mobilization and trade development programs implementation thanks its network of strategic partners. ITFC continued its activities with the International Chamber of Commerce (ICC) and actively participated in the ICC Banking Commission and the Sustainable Trade Finance Working Group. Different avenues have been utilized to solidify several activities. Engagements were executed with the WTO, notably the Heads of Institutions, meetings on Trade Finance and the Aid for Trade Global Review. The EIF and ITFC will continue to address key capacity building and trade promotion constraints in member countries through program development and technical assistance, especially in Comoros and Guinea. Together with the African Union and the Afreximbank, ITFC has continued to play an important role, especially in the preparatory activities of the forthcoming second Intra-African Trade Fair in Kigali. The partnership with Afreximbank has also yielded the signature of a US\$500 million Arab Africa Trade Finance and Promotion Programme (AATFPP) under AATB during IsDB Annual Meetings.

Resource Mobilization for Trade Development

Facing an increased demand for trade development from its member countries, ITFC has increased its seed funding contribution to facilitate mobilization of resources from other partners, including Governments, MDBs, development agencies and project-oriented donors and sponsors. The total amount of mobilized resources for Trade Development activities stood at US\$1,260,000 in 2019, a 28% increase compared to 2018. These mobilized funds were vital in joining hands with partners to implement important programs and projects, including the West Africa Program in Senegal, She Trades Morocco or the Export Launchpad Bangladesh, which ITFC provided seed funding and played the leading role in mobilizing required resources from donors. Going forward, an emphasis will be put on securing contributions from other non-traditional partners such as think tanks, foundations and the private sector to mobilize funds for Trade Development interventions.

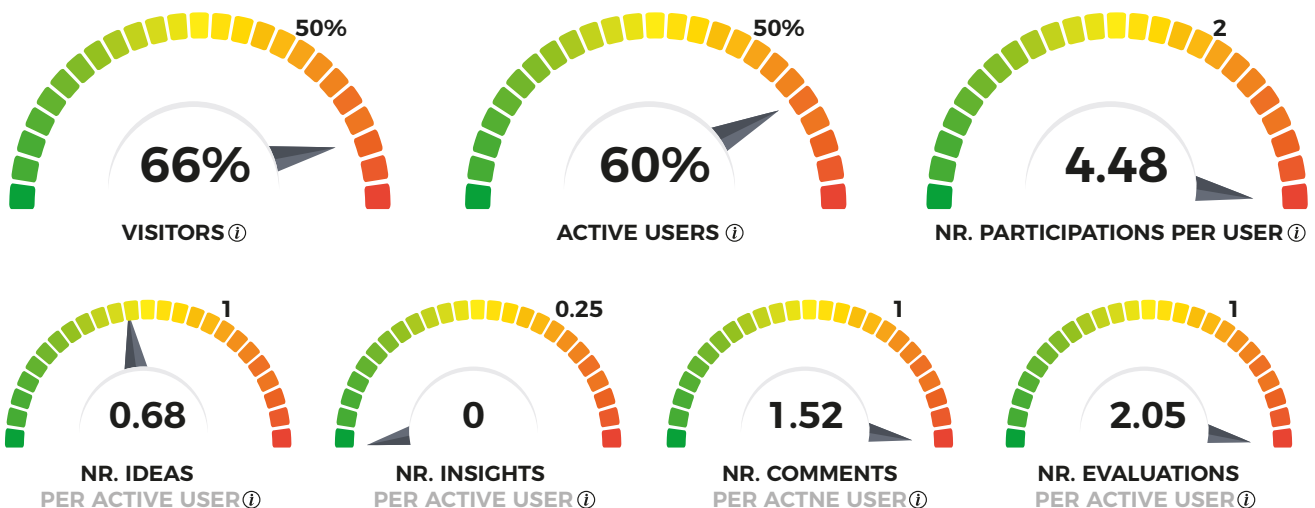
Innovation & Products Development

Innovation

Innovation is the cornerstone for defining any institution that positions itself as a leader... For this reason, ITFC initiated its innovation function in mid-2018 and held a pilot season to test the process in the same year. Winning ideas from the pilot season were implemented during 2019. As a result, ITFC reduced its plastic usage by 50% and started consuming Fair Trade coffee as well as recycling of plastic and paper. 2019 witnessed the establishment of a coffee corner in every floor where Fair Trade coffee beans are freshly grinded for coffee consumption and water coolers were included to fill the reusable water infusers. In addition, recycling bins were placed on every floor to help the environment by making it possible for staff to recycle plastic and paper. In addition, promoting a culture of innovation is as important as running of seasons to tackle challenges. Promoting innovation culture aims to encourage staff to take an active role in innovation functions. For this reason and in addition to the encouraging messages, 2019 witnessed the establishment of three thematic innovation zones: Nature, Beach, and Outer Space. The purpose of these spaces is to provide a haven for staff to step out of the normal work engagement to a more relaxing one for brainstorming and creativity mindset.

Finally, the first official season was run in 2019 under the theme "How can ITFC be innovative in communication internally and externally".

KEY PERFORMANCE INDICATORS (KPI)



Product Development

Product development is another important function at ITFC. It contributes to the mainstream of business generation of ITFC. For this reason, the team is committed to advancing needed Shariah compliant products to facilitate the trade finance function of ITFC; as well as answer to the various finance instruments required by the MCs.

Initiated in 2018, the team developed two Sharia compliant products that were approved for pilot by end of 2019. The two products are Salam for trade finance and LC Confirmation for trade finance. The team has also worked on providing training and support in a pilot for 2020.

Advisory

ITFC was nominated by the Saudi Export Development Authority (SEDA) to develop four Islamic trade finance solutions in favour of Saudi EXIM Bank. The engagement was successfully completed at the beginning of Q3.

ITFC is determined to build on its successes by making advisory services a new business line, capitalizing on its expertise reservoir.

Digitalization

Following the Board's approval of the Digitalization three-year Plan, ITFC has embarked on its digital transformation journey. The exploration phase consisted of a series of FinTech solution demos conducted by various solution providers, this resulted in four pilots to validate the business cases. One of which was the Marco Polo Trial, the largest blockchain open account trade finance trial on Corda platform. The seven-week trial included over 70 organizations from over 25 countries with the aim to simulate receivables discounting on the platform.

The plan is to deploy two digital innovation solutions by the end of 2020 in efforts to digitalize the trade finance cycle.

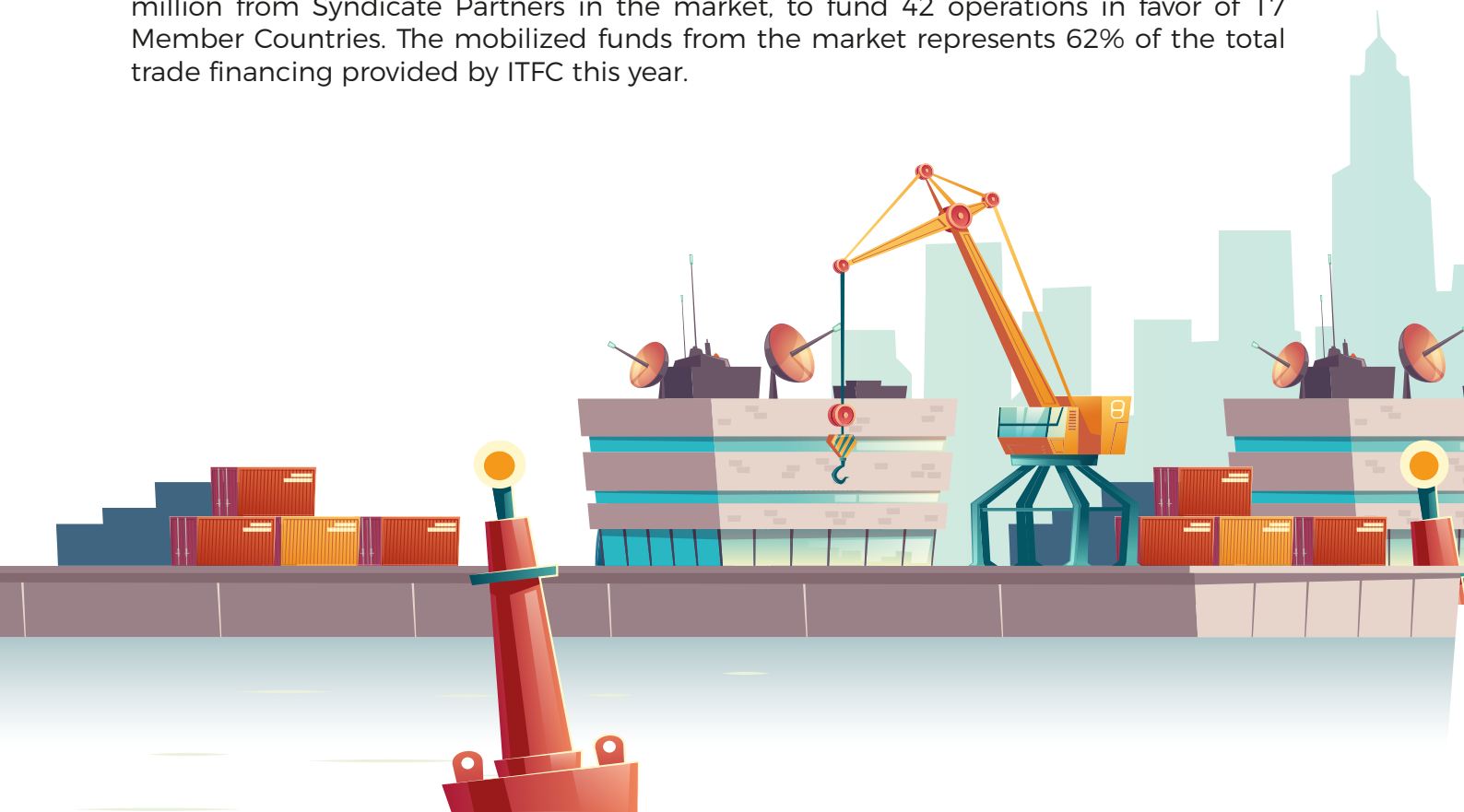
ITFC is committed to harnessing FinTech solutions to advance its business and to offer to its customers premium, seamless experiences.



Mobilizing Resources to Sustain Trade Finance Interventions

The quarterly increase in US Fed Fund rate started in 2017 and this trend continued during 2018, with its peak at 2.50% pa towards the end of the year. Year 2019 started with the anticipation of downward movement of rates. In Q2-2019 FED had first rate cut, and after consecutive cuts, today it stands at 1.75% with an anticipation of further rate cuts in coming period. Furthermore, oil prices did not experience any major movements during the year but the geopolitics of the region continued to create uncertainty. These dynamics raise concerns and put pressures on the markets and borrowers, hence increasing the risk for both ITFC's clients and syndicate partners. That, in turn, increased demands on ITFC to mobilize additional resources to satisfy the rising financing volumes to cater for higher risk associated with Member countries.

Despite the above challenges, during 2019, ITFC successfully mobilized US\$3,665 million from Syndicate Partners in the market, to fund 42 operations in favor of 17 Member Countries. The mobilized funds from the market represents 62% of the total trade financing provided by ITFC this year.



Leveraging Liquid Resources for Sustainable Market Impact

The year 2019, was a milestone year for ITFC which witnessed the establishment of ITFC's own dealing function with the successful implementation of a Treasury management system to facilitate liquidity management, this implementation led to the start of dealing with banks and counterparts directly to carry out Investing and borrowing activities. ITFC was actively in the market for money market and capital market transactions.

ITFC signed several agreements with local, regional and International banks which expanded the base of its partners in the Treasury market. ITFC also managed to establish its own name in the Treasury space and played the active role of being market maker.

In managing its liquidity, Treasury has in place a prudent liquidity policy which has been highly accredited by the rating agencies in their credit report.

ITFC actively started to leverage its balance sheet and plans to expand more in the coming years to fund its growing appetite and to ensure financial sustainability. ITFC plans to mobilize up to 40% of its balance sheet in coming years.



ITFC's Partners Forum 2019



ITFC PARTNERS FORUM 2019

Investing for Impact

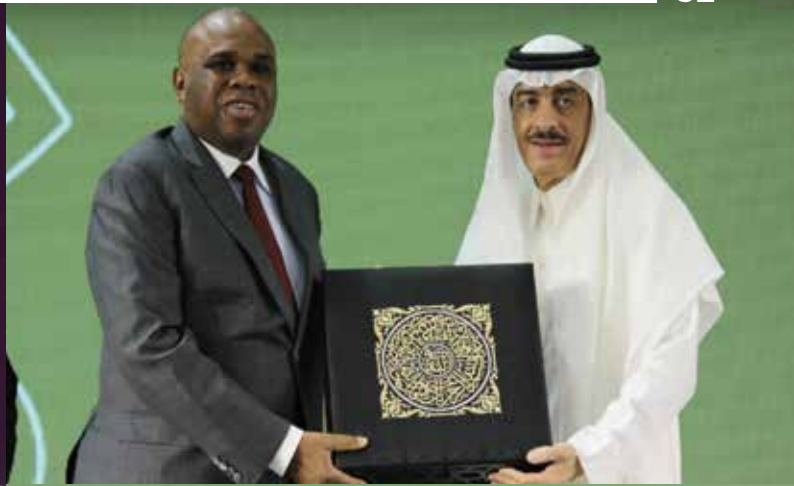
A financial forum organized ITFC inviting its Syndication and Treasury Partners from International, Regional and Local Financial Institutions, Banks and Funds.

Hosted at the Ritz Carlton Hotel on 5th December 2019, under the auspices of H.E Dr. Bandar Hajjar, President of the Islamic Development Bank Group (IsDB), the one-day event provided delegates with an opportunity to better understand how Islamic Finance across the globe is increasing trade and improving lives, contributing to the United Nation's SDGs.

ITFC was joined by a host of local, regional and international finance institutions alongside H.E. Muhammad Hammad Azhar, Minister for Economic Affairs, Government of Pakistan, Sheikh Saleh Kamel, Chairman, Chamber of Commerce, Industry & Agriculture, Prof. Benedict Oramah, President & Chairman, Afreximbank, among other high level participants.

ITFC also recognized Top Syndication Partners during the Forum, including:







2019

**Audited
Financial
Statements**



**THE INTERNATIONAL
ISLAMIC TRADE
FINANCE CORPORATION
FINANCIAL
STATEMENTS AND
INDEPENDENT
AUDITOR'S REPORT**

**31 DECEMBER 2019
(5 JUMADA AL-AWWAL 1441H)**

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

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INDEPENDENT AUDITOR'S REPORT

To Your Excellencies the Chairman and Members of the General Assembly - The International Islamic Trade Finance Corporation

Report on the financial statements

We have audited the accompanying statement of financial position of The International Islamic Trade Finance Corporation ("the Corporation"), as of 31 December 2019 and the related statements of income, changes in members' equity and cash flows for the year then ended. These financial statements and the Corporation undertaking to operate in accordance with 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 issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2019, and the results of its operations and its cash flows for the year then ended, in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group and the accounting standards of AAOIFI.

For Ernst & Young

Ahmed I. Reda
 Certified Public Accountant
 Licence No. 356

23 Jumada II 1441H
 17 February 2020

Jeddah

20/40/MNA



THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019 (CORRESPONDING TO 5 JUMADA AL-AWWAL 1441H)

	<i>Notes</i>	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
ASSETS			
Cash and cash equivalents	4	79,411	191,526
Placements through banks	5	280,000	208,300
Trade Murabaha financing, net	6 (a)	598,905	566,394
Investments in Sukuk	8	71,100	52,232
Due from related parties	12 (b)	-	797
Accrued income and other assets	9	8,844	8,480
Fixed assets	10	609	881
TOTAL ASSETS		1,038,869	1,028,610
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Due to related parties	12 (c)	4,080	989
Accruals and other liabilities	11	13,122	52,867
Wakala Placement (Due to)	13	27,877	26,569
Pension and medical obligation	14 (a)	23,802	11,730
TOTAL LIABILITIES		68,881	92,155
MEMBERS' EQUITY			
Paid-up capital	15	749,788	742,087
General reserve	17	238,390	204,948
Actuarial deficit on pension and medical obligation		(19,135)	(7,831)
Revaluation reserve of sukuk held at fair value through equity		945	(2,749)
TOTAL MEMBERS' EQUITY		969,988	936,455
TOTAL LIABILITIES AND MEMBERS' EQUITY		1,038,869	1,028,610

The attached notes 1 to 25 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019 (CORRESPONDING TO 5 JUMADA AL-AWWAL 1441H)

	<i>Notes</i>	<i>31 December 2019 US \$'000</i>	<i>31 December 2018 US \$'000</i>
INCOME FROM:			
Trade Murabaha financing		29,637	27,718
Mudarib share of profit		17,767	12,184
Implementation fees		7,822	8,036
LC issuance fees		5,433	4,821
Investment in Sukuk		1,901	1,693
Income from placement through banks		6,667	2,843
Trade finance services		1,696	-
Advisory and other income	22	590	36
		<u>71,513</u>	<u>57,331</u>
Wakkala fee		(182)	(144)
NET INCOME BEFORE OPERATING EXPENSES		<u>71,331</u>	<u>57,187</u>
EXPENSES:			
Staff costs		(25,443)	(19,636)
Other administrative expenses	16	(7,097)	(7,051)
Depreciation	10	(380)	(392)
		<u>(32,920)</u>	<u>(27,079)</u>
Impairment of Trade Murabaha financing	7	(4,969)	(1,770)
NET INCOME FOR THE YEAR TRANSFERRED TO GENERAL RESERVE		<u>33,442</u>	<u>28,338</u>

The attached notes 1 to 25 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (CORRESPONDING TO 5 JUMADA AL-AWWAL 1441H)

	<i>Paid-up Capital US \$'000</i>	<i>General reserve US \$'000</i>	<i>Actuarial deficit on pension and medical obligation US \$'000</i>	<i>Revaluation reserve of Sukuk held at fair value through equity US \$'000</i>	<i>Total members' equity US \$'000</i>
Balance at 1 January 2018	734,978	176,610	(7,272)	-	904,316
Actuarial loss in pension and medical plan	-	-	(559)	-	(559)
Capital contributed	7,109	-	-	-	7,109
Revaluation reserve of Sukuk held at fair value through equity (Note 8)	-	-	-	(2,749)	(2,749)
Net income for the year transferred to general reserve	-	28,338	-	-	28,338
Balance at 1 January 2019	742,087	204,948	(7,831)	(2,749)	936,455
Actuarial loss in pension and medical plan	-	-	(11,304)	-	(11,304)
Capital contributed	7,701	-	-	-	7,701
Revaluation reserve of Sukuk held at fair value through equity (Note 8)	-	-	-	3,694	3,694
Net income for the year transferred to general reserve	-	33,442	-	-	33,442
Balance at 31 December 2019	749,788	238,390	(19,135)	945	969,988

The attached notes 1 to 25 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CASH FLOWS
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CORRESPONDING TO 5 JUMADA AL-
 AWWAL 1441H)**

	<i>Notes</i>	<i>31 December 2019 US \$'000</i>	<i>31 December 2018 US \$'000</i>
<u>Cash Flows from Operations:</u>			
Net income for the year		33,442	28,338
Adjustments for:			
Depreciation	10	380	392
Impairment of Trade Murabaha financing	7	4,969	1,770
Loss on disposal of fixed assets		-	4
Service cost on pension and medical obligation	14 (b)	3,221	2,900
Realized loss/(gain) on disposal of Sukuk	8	(73)	72
Changes in operating assets and liabilities:			
Trade Murabaha financing		(37,480)	64,835
Accrued income and other assets		(364)	(1,392)
Due from / to related parties, net		3,888	801
Accruals and other liabilities		(39,745)	29,999
Pension and medical obligation paid		(2,453)	(1,768)
Net cash (used in)/ from operating activities		(34,215)	125,951
<u>Cash Flows from Investing Activities:</u>			
Investments in sukuk	8	(35,241)	-
Disposal of sukuk	8	20,140	6,859
Investments in placements through banks	5	(1,467,433)	(1,221,806)
Disposal of placements through banks	5	1,395,733	1,109,906
Purchase of fixed assets	10	(108)	(602)
Proceed from disposal of fixed assets		-	17
Net cash used in investing activities		(86,909)	(105,626)
<u>Cash Flows from Financing Activities:</u>			
Capital contribution		7,701	7,109
Wakala placements (due to)		1,308	26,569
Net cash from financing activities		9,009	33,678
Net change in cash and cash equivalents		(112,115)	54,003
Cash and cash equivalents at the beginning of year		191,526	137,523
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	4	79,411	191,526

The attached notes 1 to 25 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

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 24 June 2005 (17 Jumada-al-Awwal 1426H). 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 headquarters 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 Solar Hijri year.

The financial statements were authorized for issue by the Corporation's Board of Directors on 17 February 2020 (23 Jumada Al-Akhirah 1441H) for submission to members of the General Assembly for the approval.

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 Board of the Islamic Development Bank Group. For matters which are not covered by AAOIFI standards, the Corporation seeks guidance from 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, provided they do not contradict the rules and principles of Shari'ah.

The accompanying financial statements are prepared under the historic cost convention except for the measurement at fair value of investments in Sukuk.

b) Critical accounting judgements and estimates

The preparation of financial statements in conformity with AAOIFI Financial Accounting Standards 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 judgements in the process of applying the Corporation's accounting policies. Such estimates, assumptions and judgements 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.

(i) Going concern

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Critical accounting judgements and estimates (continued)

(ii) Impairment of Trade Murabaha financing

The Corporation exercises judgement in the estimation of the provision for impairment of Trade Murabaha financing assets both at specific and general levels. Estimate for specific provision for impairment of Murabaha assets is determined as the difference between the carrying amount of a specifically identified asset and the net present value of expected future cash flows of that asset, discounted at the implicit rate of return mentioned in the Murabaha agreement.

The Murabaha portfolio is further assessed for impairment inherent in the portfolio but which is not easily/readily traceable to particular assets in the portfolio, after removing Murabaha assets classified as non-performing and already provided for specifically. The Corporation estimates General provisions for impairment of Murabaha assets at a range of 0.50% to 1% of the Murabaha portfolio other than the ones classified as non-performing and already provided for.

(iii) Useful lives of property and equipment

The Corporation's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(iv) Pension and medical obligation

The pension and medical obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, etc. Due to the long-term nature of such obligations these estimates are subject to significant uncertainty.

c) Foreign currency

(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 reporting date exchange rates are recognized in the statement of income except for unrealized gains and losses on investment in equity capital, if any, 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 having an original maturity of three months or less at the date of placement.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Placements through banks

Placements are made in Shari'ah compliant instruments with banks and at fixed profit. The buying and selling of commodities are limited by the terms of agreement between the Corporation and the various banks. The placements are initially recorded at cost, including acquisition charges and subsequently measured at cost less impairment (if any).

f) Trade Murabaha financing

Trade 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 trade 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 reporting date, less repayments received and provision for impairment.

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

Commodities under trade Murabaha are stated at cost, less impairment, if any.

g) Investments in Sukuk

Investments in Sukuk are financial instruments classified at fair value through equity.

These investments are initially recognized at fair value at the date the contract is entered and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss recognized in the statement of changes in members' equity.

h) Financial assets and liabilities

Financial assets comprise cash and cash equivalents, placements through banks, investments in Sukuk, trade Murabaha financing and due from related parties. These financial assets are initially measured at their fair values and thereafter stated at their cost except for investment in Sukuk, as reduced by appropriate allowance for estimated irrecoverable amounts, if any.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include due to related parties and other payables and are initially measured at their values and thereafter stated at their cost.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of financial assets

Trade Murabaha financing

An assessment is made at each reporting 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 at the reporting 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 / portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the reporting date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

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

Other financial assets

An assessment is made at each reporting 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 recognized in the statement of income. Subsequent recoveries of amounts previously written-off are credited to the statement of income. The impairment provision for investments at fair value through equity is recognized when the decrease in fair value below cost is significant or prolonged.

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

Office and computer equipment	4 years
Motor vehicles	5 years

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

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

j) 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.

k) Revenue recognition

Trade Murabaha financing

Income from trade 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 instalments.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue recognition (continued)

Placements through banks

Income from placements through 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

Income from Mudarib share of profit is recognized on the day when the service has been provided.

Implementation fees and Letter of Credit issuance income

Income from Implementation fee and Letter of Credit issuance is recognized at the commencement of the related deals, as per contractual agreements.

Earnings not approved by Shari'ah board

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

l) 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.

m) Zakat and income 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.

n) Pension and medical obligation

The Corporation has two defined post-employment benefit plans, shared with all IDB group entities pension fund, which consists of the Staff Retirement Pension Plan ("SRPP") and the Staff Retirement Medical Plan ("SRMP"), both of which require contributions to be made to separately administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the projected unit credit method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations. The present value of the defined benefit obligation due till the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the statement of financial position. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets. The Corporation's contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the IDB's actuaries, and the contributions are transferred to the scheme's independent custodians.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Wakala Placements (Due to)

A Wakala is an agreement whereby one party (the “Muwakkil” / “Principal”) appoints an investment agent (the “Wakeel” / “Agent”) to invest the Muwakkil’s funds (the “Wakala Capital”) on the basis of an investment Wakala agreement (the “Wakala”).

The agent, “the Corporation” decides in respect to the investments to be made from the Wakala Capital, subject to the terms of the Wakala agreement. However, the Wakeel, “the Corporation” bears the loss in cases of misconduct, negligence or violation of any of the terms of the Wakala agreements. Wakkala fee is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

2.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards have been issued except for FAS 29 “sukuk issuances” which is in the stage of exposure draft and is expected to be issued in near future. The corporation intends to adopt these financial reporting standards when they applicable to corporation’s activities and become effective. The Corporation is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

Financial Accounting Standard – 29 “Sukuk Issuances”

The standard aims to provide guidance for accounting, classification and presentation for Sukuk issuances primarily based on the Sukuk structure, which may include on balance sheet, as well as, off balance sheet accounting. These classifications depend on the control of such assets comprising of power to control and nature of control i.e. for risks and rewards as well as varying benefits to the institution or the fiduciary responsibility on behalf of the Sukuk-holders. This standard shall be applied for accounting and financial reporting for Sukuk issuance in the books of the issuer.

However, this standard is not applicable to the Corporation

Financial Accounting Standard – 30 “Impairment and credit losses”

FAS 30 will be replacing FAS 11 “Provisions and Reserves” and has been developed on the new approach towards identification and recognition of impairment and credit losses, in particular the forward-looking expected losses approach, as introduced under International Financial Reporting Standard (IFRS) 9 “Financial Instruments”.

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

In accordance with FAS 30, the Corporation will not restate comparative information with respect to new expected credit loss model. Any differences in the carrying amounts of financial assets and financial liabilities consequent to the adoption of FAS 30 and will be recognized in retained earnings and reserves as at 1 January 2020.

The Corporation continues to revise, refine and validate the impairment models and related process controls leading up to the 31 March 2020 reporting. The estimated adjustment on adoption of FAS 30 is likely to be in the range of +4% to +5% of general reserve on 1 January 2020.

Financial Accounting Standard – 31 “Investment Agency (Al-Wakala Bi Al-Istithmar)”

This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments to be in line with the ever-changing global best practices, in hand of both the principal and the agent.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2020.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

2.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Financial Accounting Standard – 32 “Ijarah”

This standard intends to set out principles for the classification, recognition, measurement, presentation, and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions on both ends of the transaction i.e. as a lessor and lessee.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2021.

Financial Accounting Standard – 33 “Investment in Sukuk, shares and similar instruments”

This standard improves upon and supersedes the AAOIFI’s Financial Accounting Standard (FAS) 25 “Investment in Sukuk, Shares, and Similar Instruments” issued in 2010. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions).

The standard defines the key types of instruments of Shari’ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investment is made, managed and held.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2020.

3. IDB GROUP SHARI’AH BOARD

The Corporation’s business activities are subject to the supervision of the single Shari’ah Board of the IDB Group. The members of the single Shari’ah Board of the IDB Group have been appointed by IDB Board of Executive Directors through Resolution No. BED/20/10/432/ (278)/125 for a renewable period of 3 years.

The Board of the Corporation through their resolution No. ITFC/BD/24/432(24)/5 delegated the authority to the President, IDB Group, to implement the aforesaid Resolution of the IDB BED, in ITFC.

The functions of the Board include the following:

- 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 program 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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of the reporting period comprised the following:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Cash at banks	<u>79,411</u>	<u>191,526</u>

5. PLACEMENTS THROUGH BANKS

Placements through banks at end of the reporting period comprised the following:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Placements through banks	<u>280,000</u>	<u>208,300</u>

Placements through banks are utilized in the purchase and sale of commodities. Trading is conducted with 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.

The movement in placement through bank is as follows:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Balance at beginning of the reporting year	208,300	96,400
Additions	1,467,433	1,221,806
Redemption	(1,395,733)	(1,109,906)
Balance at end of the reporting year	<u>280,000</u>	<u>208,300</u>

6. TRADE MURABAHA FINANCING, NET

Trade Murabaha financing at end of reporting period comprised the following:

a) Total receivable relating to financing are as follows:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Net receivable under Murabaha financing (note 6 (b))	576,663	539,717
Net receivable from commodities under Murabaha (note 6 (c))	22,242	26,677
Trade Murabaha financing, net	<u>598,905</u>	<u>566,394</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

6. TRADE MURABAHA FINANCING, NET (continued)

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
b) Receivable under Murabaha financing		
Gross amounts receivable	3,181,767	2,860,379
Less: share of syndicate members	(2,588,254)	(2,306,078)
Less: unearned income	(10,915)	(9,407)
Total	582,598	544,894
General Provision	(5,935)	(5,177)
Net receivable under Murabaha financing	576,663	539,717
	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
c) Commodities under Murabaha – structured trade finance		
Gross amounts	159,398	159,522
Less: share of syndicate members	(110,429)	(110,519)
Total commodities under Murabaha	48,969	49,003
Less: Provision for impairment of Commodity under Murabaha (note 7)	(26,727)	(22,326)
Net receivable from commodities under Murabaha	22,242	26,677

This represents commodities under Murabaha financing transaction where there is a time lag between the actual purchase of commodities and transfer of their risk and reward to the customer under Murabaha agreement.

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 impairment of commodities or default by the customer prior to the sale of goods would be reimbursed 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 represents the portion of gross amounts receivable relating to those entities.

7. PROVISION FOR IMPAIRMENT OF TRADE MURABAHA FINANCING

The movement in the provision for impairment on trade Murabaha financing at end of the reporting period is as follows:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Balance at beginning of the year	27,503	90,884
Charge for the year	4,969	1,770
Reversal/(write-off) during the year	190	(65,151)
Balance at end of the year	32,662	27,503

No income has been accrued on the impaired trade Murabaha financing assets for the year ended 31 December 2019 (year ended 31 December 2018: Nil).

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

7. PROVISION FOR IMPAIRMENT OF TRADE MURABAHA FINANCING (continued)

Included in trade Murabaha financing assets at end of 31 December 2019 is an amount of USD 0.6 million (31 December 2018: USD 2.3 million) that are past due at the reporting 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:

	<i>2019</i> <i>US \$ Millions</i>	<i>2018</i> <i>US \$ Millions</i>
Less than three months	0.6	0.60
Three months to twelve months	-	1.70

Disclosures relating to the credit quality of the operating assets have been presented in note 24 (a).

8. INVESTMENTS IN SUKUK

The movement in investments in Sukuk is summarized as follows:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Balance at beginning of the reporting year	52,232	61,912
Investments during the year	35,241	-
Disposals during the year	(20,140)	(6,859)
Realized gain/ (loss) on disposal	73	(72)
Unrealized gain/ (loss) on revaluation recognized in equity	3,694	(2,749)
Balance at end of the reporting year	<u>71,100</u>	<u>52,232</u>

Investments in Sukuk at end 31 December 2019 and 31 December 2018 represent the Sukuk issued by various governments and certain other entities, which have been measured at fair value through statement of changes in members' equity.

9. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at end of reporting period are comprised of the following:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Accrued income on investments in Sukuk	527	599
Accrued Implementation and LC Fees	453	-
Accrued income from placements through banks	670	567
Housing and annual loans to staff	5,047	5,330
Housing and other advances to staff	1,226	1,478
Advance payments made to local vendors	-	151
Other receivables	921	355
Total	<u>8,844</u>	<u>8,480</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

10. FIXED ASSETS

Fixed assets at end of reporting period comprised the following:

	<i>Motor vehicles</i>	<i>Office and computer equipment</i>	<i>Total</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
<u>Cost:</u>			
At 1 January 2019	127	4,310	4,437
Additions	-	108	108
Disposals	-	-	-
At 31 December 2019	<u>127</u>	<u>4,418</u>	<u>4,545</u>
<u>Less: Accumulated depreciation:</u>			
At 1 January 2019	17	3,539	3,556
Charge for the year	25	355	380
Disposals	-	-	-
At 31 December 2019	<u>42</u>	<u>3,894</u>	<u>3,936</u>
<u>Net book value:</u>			
At 31 December 2019	<u>85</u>	<u>524</u>	<u>609</u>

	<i>Motor vehicles</i>	<i>Office and computer equipment</i>	<i>Total</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
<u>Cost:</u>			
At 1 January 2018	76	3,835	3,911
Additions	127	475	602
Disposals	(76)	-	(76)
At 31 December 2018	<u>127</u>	<u>4,310</u>	<u>4,437</u>
<u>Less: Accumulated depreciation:</u>			
At 1 January 2018	49	3,170	3,219
Charge for the year	23	369	392
Disposals	(55)	-	(55)
At 31 December 2018	<u>17</u>	<u>3,539</u>	<u>3,556</u>
<u>Net book value:</u>			
At 31 December 2018	<u>110</u>	<u>771</u>	<u>881</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

11. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 31 December comprised the following:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Earnings not approved by Shari'ah Board (see note 19)	-	11,610
Accrued and other expenses	512	1,854
Staff related provisions	3,944	1,228
Other creditors	994	718
Payable to customers	7,385	1,720
Programs payable	287	-
Due to participants	-	35,737
	<hr/>	<hr/>
Total	13,122	52,867
	<hr/> <hr/>	<hr/> <hr/>

On 31 December 2018, the Corporation received payment from customer as settlement for Murabaha facility which was notified by the Bank to the Corporation subsequent to the year end. As a result, the Corporation could not settle the participants in the subject project as of the year-end cut-off date, hence the entire amount due to the participants was recorded as a liability. There was no such transaction as of 31 December 2019.

12. RELATED PARTY BALANCES

Related parties represent Board of Governors, directors and key management personnel of the Corporation, and affiliate entities of IDB Group. 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) Significant transaction executed during the year are as follows:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Mudarib's share of profit from affiliate	3,779	2,742
Share of Trade Murabaha income to affiliate members	22,218	15,643

(b) Due from related parties

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
IDB Special Account Resource Waqf fund	-	797
	<hr/>	<hr/>
	-	797
	<hr/> <hr/>	<hr/> <hr/>

(c) Due to related parties

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
IDB – Ordinary Capital Resources	2,320	581
IDB Medical Pension Fund	27	-
IDB Pension Fund	1,147	178
IDB – ICIEC	-	1
Islamic Solidarity Fund for Development (ISFD)	112	109
Islamic Corporation for the Development of the Private Sector	-	120
IDB Special Account Resource Waqf fund	474	-
	<hr/>	<hr/>
	4,080	989
	<hr/> <hr/>	<hr/> <hr/>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

13. RELATED PARTY BALANCES (continued)

- (i) The balances due from / to related parties are commission free and have no fixed repayment terms.
- (ii) According to the IDB's Board of Executive Directors' resolution number BED/27/12/428(249)/157, dated 6 January 2008 (27 Dhul Hijja 1428H), 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 18 March 2008 (10 Rabi al Awal 1429H).
- (iii) The Corporation earns mudarib's Share of profit from IDB group entities based on its agreed share of profit related to trade Murabaha financing transactions.

(d) Key management compensation

The compensation to key management is as follows:

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Salaries and other benefits	<u>546</u>	<u>486</u>

13. WAKALA Placement (Due To)

	<i>2019</i> <i>US \$'000</i>	<i>2018</i> <i>US \$'000</i>
Wakala placements (Due to)	<u>27,877</u>	<u>26,569</u>

The Corporation entered into Wakala agreements with banks with a repayment term within one year, whereby the Muwakkil "the bank" transferred certain funds to the Wakil "the Corporation" and appointed the Wakil as its investment agent to invest such funds on its behalf in a manner compliant with principles of Shari'ah. The fees plus the Wakala capital is transferred to Muwakkil at the end of the transaction maturity.

14. PENSION AND MEDICAL OBLIGATION

- (a) The movement on plan assets and liabilities as follows;

	<i>SRPP</i>	<i>SRMP</i>	<i>Total</i>	<i>Total</i>
	<i>31</i>	<i>31</i>	<i>31</i>	<i>31</i>
	<i>December</i>	<i>December</i>	<i>December</i>	<i>December</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Allocation of Pension Assets	30,378	1,531	31,909	35,248
Adjustment on fair value at beginning of the year	198	3	201	(592)
Income on Plan Assets	1,377	70	1,447	1,291
Return on Plan Assets less than discount rate	339	(9)	330	(4,402)
Plan participations contribution	1,016	40	1,056	682
Employer contribution	2,370	188	2,558	1,583
Disbursements from Plan Assets	(1,679)	(109)	(1,788)	(1,901)
Fair value of plan assets at 31 December	33,999	1,714	35,713	31,909

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

14. PENSION AND MEDICAL OBLIGATION (continued)

	<i>SRPP</i>	<i>SRMP</i>	<i>Total</i>	<i>Total</i>
	<i>31</i>	<i>31</i>	<i>31</i>	<i>31</i>
	<i>December</i>	<i>December</i>	<i>December</i>	<i>December</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Allocation of DBO	40,684	2,955	43,639	45,281
Current Service costs	1,829	169	1,998	2,328
Past service cost	277	454	731	-
Cost on Defined Benefit Obligation (DBO)	1,807	132	1,939	1,863
Plan participations contributions	1,016	40	1,056	682
Disbursements from Plan Assets	(1,679)	(109)	(1,788)	(1,902)
Net actuarial loss/ (gain)	10,807	1,133	11,940	(4,613)
Benefit obligation at 31 December	54,741	4,774	59,515	43,639
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	20,742	3,060	23,802	11,730

The above net liability represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability, which is recognized by the Bank in the members' equity immediately in the year, it arises, if material.

- (b) Based on the actuarial valuations, the pension and medical benefit expenses for the year 2019 comprised the following:

	<i>SRPP</i>	<i>SRMP</i>	<i>Total</i>	<i>Total</i>
	<i>31</i>	<i>31</i>	<i>31</i>	<i>31</i>
	<i>December</i>	<i>December</i>	<i>December</i>	<i>December</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Gross current service costs	1,829	169	1,998	2,328
Cost on DBO	1,807	132	1,939	1,863
Past service cost	277	454	731	-
Income on assets	(1,377)	(70)	(1,447)	(1,291)
Cost recognized in statement of income	2,536	685	3,221	2,900
Actuarial gain due to change in assumptions	10,807	1,133	11,940	(4,613)
Return on plan assets greater than discount rate	(339)	9	(330)	4,402
Adjusted asset value reflecting post close amendments	(198)	(3)	(201)	770
Employer direct benefit payments	-	(105)	(105)	-
Cost recognized in statement of changes of equity	10,270	1,034	11,304	559

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

14. PENSION AND MEDICAL OBLIGATION (continued)

(c) Principal assumptions used in the actuarial valuations dated 31 December 2019 and extended as at end of the reporting period are as follows:

	<i>SRPP</i>	<i>SRMP</i>	<i>SRPP</i>	<i>SRMP</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
Discount rate	3.3%	3.3%	4.5%	4.5%
Rate of expected salary increase	3.3%	3.3%	4.5%	4.5%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA Corporate Bonds.

The following table presents the plan assets by major category:

	<i>SRPP</i>	<i>SRMP</i>	<i>Total</i>	<i>Total</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Cash and cash equivalent and commodity placements	12,748	772	13,520	10,843
Syndicated Murabaha	-	-	-	-
Managed funds and instalment sales	5,383	-	5,383	6,059
Investments in Sukuk	11,540	859	12,399	11,592
Land	3,223	-	3,223	3,573
Other (net)	1,105	83	1,188	(158)
Plan assets	33,999	1,714	35,713	31,909

(d) The following table summarizes the funding status of the SPP at end of the reporting dates:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Present value of defined benefit obligation	(54,741)	(40,684)
Fair value of plan assets	33,999	30,378
Plan deficit	(20,742)	(10,306)

(e) The following table summarizes the funding status of the SRMP at end of the reporting dates:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Present value of defined benefit obligation	(4,774)	(2,955)
Fair value of plan assets	1,714	1,531
Plan deficit	(3,060)	(1,424)

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

15. PAID-UP CAPITAL

The capital of the Corporation at end of the reporting period comprised the following:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Subscribed capital	857,190	856,190
Subscribed not yet called	(28,627)	(33,753)
Called-up share capital (Par Value)	828,563	822,437
Installment due	(86,485)	(86,420)
Paid-up Capital (Par Value)	742,078	736,017
Subscribed premium	38,711	34,295
Subscribed premium not yet called	(7,795)	(7,932)
	30,916	26,363
Installment due premium	(23,206)	(20,293)
Paid-up Capital (premium)	7,710	6,070
Paid-up Capital (Par Value Plus Premium)	749,788	742,087

16. OTHER ADMINISTRATIVE EXPENSES

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

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Consultancy and marketing	2,160	1,828
Office rent	1,612	1,497
Communication and membership	825	786
Travel expenses	1,142	1,150
Support services	249	921
Meeting expenses	576	548
Other	533	321
Total	7,097	7,051

17. GENERAL RESERVE

In accordance with chapter 1 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's subscribed capital. Any excess of the net income over the above limit is available for distribution to member countries.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

18. UNDISBURSED COMMITMENTS

Undisbursed commitments are trade finance operations which are declared effective, and for which our clients can call on for disbursement at any point in time. The items making up these undisbursed commitments are:

- Operations declared effective but disbursement yet to commence; and
- The undisbursed portion of those Operations under active disbursement including Letters of Credit (L/Cs) issued, valid not yet drawn, unmatured Usance L/Cs and Standby L/Cs.

Undisbursed commitments comprised the following:

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Trade Murabaha financing	<u>413,348</u>	<u>188,145</u>

19. EARNINGS AND EXPENDITURES NOT APPROVED BY SHARI'AH BOARD

The accumulated earnings realized from transactions which are advised by the management and not approved by Shari'ah Board are included in accruals and other liabilities are Nil as of 31 December 2019 (31 December 2018: USD 11.6 million).

Below is disclosure on annual earnings and expenditures not approved by Shari'ah Board.

	<i>2019</i>		<i>2018</i>	
	<i>No. of</i>		<i>No. of</i>	
	<i>Events</i>	<i>US \$'000</i>	<i>Events</i>	<i>US \$'000</i>
Financing of Shari'ah non-compliant assets/activities	-	-	-	-
Procedural lapses in transaction execution	-	-	-	-
Debtor Default Charity Undertaking Donations	9	454	9	202
Interest from legacy accounts with conventional banks	17	250	41	485
Other events (Balance b/f 2017)	-	-	-	10,923
Other events (Balance b/f 2018)	-	11,610	-	-
Other events - Transfer to Trade Development Fund	2	(12,314)	-	-
Total		<u>-</u>		<u>11,610</u>

During the year, the Corporation transferred the accumulated earnings realized which were not approved by Shari'ah Board to a newly created Trade Development Fund.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

20. MATURITY PROFILE

Financial assets and liabilities according to their respective maturity periods or expected periods to cash conversion is as following:

2019

	<i>Maturity period determined</i>				<i>Maturity period not determined</i>	<i>Total</i>
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>		
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>		
Assets						
Cash and cash equivalents	79,411	-	-	-	-	79,411
Placements through banks	280,000	-	-	-	-	280,000
Trade Murabaha financing	243,460	348,837	6,608	-	-	598,905
Investments in sukuk	-	50,772	9,968	10,360	-	71,100
Total financial assets	602,871	399,609	16,576	10,360	-	1,029,416
Liabilities						
Due to related parties	4,080	-	-	-	-	4,080
Customer advances	7,385	-	-	-	-	7,385
Total financial liabilities	11,465	-	-	-	-	11,465
Undisbursed commitments (note 18)	-	-	-	-	-	413,348

2018

	<i>Maturity period determined</i>				<i>Maturity period not determined</i>	<i>Total</i>
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>		
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>		
Assets						
Cash and cash equivalents	191,526	-	-	-	-	191,526
Placements through banks	208,300	-	-	-	-	208,300
Trade Murabaha financing	193,333	373,061	-	-	-	566,394
Investments in sukuk	-	-	24,444	27,788	-	52,232
Due from related parties	797	-	-	-	-	797
Total financial assets	593,956	373,061	24,444	27,788	-	1,019,249
Liabilities						
Due to related parties	989	-	-	-	-	989
Customer advances	1,720	-	-	-	-	1,720
Total financial liabilities	2,709	-	-	-	-	2,709
Undisbursed commitments (note 18)	-	-	-	-	-	188,145

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

21. NET ASSETS IN FOREIGN CURRENCIES

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Saudi Riyal	2,222	993
Euro	2,196	535
	<u>2,222</u>	<u>993</u>
	<u>2,196</u>	<u>535</u>

22. OTHER INCOME

	<i>2019</i>	<i>2018</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Loss on disposal of fixed assets	-	(4)
Advisory and miscellaneous income	590	40
	<u>590</u>	<u>40</u>
Total	<u>590</u>	<u>36</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

23. CONCENTRATION OF FINANCIAL ASSETS

The geographical distribution of financial assets are as follows:

2019	<i>Cash and cash equivalents</i>	<i>Placements through banks</i>	<i>Investments in Sukuk</i>	<i>Trade Murabaha financing</i>	<i>Receivable from related parties</i>	<i>Total</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Bahrain	-	55,000	-	-	-	55,000
Bangladesh	-	-	-	54,211	-	54,211
Burkina Faso	-	-	-	13,386	-	13,386
Comoros	-	-	-	5,291	-	5,291
Djibouti	-	-	-	5,905	-	5,905
Egypt	-	-	-	209,510	-	209,510
Gambia	-	-	-	9,198	-	9,198
Hong Kong	-	-	10,360	-	-	10,360
Indonesia	1,148	-	-	12,888	-	14,036
Kazakhstan	-	-	-	7,006	-	7,006
Kyrgyzstan	-	-	-	1,334	-	1,334
Kuwait	-	100,000	-	-	-	100,000
Maldives	-	-	-	10,195	-	10,195
Mali	-	-	-	77	-	77
Mauritania	-	-	-	14,400	-	14,400
Morocco	-	-	-	15,235	-	15,235
Nigeria	-	-	-	47	-	47
Pakistan	-	-	-	120,786	-	120,786
Qatar	-	90,000	-	-	-	90,000
Regional	-	15,000	-	-	-	15,000
Saudi Arabia	2,222	-	40,498	-	-	42,720
Senegal	-	-	-	32,573	-	32,573
Tajikistan	-	-	-	5,761	-	5,761
Togo	-	-	-	19,604	-	19,604
Tunisia	-	-	-	24,706	-	24,706
UAE	46	20,000	20,242	-	-	40,288
United Kingdom	75,995	-	-	-	-	75,995
Uzbekistan	-	-	-	36,791	-	36,791
TOTAL	79,411	280,000	71,100	598,904	-	1,029,415

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

23. CONCENTRATION OF FINANCIAL ASSETS (continued)

2018	<i>Cash and cash equivalents</i>	<i>Placements through banks</i>	<i>Trade Murabaha financing</i>	<i>Investments in Sukuk</i>	<i>Receivable from related parties</i>	<i>Total</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>
Bahrain	11,589	22,800	-	-	-	34,389
Bangladesh	-	-	146,734	-	-	146,734
Burkina Faso	-	-	34,514	-	-	34,514
Cameroun	-	-	14,013	-	-	14,013
Chad	-	-	10	-	-	10
Comoros	-	-	10,260	-	-	10,260
Cote D'ivoire	-	-	4	-	-	4
Djibouti	-	-	9,784	-	-	9,784
Egypt	-	-	24,880	-	-	24,880
France	-	13,500	-	-	-	13,500
Gambia	-	-	445	-	-	445
Hong Kong	-	-	-	9,744	-	9,744
Indonesia	426	-	12,648	-	-	13,074
Jordan	-	-	1,268	-	-	1,268
Kazakhstan	-	-	7,390	-	-	7,390
Kuwait	-	42,000	-	-	-	42,000
Malaysia	24	1,400	-	-	-	1,424
Maldives	-	-	6,187	-	-	6,187
Mali	-	-	107	-	-	107
Mauritania	-	-	14,982	-	-	14,982
Morocco	-	-	30,750	-	-	30,750
Oman	-	-	-	18,043	-	18,043
Pakistan	-	-	105,700	-	-	105,700
Qatar	-	38,000	-	-	-	38,000
Regional	-	-	21,603	-	-	21,603
Saudi Arabia	993	33,600	-	19,516	797	54,906
Senegal	-	-	46,335	-	-	46,335
Sierra Leone	-	-	1,664	-	-	1,664
Tajikistan	-	-	8,498	-	-	8,498
Togo	-	-	8,675	-	-	8,675
Tunisia	-	-	51,365	-	-	51,365
UAE	-	57,000	7,840	4,929	-	69,769
United Kingdom	178,494	-	-	-	-	178,494
Uzbekistan	-	-	738	-	-	738
TOTAL	191,526	208,300	566,394	52,232	797	1,019,249

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

24. RISK MANAGEMENT

The Corporation's risk management is governed by various risk management policies, procedures and guidelines. The Risk Management Office ("RMO") 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's management committee 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 placements through banks, trade Murabaha financing and investments in sukuk 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. Trade 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 Trade 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 RMO, 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, the Corporation has a well-developed limit structure, which is based on the credit strength of the beneficiary, the obligor.

The use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with the 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 the 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 the Corporation.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

24. RISK MANAGEMENT (continued)

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. Financing in other than the functional currency are funded through external partners. 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, placements through banks and trade 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 20.

iii) 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 placements through banks, and trade 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 has 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 period end would not be changed significantly.

c) Shari'ah non-compliance risks

The Corporation attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR) which is considered a part of operating risks. Shari'ah compliance forms an integral part of ITFC's purpose in line with its Articles of Agreement. Consequently, the Corporation effectively manage SNCRs through robust framework of procedures and policies. The business or risk-taking unit embeds a culture of Shari'ah compliance within its procedures, as the 1st line of defense, while the Shari'ah Compliance function of IsDB Group serves as the 2nd line of defense to strategically manage and monitor SNCRs pre-execution of transactions/operations. The IsDB Group Internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defense post-execution of transactions/operations adopting a risk based internal Shari'ah audit methodology.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2019 (5 JUMADA AL-AWWAL 1441H)

24. RISK MANAGEMENT (continued)

d) Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of operational assets are not significantly different from the carrying values included in the financial statements.

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
For the year ended 31 December 2019			
Investments in Sukuk	71,100	-	-
For the year ended 31 December 2018			
Investments in Sukuk	52,232	-	-

There were no transfers between the levels during the year (2018: same).

25. SEGMENT INFORMATION

The Board of Directors approves the global allocation of resources for the different development activities of the Corporation. In order to ensure sufficient resources to enable it to meet its developmental objectives, the Corporation actively engages in treasury and liquidity management. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Corporation's capital. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitors the performance and financial position of the Corporation as a whole, without distinguishing between the developmental activities and the ancillary supporting liquidity management activities or geographical distribution of its development programs. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22. The geographical distribution of the Corporation's financial assets is set out in note 23.

07



Appendices



Appendix 1

Corporate Profile of the Islamic Development Bank

ESTABLISHMENT

The Islamic Development Bank (IsDB) is an international financial institution established pursuant to Articles of Agreement signed at the city of Jeddah, Kingdom of Saudi Arabia, on 21 Rajab 1394H, corresponding to 12 August 1974. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the IsDB formally began operations on 15 Shawwal 1395H (20 October 1975).

VISION

The Islamic Development Bank strives to become a worldclass development bank, inspired by Islamic principles, that helps to significantly transform the landscape of comprehensive human development in the Muslim world and to restore its dignity.

MISSION

To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and bringing prosperity to the people.

MEMBERSHIP

The IsDB has 57-member countries across various regions. The prime conditions for membership are that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), that it pays the first instalment of its minimum subscription to the Capital Stock of the IsDB, and that it accepts any terms and conditions that may be decided upon by the Board of Governors.

CAPITAL

At its 38th Annual Meeting, the IsDB's Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 billion. By the same Resolution, the

Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 2018, the subscribed capital of the IsDB stood at ID50.2 billion.

IsDB



البنك الإسلامي للتنمية
Islamic Development Bank

ISLAMIC DEVELOPMENT BANK GROUP

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

HEAD QUARTER AND REGIONAL HUBS

Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IsDB has eleven regional hubs in Abuja, Nigeria; Almaty, Kazakhstan; Ankara, Turkey; Cairo, Egypt; Dakar, Senegal; Dhaka, Bangladesh; Dubai, United Arab Emirates; Jakarta, Indonesia; Kampala, Uganda; Paramaribo, Suriname; and Rabat, Morocco.

FINANCIAL YEAR

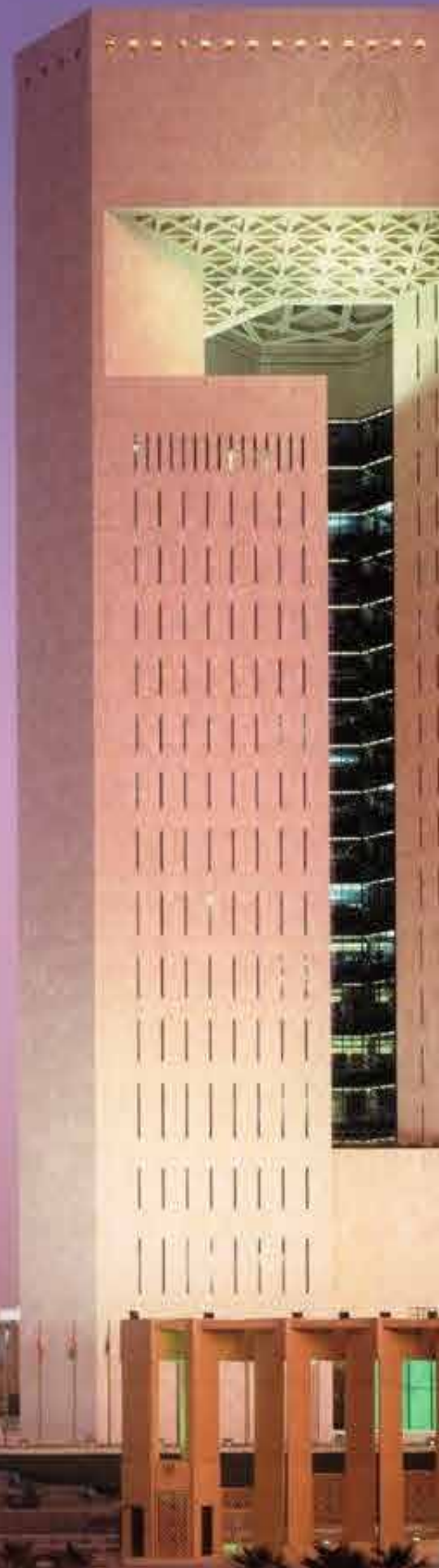
The IsDB's financial year used to be the lunar Hijra Year (H). However, since 1st January 2016, the financial year was changed to the Solar Hijra year starting from 11th of Capricorn, (corresponding to 1st January) and ending on the 10th Capricorn (corresponding to 31 December of every year).

ACCOUNTING UNIT

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

LANGUAGE

The official language of the IsDB is Arabic, but English and French are also used as working language.





Islamic Research and Training Institute (IRTI)

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) as the research and training arm of IsDB. IRTI plays a key role in supporting the transformation of IsDB 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 socioeconomic development in IsDB 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 a global knowledge center for Islamic economics and finance in line with its new vision.

www.irti.org

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

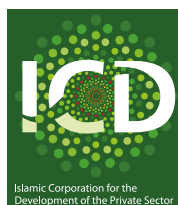
ICIEC was established in 1415H (1994) by the Islamic Development Bank (IsDB) and Member Countries of the Organization of Islamic Cooperation (OIC) as an independent entity within IsDB Group. Its mandate is to: (i) help increase the scope of trade transactions of Member Countries; (ii) facilitate flow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

ICIEC fulfils these objectives by providing appropriate Islamic Shariah-compliant credit and country-risk insurance and reinsurance instruments. **www.iciec.com**

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

ICD was established in 1420H (1999) as an independent entity within IsDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to compliment the role played by IsDB 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 Shariah; and (ii) provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private sectors. **www.icd-ps.org**



Appendix 2

ITFC Shareholders' Information

ITFC International Islamic Trade Finance Corporation

Subscribed, Called-up, and Paid-up Capital, As of 31/12/2019 (Sorted by Paid-up)

							Number of Shares
Sr. No.	Member	Subscribed by shares	Percent of Subscribed	Called-up by shares	Percent of Called-up	Paid-up shares	Percent of Paid-up
1	Islamic Development Bank	26,637	31.075%	26,637	32.148%	26,637	35.895%
2	Saudi Arabia	14,557	16.982%	12,000	14.483%	12,000	16.171%
3	Saudi Fund for Development, Saudi Arabia	6,065	7.075%	6,065	7.320%	6,065	8.173%
4	Kuwait	4,821	5.624%	4,821	5.819%	4,821	6.497%
5	Republic of Turkey	3,536	4.125%	3,329	4.018%	3,329	4.486%
6	Public Investments Fund, Saudi Arabia	3,000	3.500%	3,000	3.621%	3,000	4.043%
7	Malaysia	2,898	3.381%	2,898	3.498%	2,898	3.905%
8	Export Development Bank, Iran	2,500	2.917%	2,500	3.017%	2,486	3.350%
9	Egypt	1,513	1.765%	1,513	1.826%	1,513	2.039%
10	Nigeria	1,000	1.167%	1,000	1.207%	1,000	1.348%
11	Qatar	1,000	1.167%	1,000	1.207%	1,000	1.348%
12	Iraq	850	0.992%	850	1.026%	850	1.145%
13	Pakistan	843	0.983%	843	1.017%	843	1.136%
14	Albaraka Islamic Bank, Bahrain	818	0.954%	818	0.987%	818	1.102%
15	Faisal Islamic Bank of Egypt, Egypt	718	0.838%	718	0.867%	718	0.968%
16	Algeria	608	0.709%	608	0.734%	608	0.819%
17	Brunei Darussalam	582	0.679%	582	0.702%	582	0.784%
18	Tunisia	560	0.653%	560	0.676%	560	0.755%
19	Morocco	510	0.595%	510	0.616%	510	0.687%
20	Bank Mellat, Iran	500	0.583%	500	0.603%	500	0.674%
21	Indonesia	206	0.240%	206	0.249%	206	0.278%
22	Bangladesh	202	0.236%	202	0.244%	202	0.272%
23	Iran	8,692	10.140%	8,692	10.490%	192	0.259%
24	Bahrain	185	0.216%	185	0.223%	185	0.249%
25	Syria	185	0.216%	185	0.223%	185	0.249%
26	Palestine	184	0.215%	184	0.222%	184	0.248%
27	UAE	184	0.215%	184	0.222%	184	0.248%
28	Albaraka Investment Company, London	161	0.188%	161	0.194%	161	0.217%
29	Libya	139	0.162%	139	0.168%	139	0.187%
30	Jordan	130	0.152%	130	0.157%	130	0.175%
31	Jordan Islamic Bank	118	0.138%	118	0.142%	118	0.159%
32	Bank Keshavarzi, Iran	100	0.117%	100	0.121%	100	0.135%
33	EN Bank, Iran	100	0.117%	100	0.121%	100	0.135%
34	Bank Melli, Iran	100	0.117%	100	0.121%	100	0.135%
35	Bank of Industry and Mine, Iran	100	0.117%	100	0.121%	100	0.135%
36	Yemen	100	0.117%	100	0.121%	99	0.133%
37	Cote D'Ivoire	85	0.099%	85	0.103%	85	0.115%
38	Sudan	93	0.108%	77	0.093%	77	0.104%
39	Burkina Faso	75	0.087%	75	0.091%	75	0.101%
40	Somalia	72	0.084%	72	0.087%	72	0.097%
41	Albaraka Turk Katilim Bankasi A.S.	69	0.080%	69	0.083%	69	0.093%
42	Lebanon	61	0.071%	61	0.074%	61	0.082%
43	Mozambique	60	0.070%	60	0.072%	60	0.081%
44	Bank Al baraka, Tunis	53	0.062%	53	0.064%	53	0.071%
45	Azerbaijan	50	0.058%	50	0.060%	50	0.067%
46	Bank Tejarat, Iran	50	0.058%	50	0.060%	50	0.067%
47	Benin	50	0.058%	50	0.060%	50	0.067%
48	Djibouti	50	0.058%	50	0.060%	50	0.067%
49	Gambia	50	0.058%	50	0.060%	50	0.067%
50	Uganda	49	0.057%	49	0.059%	49	0.066%
51	Senegal	48	0.056%	48	0.058%	48	0.065%
52	Mauritania	100	0.117%	100	0.121%	33	0.045%
53	Nile Bank for Commerce & Dev. - Sudan	26	0.030%	26	0.031%	26	0.035%
54	Sudanese Islamic Bank, Sudan	26	0.030%	26	0.031%	26	0.035%
55	Tadamon Islamic Bank, Sudan	26	0.030%	26	0.031%	26	0.035%
56	Gabon	22	0.026%	22	0.027%	22	0.030%
57	Republic of Uzbekistan	50	0.058%	17	0.021%	17	0.023%
58	Republic of Kyrgyzstan	50	0.058%	17	0.021%	17	0.023%
59	Suriname	50	0.058%	33.33	0.040%	17	0.022%
60	Cameroon	2	0.002%	2	0.002%	2	0.003%
61	Niger	50	0.058%	50	0.060%	-	0.000%
Sub Total		85,719.00	100%	82,856.33	100%	74,207.73	100%

Appendix 3

2019 Trade Finance Approvals for LDMCs (US\$ Mil)

S. No	Country	2019
1	Bangladesh	815.00
2	Burkina Faso	393.00
3	Comoros	111.00
4	Djibouti	210.00
5	Gambia	55.00
6	Mali	72.00
7	Mauritania	105.00
8	Senegal	278.00
9	Togo	62.00
Total for LDMCs		2,101.00
Total Approvals		5,841.00
%		35%

Appendix 4

2019 Trade Finance Approvals by Sector (US\$ Mil)



Energy
4,449.00



Food & Agriculture
565.00



Finance
677.00



Other
150.00



5,841.00

Appendix 5

2019 Trade Finance Approvals by Commodity

Commodity	No. of Operations	Amount (US\$ Mil)	Percentage (%)
Grains & Oilseeds	2	69.00	1.18%
Cotton	2	222.00	3.80%
Sugar	1	10.00	0.17%
Other Foodstuff	10	264.00	4.52%
Petroleum	47	4,449.00	76.17%
Pharmaceuticals	1	25.00	0.43%
Other Chemicals	1	40.00	0.68%
Metals	1	20.00	0.34%
Machinery & Equipment	3	55.00	0.94%
Other	16	687.00	11.76%
TOTAL	84	5,841.00	100%

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