

Leveraging the Past;
Building the Future

ANNUAL REPORT

2017



itfc

International
Islamic Trade
Finance Corporation

Partner Ship

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01



INTRODUCTION



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 2017.

The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 31 of December 2017.

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

Yours Sincerely,

Dr. Bandar M. H. Hajjar

Chairman, Board of Directors

CEO'S Message



In the name of Allah, the most Gracious and Merciful

It is with great honor and privilege that I present the ITFC Annual Report for 2017. Indeed, the year 2017 was a significant milestone for ITFC as it completed its 10th Year since establishment. During this period, ITFC was resilient to navigate through challenging environments and remained steadfast in delivering on its core mandate of supporting trade and trade development in Member Countries. During this first decade, the Corporation achieved commendable results in both trade finance and trade development arenas. Total cumulative approvals and disbursements reached US\$40.2 billion and US\$31.01 billion, respectively. Total cumulative funds mobilized from partner banks and financial institutions reached US\$24.4 billion, reflecting ITFC's critical role as a catalyst to attract funding for large-ticket trade transactions for the benefit of Member Countries.

In 2017, the year was also significant as ITFC embarked on the implementation of its new 10-Year strategy, in line with the IsDB Group 10-year strategy. In addition, to align with the new strategy, a new organizational structure was introduced and staff mapping was completed, with the two core functions of trade finance and trade

development aligned under one structure. In all of this, the Corporation sought to build on its past experience and IsDB Group's long heritage in Trade to help formulate its new business model. In this respect, 2017 was a Reset Year, and the Corporation is now poised for a new direction that will guide its interventions in providing integrated trade solutions in Member Countries over the coming years. Also, it is worth mentioning that in 2017, ITFC expanded its field presence within the wider framework of getting closer to clients. It now has staff in six locations, namely Dakar, Jakarta, Istanbul, Dhaka, Rabat, and Dubai.

With regards to the 2017 results, I am pleased to report that the Corporation, despite the challenging environment, registered good performance, with approvals reaching US\$ 4.9 billion, 10% increase compared to the 2016 figure of US\$ 4.4 billion. On the other hand, disbursements reached US\$ 3.4 billion, which is down by 29% as compared to the US\$4.8 billion recorded in 2016 (15-month year). Funds mobilized from partner banks and financial



institutions reached US\$ 3 billion, covering 61% of the total approvals. Furthermore, ITFC continued to extend financing to a number of Member Countries under the multi-year framework agreements in place for many of the large-ticket sovereign clients.

In the area of trade development, the Corporation continued shifting its interventions towards integrated program based approach, combining trade finance with trade development & capacity building for higher impact. Examples include (i) the Indonesian Coffee Export Development Program, and (ii) an initiative to support cotton producers in West Africa to expand their export markets. In addition, a number of the flagship programs including the Aid for Trade Initiative for Arab States (AfTIAS) and the Arab Africa Trade Bridge Program (AATB) continued to make significant progress. Moreover, ITFC continued to advance its cooperation with key international partners such as the International Chamber of Commerce (ICC), the OECD, the International

Trade Center (ITC), ECOWAS, as well OIC institutions, and Arab Organizations.

Finally, I would like to convey my sincere thanks and appreciation to the Chairman and the Esteemed Members of the Board of Directors for their support and guidance. I would also like to convey my special thanks to all ITFC staff members for their dedication and service to the organization. I am confident that in 2018 with the new strategy and new business model in place, we will move the Corporation towards greater achievements and to be the leading provider of trade solutions for OIC Member Countries.

Eng. Hani Salem Sonbol
Chief Executive Officer

Board of DIRECTORS



**Hon.
Dr. Bandar M. H. Hajjar**
Chairman



**Hon.
Abdulghaffar Aqeel Al Awadhi**



**Hon.
Dato Siti Zauyah MD Desa**



**Hon. Eng.
Fahad A. Al-Nowaiser**



**Hon. Dr.
Hamad Bin Suleiman Al Bazai**



**Hon.
Kafando Salam**



**Hon.
Mohamed Isa Al-Mutaweh**



**Hon.
Mohammed Gambo Shuaibu**



**Hon. Dr.
Saad Al-Shahrani**



**Hon. Dr.
Shehabeddine Marzaban**



**Hon.
Zourehatou Kassah -Traore**

MANAGEMENT Team



Eng. Hani Salem Sonbol
Chief Executive Officer



M. Nazeem Noordali
Chief Operating Officer,
Trade Solutions Complex



Ibrahima Sory Soumah
Chief Risk Officer,
Risk Management Office



Abou Jallow
Senior Adviser to the CEO &
General Manager, Operations
Department



Mohammad Hafiz Emrith
General Manager, Strategy &
Organizational Performance Office

(Acting) General Manager,
Finance Department



Ahmad Jafar Sabbagh
General Manager,
Human & Corporate
Resources Department



Nasser M. Al-Thekair
General Manager,
Trade & Business Development
Department



Ahmed M. Yousef Jan
General Manager,
Treasury Department



Abdihamid Aweis Abu
General Manager,
Trade Finance Department

WHO

We are



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

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. It was established with the purpose 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. Commenced 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 reflects the Corporation's efficiency in service delivery by responding swiftly to customer needs in a market-driven business environment.

Since 2008 until 2017, ITFC has provided more than US\$40.2 billion of trade financing to OIC Member Countries, making the Corporation the leading provider of trade solutions for OIC Member Countries' needs. With a mission of being a catalyst for trade development among 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.

ITFC

Brand



itfc

International
Islamic Trade
Finance Corporation

ITFC embarked on creating an effective corporate identity platform that aims to clearly communicate the ITFC brand and instill it with characteristics that are unique to the organization's heritage. ITFC brand name was designed in a clear and compelling manner and was created to position the Corporation as a leader within the Shariah trade finance industry.

Since the inception of ITFC in 2008, the brand creation focused on the concept of "Expanding Connections". This concept is at the heart of ITFC's values and everything the Corporation does to share and apply intra trade skills – linking people together, partnerships and possibilities to make strong connections that empower, expand and enrich economies, communities and individuals.

Our Brand - is a balance between robustness and responsibility with an energy to seek out new opportunities that enable Member Countries to prosper. The four cornerstones of the business – customers, business partners, Member Countries and products and services – provide a solid foundation on which ITFC is building a promising future.

Putting ITFC on the Map - ITFC brand name is associated with Best Trade Finance Solutions Provider. ITFC is building its capacity and unifying its efforts to offer customized niche solutions that contain two main components: trade finance and trade development. ITFC's new business direction focuses on building ITFC's visibility not only among the Member Countries' governments and institutions, but also among the local businessmen, banks, farmers and beneficiaries.

ITFC

Fact Sheet

Commenced Operations on



January 10, 2008

Headquarter



Jeddah,
Saudi Arabia

Member



The Islamic
Development Bank
Group

Mandate



Contribute to economic development of
Member Countries through trade advancement

Authorized Capital
(2017)

US\$ **3** billion

Subscribed Capital
(2017)

US\$ **856.2**
million

Paid- Up Capital
(2017)

US\$ **735.0**
million

Approved Trade Finance
Operations (2017)

53 | totaling US\$
operations | **4.9** billion

Cumulative Approved Trade Finance
Operations (2008 – 2017)

603 | totaling US\$
operations | **40.2** billion

Cumulative
Disbursement
(2008 – 2017)

US\$ **31.01**
billion

Cumulative Approvals
by Sector (2008 – 2017)



Total Number of Clients
Served
(2008 – 2017)

455
clients

Total Number of Member
Countries
Served (2008 – 2017)

42
Member Countries

Cumulative Approvals
by Region (2008 – 2017)





01

Headquarters

P.O. Box 55335, Jeddah 21534, Kingdom of Saudi Arabia.
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02

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03

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04

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Jakarta 12190 Phone: +6221 29 333 468 Fax: +6221 29 333 464



05

Dakar – Senegal Office

ITFC - IDB Group18 boulevard de la République
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06

Rabat - Morocco Office

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07

Dubai - UAE Office

P.O. Box 123336, Dubai, United Arab Emirates
Tel: +971 4 2555934 - Fax :+971 4 2954698

ITFC Branch



ECONOMIC & TRADE ENVIRONMENT OUTLOOK

Global Economic Overview

The upswing global economy that started in the second half of 2016 gained further momentum in the first half of 2017. Indeed, after years of disappointing growth, 2017 is expected to be a year of economic recovery on a global scale. According to IMF projections, the overall GDP growth is expected to rise to 3.6% by the end of 2017, and to 3.7% in 2018.

This upward trend is primarily supported by the economic recovery in the euro area, Japan, emerging Europe and Russia, where growth outcomes in the first half of 2017 were better than expected—more than offset downward revisions for the United States and the United Kingdom. While the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies.

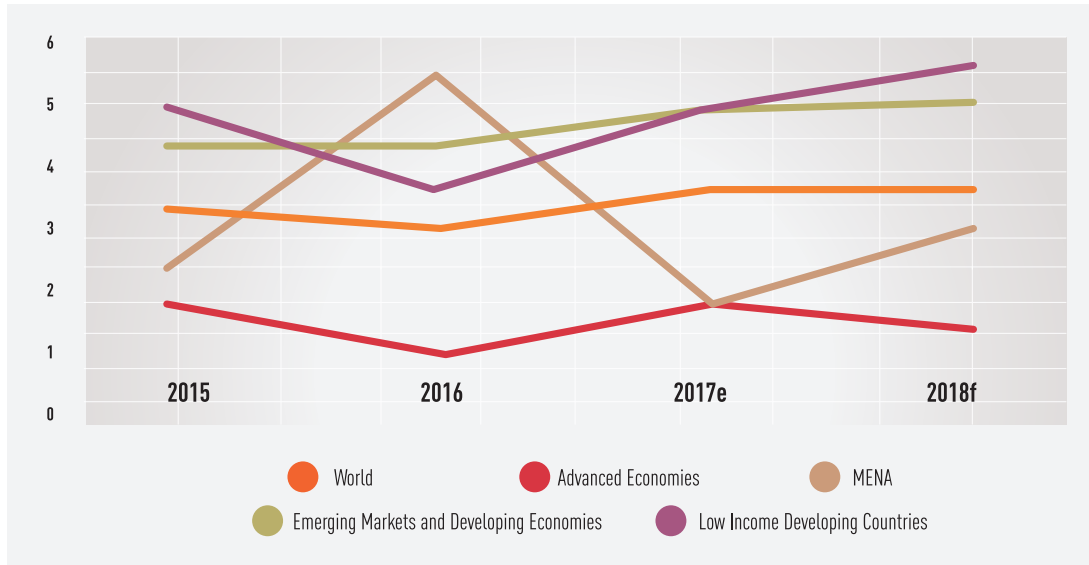
In emerging and developing economies, the growth rate, which attained 4.3% in 2016, is expected to increase to 4.6% in 2017 and to 4.9% in 2018. According to IMF, the expected growth is supported by improved external factors, such as a benign global financial environment and recovery in advanced economies. Growth in China and other parts of emerging Asia remains strong, and the still-difficult conditions faced by several commodity exporters in Latin America, the Commonwealth of Independent States (CIS), and sub-Saharan Africa (SSA) show some signs of improvements.

Despite the strengthening global recovery, the outlook for MENA (Middle East and North Africa) countries remains relatively subdued, mainly due

to the continued adjustment to low oil prices and external challenges. For oil-exporting countries, spillovers from the low oil price environment and fiscal adjustment continue to weigh on non-oil growth, while overall growth is also held down by the Organization of the Petroleum Exporting Countries (OPEC) led agreement to reduce production. For oil importers, growth is projected to increase, supported by the strengthening domestic demand and a cyclical recovery of the global economy. As a result, the growth rate of MENA region is expected to drop from 5.1% in 2016 to only 2.2% in 2017, before increasing to 3.2% in 2018¹.

¹IMF – World Economic Outlook, October 2017

Figure 1: Growth Rate between 2015 and 2018 (In Percentages)



Source: IMF (October 2017), OECD

Global Trade Overview

In 2016, the world exports dropped by almost 2.6%, from US\$16.1 trillion in 2015. In volume terms, global trade is estimated to have grown by 2.4% during the same year, the slowest pace since 2009. This is due to weak growth in advanced economies, emerging markets and developing economies.

For advanced economies, weaker trade growth was related to investment slowdown and inventory adjustment, especially during the first part of the year. In emerging markets and developing economies,

persistent weakness in trade growth was related to protracted trade slowdown in China and sharp import contraction in some commodity exporters facing macroeconomic strains, notably Latin America, sub-Saharan Africa (SSA), and the Commonwealth of Independent States (CIS).

Global trade picked up noticeably in late 2016 and early 2017, reflecting a recovery in global demand and especially capital spending. Consequently, global trade growth is projected to rebound and reach 4% in 2017.

Economic and Trade Performance of OIC Member Countries

As for OIC Member Countries, their economies seem affected by external and internal challenges, including declining commodity prices. Despite such a negative impact, their GDP increased by 22.8%, from US\$14.9 trillion in 2012 to US\$18.3 trillion in 2016. In 2017, their growth is expected to be slightly below the world average at 3.2% (vs. 3.7% for the world). This slowdown is expected to be reversed in 2018 with an anticipated growth of 3.9%².

In 2016, the total trade of OIC Member Countries recorded a drop of 7.8% to US\$3 trillion as compared to US\$3.2 trillion in 2015. Such a decline caused the intra-OIC trade (as a percentage of OIC countries' foreign trade) to fall back to 18.69% after its historical peak of 20.33% in 2015. Thus, due to weak global demand, declining commodity prices (particularly oil prices), and the US dollar appreciation, OIC exports fell by 13.5% in 2016 to US\$1.4 trillion. Similarly, OIC Member Countries' proportion in the world exports dropped from 21.4% in 2015 to only 20% in 2016³.

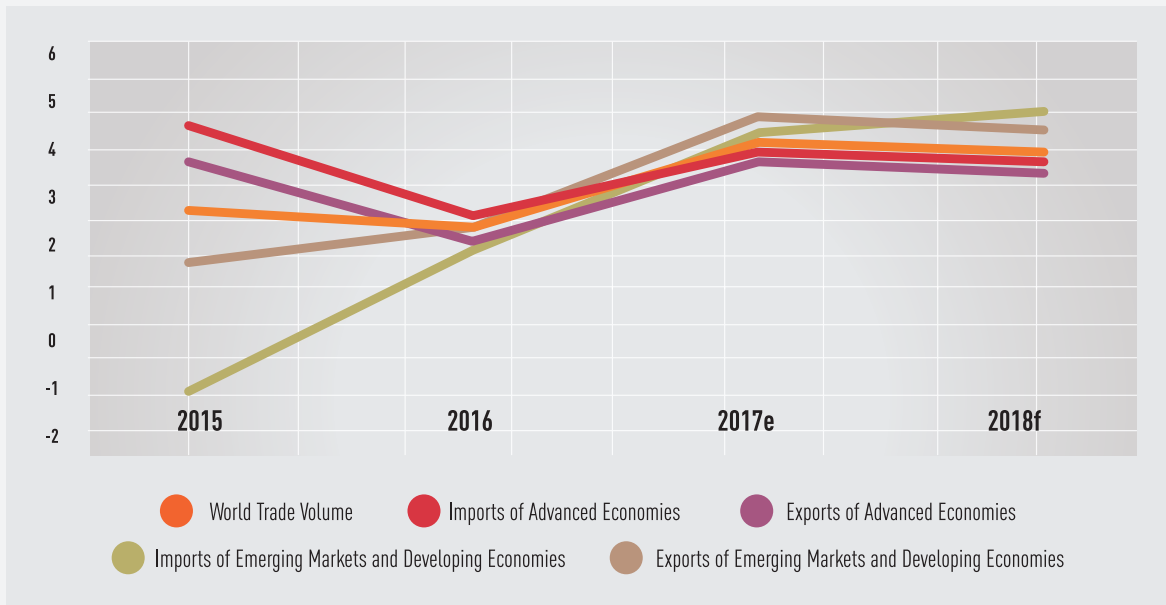
The top five OIC exporting Member Countries, namely United Arab Emirates, Malaysia, Saudi Arabia, Indonesia, and Turkey, accounted for about 61% of all intra-OIC exports in 2016. On the other hand, OIC imports from the rest of the world dropped in 2016 by 6.6% to US\$1.6 trillion as compared to 2015. Such a decline can be explained by a sharp contraction in imports of most oil exporting OIC countries due to their dwindling commodity revenues. With regard to intra-OIC imports, they went down from US\$350 billion in 2015 to US\$278 billion in 2016 registering a drop of 20.58% (Figure 3). The top five intra-OIC importing countries (United Arab Emirates, Turkey, Malaysia, Saudi Arabia, and Indonesia) accounted for about 40% of all intra-OIC imports in 2016.



²SESRIC – OIC Economic Outlook 2017

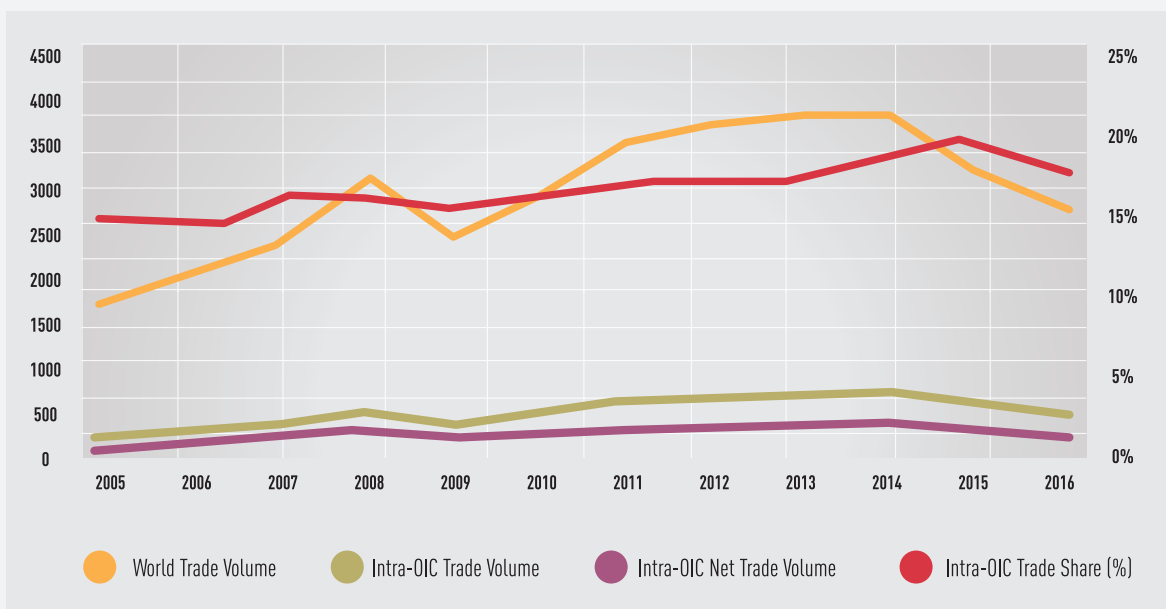
³ICDT – Annual Report 2017

Figure 2: Trade Growth between 2015 and 2018 (In Percentages)



Source: IMF (2017), WTO (2017)

Figure 3: Evolution of Intra-OIC Trade between 2005 and 2016 (In Billions US\$ and in Percentages)



Source: National Data, DOTS-IMF August 2016, WTO, and WITS Online October 2016, ICDT 2017

10



10 years in advancing
trade and improving lives

10 YEARS JOURNEY

KEY MILESTONES & ACHIEVEMENTS SINCE INCEPTION

Start ●

2008

The ITFC was established in response to calls for an increase and acceleration of intra-OIC trade, as initially expressed by the Custodian of the Two Holy Mosques King Abdullah Bin Abdel Aziz Al Saud (during his tenure as Crown Prince) at the 10th OIC Summit held in Putrajaya, Malaysia in 1424H (2003G).

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

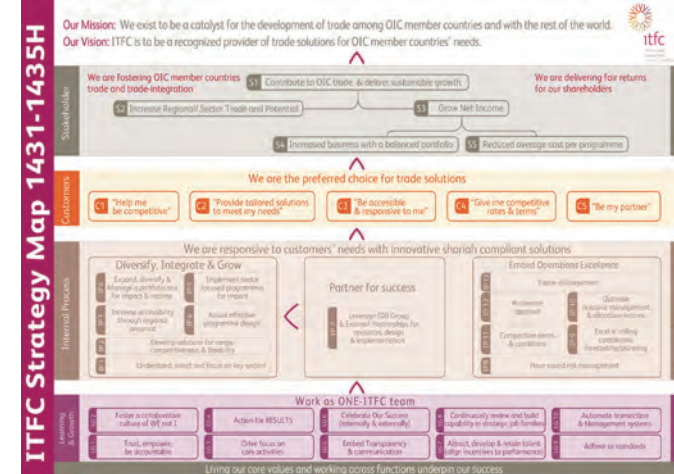
Our Mission
"ITFC is a catalyst for trade development among OIC member countries and beyond"

ITFC formally commenced its operations on 1st Muharram, 1429H (January 10, 2008).

The Corporation successfully completed its first year of operations with total approvals exceeding \$ 2.5 billion.

2009

ITFC provided a whole range of customer-focused solutions, dedicated Structured Trade Finance (STF) and Business Development units were established with the aim of innovating solutions and structures that respond effectively to Member Countries' unique requirements.



1st Strategy:
mission: "We exist to be a catalyst for the development of trade among OIC member countries and with the rest of the world".

Vision: "to be a recognized provider of trade solutions for the OIC Member Countries' needs".

1st International recognition:
"Best trade finance bank" in Global Trade Review's readers' poll

"Best deal of the year" of 2009 from three reputable magazines in favor of the Sugar Deal in Indonesia.

2010

ITFC launched and implemented the Aid for Trade (Aft) Road Map under the United Nations Special Program for Economies of Central Asia (SPECA) Region in cooperation with the governments of Kyrgyzstan and Azerbaijan, UNDP, UNECE, ITC and UNIDO.



ITFC strengthened the overall governance by establishing an independent risk management within ITFC.

20 new clients were attracted with a total amount of \$348.5 million

New sectors were penetrated, particularly in the non-oil sectors (such as coal, steel, grain, petrochemicals, soybean meal, corn, and palm oil).

ITFC managed to integrate the first of its kind Islamic Structured deal in Central Asia through financing Wheat in Kazakhstan.

2011

ITFC added to its financing facilities the opening of Letters of Credit for its clients.

ITFC participated in the Third Global Review on Aid-for-Trade held in Geneva in July 2011.



ITFC conducted a Leadership Development Program, and an ITFC Transformation Project to build, update and transform core HR strategic processes.

ITFC also launched a comprehensive Information Technology Project, for optimizing the business processes as well as automating the core functions.

2012

The Trade Cooperation and Promotion Program (TCPP) has been restructured to be program oriented in order to enhance its delivery and performance.

14 new clients were attracted including some from Sub-Saharan Africa - such as Senegal, Ghana, Rwanda, Burkina Faso, Togo, Sierra Leone, Niger and Nigeria, with a total of \$337.5 million.

Furthermore, new sectors, particularly in the non-oil sectors, such as leasing in Turkey, have been penetrated.

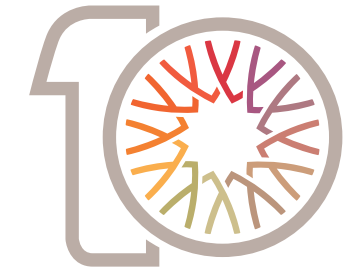


US\$ 235 million from ITFC to Support the Egyptian Food and Energy Sectors

The International Islamic Trade Finance Corporation (ITFC) and the Arab Republic of Egypt, represented by the Egyptian General Petroleum Corporation (EGPC) signed a Murabaha agreement with \$ 235 million to import gasoline, diesel oil and butane gas. This agreement aimed to fulfill Egypt's energy requirements through financing petroleum and petroleum products. The ITFC also signed a Syndicated Mudaraba agreement in line with this financing with a number of Egyptian banks participating in the financing.

The International Islamic Trade Finance Corporation (ITFC), signed a \$60 million Syndicated Structured Finance with an Indonesian sugar refinery, PT Angels Products.

The International Islamic Trade Finance Corporation (ITFC), signed a \$855 million Agreement with The People's Republic of Bangladesh (represented by the Ministry of Power, Energy and Mineral Resources) and Bangladesh Petroleum Corporation (BPC), for the import of crude oil and refined petroleum products.



10 years
in advancing trade,
and improving lives.

2013

The Aid for Trade Initiative for the Arab States (AFTIAS) Programme was launched, in collaboration with the United Nations Development Programme (UNDP), the International Labor Office (ILO), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO). Seven donors funded AFTIAS Programme: Kingdom of Saudi Arabia, State of Kuwait, Kingdom of Sweden, Arab Republic of Egypt, UNDP, IDB and ITFC.



ITFC implemented the first 2-Step Murabaha export financing facility.

The International Islamic Trade Finance Corporation (ITFC) Signs US\$358 million Murabaha Agreement to Support Jordan's Energy and Petroleum Products Needs

2014

ITFC launched a Business Process Re-engineering (BPR) project aimed at improving process flow, systems and tools in order to achieve the required business performance improvements.

ITFC implemented a new system (iMAL) in order to automate its trade finance operations.



The share of total portfolio in the MENA region grew from 28% in 1434H (2013) to 44% in 2014.

Furthermore, it was able to generate additional business of \$789 million, causing the region to cross the \$2 billion mark of approval for the first time with a growth rate of 60%.

New Africa Initiative Strategy was launched to have a special focus on Sub-Saharan Africa. The initiative aimed to scale up the Africa portfolio to \$1 billion by 2019.



ITFC approved new financing Comoros Islands, Djibouti, Palestine and Kyrgyzstan for the first time in an effort to increase its support to LDMCs.

ITFC arranged a successful syndication of an aggregate amount of \$320 million for Tunisia to support the country's energy and industrial sectors.

ITFC made notable progress on its regional presence strategy with the successful activation of its offices in the Senegal Dakar Regional Office (DRO) and the Turkey Istanbul Country Gateway Office (CGO).

2015

Framework Murabaha Agreements were signed with Egypt, Bangladesh, Jordan and Pakistan worth \$3 billion each for a period of three years, which resulted in the surge of trade finance approvals for these countries.



ITFC's operations in South and South East Asia regions received a major boost with the opening of offices in Jakarta and Dhaka.

ITFC reinforced its commitment to Suriname, a Member Country in South America, with operation approved for the country in support of improving access to energy.

2016

Appointing New CEO – Eng Hani Salem Sonbol appointed as CEO ITFC during the 41st IsDB Annual Meeting in Jakarta.

The ITFC 10-Years Strategy Map was realigned in 1437H-1438H (2016) with the 10-Years IDB Group strategy framework to address the needs of ITFC's Member Countries.



Launching the Indonesian Coffee Export Development Program in partnership with the Association of Indonesian Coffee Exporters (AICE), the program, the first of its kind for ITFC, provides financing and capacity building to the Indonesian Coffee Industry.

AFTIAS: "Training Program for Export and Employment-TREE" - a youth empowerment program designed to provide intensive training courses for youth in international trade so that they can acquire the knowledge and expertise required in the private sector. With partnership with Industrial Training Council (ITC) of Egypt and the Foreign Trade Training Centre (FTTC).

1st Development Effectiveness Report

Significant Growth in Sub-Sahara Portfolio
Following the launch of the Africa Initiative, the portfolio in Sub-Saharan Africa region witnessed remarkable growth, increasing by more than twofold, reaching \$760 million.

Supporting Cotton Producers in West Africa Expand their Export Markets
linking traders (buyers) of cotton to the producers (exporters) in Member Countries. ITFC linked one of its clients, Calik Cotton, a trader based in Turkey, to major cotton exporters in West Africa. As a result of this linkage, Calik Cotton was able to expand its source for cotton buying and successfully concluded purchase contracts in Burkina, Cameroon, and Mali.

ITFC successfully positioned itself to be the leading cotton financier in West Africa.

2017

Launch of ITFC 10 Year Strategic Plan – ITFC new 10 Year Strategic Plan highlights the vision to become 'The Leading Provider of Trade Solutions for OIC Member Countries Needs'.

Completion of Organizational Migration – ITFC completed an Organizational Migration and Redeployment exercise gearing up the Corporation towards the new 10 Year Strategic Plan.



Implementation of Business Process Reengineering (BPR) – The BPR project reviewed and assessed all core business processes, and a detailed gap assessment was conducted to validate, align and enhance processes to ensure they are relevant to the future operating model of ITFC.

Implementation of Transformational Strategy – ITFC reached another milestone achievement with the start of the implementation of a 3 Year transformational roadmap. The move aims to build a structurally new business model capable of generating sustainable returns, growth across trade finance markets, development of new products and new lines of business, good visibility on global platforms and achieving organizational excellence.

Assignment of Credit Rating by Moody's – Moody's Investor Service assigned a first-time long-term issuer rating of A1 to ITFC with a stable outlook. The credit rating is a stellar achievement, which will enable ITFC to gain better access to borrowing on the external markets at attractive rates. At the same time, this will facilitate the mobilization of resources from financial institutions. Moody's also assigned first-time short-term issuer rating of P-1. This historic milestone reflects ITFC's strong capital position, moderate leveraging scenarios, prudent treasury investment practices and adequate liquidity management policies.

Introduction of Development Impact Framework – ITFC has taken a leap forward in fulfilling its mandate of Advancing Trade and Improving Lives in alignment with the Sustainable Development Goals through ITFCs in-house Development Impact Framework.

Adaption of Integrated Trade Programs - ITFC is innovating in the way operations are structured through the introduction of Integrated Trade Programs. The Projects are defined as an approach that includes trade financing with a soft intervention component such as capacity development.

Launching of Arab Africa Trade Bridges Program – ITFC launched a flagship trade development program, which is designed to enhance trade as a tool to expand economic opportunities and support inclusive and sustainable growth across the Arab and sub-Saharan OIC member countries.

Figure 4: Cumulative Approvals 2008 - 2017



Figure 5: Distribution of Approvals by Region 2008 - 2017

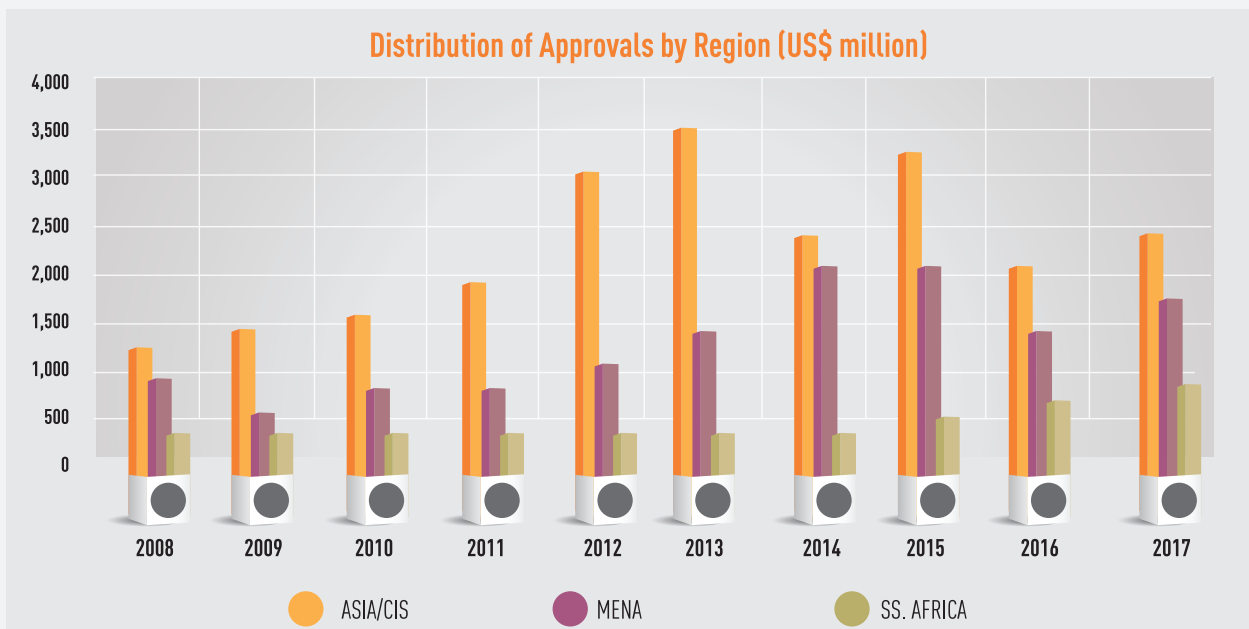


Figure 6: Distribution of Approvals by Sector 2008– 2017

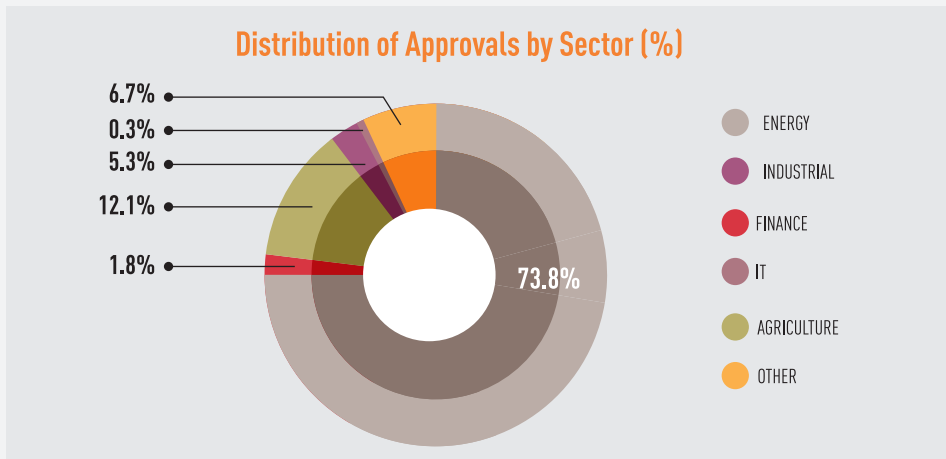


Figure 7: Distribution of Approvals by Commodity 2008 – 2017

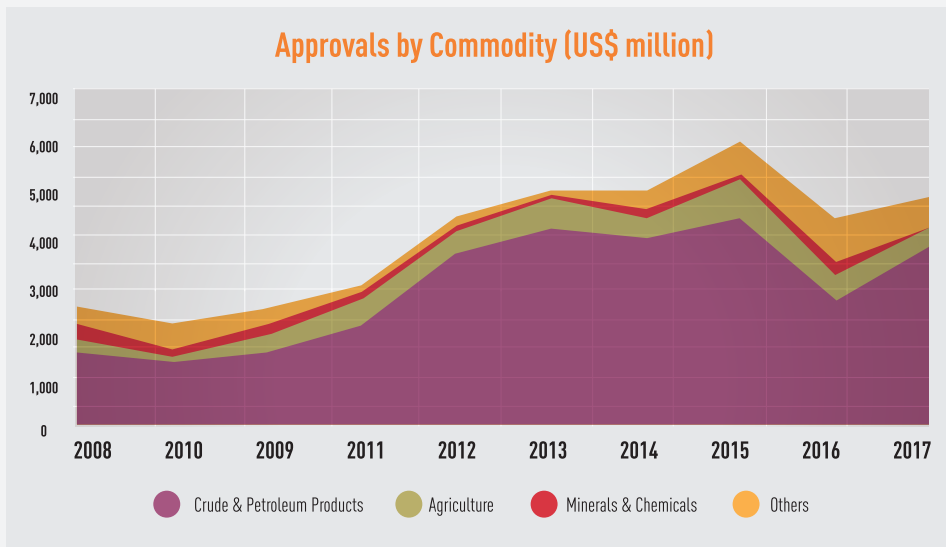
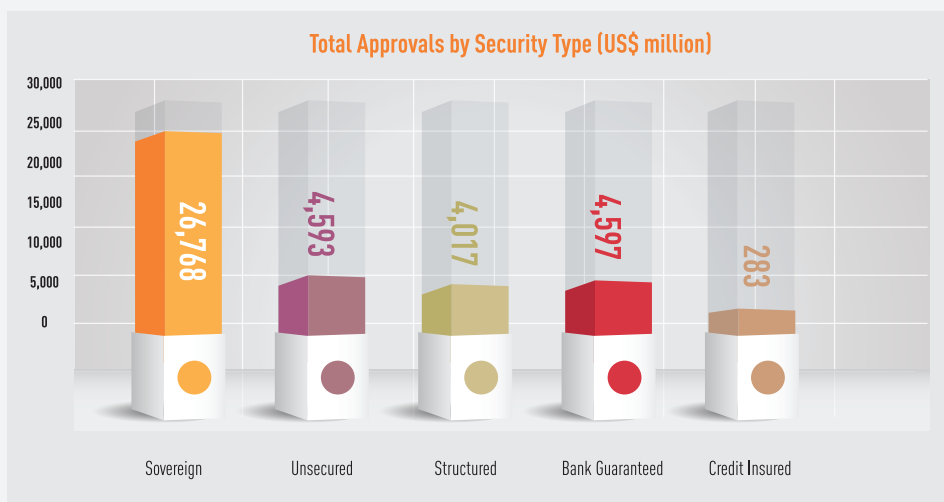


Figure 8: Distribution of Approvals by Type of Security 2008 – 2017



OR



BUILDING
THE FUTURE

RESHAPING THE INSTITUTION

In 2017, ITFC embarked on the implementation of its new 10 Year strategy. The new Strategic Plan reflects the Corporation's role in advancing trade and the ambition to become world class trade enabler, thereby becoming the leading provider of trade solutions for OIC Member Countries' needs.

The elements of IsDB Group's 10 Year Strategy, to which ITFC contributes, are explicitly recast along the Corporation's Strategic Plan. There are a number of areas that ITFC has identified as central in its contribution towards achieving the wider IsDB Group's vision. This includes Increasing Intra-OIC trade, Growth in Islamic Trade Finance and Supporting the Diversification of Member Countries' Economies. Specifically, ITFC's Strategic Objectives are supported through:

Private Sector Development	Co-operation between Member Countries	Islamic Trade Finance Development
<p>ITFC's contribution to private sector development within Member Countries is significant, given that trade is the most significant driver of economic development.</p>	<p>Expanding co-operation between Member Countries is facilitated by ITFC's trade solutions, which specifically aim to increase trade between member countries.</p>	<p>ITFC focuses on developing Islamic Trade Finance solutions both through its own provision of products, as well as through working with local banks to increase their capacity to provide such products.</p>

ITFC's strategic goal will be achieved through the pursuit of a number of initiatives, which will propel the Corporation towards a transformational shift. This transformational shift will lead to:

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

ii. Increasing ITFC's trade finance and trade development market impact across Member Countries, through support from partner financial institutions and off-balance sheet resource mobilization.

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

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.

The transformation journey commenced in July 2017 with the formation of cross-functional strategy teams focused on delivering a set of 13 strategy initiatives to implement ITFC's transformation roadmap. This transformation journey will be completed in three years.

RESET 2017

During the Reset phase in 2017, ITFC focused on building a capability for balancing financial sustainability and development impact to fulfil its mandate to Advance Trade and Improve Lives.

REBUILD 2018

The Rebuild phase will occur in 2018 as the focus begins to shift towards new lines of income and market growth, enabling ITFC to showcase success stories internationally, reach out to new partners and engage in new platforms. The strategy initiatives will be a key enabler to the rebuilding phase.

RENEW 2019

During the Renew phase in 2019, ITFC would have achieved a sustainable business model, and continue to grow the stream of new product offerings, new propositions and the global thought-leadership position.

ITFC Strategic Objectives

ITFC's Strategic Objectives consist of three broad areas, which will help the Corporation to fulfill the Vision. Strategic Pillars underpin the Strategic Objectives and represent selected areas, which ITFC will emphasize on going forward. Guiding Principles help the achievement of ITFC's Strategic Pillars and Objectives, as they correlate directly to the focus areas.



NEW BUSINESS MODEL

With this new structure, ITFC will be more effective and efficient in the design and delivery of Integrated Trade Project. This will strengthen ITFC's presence in Member Countries as a trade finance and trade development solution provider and emerge as a center of excellence on trade matters.

In this context, ITFC's interventions in Member Countries will be guided by the new business model of providing integrated trade solutions with strong emphasis on reaching balance between the two key pillars: financial sustainability and developmental impact.

ORGANIZATIONAL TRANSFORMATION

In the course of 2017 ITFC embraced a restructuring exercise, where a new organizational structure driven by the ITFC's 10 Year Strategic Plan was introduced. The new structure entailed a thorough revision of all job description and job evaluation for each and every job, and a detailed manpower planning in relation to new Terms of References (ToRs). This was followed by a Staff Redeployment Exercise to the new structure based on their skill set and aspirations.

DECENTRALIZATION AND ENHANCING PROXIMITY TO STAKEHOLDERS

Decentralization is another key element in the delivery of ITFC 10 Year plan. ITFC intends to raise its visibility and improve the focus on deal generation and sourcing to support the objective of diversifying the trade-finance portfolio across geographic regions and sectors. Local presence also allows ITFC to identify and respond to local needs, to drive the introduction of new Islamic trade products and trade development programs. As of today, ITFC has 9 staff working in regional offices and country gateway offices in Istanbul (Turkey), Jakarta (Indonesia), Dhaka (Bangladesh), Dakar (Senegal), Rabat (Morocco) and Dubai (UAE).

ITFC successfully established the Dubai Branch in July 2017.

The Dubai Branch Office serves to create synergies with HQ in Jeddah, with the objective of rendering ITFC more competitive, efficient, effective and profitable. The branch would serve the Middle East region, parts of East Africa and South America. The main functions of the

branch are focused on Trade Finance and Trade and Business Development, in addition to supporting other functions, such as Operations and Treasury.

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. There are significant positive outcomes to be gained from ITFC's presence in the regions, particularly as it related to the implementation of approved operations and enhancing the utilization rate.

As trade increases in the regions covered by the decentralized locations, additional staff will be relocated to serve the regions' needs, in full cooperation and alignment with IsDB Group's new decentralization strategy.

04



CREATING MARKET IMPACT

2017

Overview

OVERVIEW OF 2017

Despite numerous challenges faced in 2017, ITFC performed remarkably well. Although the economies of OIC member countries were expected to perform better in 2017 compared to 2016, (with an expected growth of 3.9%), many of the Member Countries continued to face challenges. In the face of such challenges, ITFC remained resilient in delivery of its mandate by sustaining its support, as evidenced by the impact and additionality of its intervention in Member Countries. As such, out of the total trade finance approvals, 35% was allocated to Least Developed Member Countries. In addition, 88% of the approvals supported trade between OIC Member Countries.

In terms of year-on-year comparison, trade finance approvals were higher by 10% in 2017, increasing from US\$4.44 billion in 2016 to US\$4.90 billion, although some Member Countries from SSA and the CIS continued to face the challenge of lingering negative impact of 2015-2016 low commodity prices and

foreign currency shortages. Nevertheless, the increase in trade finance approvals reflects the modest improvements in market environment, particularly the increase and stabilization of oil prices in 2017.

In 2017, ITFC continued to enhance its development impact by illustrating noticeable achievements in moving away from transaction-based model of trade support to a program-based approach, where trade finance operations are integrated with trade development and capacity building in order to multiply the development impact. In addition, the Corporation continued to deliver on its commitments and maintain its solidarity with Member Countries since inception by focusing on sectors that are key to economic and social development, particularly energy and agriculture.

In this respect, ITFC's financing for the energy sector amounted to US\$ 3.8 billion, while financing for the

agricultural sector amounted to US\$ 439 million.

Considering the role of the private sector, particularly the SMEs in development of Member Countries, in 2017 ITFC has put forward significant efforts to support the sector by providing Two-Step Murabaha Financing (2SMF) and lines of financing to banks for the amount of US\$ 664 million.

With respect to the private sector, ITFC uses innovative trade solutions such as Structured Trade Finance (STF) tailored for corporates, in addition to lines of financing given to banks for onward financing of trade operations of SMEs. STF enables private sector participants to overcome obstacles associated with access to trade finance, boost private sector activities and contribute to economic growth and improved socio-economic condition of people in Member Countries.

Table 1 - ITFC Trade Approvals by Region (US\$ million)

Region	2016 Actual	%	2017 Actual	%
ASIA/CIS	2,172	49	2,402	49
MENA	1,513	34	1,673	34
Sub Saharan Africa	760	17	826	17
Total Approvals	4,445	100	4,900	100
Total Disbursements	4,801		3,435	

In terms of portfolio breakdown by security type, sovereign exposure continued to comprise the bulk of the portfolio, accounting for 80% of the total. ITFC's sovereign exposure is primarily driven by large-ticket sovereign deals to finance the energy and agriculture sectors, and it is mainly extended under strategic framework agreements signed with Member Countries, in line with their national development priorities.

Table 2 - ITFC Trade Approvals by Type of Security (US\$ million)

Type of Security	2016 Actual	%	2017 Actual	%
Sovereign	3,064	69	3,930	80
Bank Guarantee	997	22	510	10
Unsecured Lending	-	-	159	3
STF	334	8	216	4.5
Credit Insurance	50	1	85	1.5
Total	4,445		4,900	

CONTRIBUTING TO 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, in last 10 years, ITFC has been successfully contributing to the increase and expansion of trade within the OIC Member Countries. For instance, in 2017, 88% of ITFC trade financing operations specifically focused on facilitating trade between OIC Member Countries, thus contributing to their socio-economic well-being of Member Countries, advancing trade and improving lives.

INCREASING COOPERATION WITH REGIONAL TRADE PARTNERS



Box 1

ITFC and Afreximbank join efforts to support African Exporters



US\$ **100**
million Murabaha
agreement

EUR **50**
million agreement

ITFC and the African Export-Import Bank (Afreximbank), a multilateral financial institution established by African governments and institutional investors, have signed a US\$100 million Murabaha agreement and a EUR 50 million agreement aimed at facilitating and financing export amongst African countries and between Africa and the rest of the world. The facilities are intended to support procurement from suppliers operating in member and non-member countries, including local purchase, and to promote trade across Africa.

This partnership comes as part of ITFC's commitment to support the development of the African member countries' exports as an important lever toward sustainable growth, job creation and poverty reduction.

This partnership will be utilized to finance OIC Member Countries from Africa under the "Arab-Africa Trade Bridges" Program, a regional initiative that aims at addressing some of the challenges faced in promoting trade between the two regions and supporting South-South cooperation.

Box 2

ITFC and Attijariwafa Bank Group (AWB) to support Trade Development between Arab and African Countries



ITFC and Attijariwafa Bank Group (AWB) signed a cooperation framework to support trade development between Arab and African countries. The signing took place on the occasion of the 5th International African Development Forum in Casablanca, Kingdom of Morocco.

As part of this cooperation framework, ITFC is set to provide Shariah Compliant financing to the subsidiaries of Attijariwafa Bank operating in West Africa, mainly Senegal, Cameroon and Cote d'Ivoire for onward financing of companies importing goods from Arab countries.

This initiative is part of the Arab Africa Trade Bridges (AATB) Program, where ITFC and AWB aim to work together and provide financial products that serve the needs of OIC member countries. Upon completion of the first phase, similar cooperation mechanism will be gradually expanded in other markets where AWB has a presence.

“ITFC and AWB aim to work together and provide financial products that serve the needs of OIC member countries”

SUSTAINING ACCESS TO ENERGY

Access to energy is a key driver of economic and social development. The energy supply has multiple impacts on productivity, people's health, education, food security, and so on. According to estimates, 3 billion people around the world are without electricity and more than 95% of these people are in Sub-Saharan Africa or developing Asia, and 84% are in rural areas. A lack of infrastructure and access to energy are the main reasons for the sector's underperformance in these regions.

Therefore, improving access to energy is crucial to unlocking the potential for faster economic and social development. In this context, ITFC considers supporting the energy sector as one of the main pillars of its strategy in its interventions in Member Countries. As such, ITFC remains a steadfast partner for providing financing to secure fuel supplies in order to maintain stability for electricity generation and reaching large number of the disadvantaged populations. (Figure 9).

In many Member Countries where not many financiers are willing to fund large size energy projects, ITFC's support plays a crucial

role in which it mobilizes resources from International markets to fund these large-ticket syndicated energy deals. Over the years, ITFC has gained substantial experience in this sector.

In 2017, the financing for the energy sector rebounded in dollar terms, reflecting the more stable oil prices, as well as increased demand for oil financing from some Member Countries. However, historically the volume of financing was much higher during the period of high oil prices (2012-2015). This environment impacted ITFC's financing towards the energy sector with the following outcomes:

- Energy products financing represented 77% of total approval in 2017, balanced between crude oil and petroleum products financing
- The bulk of the energy-related financing are for countries in MENA, Asia and sub-Saharan Africa

Figure 9: ITFC Energy Financing Top 5 Beneficiary Countries in 2017

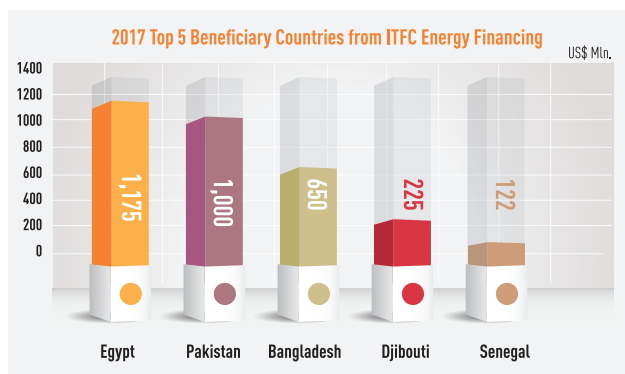
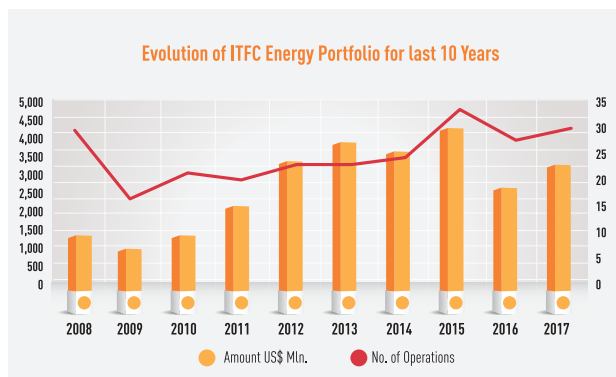


Figure 10: ITFC Energy Financing Portfolio 2008 - 2017



Box 3

Supporting Mauritania's Energy Sector



The state-owned electricity and water utility company, Société Mauritanienne d'Electricité (SOMELEC) has experienced major technical and financial difficulties since the failure of the privatization exercise in 2002. These difficulties have led to a deficit in electricity generation, in the main cities of the country, which has reached alarming level in 2008-2009. The privatization of SOMELEC was one of the main demands of the structural reforms introduced by the IMF.

Given the importance of SOMELEC (which distributes electricity to 66 cities of the country), the government has put in place a recovery plan for SOMELEC, focusing in securing its

hydrocarbon supplies necessary for the operation of power plants.

In this context, the Government of Mauritania in 2011 signed a Murabaha agreement with ITFC for the supply of hydrocarbons for SOMELEC for a sum of US\$ 50 million. SOMELEC has used this facility to supply nearly 80% of its hydrocarbon needs since 2012. Cumulative amounts reached more than US\$ 200 million by end of 2017.

This facility has contributed not only to the continuity of electricity supply in Mauritania but also the improvement and reliability of power supplies to hospitals and health centers throughout the country, as well as the main industrial units of

the country. Average annual increase of 10% in electricity production over the past three years has been observed.

This facility also led to a significant improvement in SOMELEC's financial position, which reduced hydrocarbon costs by almost 50%, while increasing its inventory level to 12 days of production instead of 2 days in 2010.

This facility is also supporting SOMELEC's export of electricity to the sub-region. Electricity sales contracts to EDM in Mali and Senelec in Senegal are in force and the electricity export level of SOMELEC has reached 35 MW per month and expected to grow in the near future.

Box 4

Testimonial of STO Maldives



“State Trading Organization (STO), a Government owned company in the Republic of Maldives and ITFC established their partnership in 2008. In last ten years, as a strategic and preferred business partner of STO, ITFC has been providing distinct trade solutions, including efficient financing and suitable terms. The products offered by ITFC have brought notable savings for STO, which eventually the Company was able to pass onto end customers to help bring down the overall cost of living. Availability of fund upon our immediate request helps to ensure energy security by maintaining uninterrupted supply of petroleum products. STO continuously improves the trading terms with its counter partners with the availability of well-balanced financing solutions from ITFC, which has been the bridge to improve international trade, especially improve our cooperation with OIC member countries.”

Ahmed Shaheer, Managing Director

AGRICULTURE & FOOD SECURITY

ITFC's interventions in agriculture continued to cover commodities that helped the Member Countries to create jobs, improve productivity, alleviate poverty, and bolster food security. It is worth mentioning that ITFC provides significant support to food security in Sub-Saharan Africa where a large portion of the trade finance portfolio is allocated to the agricultural sector, which has strong impact on enhancing food security for farmers. In fact, agriculture accounts for the largest share (59%) of ITFC's trade financing portfolio for Sub-Saharan Africa. Although agriculture financing is primarily for cash crops (namely cotton and groundnuts), it nonetheless helps boost food security as farmers use part of the agricultural inputs funded by the financing to grow food crops. Also, the funding allows farmers to receive timely payments for their crops, thereby enhancing their household income.

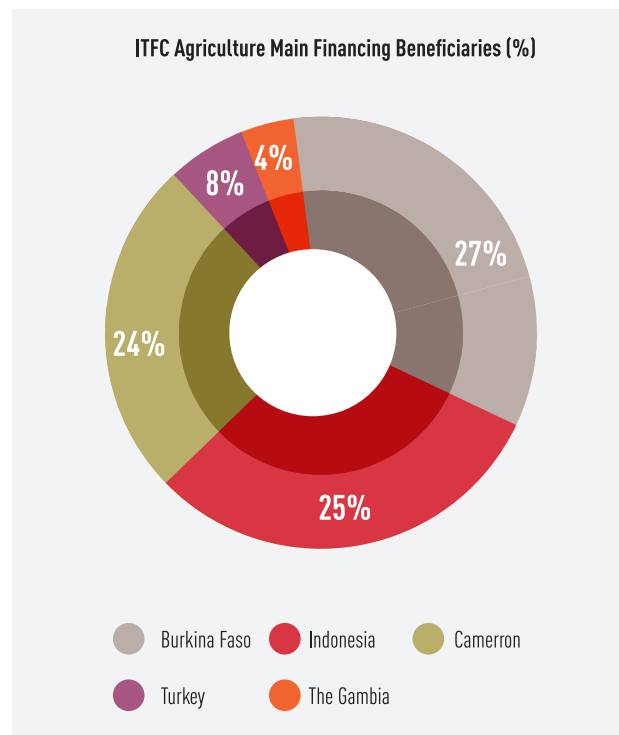
In addition to the interventions in Sub-Saharan Africa, ITFC also extended funding for sugar and palm oil (Indonesia), as well as rice and cotton (Turkey).

The following are some of the measures taken to enhance food security and further support the agriculture sector:

- Synergy and partnership with IsDB Agriculture Department to collaborate on boosting financing to the agriculture sector in Member Countries
- Partnership with the new OIC Islamic Food Security Organization
- Providing Integrated Trade Solutions
- Linking of producers directly with buyers in Member Countries.

In 2017, overall approvals for the agriculture sector reached 9% of the portfolio, which received the third largest allocation after the energy and SMEs. During the year, ITFC approved 15 operations for the agriculture sector in 6 Member Countries. See Figure 11 for breakdown by countries.

Figure 11: ITFC Agriculture Financing Beneficiary Countries for 2017



The following are the key features of ITFC's financing in this segment:

- The agriculture portfolio is balanced between the important import commodities (such as raw and refined sugar, fertilizers and other agriculture inputs) and support of key export commodities (such as cotton, groundnut and grains).
- Africa and Asia accounted for the largest share in this portfolio with Burkina Faso, Cameroon, Cote d'Ivoire, The Gambia and Indonesia being the main beneficiaries.

Boxes 5 and 6 are highlights of ITFC's Support to the Agriculture Sector.

Box 5

SOFITEX Testimonial



“Despite the challenging market environments, ITFC as one of the strategic partners of SOFITEX provides around 36% of financing needs of the company. ITFC financing enables SOFITEX to be effective and efficient in purchase and transfer of seed cotton and ginning. Due to improvements in efficiency of operations, cotton producers and other partners are getting paid on time, which directly impacts the socio-economic well-being of our society. Besides, the financing received from ITFC also contributes to intra-OIC trade, where around 33% of our orders are coming from OIC Member Countries.”

Mr. Wilfried A. G. YAMEOGO, CEO of SOFITEX

Box 6

Solidarity with Cotton Producing Farmers in Burkina Faso



Cotton is a major export item and an important revenue-generating vehicle for Burkina Faso. It involves provision of work to millions of rural people with huge and positive impact on their living conditions.

Also, the cotton industry impacts indirectly the service sub-sectors such as, transport, warehousing and banking, contributing consequently to overall economic development and poverty alleviation.

ITFC has been a strategic partner for the development of Burkina Faso's cotton sector. To extend its support

directly to farmers, ITFC purchased the seed cotton from local farmers and cooperatives, which is delivered to Sofitex facilities for processing into cotton fiber. To deliver on this commitment, ITFC raised EUR 107 million, well above the initial objective of EUR 100 million.

The structure of the operation is unique combining sovereign backing with enhanced security package to create a self-liquidating financing structure.

This specific project enjoyed full support and commitment of the Government of Burkina Faso.

ACCESS TO FINANCE FOR SMEs

Small and Medium Sized Enterprises (SMEs) segment is considered as one of the major components of real economy in Member Countries, particularly as SMEs play a crucial role in job creation and revenue generation. Given the obstacles faced by them to access financing and given the challenges faced by the Corporation to reach SMEs directly (lack of proximity, cost of credit due diligence and processing, monitoring, etc.), ITFC endeavors to provide trade solutions to SMEs through partnerships with local financial institutions by extending lines of financing. As such, partnership with the financial institutions for SMEs development has been identified as one of the cornerstones of ITFC's 10 Year Strategy.

In order to reach a larger number of SMEs in Member Countries, ITFC provides Murabaha Financing to local 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 banks are introduced to Islamic financing instruments.

Boxes 7, 8 and 9 are highlights of ITFC's support to SMEs.



Box 7

Supporting Exporters and SMEs in Cooperation with Turk Eximbank



Given the obstacles faced to reach SMEs directly, ITFC has been actively providing financing solutions to SMEs through partnerships with local banks with the extension of lines of financing. In this case, ITFC's partnership with Turk Eximbank is a perfect illustration of the successful cooperation between ITFC and a partner bank for the SME development.

Turkey's growth strategy relies on developing the export-oriented, private sector-led competitive production structure by increasing productivity and accelerating industrialization. Supporting SMEs especially for their export financing requirements is one of the strategic pillars and ITFC has given priority for partnership with local banks in

Turkey. In this regard, ITFC has developed an export financing scheme with Turk Eximbank in order to provide short term financing for SMEs' exports and has extended a total of US\$ 2.136 billion trade financing through Turk Eximbank.

The latest line of financing extended in 2017 for the amount of US\$ 436 million illustrates the strong capability of ITFC in mobilizing funds from the international market and development partners for funding the trade operations in the Member Countries. The collaboration with Eximbank will continue to be one of the main pillars of ITFC's strategy in Turkey with a target of enhancing the volume of financing by mobilizing more resources.

Box 8

Turk Eximbank Testimonial



“As Turkey’s official export credit agency, Turk Eximbank benefits from the fruitful and important relationship we have established with ITFC. Trade financing operations with ITFC have rapidly accelerated, starting with a two-step Murabaha agreement of US\$ 50 million in 2013 and reaching US\$ 436 million in 2017.

We express our gratefulness for ITFC’s efforts and we hope to continue having access to Islamic trade finance funds through ITFC’s ongoing partnership to finance and improve Turkish exports.”

Mr. Adnan Yildirim, General Manager of Turk Eximbank

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CUSTOMIZED SOLUTIONS TO ACCESS

TRADE FINANCE

ITFC primarily uses Structured Trade Finance (STF) as an instrument for extending financing to the private sector. STF is a relatively secure mechanism through which funding is provided outside of the balance sheet-based traditional forms of short-term financing. In a typical STF transaction, the financing bank seeks to isolate (ring-fence through pledge or ownership) certain assets (usually commodity), which have predictable cash flows from other assets of the obligor and use them to mitigate the various risks in the transaction. Compared to standard balance sheet-based financing, STF helps reduce the expected loss through lower loss-given default, because of the higher recovery rate due to the asset-backed nature of STF transactions. Instruments used for STF include import financing, pre-export financing, and inventory financing. One of the key advantages of STF is that it allows for wider reach, contributing to greater access to finance, an important goal for ITFC.

Through STF, ITFC can provide funding to private sector entities in Member Countries. This way, providing a win-win solution and allowing ITFC to deliver on its mandate while maintaining portfolio with acceptable risk profile.

**As of end 2017,
STF transactions
represented**

3%

of ITFC portfolio

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HIGHLIGHTS OF INTEGRATED TRADE PROGRAM

In line with its 10 Year Strategy and to respond to the needs of member Countries, ITFC in 2017 took major steps to better align two core instruments of the Corporation's interventions, i.e., trade finance and trade-related capacity building. These integrated programs will be directly linked to achieve ITFC's three main strategic objectives, which are:



The overarching goal of the integrated program approach is to enhance the overall developmental impact of ITFC's intervention.

Box 9 is a highlight of ITFC's Integrated Trade Solutions Programs.

Box 9

B2B Forum to Link West African Cotton Producers to Buyers in Asia



In line with its new strategy to enhance its development impact, ITFC takes an active role in devising solutions for existing trade barriers in Member Countries. By leveraging on its knowledge and expertise, as well as being the financier on both sides of trade, ITFC perfectly positioned to bring additionality to the cotton market in Member Countries and facilitate the establishment of direct links between the exporters and importers of cotton in different regions.

To deliver on its core mandate of promoting trade among OIC Member Countries, ITFC organized Business to Business (B2B) cotton forums in Bangladesh and Indonesia, where cotton ginners and exporters from Africa came together with Asian cotton importers, particularly from

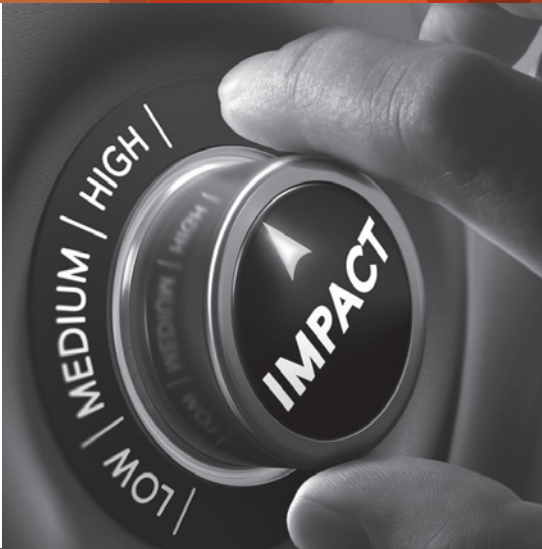
Bangladesh and Indonesia. The Africa delegation was led by the President of the African Cotton Association (ACA), including representatives of leading African cotton ginners: CIDT (Côte d'Ivoire), CMDT (Mali), Sodecoton (Cameroon), Sofitex (Burkina Faso) and SCCL (Sudan).

Both forums were organized in partnership with Calik Cotton (Turkey), a long standing ITFC customer, specializing in Textile, which has recently started importing and trading African cotton with the support of ITFC. Also, Bangladesh Cotton Association (BCA), Bangladesh Textile Mills Association (BTMA) and Kadin Indonesia (Chamber of Commerce) actively collaborated with ITFC to successfully organize the forums.

Both B2B forums, with the participation of close to 200 individuals, facilitated the establishment of new partnerships between cotton exporters of Africa and importers from Asia. The B2B meetings achieved their objectives of serving as a platform for promoting African cotton, networking, creating trade and business partnerships, as well as an opportunity for sharing the experience, industry trends and market updates among the producers of cotton in Africa and the buyers of cotton in Asia.

Moreover, it served as a platform for the formation of trust between the regions in dealing directly with each other. As a direct response to the needs of cotton industry players from both regions, ITFC is working on launching a new Cotton Trade Facilitation Program.

05



ENHANCING
DEVELOPMENTAL
IMPACT

ITFC'S TRADE PROMOTION AND DEVELOPMENT ACTIVITIES: A TEN-YEAR MILESTONE

Until 2017, the trade development and promotion function of ITFC was managed by the Trade Cooperation and Promotion Program (TCPP), established in 1414H (1993G) with the objective to provide trade related technical assistance (TRTA) for Member Countries under Trade Promotion, Trade Facilitation, Capacity Building, and Development of Strategic Product business lines. By the second half of 2017, the Trade and Business Development Department (T&BD) was created as a result of the adoption of new 10 Year Strategy for ITFC and the vision of ITFC to become "The Leading Provider of Trade Solutions for OIC Member Countries Needs." The newly

created T&BD Department assumed the full range of ITFC's trade development and promotion activities, in addition to having new functions in support of ITFC's new business model.

ITFC's trade development objectives aim to enhance OIC intra-trade cooperation, promote trade development across different sectors, and contribute to the achievement of its strategic objectives by enabling innovation in business development (such as programs and technical assistance) and implementing Trade Integrated Solutions, flagship programs and Trade Related Technical Assistance (TRTA) initiatives.

LONG-STANDING SUPPORT FOR TRADE DEVELOPMENT PROGRAMS

Between 2008 and 2016, ITFC implemented around 20-25 different trade related activities on annual basis under its four business lines, namely trade promotion, trade facilitation, capacity development and development of strategic commodities. Total funds allocated for implementation of ITFC's interventions for this period reached US\$3.5 million.

Moreover, over the last three years, ITFC succeeded in establishing technical and financial partnerships for the design and implementation of its Flagship Programs. The amount of fund mobilized for these Programs reached to US\$15 million. It is worth mentioning that these flagship programs are implemented in collaboration with international, regional and national partners, such as SIDA (Swedish International Development Agency) and others.

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INTEGRATED TRADE DEVELOPMENT PROGRAMS

With the new structure, ITFC will be more effective and efficient in the design and delivery of Integrated Trade Projects. This will strengthen ITFC's presence in Member Countries as a trade finance and trade development solution provider and emerge as a center of excellence on trade matters.

In this context, ITFC's interventions in Member Countries will be guided by the new business model of providing integrated trade solutions with strong emphasis on reaching balance between the two key pillars: financial sustainability and developmental impact.

The new business model will further enable ITFC to align itself with the development plans of member countries.

A clear example of integrated trade solutions is the SME capacity building Program in West Africa initiated by ITFC in 2017. To help improve utilization of approved lines of finance extended to Banks, in 2017 ITFC has initiated a capacity building program with the objective of extending training to selected SMEs as well as staff at partner banks in an effort to enhance the bankability of SMEs, and in turn improve utilization of allocated lines of financing.

Other examples would include the coffee farmers training center under the ITFC coffee development program that trains the farmers on the latest farming techniques including the proper use of fertilizer and land to maximize the yield per hectare.

FLAGSHIP PROGRAMS

ITFC undertakes trade development activities through Flagship Programs, which are multi donor and multi-regional trade development initiatives. Details of ITFC's 2017 trade development related flagship programs are provided in Box 10.

Box 10

Highlights of ITFC Flagship Programs



The Arab-Africa Trade Bridges Program

ITFC took the lead, in consultation, collaboration, and coordination with partners (Coordination Group to Enhance Cooperation between Arab Trade Finance & Export Credit Insurance Institutions), to design the Arab Africa Trade Bridges Program (AATB), a 3-year regional trade promotion program.

The AATB Program was launched in February 2017, in the Moroccan capital of Rabat, with an aim to enhance trade as a tool to increase economic opportunities and support inclusive and sustainable growth across the Arab and Sub-Saharan member countries of OIC. This event, which was organized under the High patronage of His Majesty King Mohamed VI, King of Morocco, witnessed the participation of H.E Dr. Bandar Hajjar, president of Islamic Development Bank Group, 15 Ministers from Arab and African Member Countries and senior officials and head of Trade Support Institutions in these countries.

Some of the highlights of the activities executed by the Program:

A Study on Arab – African Export Potential which commissioned by ITFC, was prepared by the International Trade Centre (ITC) for the Arab Trade Bridges (AATB) Program. The findings of the study helped in designing the AATB yearly action plan. The

study assessed the potential for intra-OIC trade and the possibility to develop regional value chains involving countries from the SSA and the Arab Sub-region of the OIC.

The Trade Promotion Organs (TPOs) Forum was organized under the Arab Trade Bridges (AATB) with collaboration from the Islamic Centre for the Development of Trade (ICDT), the forum of the Trade Promotion Organs of the OIC Member states and the Institutions operating under the umbrella of OIC in the field of trade and investment promotion. This forum was held on 11th- 12th October 2017 in Casablanca – Kingdom of Morocco.

B2B Meeting on Pharmaceutical Products was organized in Abidjan, Côte d'Ivoire, witnessing a large number of Arab companies and African associates in the health and pharmaceutical industry.

The meeting objective was to develop business links between the African companies and associates with their counterparts from the Arab World, create new trade and investment opportunities between both regions and to support the health sector in the OIC African Member Countries. According to the participants, deals were directly negotiated during this event.





Aid for Trade Initiative for the Arab States (AfTIAS) - Program

As part of the global Aid for Trade Initiative, AFTIAS is a program that aims to contribute to the Member Countries' efforts for inclusive economic growth, which is expected to result in increased employment opportunities and greater competitiveness for their people. The program was launched in 6 November 2013. Its activities started in March 2014, in collaboration with UNDP, ILO, the ITC, the UNCTAD and the UNIDO.

In 2017, the Program approved eleven new projects. These new approvals brought the total number of projects to 23 and the total number of technical support beneficiaries to 19 Arab countries.

Among the important projects that benefitted from AFTIAS resources, the following ongoing projects can be mentioned:

- 1) Support the League of Arab States in promoting regional trade integration
- 2) Support the accession of Sudan and Comoros to the World Trade Organization (WTO)
- 3) Strengthen trade support institutions in Algeria, Egypt, Kuwait, Lebanon, Oman and Saudi Arabia
- 4) Support small and medium-sized companies in the Gulf Cooperation Council for access to foreign markets project
- 5) Set up a Handicrafts Export Village in Djibouti
- 6) Development of Dates Sector in Madina Region in Saudi Arabia
- 7) National Trade Strategy to support Algeria's Economic diversification in Algeria
- 8) Export sector competitiveness project (information technology and nuts sector) in Lebanon
- 9) Establishment of a specialized export promotion department within Export Development Bank of Egypt (EBE) to provide better support to exporters through an e-platform for trade-related information; Youth Training & Employment for Export Project "TREE" project, which aims to train 1000 Egyptian newly graduates from different governorates creating a cadre of export specialist to be employed by the Egyptian export companies over a span of two years' time frame



Box 11



Highlights of ITFC Training Initiatives Aimed at Enhancing Trade

“Export Launchpad” – Senegal: Developing Trade Opportunities Training of Senegalese Trainers in International Trade

Export Launchpad - Senegal is a joint initiative of the Trade Facilitation Office Canada (TFO Canada), and the ITFC, in collaboration with the Export Promotion Agency of Senegal (ASEPEX). This initiative consists of a train-the-trainer program and aims to consolidate and expand the export assistance services offered by ASEPEX and 9 other relevant trade support institutions (TSIs) in Senegal.

Through this program, ASEPEX and the associated TSIs will develop their technical skills in international trade to provide training and support services to small and medium-sized Senegalese exporters, to help them develop their access to international markets and

thus contribute to sustainable economic development aimed at reducing poverty in Senegal.

The main beneficiaries of this program are the technical teams, made up of 38 export advisers, active both in international trade support as well as at a more specialized sectorial level. The project's objectives are achieved through: adaptation of the training material to produce a Senegal centric training manual; delivery of a training for trainers session to 38 technical staff and the organization of two separate monitoring and evaluation sessions of the newly trained trainers importing their acquired knowledge to Senegalese SME exporters.

SMIIC Trainings

Training officials in selected Member Countries from the Ministries of Trade & Industry on Halal Standards. ITFC contributed US\$ 20,000 to conduct these trainings.

ITFC – UNDP Trainings

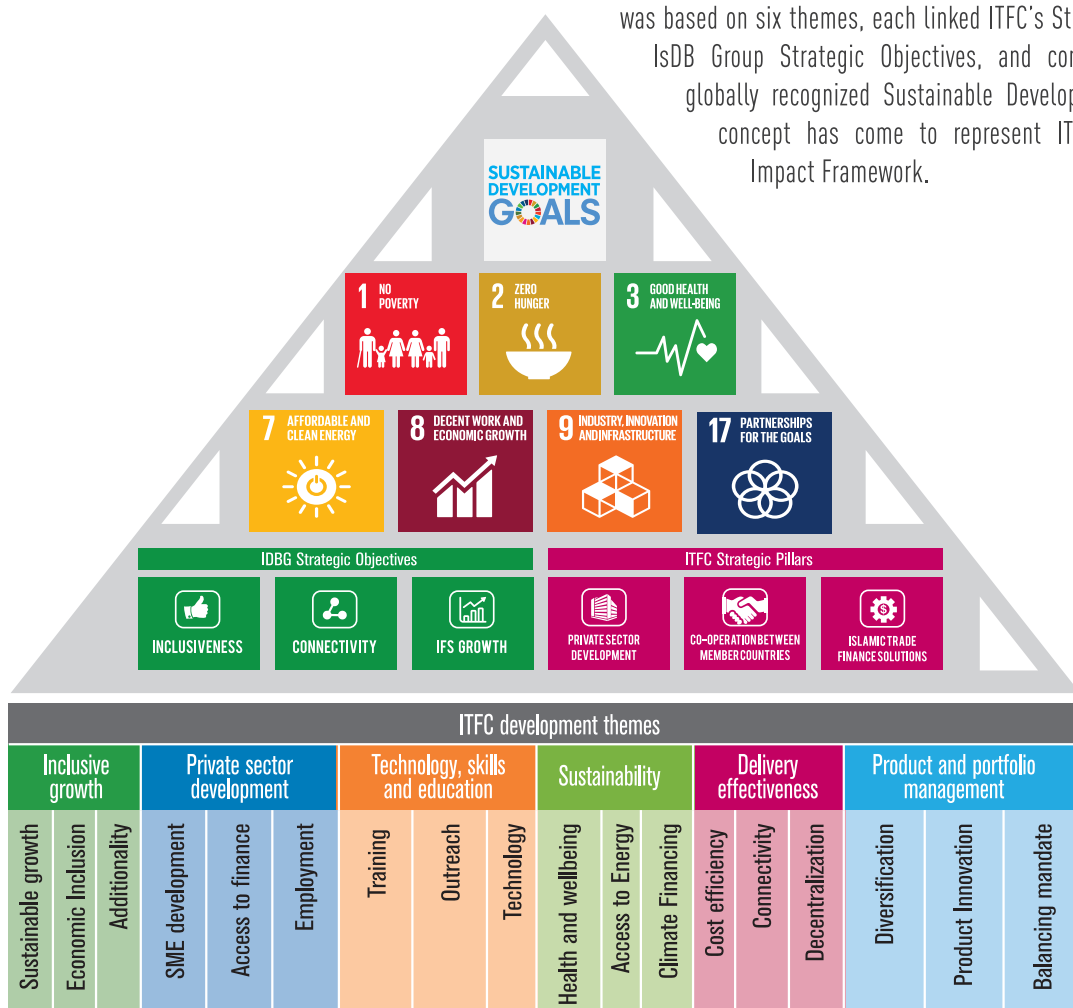
Training organized with UNDP aims at enhancing capacities of public sector officials in the CIS & Afghanistan in utilizing International Trade Center (ITC) market access tools to enable them to efficiently benefit from these tools in the field of export.

The first part of these trainings was organized during 20-22 November 2017 in Istanbul, with 20 participants. The second part will be completed in February 2018.



INTRODUCING DEVELOPMENT IMPACT FRAMEWORK D I F

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 finance solutions, and create development impact across 57 Member Countries. It is this mandate which inspired ITFC to launch its inaugural Annual Development Effectiveness Report in 2017, which was based on six themes, each linked ITFC's Strategic Pillars, the IsDB Group Strategic Objectives, and contributing towards globally recognized Sustainable Development Goals. This concept has come to represent ITFC's Development Impact Framework.



ITFC's development themes have been chosen to capture how effectively the Corporation is contributing towards the attainment of global goals, from the bottom-up.

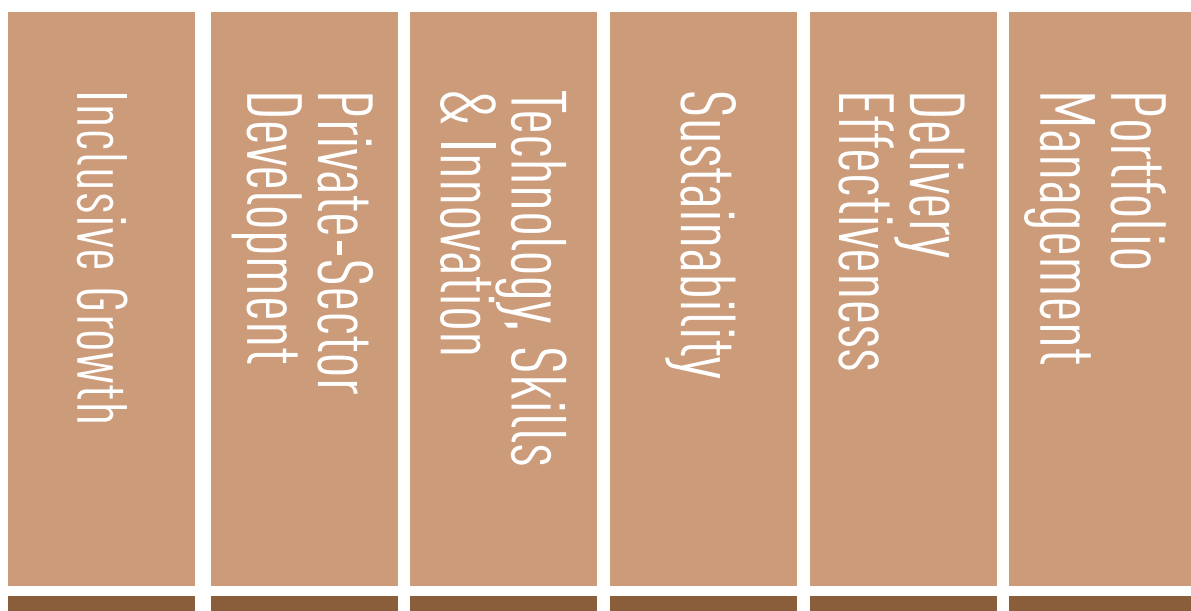
EVALUATING OPERATIONS FOR BETTER IMPACT

In line with international best practice, ITFC has begun monitoring and evaluating its operations. The core of the monitoring and evaluation is to assess where trade finance was provided by ITFC and the extent to which it addressed gaps in the market for trade finance effectively from both financially sustainable and development impact perspectives. As such, development evaluations enable a systematic and objective assessment of a planned, on-going or completed operation, program or policy, its design, implementation and results.

A three-point assessment criterion is adopted by ITFC when evaluating an operation.

- 1. Relevance:** the extent to which the objectives of the trade finance program were consistent with ITFC strategy and needs of the countries assisted
- 2. Effectiveness:** the extent to which the trade finance instruments achieved financial and development objectives
- 3. Efficiency:** the extent to which the delivery of the assistance represented value for money and was time effective

ITFC's Development Impact Framework has been developed using six development themes which bring a clear development intent to ITFC's strategic agenda, fulfilling a balancing mandate between the provision of trade finance solutions and the creation of development impact across Member Countries. The six themes of ITFC's Development Impact Framework contribute directly towards seven of the SDGs. The six themes are as follows:



ODG



STRENGTHENING
PARTNERSHIPS FOR
**SUSTAINABLE
DEVELOPMENT**

SYNERGY WITH OIC AND ISDB GROUP

During 2017, ITFC continued its close cooperation with IsDB Group entities and relevant OIC Institutions, namely ICDT, COMCEC Coordination Office, and OIC Secretariat General to create synergy among their respective programs and capitalize on mutual strengths and experiences to contribute to the accomplishment of the objectives set by the OIC Plan of Action-2025. As always, ITFC aligned its trade development programs in line with the resolutions of OIC Meetings and carried out its work accordingly.

PARTNERSHIPS FOR INTERNATIONAL TRADE DEVELOPMENT

ITFC approach to partnerships is oriented toward concrete joint activities and actions. In 2017, ITFC actively participated in many Trade Development events such as first Head of Multilateral Development Banks (MDBs) Roundtable on Trade on the sidelines of the 6th Global Aid for Trade Review, which saw ITFC CEO's participation in the plenary session along with Mr. Roberto Azevêdo, Director General of the World Trade Organization (WTO), and Mr. Angel Gurría, Secretary-General of the Organization of Economic Cooperation and Development (OECD).

Partnerships for Africa represented a key focus of the Corporation in 2017. ITFC worked at different fronts with the African Development Bank (AfDB) and the African Export Import Bank (Afreximbank). The IsDB Group renewed

its partnership agreement with the AfDB, with trade finance and trade development being part of the agreement.

The Corporation was active in taking advantage of the signature of partnerships agreement between the IsDB Group and other development partners, like the Asian Development Bank (ADB) and the Inter-American Development Bank (IaDB), to advance the agenda of international trade through the inclusion of trade finance and trade development in the scope of the agreements.

ITFC strengthened its partnership with the International Finance Corporation (IFC), by signing a letter of intent for partnership in July 2017, to work together on climate finance, sustainable trade solutions, global value chains (GVCs), energy security and agriculture sector export development. ITFC participated in the United Nations Conference on Trade and Development (UNCTAD) Multiyear Experts Meeting on Trade Facilitation and Trade Logistics.

Following ITFC's first participation at the International Chamber of Commerce (ICC) Banking Commission 2016 Annual Meeting, the Corporation participated also in the 2017 meeting and engaged further in the ICC Banking Commission Technical Meeting with the aim to converting banking policy efforts to applicable programs and regulations. Furthermore, ITFC participated in several panel discussions and contributed to the

work of the Sustainable Trade Finance Working Group.

POLICY FOR INTERNATIONAL TRADE

ITFC engaged in policy advancement with a view to advocate for the adoption and implementation of policy options oriented toward the achievement of the Sustainable Development Goals and the progression of an inclusive international trade. The Corporation's philosophy is to link policy work with its operational activities in order to create a competitive advantage for the organization. After analyzing policy challenges and developing policy positions, the Corporation shared its policy perspective in relevant specialized or general forums like the COP23, UNCTAD Expert Meetings, WTO Public Forum or the Global Future Councils Annual Meeting of the World Economic Forum.

Climate change and action was another important policy theme in 2017. The Corporation sought to develop its understanding that will allow to leverage on its expertise to design climate trade finance solutions and integrated programs, and to tap into climate funds for resource mobilization. After publishing a brief report on "International Trade and Climate Change" for the COP22, ITFC organized a panel discussion on "Trade, Transport and Climate Change" on the sidelines of the COP23. Moreover, 2017 saw the development of IsDB Group Climate Change Policy and ITFC actively participated.

Box 12

International Trade as an Engine for Sustainable Development: The ITFC's Experience in supporting SMEs - Global Policy Journal



For centuries, international trade has been a key driver of global economic growth. The past decades have been marked by an unprecedented and substantial expansion of international trade, rising from US\$5 trillion in 1994 to about US\$24 trillion in 2017. Nowadays, more than ever, international trade has become a powerful means to achieve the sustainable development agenda. The article seeks to shed some light on ITFC experience in financing and supporting international trade, with a particular focus on SMEs, as an engine of Sustainable Development.

Today, ITFC is the only trade specialized MDB, and there are enormous needs for more trade-focused MDBs. Such Trade Multilateral Development Banks (TMDBs), providing financing, technical assistance and advancing policy, can achieve sustainable development through the PPPP Nexus (Public-Private-People Partnership). Communities and minorities involvement would insure the inclusiveness and the resilience of these interventions to achieve true sustainable development. In the real world, this translates into targeted, timely, larger scale and better-quality trade finance transactions and trade development interventions.

CHALLENGING REALITIES FOR FUNDING OF TRADE FINANCE OPERATIONS

The year 2017 was an exceptional year in terms of the new realities in the market, representing emerging challenges for funding of trade finance operations with the same pace previously experienced.

The increasing demand by ITFC's large sovereign clients for "fast" financing as well their efforts to raise funds from the capital markets through issuance of Sukuk, the competition with financing offered by other financial institutions and banks, pressures on the financing costs, coupled with continuing low prices for main commodities all represent challenges that ITFC faced and resulted in difficulty to mobilize the targeted funds from its partners in the market during 2017.

Despite the above challenges, during 2017, ITFC was successful to mobilize a total of US\$ 2,994 million from IsDB Group and its Syndicate Partners in the market for funding of 23 syndicated operations in

favor of 12 Member Countries. This level of mobilized funds represents almost 81% of the total trade financing provided by ITFC to its clients this year.

Going forward, ITFC using its decade-long experience will further strengthen its long-standing relationship with strategic partners, explore new innovative mechanisms for raising funds from the markets, target new markets and untapped new types of investors with interest in trade finance assets.



MOBILIZING RESOURCES FOR TRADE DEVELOPMENT

Trade Development resource mobilization sources include mobilization of resources for the Trade Development Fund, allocation of percentage of net Income from ITFC to trade development activities, other contributions from ITFC, IsDB Group and other donors, project oriented donations and sponsorships. Partners such as the Enhanced Integrated Framework (EIF), International Labor Organization (ILO) and other nontraditional partners such as think tanks and foundations will be key in the coming years to increase ITFC mobilization of funds for Trade Development interventions. In 2017, ITFC successfully mobilized resources for the Trade Development initiatives in the amount of US\$950,000.

NEW OPPORTUNITIES FOR MANAGING LIQUID RESOURCES

2017 was also a noticeable year for ITFC in respect to the management and investment of its liquid funds. The focus this year was to maximize the use of its resources in trade finance operations to improve the income from trade finance, while at the same time, maintain an optimal level of liquidity. Another goal was to manage ITFC's Sukuk investment portfolio in the most efficient manner to mitigate risks associated with changes in prices triggered by increasing trend in market rates.

During this year, ITFC worked internally to revise the liquidity policy with the objective to have an enhanced version that addresses the Corporation's new financial model that aims to achieve growth and financial sustainability and enables ITFC to obtain the highest possible credit rating ensuring

alignment with the market-adopted methodologies and best practices for assessing the adequacy of liquidity and liquidity risk management. As a result, a revised version was developed, which was among the factors that helped to obtain the first rating of ITFC of A1/P-1 by Moody's.

After a decade of its operations, ITFC is launching a project to implement its treasury management solution through which ITFC will build its treasury dealing function, front the financial markets on stand-alone basis, and raise and invest funds with counterparts. This project is one of the strategic initiatives coming under the new strategy of ITFC that calls for optimizing the resources, maximizing the profitability, and achieving financial sustainability. For this purpose, ITFC will engage in bilateral agreements with financial institutions and banks to source additional funds.



07



ACHIEVING ORGANIZATIONAL **EXCELLENCE**

ENHANCING ORGANIZATIONAL EFFICIENCY

ITFC has successfully upgraded its core banking solution by partnering with Path Solutions, being one of the leading Shariah-compliant solution providers, to implement Path Solutions' industry leading solution iMal. The solution provides full support to various functions within the organization and is compliant with the Shariah rules and regulations, which facilitates the launching of Islamic products and services efficiently and effectively. Further, with the support of Path Solutions, ITFC was able to implement the first ever structured trade finance solution on iMal that was developed using ITFC's unique experience in Shariah based structured trade finance and Path Solutions' software development expertise.

In parallel, ITFC partnered with Horvath & Partners to review and upgrade its internal processes and managed to successfully re-engineer its core processes, which represented one of the cornerstone transformational initiatives for ITFC in 2017. The outcome is aimed at improving and streamlining all operational aspect and realigning ITFC's processes with the new strategy and business model.

The redesigned processes, are expected to deliver substantial performance improvements for ITFC with impact on reducing turnaround times, increasing efficiency gains and improving business effectiveness. These enhancements and upgrades will further enable ITFC to enhance its

capacity to better serve and support its member countries, while improving its internal governance processes.

GOVERNANCE, LEGAL, RISK MANAGEMENT & INTERNAL AUDIT

General Assembly

The General Assembly (GA) is the highest governing body of ITFC. The powers of the Corporation are vested in the GA. It is composed of representatives from Member Countries and other financial institutions holding shares in ITFC. The Assembly is responsible for laying down the rules and regulations governing the overall function of the Corporation.

Board of Directors

The ITFC Board of Directors (BoD) is comprised of 10 members and the Chairman, who is the President of IsDB Group. The Board is responsible for the Corporation's general conduct including the adoption of policies, approval of the operational plan, strategy and budget, as well as ITFC's operations within the powers delegated to it by the General Assembly.

Audit Committee

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

Risk Management

ITFC has consistently put a strong emphasis on the implementation of best practices in risk management, internal controls and compliance. All

ITFC's transactions and activities are carried out within a risk management framework comprised of policies, guidelines, systems/tools and practices designed to mitigate credit, market, operational, liquidity, currency and legal risks. The assignment of a first-time long-term issuer rating of A1 by Moody's and the new business model focused on entering untapped markets and sectors while pursuing growth for both development impact and financial sustainability have become key drivers for further strengthening the risk management framework and internal controls. Under the BPRI, ITFC has streamlined and automated most of its processes in an integrated information system, especially the end-to-end credit and market risk related processes, to both minimize operational risks and improve efficiency. In the meantime, all existing policies pertaining to the main risk clusters (Credit, Market and Operational) have been updated to account for the latest developments.

It is in this context that ITFC pursued the institution-building for the risk management function in 2017 to further strengthen its ability to proactively identify, assess, measure, monitor and control risks.

The governance framework underpinning the management of risks at Corporation's level is 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 Audit Committee of the Board. The Committee supervises most of the functions of risk management on behalf of the Board.

At Management Level

(Group Risk Management Committee (GRM), ITFC Management Committee, Credit Committee, Technical Committee, Operations Review Committee, Assets Liabilities Committee and Portfolio Assessment Committee)

The GRM Committee is an IsDB Group-level body covering risks at the group level from the perspectives of strategy, policies, development, assessment/measurement tools, MIS framework and compliance. The Management Committee focuses on risk-related issues, pertaining to ITFC only. Operational Review Committee, Technical Committee, Credit Committee and Portfolio Assessment Committee take care of the issues related to credit risk. On the other hand, Assets Liabilities Committee (ALCO) focuses on the matters related to liquidity and market risk.

At Department Level

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

Risk Management Department (RMD)

For effective implementation of the risk framework, a dedicated Risk Management Department operates within ITFC. The RMD is independent from business and support functions. Being responsible for the enterprise-wide risk management, it specifically focuses on: credit, market, operational and other risks.

Internal Audit

During 2017, the Group Internal Audit Department (GIAD) served as an independent oversight body whose mandate was to add value and further improve operations of ITFC as part of the IsDB Group. It helped ITFC accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes. GIAD's activities comply with the Audit Charter, manual, code of ethics and internationally recognized professional framework and standards set by the Institute of Internal Auditors (IIA). Their role was to raise awareness of risks and their mitigating controls as well as provide advice to the ITFC management in developing effective control solutions. GIAD's Annual Audit Plan development

process employed a risk based approach and was aligned with ITFC's strategy, objectives and its most significant risks.

As part of the organizational changes within IsDB Group and the evolving ITFC requirements, the Internal Audit function will be decentralized as of 2018 and an Internal Audit Department (IAD), fully dedicated to ITFC, will be operational during 2018. The new IAD will be independent of ITFC management and will report functionally to the Chair of the ITFC Board Audit Committee.

A transition plan will be developed during 2018, working in close cooperation with IDB Internal Audit Department, to ensure smooth and effective transition. The objective of the new IAD will include enhanced risk-based independent audit coverage of ITFC. Focus and depth in line with the Board's expectations, ITFC strategic objectives and international best practice.

NR



The image shows a close-up of a financial statement with a magnifying glass over it. The statement is divided into several sections: Cost of Sales, Operating Expenses, and Selling and General Administrative. The Cost of Sales section includes Beginning inventory, Plus goods purchased/manufactured, Total goods available, Less ending inventory, and Total cost of goods sold. The Operating Expenses section includes Selling (Salaries and wages, Commissions, Advertising, Depreciation, Total selling expenses) and General Administrative (Salaries and wages, Employee benefits, Payroll taxes, Insurance, Rent, Utilities, Depreciation, Other). The Selling and General Administrative section includes Salaries and wages, Employee benefits, Payroll taxes, Insurance, Rent, Utilities, Depreciation, and Other.

	1,070,000	1	1,520,000	Year
Cost of Sales				
Beginning inventory	44,872	1	41,000	
Plus goods purchased/manufactured	19,544	0	206,000	
Total goods available	64,416	0	247,000	
Less ending inventory	70,911	0	258,000	
Total cost of goods sold	23,500	0	95,000	
Gross profit (loss)	1,050,000	1	1,825,000	
Operating Expenses				
Selling				
Salaries and wages	122,000	0	32,000	
Commissions	112,000	0	22,000	
Advertising	315	0	37,000	
Depreciation	1,000	0	0	
Total selling expenses	235,315	0	91,000	
General Administrative				
Salaries and wages	700	0	0	
Employee benefits	0	0	0	
Payroll taxes	70,000	0	0	
Insurance	0	0	0	
Rent	0	0	0	
Utilities	0	0	0	
Depreciation	0	0	0	
Other	0	0	0	

AUDITED FINANCIAL STATEMENTS

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2017 (1438-1439H)**

**THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
FINANCIAL STATEMENTS AND AUDITORS' REPORT
AT 31 DECEMBER 2017 (12 RABI AL-AKHAR 1439H)**

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Statement of changes in members' equity	64
Statement of cash flows	65
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Independent auditors' report to Your Excellencies the Chairman and Members of the General Assembly - The International Islamic Trade Finance Corporation

We have audited the accompanying financial statements of The International Islamic Trade Finance Corporation ("the Corporation"), which comprise the statement of financial position as at 31 December 2017 (13 Rabi Al-Thani 1439H), and the related statements of income, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and to operate in accordance with Islamic Shari'ah rules and principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 AAOIFI. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2017 (13 Rabi Al-Thani 1439H), and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by AAOIFI and the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group.

for Ernst & Young

Ahmed I. Rada
Certified Public Accountant
Licence No. 356

10 Jumada'II 1439H
26 February 2018

Jeddah

17/388/00



THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017 (CORRESPONDING TO 13 RABI AL-THANI 1439H)

	<i>Notes</i>	<i>2017</i> <i>US \$'000</i>	<i>2016</i> <i>US \$'000</i>
ASSETS			
Cash and cash equivalents	4	137,523	119,180
Commodity placements through banks	5	96,400	5,000
Trade Murabaha financing, net	6 (a)	632,999	732,300
Investments in Sukuk	8	61,912	53,385
Due from related parties	12 (b)	2,839	3,897
Accrued income and other assets	9	7,088	10,359
Fixed assets	10	692	1,218
TOTAL ASSETS		939,453	925,339
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Due to related parties	12 (c)	2,230	3,481
Accruals and other liabilities	11	22,868	26,660
Pension and medical obligation	13 (f)	10,039	15,378
TOTAL LIABILITIES		35,137	45,519
MEMBERS' EQUITY			
Paid-up capital	14	734,978	730,681
General reserve	16	176,610	163,387
Actuarial deficit on pension and medical obligation	13 (g)	(7,272)	(14,248)
TOTAL MEMBERS' EQUITY		904,316	879,820
TOTAL LIABILITIES AND MEMBERS' EQUITY		939,453	925,339

The attached notes 1 to 24 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017 (CORRESPONDING TO 13 RABI AL-THANI 1439H)

	<i>Notes</i>	<i>From 1 January 2017 to 31 December 2017 US \$'000</i>	<i>From 14 October 2015 to 31 December 2016 US \$'000</i>
INCOME FROM:			
Trade Murabaha financing		24,613	28,112
Mudarib share of profit		8,553	14,969
Implementation fees		4,784	5,447
LC opening fees		3,003	3,439
Investment in Sukuk		1,807	5,115
Commodity placements		679	1,472
Other (loss)/income	22	(58)	3,712
		<hr/> 43,381 <hr/>	<hr/> 62,266 <hr/>
EXPENSES:			
Staff costs		(19,641)	(22,388)
Other administrative expenses	15	(6,161)	(7,069)
Depreciation	10	(722)	(1,011)
		<hr/> (26,524) <hr/>	<hr/> (30,468) <hr/>
Impairment of Trade Murabaha financing	7	(3,407)	(20,997)
Unrealized loss on revaluation of Sukuk	8	(227)	(780)
		<hr/> 13,223 <hr/>	<hr/> 10,021 <hr/>
NET INCOME FOR THE YEAR/PERIOD		13,223	10,021

The attached notes 1 to 24 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017 (CORRESPONDING TO 13 RABI AL- THANI 1439H)

	<i>Notes</i>	<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>Total members' equity US \$ '000</i>
Balance at 13 October 2015		708,968	153,366	-	862,334
Actuarial deficit in pension and medical plan		-	-	(14,248)	(14,248)
Capital contributed		21,713	-	-	21,713
Net income for the period transferred to general reserve	16	-	10,021	-	10,021
Balance at 31 December 2016		730,681	163,387	(14,248)	879,820
Actuarial gain in pension and medical plan		-	-	6,976	6,976
Capital contributed		4,297	-	-	4,297
Net income for the year transferred to general reserve	16	-	13,223	-	13,223
Balance at 31 December 2017		734,978	176,610	(7,272)	904,316

The attached notes 1 to 24 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CORRESPONDING TO 13 RABI AL- THANI 1439H)

	<i>Notes</i>	<i>From 1 January 2017 to 31 December 2017 US \$'000</i>	<i>From 14 October 2015 to 31 December 2016 US \$'000</i>
<u>Cash Flows from Operations:</u>			
Net income for the year/period		13,223	10,021
Adjustments for:			
Depreciation	10	722	1,011
Impairment of Trade Murabaha financing		3,407	20,997
Unrealized loss on revaluation of Sukuk	8	227	780
Loss on disposal of fixed assets		-	9
Service cost on pension and medical obligation		3,127	3,073
Reversal of a long outstanding payable	22	-	(3,687)
Realized gain on disposal of Sukuk	8	(332)	(2,512)
Changes in operating assets and liabilities:			
Trade Murabaha financing		95,894	(55,493)
Accrued income and other assets		3,271	4,977
Due from / to related parties, net		(193)	453
Accruals and other liabilities		(3,792)	1,041
Pension and medical obligation paid		(1,490)	(1,943)
Net cash from/(used in) operating activities		114,064	(21,273)
<u>Cash Flows from Investing Activities:</u>			
Investments in sukuk	8	(50,229)	(38,052)
Disposal of sukuk	8	41,807	84,824
Investments in commodity placements	5	(940,300)	(6,392,000)
Disposal of commodity placements	5	848,900	6,429,330
Purchase of fixed assets	10	(196)	(222)
Net cash (used in)/from in investing activities		(100,018)	83,880
<u>Cash Flows from Financing Activity:</u>			
Capital contribution	14	4,297	21,713
Net cash from financing activity		4,297	21,713
Net change in cash and cash equivalents		18,343	84,320
Cash and cash equivalents at the beginning of year/period		119,180	34,860
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	4	137,523	119,180

The attached notes 1 to 24 form part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

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.

Current financial statements cover a period of 365 days from 1 January 2017 to 31 December 2017 and, the comparative figures cover a period of 444 days from 14 October 2015 to 31 December 2016 and therefore are not comparable.

The financial statements were authorized for issue by the Corporation’s Board of Directors on 26 February 2018 (10 Jumada’II, 1439H).

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
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

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 period 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 and commodity placement through banks 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
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Commodity placements through banks

Commodity placements are made in Shari'ah compliant instruments with Islamic banks and at fixed profit. The buying and selling of commodities is 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 amounts written off (if any).

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

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 statement of income.

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

h) Financial assets and liabilities

Financial assets comprise cash and cash equivalents, commodity placements, 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
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

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.

j) Fixed assets

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

Office and computer equipment	4 years
Motor vehicles	5 years

Maintenance and repair costs which do not 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.

Assets under construction represent cost incurred on ongoing projects and are to be transferred to the related asset category once the project is completed.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

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

l) Revenue recognition

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.

Commodity placements through banks

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

Investments in Sukuk

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

Mudarib share of profit

Income from Mudarib share of profit is recognized on accrual basis 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.

m) Offsetting

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

n) Zakat and 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.

o) 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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Pension and medical obligation (continued)

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.

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
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

4. CASH AND CASH EQUIVALENTS

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

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Cash at banks	<u>137,523</u>	<u>119,180</u>

5. COMMODITY PLACEMENTS THROUGH BANKS

Commodity placements through banks at end of the reporting period are comprised of the following:

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Commodity placements	<u>96,400</u>	<u>5,000</u>

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

The movement in commodity placement through bank is as follows:

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Balance at beginning of the reporting year/period	5,000	42,330
Additions	940,300	6,392,000
Disposal	(848,900)	(6,429,330)
Balance at end of the reporting year/period	<u>96,400</u>	<u>5,000</u>

6. TRADE MURABAHA FINANCING, NET

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

a) Total receivable relating to financing are as follows:

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Net receivable under Murabaha financing	591,531	678,116
Net receivable under commodities Murabaha	41,468	54,184
Trade Murabaha financing, net	<u>632,999</u>	<u>732,300</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

6. TRADE MURABAHA FINANCING, NET (continued)

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
b) Receivable under Murabaha financing		
Gross amounts receivable	2,967,725	2,522,978
Less: share of syndicate members	(2,294,286)	(1,758,758)
Less: unearned income	(13,350)	(20,953)
	660,089	743,267
Total		
Less: provision for impairment of Murabaha financing, (note 7)	(65,151)	(65,151)
General Provision	(3,407)	-
	591,531	678,116
Net receivable under Murabaha financing		
	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
c) Commodities under Murabaha – structured trade finance		
Gross amounts	189,059	195,857
Less: share of syndicate members	(125,265)	(119,347)
	63,794	76,510
Total commodities under Murabaha		
Less: Provision for impairment of Commodity under Murabaha (note 7)	(22,326)	(22,326)
	41,468	54,184
Net receivable under commodities Murabaha		

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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

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>2017</i> <i>US \$'000</i>	<i>2016</i> <i>US \$'000</i>
Balance at beginning of the year/period	87,477	74,719
Charge for the year/period	3,407	22,326
Recovery during the year/period	-	(1,329)
Trade Murabaha written off against provision	-	(8,239)
	<hr/>	<hr/>
Balance at end of the year/period	90,884	87,477
	<hr/> <hr/>	<hr/> <hr/>

No income has been accrued on the impaired trade Murabaha financing assets for the year ended 31 December 2017 (period ended 31 December 2016: Nil).

Included in trade Murabaha financing assets at end of 31 December 2017 is an amount of USD 0.52 million (31 December 2016: USD 14.70 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>2017</i> <i>US \$ Millions</i>	<i>2016</i> <i>US \$ Millions</i>
Less than three months	-	0.5
Three months to twelve months	0.4	6.1
One year to five years	0.12	8.1

Disclosures relating to the credit quality of the operating assets have been presented in note 23 (a).

8. INVESTMENTS IN SUKUK

The movement in investments in Sukuk is summarized as follows:

	<i>2017</i> <i>US \$'000</i>	<i>2016</i> <i>US \$'000</i>
Balance at beginning of the reporting year/period	53,385	98,425
Investments during the year/period	50,229	38,052
Disposals during the year/period	(41,807)	(84,824)
Realized gain on disposal	332	2,512
Unrealized loss on revaluation	(227)	(780)
	<hr/>	<hr/>
Balance at end of the reporting year/period	61,912	53,385
	<hr/> <hr/>	<hr/> <hr/>

Investments in Sukuk at end 31 December 2017 and 31 December 2016 represent the Sukuk issued by various governments and certain other entities, which have been measured at fair value through statement of income.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

9. ACCRUED INCOME AND OTHER ASSETS

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

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Accrued Implementation and LC fees	-	150
Accrued income on investments in Sukuk	619	314
Accrued income from commodity placements	255	82
Staff prepayments	6,029	7,783
Receivable against previously written off balances	-	1,329
Other receivables	185	701
	<hr/>	<hr/>
Total	7,088	10,359
	<hr/> <hr/>	<hr/> <hr/>

10. FIXED ASSETS

Fixed assets at end of reporting period are comprised of the following:

	<i>Motor</i>	<i>Office and</i>	
	<i>vehicles</i>	<i>computer</i>	
	<i>US \$'000</i>	<i>equipment</i>	<i>Total</i>
	<hr/>	<hr/>	<hr/>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
	<hr/>	<hr/>	<hr/>
<u>Cost:</u>			
At 31 December 2016	76	3,639	3,715
Additions	-	196	196
	<hr/>	<hr/>	<hr/>
At 31 December 2017	76	3,835	3,911
	<hr/>	<hr/>	<hr/>
<u>Less: Accumulated depreciation:</u>			
At 31 December 2016	31	2,466	2,497
Charge for the year	18	704	722
	<hr/>	<hr/>	<hr/>
At 31 December 2017	49	3,170	3,219
	<hr/>	<hr/>	<hr/>
<u>Net book value:</u>			
At 31 December 2017	27	665	692
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

10. FIXED ASSETS (continued)

	<i>Assets under construction</i>	<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>	<i>US \$ '000</i>
<u>Cost:</u>				
At 13 October 2015	536	168	2,881	3,585
Transfer	(536)	-	536	-
Additions	-	-	222	222
Disposals	-	(92)	-	(92)
At 31 December 2016	-	76	3,639	3,715
<u>Less: Accumulated depreciation:</u>				
At 13 October 2015	-	84	1,485	1,569
Charge for the period	-	30	981	1,011
Disposals	-	(83)	-	(83)
At 31 December 2016	-	31	2,466	2,497
<u>Net book value:</u>				
At 31 December 2016	-	45	1,173	1,218

11. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 31 December are comprised of the following:

	<i>2017</i>	<i>2016</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Earnings not approved by Shari`ah Board (see note 18)	10,923	9,516
Accrued and other expenses	707	818
Excess capital receipts (see note "a" below)	-	205
Staff related provisions	886	514
Other creditors	744	442
Payable to customers	8,003	15,165
Programs payable	1,605	-
	22,868	26,660
Total	22,868	26,660

- a) Excess capital receipts represent amounts received from member countries in respect of paid up capital that is not due.

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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

12. RELATED PARTY BALANCES (continued)

(a) Significant transaction executed during the year/period are as follows:

	<i>From 1 January 2017 to 31 December 2017 US \$'000</i>	<i>From 14 October 2015 to 31 December 2016 US \$'000</i>
Mudarib's share of profit from affiliate	2,986	4,285
Share of Trade Murabaha income to affiliate members	(12,916)	(28,275)

(b) Due from related parties

	<i>2017 US \$'000</i>	<i>2016 US \$'000</i>
BADEA Fund "Arab Bank for Economic Development of Africa"	-	64
IDB Special Account Resource Waqf fund	2,068	3,338
Islamic Solidarity Fund for Development (ISFD)	268	494
IDB Pension fund	503	-
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	-	1
	<u>2,839</u>	<u>3,897</u>

(c) Due to related parties

	<i>2017 US \$'000</i>	<i>2016 US \$'000</i>
IDB – Ordinary Capital Resources	2,114	2,814
IDB Medical Pension Fund	8	27
IDB Pension Fund	-	532
Islamic Corporation for the Development of the Private Sector	108	108
	<u>2,230</u>	<u>3,481</u>

- (i) The balances due from / to related parties are commission free and have no 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>From 1 January 2017 to 31 December 2017 US \$'000</i>	<i>From 14 October 2015 to 31 December 2016 US \$'000</i>
Salaries and other benefits	<u>459</u>	<u>667</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

13. PENSION AND MEDICAL OBLIGATION

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

	<i>SRPP</i>	<i>SRMP</i>
	<i>31 December 2017</i>	<i>31 December 2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Allocation of Pension Assets	31,654	1,303
Adjustment on fair value at beginning of the year	203	-
Income on Plan Assets	1,336	56
Return on Plan Assets less than discount rate	613	3
Plan participations contribution	1,462	68
Employer contribution	720	39
Disbursements from Plan Assets	(2,169)	(40)
Fair value of plan assets at 31 December	33,819	1,429
	<i>SRPP</i>	<i>SRMP</i>
	<i>31 December 2017</i>	<i>31 December 2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Allocation of DBO	45,270	3,065
Current Service costs	2,233	201
Cost on Defined Benefit Obligation (DBO)	1,949	135
Plan participations contributions	720	39
Disbursements from Plan Assets	(2,169)	(40)
Adjustment during period	5	-
Net actuarial Gain	(5,882)	(239)
Benefit obligation at 31 December	42,126	3,161
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	8,307	1,732

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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

13. PENSION AND MEDICAL OBLIGATION (continued)

(b) Based on the actuarial valuations, the pension and medical benefit expenses for the period 2017 comprised the following:

	<i>SRPP</i>	<i>SRMP</i>
	<i>2017</i>	<i>2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Gross current service costs	2,233	201
Cost on DBO	1,949	135
Income on assets	(1,336)	(55)
Cost recognized in statement of income	2,846	281
Actuarial Gain due to assumptions	(5,882)	(239)
Return on plan assets greater than discount rate	(613)	(3)
Cost recognized in statement of changes of equity	(6,495)	(242)

(c) Principal assumptions used in the actuarial valuations dated 31 December 2017 and extended as at end of the reporting period are as follows:

	<i>SRPP</i>	<i>SRMP</i>
	<i>2017</i>	<i>2017</i>
Discount rate	4%	4%
Rate of expected salary increase	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>2017</i>	<i>2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Cash and cash equivalent and commodity placements	4,783	189
Syndicated Murabaha	173	91
Managed funds and instalment sales	7,579	-
Investments in Sukuk	17,628	1,132
Land	3,801	-
Other (net)	(145)	17
Plan assets	33,819	1,429

1.5% of staff retirement plan assets (31 December 2016: 4.3%) are invested respectively within the Bank and its Affiliates as of 31 December 2017.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

13. PENSION AND MEDICAL OBLIGATION (continued)

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

	<i>2017</i>
	<i>US \$'000</i>
Present value of defined benefit obligation	(42,126)
Fair value of plan assets	33,819
Plan deficit	8,307

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

	<i>2017</i>
	<i>US \$'000</i>
Present value of defined benefit obligation	(3,161)
Fair value of plan assets	1,429
Plan deficit	1,732

(f) The amounts recognized in the pension and medical obligations are as follows:

	<i>SRPP</i>	<i>SRMP</i>	<i>2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>Total</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Movements during the period	5,309	30	5,339
Balance at 31 December	5,309	30	5,339

(g) The amounts recognized in the pension and medical deficits are as follows:

	<i>SRPP</i>	<i>SRMP</i>	<i>2017</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>Total</i>
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
Transfer from IDB-OCR at 31 December 2016	12,712	1,536	14,248
Movements during the period	(6,495)	(241)	(6,736)
Actuarial adjustment	(197)	(43)	(240)
Balance at 31 December	6,020	1,252	7,272

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

14. PAID-UP CAPITAL

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

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Subscribed capital	856,190	838,830
Subscribed not yet called	(39,590)	(54,160)
Called-up share capital (Par Value)	816,600	784,670
Installment due	(86,369)	(57,989)
Paid-up Capital (Par Value)	730,231	726,681
Subscribed premium	31,015	28,131
Subscribed premium not yet called	(8,342)	(11,772)
Installment due premium	22,673	16,359
	(17,926)	(12,359)
Paid-up Capital (premium)	4,747	4,000
Paid-up Capital (Par Value Plus Premium)	734,978	730,681

15. OTHER ADMINISTRATIVE EXPENSES

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

	<i>From</i>	<i>From</i>
	<i>1 January 2017 to</i>	<i>14 October 2015 to</i>
	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Consultancy and marketing	2,065	1,430
Office rent	1,241	1,492
Communication and membership	616	1,035
Travel expenses	791	1,034
Support services	742	700
Meeting expenses	451	568
Other	255	810
Total	6,161	7,069

16. GENERAL RESERVE

In accordance with chapter 6 of Article 27 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to the general reserve, when approved by the Board of Directors, until this reserve equals 25% of the Corporation'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 2017 (13 RABI AL- THANI 1439H)

17. 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 are comprised of the following:

	<i>2017</i>	<i>2016</i>
	<i>US \$'000</i>	<i>US \$'000</i>
Trade Murabaha financing	156,320	315,000

18. EARNINGS AND EXPENDITURES NOT APPROVED BY SHARI'AH COMMITTEE

The accumulated earnings realized from transactions which are not approved by Shari'ah Board are included in accruals and other liabilities amounting to USD 10.9 million as of 31 December 2017 (31 December 2016: USD 9.5 million).

19. MATURITY PROFILE

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

	<i>Maturity period determined</i>				<i>Maturity</i>	<i>Total</i>
2017	<i>Less than</i>	<i>3 to 12</i>	<i>1 to 5</i>	<i>Over 5</i>	<i>period not</i>	
	<i>3 months</i>	<i>months</i>	<i>years</i>	<i>years</i>	<i>determined</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>
Assets						
Cash and cash equivalents	137,523	-	-	-	-	137,523
Commodity placements	96,400	-	-	-	-	96,400
Trade Murabaha financing	180,070	452,929	-	-	-	632,999
Investments in sukuk	-	-	31,823	30,089	-	61,912
Due from related parties	2,839	-	-	-	-	2,839
Total financial assets	416,832	452,929	31,823	30,089	-	931,673
Liabilities						
Due to related parties	2,230	-	-	-	-	2,230
Customer advances	8,003	-	-	-	-	8,003
Total financial liabilities	10,233	-	-	-	-	10,233
Undisbursed commitments	-	-	-	-	-	156,320

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

19. MATURITY PROFILE (continued)

2016	Maturity period determined				Maturity period not determined	Total
	<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	119,180	-	-	-	-	119,180
Commodity placements	-	5,000	-	-	-	5,000
Trade Murabaha financing	212,107	319,129	201,064	-	-	732,300
Investments in sukuk	-	-	53,385	-	-	53,385
Due from related parties	3,897	-	-	-	-	3,897
Total financial assets	335,184	324,129	254,449	-	-	913,762
Liabilities						
Due to related parties	3,481	-	-	-	-	3,481
Customer advances	15,165	-	-	-	-	15,165
Total financial liabilities	18,646	-	-	-	-	18,646
Undisbursed commitments	-	-	-	-	315,000	315,000

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

20. CONCENTRATION OF FINANCIAL ASSETS

The geographical distribution of financial assets are as follows:

2017	<i>Cash and cash equivalents</i>	<i>Commodity 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	12,528	6,000	120	-	-	18,648
Bangladesh	-	-	46,375	-	-	46,375
Burkina Faso	-	-	2,265	-	-	2,265
Cameroun	-	-	59	-	-	59
Comoros	-	-	5,609	-	-	5,609
Djibouti	-	-	4,115	-	-	4,115
Egypt	-	-	202,856	-	-	202,856
France	-	1,400	-	-	-	1,400
Gambia	-	-	5,727	-	-	5,727
Hong Kong	-	-	-	10,047	-	10,047
Indonesia	1,199	-	28,820	-	-	30,019
Jordan	-	-	48,619	-	-	48,619
Kazakhstan	-	-	7,653	-	-	7,653
Kuwait	-	14,900	-	-	-	14,900
Malaysia	-	2,800	-	-	-	2,800
Maldives	-	-	3,347	-	-	3,347
Mali	-	-	116	-	-	116
Mauritania	-	-	14,634	-	-	14,634
Morocco	-	-	42,585	-	-	42,585
Oman	-	6,500	-	20,041	-	26,541
Pakistan	-	-	140,068	-	-	140,068
Qatar	-	5,600	-	-	-	5,600
Saudi Arabia	2,510	18,900	-	31,824	2,839	56,073
Senegal	-	-	10,551	-	-	10,551
Sierra Leone	-	-	3,123	-	-	3,123
Tajikistan	-	-	330	-	-	330
Togo	-	-	14,279	-	-	14,279
Tunisia	-	-	17,893	-	-	17,893
Turkey	-	-	30,151	-	-	30,151
UAE	-	31,800	3,704	-	-	35,504
United Kingdom	121,286	8,500	-	-	-	129,786
TOTAL	137,523	96,400	632,999	61,912	2,839	931,673

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

20. CONCENTRATION OF FINANCIAL ASSETS (continued)

2016	<i>Cash and cash equivalents</i>	<i>Commodity 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	11,995	-	121	-	-	12,116
Benin	-	-	15,159	-	-	15,159
Bangladesh	-	-	152,823	-	-	152,823
Burkina Faso	-	-	23,996	-	-	23,996
Cameroun	-	-	68	-	-	68
Comoros	-	-	817	-	-	817
Djibouti	-	-	3,155	-	-	3,155
Egypt	-	-	202,508	-	-	202,508
Indonesia	-	-	13,775	-	-	13,775
Jordan	-	-	50,254	-	-	50,254
Kazakhstan	-	-	8,103	-	-	8,103
Mali	-	-	98	-	-	98
Mauritania	-	-	10,970	-	-	10,970
Morocco	-	-	18,197	-	-	18,197
Nigeria	-	-	13,306	-	-	13,306
Pakistan	-	-	98,068	-	-	98,068
Saudi Arabia	1,857	-	-	28,776	3,897	34,530
Senegal	-	-	13,745	-	-	13,745
Tajikistan	-	-	10,323	-	-	10,323
Togo	-	-	8,611	-	-	8,611
Tunisia	-	-	12,873	-	-	12,873
Turkey	-	5,000	75,330	9,713	-	90,043
UAE	-	-	-	14,896	-	14,896
United Kingdom	105,328	-	-	-	-	105,328
TOTAL	119,180	5,000	732,300	53,385	3,897	913,762

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

21. NET ASSETS IN FOREIGN CURRENCIES

	<i>2017 US \$ '000</i>	<i>2016 US \$ '000</i>
Saudi Riyal	2,510	1,857

22. OTHER INCOME

	<i>From 1 January 2017 to 31 December 2017 US \$ '000</i>	<i>From 14 October 2015 to 31 December 2016 US \$ '000</i>
Gain on disposal of fixed assets	-	13
Miscellaneous income	(58)	12
Reversal of a long outstanding payable	-	3,687
Total	(58)	3,712

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1439H)

23. RISK MANAGEMENT

The Corporation's risk management is governed by the IDB's risk management guidelines. IDB's Risk Management Department ("RMD") also provides risk management services to the Corporation. The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Corporation through the identification, measurement and monitoring of all types of risks inherent in its activities. The Corporation has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Corporation's risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Corporation's financial transactions.

a) Credit risk

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

For all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of commodity placements, trade Murabaha financing and investment 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 RMD, which endeavors to ensure that business lines comply with risk parameters established by the Board of Directors ("BOD") and Management.

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

The use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with Corporation. While extending financing to its member countries the Corporation should safeguard its interests by obtaining the relevant guarantees for its financing operations and has to ensure that the concerned beneficiaries as well as the guarantors are able to meet their obligations to Corporation. In addition to the above risk mitigation tools, the Corporation has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best banking practices.

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines were developed for monitoring country exposure to safeguard the Corporation against undue risk. The country exposure limits are determined and periodically reviewed and updated taking into consideration the recent macro-economic, financial, and other developments in the member countries, and the status of their business relationship with Corporation.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2017 (13 RABI AL- THANI 1438H)

23. 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, commodity placements 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 19.

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 commodity placements, 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 period and the Members Equity at period end would not be changed significantly.

a) 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 2017			
Commodity placement through bank	96,400	-	-
Investments in Sukuk	61,912	-	-
For the period ended 31 December 2016			
Commodity placement through bank	5,000	-	-
Investments in Sukuk	53,385	-	-

There were no transfers between the levels during the year (2016: same).

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

AT 31 DECEMBER 2017 (13 RABI AL- THANI 1438H)

24. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives. 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 20.

09



APPENDICES

CORPORATE PROFILE OF THE ISLAMIC DEVELOPMENT BANK

Establishment

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

Vision

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

Mission

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

Membership

The IDB 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 IDB, 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 IDB'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 2017, the subscribed capital of the IDB stood at ID50.2 billion.

Islamic Development Bank Group

The IDB Group comprises five entities: The Islamic Development Bank (IDB), 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 Office, Regional and Country Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IDB 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 IDB's financial year used to be the lunar Hijra Year (H). However, starting from 1 January 2016, the financial year was changed to Solar Hijra year starting from 11th of Capricorn, (corresponding to 1 January) and ends on the 10th Capricorn (corresponding to 31 December of every year).

Accounting Unit

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

Language

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



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

SUBSCRIBED, CALLED-UP, AND PAID-UP CAPITAL AS OF 31/12/2017 (SORTED BY PAID-UP)

Sr. No.	Member	Number of Shares					
		Subscribed	Percent of Subscribed	Called-up	Percent of Called-up	Paid-up	Percent of Paid-up
1	Islamic Development Bank	26,637	31.11%	26,637	33.79%	26,637	36.477%
2	Saudi Arabia	14,557	17.00%	12,000	15.22%	12,000	16.433%
4	Saudi Fund for Development, Saudi Arabia	6,065	7.08%	5,355	6.79%	5,355	7.333%
5	Kuwait	4,821	5.63%	4,821	6.12%	4,821	6.602%
6	Public Investments Fund, Saudi Arabia	3,000	3.50%	3,000	3.81%	3,000	4.108%
7	Turkey	3,536	4.13%	2,915	3.70%	2,915	3.992%
8	Malaysia	2,898	3.38%	2,898	3.68%	2,898	3.969%
9	Export Development Bank, Iran	2,500	2.92%	2,500	3.17%	2,486	3.404%
10	Egypt	1,513	1.77%	1,513	1.92%	1,513	2.072%
11	Nigeria	1,000	1.17%	1,000	1.27%	1,000	1.369%
12	Qatar	1,000	1.17%	1,000	1.27%	1,000	1.369%
13	Iraq	850	0.99%	850	1.08%	850	1.164%
14	Pakistan	843	0.98%	843	1.07%	843	1.154%
15	Albaraka Islamic Bank, Bahrain	818	0.96%	818	1.04%	818	1.120%
17	Faisal Islamic Bank of Egypt, Egypt	718	0.84%	718	0.91%	718	0.983%
16	Algeria	608	0.71%	608	0.77%	608	0.833%
18	Brunei Darussalam	582	0.68%	582	0.74%	582	0.797%
19	Tunisia	560	0.65%	560	0.71%	560	0.767%
20	Morocco	510	0.60%	510	0.65%	510	0.698%
21	Bank Mellat, Iran	500	0.58%	500	0.63%	500	0.685%
22	Indonesia	206	0.24%	206	0.26%	206	0.282%
23	Bangladesh	202	0.24%	202	0.26%	202	0.277%
3	Iran	8,692	10.15%	8,692	7.43%	192	0.263%
24	Bahrain	185	0.22%	185	0.23%	185	0.253%
25	Syria	185	0.22%	185	0.23%	185	0.253%
26	Palestine	184	0.21%	184	0.23%	184	0.252%
27	UAE	184	0.21%	184	0.23%	184	0.252%
28	Albaraka Investment Company, London	161	0.19%	161	0.20%	161	0.220%
29	Libya	139	0.16%	139	0.18%	139	0.190%
30	Jordan	130	0.15%	130	0.16%	130	0.178%
31	Jordan Islamic Bank	118	0.14%	118	0.15%	118	0.162%
32	Bank Keshavarzi, Iran	100	0.12%	100	0.13%	100	0.137%
33	Bank Melli, Iran	100	0.12%	100	0.13%	100	0.137%
34	Bank of Industry and Mine, Iran	100	0.12%	100	0.13%	100	0.137%
35	EN Bank, Iran	100	0.12%	100	0.13%	100	0.137%
37	Yemen	100	0.12%	100	0.13%	99	0.136%
38	Sudan	93	0.11%	77	0.10%	77	0.105%
39	Burkina Faso	75	0.09%	75	0.10%	75	0.103%
41	Cote D'Ivoire	85	0.10%	80	0.10%	75	0.103%
40	Somalia	72	0.08%	72	0.09%	72	0.099%
42	Albaraka Turk Katilim Bankasi A.S. (Albaraka Turk Participation Bank).	69	0.08%	69	0.09%	69	0.094%
43	Lebanon	61	0.07%	61	0.08%	61	0.084%
44	Mozambique	60	0.07%	60	0.08%	60	0.082%
45	Bank Al baraka, Tunis	53	0.06%	53	0.07%	53	0.073%
46	Azerbaijan	50	0.06%	50	0.06%	50	0.068%
47	Bank Tejarat, Iran	50	0.06%	50	0.06%	50	0.068%
48	Benin	50	0.06%	50	0.06%	50	0.068%
49	Djibouti	50	0.06%	50	0.06%	50	0.068%
50	The Gambia	50	0.06%	50	0.06%	50	0.068%
53	Uganda	49	0.06%	49	0.06%	49	0.067%
54	Senegal	48	0.06%	48	0.06%	48	0.066%
36	Mauritania	100	0.12%	100	0.13%	33	0.046%
55	Nile Bank for Commerce & Dev. - Sudan	26	0.03%	26	0.03%	26	0.036%
56	Sudanese Islamic Bank, Sudan	26	0.03%	26	0.03%	26	0.036%
57	Tadamon Islamic Bank, Sudan	26	0.03%	26	0.03%	26	0.036%
58	Gabon	22	0.03%	22	0.03%	22	0.030%
59	Cameroon	2	0.00%	2	0.00%	2	0.003%
51	Niger	50	0.06%	50	0.06%	-	0.000%
52	Suriname	50	0.06%	-	0.00%	-	0.000%
Sub Total		85,619	100%	81,660	100%	73,023	100%

SHARI'AH AUDIT REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

THE ISLAMIC DEVELOPMENT BANK GROUP SHARI'AH BOARD

SHARI'AH AUDIT REPORT FOR 1438H/1439H

Praise be to Allah and may Allah's prayer and peace be upon our Prophet, Muhammad, and on his household and companions

**Chairman of the Board of Governors,
Members of the Board of Governors,**

Assalamu alaikum warahmatullahi wabarakatuhu

Following your request to provide you with a Shari'ah report on the IDB Group's 1438/9H activities, we have audited the existing principles as well as the contracts pertaining to the transactions undertaken by the Islamic Development Bank's - Ordinary Capital Resources, Islamic Corporation for the Insurance of Investment and Export Credit, International Islamic Trade Finance Corporation, Islamic Solidarity Fund for Development, Awqaf Properties Investment Fund and all Trust Funds (IDB Group), for the year ending on 31 December 2017G (13 Rabi-II 1439H). We have also conducted the audit required to give an opinion on whether the IDB Group has complied with the rules and principles of the Shari'ah as well as the *Fatwas*, decisions, rulings and specific guidelines issued by us¹.

The responsibility of ensuring that the IDB Group operate in accordance with the rules and principles of the Shari'ah lies with the management of the IDB Group. Our responsibility is to merely give our opinion based on our audit of the IDB Group's operations and to prepare a report thereon.

We have carried out our audit, which involved examining the IDB Group's documentation and standard procedures for all types of operations.

We planned and carried our audit so as to obtain every fact and explanation that we deemed necessary to provide us with enough proof to reasonably confirm that the IDB Group has not contravened the rules and principles of the Shari'ah.

¹ Members of the Islamic Development Bank Group Shari'ah Board are: His Eminence Dr. Hussein Hamed Hassan Chairman, His Eminence Dr. Abdulsattar Abu Ghuddah Deputy Chairman, His Excellency Sheikh Abdullah S. M. Al Meneea, His Eminence Shaik Muhammad Taqi Usmani, His Eminence Dr. Mohamed Raougui, His Eminence Dr. Muhammad Syafii Antonio, His Eminence Ayatu Allah Shaik Mohammad Ali Tashiri.

In our opinion

1. The IDB Group has followed the procedures required to comply with the contracts that the Board prepared and audited.
2. The dividends paid and the losses incurred on the investment accounts are in conformity with the basis that we adopted in line with the rules and principles of the Shari'ah.
3. All gains made from transactions or methods forbidden under the rules and principles of the Shari'ah have been avoided by spending them on charity.
4. The IDB Group does not pay *Zakat* because the sources of its assets are either from public or *Waqf* funds or from institutions that have not delegated the IDB Group any authority to pay *Zakat* on their behalf. The payment of *Zakat* is the sole responsibility of the owners.

We pray that Allah the Almighty enable the IDB Group to follow the right path in the interest of the *Ummah*.

Wassalamu alaikum warahmatullahi wabarakatuhu



Dr. Hussien Hamid Hassan
Chairman of the Shari'ah Board



Aboubacar Salihou KANTE
IDB Group Internal Shari'ah Auditor

APPENDIX
04

CUMULATIVE TRADE FINANCE APPROVALS FOR LDMCs BETWEEN 2008 - 2017

S. No	Country	No of Operations	Amount (US\$ Mln.)
1	Albania	1	5
2	Azerbaijan	14	83
3	Bangladesh	90	12,109
4	Benin	3	75
5	Burkina Faso	16	927
6	Chad	1	5
7	Comoros	7	122
8	Djibouti	16	550
9	Gambia	30	437
10	Kyrgyzstan	1	10
11	Maldives*	5	99
12	Mali	8	230
13	Mauritania	15	546
14	Mozambique	2	20
15	Niger	3	45
16	Palestine	1	1
17	Senegal	6	322
18	Sierra Leone	2	15
19	Sudan	4	126
20	Tajikistan	4	94
21	Togo	9	218
Total Approvals for LDMCs		238	16,040
Total Approvals 2008 - 2017		603	40,258
%		39%	40%

* Maldives graduated from Least Developed Country status in January 2011. The figures for Maldives cover 2008-2010 period.

APPENDIX
05

2017 APPROVALS BY SECTOR

Sector	Amount (US\$ Mln)
Energy	3,792.6
Agriculture	438.5
Other	669.2
Grand Total	4,900

APPENDIX
06

2017 APPROVALS BY COMMODITY

No.	Commodity	2017		
		No. of Operations	Amount (US\$ Mln)	Percentage (%)
1	Grains & Oilseeds	1	10.00	0.20%
2	Cotton	2	137.70	2.81%
3	Sugar	1	39.00	0.80%
4	Other Foodstuff	10	146.50	2.99%
5	Petroleum	30	3,792.65	77.39%
6	Fertilizers	1	105.36	2.15%
7	Metals	1	5.00	0.10%
8	Other	7	664.22	13.56%
TOTAL		53	4,900	100%



Best Islamic Trade Finance Institution



Trade Finance Deal of the Year
Chad Industries EUR5 million Financing;



Social Impact Deal of the Year
SOFITEX EUR107 million Pre-Export Financing

ACRONYMS & ABBREVIATIONS

AFTIAS	Aid for Trade Initiative for Arab States
AATB	Arab Africa Trade Bridge Program
ALCO	Asset Liability Committee
AOA	Articles of Agreement
AWB	Attijariwafa Bank Group
ACA	African Cotton Association
ASEPEX	Export Promotion Agency of Senegal
AfDB	African Development Bank
Afreximbank	African Export Import Bank
ADB	Asian Development Bank
BADEA	Arab Bank for Economic Development in Africa
BoD	Board of Directors
BPRI	Business Process Reengineering
BCA	Bangladesh Cotton Association
BTMA	Bangladesh Textile Mills Association
B2B	Business to Business
CIS	Commonwealth of Independent States
COMCEC	Committee for Commercial and Economic Cooperation of the Organization of Islamic Cooperation
COP23	23rd Annual Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change
CIC	Chad Industries Company
CIDT	Compagnie Ivoirienne Pour le Développement des Textiles
CMDT	Compagnie Malienne Pour le Développement des Textiles
DIF	Development Impact Framework
EIF	Enhanced Integrated Framework
ECOWAS	Economic Community of West African States
EBE	Export Development Bank of Egypt
GA	General Assembly
GDP	Gross Domestic Product
GIAD	Group Internal Audit Department
GVCs	Global Value Chains
ICD	Islamic Corporation for the Development of the Private Sector
ICDT	Islamic Centre for Development of Trade
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDB	Islamic Development Bank
IsDB Group	Islamic Development Bank Group
ILO	International Labor Organization
IMF	International Monetary Fund
IRTI	Islamic Research and Training Institute
ITC	International Trade Centre
ICC	International Chamber of Commerce
ITFC	International Islamic Trade Finance Corporation
IaDB	Inter-American Development Bank
L/C	Letter of Credit
LDMCs	Least Developed Member Countries
MENA	Middle East and North Africa
MCs	Member Countries
MoU	Memorandum of Understanding
MDBs	Multilateral Development Banks
OECD	Organization for Economic Cooperation and Development
OIC	Organization of Islamic Cooperation
OPEC	Organization of the Petroleum Exporting Countries
RMD	Risk Management Department
SIDA	Swedish International Development Agency
SMEs	Small and Medium Enterprises
SPECA	United Nations Special Program for the Economies of Central Asia
SSA	Sub-Saharan Africa
STF	Structured Trade Finance
SDGs	Sustainable Development Goals
SOMELEC	Société Mauritanienne d'Electricité
SOFITEX	Société Burkinabe des Fibres Textiles
SMIC	Standards and Metrology Institute for the Islamic Countries
SODECOTON	Société de Développement du Coton
SCCL	Sudan Cotton Company Ltd
TCP	Trade Cooperation and Promotion Program
TPOs	Trade Promotion Organizations
ToRs	Terms of References
TRTA	Trade Related Technical Assistance
T&BD	Trade and Business Development Department
TREE	Youth Training & Employment for Export Project
TFO	Trade Facilitation Office
TSIs	Trade Support Institutions
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization
2SMF	2-Step Murabaha Financing



MOODY'S
INVESTORS SERVICE

Rating Action

Moody's assigns first-time issuer rating of A1/P-1 to the International Islamic Trade Finance Corporation, Outlook Stable.

Global Credit Research - 26 Oct 2017

Assignment of Credit Rating by Moody's

Moody's Investor Service assigned a first-time long-term issuer rating of A1 to ITFC with a stable outlook. The credit rating is a stellar achievement, which will enable ITFC to gain better access to borrowing on the external markets at attractive rates. At the same time, this will facilitate the mobilization of resources from financial institutions. Moody's also assigned first-time short-term issuer rating of P-1. This historic milestone reflects ITFC's strong capital position, moderate leveraging scenarios, prudent treasury investment practices and adequate liquidity management policies.



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