



itfc

International
Islamic Trade
Finance Corporation



ANNUAL REPORT



expanding connections



Member of Islamic
Development Bank Group

1435H
2013-2014



EXPANDING CONNECTIONS

ITFC has completed its seventh year since inception, with tangible success registered in the domains of trade finance and trade development. Over the years, ITFC has grown into a robust institution with healthy capital base and reserves; it doubled the diversified portfolio of trade operations, developed new financing products and increased revenues and profitability during the past years.

Using the theme Expanding Connections, this annual report reflects the growth in existing business and successful penetration into new markets, geographical distribution of the trade finance portfolio in addition to the collaboration with regional and international development partners, providing support for the expansion of intra-OIC trade.

ITFC will continue expanding its connections and visibility in its core activities of trade finance and promotion, and strive to pursue its strategic objectives of driving further diversification of the portfolio, hence achieve its main goal of advancing trade & improving lives.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





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STRENGTHENING
INTERNAL CAPACITY
TO BUILD RESILIENCY
AND DRIVE FUTURE
GROWTH



LETTER OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY



In the Name of Allah, the Merciful, the Compassionate

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

Dear Mr. Chairman,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

Pursuant to Article 26(1) of the Articles of Agreement establishing the International Islamic Trade Finance Corporation (ITFC), I have the honour 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 1435H (2013-2014G). The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 30/12/1435H (24/10/2014G).

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

Yours Sincerely,

Dr. Ahmad Mohamed Ali,
Chairman, Board of Directors

CEO'S MESSAGE



In the name of Allah, the Most Gracious and Merciful.

The International Islamic Trade Finance Corporation (ITFC) has successfully completed seven years of its existence in the trade finance and trade development domains, with particular emphasis on enhancing the intra-OIC trade, which is expected to reach close to the target of 20% at the end of 2015. Over the years, ITFC has grown into a robust institution in terms of its capital base and reserves (17.7%); it doubled the diversified portfolio of trade operations, developed new financing products and increased revenues and profitability during the past years. I am happy to report that in a couple of years, the Corporation expects to build its reserves to 25% of the capital, which would enable the Corporation to start paying dividends to its shareholders.

The approval of trade finance during 1435H (2013-14) aggregated to over \$5 billion, largely because of the diversification in client base and financed commodities. The seven years' cumulative figures of approvals amounted to \$24.95 billion, disbursements stood at \$18.24 billion, and funds mobilized from the market reached \$15.05 billion.

As before, trade development and cooperation amongst the OIC member countries remained the primary focus during the year, and ITFC, in collaboration with regional and international development partners, provided support for the expansion of intra-OIC trade. Furthermore, the Corporation is effectively participating in the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) and in its Trade Working Group, as well as contributing to the Consultative Group endeavours in the implementation of the Executive Programme, and the COMCEC Strategy on Trade. ITFC is also represented at the WTO Expert Group, which periodically reviews the status of global trade, market conditions, and achievement of institutions, trade issues and solutions, as well as the outlook for the future.

It is worth noting here that the flagship programme of Aid for Trade Initiative for Arab States (AFTIAS) had two meetings of its Project Board held during the year. AFTIAS is a multi-donor (07), multi-country (22) and multi-agency (UNDP, ITC, UNCTAD, ILO & UNIDO) programme, aiming to foster trade among Arab countries by enhancing enterprise competitiveness and facilitating trade processes and transactions.

ITFC is working closely with other entities of the IDB Group in order to capitalize on mutual strengths and experiences, aimed at serving the member countries in a more efficient and effective manner. Furthermore, the Corporation is leading the Group Trade Related Issues Committee (GTRC), which aims to synergize and mainstream the IDB Group activities and operations towards enhancement of intra-OIC trade, and providing a platform for brainstorming on trade-related issues and initiatives.

Let me sum up by saying that ITFC is trading firmly on the road to growth and prosperity. At the same time, it is building connectivity and visibility in its core activities of trade finance and promotion; striving every year to scale up its operating performance in order to fulfil the aspirations of the member countries.

Best Regards,

Dr. Waleed A. Al-Wohaib
Chief Executive Officer

●● BOARD OF DIRECTORS



Hon Dr. Ahmad Mohamed Ali
Chairman



Hon. Br
Abdul Rahman Raouya



Hon. Br
Ali Hamdane Ahmed



Hon. Br
Burhanettin Aktas



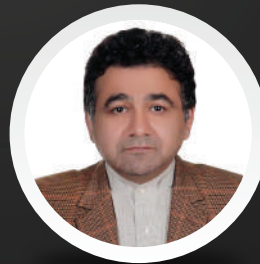
Hon. Eng
Fahad A. Al-Nowaiser



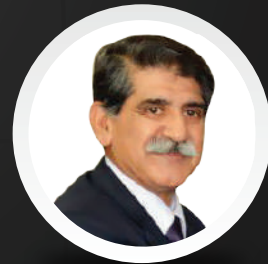
Hon. Dr
Hamad Bin Suleiman Al Bazai



Hon. Br
Khalid A. Al-Muftah



Hon. Br
Mohammad Hossein Mehrani



Hon. Br
Mohammed Saleem Sethi



Hon. Br
Moses Kaggwa



Hon. Br
Saoud Bin Abdullah Al-Sayyari

MANAGEMENT TEAM



Front row from left to right: Abou Jallow, GM Operations; Nazeem Noordali, GM Corporate & Structured Finance; Eng. Hani Salem Sonbol, Deputy CEO; Dr. Waleed Al-Wohaib, CEO; Mahanna Sobieh, GM Treasury; Mohammed Al-Sayed, Head BIU, M. Iqbal Azad, Senior Consultant & Special Assignment Manager

Back row from left to right: M. Hafiz Emrith, GM Finance & Head of Strategy Planning Office; Mubarak El-Tayeb El-Amin, Advisor to Deputy CEO; Syed Habib, GM Trade Cooperation & Promotion Program; Ibrahima Soumah, GM Risk Management; Ahmed J. Sabbagh, Acting GM HR & CS;



ORGANIZATIONAL STRUCTURE, GOVERNANCE, AND RISK MANAGEMENT

About ITFC

The International Islamic Trade Finance Corporation is an autonomous entity within the Islamic Development Bank Group created with the purpose of advancing trade, which would ultimately contribute to the overarching goal of improving socioeconomic condition of the people across the Islamic world. ITFC has consolidated all the trade finance businesses that used to be handled by various windows within IDB Group. It commenced operations in Muharram 1429H (January 2008G). The consolidation of IDB Group's trade finance activities under a single umbrella enhanced the Corporation's efficiency in service delivery by responding swiftly to customer needs in a market-driven business environment.

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

General Assembly

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

Board of Directors (BoD)

The ITFC Board is comprised of 10 members and the Chairman who is the President of IDB 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.



IT Operational Systems Improvement and Organizational Development

ITFC has redesigned its core business processes with emphasis on developing a modern and state of the art IT system so that it can serve its clients effectively and efficiently. The move has improved the quality of ITFC's investment and control decisions, shifting focus to a more customer-centric institution that is geared towards client satisfaction and responsiveness, while ensuring risks are addressed proactively.

On the organizational development front, 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.

The move contributed to substantial performance improvements for ITFC, leading to reduction in turnaround times, operational efficiency and improved business effectiveness. Several key changes influenced process flow, systems and tools, capabilities and process KPIs, were redesigned to achieve these business performance improvements. In addition, ITFC is progressively automating operational and administrative undertakings, based on the redesigned processes aimed at keeping and maintaining a global competitive edge.

With respect to improvements in IT and internal operational systems, ITFC implemented a new system (iMAL) in order to automate its trade finance operations. iMAL facilitates Islamic product offerings like Murabaha, Musharaka, Mudaraba, and Istisna among others. It offers 360-degree customer overview, complete transaction lifecycle support and enterprise-wide information relating to regulatory reporting and risk management. It also offers a comprehensive solution addressing ITFC's business requirements in the main areas of: i) Facility Management; ii) Islamic Trade Finance & Structured Trade Finance; iii) Islamic Investment and Syndicated Finance; iv) Cash Flow Management; v) Customer Relation Management; vi) Risk, Governance and Compliance Management; and vii) Business Intelligence and Reporting.

iMAL is well integrated with SWIFT Alliance for interbank messages, as well as live financial markets data from Reuters and Bloomberg. It provides a full-fledged risk management solution for reporting capital risk, credit risk, market risk, operational risk and governance.

Success in any venture in general and financing in particular depends on how well an institution manages its risk. ITFC's business model involves risks that must be understood and managed effectively in order to successfully deliver optimum return and play a key role in Advancing Trade and Improving Lives. The primary goal of risk management is to minimize risk and be proactive in efficiently identifying, assessing, measuring, monitoring and controlling risks to an organization's strategic advantage.

ITFC plans to continue diversifying its business and ensuring sustained growth and profitability while increasing competitiveness and continuing its work on implementing comprehensive risk management and internal control standards. To this end, ITFC has a well-defined framework comprising of an effective policy tool and a risk management structure. This structure (as detailed below) is represented by various lines of defense in order to ensure that risks are managed effectively at the organizational level.

Supervisory Level

Board of Directors and Audit Committee of the Board

Management Level

Group Risk Management Committee (GRMC), Management Committee (MC), Credit Committee (CC), Technical Committee (TC), Operations Review Committee (ORC), Assets Liabilities Committee (ALCO) and Portfolio Assessment Committee (PAC)

Risk Ownership Level

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

Board of Directors (BoD)

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

Group Risk Management Committee (GRMC)

This Committee is an IDB Group-level senior management body, headed by the Vice President of IDB. It mainly covers risks on Group basis from an overall perspective of strategy, policy/framework development, assessment/measurement tools, MIS framework and compliance, whereas routine aspects in relation to such risks are managed by designated departments of the entities. The GRMC is a platform where all Group risk-related policy matters are discussed to ensure consistency of application of risk policies across the IDB Group.

Management Committee (MC)

In addition to the GRMC, ITFC's risk-related issues are taken up by the Management Committee as well to manage credit, market, funding and operational risks at a more granular level.

Credit Committee (CC)

At the functional level, this committee has the responsibility to translate the decisions about strategy into practice, policies and standards for the origination, approval, disbursement, monitoring and reporting of credits. The Committee is chaired by the CEO with the members drawn from ITFC and IDB. The secretariat is being run by the Risk Management Department.

Technical Committee (TC)

The credit review function is performed through this committee, which draws its membership from various departments of IDB and ITFC. This committee examines all the credit proposals and subjects them to a robust review and then challenges them from the risk and compliance angles.

Asset & Liability Committee (ALCO)

This Committee is the focal point for defining and leading the entire asset liability management process within ITFC. It also has the responsibility for oversight of all market and liquidity risks. The Committee is chaired by the CEO and has representation from the business, control and support functions.

Internal Audit

Internal Audit provides to the Board and the senior management, inter-alia, an independent assessment of the robustness and suitability of ITFC's internal control mechanisms including risk management policies, procedures, methodologies, reporting and systems.

Risk Management Department (RMD)

For effective implementation of the risk management framework, the Risk Management Department operates within ITFC. The RMD is independent from other business units, support functions as well as the Internal Audit function. It is responsible for performing the functions pertaining to development and oversight of risk strategy, policy, framework, methodology and MIS. RMD has designated separate functions to cater to the following significant areas:

Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with the agreed contract terms. Credit risk makes up the largest part of ITFC's risk exposures. The credit process is guided by the centrally established IDB Group credit guidelines and policies as well as its internally developed guidelines and policies. This is aimed at maintaining a good quality and well-diversified portfolio of credit risk, which produces a reliable and consistent return and cater to the development needs of Members Countries.

It ensures that the financing decisions are in line with the organization's risk appetite.

ITFC has a system of checks and balances in place around the extension of credits, i.e.: i) the Business Unit's assessment of the credit risk; ii) an independent review by the risk management; and iii) an independent audit review.

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

Market and Liquidity Risk Management

Market risk relates to a loss due to adverse movements in market rates or prices, such as foreign exchange rates, and equity prices. It emanates from the trading activities mainly carried out by the Treasury function in the form of investments and foreign exchange dealings. Market risk at ITFC is managed by the RMD under the supervision of ALCO. A unique market risk to which ITFC is exposed primarily comes out of the banking book in the form of commodities holdings against the financing it provides in the form of Structured Trade Finance (STF). ITFC's assets are typically funded in the same currency as that of the business transaction to eliminate foreign exchange exposure.

Liquidity risk is the risk that ITFC will be unable to meet its cash flow obligations as they become due, because of its inability to liquidate assets, or to obtain adequate funding. ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management. ITFC follows a liquidity management policy duly approved by the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of the Corporation's liquidity under normal and crisis situations.

Operational Risk Management (ORM)

Operational Risk relates to direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in ITFC's business activities. The key risks include; external suppliers, fraud, financial reporting, information, legal, payments, people, premises & security, regulatory/reputational, technology and transaction operations. ITFC has instituted an ORM function that is in the process of formulating policy document to address the significant areas of Operational Risk Management.





STRATEGIC FOCUS

ITFC uses the balance scorecard approach to supplement financial measures for its strategy performance. Objectives and initiatives are planned according to measures, targets and initiatives that are tracked and reported for prompt actions. The current strategy map covers for the period 1431H-1435H. The map clearly defines and emphasizes on the strategic focus and directions of ITFC priorities.

ITFC's strategy is focused on the following priorities:

- Foster member countries' trade and trade integration;
- Be responsive to customers' needs with innovative Shariah compliant solutions;
- Be the preferred financier of choice form trade solutions;
- Delivers fair returns for shareholders

Currently, ITFC is actively participating together with other members of the IDB group to the detailing, devising associated work-plans and programs for the implementation of the IDBG Next 10 - Year strategy Framework that was duly endorsed by the Board of Governors at its 39th Annual Meeting held in Jeddah.

After taking into consideration its mandate, the strategic goals & directions from the IDBG and inputs from other key stakeholders' perspectives, ITFC shall prepare its strategic plan for the next 10 years together with a detailed strategy map.



MISSION

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

“We exist to be the catalyst for the development of trade among OIC Member Countries and with the rest of the world”

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

“The purpose of the Corporation shall be to promote trade of the Member Countries of the Organization of Islamic Cooperation (OIC) through providing trade finance and engaging in activities that facilitate intra-trade and international trade.”

VISION

“ITFC is to be a recognized provider of trade solutions for OIC Member Countries' needs”

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





Global Economic and Trade Overview

In 2014, the world GDP slightly increased to 2.6 %, up from 2.5 % in 2013 and 2.4 % in 2012 (Figure 1). The sluggish growth highlighted the fact that the global economy was still struggling to get back on growth rails as many high- and medium-income countries were still wrestling with the after-effects of the global financial crisis, which started in 2008. However, the effects were not felt evenly across all economies. Indeed, very divergent trends were at work in many countries. For instance, while the United States and the United Kingdom managed to re-trigger growth momentum in 2014, owing largely to the recovery of their labour markets and their increasing internal demand, the economic recovery of Euro Zone countries as well as Japan was very weak and continued to be hindered by many structural bottlenecks.

In the Euro Zone, growth in the third quarter of 2014 was somewhat weaker than expected¹. It continued to slow down in Spain and France, and to a lesser extent in Germany that has recently shown some signs of recovery. The economic situation in some countries of the area such as in Italy and particularly in Greece, casts a shadow over the zone's future, even if the depreciation of the Euro and the low oil prices and interest rates could contribute to the recovery in 2015.

Moreover, in Japan, after falling in technical recession in the third quarter of 2014, the economy showed early signs of recovery in the last quarter of the year. Owing to this upturn, the GDP witnessed a positive annual growth rate of 1.9 %. The VAT reform undertaken in 2014 seems to have contributed to reviving the economy and avoiding a negative growth rate.

On the other hand, and in spite of the slowdown (7.5 % in 2014) of the China's economy, the country has become the first economic super-power in the world². At the same time, the performance of the majority of other emerging economies was below expectations in 2014³. For instance, Brazil, Turkey, and Russia, which was particularly impacted by the collapse of the oil prices, witnessed a slowdown in their growth. The Indian economy was an exception, showing some signs of recovery during the year.

With regard to future prospects, world GDP is expected to grow by an estimated 3 % in 2015 and 3.3 %⁴ in 2016, compared to 2.6 % in 2014. Many factors support such forecasts including the on-going recovery in some high-income countries (mainly in the USA, the UK, Japan, and Germany), the persisting low oil prices, coupled with the strengthening of domestic demand in many developing countries in which the growth should increase from 4.4 % in 2014 to 4.8 % in 2015 and to 5.3 % in 2016 (Figure 1).

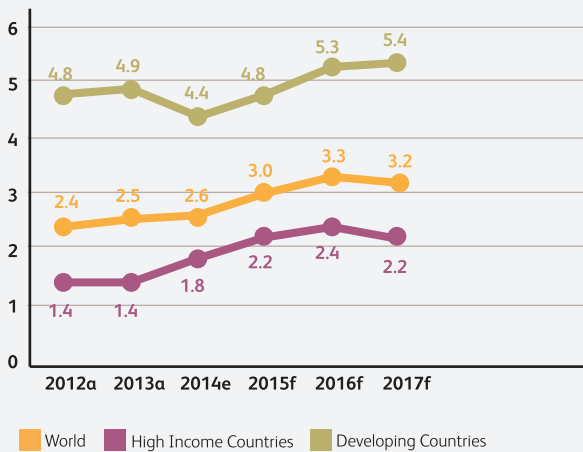
¹IMF (2015). "World Economic Outlook Update". January 2015.

²<http://www.atlantico.fr/decryptage/perspectives-economiques-2015-pour-philippe-crevel-timide-amelioration-possible-mais-nombreuses-conditions-1929123.html>

³World Bank (2015). "Global Economic Prospects – Having Fiscal Space and Using it". January 2015.

⁴The IMF set the GDP growth rate for 2015 and 2016 respectively to 3.5 and 3.7 per cent. IMF, "World Economic Outlook Update. January 2015.

Figure 1: World GDP Growth



(a = actual; e = estimation; f = forecast)
Source: World Bank

Figure 2: World Trade Growth (2011-2013)



Source: WTO

As for the global trade, it grew by less than 4% a year between 2012 and 2014, compared to about 7% on average before the crisis began and about 5.2% between 1993 and 2013⁵. Indeed, many factors may explain such a low performance and particularly, the weak global growth. However it was due largely to decreasing elasticity between the world trade and activity, as well as changes in global value chains. The World Bank says that had it “continued to expand at its historical trend, it would have been some 20% above its actual level in 2014⁶”. This deceleration resulted both from “cyclical factors, notably persistently weak import demand in high-income countries; and structural factors, including the changing relationship between trade and income. Specifically, world trade has become less responsive to changes in global income because of slower expansion of global supply chains and a shift in demand towards less import-intensive items.⁷”

In spite of some positive signs, growth in world trade is not expected to return to its pre-crisis years, at least in the next few years. In September 2014, the WTO was compelled to scale down its forecast for the world trade to only 3.1% from 4.6% in 2014 and to 4% in 2015 instead of 5.3% as initially estimated. In addition to the above-mentioned reasons, such a revision can also be explained by the impact of major geopolitical tensions in many regions: Ukraine crisis, Ebola outbreak in West Africa and the drop in exports of natural resources in many countries. However, the rising demand in some high-income economies in 2014 may support manufacturing exports from some developing countries with the provision that the latter manage to expand the composition of their export basket.

⁵ <http://www.la Tribune.fr/actualites/economie/international/20140923trib8df5b1f8d/l-omc-revise-a-la-baisse-ses-previsions-pour-le-commerce-mondial-en-2014-et-2015.html>

⁶ The World Bank, Op. Cit.

⁷ Ibid.

Economic and Trade Performance of OIC Countries

As in most other developing countries, OIC member countries also experienced sharp downturn in their economic activity in 2013 when their growth rate fell from 4.6% to 3.9%. However, they managed to regain a “hint” of recovery in 2014 with an estimated rate of 4.1%, which is expected to rise to 4.9% in 2015. Nevertheless, “the average growth rate of the real per capita GDP in OIC countries has been positive during the period 2009-2013; it increased by 1.8% in 2013 and is forecasted to reach 2.1% in 2014 and 2.9% in 2015.⁸”

With regard to OIC trade in 2013, total merchandise exports from these countries fell to \$2.2 trillion, compared to \$2.3 trillion in 2012, outpacing their pre-crisis record of \$1.9 trillion in 2008 (Figure 3). During the same period, OIC countries’ share in total exports of developing countries as well as in the world exports dropped in 2013 respectively to 28.7% (from 30.4% in 2012) and 12.2% (from 12.7% in 2012).

In 2013, the top five largest exporters among OIC countries accounted for 53.7% of total exports, and 10 countries accounted for 76.1%. Topping the list was Saudi Arabia (with its \$349 billion), which accounted for nearly 16% of all OIC merchandise exports (Figure 3.1).

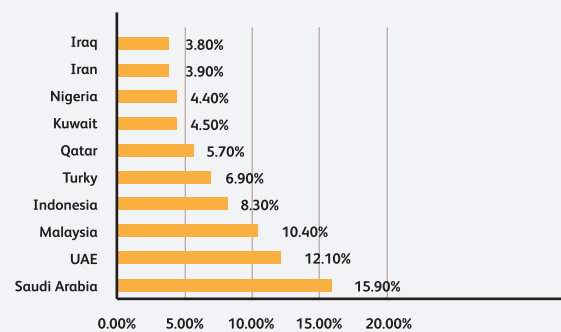
As for their imports, OIC countries went from as low as \$1.2 trillion in 2009 to \$2.0 trillion in 2013. Consequently, their share in global merchandise imports reached 10.7% in 2013 (compared to 9.1% in 2008) and 26.7% in total developing countries’ merchandise imports. During the same time, their share in OIC total imports slightly dropped from 20.9% in 2012 to 20.2% in 2013 (Figure 4).

Figure 3: OIC and intra-OIC exports (2005-2013 in US\$ billion and in percentage)



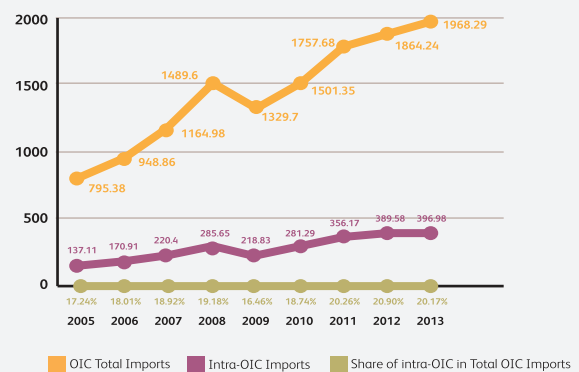
Sources: DOTS IMF October 2014, ITC, UNCTAD, WITS October 2014, ICDT (Forthcoming)

Figure 3.1: Share of OIC Exports in 2013



Source: IMF - DOTS

Figure 4: OIC and intra-OIC imports (2005-2013 in US\$ billion and in percentage)



Sources: DOTS IMF October 2014, ITC, UNCTAD, WITS October 2014, ICDT (Forthcoming)

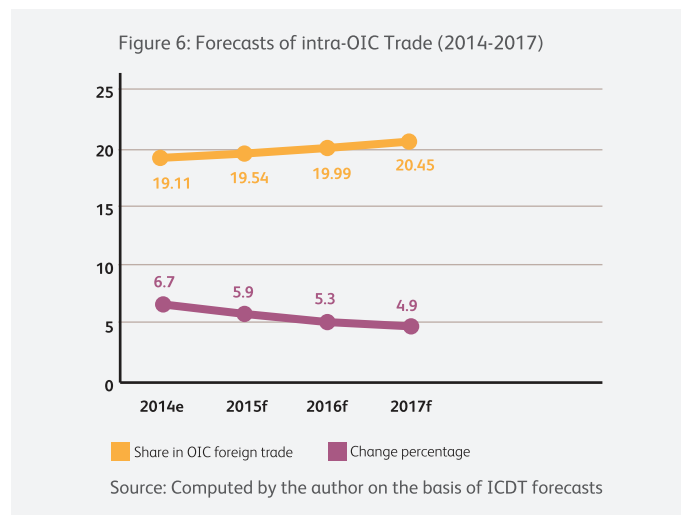
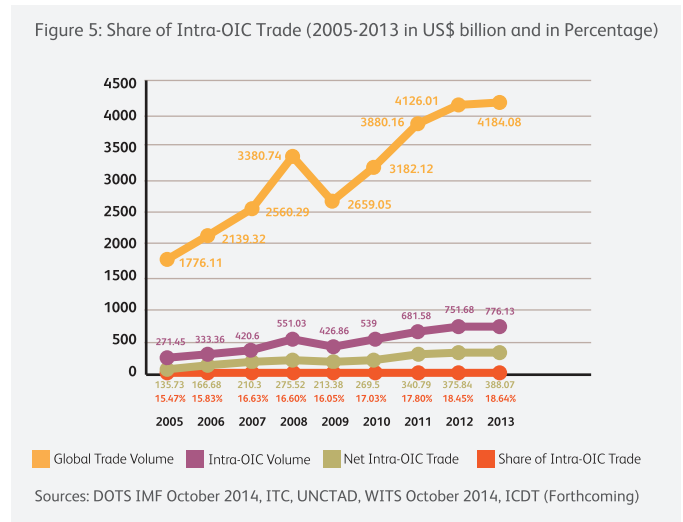
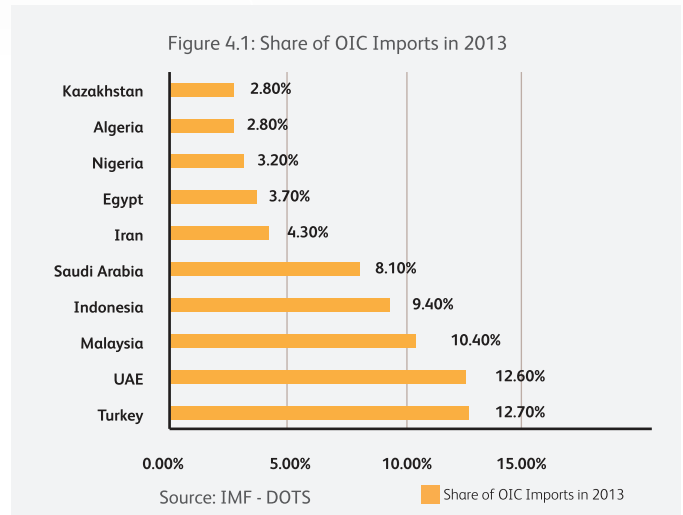
⁸ SESRIC (2014). “OIC Economic Outlook – Enhancing Productivity and Competitiveness”. Pages 1-2.

Goods imports of OIC countries were also very concentrated since a few countries were responsible for a high share of these imports in 2013. Namely, Turkey and UAE accounted for more than one quarter of all these imports. Again, the top five largest importers accounted for up to 53.3% and the 10 largest for almost 70% of all imports in 2013 (Figure 4.1)

Considering the global trade volume of OIC countries, their share of intra-trade slightly increased from 18.5% in 2012 to 18.6% in 2013 (Figure 5).

Prospects of intra-OIC trade

According to the Islamic Centre for Development of Trade (ICDT), after the sharp decline in 2009 by -16% due to the financial crisis of 2008-09, intra-OIC trade bounced back in 2010 and 2011 with a growth rate of 17% and 26% respectively, before stabilizing at 10.29% in 2012. However, a deceleration of the growth rate was recorded at 3.3% in 2013 (Figure 6). ICDT forecasts that intra-OIC trade is expected to grow at a revised rate of 5.7% during the next four years, compared to the previous forecast last year by the same OIC institution of about 7% on average per year. Such a revision is in line with that of other international institutions such as IMF, World Bank and WTO, which revised their forecasts for the upcoming years in September-October 2014.





2

EXPANDED REACH AND
CONTINUED SUPPORT
FOR TRADE IN MEMBER
COUNTRIES

GROWING FOOTPRINT WITH IMPROVED PORTFOLIO DIVERSIFICATION

In 1435H, ITFC expanded its reach through implementation of the strategic objectives set for the year. It collaborated with new partners in trade finance business and reached out to new Member Countries while attracting clients in new sectors. During this period, trade approvals reached \$5,155 million.

Although approvals for the year were only slightly higher than last year, the achievement had been remarkable. The share of single client operations that used to be historically high in the portfolio dropped from about 50% in 1434H down to 28% in 1435H. The drop was compensated by operations in other Member Countries, namely Burkina Faso, Egypt, Jordan, Kuwait, Morocco, Pakistan, Tunisia and Turkey.

Owing to growth in existing business and successful penetration in new markets, geographical distribution of the trade finance portfolio improved in 1435H. For instance, the share of total portfolio in the MENA region grew from 28% in 1434H to 44% in 1435H.

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%, compared to the previous year. In addition, the portfolio in Sub-Saharan Africa region witnessed remarkable growth, increasing by 85% with its share of the total portfolio rising to 8%, up from 5% in 1434H. The breakdown of approvals for the last two years by region is provided in the table below.

ITFC continued to pursue its strategic objectives of driving further diversification of the portfolio with some impressive results for the year. The Corporation was able to reduce concentration by country as it succeeded in attracting four new clients to the portfolio in 1435H, namely Comoros Islands, Djibouti, Palestine and Kyrgyzstan. However, in terms of sector, the portfolio still remains dominated by energy, which represented 80% of the portfolio in 1435H. In this regard, efforts will be made in the coming years to improve the concentration of the portfolio in the energy sector.

Table 1: ITFC Trade Approvals by Region (US\$ Million)

Region	1434H Actual	%	1435H Actual	%
ASIA/CIS	3,405	67	2,464	47
MENA	1,409	28	2,291	44
Sub-Saharan Africa	234	5	449	9
Total Approvals	5,048	100	5,204	100
Total Disbursement	4,001		2,826	

In 1435H, ITFC continued its efforts to enhance its capabilities towards developing Shari'ah-compliant solutions for its stakeholders. To this end, various Structured Trade Finance (STF) schemes were implemented in a number of member countries. It required partnering with collateral managers, agent banks and top-rated insurance companies to provide tailored solutions to ITFC clients, while ensuring secured structures with proper risk mitigations tools. One example had been the partnership with a bonded warehouse operator in Turkey to provide collateral management services for some of ITFC-financed operations. In addition, the Corporation in 1435H concluded the first STF line of financing with a bank in the CIS and the first STF operation for a private client in Bangladesh. Moreover, ITFC was able to structure a transaction based on government subsidy receivables in Morocco that led to implementation of an LPG transaction for a company that serves rural communities in the country.

In 1435H, there was a slight drop in STF business. The decrease resulted primarily from unfavourable market conditions in the grain sector in the CIS.

Going forward, this is expected to be compensated with expansion of STF products into new sectors and new countries, which is expected to see the share of the portfolio bounce back.

Given the growing requirements of member countries to finance strategic commodities, ITFC sustained its operations for sovereigns for the year. The share of sovereign operations remained relatively unchanged in 1435H, accounting for 73% of the total approvals (it was 74% in 1434H).

Figure-1: ITFC Approvals by Economic Sector

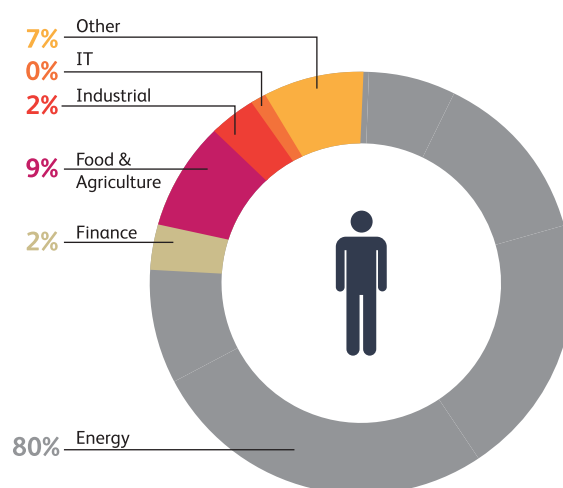


Table 2: ITFC Trade Approvals by Type of Security (US\$ Million)

Type of security	1434H	Share (%)	1435H	Share%
Sovereign	3,712	74	3,788	73
Bank Guarantee	124	2	399	7
Corporate	235	5	262	5
STF	977	19	720	14
Credit insurance	0	0	35	1
Total	5,048	100	5,204	100

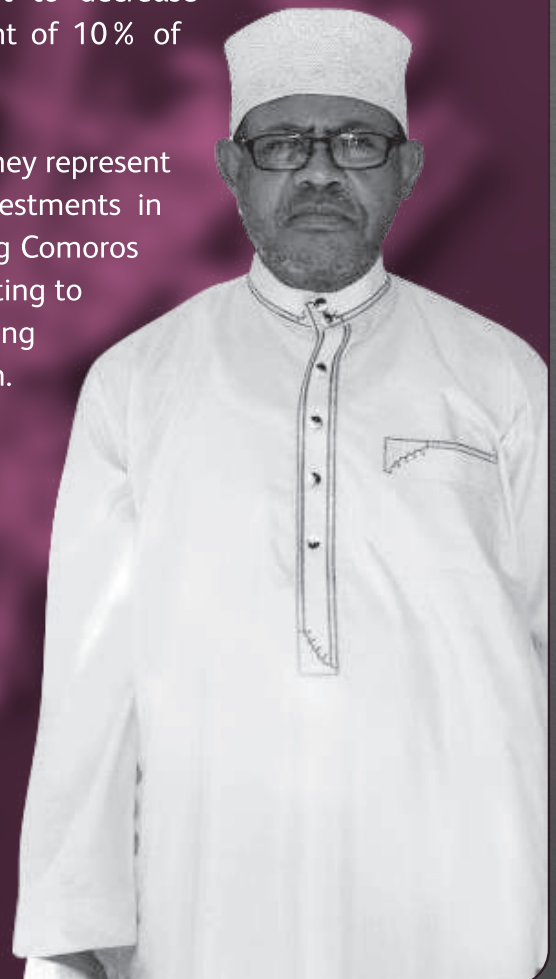
Petroleum Financing for Comoros Social and Economic Development

1435H was an exceptional year for Comoros, as the country restructured its long-standing debt with the IDB Group, ITFC concluded with the Government a \$20 million revolving financing to pay for 100% of Comoros imports of petroleum products. Société Comorienne des Hydrocarbures (SCH), the state-owned petroleum company, is acting as the executing agency for this deal.

As a result of ITFC financing, the borrowing cost for the country was reduced to one third, with a \$1 million of savings every year. Moreover, by securing the payment of petroleum products imports to suppliers, competition is increasing between applicants, leading to competitive pricing in favour of the country. The decrease of premium is estimated to generate \$4 million savings for the Government during the first year of the financing, compared to the year before. Overall, during its first year, ITFC financing is supporting Comoros Government to decrease petroleum products bill by \$5 million, the equivalent of 10% of 2014 petroleum products import bill.

The savings have direct macroeconomic impacts as they represent 5% of Government budget, allowing for more investments in growth-generating activities. Furthermore, by securing Comoros petroleum products supplies, ITFC is directly contributing to social welfare and economic development by providing cooking fuel to households and fuel for transportation. In addition, as Comoros fully rely on petroleum products for power generation, the financing ensures uninterrupted electricity supply, ensuring a forecasted 2% incremental increase of GDP.

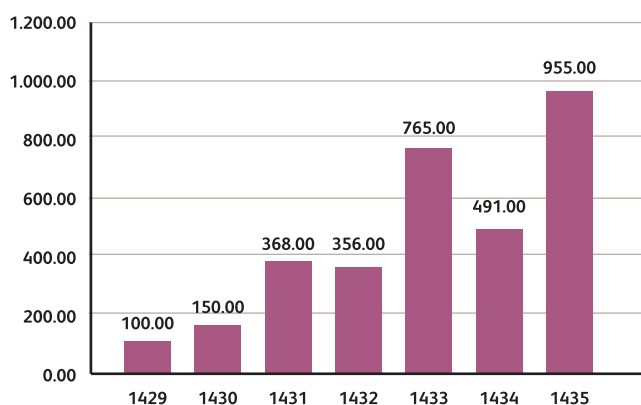
Mr. Aboubacar Mze Cheikh
CEO, Comoros Petroleum Company (SCH)



Continuing Dedicated Support to Member Countries

Given the ongoing political turmoil in some member countries, ITFC provided \$3.5 billion from syndicate partners for its operations in pursuit of fulfilling its mandate to support member countries. One example is ITFC's steady intervention in Bangladesh, Pakistan, Egypt, Tunisia and Jordan.

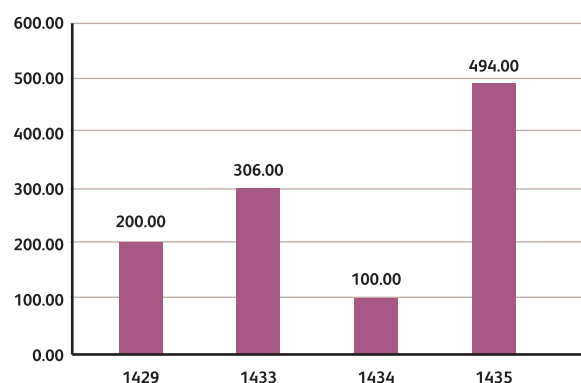
Figure-2: ITFC Approvals for Egypt since Inception



In 1435H, ITFC also arranged a successful syndication of an aggregate amount of \$320 million for Tunisia to support the country's energy and industrial sectors. Furthermore, ITFC continued its support for the Jordanian Government by providing a syndicated facility, amounting to \$200 million to finance its crude oil needs.

As for the ASIA/CIS region, ITFC had a substantial contribution in Bangladesh, amounting to \$1,450 million. Similar to operations in the MENA region, the Corporation stretched itself to meet the demand from Pakistan with nearly five times increase in 1435H, compared to 1434H.

Figure-3: ITFC Approval for Pakistan since Inception



For the Sub-Saharan Africa region, ITFC expanded its financing for the cotton sector with EUR 79 million extended to the leading cotton exporter in Burkina Faso. In addition, it supported the vital groundnut sector in Senegal by extending \$30 million facility to the leading player in the sector. It is worth mentioning that the sector is a major social and economic driver in Senegal with significant percentage of the population relying on groundnut for employment and livelihood. At the same time, ITFC consolidated its line of finance operations in Nigeria with the addition of two new banks, amounting to \$28 million.

ITFC has mandate to provide financing in countries where the interventions have strong potential to make a positive difference in the lives of the common people, particularly, in rural communities. This is done to create value for agricultural output in early stages of production as it is essential for food security, which has emerged as an important agenda since 2008. Action plan on the recommendations of the 21st IDB Annual Symposium entitled: "Achieving Food Security in

member countries in the Post-Crisis World” mandates ITFC to foster significant increase in intra-OIC trade in agricultural commodities through adopting an integrated approach with concerned entities within the IDB Group. Accordingly, the Corporation has continued to support member countries for revitalizing their agricultural sector. In 1435H, food security facilities were provided to the governments of Gambia, Niger and Mali by way of financing procurement of agricultural inputs and staple foods.

Boosting Regional Presence to Better Serve Member Countries

In 1435, 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). The IDB Group Country Gateway Offices were established with the aim of consolidating and synergizing the interests of each Group member under one flagship. Under the CGO model, IDB Group entities are represented in country offices to carry out the delegated mandate.

Regional presence is a key pillar in ITFC’s growth and diversification strategy as close proximity will allow it to get to know and serve its clients better, while gaining valuable market insight to drive its

business growth. It will significantly facilitate accessibility in the local market and allow ITFC to expand its business with more efficiency in implementation of approved operations. More specifically, regional presence will help the Corporation achieve the following two strategic objectives:

- (i) Diversify, integrate and grow
- (ii) Embed operational excellence

Besides, it will enhance ITFC’s image and branding through accessibility and participation in local events and help fulfil the Corporation’s vision “to be a recognized provider of trade solutions for OIC Member Countries’ needs”. Hence, the focus will be on the following:

- Better market intelligence
- Increased approval
- Increased disbursement
- Increased income
- Member Countries having better access to ITFC offices
- Better monitoring of clients
- Diversification
- Branding

ITFC will continue to expand its regional presence during 1436H by activating operations in Indonesia and Bangladesh CGOs, in addition to pursuing the activation of ITFC Dubai branch.

ITFC Supports the Export Sector in Turkey

On September 2014, ITFC and Aktifbank signed a 2-Step Murabaha Agreement for US\$ 45million – Line of Financing for Turkish Exporters. This agreement is part of Aktifbank's aim to increase its role in the development of exports sector in Turkey. The exports sector is one of the main drive for Turkish economy. This financing contributed to the access to working capital for export-oriented industries. Moreover, it provided additional means to an investment bank to develop its products in support of exports sector in Turkey.

The structure developed for this facility is expected to enhance intervention of Islamic financial industry to export financing. A large part of the beneficiaries is from the manufacturing segment, who are a great contributor to the country's GDP, forex generation and employment in the country. Not only this agreement benefited Turkey, but also it contributes in boosting intra-trade, as exports are made to the neighbouring OIC countries.

Aktif Yatirim Bankasi A.S. (Aktifbank) operates as an "investment bank" and is mainly involved in tailor made banking solutions to the market; it is crucial to have access to funding structures which can fit into the bank's business models. In this regard, ITFC is playing a leading role in the trade finance business for its ability to create and offer new and tailor made products to meet the market's needs.

The facility was implemented very quickly and funds were successfully utilized. The structure developed even won the 2014 Trade Finance Magazine Deal of the Year.

Mr. Muzaffer Utku,
Managing Director- Financial Institutions
Aktif Bank, Turkey



Expanding Access to Finance for Strategic Commodities, LDMCs & SMEs

Part of ITFC's mandate is to support strategic commodities, particularly in the Least Developed Member Countries (LDMCs). In 1435H, it was able to provide financing support to the following commodities (Table 3) Additionally, ITFC was able to extend financing to the economies of Comoros Islands, Djibouti and Palestine for the first time in a further bid to increase its support to LDMCs.

The Framework Agreement on Trade Preferential System among the Member Countries of the Organization of the Islamic Cooperation (TPS-OIC) identifies in Article-2, trade finance as a tool for promoting trade among OIC countries. The lack of trade finance still continues to pose challenges that need to be addressed for the LDMCs and SMEs. In this regard, ITFC continued its efforts to increase operations for LDMCs. As a result, financing to LDMCs reached \$1830 million in 1435H. (See Appendix 3 for details).

As for SMEs, ITFC does not have direct access to SMEs. Instead, it extends 2-Step Murabaha financing (2SMF) lines to local banks with the objective of onward financing to the SMEs. Under Line of Trade Financing and 2-Step Murabaha financing, funds are made available to local banks which they lend to the SMEs for specific trade finance transactions. In 1435H, ITFC continued its focus on these mechanisms for SME financing and provided \$399 million.

Table 3: ITFC Trade Approvals for Strategic Commodities (US\$ Million)

Commodity	US\$ million
Grains & Oilseeds	155.00
Cotton	153.00
Foodstuff	83.00
Sugar	60.00
Metals	68.00
Fertilizers	60.00
Plastics	25.00
Others	4,600

A black and white photograph of cotton bolls on a branch, serving as the background for the text box.

Burkina Faso's Improving Economy through its Cotton Sector

As a landlocked country, Burkina Faso's services sector play a significant role, mainly driven by telecommunications, trading and banking. Consequently, the cotton sector is the second main source of income, specially in rural areas and provides livelihood to a significant percentage of Burkina Faso's population. The Government views cotton-growing as a principal instrument for poverty alleviation in the country. Cotton is a major export product and an important revenue generating vehicle for the country; thus trade relations with neighboring countries such as Côte d'Ivoire and Togo are critical for the economy.

Sofitex is the leading cotton exporter in Burkina Faso, with a production representing more than 85% of the country's total cotton exports. ITFC and Sofitex have maintained a very good partnership and experience in cotton sector financing for the past nine years.

The financing provided by ITFC supports the import of agricultural inputs and purchase of seed cotton from farmers and cooperatives. In doing so, the fast implementation of the facilities has allowed, during each season, the payment of cotton farmers more quickly and ensured the settlement in due time of export sales contracts. This had a positive impact on the income of the farmers and improve their living conditions locally, and helped streamline regional trade, especially in WAEMU countries.

Mr. Jonas Bayoulou

Secretary General, Sofitex



3

PARTNERSHIPS and SYNERGY



REACHING OUT TO PARTNERS FOR FUNDING ITFC'S TRADE FINANCE GROWTH

Since commencement of operations seven years ago, one of the main strategic objectives of the ITFC has been to expand its network of partners aimed at mobilizing funds for financing its trade operations and optimizing its liquidity management.

Since 1429H, ITFC increased its number of syndicate partners among financial institutions and banks from 40 to 72 to date. This expansion occurred because of extensive efforts in exploring the financial markets, building direct relationship with new institutions, and providing proactive relationship management with all syndicate partners.

ITFC, by leveraging this growth of partners, has been able to satisfy the growing needs of the existing clients, penetrate challenging markets and attract new clients, ultimately meeting ITFC's strategic objectives to be a catalyst for trade development in the OIC Member Countries.

In 1435H, ITFC, through its partners, was able to mobilize \$3,580 million in 23 syndicated operations in favour of 14 member countries. It represents about 70% of the Corporation's total trade financing in 1435H.

Building on this widening network, ITFC will continue expanding its reach to attract new partners and solidifying relationship with existing partners in the coming years.

Expanding Capacity for ITFC's Management of Resources

In 1435H, ITFC focused on expanding its market network in the area of cash, liquidity management and investment, building on its growing internal capability. It is worth mentioning here that ITFC will continue to rely on the IDB as its first partner in the area of liquidity investment. In 1435, ITFC, with the support of IDB, was able to create a diversified portfolio of placements with banks, sovereign and corporate Sukuk, and Murabaha facilities for banks.

On other hand, with the expectation of growth in the volume of trade finance disbursements, ITFC expanded its partnership with banks by signing Wakala agreements through which the Corporation will be able to source additional funds to meet its requirements. In 1435H, ITFC signed three additional agreements with several partners, increasing its capacity to raise funds when necessary.

Synergy within IDB Group

In order to promote synergy across the IDB Group, the management of IDB Group has established a Task Force to study the concept of synergy across the group, i.e. the IDB and its affiliates, namely ICIEC, ICD, ITFC and IRTI. The ITFC has fully participated in the Task Force's deliberation and the formulation of the recommendations.

The Task Force had submitted its recommendations to the management, which also covered the ways, means, mechanisms, responsibilities and time-line for implementation of the group-wide synergy programme. This is summarized in the following four categories:

- Shared corporate services
- Business synergy
- Group governance
- Group-related departments

The implementation of the Task Force's recommendation by the entire group continued in 1435H and ITFC has been actively participating in this endeavour.

ITFC has signed Service Level Agreements with IDB for the Shared Corporate Services, entailing the cost sharing/effectiveness and operational efficiency in delivery of services and it is being followed by the Corporation meticulously, leading to enhancement of synergy.

In the area of business synergy, ITFC is working with IDB in its collaborative initiative, namely, Member Country Partnership Strategy (MCPS). Under this initiative, IDB Group engages with Member Countries at the highest level for mapping out the strategy, with a holistic approach to help and support the economic development of the member countries. ITFC worked closely with IDB in 1435H in this strategic initiative and participated in developing MCPS for several member countries including Uganda, Suriname, Turkey, Mauritania,

Pakistan, Senegal, Indonesia, Morocco, Mali, Tunisia, Bangladesh, Niger, Kazakhstan, Malaysia, Somalia and Kuwait. The MCPS for countries like Chad, Benin, Egypt, Iran Uzbekistan and Yemen are under preparation. The Corporation has consistently included in its annual Detailed Action Plan, the role and intervention of ITFC, stipulated in the MCPS of the respective member countries for its implementation.

ITFC is also pursuing the business synergy with other Group entities like ICIEC and ICD for business development and fostering economic cooperation and integration among the member countries. It has signed an MOU with ICIEC, and has subscribed to a Bank Master Policy under which trade operations are structured with the insurance of export credit by ICIEC. The Operations Plan of ITFC includes trade operations, which would be financed with insurance coverage from ICIEC. This cooperation has opened up new trade finance opportunities and a number of trade finance operations were structured with the collaboration of ICIEC. Similarly, there is active cooperation with ICD in THIQAH (IDB Group Business Forum), formulation of Private Sector Development Strategy, and cross-selling of business opportunities. Both ICIEC and ICD, as well as IDB and some other windows of the Bank are regularly participating in syndicated trade operations under the tutelage of ITFC for financing big-ticket trade operations in the member countries. ITFC is also collaborating with IRTI in the development of Islamic financing products.

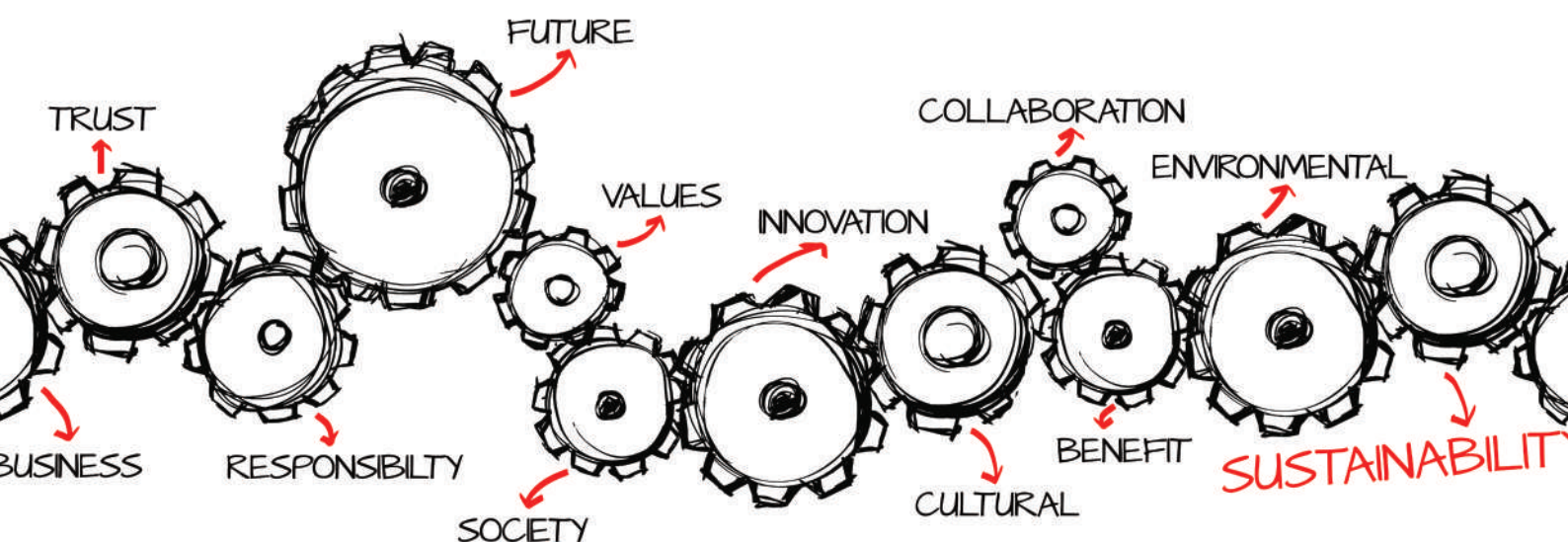
The important platforms for synergy within the IDBG are the Annual Meeting of the IDB Group (Board of Governors/General Assembly), Joint Board of Directors Forum, monthly meetings of the IDB Group Coordination Forum (IGCF), Group Management Committee Meetings (GMCM), Joint Shariah Committee for all members of the IDB Group having unified Shariah rulings, evaluation of 40 years performance of the Group and Development of 10 years IDBG Strategy. Similarly, the joint organization of various seminars/symposia is also going a long way in enhancing the group-wide synergy.

ITFC has also worked closely with the other entities of the Group in preparation and celebrations of the 40th Anniversary of the IDBG, which is a landmark event in the journey in the service of Ummah. Another area of cooperation and synergy with the IDBG relates to ITFC's active participation in the setting up of the Country Gateway Offices of the Group in five countries, namely; Turkey, Indonesia, Bangladesh, Egypt and Nigeria, which is expected to serve the customers of both public and private sectors in an effective and efficient way.

Group Trade Related Issues Committee (GTRC)

The Group Trade Related Issues Committee (GTRC) is another platform for fostering synergy amongst the IDBG entities. It was established in 2009, under the guidance of IDB Group Chairman aimed at enhancing cooperation and coordination of the respective Group interventions on trade matters. GTRC has played important role in mainstreaming trade within the IDB Group entities and display the efforts of Group's endeavours in trade development through its Sub- teams.

The GTRC was reconstituted in 1434H, with a wider participation from the IDB Group and expanded scope of activities in the trade-related domain. In this exercise, initiatives from all Group entities involving the trade component are being developed for implementation in the member countries leading to the enhancement of regional trade and integration on the one hand, and economic cooperation amongst the member countries, on the other.



4

REFOCUSING TRADE PROMOTION TO MAKE IT MORE EFFECTIVE





Trade Cooperation and Promotion Program

The Trade Cooperation and Promotion Programme (TCPP) is the trade development arm of ITFC, complementing its overall vision of being a trade solutions provider for member countries. TCPP conducts its activities by designing and providing Trade Related Technical Assistance (TRTA) through pooling of technical and financial resources from a network of development partners. TCPP's new vision and strategy is to expand its network to create a community of partners for trade development in Member Countries.

Furthermore, for effective trade development solutions, the new business model focuses on designing and implementing result-based TRTA interventions. Consequently, TCPP plans to work with international, regional and national partners to design and implement long-term trade initiatives.

Platforms of Cooperation for Enhanced Regional Economic Integration

To address member countries' trade development challenges in a more holistic and integrated manner, TCPP focused its efforts on partnership development and resource mobilization. Focusing on partnership development in 1435H empowered TCPP to design and implement comprehensive trade development programmes. This focus provides the basis for enhancing productive capacities and connecting institutions towards accomplishment of enhanced regional economic cooperation and integration among OIC member countries.

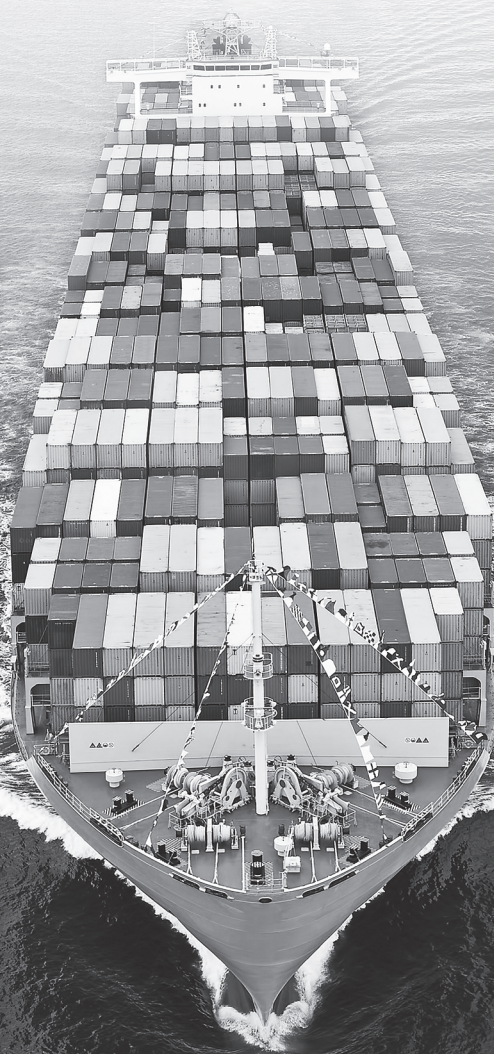
A) Aid for Trade Initiative for Arab States (AfTIAS)

One of the concrete examples of TCPP's new orientation in providing trade related technical assistance to member countries in an integrated and holistic manner is the AfTIAS. It is a platform of cooperation and collaboration of national, regional and international trade-related institutions and donor community. In 1435H, the executing agencies started implementation of AfTIAS' Fast Track Programmes, which laid down the main blocks of strengthened connectivity among beneficiary countries.

The initiative also led to the creation of conducive trade and business environment in and across the borders of the member countries. In 1435H, several studies were conducted to identify regulatory and procedural barriers and non-tariff measures to trade, which could be eliminated through simplifying and harmonizing trade rules and procedures among Arab countries.

Furthermore, the initiative gave importance to experience and knowledge-sharing among member countries with a view to harmonizing trade rules, regulations, and standards while developing institutional capacities. Several twinning projects were designed to be implemented in following years to develop capacities in the fields of standardization, metrology and certification through transferring knowledge, experience and expertise from one country to another.

In addition, several preliminary studies were initiated to identify physical and non-physical obstacles at the border gates between Sudan and Egypt as well as Jordan and Saudi Arabia. These studies will help to develop comprehensive customs gates reform projects. In addition, a dedicated technical assistance programme was launched in 1435H aimed at strengthening technical and institutional capacities of League of Arab States (LAS). This enables LAS to better monitor the implementation of resolutions by Ministerial-level meetings and to provide efficient technical support to member countries, which would help implement its trade policies.



Supporting Economic Growth and Creating New Jobs through AFTIAS

The Aid for Trade Initiative for the Arab States (AFTIAS), launched by ITFC on behalf of the IDB Group in November 2013, is an exceptional opportunity for the Arab region not only to increase their intra-trade, but also to increase their participation in the world trade in pursuance of the resolutions of the Arab Economic Summit. AFTIAS is a “unique partnership” composed of the League of Arab States (LAS) Member Countries, five UN Agencies and seven donors working together to assist the Arab Countries to improve their trade capacity and to benefit from the expansion of global markets. These improvements are supporting economic growth and job creation.

We are halfway through the implementation and we believe that AFTIAS will help reduce the cost of trading and address the constraints to growth in the Arab region. We are very appreciative of the role played by AFTIAS in helping LAS to strengthen its capacity to promote regional trade integration. The Initiative aims to translate the major trends and strategies to specific interventions to support the trade reform policy and support close economic relations in the region.

I would like to take this opportunity to thank ITFC for the assistance, important role and advice that have been given since the inception of AFTIAS, which would continue to provide a strong basis for moving the initiative forward and ensure that AFTIAS follows the path of similar initiatives in other regions.

Dr. Mohammed bin Ibrahim Al-Tuwaijri
Assistant Secretary-General for Economic Affairs
The League of Arab States



B) Aid for Trade Initiative for SPECA Region

In the light of experiences accumulated from AFTIAS, TCPP exerted efforts to finalize the Project Document of the Aid for Trade Initiative for the United Nations Special Programme for the Economies of Central Asia (SPECA) Region, in consultation with UNDP and UNECE. This project aims to develop capacities in agro-food industries by addressing supply-side constraints faced by the region's private sector. However, TCPP activated only one component of the Initiative in 1435H.

In this regard, TCPP prepared and submitted a project to COMCEC Coordination Office titled "Trade Facilitation Program for Central Asian member countries of OIC". The project aims to strengthen trade connectivity among member countries through removal of regulatory and procedural barriers to regional trade. Implementation of this project will initiate in 1436H by TCPP's network of partners including COMCEC, UNDP, UNECE, UNESCAP, UNIDO and national trade authorities from beneficiary countries.

C) Trade Development Forum

Another flagship programme of TCPP is the Trade Development Forum, which is focused on establishing a private-public platform of partnership. The Forum aims to bring together policy makers and businesspersons. The purpose is to elaborate on trade-related issues and policies with a view to agreeing on solutions to address common challenges of OIC member countries, share experiences and best practices in trade

development, while providing the businesspersons opportunities to establish partnerships through match-making events. Another purpose is to provide an educational opportunity through selected capacity-building event. Preliminary discussions with possible hosting country took place during 1435H to detail partnership arrangements, roles and responsibilities for the organization of the first edition of the Forum.

D) Memorandums of Understanding (MoUs)

The Programme has launched efforts with selected member countries and a public-private association to design and sign Memorandums of Understanding (MoUs). The MoUs are designed for specific purposes and objectives. In this regard, MoUs have been prepared with Kuwait, Morocco, and the Global Coalition for Efficient Logistics (GCEL).

E) OIC Level Initiatives/Efforts

The Programme continued its efforts in 1435H at OIC level to have active communication and cooperation among trade authorities of the OIC Institutions. Examples of some interventions by the TCPP are:

- Consultative Group for Enhancing Intra-OIC Trade
- New OIC Ten Year Plan of Action
- New COMCEC Strategy
- Sponsorship programme

Partnership for Trade and Knowledge Capacity Building

Building of strong human and institutional capacities in trade is essential to adequately apply

and manage long-term trade development projects/initiatives. For this reason, the following are envisaged as sub-components of ITFC Trade Knowledge Bridge Programme.

A) Arab Africa Trade Bridge Programme

The intra-regional trade between Arab States and African member countries of OIC does not reflect the full potentials between both regions. As a result, ITFC, Saudi Export Programme (SEP), Arab Bank for Economic Development in Africa (BADEA), and Islamic Corporation for the insurance of the Investment and Export Credit (ICIEC), agreed to form a partnership platform to address this issue by developing a regional trade promotion programme with a view to boosting intra-trade between the two regions. During 1435H, the project partners collectively prepared the first Project Document and detailed intervention plans.

The project will be launched in 1436H by addressing capacity development challenges faced by Trade Support Institutions (TSIs) and SMEs; assisting both improve their knowledge, skills, and experiences in marketing, quality and product development. In addition, a series of business match-making events will be organized to develop trade corridors between the two regions. Furthermore, the programme partners aim to offer trade-financing options to facilitate potential trade deals.

B) Trade Facilitation Implementation Guide (TFIG)

Trade facilitation issues are being addressed in various programmes, designed and implemented by TCPP and

its development partners. As supplementary efforts to these initiatives, TCPP collaborated with UNECE in 1435H to sponsor the translation of the TFIG into Arabic and to establish an Arabic version of the Guide website. The Trade Facilitation and Implementation Guide (TFIG) comprises a series of trade facilitation instruments and information (conventions, policy recommendations, standards, best practices). The primary goal of trade facilitation is to help make trade across borders (imports and exports) faster, and cheaper and more predictable. The Trade Facilitation Implementation Guide, Arabic version, is expected to be launched in March 2015 on the following website: <http://tfig.itcilo.org/AR/index.html>

C) Regional International Trade Training Centre for West Africa

The centre, planned to be established in Guinea, will function as regional hub for West Africa. In 1435H, ITFC coordinated with the Trade Facilitation Office (TFO) of Canada to explore the possibility of project partnership in the establishment of the centre. Within the framework of the project, training materials for trainers will be prepared in a modular form addressing skills and knowledge gap of SMEs in the field of export and foreign trade.

D) Trade Promotion

In addition to the above programmes, TCPP responded to trade promotion requests received from member countries, OIC institutions, regional and international organizations. In this context, TCPP facilitated the participation of LDMCs in the trade promotion activities, meetings, seminars organized by OIC Organizations. Through such response, Trade Promotion Organizations of LDMCs were able to attend OIC-led private sector meetings and international trade fairs, such as MUSIAD, to network and exhibit their members' products.

5

Audited Financial Statements



THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

FINANCIAL STATEMENTS AND AUDITORS' REPORT
30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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Notes to the financial statements	45 - 61

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION

Deloitte.

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Bakr Abulkhair & Co.
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License No. 96
Head Office: Riyadh

AUDITORS' REPORT

To the General Assembly
The International Islamic Trade Finance Corporation
Jeddah, Kingdom of Saudi Arabia

Scope of Audit

We have audited the accompanying statement of financial position of the International Islamic Trade Finance Corporation (the "Corporation") as of 30 Dhul Hijjah 1435H (October 24, 2014) and the related statements of income, cash flows and changes in members' equity for the year then ended and notes 1 to 23 which form an integral part of these financial statements. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of 30 Dhul Hijjah 1435H (October 24, 2014), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Islamic Development Bank Group.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
Registration No. 296

15 Jumada II, 1436
April 4, 2015

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

**STATEMENT OF FINANCIAL POSITION
AS OF 30 DHUL HIJAH 1435H (OCTOBER 24, 2014)**

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

	Notes	1435H	1434H
ASSETS			
Cash and cash equivalents	4	216,888	355,940
Commodity placements	5	5,000	7,000
Murabaha financing, net	6	519,869	347,481
Investments in Sukuk	8	99,648	93,579
Investment in equity instruments at fair value through equity	9	-	28,042
Accrued income and other assets	10	8,429	5,169
Due from related parties	13	243	45
Fixed assets	11	2,268	1,217
TOTAL ASSETS		852,345	838,473
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	12	24,257	39,533
Due to related parties	13	1,709	4,976
TOTAL LIABILITIES		25,966	44,509
MEMBERS' EQUITY			
Paid-up capital	14	702,128	701,961
General reserve	16	124,251	97,035
Fair value reserve		-	(5,032)
Total members' equity		826,379	793,964
TOTAL LIABILITIES AND MEMBERS' EQUITY		852,345	838,473
UNDISBURSED COMMITMENTS	17	283,000	360,000

The accompanying notes form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF INCOME

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24 , 2014)

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

	Note	1435H	1434H
INCOME FROM:			
Commodity placements		800	835
Murabaha financing		17,665	17,758
Investment in Sukuk		3,244	2,986
LC Opening fees		4,537	2,995
Mudarib and upfront fees		18,444	19,606
Other		728	22
		<u>45,418</u>	<u>44,202</u>
Administrative expenses:			
Staff costs		(15,407)	(14,336)
Depreciation	11	(500)	(228)
Other	15	(5,087)	(5,300)
		<u>(20,994)</u>	<u>(19,864)</u>
Exchange gain		294	124
Unrealized valuation gain/(loss) on revaluation of Sukuk	8	2,498	(2,912)
		<u>2,792</u>	<u>(2,788)</u>
NET INCOME FOR THE YEAR	16	<u>27,216</u>	<u>21,550</u>

The accompanying notes form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

	Note	Paid-up capital	General reserve	Fair value reserve	Total
Balance at 1 Muharrum 1434H		698,541	75,485	(6,665)	767,361
Capital contributed	14	3,420	-	-	3,420
Net income for the year transferred to general reserve	16	-	21,550	-	21,550
Fair value reserve	9	-	-	1,633	1,633
Balance at 29 Dhul Hijjah 1434H		701,961	97,035	(5,032)	793,964
Capital contributed	14	167	-	-	167
Net income for the year transferred to general reserve	16	-	27,216	-	27,216
Disposal during the year	9	-	-	5,032	5,032
Balance at 30 Dhul Hijjah 1435H		702,128	124,251	-	826,379

The accompanying notes form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

	Note	1435H	1434H
OPERATING ACTIVITIES			
Net income for the year		27,216	21,550
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		500	228
Unrealized valuation (gain)/loss on revaluation of Sukuk	8	(2,498)	2,912
Gain on disposal of investment at fair value through equity		(707)	
Changes in operating assets and liabilities:			
Commodity placements		2,000	24,000
Murabaha financing		(172,388)	136,666
Accrued income and other assets		(3,260)	41,232
Due from / to related parties		(3,465)	(56,076)
Accruals and other liabilities		(19,261)	33,957
Net cash (utilized in) / generated from operating activities		(171,863)	204,469
INVESTING ACTIVITIES			
Investments in Sukuk		(24,911)	(39,995)
Proceeds from disposal of Sukuk		21,340	18,466
Proceeds from disposal of Investment at fair value through equity		37,766	-
Purchase of fixed assets		(1,551)	(1,132)
Net cash from/(utilized in) investing activities		32,644	(22,661)
FINANCING ACTIVITY			
Capital contribution		167	3,420
Net cash generated from financing activities		167	3,420
Net change in cash and cash equivalents		(139,052)	185,228
Cash and cash equivalents at the beginning of year		355,940	170,712
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	216,888	355,940
<u>NON CASH TRANSACTION</u>			
Gain on disposal of investment at fair value through equity transferred to earnings prohibited by Shari'ah		3,985	-

The accompanying notes form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

1. INCORPORATION, ACTIVITIES AND OTHER

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

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

The Corporation carries out its business activities through the Bank’s headquarters in Jeddah, Saudi Arabia. The financial year of the Corporation is the lunar Hijri year.

The financial statements were authorized for issue by the Corporation’s Board of Directors on 15 Jumada El-Thani 1436H (4 April, 2015G).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

b) Critical accounting judgments 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 judgments in the process of applying the Corporation’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. The Corporation exercises judgement in the estimation of the provision for impairment of Murabaha financing assets.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

c) Foreign currency translation

(i) Functional and presentation currency

These financial statements are presented in thousands of United States Dollars (“USD”) which is the functional and presentation currency of the Corporation.

(ii) Transactions and balances

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the date of financial position exchange rates are recognized in the statement of income.

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.

e) Commodity placements

Commodity placements are made through Islamic banks and are utilized in the purchase and sale of commodities at fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and the Islamic banks. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less 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) Murabaha financing

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

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

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

Commodities under Murabaha are stated at cost.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

g) Investments in Sukuk

Investments in Sukuk are debt-type 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 date of financial position with the resulting gain or loss recognized in statement of the income.

h) Investments in equity at fair value through equity

Investments in equity instruments are intended to be held for a long-term period, and may be sold in response to needs for liquidity or changes in prices. Such investments are classified as investments at fair value through equity. These investments are initially measured at fair value, whereas unrealized gain or losses resulting from re-measurement at fair value are recognized in the fair value reserve under Members' equity until the investment is derecognized or an impairment loss is recognized. At that time the gain or loss previously recognized in equity is transferred to the statement of income.

i) Financial assets and liabilities

Financial assets comprise cash and cash equivalents, commodity placements, investments in Sukuk and Murabaha Financing and due from related parties. These financial assets are initially measured at their fair values and thereafter stated at their cost 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 fair values and thereafter stated at their cost.

j) Policy for the impairment of financial assets

Murabaha financing:

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

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 a provision 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.

k) 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 assets category once the project is completed.

l) 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.

m) Revenue recognition

Murabaha financing

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

Commodity placements through banks

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

Investments in Sukuk

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

Mudarib share of profit

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

Upfront fee income and Letter of Credit issuance income

Income from Upfront fee and Letter of Credit issuance is recognized on accrual basis on the provision of services as per contractual agreements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

Earnings prohibited by Shari'ah

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

n) 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.

o) Zakat and tax

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

p) Post-employment benefits plan

The Corporation subscribes to the group defined-benefits pension plan of IDB. Under the plan, the staff members contributes a fixed percentage of their remuneration monthly and the Corporation contributes the proportionate balance of the cost of funding the plan based on regular actuarial valuation. The contribution accumulated to date are managed and invested by IDB.

3. SHARI'AH COMMITTEE

Based on the Resolution of the Corporation's Board of Directors, the Corporation's business activities are subject to the supervision of the IDB Group Sharia Committee consisting of members appointed by the Board of Executive Directors of IDB. Members of the Shari'ah Committee of IDB Group are appointed for a period of 3 years renewable.

The Committee has the following functions:

- i. To consider all that are referred to it of transactions and products introduced by the Corporation for use for the first time and rule on its conformity with the principles of the Shari'ah, and to lay down the basic principles for the drafting of related contracts and other documents.
- ii. To give its opinion on the Shari'ah alternatives to conventional products which the Corporation intends to use, and to lay down the basic principles for the drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Corporation's experience in this regard.
- iii. To respond to the questions, enquiries and explications referred to it by the Board of Directors or the Management of the Corporation.
- iv. To contribute to the Corporation's 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 FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJAH 1435H (OCTOBER 24, 2014)

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

4. CASH AND CASH EQUIVALENTS

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

	<u>1435H</u>	1434H
Cash at banks	163,100	230,940
Commodity placements	53,788	125,000
Total	<u>216,888</u>	<u>355,940</u>

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

5. COMMODITY PLACEMENTS THROUGH BANKS

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

	<u>1435H</u>	1434H
Commodity placements	58,788	132,000
Less: Commodity placements with original maturity of three months or less at the date of placement	(53,788)	(125,000)
	<u>5,000</u>	<u>7,000</u>

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

6. MURABAHA FINANCING, NET

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

	Note	<u>1435H</u>	1434H
a) Receivable under Murabaha			
Gross amounts receivable		2,325,239	2,802,262
Less: Share of syndicate members		(1,746,864)	(2,439,487)
Unearned income		(9,764)	(4,821)
Total		568,611	357,954
Less: provision for impairment	7	(74,707)	(74,707)
Net receivable under Murabaha		493,904	283,247
b) Commodities under Murabaha (see note "6 - a" below)			
Gross amounts		79,645	234,482
Less: share of syndicate members		(53,680)	(170,248)
Total commodities under Murabaha		25,965	64,234
Murabaha financing, net		<u>519,869</u>	<u>347,481</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

6 - a) This balance represents commodities under Murabaha financing transaction where there is a time-lag difference between the actual purchase of commodities and their registration in the customer's name, as a guarantee of the full payment of the selling price.

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

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

7. PROVISION FOR IMPAIRMENT OF MURABAHA FINANCING

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

	<u>1435H</u>	<u>1434H</u>
Balance at start and end of the year	<u>74,707</u>	<u>74,707</u>

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

Income on the impaired Murabaha financing assets included in the statement of income for the years ended 1435H and 1434H was Nil.

Included in Murabaha financing assets at end of Dhul Hijjah 1435H is an amount of USD 0.83 million (1434H: USD 0.208 million) that are past due at date of financial position for which the Corporation has not made any provision as the amounts are still considered recoverable in full. Following is the aging of these past due not impaired amounts:

	<u>1435H</u>	<u>1434H</u>
Less than three months	<u>830</u>	<u>208</u>

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

8. INVESTMENTS IN SUKUK

The movement in investments in Sukuk is summarized as follows:

	<u>1435H</u>	<u>1434H</u>
Balance 1 Muharram	93,579	74,962
Investments during the year	24,911	39,995
Disposals during the year	(21,340)	(18,466)
Unrealized valuation gain/(loss) on revaluation of Sukuk	2,498	(2,912)
Balance at end of Dhul Hijjah	<u>99,648</u>	<u>93,579</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

Investments in Sukuk at the end of Dhul Hijjah 1435H and 1434H represents the Sukuk issued by various governments and certain other entities, which have been measured at fair value through statement of income.

Fair value of investments in Sukuk are measured based on inputs other than quoted prices that are observable (See note 22“c”).

9. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH EQUITY

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

	<u>1435H</u>	1434H
Cost at 1 Muharram	33,074	33,074
Unrealized fair value loss	-	(5,032)
	<u>33,074</u>	-
Disposal during the year	(33,074)	-
Balance at end of Dhul Hijjah	<u>-</u>	<u>28,042</u>

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

10. ACCRUED INCOME AND OTHER ASSETS

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

	<u>1435H</u>	1434H
Accrued admin and LC fees	2,934	-
Accrued income on investments in Sukuk	926	1,153
Accrued income from commodity placements	7	84
Accrued mudarib fees	206	206
Prepayments and other assets	4,356	3,726
Total	<u>8,429</u>	<u>5,169</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

11. FIXED ASSETS

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

	Assets under construction	Motor vehicles	Office and computer equipment	Total
<u>Cost:</u>				
At 01 Muharram 1435H	-	173	1,546	1,719
Additions during the year	536	-	1,015	1551
At 30 Dhul Hijjah 1435H	536	173	2,561	3,270
<u>Less: Accumulated depreciation:</u>				
At 01 Muharram 1435H	-	(66)	(436)	(502)
Charge for the year	-	(34)	(466)	(500)
At 30 Dhul Hijjah 1435H	-	(100)	(902)	(1,002)
<u>Net book value:</u>				
At 30 Dhul Hijjah 1435H	536	73	1,659	2,268
<u>Cost:</u>				
At 01 Muharram 1434H	-	173	414	587
Additions during the year	-	-	1,132	1,132
At 29 Dhul Hijjah 1434H	-	173	1,546	1,719
<u>Less: Accumulated depreciation:</u>				
At 01 Muharram 1434H	-	(31)	(243)	(274)
Charge for the year	-	(35)	(193)	(228)
At 29 Dhul Hijjah 1434H	-	(66)	(436)	(502)
<u>Net book value:</u>				
At 29 Dhul Hijjah 1434H	-	107	1,110	1,217

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

12. ACCRUALS AND OTHER LIABILITIES

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

	<u>1435H</u>	1434H
Security deposit (see notes 12-b below)	5,636	21,393
Payable to syndication participants	-	10,559
Earnings prohibited by Shari'ah (see note 18)	8,316	3,008
Accrued and other expenses	726	675
Excess capital receipts (see note 12-a below)	105	105
Office Rent Payable	3,174	1,902
Staff related provisions	2,077	1,869
Aid for trade	2,500	-
Others	1,723	22
Total	<u>24,257</u>	<u>39,533</u>

- a) Excess capital receipts represent amounts received from members in respect of paid up capital that is not due.
- b) This represents amount received from the purchase orderer of commodities under Murabaha. This amount will be adjusted against repayment of the selling price.

13. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions executed during the year

	<u>1435H</u>	1434H
Wakala agreement	-	200,000
Office Rent	1,272	1,902
Mudarib share of profit	2,264	1,687

(b) Due from related parties

	<u>1435H</u>	1434H
BADEA Fund	64	45
IDB - special account resource Waqf fund	3	-
IDB - Fael Kher	3	-
IDB Pension fund	173	-
	<u>243</u>	<u>45</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

(c) Due to related parties

	<u>1435H</u>	<u>1434H</u>
IDB - OCR	1,696	4,668
IDB Pension Fund	-	308
IDB Medical Pension Fund	13	-
	<u>1,709</u>	<u>4,976</u>

- (i) During 1434H, the Corporation repaid the last instalment of Wakala agreement with IDB – OCR and hence the outstanding balance at the end of Dhul Hijjah 1435H and 1434H is USD nil.
- (ii) The balance due from / to related parties are commission free and have no repayment terms.
- (iii) According to the IDB’s Board of Executive Directors’ resolution number BED/27/12/428(249)/157, dated 27 Dhul Hijja 1428H (6 January 2008), the Board resolved to allocate USD 1 billion of IDB OCR resources for the Corporation, wherein the Corporation will act as Mudarib under a mudaraba agreement dated 10 Rabi al Awal 1429H (18 March 2008).
- (iv) The Corporation earns mudarib fees from IDB group entities based on its agreed share of profit related to murabaha financing transactions.

(d) Key management compensation

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

	<u>1435H</u>	<u>1434H</u>
Salaries and other short-term benefits	1,125	943

14. PAID-UP CAPITAL

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

	<u>1435H</u>	<u>1434H</u>
Authorized 300,000 shares of USD 10,000 each	3,000,000	3,000,000
Issued: 75,000 shares of USD 10,000 each	750,000	750,000
Issued shares not subscribed	(33,920)	(42,920)
Subscribed and called up capital	716,080	707,080
Share capital premium	500	-
Subscribed capital with premium	716,580	707,080
Share capital not yet called	(6,000)	-
Called up share capital	710,580	707,080
Installments due, not yet paid	(8,452)	(5,119)
Paid-up capital	<u>702,128</u>	<u>701,961</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

15. OTHER ADMINISTRATIVE EXPENSES

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

	<u>1435H</u>	1434H
Consultancy and marketing	622	629
Travel expenses	963	874
Support services	362	391
Meeting Expenses	590	500
Communication and membership	687	308
Office Rent	1,272	1,902
Other	591	696
Total	<u>5,087</u>	<u>5,300</u>

16. GENERAL RESERVE

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

17. UNDISBURSED COMMITMENTS

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

	<u>1435H</u>	1434H
Murabaha financing	<u>283,000</u>	<u>360,000</u>

18. EARNINGS AND EXPENDITURES PROHIBITED BY SHARI'AH

The accumulated earnings realized from transactions which are prohibited by Shari'ah are amounting to USD 8.316 million in 1435H (1434H: USD 3.008 million). This is mainly as a result of the earnings from investment in a conventional bank (Note 9). The Investment represented the equity shares acquired by the Corporation upon settlement of a Murabaha financing balance. The investment was disposed off during the year and gain from the disposal amounting to USD 3.984 million is included in earnings prohibited by Shari'ah.

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YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

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

1435H	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	216,888	-	-	-	-	216,888
Commodity placements	-	5,000	-	-	-	5,000
Murabaha financing	378,725	135,463	5,681	-	-	519,869
Investments in Sukuk	-	-	62,910	36,738	-	99,648
Investments at fair value through equity	-	-	-	-	-	-
Due from related parties	243	-	-	-	-	243
Total financial assets	595,856	140,463	68,591	36,738	-	841,648
Liabilities						
Due to related parties	1,709	-	-	-	-	1,709
Total financial liabilities	1,709	-	-	-	-	1,709

1434H	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	355,940	-	-	-	-	355,940
Commodity placements	-	7,000	-	-	-	7,000
Murabaha financing	168,105	179,274	102	-	-	347,481
Investments in Sukuk	-	37,580	55,999	-	-	93,579
Investments in equity instruments at fair value through equity	-	-	-	-	28,042	28,042
Due from related parties	45	-	-	-	-	45
Total financial assets	524,090	223,854	56,101	-	28,042	832,087
Liabilities						
Due to related parties	4,976	-	-	-	-	4,976
Total financial liabilities	4,976	-	-	-	-	4,976

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YEAR ENDED 30 DHUL HIJJAH 1435H (OCTOBER 24, 2014)

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

20. CONCENTRATION OF FINANCIAL ASSETS

The geographical locations of financial assets are as follows:

1435H	Cash and cash equivalents	Commodity placements through banks	Murabaha financing	Investments in Sukuk	Investment at fair value through equity	Receivable from related parties	Total
Azerbaijan	-	-	1,213	-	-	-	1,213
Bahrain	-	-	26	-	-	-	26
Bangladesh	-	-	191,386	-	-	-	191,386
Cameroun	-	-	3,988	-	-	-	3,988
Cote D'Ivoire	-	-	15,677	-	-	-	15,677
Egypt	-	-	122,998	-	-	-	122,998
Gambia	-	-	4,919	-	-	-	4,919
Indonesia	-	-	-	15,262	-	-	15,262
Jordan	-	-	8,904	-	-	-	8,904
Kazakhstan	-	-	17,008	-	-	-	17,008
Kuwait	30,000	-	-	-	-	-	30,000
Malaysia	-	-	-	3,052	-	-	3,052
Mali	-	-	2,718	-	-	-	2,718
Mauritania	-	-	7,428	-	-	-	7,428
Morocco	-	-	-	7,122	-	-	7,122
Pakistan	-	-	59,507	-	-	-	59,507
Qatar	-	5,000	-	3,059	-	-	8,059
Saudi Arabia	28,243	-	24,102	26,486	-	243	79,074
Senegal	-	-	6,025	-	-	-	6,025
Togo	-	-	1,676	-	-	-	1,676
Turkey	-	-	50,502	10,073	-	-	60,575
UAE	-	-	1,792	34,594	-	-	36,386
United Kingdom	158,645	-	-	-	-	-	158,645
TOTAL	216,888	5,000	519,869	99,648	-	243	841,648

1434H	Cash and cash equivalents	Commodity placements through banks	Murabaha financing	Investments in Sukuk	Investment at fair value through equity	Receivable from related parties	Total
Bahrain	42,973	-	-	-	-	-	42,973
Bangladesh	-	-	160,089	-	-	-	160,089
Cameroun	-	-	1,173	-	-	-	1,173
Egypt	-	-	57,532	-	-	-	57,532
France	15,000	-	-	-	-	-	15,000
Gambia	-	-	2,909	-	-	-	2,909
Indonesia	-	-	3,320	10,015	-	-	13,335
Jordan	-	-	39,085	-	-	-	39,085
Kazakhstan	-	-	24,500	-	-	-	24,500
Malaysia	-	-	-	5,217	-	-	5,217
Mauritania	-	-	6,565	-	-	-	6,565
Morocco	-	-	4,323	6,561	-	-	10,884
Nigeria	-	-	4,573	-	-	-	4,573
Pakistan	-	-	30,705	-	-	-	30,705
Qatar	20,000	-	-	5,217	-	-	25,217
Saudi Arabia	35,964	-	2,498	16,717	28,042	45	83,266
Turkey	-	7,000	7,886	4,791	-	-	19,677
UAE	20,000	-	2,323	45,061	-	-	67,384
United Kingdom	222,003	-	-	-	-	-	222,003
TOTAL	355,940	7,000	347,481	93,579	28,042	45	832,087

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

21. NET ASSETS IN FOREIGN CURRENCIES

	1435H	1434H
Euro	13	1,379
Pound Sterling	-	50
Saudi Riyal	4,442	34,042

22. RISK MANAGEMENT

The Corporation's risk management is governed by the IDB's risk management guidelines. IDB's Risk Management Department ("RMD") also provides risk management services to the Corporation. The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Corporation through the identification, measurement and monitoring of all types of risks inherent in its activities. The Corporation relies on the Group Risk Management Committee 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 are subject to credit risk principally consist of commodity placements, Murabaha financing and investments in Sukuk. The Corporation deals with reputable banks and most of the assets are mainly covered by sovereign guarantees and commercial banks guarantees acceptable to the Corporation, in accordance with specific eligibility criteria and credit risk assessments. Murabaha financing is covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees whose ratings are acceptable to the Corporation per its policies.

Credit risk includes potential losses arising from a counterparty's (i.e., countries and banks/financial institutions, customers, etc.) inability or unwillingness to disclose 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 of 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 INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

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

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

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

b) Market risks

The Corporation is exposed to following market risks:

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Corporation does not hedge its currency exposure by means of hedging instruments. The Corporation monitors the composition of its assets and liabilities and adjusts balances regularly to limit its exposure to fluctuations in foreign exchange rates. A significant portion of the Corporation's financing operations are USD-denominated, the same currency in which the Corporation resources - i.e., equity are denominated. 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 Murabaha financing with short-term maturity of three to twelve months. The liquidity profile of the Corporation's assets and liabilities has been presented in note 19.

iii) Equity price risk

The Corporation was exposed to equity price risks arising from its investment in equity instruments that are intended to be held for strategic rather than trading purposes. The Corporation does not actively trade these instruments. If equity prices had been 5% higher or lower, net income for the year ended 30 Dhul Hijjah 1435H would have been unaffected as these equity instruments are classified as investment at fair value through equity and any unrealized gain or loss are recognised in the fair value reserve under Members' Equity, as per the accounting policy disclosed in Note 2(h).

iv) Mark-up risk

Mark-up risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to mark-up on its investments in commodity placements and Murabaha financing. In respect of the financial assets, the Corporation's returns are based on a benchmark and hence vary according to the market conditions.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

The sensitivity analysis have been determined based on the exposure to profit rates at the date of financial position 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 date of financial position, if profit rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net income for the year and the Members Equity at year end would not be changed significantly.

c) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets are not significantly different from the carrying values included in the financial statements. Fair value of listed equity investments are measured based on market quotes (Level-1). Fair value of investments in Sukuk are measured based on inputs other than quoted prices that are observable (Level 2).

23. 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 programmes. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22. The geographical distribution of the Corporation's assets is set out in note 20.



6

APPENDICES



APPENDIX 1

ITFC SHAREHOLDERS INFORMATION

Paid Up Capital As of 30-12-1435H (24-10-2014G)

Sr. No.	Member	Total Subscription	Percent of Subscribed	Called-up Amount*	Percent of Called-up	Paid Up Amount	Percent of Paid-up
1	Islamic Development Bank	266,370,000	37.20 %	266,370,000	37.51 %	266,370,000	37.94 %
2	Saudi Arabia	120,000,000	16.76 %	120,000,000	16.90 %	120,000,000	17.09 %
3	Saudi Fund for Development, Saudi Arabia	50,000,000	6.98 %	50,000,000	7.04 %	50,000,000	7.12 %
4	Kuwait	40,000,000	5.59 %	40,000,000	5.63 %	40,000,000	5.70 %
5	Public Investments Fund, Saudi Arabia	30,000,000	4.19 %	30,000,000	4.22 %	30,000,000	4.27 %
6	Turkey	29,150,000	4.07 %	29,150,000	4.11 %	29,150,000	4.15 %
7	Malaysia	28,980,000	4.05 %	28,980,000	4.08 %	28,980,000	4.13 %
8	Export Development Bank, Iran	25,000,000	3.49 %	25,000,000	3.52 %	24,858,294	3.54 %
9	Egypt	12,730,000	1.78 %	12,730,000	1.79 %	12,730,000	1.81 %
10	Iraq	8,500,000	1.19 %	2,833,333	0.40 %	0	0.00 %
11	Qatar	10,000,000	1.40 %	10,000,000	1.41 %	10,000,000	1.42 %
12	Nigeria	10,000,000	1.40 %	10,000,000	1.41 %	6,700,301	0.95 %
13	Pakistan	8,430,000	1.18 %	8,430,000	1.19 %	8,430,000	1.20 %
14	Albaraka Islamic Bank, Bahrain	8,180,000	1.14 %	8,180,000	1.15 %	8,180,000	1.17 %
15	Algeria	6,080,000	0.85 %	6,080,000	0.86 %	6,080,000	0.87 %
16	Faisal Islamic Bank of Egypt, Egypt	5,920,000	0.83 %	5,920,000	0.83 %	5,920,000	0.84 %
17	Brunei Darussalam	5,820,000	0.81 %	5,820,000	0.82 %	5,820,000	0.83 %
18	Tunisia	5,600,000	0.78 %	5,600,000	0.79 %	5,600,000	0.80 %
19	Morocco	5,100,000	0.71 %	5,100,000	0.72 %	5,100,000	0.73 %
20	Bank Mellat, Iran	5,000,000	0.70 %	5,000,000	0.70 %	4,999,994	0.71 %
21	Indonesia	2,060,000	0.29 %	2,060,000	0.29 %	2,060,000	0.29 %
22	Bangladesh	2,020,000	0.28 %	2,020,000	0.28 %	2,020,000	0.29 %
23	Iran	1,920,000	0.27 %	1,920,000	0.27 %	1,920,000	0.27 %
24	Bahrain	1,850,000	0.26 %	1,850,000	0.26 %	1,850,000	0.26 %
25	Syria	1,850,000	0.26 %	1,850,000	0.26 %	1,850,000	0.26 %
26	Palestine	1,840,000	0.26 %	1,840,000	0.26 %	1,840,000	0.26 %
27	UAE	1,840,000	0.26 %	1,840,000	0.26 %	1,840,000	0.26 %
28	Albaraka Investment Company, London	1,610,000	0.22 %	1,610,000	0.23 %	1,610,000	0.23 %

Sr. No.	Member	Total Subscription	Percent of Subscribed	Paid Up Amount*	Percent of Called-up	Paid Up Amount	Percent of Paid-up
29	Libya	1,390,000	0.19 %	1,390,000	0.20 %	1,390,000	0.20 %
30	Jordan	1,300,000	0.18 %	1,300,000	0.18 %	1,300,000	0.19 %
31	Jordan Islamic Bank for Finance & Investment, Jordan	1,180,000	0.16 %	1,180,000	0.17 %	1,180,000	0.17 %
32	Yemen	1,000,000	0.14 %	1,000,000	0.14 %	990,586	0.14 %
33	Bank of Industry and Mine, Iran	1,000,000	0.14 %	1,000,000	0.14 %	999,408	0.14 %
34	Bank Mellii, Iran	1,000,000	0.14 %	1,000,000	0.14 %	999,998	0.14 %
35	Mauritania	1,000,000	0.14 %	1,000,000	0.14 %	332,346	0.05 %
36	EN Bank, Iran	1,000,000	0.14 %	1,000,000	0.14 %	1,000,000	0.14 %
37	Bank Keshavarzi, Iran	1,000,000	0.14 %	1,000,000	0.14 %	1,000,000	0.14 %
38	Sudan	770,000	0.11 %	770,000	0.11 %	770,000	0.11 %
39	Burkina Faso	750,000	0.10 %	750,000	0.11 %	750,000	0.11 %
40	Somalia	720,000	0.10 %	720,000	0.10 %	720,000	0.10 %
41	Cote D'Ivoire	700,000	0.10 %	700,000	0.10 %	700,000	0.10 %
42	Albaraka Turk Katilim Bankasi A.S. (Albaraka Turk Partticipation Bank).	690,000	0.10 %	690,000	0.10 %	690,000	0.10 %
43	Lebanon	610,000	0.09 %	610,000	0.09 %	610,000	0.09 %
44	Mozambique	600,000	0.08 %	600,000	0.08 %	599,990	0.09 %
45	Bank Al baraka, Tunis	530,000	0.07 %	530,000	0.07 %	530,000	0.08 %
46	Azerbaijan	500,000	0.07 %	166,667	0.02 %	166,667	0.02 %
47	Bank Tejarat, Iran	500,000	0.07 %	500,000	0.07 %	500,000	0.07 %
48	Gambia	500,000	0.07 %	500,000	0.07 %	500,000	0.07 %
49	Benin	500,000	0.07 %	500,000	0.07 %	500,000	0.07 %
50	Djibouti	500,000	0.07 %	500,000	0.07 %	0	0.00 %
51	Niger	500,000	0.07 %	500,000	0.07 %	0	0.00 %
52	Uganda	490,000	0.07 %	490,000	0.07 %	490,000	0.07 %
53	Senegal	480,000	0.07 %	480,000	0.07 %	480,000	0.07 %
54	Nile bank for commerce & development	260,000	0.04 %	260,000	0.04 %	260,000	0.04 %
55	Sudanese Islamic Bank, Sudan	260,000	0.04 %	260,000	0.04 %	260,000	0.04 %
56	Tadamon Islamic Bank, Sudan	260,000	0.04 %	260,000	0.04 %	260,000	0.04 %
57	Gabon	220,000	0.03 %	220,000	0.03 %	220,000	0.03 %
58	Cameroon	20,000	0.00 %	20,000	0.00 %	20,000	0.00 %
Sub Total		716,080,000	100 %	710,080,000	100 %	702,127,584	100 %

* Called up amount does not include a share capital premium of US\$ 500,000



APPENDIX 2

1435H TRADE APPROVALS AND FINANCED SECTORS

-
- 1 Azerbaijan**
No. of Operations: 1
US\$ (Mil): 5.00
Sector: IT
Commodity: Home Appliances, Electrical and Electronic
 - 2 Bangladesh**
No. of Operations: 7
US\$ (Mil): 1,450
Sector: Energy
Commodity: Crude Oil, Natural Gas and Refined Petroleum Products, Steel Scrap/Steel billets
 - 3 Burkina Faso**
No. of Operations: 3
US\$ (Mil): 164
Sector: Food & Agriculture
Commodity: Rice, Cotton, Fertilizers, pesticides
 - 4 Cameroon**
No. of Operations: 1
US\$ (Mil): 18
Sector: Other
Commodity: Fertilizers
 - 5 Comoros**
No. of Operations: 1
US\$ (Mil): 20
Sector: Energy
Commodity: Petroleum Products
 - 6 Djibouti**
No. of Operations: 1
US\$ (Mil): 30
Sector: Energy
Commodity: Petroleum Products
 - 7 Egypt**
No. of Operations: 6
US\$ (Mil): 955
Sector: Energy
Commodity: Petroleum & Petroleum Products
 - 8 The Gambia**
No. of Operations: 4
US\$ (Mil): 62
Sector: Energy
Commodity: Refined Petroleum Products
Groundnuts and Cashew Nuts
Heavy Fuel Oil (HFO)
 - 9 Indonesia**
No. of Operations: 1
US\$ (Mil): 60
Sector: Food & Agriculture
Commodity: Raw and Refined Sugar
 - 10 Jordan**
No. of Operations: 1
US\$ (Mil): 200
Sector: Energy
Commodity: Crude Oil and Petroleum Products
 - 11 Kuwait**
No. of Operations: 1
US\$ (Mil): 132
Sector: Energy
Commodity: Petroleum Products
 - 12 Kyrgyzstan**
No. of Operations: 1
US\$ (Mil): 10
Sector: Energy
Commodity: Petroleum Products
 - 13 Mali**
No. of Operations: 1
US\$ (Mil): 25
Sector: Food & Agriculture
Commodity: Cereals, Animal Feed, Agriculture Input
 - 14 Mauritania**
No. of Operations: 1
US\$ (Mil): 65
Sector: Energy
Commodity: Oil and Gas

15 Morocco

No. of Operations: 3
US\$ (Mil): 485
Sector: Energy
Commodity: Crude Oil, Butane,
Petroleum Products and Gas

22 Togo

No. of Operations: 2
US\$ (Mil): 40
Sector: Finance
Commodity: All Goods Acceptable
under ITFC Rules for Trade Financing

16 Niger

No. of Operations: 1
US\$ (Mil): 20
Sector: Food & Agriculture
Commodity: Cereals and other Essential
Commodities Including Animal Feed

23 Tunisia

No. of Operations: 2
US\$ (Mil): 320
Sector: Industrial Energy
Commodity: Semi-finished Steel Products,
Finished Steel Products
Crude Oil & Petroleum Products

17 Nigeria

No. of Operations: 3
US\$ (Mil): 78
Sector: Energy/Other
Commodity: Refined Petroleum Products, Fertilizers,
Raw Materials & Motor Bicycle Parts

24 Turkey

No. of Operations: 7
US\$ (Mil): 445
Sector: Finance, Food
Commodity: Cotton & All goods acceptable
under the ITFC Rules for Trade

18 Pakistan

No. of Operations: 1
US\$ (Mil): 494
Sector: Energy
Commodity: Crude Oil and
Refined Petroleum Products

25 UAE

No. of Operations: 1
US\$ (Mil): 11
Sector: IT
Commodity: Computer Products
and Components

19 Palestine

No. of Operations: 1
US\$ (Mil): 1
Sector: Food & Agriculture
Commodity: Olive Oil

26 Zimbabwe

No. of Operations: 1
US\$ (Mil): 12
Sector: Other
Commodity: All Goods Acceptable
Under ITFC Rules for Trade Financing

20 Saudi Arabia

No. of Operations: 2
US\$ (Mil): 72
Sector: Industrial / Food & Agriculture
Commodity: Automotive/Pharmaceutical
Raw Palm Oil, Raw Corn Oil, Raw Soybean Oil

21 Senegal

No. of Operations: 1
US\$ (Mil): 30
Sector: Food & Agriculture
Commodity: Grounds, Nuts

Total No. of Operations: 53

Total US\$ (Mil): 5,204



Asia / CIS



MENA



Sub-Saharan Africa

APPENDIX 3

TRADE FINANCE APPROVALS FOR LDMCS IN 1435H (US\$ MILLIONS)

S.No	Country	No. of Operations	Amount (USD Mil)
1	Bangladesh	7	1,450.00
2	Burkina Faso	3	163.74
3	Gambia	4	62.00
4	Mauritania	1	65.00
5	Niger	1	20.00
6	Senegal	1	30.00
7	Togo	2	40.00
8	Comoros	1	20.00
9	Djibouti	1	30.00
10	Palestine	1	1.00
Total Approvals		22	1,830.74



APPENDIX 4

ISLAMIC DEVELOPMENT BANK GROUP PROFILE

Establishment

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

Vision

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

Mission

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

Membership

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

Capital

At its 38th Annual Meeting, the Board of Governors of IDB approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the subscribed Capital was increased by 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 1435H, the subscribed capital of the IDB stood at ID49.86 billion.

Financial Year

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

Accounting Unit

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

Language

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

Head Office and Regional Offices

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



Islamic Development Bank Group

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



Islamic Research and Training Institute (IRTI)

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) as the research and training arm, and knowledge hub, of IDB. IRTI plays a key role in supporting the transformation of IDB Group into a world-class knowledge-based organization. IRTI's mandate is to support the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry that enhances socioeconomic development in IDB member countries. The Institute undertakes cutting edge applied and policy research as well as capacity building and advisory services in the field of Islamic economics and finance. IRTI aims to be a global knowledge centre 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 (IDB) and member countries of the Organization of Islamic Cooperation (OIC) as an autonomous entity within IDB Group. Its mandate is to: (i) help increase the scope of trade transactions of member countries; (ii) facilitate the 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-compatible 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 autonomous entity within IDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to compliment the role played by IDB through development and promotion of the private sector as a vehicle for economic growth and prosperity in Member Countries.

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

APPENDIX 5: AWARDS



Best Structured Finance House in Africa:
International Islamic Trade Finance Corporation



Deal of the Year:
US\$30 Million Islamic Commodity
Finance in favour of Çalık Cotton, Turkey

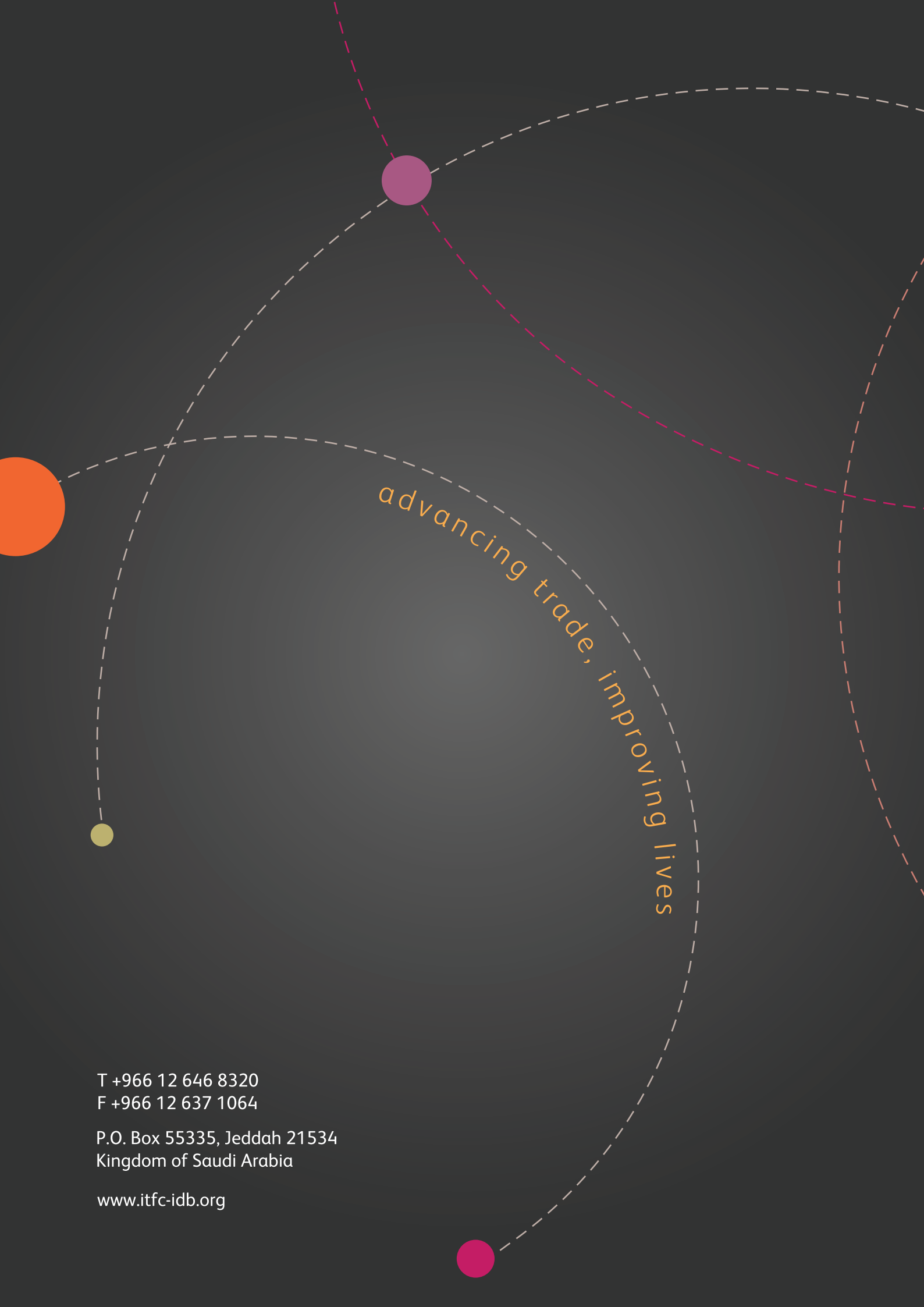


Best DFI Deal of the Year:
US\$30 Million Islamic Commodity
Finance in favour of Çalık Cotton, Turkey



Deals of the Year:
First syndicated US\$200 million Islamic export
finance line in favour of Turk Eximbank

US\$45 million export finance line in favour of
Aktif Bank, Turkey



advancing trade, improving lives

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