itfc
International
Islamic Trade
Finance Corporation

BUILDING MOMENTUM

Member of
IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

2018 ANNUAL REPORT

The Theme

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

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

Acronyms & Abbreviations

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

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Optimizing Trade Finance for Sustainable Economic Development

Letter of the Board of Directors to the General Assembly

In the Name of Allah, the Merciful, the Compassionate

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

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

Pursuant to Article 26(1) of the Articles of Agreement of the International Islamic Trade Finance Corporation (ITFC), I have the honor to present to the esteemed Members of the General Assembly, on behalf of ITFC's Board of Directors, the Annual Report of ITFC for the year 2018. The report highlights ITFC's activities, achievements and audited financial statements for the year, which ended on 31 of December 2018.

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

Yours Sincerely,

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

In the name of Allah, the most Gracious and Merciful

It is with great honor and privilege that I present the ITFC Annual Report for the year 2018. I am delighted to report that the Corporation has once again reached new milestones and achieved stellar performance during the year. The rollout of the 10-year strategy coupled with organizational transformation and re-alignments has created fresh momentum, further brightening the prospects for future growth.

Since its inception, ITFC has been successful in navigating through challenging environments, which enabled it to remain committed and steadfast towards delivering on its mandate of supporting trade and trade development in Member Countries. I am pleased to report that in 2018 the cumulative trade finance approvals reached US$45.4 billion while disbursements stood at US$35.6 billion, with trade support extended to the critical sectors of Energy, Agriculture, and SMEs, among others. At the same time, total cumulative funds mobilized from partner banks and financial institutions reached US$27.3 billion, reflecting ITFC's crucial role as a catalyst to attract funding for the Member Countries' large-ticket trade transactions.

For the year 2018, ITFC's trade finance approvals reached US$5.2 billion, a 6.1% increase, compared to the US$4.9 billion in 2017. On the other hand, disbursements reached US$4.5 billion, an increase of 32.3%, compared to US$3.4 billion in 2017. Funds mobilized from partner banks and financial institutions reached around US$3.0 billion, covering 58% of the total approvals.

CEO's

ITFC also closed the year with strong financial results with higher gross income reaching US$57.3 million (up 32.1%) and total assets increasing to US$1.02 billion. The improvements reflect higher demand for trade finance, driven in part by the increase in oil prices, as well as ITFC's efforts to enhance growth from existing and new clients. Furthermore, in 2018, ITFC continued to extend financing to a number of Member Countries under multi-year framework agreements for many of the large-ticket sovereign clients.

In the area of trade development, the Corporation continued with its new business model of integrated trade solutions, combining trade finance with trade development and capacity building for higher impact and sustainability of ITFC's interventions. Some notable examples include: (i) Indonesia Coffee Export Development Program; (ii) West Africa SME Program; (iii) Cotton Trade Bridge Program; and (iv) The Gambia Aflatoxin Project.

In addition, a number of flagship programs including the Aid for Trade Initiative for Arab States (AfTIAS) and the Arab Africa Trade Bridges Program (AATB) continued to make progress. Moreover, ITFC continued to advance its cooperation with key international and regional partners, such as the International Chamber of Commerce (ICC), the OECD, the International Trade Center (ITC), Afreximbank, ECOWAS, BADEA, as well OIC institutions, and Arab Organizations.

In 2018 ITFC continued with the implementation of its 10-year strategy, in line with IsDB Group 10-year strategy, as well as with IsDB Group President's P5P Plan. The Corporation entered the Rebuild Phase, after completing the Reset Phase in 2017. The Rebuild Phase focused on the development and introduction of new integrated trade solutions, entering new markets such as in the CIS and new sectors in line with the diversification objectives of the Corporation. The move focused on forging new partnerships with regional and local financial institutions for SME support and reaching out to new trade development and syndication partners.

Finally, I would like to convey my sincere thanks and appreciation to the Chairman and the Esteemed Members of the Board of Directors of ITFC for their continued support and guidance. I would also like to convey my special thanks to all ITFC staff members for their dedication and service to the organization. I am confident that in 2019, the Corporation will be able to move towards greater heights in fulfilling its vision of being the leading provider of trade solutions for OIC Member Countries.

Eng. Hani Salem Sonbol
Chief Executive Officer

Message

Board of Directors

Hon. Dr. Bandar M. H. Hajjar
Chairman

Hon.
Abdulghaffar Aqeel Al Awadhi

Hon.
Dato Siti Zauyah MD Desa

Hon. Eng.
Fahad A. Al-Nowaiser

Hon. Dr.
Hamad Bin Suleiman Al Bazai

Hon.
Kafando Salam

Hon.
Mohamed Isa Al-Mutaweh

Hon.
Mohammed Gambo Shuaibu

Hon. Dr.
Saad Al-Shahrani

Hon. Dr.
Shehabeddine Marzaban

Hon.
Abdoulie Jallow

Management Team

Eng. Hani Salem Sonbol
Chief Executive Officer

Abdihamid Aweis Abu
General Manager,
Trade Finance Department

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

Mohammad Hafiz Emrith
General Manager, Strategy & Organizational Performance Office

(Acting) General Manager, Finance Department

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

Ahmed M. Yousef Jan
General Manager,
Treasury Department

M. Nazeem Noordali
Chief Operating Officer,
Trade Solutions Complex

Najeeb Rana
General Manager,
Internal Audit

Ahmad Jafar Sabbagh
General Manager,
Human & Corporate Resources Department

Ibrahima Sory Soumah
Chief Risk Officer,
Risk Management Office

ITFC Positioned to Lead

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

Since 2008, ITFC has provided more than US$45.4 billion to OIC Member Countries, making it the leading provider of trade solutions for the Member Countries' needs. With a mission to become a catalyst for trade development for OIC Member Countries and beyond, the Corporation helps entities in Member Countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools, which would enable them to successfully compete in the global market.

we

Vision

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

Mission

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

advancing trade, improving lives

are

ITFC Brand

ITFC embarked on creating an effective corporate identity platform that aims to clearly communicate its own brand and instill it with characteristics that are unique to the organization's heritage. ITFC brand name has been designed in a clear and compelling manner, aimed at positioning the Corporation as a leader within the Shariah compliant trade finance industry.

Since its inception in 2008, the brand-creation focused on the concept of "Expanding Connections". This concept is at the heart of ITFC's core values and everything the Corporation does to share and apply intra trade skills – linking people together, forging partnerships, and creating opportunities that would empower, expand and enrich economies, communities and individuals across the Muslim world.

ITFC brand is a balance between robustness and responsibility, enabling it to create new opportunities for the Member Countries so that they can prosper. The four cornerstones of the business – customers, business partners, Member Countries, and products and services – provide a solid foundation on which ITFC is building a promising future.

ITFC brand name is associated with Best Trade Solutions Provider. Furthermore, the Corporation is building its capacity and bolstering efforts to offer customized niche solutions that contain two main components: (i) trade finance; and (ii) trade development. ITFC's new business direction focuses on building its visibility not only among the Member Countries' governments and institutions, but also among the local businesspersons, banks, farmers and other beneficiaries.

ITFC at a Glance

2018 Financial and Operational Highlights

Commenced Operations on
January 10
January 10, 2008

Headquarter
Jeddah, Saudi Arabia

Member
IsDB
The Islamic Development Bank Group

Mandate
Contribute to economic development of Member Countries through trade advancement

Authorized Capital
US$ 3 billion

Subscribed Capital
US$ 856.2 million

Paid- Up Capital
US$ 736 million

Approved Trade Finance Operations
US$ 5,200 million

Disbursements
US$ 4,578 million

LDMCs Portfolio Share
32%

Intra-OIC Trade Support
US$ 3,909 million

Private Sector Support
US$ 837.8 million

Approvals by Sector
- Energy: US$ 3,496 million
- Food & Agriculture: US$ 749.6 million
- Financing: US$ 635.8 million

Number of Operations
70

Number of Member Countries Served
24 Member Countries

Approvals by Region
- ASIA & ME: US$ 3,353 million
- Africa: US$ 1,847.8 million

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Finance Corporation

TRADE DEVELOPMENT PROJECTS

Gambia
Gambia Aflatoxin Mitigation program

Guinea
Guinea Reverse Linkage Project

Comoros
Comoros Cash Crops Development Program

Burkina Faso, Cameroon
Cotton Development Program

Egypt
Youth Training & Employment for Export Project "TREE"

Burkina Faso - Senegal
West Africa SME Program

Uzbekistan and Tajikistan
Islamic Trade Finance Workshops for financial institutions

Senegal
Export Launchpad - Training the trainers

35 African countries
AfDB-ITFC Trade Finance E-learning Program

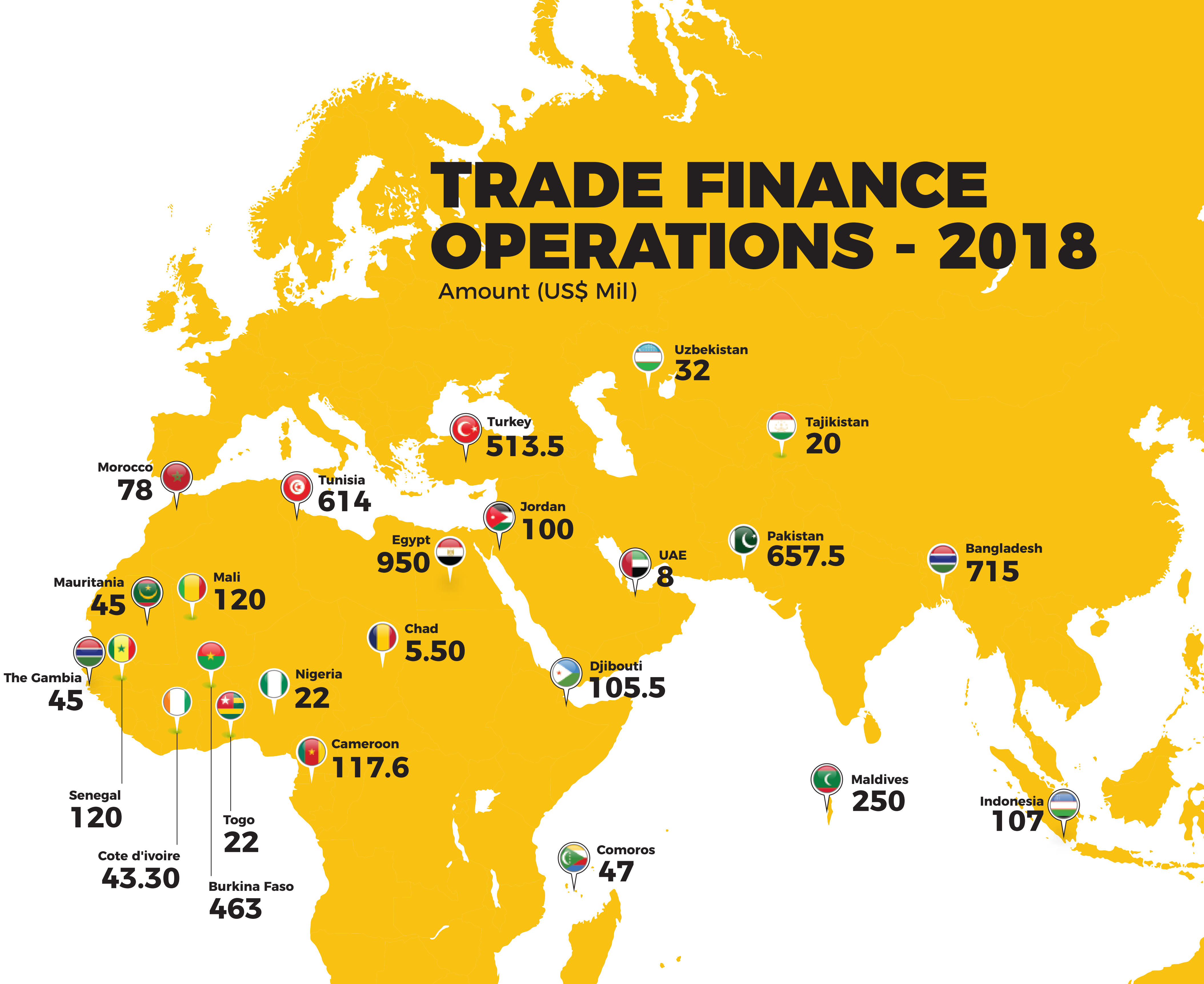
Egypt
Capacity Building Program organized by Malaysia External Trade Development Corporation (MATRADE) for the Egyptian Development Export Authority officials in the field of Digital Marketing and E-trade

Arab and African Countries
Arab Africa Trade Bridges Program (AATB)

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

TRADE FINANCE OPERATIONS - 2018

Amount (US$ Mil)



2018 In Numbers

24 Member Countries Served

70 Operations

US$ **5,200** million Trade Finance

US$ **4,578** million Disbursements

Approvals by Region

US$ **3,353** million Approvals in ASIA & Middle East

US$ **1,847.8** million Approvals in Africa

SNAPSHOTS OF 2018

Jan

US$ 3 Billion
Framework Agreement with Egypt to Import Basic Commodities

Feb

Eur 90 Million
to Support Cameroon's Energy Sector

Mar

innov itfc

ITFC and IfTI Organize a Workshop on "Innovation in Trade Finance and Trade Development"

Apr

ARAB-AFRICA TRADE BRIDGES PROGRAM

AATB Program Organizes Buyers/Sellers Meeting on Food Products in Egypt in partnership with BADEA

ITFC Organizes its 10 Year Anniversary in Tunis in Recognition of its Achievements and Partners

May

First Ever "Islamic Trade Finance Workshop" Held in Uzbekistan, Organized by ITFC, Ministry for Foreign Trade of the Republic of Uzbekistan and UNDP

With ITFC's Support and Financing Facilities, Coris Bank Int'l (CBI) starts its Islamic Finance Operations in Senegal

Jul

ITFC Paves the Road to Innovation in Islamic Trade Financing in Partnership with CISL to Shape the Future of Innovation Sustainability

Aug

isef ITFC SOVEREIGN ENERGY FUND

Federated Investors, Inc. and ITFC to Develop a Trade-Finance Portfolio Focused on Sovereign Energy Sector (ISEF)

Sep

Eastern Bank Limited (EBL) and ITFC sign Landmark Financing Agreement in Bangladesh.
Agreement Follows ITFC's Approval of
US$ 1 Billion
with the Government of Bangladesh to Finance Priority Sectors

Oct

US$ 1.5 Billion
Framework Agreement between the Government of Burkina Faso and ITFC to Finance Agriculture, Energy and SMEs

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ITFC Launches West Africa SMEs Program in Partnership with Coris Bank Int'l (CBI)

The First Visit of ITFC Team to Sofitex Cotton Field

Nov

A1 by Moody's

ITFC Hosts the 1st Governing Board of the AATB Program and Signs Strategic MoU with The Kingdom of Morocco

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Moody's Reaffirms ITFC's Rating of A1 with Stable Outlook

Dec

IATF 2018 INTRA-AFRICAN TRADE FAIR

ITFC, a Partner in the Intra African Trade Fair (IATF) 2018

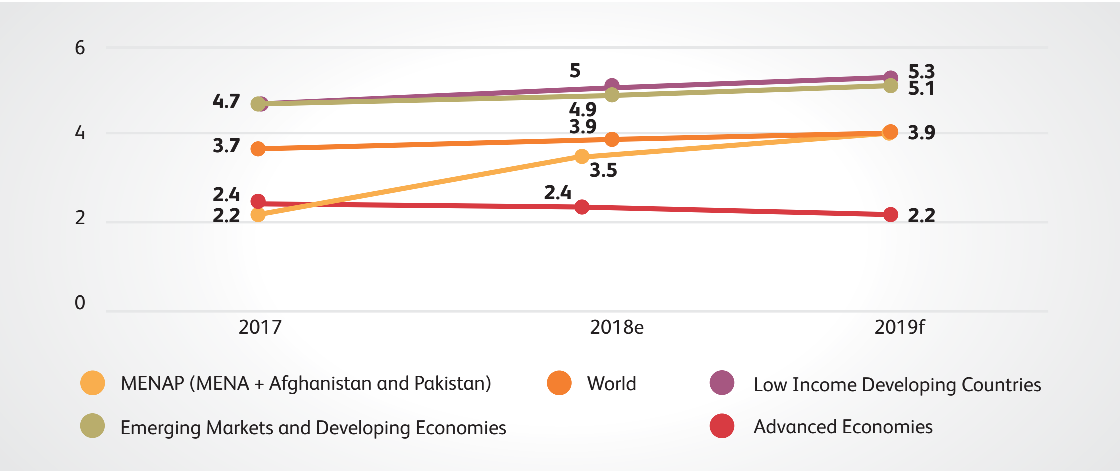
The 2nd Edition of Buyers/Sellers Meeting on Pharmaceuticals & Related Industries, Cairo, Egypt, under AATB Program

Economic & Trade Environment Overview

Global Economic Overview

After years of sluggish growth punctuated by cyclical crises since 2008-2009, global economy grew by 3.7% in 2017, compared with 3.2% in 2016, which is the highest since 2011. The upturn was largely "driven by increased investment spending, particularly in the United States[1]", which is expected to continue sustaining the global growth rate forecasted at 3.9% in 2018 and 2019. However, the positive turnaround has not been evenly recorded across countries and regions[2] (Figure 1).

Figure 1: Global Growth Rate between 2017 and 2019 (In percentages)



Source: IMF-WEO (July 2018)

1 WTO Report 2018
2 United Nations – WESP 2018

With regard to emerging markets and developing economies, the growth rates, though positive and steadily increasing for the whole group, have been uneven across countries and regions, due largely to the increasing oil prices, escalating trade tensions, and higher yields in the United States, among other factors.

In the MENAP (Middle East and North Africa plus Afghanistan and Pakistan) region, after a sharp drop in 2017 (from 5% in 2016 to 2.2% in 2017) because of shrinking revenues of oil exporting countries, growth rate is expected to increase to 3.5% in 2018 and 3.9% in 2019.

As for Low Income Developing Countries, the signs of economic recovery noticed in 2017, with a growth rate of 4.7% (up from 3.5% in 2016), are expected to further increase in 2018 and 2019, achieving growth rates of 5% and 5.3% respectively.

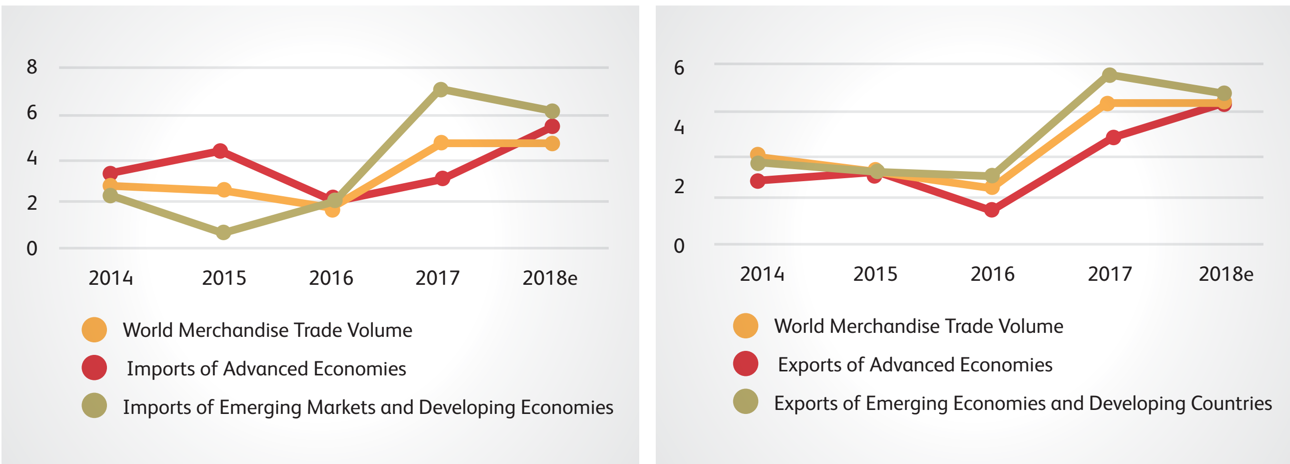
International Trade Overview

In line with the expansion of global growth, international trade increased by 4.7% in volume and 11% in value in 2017 as compared to 2016, largely driven by a rising demand for imports across the world. These rates are the highest since 2011. The top three traders, namely China, USA, and Germany accounted for over 30% of world merchandise trade in 2017.

World exports reached US$17.7 trillion in 2017[3], up from US$16.03 trillion in 2016, due partly to the appreciation of major commodity prices. At the same time, world imports amounted to US$17.8 trillion, up from US$16.2 trillion in the previous year, due to the economic recovery in the main importing countries that triggered local consumption and demand for imported products.

The year 2018 witnessed rising trade tensions, mainly between the United States and China, which led to the implementation of a number of trade-restrictive measures covering a wide range of products. These measures are prompting a cycle of retaliation that may threaten global trade growth in 2018 and even beyond. Nevertheless, IMF forecasts a slight uptick in world trade by 4.8% in 2018 compared to 4.7% in 2017, due to an increase of exports and imports in advanced economies (Figure 2).

Figure 2: Import & Export Growth Rates between 2014 and 2018 (In Percentages)



Source: WTO (2018) for data from 2014 to 2017 & IMF-WEO April 2018 Update for 2018 estimation

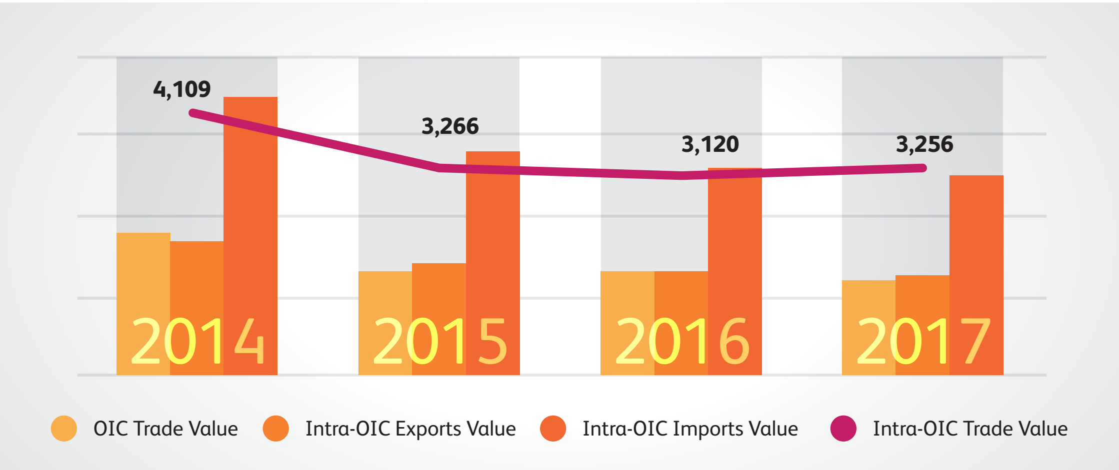
3 ITC's Trade Map Database

Economic and Trade Performance of OIC Countries

In 2016, GDP of OIC countries was US$18.3 trillion, an increase of 3.7% in real terms from 2015, which dropped to 3.2% in 2017, mainly because of commodity prices fluctuation. This is expected to rise to 3.9% in 2018[4] .

As for OIC total trade value, it recorded an increase of 4.4% in 2017, compared to 2016. This is a noticeable improvement compared to the drop of 4.4% recorded in 2016 (Figure 3).

Figure 3: Evolution of Intra-OIC Trade between 2014 and 2017 (In Billions of USD)



Sources: OIC Trade Map powered by ITC Trade Map – Elaborations by Reload Consulting (2018)

The share of OIC trade with respect to world trade witnessed a steady decrease between 2014 and 2017, dropping from 10.8% in 2014 to 9.2% in 2017. Intra-OIC trade share compared to total OIC trade also slightly decreased from 17% in 2016 to 16% in 2017.

As for OIC exports, despite strong growth of 182% between 2005 and 2014, its proportion to the world export decreased from 2% in 2014 to 1.4% in 2017 (US$358.5 billion to US$244.8 billion). The top OIC exporting Member Countries, namely Turkey, United Arab Emirates, Saudi Arabia, Malaysia and Indonesia accounted for about 63% of all OIC exports in 2017.

With regard to OIC imports, they decreased by 22% from US$336.7 billion in 2014 to US$260.2 billion in 2017. The top OIC importing countries, namely Turkey, United Arab Emirates, Saudi Arabia and Indonesia accounted for about 47% of all intra-OIC imports in 2017[5].

[4] SESRIC-OIC Economic Outlook 2017
[5] OIC Trade Map – Powered by ITC Trade Map

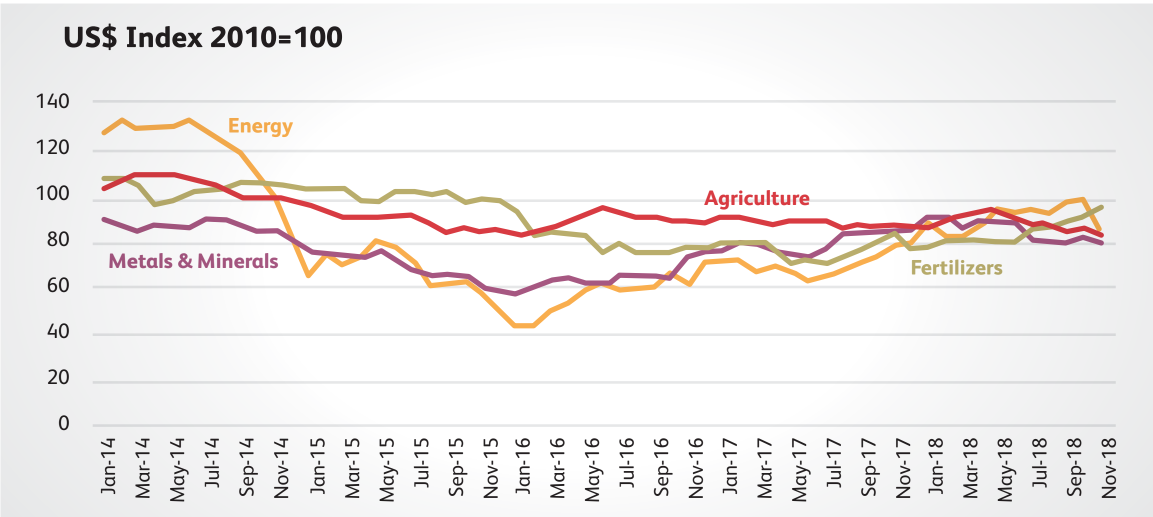
State of Global Commodity Prices

Almost all commodity prices dropped sharply during the last months of 2014 "from the high levels reached in the boom period of 2011 to 2013[6]". The downturn continued in 2015, before most commodity prices started to rise again during 2016 and 2017. However, since early 2017, price dynamics have been driven primarily by sector-specific developments rather than a common trend (Figure 4).

The oil market is rebalancing as a consequence of measures taken by oil-producing countries and after a sharp drop of 15.7% in 2016, oil prices increased by 23.3% in 2017 and 31% in 2018.

As for non-oil commodity prices, the upward trend, which started in early 2016, remained sluggish during the first half of 2017 with varying patterns depending on the type of commodity. (Figure 4).

Figure 4: Commodity Prices 2014-2018



Source: World Bank- 2018.

6 United Nations – WESP 2018

2

Keeping the Momentum

ITFC Strategic Objectives

ITFC's 10-year strategic plan (2017-2027) reflects its role and ambition to become a world class trade enabler and trade facilitator, thereby becoming "the leading provider of trade solutions for OIC Member Countries' needs".

itfc STRATEGY

It contains elements of IsDBG's 10-year Strategy, to which ITFC contributes and which are explicitly recast in the Strategic Plan. There are three strategic objectives that the Corporation has identified as central to its contribution towards achieving the wider IsDBG's vision.

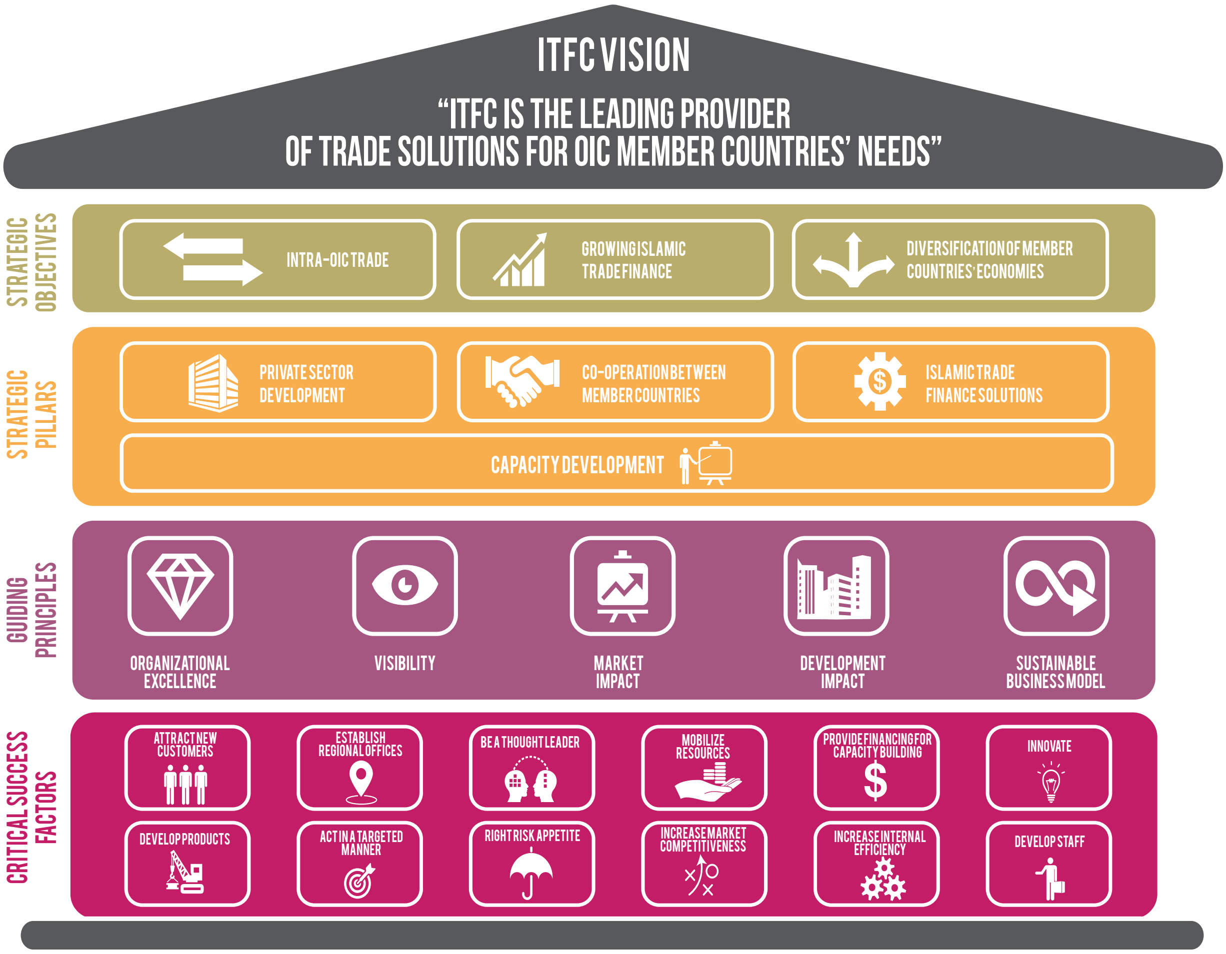
This includes:

- Increasing Intra-OIC Trade
- Growth in Islamic Trade Finance
- Supporting the Diversification of Member Countries' Economies

Specifically, ITFC's strategic objectives are supported through three pillars:

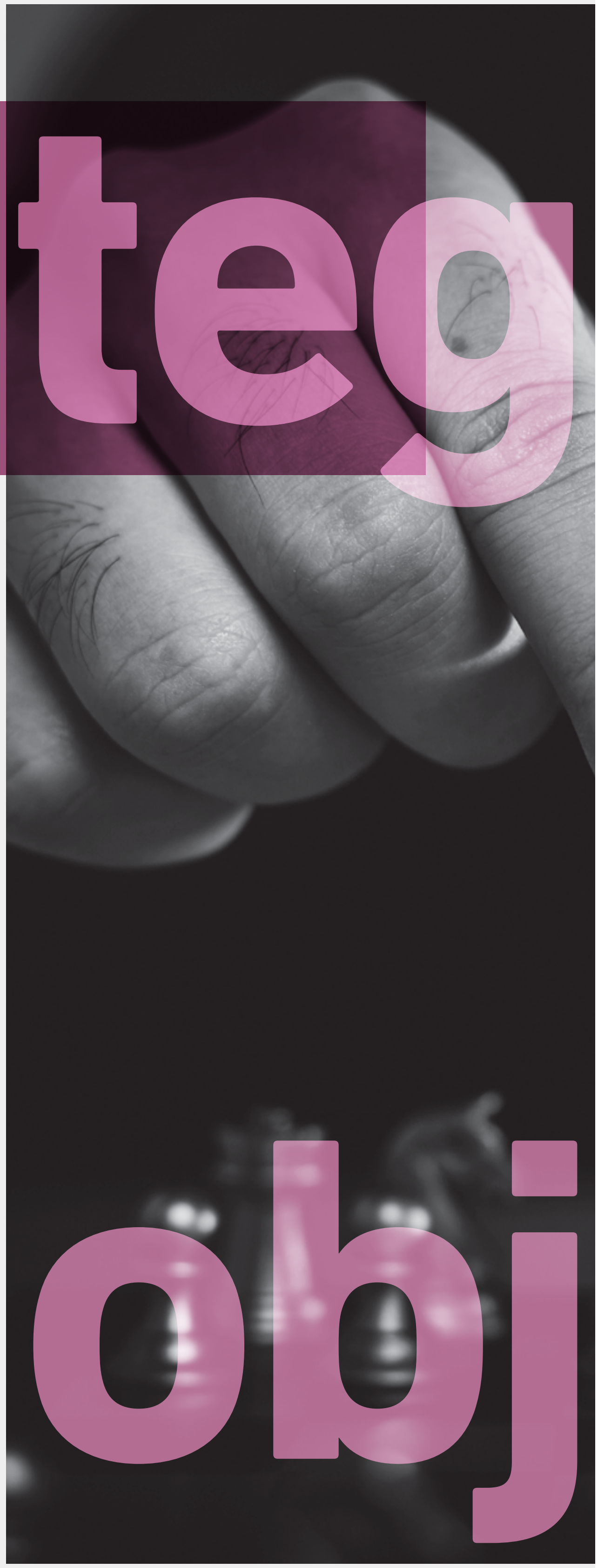
- PRIVATE SECTOR DEVELOPMENT
- CO-OPERATION BETWEEN MEMBER COUNTRIES
- ISLAMIC TRADE FINANCE SOLUTIONS

Strategic Framework



ITFC aims to increase transparency and alignment between its lines of products by integrating financial and non-financial solutions within the IsDB group. To this end, ITFC decided to re-shape the organization in 2016 – to adapt and to better serve the Member Countries in the future. In formulating the next 10-year strategy, ITFC renewed its vision to become the leading provider of trade finance for OIC Member Countries and refocused its business model with the guiding principle of blending trade development interventions with Islamic finance products, while focusing its efforts on SME development. ITFC strategy is aligned with the IsDB group strategy to deliver targeted development results.

strateg



To fulfil these strategic objectives and strategic pillars, ITFC, in July 2017, embarked on the journey to create cross-functional teams focused on delivering a set of strategic initiatives aimed at drawing the Corporation's transformation roadmap over a period of three years. Within the first year, ITFC is well on track and has delivered the 10 transformation initiatives planned for 2018. In addition, 13 further initiatives are underway and scheduled for completion by 2019. The final set of transformation initiatives will be delivered by 2020 – marking the end of the transformation roadmap.

Reset Phase 2017: ITFC had begun to ensure financial sustainability while creating development impact in order to fulfil its balancing mandate to advance trade and improve lives. This includes the implementation of a streamlined organizational structure, setting up of a Strategic Balanced Scorecard, establishment of a Development Impact Framework and consistent development reporting through ITFC's Annual Development Impact Reports.

Rebuild Phase 2018: The Rebuild phase emphasized on the development of new trade finance products, new trade solutions and building new lines of income. This is expected to lead towards the growth in new markets and new sectors, particularly SME development financing through Financial Institutions. During this phase, ITFC also showcased success stories internationally, and reached out to new trade development and syndication partners.

Renew Phase 2019: During this phase, ITFC plans to achieve a sustainable business model and continue to grow the stream of new product offerings, new propositions and position itself as a global thought leader in Trade Solutions.

New Business Model to Serve the Market Needs

ITFC's 10-year strategic plan is being delivered through a business model, which is propelling the Corporation towards a transformational shift, as highlighted below:

i. Growing visibility

By becoming a global hub for Islamic trade finance through decentralization, international communications and thought-leadership.

ii. Building Trade Solutions

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

iii. Promoting development impact

Through inclusive growth and contributing towards the SDGs agenda.

iv. Building a resilient business model

For sustainable growth by diversifying the portfolio and adopting an innovative integrated trade programs approach.

v. Achieving organizational excellence

By creating a culture geared towards results and delivering internal process efficiencies.

focusing on development and contributing to SDGs

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

It is this balancing mandate that inspired ITFC to begin publishing its Annual Development Effectiveness Report. The report contains around six themes, such as inclusive growth and private sector development, each linked against ITFC's Strategic Pillars, IsDBG's Strategic Objectives, and contributing towards globally recognized United Nations Sustainable Development Goals. This concept has come to represent ITFC's Development Impact Framework.

reducing the distance and enhancing proximity to stakeholders – decentralization

IITFC, in partnership with the Decentralization Facilitation Unit (DFU) of the IsDB, has established a decentralization unit. Its goal is to initiate, manage, and maintain decentralization of client-facing staff to the field so that they can be closer to MCs and act in a more expedited and efficient manner. In line with this strategy, ITFC has relocated a number of client-facing staff to the Regional Hubs and is maintaining close and continuous collaboration with IsDB in the Regional Hubs of Dakar (Senegal), Dhaka (Bangladesh), Istanbul (Turkey), Jakarta (Indonesia), and Rabat (Morocco). This is in addition to the successful establishment of ITFC Branch in Dubai in July 2017.

The decentralization and enhancement of regional presence strategy is already yielding significant benefits in improved client relationship, greater regional visibility, and increased business volume and approvals. Growth continued in 2018, requiring an additional staff member to be posted at the Rabat Regional Hub.

3

Responding to the Trade Finance Needs of OIC Member Countries

Advancing Trade to Improve Lives

The year 2018 was yet another strong year for ITFC. After adopting a new strategy and implementing various transformational initiatives, the Corporation was well positioned to deliver on its core mandate of advancing trade among OIC Member Countries.

It is worth mentioning that during the year, ITFC faced mixed market conditions. On one hand, demand for financing was higher from some Member Countries due to the increase in oil prices. On the other, currency depreciation posed significant challenges for some other Member Countries, negatively impacting ITFC's financing prospects. Notwithstanding these challenges, ITFC registered commendable performance in 2018, characterized by significant jump in disbursements, which is the real measure of ITFC's trade finance intervention, and a good growth in approvals.

In 2018, in terms of year-on-year comparison, total trade finance approvals were higher by 6.1% in 2018, increasing from US$4.9 billion in 2017 to US$5.2 billion. Moreover, disbursements reached new heights, increasing by 32.3% in 2018, from US$3.4 billion in 2017 to US$4.5 billion, a strong evidence of ITFC's ability to deliver on its mandate whilst adjusting to challenging market environments. The increase -- both in approvals and disbursements-- reflects higher demand for financing driven in part by the rise in oil prices, as well as by ITFC's efforts to drive growth from existing clients and add new ones.

overview of 2018

ITFC continued to allocate substantial amount of its financing towards Least Developed Member Countries aimed at enhancing financial inclusion and extend support where it is most needed. In this regard, out of the total trade finance approvals for 2018, 32% was allocated to LDMCs.

In 2018, ITFC made fresh efforts to advance its strategic objective of pursuing sustainable business model. This required creating a balance between responding to the needs of Member Countries and diversifying the trade finance portfolio by attracting new clients, with a particular focus on private sector support, and intervention into new markets. In this regard, 9 new clients were added, which further expanded ITFC's total number of clients, particularly banks, which is in line with the diversification strategy. Clients added included banks from Bangladesh, Nigeria and Uzbekistan.

Table 1 - ITFC Trade Approvals by Region (US$ Mil.)

	2017 Actual	2018 Actual
Middle East & Asia	3,676.5 (75%)	3,353.0 (64%)
Africa	1,223.9 (25%)	1,847.8 (36%)
Total Approvals	4,900	5,200
Total Disbursements	3,435	4,578

ITFC continued to improve its developmental impact by enhancing in-house tools and instruments. This was done to measure the development impact by moving away from transaction-based model of trade support to a program-based integrated approach, where trade finance operations are integrated with trade development and capacity building, to multiply the development impact.

In addition, the Corporation continued to maintain its solidarity with Member Countries by targeting sectors that are key to economic and social development, particularly energy, food & agriculture and private sector. In this respect, ITFC's financing for the energy sector amounted to US$3,496 million, while financing for the food & agricultural sector stood at US$749.6 million.

With respect to private sector support, particularly focusing on SME development, ITFC made significant efforts in 2018 to establish partnerships with local Financial Institutions to provide alternative sources of finance to private sector participants through Two-Step Murabaha Financing (2SMF) and lines of financing to banks, which amounted to US$635.8 million, while ITFC's overall private sector financing stood at US$837.8 million. ITFC was able to successfully establish new partnerships with 6 Financial Institutions to reach and serve SMEs.

Table 2 - ITFC Trade Approvals by Sector (US$ Mil.)

	Energy	Food & Agriculture	Financial Sector	Other	Total Approvals
2017 Actual	3,792.6 (77.4%)	438.6 (8.9%)	658.8 (13.4%)	10.4 (0.2%)	4,900 (100%)
2018 Actual	3,496.0 (67.2%)	749.6 (14.4%)	635.8 (12.2%)	319.5 (6.1%)	5,200 (100%)

In terms of portfolio breakdown by security type, sovereign exposure continued to comprise the bulk of the portfolio, accounting for 83.9% of the total, compared to 80.2% of 2017.

Table 3 - ITFC Trade Approvals by Type of Security (US$ Mil.)

	Sovereign	Bank Guarantee	Unsecured Lending	STF	Credit Insurance	Total
2017 Actual	3,930.2 (80.2%)	510.4 (10.4%)	158.8 (3.2%)	216.0 (4.4%)	85.0 (1.7%)	4,900 (100%)
2018 Actual	4,362.8 (83.9%)	635.8 (12.2%)	92.0 (1.8%)	30.0 (0.6%)	80.0 (1.5%)	5,200 (100%)

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

Box 1

Framework Agreements Signed in 2018

Egypt

US$3 billion (yearly ceiling)

Framework Agreement signed in January 2018 to guide ITFC's interventions over the coming 5 years.

The Gambia

US$210 million

Framework Agreement signed in January 2018 to guide ITFC's interventions over the coming 3 years.

Uzbekistan

US$100 million

Framework Agreement signed in March 2018 to support ITFC's diversification efforts and expansion of business.

Pakistan

US$4.5 billion

Framework Agreement signed in April 2018 to guide ITFC's interventions over the coming 3 years.

Tunisia

US$1.5 billion

Framework Agreement signed in April 2018 to guide ITFC's interventions over the coming 3 years.

Burkina Faso

US$1.5 billion

Framework Agreement signed in October 2018 to guide ITFC's interventions over the coming 5 years.

CONTRIBUTING TO INTRA-OIC TRADE

ITFC was established in response to calls for increase and acceleration of intra-OIC trade, driven by a market-oriented Corporation operating within the IsDB Group. As such, since inception, ITFC has made it central to its strategy and operations to focus on contributing to the increase and expansion of trade within the OIC Member Countries and beyond. In 2018, 75% of ITFC trade financing operations, representing US$3.9 billion, focused on facilitating trade between OIC Member Countries thus increasing the ITFC contribution to the socio-economic well-being of OIC Member Countries.

SECURING ENERGY TO SUPPORT ECONOMIC ACTIVITIES

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

Therefore, improving access to energy is crucial to unlock the potentials for faster economic and social development in Member Counties In this context, ITFC considers supporting the energy sector as one of the main pillars of its strategy and objectives. As such, in 2018 ITFC remained a reliable and steadfast partner in providing financing to secure fuel and electricity supplies in order to maintain stable electricity generation and reaching large number of the populations, including those residing in rural areas.

Figure 5: ITFC 2018 Top Beneficiaries in Energy Sector (US$ Mil.)

In many Member Countries where there are only limited financiers willing and able to fund energy sector-related transactions, which often require sizable funding, ITFC acts as a catalyst in mobilizing resources from international markets to fund large size syndicated deals.

Box 2

Energy Sector Financing in Comoros

ITFC has been supporting the import of petroleum products for Comoros since 2014 with cumulative financing approvals reaching US$100 million. ITFC played a crucial role in supporting the country's energy security aspirations, necessary for a sustainable and inclusive economic growth.

Comoros, a member country, relies heavily on petroleum products imports for its energy needs. The cost related to recurring disruptions in the supply of petroleum products had a negative impact on the country's macroeconomics and developmental objectives. With ITFC's financing, the government of Comoros was able to provide the country with uninterrupted supply of petroleum products, contributing to energy security and economic growth.

ITFC held a series of consultations with all stakeholders including the Government, the state-owned petroleum company Société Comorienne des Hydrocarbures (SCH), distributors, the Central Bank and multilateral institutions. Following these exchanges, ITFC was able to develop a tailor-made financing structure aligned with the country's petroleum products life cycle and cash flows, helping the country reduce its annual public spending on petroleum imports by US$5 million.

By helping Comoros secure its supply of petroleum products, ITFC is directly contributing to the country's social welfare and economic development. With sales of US$91 million in 2017, SCH is a major contributor to the country's budget and provider of employment to 300 Comorians.

Cumulative Financing Approvals

US$100mil.

Supporting the Import of Petroleum Products for Comoros since 2014

Box 3

Energy Sector Financing in Djibouti

"ITFC's partnership with Djibouti commenced in 2015 with the approval of a US$30 million Murabaha financing to support the country's imports of petroleum products. Over the past two years, ITFC increased the financing envelope to US$72.5 million to support Djibouti's growing energy needs. The excellent relationship we have with ITFC has not only allowed the country's state-owned petroleum company (SIHD) to supply Djibouti's hydrocarbon needs, but also to improve the relationship that binds SIHD to its supplier. The energy sector in Djibouti employs more than 1,000 people, therefore, the financing provided by ITFC contributes to the social welfare of our employees and their families and contribute to reducing poverty in Djibouti."

Mr. Dabar Ladieh
CEO – Société Internationale des Hydrocarbures de Djibouti (SIHD)

Since Inception ITFC approved around

US$550mil.

to support Djibouti's growing economy

Boosting Agriculture-Enhancing the Value Chain & Supporting Food Security

Supporting the Member Countries in achieving their national development objectives, such as food security, stands at the core of the Corporation's goals and day-to-day operations. As such, in 2018 ITFC continued to provide financing for agricultural commodities that are essential for Member Countries to create jobs, enhance household incomes, improve productivity, alleviate poverty, and bolster food security.

In 2018, trade finance approvals for the food & agriculture sector amounted to US$749.6 million, representing 14.4% of the total trade finance portfolio, a 71% increase compared to the previous year. During the year, ITFC approved 12 operations for the food & agriculture sector in 8 Member Countries.

As in previous years, in 2018 ITFC played a catalyst role by providing significant support to ensure food security in Sub-Saharan Africa, where a portion of the trade finance portfolio is allocated to the food & agricultural sector. In fact, Sub-Saharan Africa accounts for 50% of ITFC's food & agriculture sector financing extended in 2018.

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

Box 4

Groundnut Financing in Senegal and The Gambia

Groundnut products are of significant importance to Senegal and The Gambia. As a basic food crop, groundnut is vital to poverty reduction and food security as it provides source of income for over 1.1 million small-scale farmers in both countries. It also contributes to livestock feeding and export earnings.

Groundnut crop cultivation, processing, and trade has a profound impact on national socio-economic development. In terms of its contribution to foreign exchange earnings and reduction of trade deficits, groundnut products account for about 27% of total Gambian exports and less than 5% of Senegalese exports, according to the findings of a joint study conducted by ITFC and the International Trade Centre (ITC) in 2011. In both countries, local value addition through small- and medium- scale processing is considered essential both for the development of the national industrial fabric and increase in the value of exports.

In view of the above, ITFC went into financing the sub-sector in both Senegal and The Gambia. Given that the state, through established state-owned enterprises, is involved in the marketing of groundnut in both countries, ITFC works with the governments to finance the sub-sector. Since ITFC's intervention in the sub-sector, a total financing of US$383 million has been extended to the two countries for the purchase of groundnuts from local farmers. The purchased nuts are semi-processed for export to various destinations in Europe and Asia.

A major impact of ITFC financing of the groundnut sub-sector in the Senegambia region is that it eliminated credit buying of nuts by the Groundnut Company. In the past, farmers used to sell their nuts against Promissory Notes issued by the Groundnut Company. In a testimony given by the National Food Security Processing & Marketing Corporation (NFSPMC) of The Gambia, credit buying of groundnuts from farmers is now a thing of the past as farmers are paid cash at the various Seccos (buying points).

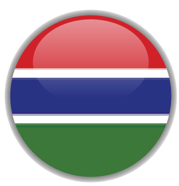
Senegal

Cumulative Financing

US$255mil.

Up to a million small farmers whose livelihoods depend on groundnuts farming.

The Gambia



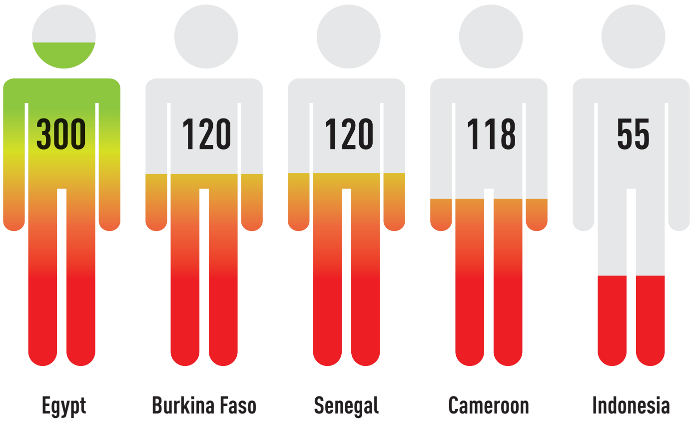
Cumulative Financing

US$158mil.

More than one hundred thousand small scale farmers whose livelihoods depend on groundnuts farming.

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

Figure 6: ITFC 2018 Top Beneficiaries in Food & Agriculture Sector (US$ Mil.)



Box 5

Food & Agriculture Sector Financing in

Comoros

"We are very pleased with our partnership with ITFC. The financing provided by ITFC has played an important role in promoting the socio-economic development of our country, as the financing will support uninterrupted supply of rice, a major staple food for Comorians. ITFC took the time to understand our business and cash flow cycle to carefully structure a facility that gives ONICOR repayment flexibility and the ability to negotiate better pricing and repayment terms with suppliers."

Mr. Mze Ali Azhar Ahmed
CEO, ONICOR

Box 6

Food & Agriculture Sector Financing in

Indonesia

Mr. Salah A.H Saeed
President Director
PT Pacific Indopalm Industries

"PT Pacific Indopalm Industries is one of the biggest palm oil refiners in Indonesia. ITFC is providing a $10 million pre-export financing to the company. ITFC's flexible financing structure has given our company opportunity to get more funding without fixed collateral. This is important for our company as it allows us to grow beyond our asset base. The structure was also tailored to the needs of our industry and hence facilitated our growth."

PARTNERING WITH FIS - IMPROVING FUNDING FOR SMEs

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

In line with the above, in 2018 ITFC continued to enhance its cooperation with existing partnerships and made fresh efforts to establish new partnerships with FIs aimed at enabling SMEs so that they can access needed financing for their trade operations. In order to reach a larger number of SMEs in Member Counties, ITFC provides Murabaha Financing to local financial institutions through Two-Step Murabaha Financing (2SMF) and Lines of Financing mechanisms to banks which, in turn, extend the financing to SMEs and private sector clients. This not only contributes to creating needed access to finance, but it also helps promote Islamic banking as partner banks are introduced to Islamic financing instruments.

Box 7

West Africa SMEs Program

ITFC implements "Line of Trade Finance" and "2-Step - Murabaha - Financing (2SMF)" to provide financing to local and regional commercial banks for the benefit of SMEs. These lines of finance, along with other trade-related financing lines channeled through local banks, have proven to be very useful to support SMEs in Member Countries. However, a number of SMEs were unable to benefit from these trade facilities as they failed to meet the minimum requirements.

For this purpose, ITFC designed the West Africa SME program – a line of finance and capacity building Flagship program. The program aims at improving access to financing to SMEs in eight Member Countries of the West African Economic and Monetary Union (UEMOA), which are also members of the OIC. Access to financing for SMEs shall be boosted through the provision of Capacity Building and Advisory Services to partner local banks and selected SMEs.

The pilot project to be implemented in Burkina Faso, then Senegal, was launched in Burkina Faso, on the sidelines of the 5th edition of the "Rebranding Africa Forum", held in October 2018. Coris Bank International (CBI) was selected as pilot project partner bank and was provided a Line of Finance to be utilized under the Program for SME support.

The West Africa SME program is expected to impact positively both banks and SMEs alike. For banks, it will increase trade finance products offering, allow better utilization of lines, as well as provide training and SMEs assessment tools to start or strengthen their lending practices. In turn, this will increase substantially the number of bankable SMEs that access financing and build their capacity to decrease default rate on bank loans. Knowing that formal and informal SMEs make up to 90% of companies in West Africa, supporting the growth of SMEs will ultimately help boost social and economic development in West Africa.

CORIS BANK INTERNATIONAL

La Banque Autrement

THE WEST AFRICA SME PROGRAM

IS EXPECTED TO IMPACT POSITIVELY BOTH BANKS AND SMEs ALIKE

Box 8

SME Financing in Uzbekistan

"In June 2018, ITFC approved a US$9 million Line of Financing Facility in favor of Asia Alliance Bank. Thanks to this partnership, both parties can avail Islamic trade finance and trade development solutions to SMEs in Uzbekistan.

We are excited to partner with ITFC to enable us to provide Islamic trade solutions to meet growing local demand for Islamic trade products and services. In this regard, we are pleased to be a pioneer institution in supporting the development of Islamic trade finance in Uzbekistan. Furthermore, we are looking forward to expanding our relationship with ITFC to support the further growth of Islamic finance industry in Uzbekistan."

Mr. Umidjon Khakimov
First Deputy Chairman of the Board,
Asia Alliance Bank

SUPPORTING THE PRIVATE SECTOR THROUGH ENHANCED FINANCING MECHANISM

In addition to providing SMEs with access to finance through partnerships with regional and local FIs, ITFC also supports the private sector through the provision of direct financing to large enterprises and through the enhanced Structured Trade Finance (STF) mechanism. STF is a relatively secure mechanism through which funding is provided outside of the balance sheet-based traditional forms of short-term financing. In a typical STF transaction, the financing bank seeks to isolate (ring-fence through pledge or ownership) certain assets (usually commodity), which have predictable cash flows from other assets of the obligor and use them to mitigate the various risks associated with the transaction. Compared to standard balance sheet-based financing, STF helps reduce the expected loss through lower loss-given default, because of the higher recovery rate due to the asset-backed nature of STF transactions. STF can be used as import financing, pre-export financing, and inventory financing.

Box 9

Partnership with BCP for Private Sector and SME Support in West Africa

"Over the recent years, our collaboration with ITFC has reached new heights thanks to strong partnership built on transparent business practices and mutually beneficial interests. Our most recent collaboration includes trade finance operations that contributed significantly to the expansion of our business in the Sub-Saharan countries. We are extremely delighted with our mutually rewarding collaboration with ITFC and their commitment for making progressive impact through their trade development programs to support our clients, subsidiaries and partners in several common countries of operation."

Ms. Hanane El Boury
Head of International Business Development, BCP Morocco

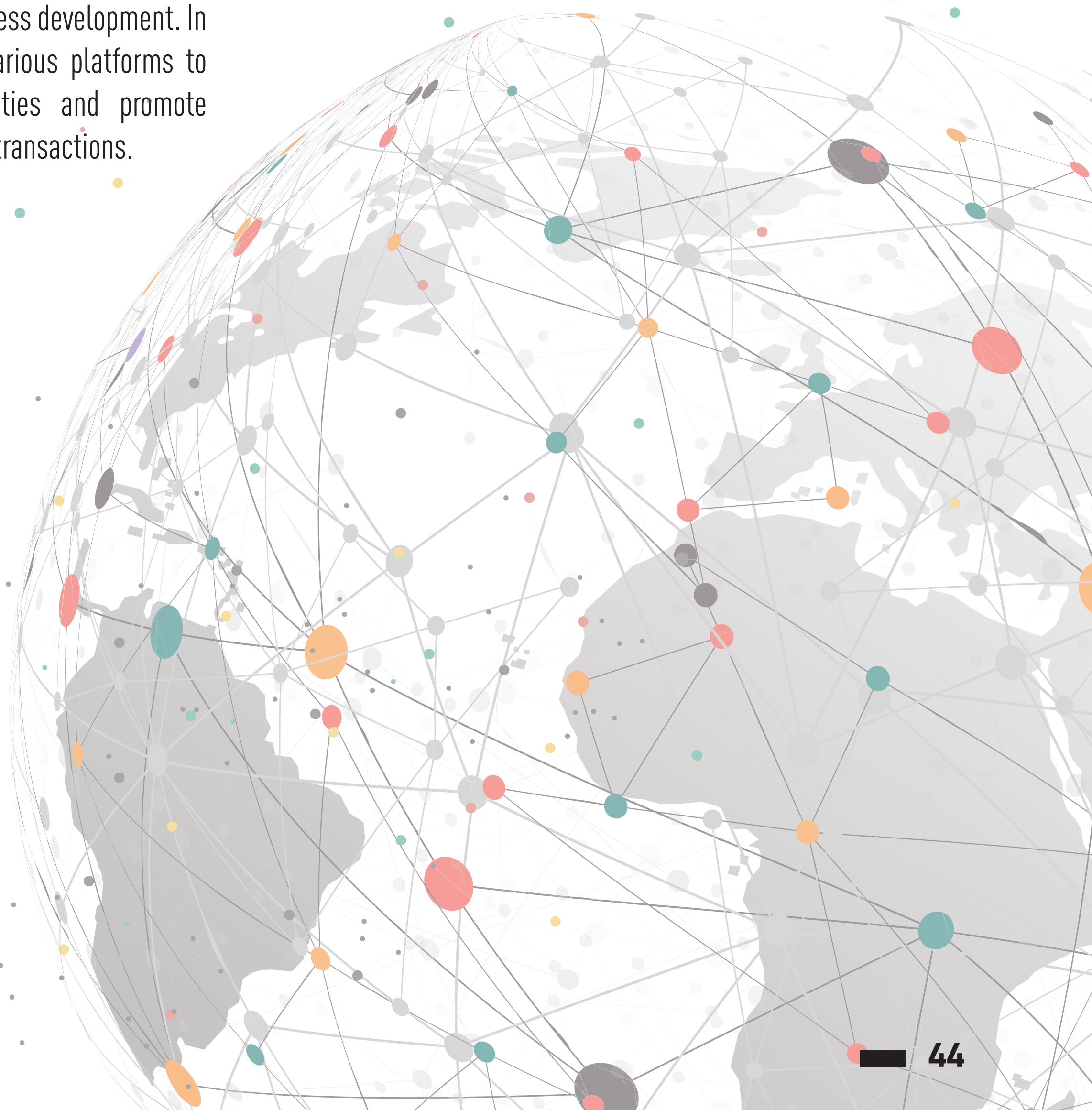
4

Creating Platforms to Advance Trade and Enhance Prosperity

2018 Trade Promotion and Trade Development Activities

ITFC's interventions in its Member Countries are guided by a business model, which seeks to provide integrated trade solutions focused on reaching a balance between the two key pillars of business sustainability and developmental impact. This is intended to enhance intra-trade cooperation amongst OIC Member Countries and support their trade with the rest of the world. ITFC aims at designing and delivering trade-related initiatives and programs across trading sectors and enabling innovation and the use of digital technology in business development. In 2018, ITFC tapped into various platforms to advance its trade activities and promote global cross-border trade transactions.

The Corporation's trade and business development initiatives are tailored towards the Integrated Trade approach under three broad categories: (i) Flagship Programs; (ii) Integrated Projects; and (iii) New Targeted Interventions.



Highlights of ITFC Flagship Programs

The Arab-Africa Trade Bridges (AATB)

The objective of the program is to enhance trade as a tool to increase economic opportunities and support inclusive and sustainable growth across the Arab and sub-Saharan members of OIC. Key highlights of the program:

- B2B in agri-food products
- Partnering with the organization of Tunisia Africa Business Forum
- Established and managed the IsDBG Steering Committee
- Organized the first meetings of the top two layers of the Governance Structure, namely the Governing Board (GB) and the Executive Committee (EC)

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

AfTIAS program aims to contribute towards an "Inclusive economic growth with increased employment opportunities and greater competitiveness through trade policy reforms in the Arab states". Key achievements in 2018:

- 28 approved projects and 19 Arab beneficiary countries received technical support
- Launch of the AFTIAS evaluation exercise
- Number of capacity building activities were conducted aimed at enabling the beneficiary Arab Countries to ensure that knowledge creation is linked to the needs of Governments and Private Sector in order to strengthen the skills in International Trade
- Submission of 5 new proposals of projects in Saudi Arabia, Iraq, Egypt, League of Arab States (LAS) and Comoros

West Africa SMEs Program

The objective of the program is to establish a bridge between the West Africa's SMEs and banks through capacity building for both SMEs and banks that will benefit them as well as ITFC in terms of effective utilization of lines of financing aimed at SME's support. Key achievements:

- Launched the pilot project for Senegal and Burkina Faso
- Established partnerships and mobilized resources for the pilot project
- Coris Bank International was selected as a partner bank and was extended EUR 8 million Line of Financing
- Signed the agreements with the partner bank and the executing agency

Trade Development Forum

The Trade Development Forum is a benchmark conference gathering trade-related individuals and groups, institutions (public and private), and organizations (international, regional, and national) dedicated to enhancing trade and trade cooperation between OIC countries and the rest of the world. ITFC signed the Partnership Agreement with Dubai Exports to launch and implement the Forum and initiated the preparation phase.

Cotton Trade Bridge Program

ITFC acts as a cotton trade facilitator between African exporters and South East Asian importers (Africa-Asia Cotton B2B). In 2018, the Corporation held a workshop to build a consortium for further enhancement of the cooperation.

Box 10

Partnership between
ITFC and UNCTAD

"UNCTAD has been partnering with ITFC since the first phase of the Aid for Trade Initiative for the Arab States programme (AfTIAS) in 2013 to accelerate the pace of trade reforms, with the aim of promoting trade within the Arab region through enhanced competitiveness of exporting enterprises and access to markets. ITFC is one of the 14 founding partners of the UNCTAD led e-Trade for all initiative, launched in Nairobi in 2016, to facilitate access to information and resources in support of e-commerce and the digital economy in developing countries.

Thanks to the financial support provided by the ITFC, UNCTAD will be able to carry out in 2019 the first enhanced e-Trade Readiness Assessment in Iraq, in collaboration with relevant e-Trade for all partners, which is another contribution to this important Programme."

Dr. Mukhisa Kituyi
Secretary-General of UNCTAD

Highlights of ITFC Integrated Projects

Indonesia Coffee Export Development Program

The trade development component in this program includes two parallel deliverables: 1) Training of farmers; and 2) preparations for setting up the training center. An NGO, specializing in the Coffee sector, was selected and the first part of the training was launched in September 2018 with 27 beneficiaries.

Djibouti Trade Integrated Solution

ITFC, alongside the SONATRACH, the Algerian Government Hydrocarbons Company, is working to support the Government of Djibouti to become the energy-trading center of East Africa. The program has 4 components: (i) technical training; (ii) deployment of experts; (iii) immersion; and (iv) transition to LPG. The program is anchored on Djibouti's petroleum product imports financed by the ITFC since 2014, amounting to a cumulative US$550 million.

Comoros Trade Integrated Solution

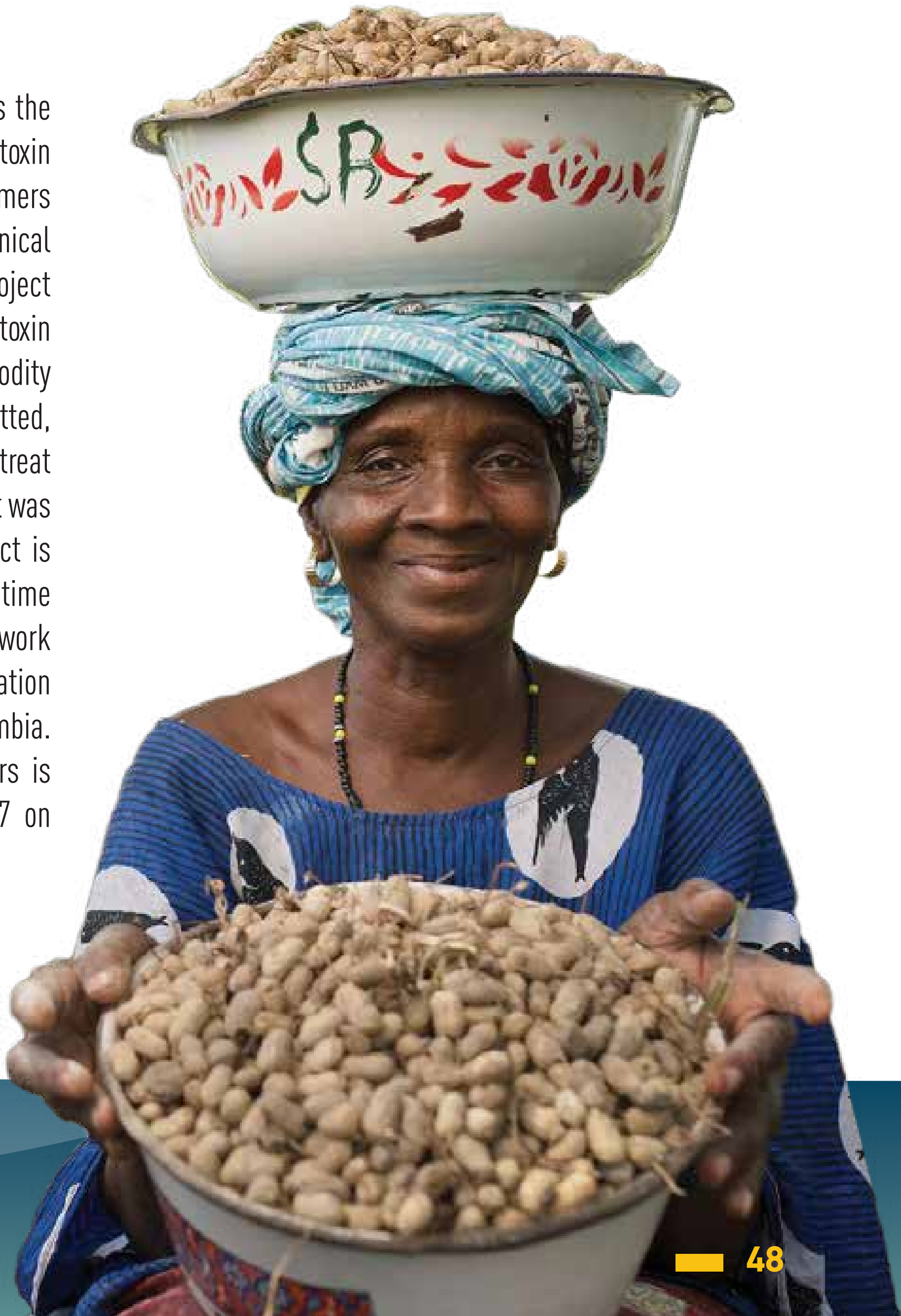
ITFC, alongside the Uganda Export Promotion Board, is working to support the Government of Comoros in its efforts to address the absence of direct access to end markets for its main export cash crops.

Box 11

Gambia Aflatoxin Technical Assistance

For many years, the groundnut sector in The Gambia struggled to deliver optimal yield due to the impact of Aflatoxin, a toxic fungus that affects the quality of groundnut. In June 2018, ITFC committed funding to pilot an Aflatoxin mitigation program to support the sector. Following successful completion of the program, the quality of agricultural output has significantly improved resulting in increased export, government revenue, and income for farmers.

The Gambia Technical Assistance Project targets the groundnuts sector to implement the Aflatoxin Mitigation Program aimed at supporting the farmers with the required training to enhance their technical capacities and competitiveness. This pilot project aims to cure the groundnuts plantation from Aflatoxin disease affecting the production and commodity price. Under the project, 7,000 farmers benefitted, where 50 tons of Alfasafe were distributed to treat 5,000 hectares. In addition, laboratory equipment was delivered to the beneficiary farmers. This project is supported by four donors, including first time contributors: 1) Enhanced Integrated Framework (EIF); 2) Turkish Cooperation and Coordination Agency; and 3) the Government of Gambia. US$262,200 of extra revenues for 7,000 farmers is expected to be generated, equivalent to US$37 on average per farmer and their households.



Highlights of ITFC Targeted Interventions

Guinea- Reverse Linkage Project: Recovery of the Private Sector in Guinea

In line with its Integrated Trade approach, the Corporation responded to the needs of Guinea for private sector support and export promotion. ITFC initiated a program for the "Recovery of the Private Sector in Guinea", based on the following components:

1. Institutional support aimed to assist local professional organizations providing services to the local economic operators
2. Assistance to producers and exporters for the adaptation of their export offer to external markets
3. Technical support to ministries, port and freight forwarding companies and exporters
4. Access to trade finance through trade-related Capacity Building initiatives, notably for SMEs

The project is expected to run for 3 years, with an estimated cost of US$1,580,000. The main objective of the project is to contribute to the development and improvement of the export competitiveness of Mango and Cashew as part of a value chain approach. This project is under implementation in collaboration with the Tunisian Technical Cooperation Agency (ATCT) and the Guinean Technical Cooperation Agency (AGCT) as implementing agencies.

Egypt Technical Assistance Project

Under a 3-year MoU between ITFC and the Export Development Authority of Egypt (EDA), the Corporation provided technical assistance to EDA in order to meet their need in E-marketing. During 2018, the project design was completed in collaboration with MATRADE, Malaysian TPO, which will extend its expertise in the field of E-marketing.

Program for the Development of Dates Sector in Medina Region

The objective of the project is to address the constraints at farmer, enterprise and institutional levels aimed at ensuring full benefit of the potential of the dates' sector in Medina in the face of increasing internal and external demand. The project is expected to contribute to sustainable economic diversification and employment creation through improved business performance of date sector.

Joint AfDB-ITFC Trade Finance E-Learning Program for African Financial Institutions

ITFC and the African Development Bank have teamed up with the International Chamber of Commerce (ICC) to launch a Joint AfDB-ITFC Trade Finance E-learning program for African Financial Institutions. The program will help local partner banks to strengthen their trade finance capacity and introduce more sophisticated trade finance products. Coris Bank, as part of its partnership with ITFC in the West Africa SME program, will benefit from the E-learning program for African Financial Institutions.

Box 12

Supporting the Groundnut Value Chain in

The Gambia

“The relationship with ITFC has enabled the National Food Security Processing & Marketing Corporation of Gambia (NFSC) to access both trade finance and trade development support that enabled us to champion employment generation, agriculture development and creation of new export market opportunities for all stakeholders along the groundnut value chain.”

Mr. Mustapha B. Colley
Deputy Managing Director, NFSC

Highlights of ITFC Capacity Building Activities

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

"Export Launchpad - Senegal" is a joint initiative of the Trade Facilitation Office Canada (TFO Canada) and the ITFC, in collaboration with the Senegalese Export Promotion Agency of Senegal (ASEPEX). This initiative consists of a train-the-trainer program which aims to consolidate and expand the export assistance services offered by ASEPEX and 9 other relevant trade support institutions (TSIs) to small-and medium-sized Senegalese exporters to develop their access to international markets. 30 SMEs were trained under the Senegal Export Launchpad Program in 2018.

ITFC – UNDP Trainings

High-level training jointly organized with UNDP aims at enhancing the capacity of public sector officials in the CIS and Afghanistan in utilizing International Trade Center (ITC) market access tools, enabling them to benefit from these tools in the field of export. In this training, 23 participants have benefitted from high-level ITC-UNDP Market Intelligence Training.

Trade Finance Workshop for Financial Institutions in Uzbekistan and Tajikistan

These workshops were organized in partnership with local officials and development partners to enhance the capacity of financial institutions in areas of International Trade, Export Promotion and Islamic Finance.

Training Program for Export and Employment-TREE in Egypt

The training program aims at improving knowledge and skill sets of youth and certify them as export specialists. This will enable them to find competitive jobs in international trade and establish their own business. 161 participants benefitted from TREE Project.

ITFC will be focusing on the multiplier effect via training programs such as the current project with TFO, Canada in Senegal, where these programs will be replicated in other West African countries in the coming years. Under the programs, the Corporation managed to train 245 trainees in 2018, which represents 123% of ITFC's target, i.e. 200 trainees.

Product Development and Innovation

With frequently changing landscape of technological products, business models and value chains, innovation is a key factor for sustainability and economic growth. ITFC continues to develop innovative solutions to fit the growing needs of Member Counties.

ITFC developed innovative financial solutions to empower its trade business and development activities. It worked on the design of the "ITFC Trade Development Fund" since 2017. The main objective of the Fund is to build and provide resources for onward funding on trade-related initiatives and interventions, among other things, in order to establish a Waqf for all non-halal income received and then invest it. The returns are to be utilized to support trade-related activities of Trade and Business Development. In 2018, the Sharia and ITFC's Boards accepted the fund proposal and regulations.

Moreover, in 2018 ITFC launched the Sovereign Energy Fund (ISEF) building on its strength and solid track record in trade finance. The fund serves to engage Member Countries in the future of energy and meet the diversification strategy and innovation focus of the Corporation.

In the area of trade finance products, ITFC recently developed LC confirmation, SALAM, and Islamic Factoring. In that, ITFC worked with Factors Chain International (FCI) on the development of Islamic Factoring Rules. They were presented to FCI General Assembly and were approved as part of FCI Supplementary Agreement allowing for Islamic Factoring.

ITFC is fully aligned with the President's 5-year Program to support the IsDBG to become a **'bank for developers'**, more specifically in the technology domain by exploring business development activities across Crowd Funding, Blockchain and Fintech to promote science, technology and innovation. There are joint activities with IsDB Group entities, B2B initiatives such as the AATB program. As for the Cotton Trade Bridge Program, it will take advantage of an e-trade platform that will facilitate logistics, quality & quality control, insurance and payment for all concerned stakeholders.

Moreover, the Innovation Challenge Pilot Program was launched in 2018 and will continue over the next three years with the focus on encouraging an innovation culture and process enhancement within the Corporation.

5

Leveraging Partnership for Bigger Market Impact

ALIGNING WITH OIC OBJECTIVES

During 2018, ITFC continued its close cooperation with relevant OIC institutions, namely ICDT, COMCEC Coordination Office, and OIC Secretariat General to create synergy among their respective programs and capitalize on mutual strengths and experiences to contribute to the accomplishment of the objectives set by the OIC Plan of Action-2025.

SYNERGY WITH ISDB GROUP ENTITIES

ITFC consistently pursues opportunities that focus on financing trade transactions, which positively impact the inclusive growth and address the development needs of Member Countries. ITFC's support nurtures the trade-led strategies of OIC Member Countries and fosters sustainable economic development and long-term growth, in line with the IsDB Group's 10-year Strategy.

Together, ITFC and the IsDB Group focus on Inclusiveness, Connectivity and IFS Growth, by promoting Private Sector Development, Co-operation between Member Countries, Islamic Finance Development and Capacity Building. In addition, the ITFC Strategic Plan is aligned with the President's 5-year Program.

Joint Activities with IsDB Group

Trade Development joint engagements are in progress in the areas of reverse linkages, capacity development and WTO matters including the Global Aid for Trade Review. Also, IsDB is a key partner in the implementation of all ITFC Flagship Trade Development Programs such as AfTIAS and AATB, bringing a holistic approach to trade development across IsDBG.

Cooperation with ICIEC & ICD

ITFC has a long-standing cooperation with ICIEC (the Investment and Export Insurance arm of the IsDB Group), where both entities are partnering on trade transactions in the area of risk coverage in support of imports and exports in Member Countries. With ICD (the Private Sector Development arm of the IsDB Group), the cooperation is focused on syndicated trade transactions where ICD participated in ITFC-led trade transactions.

Technology Transfer

Under the reverse linkage program of IsDB, ITFC is considering the transfer of technology from advanced Member Countries in certain areas to others who can benefit from them.

MAXIMIZING COOPERATION WITH REGIONAL TRADE PARTNERS

In 2018, ITFC continued to further expand and maximize its cooperation with important regional partners such as Afreximbank, Ecobank Transnational Inc. (ETI), the West Africa based BOAD, and Banque Populaire du Maroc (BCP). These partnerships and cooperation are intended to support private sector players in Africa region so that they can access needed financing for their export and import operations, contributing to job creation and improving socio-economic well-being of Member Countries.

POLICY FOR TRADE ADVANCEMENT

ITFC engaged meaningfully in policy advancement to advocate for the adoption and implementation of policy alternatives geared toward the achievement of SDGs and more inclusiveness in International Trade. An important work has been conducted on the importance of Global Value Chains (GVCs) in International Trade and the linkages with SDGs presented by ITFC as part of IsDB Group Community of Practices. It served as a solid basis for policy interventions in many other forums.

ITFC kept working along with other MDBs on issues related to the reduction of the Global Trade Finance Gap with dedicated contributions, among other things, to the WTO Experts Group Meeting on Trade Finance, ICC Banking Commission, G20/B20 Consultations, and policy interventions at global forums. It has carried on its efforts to promote Islamic Trade Finance through thought leadership and published, in partnership with the CIBAFI, a policy brief on the latest trend of Islamic Trade Finance and shared recommendations on measures to support its expansion. Other reports were published in 2018, including ICC Global Survey 2018: Securing future growth.

PARTNERSHIPS FOR SUSTAINABLE ECONOMIC DEVELOPMENT

In 2018, ITFC continued to carry out active participation and partnerships in many areas. Selected to be an active member of the Intra African Trade Fair (IATF), the Corporation played an important role, in partnership with Afreximbank, for the organization of the first Intra-African Trade Fair in Egypt, including the organization of side events under the Arab Africa Trade Bridges Program.

ITFC continued its activities with the International Chamber of Commerce (ICC) on becoming a full member of the ICC. The Corporation actively participated in the ICC Banking Commission, and in the Sustainable Trade Finance Working Group.

Through different platforms, ITFC engaged with the World Bank, IFC, WTO, AfDB and other development partners, such as Enhanced Integrated Framework (EIF), to address different trade policy, capacity building and trade facilitation matters.

In 2018, ITFC further expanded its strategic partnerships with academia and research centers, such as the Institute for Trade and Innovation (IfTI), of the University of Offenburg (Germany), and the University of Cambridge Institute for Sustainable Leadership (CISL) to cooperate in areas related to Green Fintech Market Development and Trade and Innovation.

"Innovation in ITFC is not only about developing new Islamic trade finance products, but the way we do business and the partnerships we build to achieve our mandate."

Eng. Hani Salem Sonbol
Chief Executive Officer

Box 13

Partnering with EIF to Support LDMCs

"The partnership between ITFC and the EIF has been truly action-oriented in terms of leveraging each other's expertise and resources to provide increased support to the Least Developed Countries. The partnership has generated real impacts on the ground from expanded business opportunities to increased export revenues and access to new markets."

Mr. Ratnakar Adhikari
Executive Director, Enhanced Integrated Framework

RESOURCES MOBILIZATION FOR TRADE DEVELOPMENT

Placing emphasis on the design and implementation of Trade Development projects, ITFC provides an annual contribution as a seed funding to facilitate mobilization of resources from other partners, such as Governments, MDBs, development agencies and project-oriented donors and sponsors. In addition, contributions from other non-traditional partners such as think tanks and foundations were key to mobilize funds for Trade Development interventions. The total amount of mobilized resources for Trade Development activities stood at US$980,000 in 2018.

These mobilized funds were vital in joining hands with partners to implement important programs and projects, such as the Guinea - Reverse Linkage Project, where ITFC provided seed funding and played the leading role in mobilizing required resources for 2018 and secured commitments from donors for the remaining period of the project.

MOBILIZING RESOURCES TO SUSTAIN TRADE FINANCE INTERVENTIONS

The year 2017 was an inflection year as it represents the bouncing back of the financial markets from low-level interest rates environment, reversing the trend upward. The fundamental interest rates including the Fed fund rate was increased twice, and LIBOR increased by almost one and half times. This increase was coupled with other market dynamics such as increase of crude oil prices. These dynamics put growing pressures on the markets and borrowers, increasing the cost of borrowing for both ITFC's clients and syndicate partners. That, in turn, increased demands on ITFC to mobilize additional resources to satisfy the rising financing volumes to cater for higher import bills of energy products as well as other commodities.

Despite the above challenges, during 2018, ITFC had been successful to mobilize a total of US$2,983 million from within IsDB Group and its Syndicate Partners in the market for funding 36 syndicated operations in favor of 15 Member Countries. The mobilized funds from the market represents 58% of the total trade financing provided by ITFC this year.

LEVERAGING LIQUID RESOURCES FOR SUSTAINABLE MARKET IMPACT

The year 2018 was important for ITFC in terms of liquidity management and investment of its liquid funds. During the year, ITFC started the implementation of its internal treasury management information system and building the infrastructure for establishing its own treasury dealing capacity. Building on the existing banking system platform used by other arms of the Corporation, ITFC will complement the ecosystem by having the treasury system that is expected to enable the Corporation to independently manage its liquidity, carry out treasury deals and investment transactions. At the same time, the move will help position itself strongly in the financial markets interacting and dealing with other financial institutions with autonomy. Going live with the internal treasury system will usher in a new beginning for ITFC in the area of liquidity management, building on the previous achievement made over the last decade in this area. This direction will further improve the financial sustainability and profitability of the Corporation.

Moreover, ITFC has revised and improved its liquidity management policy and practices, further strengthening the liquidity as one of the strong pillars for credit rating obtained last year and enhancing the confidence and perception of the partners and rating agencies on the financial soundness of the Corporation.

6

Optimizing Tools and Platforms to Enhance Organizational Excellence

ORGANIZATIONAL EFFICIENCY AND QUALITY ASSURANCE

In 2018, ITFC continued working on identifying digital partnerships and platforms that will help the Corporation to achieve organizational efficiency and excellence, which will bolster the implementation of its 10-year Strategy. In this regard, ITFC has successfully upgraded its core banking solutions for trade finance operations in partnership with Path Solutions, a global provider of technology support. A recent addition to this upgrade is an implementation of Treasury Modules to support its front and back office operations. ITFC has also started the implementation of "ISHRAQ" – a comprehensive digital solution designed to meet the growing demand for effective and efficient management and reporting of trade development activities.

BOLSTERING HUMAN CAPITAL TO EFFECTIVELY DELIVER ON ITFC MANDATE

As a result of ITFC restructuring process inspired by the Corporation's 10-year Strategy and the Business Process Re-engineering, staff were redeployed to the new structure and new roles assigned in accordance with their ability and motivation. In continuation of the ITFC transformation journey, the management pursued the aspiration of positioning the Corporation to be a performance-driven organization by taking into consideration the following key enablers:

Leadership

- Establish the practice of supporting newly assigned leaders for a world-class leadership development program
- Embark on High Potential Leaders/Experts Program designed to prepare a strong second line in ITFC to better address future leadership needs
- Institutionalize the Global Expert seminars for the leadership tier of ITFC

People

- Quality at entry level was highly boosted through implementation of a more rigorous technical and behavioral assessment as part of the recruitment and selection processes
- Transform the Learning and Development practice by introducing and implementing individual development plans and advocating self-learning for the staff
- Introduce and advocate a feedback-driven performance management practice

Processes and Culture

Updated policies, guidelines and procedures, which guide the process and formulate the infrastructure of the corporate culture, were introduced in the course of 2018 as follows: (I) Promotion Guidelines; (ii) Learning and Development Guidelines; (iii) Succession Management Guidelines; (iv) Working Hours Guidelines; (v) Recruitment and Selection Guidelines; and (vi) Performance Management Guidelines.

GOVERNANCE FRAMEWORK

General Assembly

The General Assembly (GA) 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

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

Audit Committee

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

Risk Management

ITFC has consistently put a strong emphasis on the implementation of best practices in risk management, internal controls and compliance. All ITFC's transactions and activities are carried out within a risk management framework comprised of policies, guidelines, systems, tools and practices designed to mitigate credit, market, operational, liquidity, currency and legal risks.

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

At Supervisory Level - Board of Directors and Audit Committee of the Board

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

At Management Level

The following committees supervise various aspects of risks of the Corporation. The Management Committee focuses on risk-related issues, pertaining to ITFC only. Operations Review Committee, Technical Committee, Credit Committee and Portfolio Assessment Committee take care of the issues related to credit risk. On the other hand, Assets Liabilities Committee (ALCO) focuses on the matters related to liquidity and market risk.

At Department Level - Functions of the Risk Management Department (RMD)

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

ITFC continued to put strong emphasis on sound corporate governance, underpinned by strong risk management and internal audit functions which are necessary for its long-term financial sustainability and the achievement of its development objectives in a volatile business environment.

In this respect, the Corporation has achieved significant milestones in building a robust governance as evidenced by the existing risk and internal controls infrastructure comprised of policies, systems, tools and practices designed to mitigate risks across the main clusters (credit, market and operational risks).

Over the past year, ITFC achieved major milestones such as the finalization or updating of critical risk management policies and working documents and the acquisition of Moody's risk analyst platform. ITFC, over the next three years, will continue to further strengthen risk management framework, with an emphasis on the risk culture by focusing on the following activities: (i) Enhanc the risk culture awareness; (ii) Foster risk-friendly processes and refine the organizational culture; (iii) Acquire new and improve existing tools for risk management; and (iv) Maintain and improve credit ratings and risk policies and working documents.

Internal Audit

ITFC governance enhancement initiatives for 2018 included the setting up of a dedicated Internal Audit function for ITFC in line with best practices. Significant progress has been made during 2018 towards establishing the new Internal Audit function regarding its positioning, people, processes, and technology as mentioned below:

- Development and approval of Internal Audit Charter by Board Audit Committee

- Independent positioning and line of reporting to the Board Audit Committee Chair
- Development of policies and procedures
- Implementation of Team Mate Audit system
- Hiring of people and consultants to execute the audits
- Transition of data and activities from IsDB. Prior to 2018, IsDB Group Internal Audit Department (IAD) provided audit oversight

The mandate of the newly established ITFC Internal Audit is to add value by assessing key risks and controls, identify any gaps, help remediate and enhance the overall control environment further. It will accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of controls and governance processes.

Internal Audit activities comply with the recently approved Internal Audit Charter and internationally recognized professional framework and standards set by the Institute of Internal Auditors (IIA). The Annual Internal Audit Plan development process employs a risk-based approach and is aligned with ITFC's strategy and objectives.

2018 was a transition year, during which IsDB Internal Audit Department continued with the planned audits while working closely with ITFC Internal Audit to transition the activities.

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2018 Audited Financial Statements

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
AT 31 DECEMBER 2018 (24 RABI' AL-THANI 1440H)

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying statement of financial position of The International Islamic Trade Finance Corporation ("the Corporation"), as of 31 December 2018 and the related statements of income, changes in members' equity and cash flows for the year then ended. These financial statements and the Corporation undertaking to operate in accordance with Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2018, and the results of its operations and its cash flows for the year then ended, in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group and the accounting standards of AAOIFI.

For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

26 Jumada al-Alkhirah 1440H
3 March 2019

Jeddah

18/28/MNA

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018 (CORRESPONDING TO 24 RABI' AL-THANI 1440H)

	Notes	***2018*** ***US $'000***	*2017* *US $'000*
ASSETS			
Cash and cash equivalents	4	**191,526**	137,523
Commodity placements through banks	5	**208,300**	96,400
Trade Murabaha financing, net	6 (a)	**566,394**	632,999
Investments in Sukuk	8	**52,232**	61,912
Due from related parties	12 (b)	**797**	2,839
Accrued income and other assets	9	**8,480**	7,088
Fixed assets	10	**881**	692
TOTAL ASSETS		**1,028,610**	939,453
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Due to related parties	12 (c)	**989**	2,230
Accruals and other liabilities	11	**52,867**	22,868
Wakala financing	13	**26,569**	-
Pension and medical obligation	14 (a)	**11,730**	10,039
TOTAL LIABILITIES		**92,155**	35,137
MEMBERS' EQUITY			
Paid-up capital	15	**742,087**	734,978
General reserve	17	**204,948**	176,610
Actuarial deficit on pension and medical obligation	14 (g)	**(7,831)**	(7,272)
Revaluation reserve of sukuk held at fair value through equity	8 (b)	**(2,749)**	-
TOTAL MEMBERS' EQUITY		**936,455**	904,316
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,028,610**	939,453

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (CORRESPONDING TO 24 RABI' AL-THANI 1440H)

	Notes	*31 December 2018 US $'000*	*31 December 2017 US $'000*
INCOME FROM:			
Trade Murabaha financing		**27,718**	24,613
Mudarib share of profit		**12,184**	8,553
Implementation fees		**8,036**	4,784
LC issuance fees		**4,821**	3,003
Investment in Sukuk		**1,693**	1,807
Commodity placements		**2,843**	679
Other income/(loss)	22	**36**	(58)
		57,331	43,381
Muwakkil profit		**(144)**	-
NET INCOME BEFORE OPERATING EXPENSES		**57,187**	43,381
EXPENSES:			
Staff costs		**(19,636)**	(19,641)
Other administrative expenses	16	**(7,051)**	(6,161)
Depreciation	10	**(392)**	(722)
		(27,079)	(26,524)
Impairment of Trade Murabaha financing	7	**(1,770)**	(3,407)
Unrealized loss on revaluation of Sukuk	8 (a)	**-**	(227)
NET INCOME FOR THE YEAR		**28,338**	13,223

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CORRESPONDING TO 24 RABI' AL-THANI 1440H)

	Paid-up Capital US $'000	*General reserve US $'000*	*Actuarial deficit on pension and medical obligation US $'000*	*Revaluation reserve of Sukuk held at fair value through equity US $'000*	*Total members' equity US $'000*
Balance at 1 January 2017	730,681	163,387	(14,248)	-	879,820
Actuarial deficit in pension and medical plan	-	-	6,976	-	6,976
Capital contributed	4,297	-	-	-	4,297
Net income for the year transferred to general reserve	-	13,223	-	-	13,223
Balance at 1 January 2018	**734,978**	**176,610**	**(7,272)**	**-**	**904,316**
Actuarial surplus in pension and medical plan	-	-	(559)	-	(559)
Capital contributed	7,109	-	-	-	7,109
Revaluation reserve of Sukuk held at fair value through equity (Note 8 (b))	-	-	-	(2,749)	(2,749)
Net income for the year transferred to general reserve	-	28,338	-	-	28,338
Balance at 31 December 2018	**742,087**	**204,948**	**(7,831)**	**(2,749)**	**936,455**

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CORRESPONDING TO 24 RABI' AL-THANI 1440H)

	Notes	*31 December 2018 US $'000*	*31 December 2017 US $'000*
Cash Flows from Operations:			
Net income for the year		**28,338**	13,223
Adjustments for:			
Depreciation	10	**392**	722
Impairment of Trade Murabaha financing	7	**1,770**	3,407
Unrealized loss on revaluation of Sukuk	8 (a)	**-**	227
Loss on disposal of fixed assets		**4**	-
Service cost on pension and medical obligation	14 (b)	**2,900**	3,127
Realized loss/(gain) on disposal of Sukuk	8 (a)	**72**	(332)
Changes in operating assets and liabilities:			
Trade Murabaha financing		**64,835**	95,894
Accrued income and other assets		**(1,392)**	3,271
Due from / to related parties, net		**801**	(193)
Accruals and other liabilities		**29,999**	(3,792)
Pension and medical obligation paid		**(1,768)**	(1,490)
Net cash from operating activities		**125,951**	114,064
Cash Flows from Investing Activities:			
Investments in sukuk	8 (a)	**-**	(50,229)
Disposal of sukuk	8 (a)	**6,859**	41,807
Investments in commodity placements	5	**(1,221,806)**	(940,300)
Disposal of commodity placements	5	**1,109,906**	848,900
Purchase of fixed assets	10	**(602)**	(196)
Proceed from disposal of fixed assets		**17**	-
Net cash used in investing activities		**(105,626)**	(100,018)
Cash Flows from Financing Activities:			
Capital contribution		**7,109**	4,297
Wakala financing	13	**26,569**	-
Net cash from financing activities		**33,678**	4,297
Net change in cash and cash equivalents		**54,003**	18,343
Cash and cash equivalents at the beginning of year		**137,523**	119,180
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	4	**191,526**	137,523

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

1. INCORPORATION, ACTIVITIES AND OTHER

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

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

The Corporation carries out its business activities through the Bank's headquarters in Jeddah, Saudi Arabia. The financial statements of the Corporation are expressed in thousands of United States Dollars ("USD") and the financial year of the Corporation is Solar Hijri year.

The financial statements were authorized for issue by the Corporation's Board of Directors on 25 February 2019 (20 Jumada al-Alkhirah 1440H) for submission to members of General Assembly for the approval.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the Shari'ah rules and principles as determined by the Shari'ah Board of the Islamic Development Bank Group. For matters which are not covered by AAOIFI standards, the Corporation seeks guidance from the relevant standard issued or adopted by the International Accounting Standards Board ("IASB") and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB, provided they do not contradict the rules and principles of Shari'ah.

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

b) Critical accounting judgements and estimates

The preparation of financial statements in conformity with AAIOFI Financial Accounting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. Management is also required to exercise its judgements in the process of applying the Corporation's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

(i) *Going concern*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Critical accounting judgements and estimates (continued)

(ii) Impairment of Trade Murabaha financing

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

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

(iii) Useful lives of property and equipment

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

(iv) Pension and medical obligation

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

c) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date exchange rates are recognized in the statement of income except for unrealized gains and losses on investment in equity capital, if any, which are recorded in the fair value reserve account under members' equity.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate at the date of initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and other short term highly liquid investments and commodity placement through banks having an original maturity of three months or less at the date of placement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Commodity placements through banks

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

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

f) Trade Murabaha financing

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

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

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

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

g) Investments in Sukuk

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

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

h) Financial assets and liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of financial assets

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

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

Other financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at cost is calculated as the difference between the asset's carrying amount and its estimated fair value.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account and any excess loss is recognized in the statement of income. Subsequent recoveries of amounts previously written-off are credited to the statement of income. The impairment provision for investments at fair value through equity is recognized when the decrease in fair value below cost is significant or prolonged.

j) Fixed assets

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

Office and computer equipment	4 years
Motor vehicles	5 years

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

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

l) Revenue recognition

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

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

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

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

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

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

m) Offsetting

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

n) Zakat and income tax

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

o) Pension and medical obligation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Pension and medical obligation (continued)

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

p) Wakala financing

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

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

3. IDB GROUP SHARI'AH BOARD

The Corporation's business activities are subject to the supervision of the single Shari'ah Board of the IDB Group. The members of the single Shari'ah Board of the IDB Group have been appointed by IDB Board of Executive Directors through Resolution No. BED/20/10/432/(278)/125 for a renewable period of 3 years.
The Board of the Corporation through their resolution No. ITFC/BD/24/432(24)/5 delegated the authority to the President, IDB Group, to implement the aforesaid Resolution of the IDB BED, in ITFC.

The functions of the Board include the following:

i. To consider all that are referred to it of transactions and products introduced by the Corporation for use for the first time and rule on its conformity with the principles of the Shari'ah, and to lay down the basic principles for the drafting of related contracts and other documents.
ii. To give its opinion on the Shari'ah alternatives to conventional products which the Corporation intends to use, and to lay down the basic principles for the drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Corporation's experience in this regard.
iii. To respond to the questions, enquiries and explications referred to it by the Board of Directors or the Management of the Corporation.
iv. To contribute to the Corporation's program for enhancing the awareness of its Staff Members of Islamic Banking and to deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions.
v. To submit to the Board of Directors a comprehensive report showing the measure of the Corporation's commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

4. CASH AND CASH EQUIVALENTS

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

	2018	*2017*
	US $'000	*US $'000*
Cash at banks	**191,526**	137,523

5. COMMODITY PLACEMENTS THROUGH BANKS

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

	2018	*2017*
	US $'000	*US $'000*
Commodity placements	**208,300**	96,400

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

The movement in commodity placement through bank is as follows:

	2018	*2017*
	US $'000	*US $'000*
Balance at beginning of the reporting year	**96,400**	5,000
Additions	**1,221,806**	940,300
Redemption	**(1,109,906)**	(848,900)
Balance at end of the reporting year	**208,300**	96,400

6. TRADE MURABAHA FINANCING, NET

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

a) Total receivable relating to financing are as follows:

	2018	*2017*
	US $'000	*US $'000*
Net receivable under Murabaha financing (note 6 (b))	**539,717**	591,531
Net receivable from commodities under Murabaha (note 6 (c))	**26,677**	41,468
Trade Murabaha financing, net	**566,394**	632,999

6. TRADE MURABAHA FINANCING, NET (continued)

b) Receivable under Murabaha financing

	2018 *US $'000*	*2017* *US $'000*
Gross amounts receivable	**2,860,379**	2,967,725
Less: share of syndicate members	**(2,306,078)**	(2,294,286)
Less: unearned income	**(9,407)**	(13,350)
Total	**544,894**	660,089
Less: provision for impairment of Murabaha financing, (note 7)	-	(65,151)
General Provision	**(5,177)**	(3,407)
Net receivable under Murabaha financing	**539,717**	591,531

c) Commodities under Murabaha – structured trade finance

	2018 *US $'000*	*2017* *US $'000*
Gross amounts	**159,522**	189,059
Less: share of syndicate members	**(110,519)**	(125,265)
Total commodities under Murabaha	**49,003**	63,794
Less: Provision for impairment of Commodity under Murabaha (note 7)	**(22,326)**	(22,326)
Net receivable from commodities under Murabaha	**26,677**	41,468

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

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

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

7. PROVISION FOR IMPAIRMENT OF TRADE MURABAHA FINANCING

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

	2018 *US $'000*	*2017* *US $'000*
Balance at beginning of the year	**90,884**	87,477
Charge for the year	**1,770**	3,407
Write-off during the year	**(65,151)**	-
Balance at end of the year	**27,503**	90,884

No income has been accrued on the impaired trade Murabaha financing assets for the year ended 31 December 2018 (year ended 31 December 2017: Nil).

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

Included in trade Murabaha financing assets at end of 31 December 2018 is an amount of USD 2.3 million (31 December 2017: USD 0.52 million) that are past due at the reporting date for which the Corporation has not made provisions, as the amounts are still considered recoverable. The following is the aging of these past due amounts:

	2018 ***US $ Millions***	*2017* *US $ Millions*
Less than three months	**0.60**	-
Three months to twelve months	**1.70**	0.40
One year to five years	**-**	0.12

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

8. INVESTMENTS IN SUKUK

a) The movement in investments in Sukuk is summarized as follows:

	2018 ***US $'000***	*2017* *US $'000*
Balance at beginning of the reporting year	**61,912**	53,385
Investments during the year	**-**	50,229
Disposals during the year	**(6,859)**	(41,807)
Realized (loss)/gain on disposal	**(72)**	332
Unrealized loss on revaluation recognized in equity (see note below)	**(2,749)**	(227)
Balance at end of the reporting year	**52,232**	61,912

Investments in Sukuk at end 31 December 2018 and 31 December 2017 represent the Sukuk issued by various governments and certain other entities, which have been measured at fair value through statement of changes in members' equity.

b) In 2018, the Corporation adopted a new amendment in the standard of "investment in sukuk, shares and similar instruments "(FAS) 25, which allows the Corporation to reclassify the financial instruments based on a business model whose objective is achieved by collecting expected cash flows, selling the investment and having reasonably determinable effective yield. Therefore, the re-measurement result is recognized in the statement of changes in equity.

9. ACCRUED INCOME AND OTHER ASSETS

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

	2018 ***US $'000***	*2017* *US $'000*
Accrued income on investments in Sukuk	**599**	619
Accrued income from commodity placements	**567**	255
Housing and annual loans to staff	**5,330**	5,713
Housing and other advances to staff	**1,478**	316
Advance payments made to local vendors	**151**	-
Other receivables	**355**	185
Total	**8,480**	7,088

10. FIXED ASSETS

Fixed assets at end of reporting period comprised the following:

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

	Motor vehicles	*Office and computer equipment*	*Total*
	US $'000	*US $'000*	*US $'000*
Cost:			
At 1 January 2017	76	3,639	3,715
Additions	-	196	196
At 31 December 2017	76	3,835	3,911
Less: Accumulated depreciation:			
At 1 January 2017	31	2,466	2,497
Charge for the year	18	704	722
At 31 December 2017	49	3,170	3,219
Net book value:			
At 31 December 2017	27	665	692

11. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 31 December comprised the following:

	2018	2017
	US $'000	US $'000
Earnings not approved by Shari'ah Board (see note 19)	**11,610**	10,923
Accrued and other expenses	**1,854**	707
Staff related provisions	**1,228**	886
Other creditors	**718**	744
Payable to customers	**1,720**	8,003
Programs payable	**-**	1,605
Due to participants	**35,737**	-
Total	**52,867**	22,868

12. RELATED PARTY BALANCES

Related parties represent Board of Governors, directors and key management personnel of the Corporation, and affiliate entities of IDB Group. In the ordinary course of its activities, the Corporation receives funding from IDB and executes business transactions with related parties. The terms of the funding that is provided by IDB and the transactions that are executed with related parties are approved by the Corporation's management and subject to current IDB rules, regulations and guidelines.

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

	2018	2017
	US $'000	US $'000
Mudarib's share of profit from affiliate	**2,742**	2,986
Share of Trade Murabaha income to affiliate members	**15,643**	12,916

(b) Due from related parties

	2018	2017
	US $'000	US $'000
IDB Special Account Resource Waqf fund	**797**	2,068
Islamic Solidarity Fund for Development (ISFD)	**-**	268
IDB Pension fund	**-**	503
	797	2,839

(c) Due to related parties

	2018	2017
	US $'000	US $'000
IDB – Ordinary Capital Resources	**581**	2,114
IDB Medical Pension Fund	**-**	8
IDB Pension Fund	**178**	-
IDB – ICIEC	**1**	-
Islamic Solidarity Fund for Development (ISFD)	**109**	-
Islamic Corporation for the Development of the Private Sector	**120**	108
	989	2,230

12. RELATED PARTY BALANCES (continued)

(i) The balances due from / to related parties are commission free and have no fixed repayment terms.

(ii) According to the IDB's Board of Executive Directors' resolution number BED/27/12/428(249)/157, dated 6 January 2008 (27 Dhul Hijja 1428H), the Board resolved to allocate USD 1 billion of IDB OCR resources for the Corporation, wherein the Corporation will act as Mudarib under a mudaraba agreement dated 18 March 2008 (10 Rabi al Awal 1429H).

(iii) The Corporation earns mudarib's Share of profit from IDB group entities based on its agreed share of profit related to trade Murabaha financing transactions.

(d) Key management compensation

The compensation to key management is as follows:

	2018 *US $'000*	*2017* *US $'000*
Salaries and other benefits	**486**	459

13. WAKALA FINANCING

	2018 *US $'000*	*2017* *US $'000*
Wakala financing	**26,569**	-

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

14. PENSION AND MEDICAL OBLIGATION

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

	SRPP	*SRMP*	*Total*	*Total*
	31 December 2018	*31 December 2018*	*31 December 2018*	*31 December 2017*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Allocation of Pension Assets	**33,819**	**1,429**	**35,248**	32,957
Adjustment on fair value at beginning of the year	**(590)**	**(2)**	**(592)**	203
Income on Plan Assets	**1,236**	**55**	**1,291**	1,392
Return on Plan Assets less than discount rate	**(4,404)**	**2**	**(4,402)**	616
Plan participations contribution	**646**	**36**	**682**	1,530
Employer contribution	**1,511**	**72**	**1,583**	759
Disbursements from Plan Assets	**(1,840)**	**(61)**	**(1,901)**	(2,209)
Fair value of plan assets at 31 December	**30,378**	**1,531**	**31,909**	35,248

14. PENSION AND MEDICAL OBLIGATION (continued)

	SRPP	*SRMP*	*Total*	*Total*
	31 December 2018	*31 December 2018*	*31 December 2018*	*31 December 2017*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Allocation of DBO	**42,121**	**3,160**	**45,281**	48,335
Current Service costs	**2,138**	**190**	**2,328**	2,434
Cost on Defined Benefit Obligation (DBO)	**1,730**	**133**	**1,863**	2,084
Plan participations contributions	**646**	**36**	**682**	759
Disbursements from Plan Assets	**(1,840)**	**(62)**	**(1,902)**	(2,209)
Adjustment during the year	-	-	-	5
Net actuarial Gain	**(4,111)**	**(502)**	**(4,613)**	(6,121)
Benefit obligation at 31 December	**40,684**	**2,955**	**43,639**	45,287
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	**10,306**	**1,424**	**11,730**	10,039

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

(b) Based on the actuarial valuations, the pension and medical benefit expenses for the year 2018 comprised the following:

	SRPP	*SRMP*	*Total*	*Total*
	31 December 2018	*31 December 2018*	*31 December 2018*	*31 December 2017*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Gross current service costs	**2,138**	**190**	**2,328**	2,434
Cost on DBO	**1,730**	**133**	**1,863**	2,084
Income on assets	**(1,236)**	**(55)**	**(1,291)**	(1,391)
Cost recognized in statement of income	**2,632**	**268**	**2,900**	3,127
Actuarial gain due to change in assumptions	**(4,111)**	**(502)**	**(4,613)**	(6,121)
Return on plan assets greater than discount rate	**4,404**	**(2)**	**4,402**	(616)
Adjusted asset value reflecting post close amendments	**590**	**180**	**770**	(239)
Cost recognized in statement of changes of equity	**883**	**(324)**	**559**	(6,976)

(c) Principal assumptions used in the actuarial valuations dated 31 December 2018 and extended as at end of the reporting period are as follows:

	SRPP	*SRMP*	*SRPP*	*SRMP*
	2018	*2018*	*2017*	*2017*
Discount rate	**4.5%**	**4.5%**	4.0%	4.0%
Rate of expected salary increase	**4.5%**	**4.5%**	4.5%	4.5%

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

14. PENSION AND MEDICAL OBLIGATION (continued)

The following table presents the plan assets by major category:

	SRPP	*SRMP*	*Total*	*Total*
	2018	*2018*	*2018*	*2017*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Cash and cash equivalent and commodity placements	**10,167**	**676**	**10,843**	4,972
Syndicated Murabaha	-	-	-	264
Managed funds and instalment sales	**5,212**	**847**	**6,059**	7,579
Investments in Sukuk	**11,592**	-	**11,592**	18,760
Land	**3,565**	**8**	**3,573**	3,801
Other (net)	**(158)**	-	**(158)**	(128)
Plan assets	**30,378**	**1,531**	**31,909**	35,428

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

	2019	*2018*	*2017*
	US $'000	*US $'000*	*US $'000*
Present value of defined benefit obligation	(43,276)	(40,684)	(42,126)
Fair value of plan assets	32,218	30,378	33,819
Plan deficit	(11,058)	(10,306)	(8,307)

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

	2019	*2018*	*2017*
	US $'000	*US $'000*	*US $'000*
Present value of defined benefit obligation	(3,209)	(2,955)	(3,161)
Fair value of plan assets	1,652	1,531	1,429
Plan deficit	(1,557)	(1,424)	(1,732)

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

	SRPP 2018	*SRMP 2018*	*2018 Total*	*2017 Total*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Movements during the year	1,826	(135)	**1,691**	5,339
Balance at 31 December	**1,826**	**(135)**	**1,691**	5,339

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

	SRPP 2018	*SRMP 2018*	*2018 Total*	*2017 Total*
	US $'000	*US $'000*	*US $'000*	*US $'000*
Balance at 1 January	6,020	1,252	7,272	14,248
Movements during the year	288	(499)	(211)	(6,737)
Actuarial adjustment	590	180	770	(239)
Balance at 31 December	**6,898**	**933**	**7,831**	7,272

15. PAID-UP CAPITAL

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

	2018	*2017*
	US $'000	*US $'000*
Subscribed capital	**856,190**	856,190
Subscribed not yet called	**(33,753)**	(39,590)
Called-up share capital (Par Value)	**822,437**	816,600
Installment due	**(86,420)**	(86,369)
Paid-up Capital (Par Value)	**736,017**	730,231
Subscribed premium	**34,295**	31,015
Subscribed premium not yet called	**(7,932)**	(8,342)
	26,363	22,673
Installment due premium	**(20,293)**	(17,926)
Paid-up Capital (premium)	**6,070**	4,747
Paid-up Capital (Par Value Plus Premium)	**742,087**	734,978

16. OTHER ADMINISTRATIVE EXPENSES

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

	2018	*2017*
	US $'000	*US $'000*
Consultancy and marketing	**1,828**	2,065
Office rent	**1,497**	1,241
Communication and membership	**786**	616
Travel expenses	**1,150**	791
Support services	**921**	742
Meeting expenses	**548**	451
Other	**321**	255
Total	**7,051**	6,161

17. GENERAL RESERVE

In accordance with chapter 1 of Article 27 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to the general reserve, when approved by the Board of Directors, until this reserve equals 25% of the Corporation's subscribed capital. Any excess of the net income over the above limit is available for distribution to member countries.

18. UNDISBURSED COMMITMENTS

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

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

18. UNDISBURSED COMMITMENTS (continued)

Undisbursed commitments comprised the following:

	2018 *US $'000*	*2017* *US $'000*
Trade Murabaha financing	**188,145**	156,320

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

The accumulated earnings realized from transactions which are advised by the management and not approved by Shari'ah Board are included in accruals and other liabilities amounting to USD 11.6 million as of 31 December 2018 (31 December 2017: USD 10.9 million).

20. MATURITY PROFILE

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

2018	*Maturity period determined*					
	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Maturity period not determined*	*Total*
	US $'000	*US $'000*	*US $'000*	*US $'000*	*US $'000*	*US $'000*
Assets						
Cash and cash equivalents	**191,526**	-	-	-	-	**191,526**
Commodity placements	**208,300**	-	-	-	-	**208,300**
Trade Murabaha financing	**193,333**	**373,061**	-	-	-	**566,394**
Investments in sukuk	-	-	**24,444**	**27,788**	-	**52,232**
Due from related parties	**797**	-	-	-	-	**797**
Total financial assets	**593,956**	**373,061**	**24,444**	**27,788**	-	**1,019,249**
Liabilities						
Due to related parties	**989**	-	-	-	-	**989**
Customer advances	**1,720**	-	-	-	-	**1,720**
Total financial liabilities	**2,709**	-	-	-	-	**2,709**
Undisbursed commitments (note 18)	-	-	-	-	-	**188,145**

20. MATURITY PROFILE (continued)

2017	*Maturity period determined*					
	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Maturity period not determined*	*Total*
	US $'000	*US $'000*	*US $'000*	*US $'000*	*US $'000*	*US $'000*
Assets						
Cash and cash equivalents	137,523	-	-	-	-	137,523
Commodity placements	96,400	-	-	-	-	96,400
Trade Murabaha financing	180,070	452,929	-	-	-	632,999
Investments in sukuk	-	-	31,823	30,089	-	61,912
Due from related parties	2,839	-	-	-	-	2,839
Total financial assets	416,832	452,929	31,823	30,089	-	931,673
Liabilities						
Due to related parties	2,230	-	-	-	-	2,230
Customer advances	8,003	-	-	-	-	8,003
Total financial liabilities	10,233	-	-	-	-	10,233
Undisbursed commitments (note 18)	-	-	-	-	-	156,320

21. NET ASSETS IN FOREIGN CURRENCIES

	2018	*2017*
	US $'000	*US $'000*
Saudi Riyal	**993**	2,510
Euro	**535**	-

22. OTHER INCOME

	2018	*2017*
	US $'000	*US $'000*
Loss on disposal of fixed assets	**(4)**	-
Miscellaneous income	**40**	(58)
Total	**36**	(58)

23. CONCENTRATION OF FINANCIAL ASSETS

The geographical distribution of financial assets are as follows:

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

23. CONCENTRATION OF FINANCIAL ASSETS (continued)

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

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

24. RISK MANAGEMENT

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

a) Credit risk

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

For all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of commodity placements, trade Murabaha financing and investments in sukuk which are mainly covered by sovereign guarantees and commercial banks guarantees acceptable to the Corporation, in accordance with specific eligibility criteria and credit risk assessments. Trade Murabaha financing is covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from Corporations whose ratings are acceptable to the Corporation per its policies. The Corporation benefits from preferred creditor status on Trade Murabaha financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses.

Credit risk includes potential losses arising from a counterparty's (i.e., countries and banks/financial institutions, customers, etc.) inability or unwillingness to service its obligation to the Corporation. In this respect, the Corporation has developed and put in place comprehensive credit policies and guidelines as a part of overall credit risk management framework to provide clear guidance on various types of financing.

These policies are clearly communicated within the Corporation with a view to maintain overall credit risk appetite and profile within the parameters set by Management. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review / monitoring functions are performed independently by the RMO, which endeavors to ensure that business lines comply with risk parameters established by the Board of Directors ("BOD") and Management.

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

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

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

24. RISK MANAGEMENT (continued)

b) Market risks

The Corporation is exposed to following market risks:

i) Currency risk
Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Corporation does not hedge its currency exposure by means of hedging instruments. The Corporation monitors the composition of its assets and liabilities and adjusts balances regularly to limit its exposure to fluctuations in foreign exchange rates. A significant portion of the Corporation's financing operations are USD-denominated, the same currency in which the Corporation resources - i.e., equity are denominated. Financing in other than the functional currency are funded through external partners. The Corporation does not trade in currencies.

ii) Liquidity risk
Liquidity risk is the risk that the Corporation will be unable to meet its net funding requirements. To guard against this risk, the Corporation adopts a conservative approach by maintaining high liquidity levels through investment in cash, cash equivalents, commodity placements and trade Murabaha financing with short-term maturity of three to twelve months. The liquidity profile of the Corporation's assets and liabilities has been presented in note 20.

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

The sensitivity analysis has been determined based on the exposure to profit rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50-basis point change is used when reporting profit rate risk internally to key management personnel and represents management's assessment of the possible change in profit rates.

At reporting date, if profit rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net income for the year and the Members Equity at period end would not be changed significantly.

c) Fair values of financial assets and liabilities

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

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

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

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

	Level 1 *US $'000*	*Level 2* *US $'000*	*Level 3* *US $'000*
For the year ended 31 December 2018			
Commodity placement through bank	**208,300**	-	-
Investments in Sukuk	**52,232**	-	-
For the year ended 31 December 2017			
Commodity placement through bank	96,400	-	-
Investments in Sukuk	61,912	-	-

There were no transfers between the levels during the year (2017: same).

25. SEGMENT INFORMATION

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

8

Appendices

Appendix 1

Corporate Profile of the Islamic Development Bank

Establishment

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

Vision

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

Mission

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

Membership

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

Capital

At its 38th Annual Meeting, the IsDB's Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 2018, the subscribed capital of the IDB stood at ID50.2 billion.

Islamic Development Bank Group

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

Head Office, Regional and Country Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IDB has eleven regional hubs[7] in Abuja, Nigeria; Almaty, Kazakhstan; Ankara, Turkey; Cairo, Egypt; Dakar, Senegal; Dhaka, Bangladesh; Dubai, United Arab Emirates; Jakarta, Indonesia; Kampala, Uganda; Paramaribo, Suriname; and Rabat, Morocco.

Financial Year

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

Accounting Unit

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

Language

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

[7] These new hubs were created as part of the reorganization of the Bank and took effect from 1 January 2018.

Islamic Research and Training Institute (IRTI)

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

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

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

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

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

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

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

Appendix 2

Shareholders Information

Subscribed, Called-up, and Paid-up Capital , As of 31/12/2018 - (Sorted by Paid-up)

Number of Shares

Sr. No.	Member	Subscribed	Percent of Subscribed	Called-up	Percent of Called-up	Paid-up	Percent of Paid-up
1	Islamic Development Bank	26,637	31.111%	26,637	32.388%	26,637	36.191%
2	Saudi Arabia	14,557	17.002%	12,000	14.591%	12,000	16.304%
3	Saudi Fund for Development, Saudi Arabia	6,065	7.084%	5,710	6.943%	5,710	7.758%
4	Kuwait	4,821	5.631%	4,821	5.862%	4,821	6.550%
5	Republic of Turkey	3,536	4.130%	3,122	3.796%	3,122	4.242%
6	Public Investments Fund, Saudi Arabia	3,000	3.504%	3,000	3.648%	3,000	4.076%
7	Malaysia	2,898	3.385%	2,898	3.524%	2,898	3.937%
8	Export Development Bank, Iran	2,500	2.920%	2,500	3.040%	2,486	3.377%
9	Egypt	1,513	1.767%	1,513	1.840%	1,513	2.056%
10	Nigeria	1,000	1.168%	1,000	1.216%	1,000	1.359%
11	Qatar	1,000	1.168%	1,000	1.216%	1,000	1.359%
12	Iraq	850	0.993%	850	1.034%	850	1.155%
13	Pakistan	843	0.985%	843	1.025%	843	1.145%
14	Albaraka Islamic Bank, Bahrain	818	0.955%	818	0.995%	818	1.111%
15	Faisal Islamic Bank of Egypt, Egypt	718	0.839%	718	0.873%	718	0.976%
16	Algeria	608	0.710%	608	0.739%	608	0.826%
17	Brunei Darussalam	582	0.680%	582	0.708%	582	0.791%
18	Tunisia	560	0.654%	560	0.681%	560	0.761%
19	Morocco	510	0.596%	510	0.620%	510	0.693%
20	Bank Mellat, Iran	500	0.584%	500	0.608%	500	0.679%
21	Indonesia	206	0.241%	206	0.250%	206	0.280%
22	Bangladesh	202	0.236%	202	0.246%	202	0.274%
23	Iran	8,692	10.152%	8,692	10.569%	192	0.261%
24	Bahrain	185	0.216%	185	0.225%	185	0.251%
25	Syria	185	0.216%	185	0.225%	185	0.251%
26	Palestine	184	0.215%	184	0.224%	184	0.250%
27	UAE	184	0.215%	184	0.224%	184	0.250%
28	Albaraka Investment Company, London	161	0.188%	161	0.196%	161	0.219%
29	Libya	139	0.162%	139	0.169%	139	0.189%
30	Jordan	130	0.152%	130	0.158%	130	0.177%
31	Jordan Islamic Bank	118	0.138%	118	0.143%	118	0.160%
32	Bank Keshavarzi, Iran	100	0.117%	100	0.122%	100	0.136%
33	EN Bank, Iran	100	0.117%	100	0.122%	100	0.136%
34	Bank Melli, Iran	100	0.117%	100	0.122%	100	0.136%
35	Bank of Industry and Mine, Iran	100	0.117%	100	0.122%	100	0.136%
36	Yemen	100	0.117%	100	0.122%	99	0.135%
37	Sudan	93	0.109%	77	0.094%	77	0.105%
38	Burkina Faso	75	0.088%	75	0.091%	75	0.102%
39	Cote D'Ivoire	85	0.099%	85	0.103%	75	0.102%
40	Somalia	72	0.084%	72	0.088%	72	0.098%
41	Albaraka Turk Katilim Bankasi A.S.	69	0.081%	69	0.084%	69	0.094%
42	Lebanon	61	0.071%	61	0.074%	61	0.083%
43	Mozambique	60	0.070%	60	0.073%	60	0.082%
44	Bank Al baraka, Tunis	53	0.062%	53	0.064%	53	0.072%
45	Azerbaijan	50	0.058%	50	0.061%	50	0.068%
46	Bank Tejarat, Iran	50	0.058%	50	0.061%	50	0.068%
47	Benin	50	0.058%	50	0.061%	50	0.068%
48	Djibouti	50	0.058%	50	0.061%	50	0.068%
49	Gambia	50	0.058%	50	0.061%	50	0.068%
50	Uganda	49	0.057%	49	0.060%	49	0.067%
51	Senegal	48	0.056%	48	0.058%	48	0.065%
52	Mauritania	100	0.117%	100	0.122%	33	0.045%
53	Nile Bank for Commerce & Dev. - Sudan	26	0.030%	26	0.032%	26	0.035%
54	Sudanese Islamic Bank, Sudan	26	0.030%	26	0.032%	26	0.035%
55	Tadamon Islamic Bank, Sudan	26	0.030%	26	0.032%	26	0.035%
56	Gabon	22	0.026%	22	0.027%	22	0.030%
57	Suriname	50	0.058%	16.67	0.020%	17	0.023%
58	Cameroon	2	0.002%	2	0.002%	2	0.003%
59	Niger	50	0.058%	50	0.061%	-	0.000%
Sub Total		85,619	100%	82,244	100%	73,602	100%

Appendix 3

2008 - 2018 Trade Finance Approvals for LDMCs

S. No	Country	No of Operations	Amount (US$ Mil)
1	Bangladesh	90	12,824.00
2	Benin	3	75.00
3	Burkina Faso	16	927.05
4	Chad	1	5.40
5	Comoros	7	122.00
6	Djibouti	16	550.00
7	Gambia	30	437.00
8	Mali	8	229.60
9	Mauritania	15	546.27
10	Mozambique	2	20.00
11	Niger	3	45.00
12	Palestine	1	1.00
13	Senegal	6	321.55
14	Sierra Leone	2	15.00
15	Sudan	4	126.10
16	Togo	9	218.40
Total Approvals for LDMCs		**213**	**16,463.37**
ITFC Total Approvals		**603**	**45,458.82**
%		**35%**	**36%**

Appendix 4

2018 Approvals by Sector (US$ Mil.)

Energy	Agriculture	Financial	Other	Grand Total
3,496.00	749.60	635.80	319.50	5,200

Appendix 5

2018 Trade Finance Approvals by Commodity

Commodity	Grains & Oilseeds	Cotton	Sugar	Other Foodstuff	Petroleum	Pharma-ceuticals	Fertilizers	Other Chemicals	Machinery & Equipment	Other
No. of Operations	3	1	2	5	39	1	1	3	3	12
Amount (US$ Mln)	140	120	310	62	3,496	156	117	105	38	656.30
Percentage (%)	2.69	2.31	5.96	1.19	67.22	3.00	2.26	2.02	0.73	12.62

TOTAL	70 Operation	5,200 (US$ Mil)

Appendix 6

Credit Rating & Awards

MOODY'S

A1 by Moody's

Moody's Investors Service | Rating Action

Moody's reaffirms the rating of A1 with stable outlook to the International Islamic Trade Finance Corporation - ITFC

Global Credit Research - 09 November 2018.

IIRA RATING

الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

Islamic International Rating Agency (IIRA) has assigned the international scale ratings of 'AA- / A1 to ITFC with 'Stable' outlook.

IFN AWARD

IFN Awards
DEALS OF THE YEAR
2018

Trade Finance Deal of the Year US$9 million trade financing line for Uzbek SMEs

GIFA AWARD

GIFA
GLOBAL ISLAMIC FINANCE AWARDS

The "Best Islamic Trade Finance Institution 2018" by Global Islamic Finance Awards (GIFA)

10 years
in advancing trade,
and improving lives.

ITFC'S 10 YEAR CELEBRATION TUNIS

APRIL-2018

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ISLAMIC DEVELOPMENT BANK GROUP

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