



NAVIGATING CHANGE, DRIVING IMPACT

ITFC'S GLOBAL TRADE JOURNEY

Annual Report - 2023



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ABSTRACT

ITFC has proven resilience, effectively supporting its Member Countries and demonstrating adaptability to the shifting global dynamics.

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Introduction



Board of Directors' Letter 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 am honored to present to the esteemed Members of the General Assembly, on behalf of ITFC's Board of Directors, the organization's 2023 Annual Report. The report highlights ITFC's activities, achievements and audited financial statements for the year ending 31 of December 2023.

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

Yours Sincerely,

A handwritten signature in blue ink, appearing to be 'Dr. Muhammad Al Jasser'. The signature is fluid and stylized, with a large loop at the end.

Dr. Muhammad Al Jasser
Chairman, Board of Directors



Message from the Chief Executive Officer

In the name of Allah, the Most Gracious and Merciful

In the face of extraordinary challenges over the past two years, Member Countries (Member Countries) within the Organization of Islamic Cooperation (OIC) have grappled with a multitude of issues, spanning from an uneven recovery from global crises to shortages of commodities due to geopolitical conflicts. Throughout this period of uncertainty, the International Islamic Trade Finance Corporation (ITFC) has effectively supported Member Countries, demonstrating resilience and adaptability to the ever-shifting global dynamics.

I am pleased to present this Annual Report, which highlights the year's major accomplishments, starting with the significant trade financing approvals achieved through successful syndications and the rising demand from Member Countries. Total trade finance approvals amounted to almost US\$ 7 billion, with disbursements reaching a total of US\$ 6 billion in 2023.

ITFC focused on diversifying its trade finance portfolio to cover a range of strategic sectors. Approvals outside the oil and gas sector reached US\$ 3.2 billion, constituting 46% of the total trade finance portfolio—an increase from 42% in 2022. These sectors included agriculture and the private sector, in addition to oil and gas. Intra-OIC Trade approvals amounted to US\$ 4.6 billion, representing 66.4% of total approvals. Financing extended to Least Developed Countries (LDCs) also showed growth, reaching US\$ 3 billion, accounting for 44% of approvals, compared to US\$ 2.5 billion in 2022. ITFC also continued to expand its presence in the private sector, with total private sector approvals reaching US\$ 905 million in 2023, up from US\$ 757 million in 2022.

In the area of trade development, the Corporation continued to successfully collaborate with its regional and international partners in extending its services, technical assistance, and capacity-building activities through the implementation of flagship programs and targeted interventions. These Programs include the Arab Africa Trade Bridges (AATB) Program, Aid for Trade Initiative for Arab States (AFTIAS 2.0), Trade Connect Central Asia + (TCCA+), and ITFC SMEs Program, aimed at promoting regional economic cooperation and intra-trade in Africa, Arab and Central Asia regions, focusing on women's' empowerment and facilitating SMEs development in Member Countries.

Aligned with the IsDB Group Action Plan to address food insecurity challenges facing Member Countries, ITFC made an ambitious commitment of US\$ 4.5 billion towards the IsDB Group's US\$ 10.5 billion Food Security Response Program (FSRP) for 3.5 years (July 2022-December 2025).

By the end of 2023, FSRP approvals reached US\$ 3 billion, exceeding the target of US\$ 1.7 billion, and with disbursements standing at US\$ 2.3 billion. ITFC's financing under FSRP is projected to benefit 44 million people and almost 550,000 farmers.

The year 2023 also witnessed new areas of collaboration related to sustainability and climate. ITFC was the only multilateral development bank (MDB) to have participated in the world's largest-ever voluntary carbon credit auction in an effort to offset the Corporation's carbon footprint.

As a testament to ITFC's financial robustness and sustainability practices, Moody's Investors Service ("Moody's") reaffirmed the corporation's A1 long-term issuer rating. ITFC also continued to top Bloomberg's 2023 Global Islamic Syndication Financing League Tables as Leading Bookrunner and Mandated Lead Arranger. These noteworthy accomplishments underscore ITFC's multifaceted commitment to sustainability, financial resilience, and leadership in the global financial markets.

I would like to express my sincere thanks and appreciation to the Chairman and the Esteemed Members of the Board of Directors for their support and guidance. I would also like to thank all ITFC staff members for their dedication and service to the organization. Together, we will continue to move the Corporation towards greater achievements and become the leading provider of trade solutions for OIC Member Countries.



Eng. Hani Salem Sonbol
Chief Executive Officer

Total trade finance approvals
amounted to almost
US\$ 7 billion

Intra-OIC Trade approvals
amounted to
US\$ 4.6 billion

ITFC made an ambitious
commitment of
US\$ 4.5 billion
towards the IsDB Group's US\$
10.5 billion Food Security
Response Program (FSRP)





Hon. Dr. Muhammad Al Jasser
Chairman, Board of Directors

Board of Directors



Hon. Dr. Hamad Bin Suleiman Al Bazai
IsDB



Hon. Saad Mohammed Al-Rashidi
IsDB



Hon. Abdullah Alsakran
Saudi Arabia



Hon. Faisal Alsharif
Group D



Hon. Malick Ba
Group A



Hon. Kamal Nasr Hammad
Group B



H.E. Zekeriya Kaya
Group B



Hon. Mohamadou Lawal
Group C



Hon. Abd Elhamid Abou Mousa
Group D



Management Team

Eng. Hani Salem Sonbol
Chief Executive Officer



M. Nazeem Noordali
Chief Operating Officer,
Trade Solutions Complex



Ibrahima Sory Soumah
Chief Risk Officer, Risk Legal
and Compliance



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



Mohammad Hafiz Emrith
General Manager, Strategy and
Organization Performance



Najeeb Rana
General Manager, Internal Audit



Ahmad Jafar Sabbagh
General Manager, Digital &
Operational Excellence



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



Ahmed M. Yousef Jan
General Manager, Treasury



Abdihamid Aweis Abu
General Manager, Trade Finance



Rana Hassan Fatani
General Manager, Human Resources



Saif Zawaneh
General Manager, Credit & Structuring

Financial and Operational Highlights – 2008-2023

AUTHORIZED CAPITAL

**US\$4
BILLION**

SUBSCRIBED CAPITAL

**US\$858.7
MILLION**

PAID- UP CAPITAL (PAR VALUE)

**US\$746.5
MILLION**

CUMULATIVE TRADE
FINANCE APPROVALS
SINCE 2008

**US\$75.4
BILLION**

CUMULATIVE
DISBURSEMENTS
(2008-2023)

**US\$63.5
BILLION**

TRADE FINANCE
APPROVALS FOR
2023

**US\$6.9
BILLION**

TRADE FINANCE
DISBURSEMENTS
FOR 2023

**US\$6
BILLION**

TRADE FINANCE APPROVALS FOR 2023 BY SECTOR



ENERGY

**US\$4
BILLION**



FOOD & AGRICULTURE

**US\$2.2
BILLION**



FINANCIAL

**US\$935
MILLION**

CUMULATIVE TRADE
FINANCE APPROVALS BY
SECTOR (2008-2023)

FOOD AND AGRICULTURE
ASIA & THE MIDDLE EAST

**US\$7.4
BILLION**

AFRICA

**US\$3.4
BILLION**

ENERGY

ASIA & MIDDLE EAST

**US\$35
BILLION**

AFRICA

**US\$10.9
BILLION**



PRIVATE SECTOR
APPROVALS FOR 2023

**US\$905
MILLION**

INTRA-OIC TRADE
SUPPORT FOR 2023

**US\$4.59
BILLION**

22

NUMBER OF MEMBER
COUNTRIES SERVED - 2023

123

NUMBER OF
OPERATIONS IN 2023

CUMULATIVE TRADE FINANCE APPROVALS BY REGION (2008-2023)



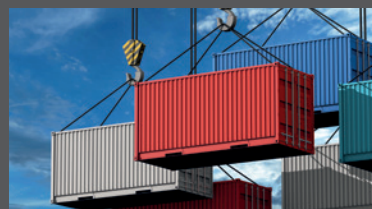
ASIA & MIDDLE EAST

US\$55.9 BILLION

AFRICA

US\$19.4 BILLION

TRADE FINANCE APPROVALS FOR 2023 BY REGION



ASIA & MIDDLE EAST

US\$4.8 BILLION

AFRICA

US\$2 BILLION



44%

LEAST DEVELOPED
MEMBER COUNTRIES
PORTFOLIO SHARE
IN 2023



CHAPTER 01



**ITFC's Year in Global
Trade and Development**

2023 Key Milestones

Within the scope of Strategy 2.0, ITFC enhanced its efforts in diversifying its trade finance portfolio by expanding its Agriculture/Food Security and Private Sector operations, as well as adding new sectors and new Member Countries.



ITFC TRADE FINANCE
APPROVALS AMOUNTED TO
**US\$6.9
BILLION**
COVERING 123 OPERATIONS
IN 22 COUNTRIES.



INTRA-OIC TRADE FINANCE
APPROVALS AMOUNTED TO
**US\$4.59
BILLION**



ITFC CONTINUED TO ENGAGE
IN HIGH LEVEL MEETINGS
WITH GOVERNORS TO
STRENGTHEN ITS SUPPORT,
IN LINE WITH MEMBER
COUNTRIES MEMBER
COUNTRIES NEEDS DURING
SUCH CHALLENGING TIMES.



LDMC SHARE OF THE
TRADE FINANCE
PORTFOLIO EQUALED TO
44%



APPROVALS FOR AGRICULTURE AND
FOOD SECURITY AND PRIVATE SECTOR
REACHED 46% OF TOTAL PORTFOLIO
**US\$3.2
BILLION**

Country Programs and Annual Financing Plans were signed with 10 countries as follows:



EGYPT
US\$ 1.5 BILLION
(ANNUAL FINANCING PLAN)



SENEGAL
EURO€ 400 MILLION
(ANNUAL PLAN)



BANGLADESH
US\$ 1.4 BILLION
(ANNUAL FINANCING PLAN)



TAJKISTAN
US\$ 100 MILLION
(FRAMEWORK AGREEMENT)



NIGERIA
US\$ 1 BILLION
(FRAMEWORK AGREEMENT)



MALI
500 MILLION
(FRAMEWORK AGREEMENT)



BURKINA FASO
US\$ 900 MILLION
(FRAMEWORK AGREEMENT)



COTE D'IVOIRE
US\$ 250 MILLION
(FRAMEWORK AGREEMENT)



DJIBOUTI
US\$ 600 MILLION
(FRAMEWORK AGREEMENT)



TOGO
US\$ 250 MILLION
(FRAMEWORK AGREEMENT)

ITFC EXPANDED ITS OPERATIONS INTO TWO NEW COUNTRIES - JORDAN AND AZERBAIJAN - AND SUCCESSFULLY REVIVED ITS TRADE INITIATIVES IN TÜRKIYE, EXPANDING INTO MORE SECTORS.

ITFC ONBOARDED NEW CLIENTS FROM AZERBAIJAN, BANGLADESH, COTE D'IVOIRE, JORDAN, KENYA, SENEGAL, TÜRKIYE, AND UZBEKISTAN.



PRIVATE SECTOR APPROVALS REACHED

US\$ 905 MILLION

COVERING CORPORATES AND COOPERATION WITH FIS TO SUPPORT SMES IN 11 COUNTRIES.



LC CONFIRMATION (UN-FUNDED BUSINESS) BUSINESS REACHED

US\$ 380 MILLION

IN VALUE, FOLLOWING THE SUCCESSFUL EXPANSION OF THIS SERVICE SINCE 2022.



ITFC'S CONTRIBUTION TO THE ISDB GROUP FOOD SECURITY PROGRAM (FSRP): ITFC APPROVALS WITHIN FSRP SPANNING MID-2022 TO END 2025 EXCEEDED

US\$ 3 BILLION

Trade Development highlights



Participation and contribution to the 3rd Intra-African Trade Fair (IATF) 2023.



Implementation of the Côte d'Ivoire SMEs Program.



First year implementation of the KSA SMEs Export Empowerment Program.



Launch of the Program on Harmonization of Standards in the Textile and Leather Sector, under the AATB Program.



Adoption of 21 projects within the Aid for Trade Initiative for the Arab States (Aftias 2.0) Program.



Implementation of seven Integrated Trade Solutions, including:

- Capacity Building for the Société Comorienne des Hydrocarbures (SCH) in Comoros
- Series of Training Workshops on “Strategies for Transformative Leaderships and Effective Change Management” for The Gambia National Water and Electricity Company (NAWEC)
- Cameroon Digital Bootcamp Program



Launch of the AATB Food Security Program.



Finalization of the Uganda Export Launchpad Program .



Finalization of AATB Country Programs for seven Member CountriesMember Countries.

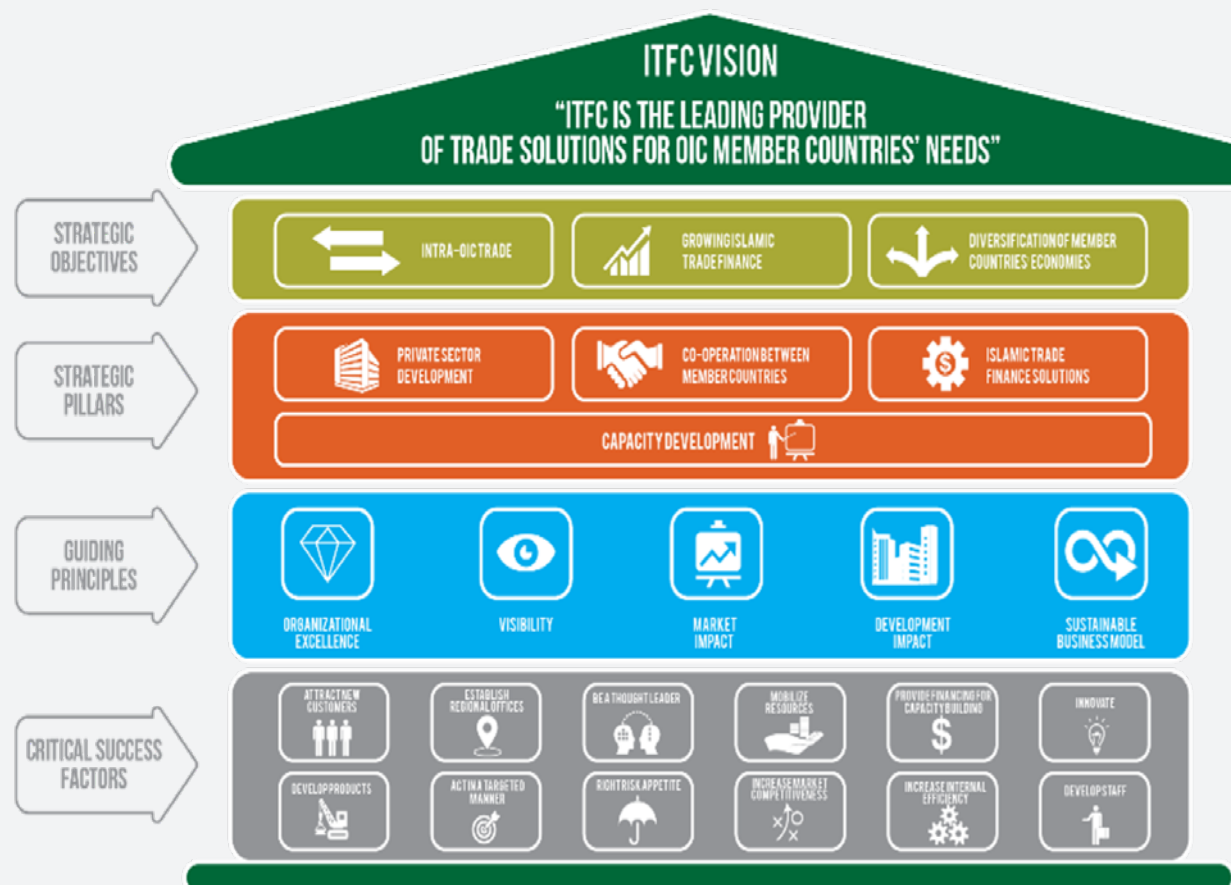


Finalization and endorsement of the Trade Connect “Central Asia+” (TCCA+) design.

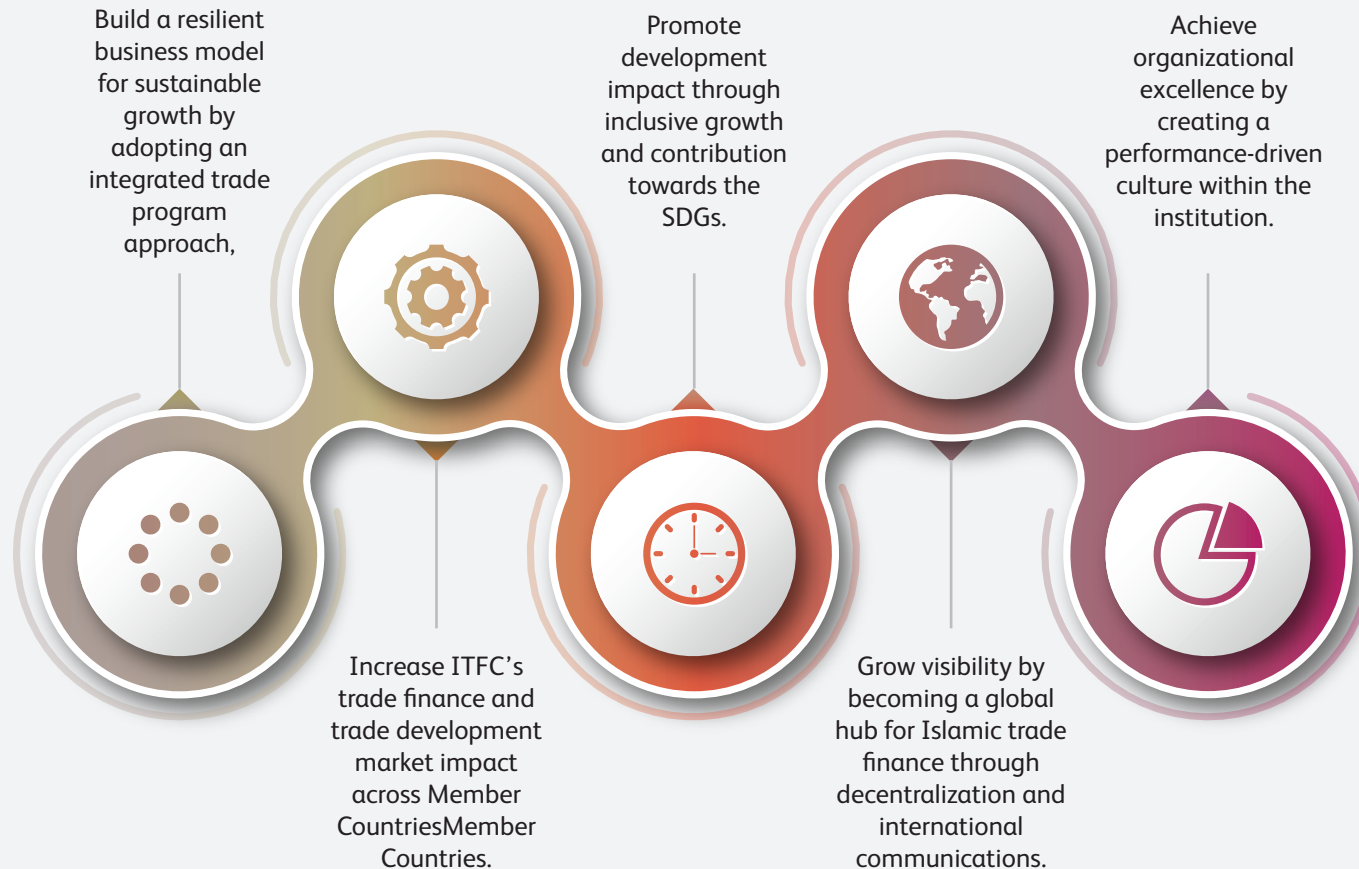
ITFC's Strategic Direction

In line with the IsDB Group's mission to promote comprehensive human development, ITFC constantly pursues opportunities that focus on financing trade transactions, which positively impact inclusive growth and address the development needs of Member Countries. The support provided by ITFC nurtures the trade-led strategies of OIC Member Countries and fosters sustainable economic development and growth.

ITFC's role, both by mandate and activities, is one of financial inclusion by advancing trade and improving lives, and therefore highly relevant on the global development agenda. In line with this mandate, ITFC remains committed to becoming "the leading provider of trade solutions for OIC Member Countries' needs."



The delivery of this vision is supported through ITFC's five Guiding Principles:



ITFC Strategy 2.0 (2021-2025)

FIVE “NEW NORMAL” GROWTH OPPORTUNITIES

ITFC has continuously challenged the status-quo, navigating change and driving impact through an innovative five-year medium-term approach known as ITFC Strategy 2.0, which is designed to address new growth opportunities across the globe. These five strategic vectors have been prioritized as part of ITFCs Strategy 2.0.

STRATEGY 2.0



2.1 Sovereign Market Strategy

ITFC’s ability to capture a larger market share of sovereign clients will in part dictate its growth rate for the years to come. The Corporation has developed a route-to-market strategy to facilitate the expansion of new medium to large-ticket sovereign clients.

The expansion into sovereign opportunities, (particularly across Member CountriesMember Countries not currently financed) opens up new markets for ITFC in its quest to increase intra-OIC trade. ITFC’s financing across these markets also supports its vision of becoming the leading Islamic trade finance solutions provider for its Member CountriesMember Countries.

2.2 Diversification Strategy

A diversification strategy has been developed to diversify ITFCs funded trade finance portfolio. Over the coming years, ITFC will aim to achieve a strategically diversified trade finance portfolio through a series of rebalancing efforts across product, sector, and geography.

2.3 New Profit Formula Strategy

New business lines and commercial propositions have been identified to diversify ITFC’s sources of income. This is designed to minimize fluctuations in

profitability arising from the trade finance portfolio exposure to commodity price and demand cycles, currency fluctuations and interest rate shifts. This new profit formula will also support the development impact of interventions within Member Countries and attract new segments of markets and clients.

2.4 Funding Strategy

A set of new funding opportunities have been identified and is expected to result in additional on-balance sheet funding. It will also lead to a diversification of funding resources, widening coverage of financing needs and exercising larger developmental impact on the economies of Member Countries.

2.5 Enhanced Organizational Capacity Strategy

Enhancement of the ITFC organization structure, people, and process form part of the strategy to adapt to new ways of doing business. This is an essential component in delivering a significant performance step-change under ITFC’s Strategy 2.0 plan.

The following illustrates ITFC’s cumulative three-year performance results between 2021 to 2023, indicating the good progress being made against ITFC’s five-year Strategy 2.0 goals.

STRATEGY 2.0 5-YEAR PLAN

Approvals from 2021 - 2023
US\$ 20.2 billion

Progress Against 5-Year Goals
On track



Disbursements from 2021 - 2023
US\$ 18.6 billion

Progress Against 5-Year Goals
On track



CHAPTER 02



Economic Outlook

Economic and Trade Outlook Globally and in OIC Member Countries

Despite signs of improvement during the last quarter of 2023, the global economic outlook still faces significant headwinds and high uncertainty. Global growth has slowed from 3.5% in 2022 to 3.1% in 2023. It is expected to remain unchanged in 2024. While growth in Advanced Economies (AEs) is forecast to further decline to 1.5% in 2024, the average growth rate of Emerging Market and Developing Economies (EMDEs) is forecast to remain at 4.1% in 2024. Accordingly, the growth differential between EMDEs and AEs is set to hit a 10-year high in 2024 with a 2.6% points gap¹.

In the context of subdued global economic performance, growth in OIC Member Countries appears relatively volatile. In 2023, the average growth rate of OIC Member Countries significantly declined to 3.3% from 5.6% in 2022. However, it is expected to

pick up to 3.9% in 2024. This growth volatility is largely driven by the fluctuations in global commodity markets since 31 of the 57 OIC Member Countries are classified as commodity exporters², including 19 fuel exporters. OIC Member Countries' growth performance was also dampened by tight financing conditions resulting from the interest rate hikes in AEs and persistent geopolitical tensions.

Inflation rates are anticipated to decrease globally due to tight monetary policies in AEs and declining energy prices. The global inflation rate is projected to decrease from 8.7% in 2022 to 6.8% in 2023 and 5.8% in 2024. However, OIC Member Countries are experiencing higher inflation, estimated at 17.7% in 2023 and decreasing slightly to 17.0% in 2024 amid trade disruptions, geopolitical tensions, and currency depreciations affecting several Member Countries.

The economies of developing countries, including OIC Member Countries, are likely to be more adversely affected by the deepening uncertainties arising from geopolitical conflicts and geoeconomic fragmentation. Risks to food security remain substantial given the price stickiness and additional challenges affecting the demand and supply of grains and other food products. Moreover, any escalation of geopolitical tensions in the Middle East could trigger supply shortages and raise fuel prices with potential repercussions on food and fertilizer prices and transportation costs.

Moreover, "higher for longer" interest rates heighten the challenge of access to sustainable financing and raise the risks of debt crisis, especially for low-income countries.

¹ Source: International Monetary Fund, World Economic Outlook (WEO), January 2024 Update.

² It means that primary products are the source of more than 50 percent of their export earnings.



Q3 Q4 Q1 Q2 Q3

452.389
811.215
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20	21	22	23	24	25	26
27	28	29	30	31		



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Diversifying Intra-OIC Trade is Key to Future Resilience

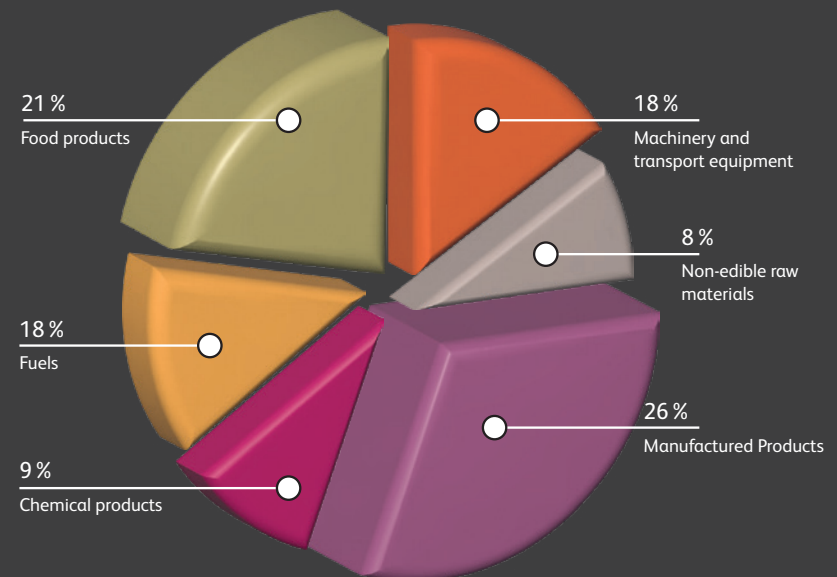
With the population of the OIC countries representing 24.4% of world population and 28.4% of the population of developing countries respectively in 2022, their share in global GDP remains below the desired levels unless coordinated action is taken to increase intra-OIC trade through diversification and building of regional value chains.

According to the International Trade Center (ITC) data of April 2023, the main products exported among the OIC Member States in 2022 were palm oil and its by-products; petroleum or bituminous mineral oils; precious metals; hard coal; briquettes; passenger cars; sunflower, safflower or cotton oils; industrial monocarboxylic fatty acids; acidic oils from refining; industrial fatty alcohols; iron or non-alloy steel bars; and furniture. Intra-OIC imports were concentrated on mineral fuels; mineral oils and products of their distillation; bituminous materials; plastic materials; fine or cultured pearls; precious metals, cast iron, steel, copper and aluminum; animal or vegetable fats and oils; organic chemicals and fertilizers; and electrical machines, appliances, and parts.

The advantages associated with increased trade, such as the transfer of technology, enhanced employment opportunities, and overall development, have led the OIC to set a target of 25% for intra-OIC merchandise trade as a proportion of total OIC trade by 2025. As of 2022, 27 Member States had reached that target including Sudan, Somalia, Chad, Oman, The Gambia, Afghanistan, Lebanon, Kuwait, Benin, Tajikistan, Iraq, Bahrain, Djibouti, Yemen, Jordan, Mali, Senegal, Togo, Pakistan, Iran, Cameroon, Comoros, Guinea-Bissau, Turkmenistan, Uzbekistan, Egypt, and Suriname.

Graph 1: Trade of products by OIC Member States

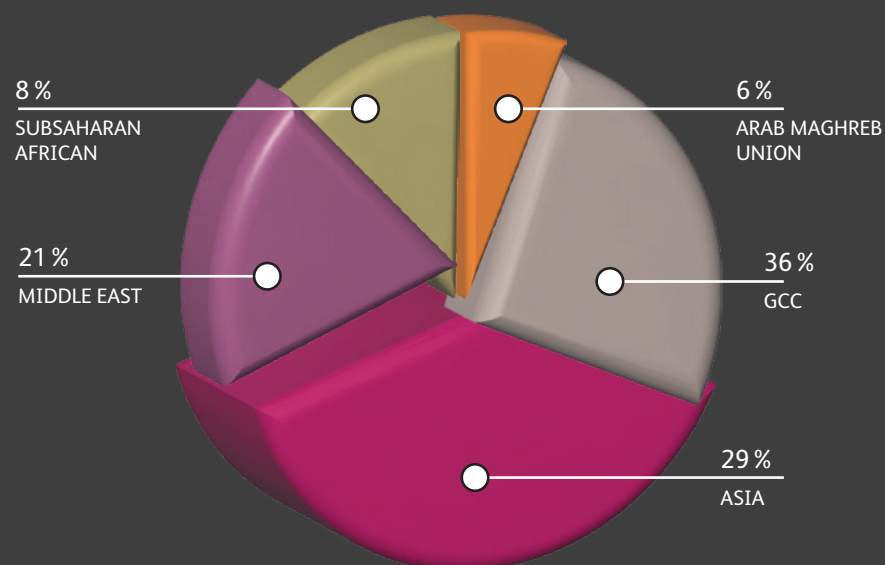
Structure of products of OIC Member States



Source: WITS, and ICDT - february 2023

Graph 2 Geographical Distribution of Intra-OIC Trade

Distribution of Intra-OIC Trade by Region in 2022



Source: WITS, ITC, DOTS, IMF and ICDT - April 2023

Between 2000 and 2022, total intra-OIC trade increased from around US\$ 130 billion to US\$ 964 billion. The share of intra-OIC trade from total trade of OIC countries also increased by 5.5 % points from 12.9 % in 2000 to 18.4 % in 2022.

Geographically, intra-OIC trade as of 2022 was distributed across countries in the Gulf Cooperation Council (36.07 %), Asia (29.44 %), Middle East (21.41 %), Sub-Saharan Africa (7.76 %) and the Arab Maghreb Union (5.33 %).

However, a significant part of the total GDP of OIC countries is still produced by the largest five OIC countries, with Indonesia, Saudi Arabia, Türkiye, United Arab Emirates, and Nigeria accounting for almost half (49.6 %) of the total GDP measured in current US dollars in 2022.

In order to navigate future external shocks to the world economy, there is a need for OIC Member States to strengthen participation in regional value chains, adopt structural reforms and diversify intra-OIC trade beyond manufactured goods, food products and fuels.

CHAPTER 03

Advancing Intra-OIC
Trade in a New Era



Enhancing Member Country Recovery: Leveraging Cross-Border Trade for Multi-Sector Development

Throughout 2023, within the framework of Strategy 2.0, ITFC demonstrated its agility in responding to emerging trade finance needs in Member Countries by diversifying its targeted sectors, increasing its non-oil and gas share of its overall trade finance portfolio to 46.5%, compared to the 32% average since 2008. Approvals outside oil and gas witnessed record growth in 2023, representing 46.5% of the overall portfolio, with increased focus on food and agriculture; finance; and health sectors.

Despite the challenges posed by rising commodity prices, market volatilities, and the geopolitical

challenges, ITFC remained focused on extending financing to Member Countries through multi-year framework agreements and annual financing plans. The expansion of its Line of Finance and Private Sector operations, as well as ventures into these new sectors has enabled ITFC to respond effectively to the evolving needs of current and new Member Countries while ensuring a more robust and versatile trade finance portfolio overall.

In 2023, Country Programs and Financing Plans were signed with Bangladesh, Burkina Faso, Cote d'Ivoire, Djibouti, Egypt, Mali, Nigeria, Senegal, and Togo.

In terms of trade finance approvals, ITFC achieved a total of US\$ 6.9 billion, covering 123 operations in 2023. These approvals spanned critical sectors such as energy, agriculture, and private sector financing, benefiting countries like Bangladesh, Burkina Faso, Cameroon, Comoros, Djibouti, Egypt, Gambia, Maldives, Mauritania, Senegal, Tunisia, Türkiye, Uzbekistan, and others. Notably, ITFC intra-OIC trade finance approvals increased by 5%, reaching US\$ 4.59 billion, which represents 66.4% of the total approvals for 2023. Additionally, low, and lower-middle-income countries accounted for 44% of ITFC's trade finance portfolio during the same period.

ITFC Trade Approvals by Region (US\$ Million) - 2023

Regions	2023	%	2022	%
Asia & Middle East	4,790	69 %	4,806	71 %
Africa & Latin America	2,128	31 %	2,006	29 %
Total Approvals	6,917	100%	6,812	100%
Total Disbursements	6,035	-	7,383	-



Supporting Food Security

As an underlying commitment to provide ongoing support to Member Countries in today's challenging economic landscapes, ITFC pledged a substantial contribution of US\$ 4.5 billion to the US\$ 10.5 billion IsDB Group Food Security Response Program (FSRP). This program, spanning from July 2022 to the end of 2025, aims to tackle rising food shortages worldwide, a threat that is faced by many economically vulnerable Member Countries. ITFC's implementation of the FSRP Program has made significant progress, with approvals exceeding US\$ 3 billion and disbursements surpassing US\$ 2.3 billion.

Private Sector Expansion

Consistent with its Strategy 2.0, ITFC placed emphasis on expanding its private sector operations in an effort to diversify its trade finance portfolio. In 2023, the ITFC approved US\$ 905 million in financing for 14 partner banks, financial institutions, and private corporates in Member Countries such as Bangladesh, Indonesia, Uzbekistan, and the African region. These efforts were specifically targeted at supporting the trade finance needs of private sector clients, with a focus on promoting the growth of small and medium-sized enterprises (SMEs).

ITFC Trade Approvals by Sector (US\$ Million) - 2023

Sectors	2022	%	2023	%
Energy Sector	3,975	58 %	3,805	55 %
Food & Agriculture Sector	1,851	27 %	2,177	31 %
Financial Sector	719	11 %	935	14 %
Other Sectors	268	4 %	0	0 %
Total Approvals	6,812	100 %	6,917	100 %





Diversification and Expansion into New Markets

ITFC's Strategy 2.0 prioritized the diversification of its portfolio across sectors, markets, clients, and income streams, showcasing ITFC's commitment to adapt and explore new opportunities.

Central to ITFC's portfolio diversification was reducing reliance on the energy sector. In 2023, approvals for the sector accounted for approximately 55% of the total approvals, declining steadily over the past few years, from 72% in 2019, as a result of ITFC's portfolio diversification efforts, which include initiatives to support clean energy transition policies in Member Countries.

ITFC expanded its operations into two new countries in 2023, Jordan and Azerbaijan, and welcomed 11 new clients, including banks and FIs from Azerbaijan, Bangladesh, Cote D'Ivoire, Jordan, Kenya, Senegal, Türkiye, and Uzbekistan. This expansion increased the total number of private sector clients to 39, further diversifying ITFC's client base and enhancing its reach in different regions.

In a bid to diversify its income streams, ITFC achieved remarkable success in 2023 with the expansion of its LC Confirmation services.

ITFC surpassed its revenue target for LC Confirmation, generating a total of US\$ 1.2 million, which represented an impressive 160% of the 2023 target. This achievement highlights ITFC's ability to explore and seize opportunities to diversify its revenue sources, contributing to its overall financial resilience and sustainability.

Maintaining Resilience in Challenging Times

Despite the ongoing geopolitical strains and market volatilities, ITFC's trade finance portfolio, including both existing and new businesses, was closely managed, with regular meetings and follow-ups with clients to address potential issues such as repayment delays at early stages. These proactive efforts, among others, were crucial in minimizing overdue instances and allowed ITFC to support the trade finance needs of Member Countries more effectively. Furthermore, ITFC maintained high-level engagement with Member Countries, resulting in zero overdue instances from active operations at the close of 2023.

Utilizing Cross Border Trade for Member Country Recovery and Development

Trade plays a pivotal role in stimulating economic activities by promoting production, facilitating consumption, and generating savings for reinvestment. It is the foundation of high economic growth, which leads to sustainable development and poverty reduction. Recognizing the crucial role of trade, ITFC has made it its mission to be the leading catalyst for advancing trade between OIC Member Countries, achieving cumulative approvals exceeding US\$ 75.4 billion at the end of 2023, reflecting a steadfast commitment to supporting the resilience, recovery, and sustainable growth in OIC Member Countries.

Building upon the successes of previous years, ITFC's trade finance approvals in 2023 reached a record US\$ 6.9 billion, slightly higher than the previous year's record level of US\$ 6.8 billion. Throughout the year, ITFC approved 123 trade finance transactions, benefiting 22 member countries. Trade finance disbursed totaled US \$ 6 billion, with 44% of that allocation directed towards the least developed member countries.

In its pursuit of maximizing development impact, ITFC continued to enhance its integrated trade solutions. By integrating trade finance operations with trade development and capacity-building initiatives, ITFC is effectively meeting the needs of Member Countries, helping to maximize their development outcomes.

As a catalyst for trade, ITFC has continued to focus on key sectors crucial to economic and social development in Member Countries. These sectors include energy, food and agriculture, and small and medium-sized enterprises (SMEs) in the private sector. By targeting these sectors, ITFC aims to drive economic growth, foster food security, and empower enterprises, thereby contributing to the overall development of OIC Member Countries.





Achieving cumulative
approvals exceeding
US\$ 75.4 billion
at the end of 2023



ITFC's trade finance approvals in
2023 reached a record
US\$ 6.9 billion



ITFC approved
123 Trade finance transactions,
benefiting
22 Member Countries



Trade finance disbursed totaled
US\$ 6 billion
with 44% of that allocation directed towards the
least developed member countries.

ITFC's Contributions to Boost Intra-OIC Trade

Promoting economic growth through increased trade between OIC countries is crucial to achieving the targets set in the OIC-2025 Program of Action, and have featured strongly in the policy strategies adopted by numerous member states in 2023.

ITFC has provided comprehensive trade finance solutions to Member Countries who are lagging behind in their efforts to achieve the 25% intra-OIC trade targets. Since its establishment in 2008, ITFC has supported over US\$ 48 billion worth of intra-OIC trade, thereby contributing to the socioeconomic well-being of OIC Member Countries. In 2023, 66.4% of ITFC's approvals, totaling US\$ 4.6 billion, were directed towards supporting trade between these countries.



ITFC has provided comprehensive trade finance solutions to Member Countries to achieve the **25%** intra-OIC trade targets

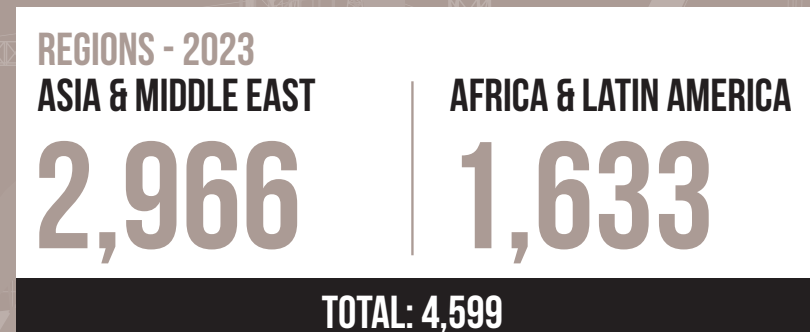


Since its establishment in 2008, ITFC has supported over **US\$ 48 billion** worth of intra-OIC trade



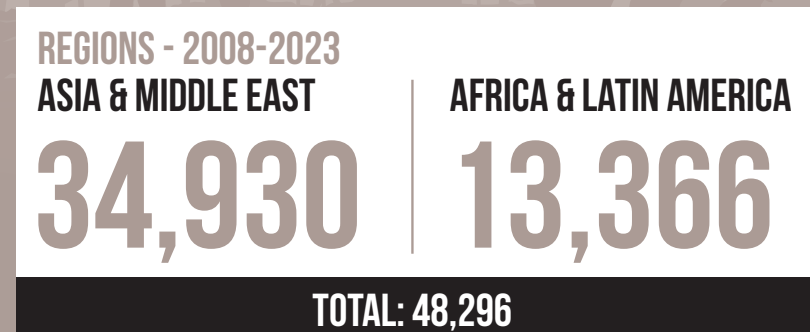
In 2023, 66.4% of ITFC's approvals, totaling **US\$ 4.6 billion** were directed towards supporting trade between these countries.

ITFC Intra-OIC Trade by Region (US\$ Million) - 2023



Source: ITFC Market Research & Monitoring

ITFC Intra-OIC Trade by Region since Inception (US\$ Million)



Source: ITFC Market Research & Monitoring

Box 01**Testimonial:**

Uganda Development Bank (ITFC's Trade Finance Boosting Imports and Industry in Uganda)



The Uganda Development Bank Ltd obtained a US\$ 10 million Trade Finance Line from ITFC with a tenor of one year mainly to support the imports of raw materials from various countries. The line of credit benefited two companies in Uganda, contributing effectively to the country's industrialization, job creation and poverty reduction efforts.

The first company, Steel and Tube Industries, is a leading Uganda based manufacturer of construction steel products in the East Africa region, with an export market that stretches across Rwanda, Congo, Sudan, Kenya, and Burundi. The financing from ITFC went towards increasing steel processing technology and capacity in the country, and enabled import substitution for steel products, molding, and building materials. As a direct result, Steel and

Tube has projected a 20% increase in turnover and profitability by 2025. With increased revenues, the company plans to add to its headcount, increasing its permanent employee base by 6% and casual workers by 3%, while indirectly employing around 6,000 Ugandans.

Similarly, Quality Plastics Limited, which manufactures plastic products using mainly polyethylene and PET, also benefitted from ITFC financing, allowing it to invest in new plastic processing technology and capacity within the country and facilitate import substitution especially for plastic packaging, bottling, and building materials. Production capacity increased almost three folds from 600 metric tons per month in 2017 to 1,600 metric tons per month in 2023 through the production of plastics, pre-form closures, LD films and PET bottles.

Quality Plastics also was able to increase its permanent staff by 12% from 2021, while indirectly employing over 1,000 scrap collectors across the country.

Uganda Development Bank would like to extend its appreciation to ITFC for taking a solid interest in the projects it funds and customizing solutions unique to our business needs, while also helping to advance the nation's development goals.

Namiyingo Susan

Senior Treasury Officer

Uganda Development Bank Ltd

Manufacturing & Industrialization Through the Supply of Energy Products











A sustainable and uninterrupted supply of energy is vital for economic and social development. As part of its mandate of “Advancing Trade, Improving Lives”, ITFC supports Member Countries, particularly the Least Developed Member Countries (LDMC), to enhance the peoples’ living standards through financing the adequate supply of energy. Continuous production of electricity impacts positively on not only manufacturing and industrialization momentum in Member Countries, but also employment, education, health, and security.

With improved access to energy central to catalyzing economic and social development in Member Countries, in 2023, ITFC demonstrated its ability to mobilize sizable resources from its large network of partners to secure fuel and electricity supplies. ITFC’s operations worldwide supported Member Countries to maintain stable electricity generation and reach large areas of the population in both urban and rural areas.

Thanks to its “Investment Grade” (“A1/P1” credit rating from Moody’s Investors Service), ITFC acted as a lead arranger and catalyst in raising funds from international markets for its syndicated deals for countries with a deficit in financing resources and energy production.

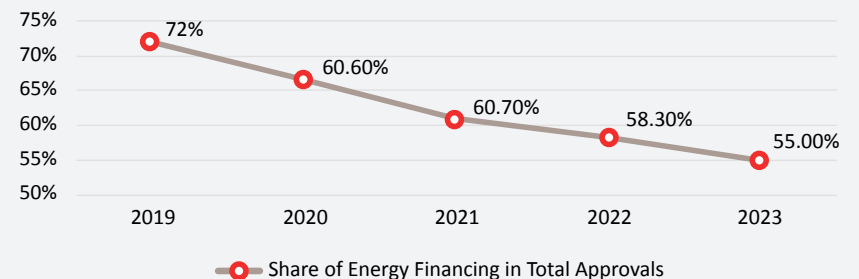
In 2023, ITFC approved a total of US\$ 3,808 million of financing in the energy sector, accounting for 55% of the total approvals in the financial year. In cumulative terms, since the inception of the Corporation in 2008, US\$ 49 billion of financing approvals were granted to this strategic sector. As referenced earlier on it this report, the share of energy financing has in terms of Total Approvals has been decreasing since 2019 in an attempt to diversify the Corporation’s trade finance portfolio and better support the needs of Member Countries across other important sectors as well.

2023 - ITFC Top 5 Approvals Beneficiaries in Energy Sector (US\$ Million)

Top Countries		2023	2022
	 BANGLADESH	1,245	1,161
	 MALDIVES	1,245	559
	 SENEGAL	435	170
	 EGYPT	374	1,030
	 DJIBOUTI	315	225

Source: ITFC Market Research & Monitoring

Share of Energy Financing in Total Approvals



**IN 2023,
ITFC APPROVED A TOTAL OF
US\$ 3,808 MILLION
OF FINANCING IN THE ENERGY SECTOR**

Securing Adequate Supply of Food Commodities – Food Security

Agrifood systems remain highly vulnerable to shocks and disruptions arising from conflict, climate variability and extremes, and economic contraction. These factors, combined with growing inequities, keep challenging the capacity of agrifood systems to deliver nutritious, safe, and affordable diets for people. Reaching the Sustainable Development Goal 2 (SDG 2) targets to end hunger by 2030 seems challenging without significant increase of coordinated efforts to address this issue.

As per the Global Report on Food Crises 2023 Mid-Year Update, at least 238 million people in 48 countries faced acute food insecurity as of mid-2023, an increase from 216 million in 2022. High-level of food insecurity persisted in 2023, caused by inflation, international supply chain disruptions, geopolitics, conflicts, economic shocks, and weather extremes.

Despite some improvements in the international prices for some commodities, domestic food prices in many national currencies continue to rise, especially in low- and lower-middle-income countries facing double digit food price inflation³. Many vulnerable Member Countries need more support for the purchase of vital food items to ensure food security.

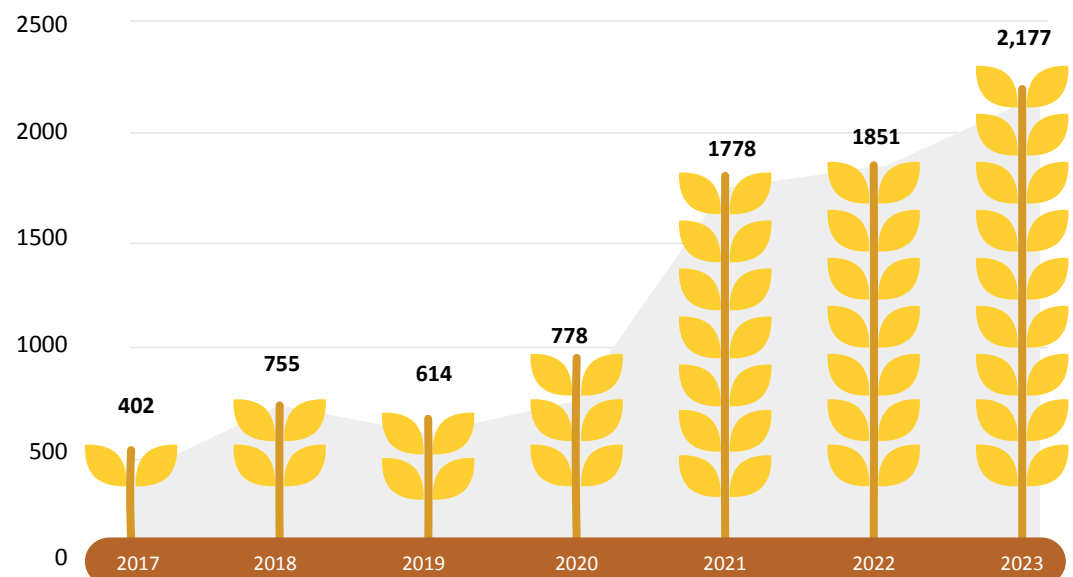
The IsDB Group's US\$ 10.54 billion comprehensive FSRP package, endorsed in July 2022, aims to support Member Countries in addressing the ongoing food crisis and, more importantly, scale up the Group's continued efforts to contribute to strengthening its members' resilience to food security shocks. The package comprised ITFC's US\$ 4.5 billion commitment towards meeting the immediate financing needs of Member Countries for emergency food and agricultural supply.

The Corporation's funding is helping Member Countries with the sustainable and local supply of essential food and agricultural products at affordable prices. In 2023, ITFC allocated US\$ 2.18 billion for this purpose, representing 31.5% of the year's total approvals. The share of food and agriculture financing increased by 4.3% compared to 2022, benefiting six Member Countries in Africa and Asia. Since inception in 2008, ITFC has approved close to US\$ 13 billion to sustain food security in OIC Member Countries.

³ FAO, IFAD, UNICEF, WFP and WHO. 2023. The State of Food Security and Nutrition in the World 2023. Urbanization, agrifood systems transformation and healthy diets across the rural-urban continuum. Rome, FAO.



ITFC Approvals for Food & Agriculture Sector: 2017 - 2023 (US\$ million)



Case Study



ITFC's Impact on Uzbekistan's Food Security



The Republic of Uzbekistan has benefitted from the Food Security Response Program (FSRP) of ISDB Group, through which ITFC provided US\$ 100 million to support the country's food security needs. ITFC was the only development financial institution to support the immediate needs of the Government in 2022/2023 for purchase of wheat, a vital food commodity for the Uzbekistan population.

The financing contributed to the food value chain optimization, from the purchase of locally produced agricultural goods (wheat and related products) during harvest season, to warehousing and storage, and in the periodic distribution or sale as and when needed to ensure an uninterrupted supply of the staple commodity throughout the year. Using the reserves

purchased through this facility, the Government was able to stabilize price hikes for wheat by supplying the goods to the local market, thereby ensuring price stability and affordability to the masses.

During the wheat harvesting season, ITFC financing helped the Government to pay close to 6,700 farmers (employing 133,660 people, including 40,000 women) from all regions of the country while also providing the general populace with steady access to food supply.

In addition to local consumption, the financing arrangement has also contributed to the development of Uzbekistan's trade sector, as some portion of local wheat is exported to other OIC countries such as Tajikistan, Kyrgyz Republic, and Afghanistan, thus),

creating new opportunities for local farmers, and enhancing the country's food security as a whole.

This financing facility was the first time that ITFC mobilized external resources in favor of the Government of Uzbekistan, delivering significant development impact with positive financial implications for the country, and earning it the "2023 GTR Best Deals" Award by Global Trade Review, a leading trade finance news provider, in London in May 2023.

ITFC commenced its operations in Uzbekistan in 2018. Since then, through four public financing facilities, ITFC has extended US\$ 200 million to support the country's food and agriculture sector.

IsDB Group's Food Security Response Program (FSRP)

Over the next three and a half years, between 2022 and 2025, ITFC aims to provide US\$ 4.5 billion as part of FSRP to address and respond to the immediate needs of vulnerable Member Countries by addressing immediate access and affordability issues. ITFC will also design capacity-building and technical assistance programs to mitigate food security challenges in Member Countries.

As the executing agent, ITFC was able to fast track the implementation of IsDB transactions, approving 15 operations in 2022 for a total amount of US\$ 630.2 million, which is 50% above the target set for the year. Total disbursements for these operations reached US\$ 366 million. ITFC's financing under the FSRP was a balanced portfolio between the strategic import commodities (grains, edible oil, fertilizers, and other agriculture inputs) and the support of key export commodities.



Box 02**Testimonial:**

SONACOS SA (Senegal)

Financing of trading activities of purchasing groundnut seeds and importing oils intended for consumption by Senegalese people.



SONACOS is the leading agri-food company in Senegal, specializing in the production of groundnuts, an important staple, and cash crop in the country. Some ten million Senegalese are employed, directly and indirectly in this vital economic sector. Purchasing hundreds of thousands of tons of groundnuts per year, SONACOS manufactures a variety of products including edible groundnuts, raw and refined groundnut oil as well as groundnut cakes intended for animal feed. It also imports various edible oils for the Senegalese market whose annual consumption is estimated at 180,000 tons.

Moreover, as a state-owned company, SONACOS is charged with regulating the groundnut market in Senegal, a fundamental component which involves the early procurement of financing to expedite the swift collection of seeds and prevent farmers from selling their harvests elsewhere.

SONACOS has been collaborating with ITFC since 2013, a partnership that has lasted for eleven years. Through an annual Murabaha financing agreement of Euro€ 80 million, ITFC has been instrumental in supporting the sustainable development of this all-important economic sector, which employs more than 40% of Senegalese farmers. With financing made available before the seeds arrive on the market, ITFC enables SONACOS to collect the groundnut seeds on time and to be able to pay farmers and private storage operators in cash. This in turn has provided SONACOS with enhanced credibility, reassuring stakeholders along the value chain.

The financing not only makes it possible to purchase groundnut seeds and stabilize the income of farmers, but to also to import other vegetable oils and to diversify into other commodities such as cashews. ITFC also provided technical assistance to the SONACOS factory

laboratory in Dakar to acquire the technology necessary to carry out the molecular distribution and identification of different types of oils.

Working with ITFC has enabled SONACOS to play a leading role in groundnut marketing campaigns, to ensure the supply of raw materials to factories and to carry out high value-added activities that create income. SONACOS was able to move closer to the production and collection areas, open intermediate reception centers in rural areas and develop close collaboration with farmers as part of an agricultural partnership program. Overall, the partnership with the ITFC is essential for SONACOS and the Government of Senegal, because the financing mobilized has direct impact on Senegal's economic and social development.

Kibily Toure
Chief Executive Officer, SONACOS

Supporting the SME's and Private Sector

The private sector plays a crucial role in driving economic growth, job creation, and poverty alleviation. This significance is further amplified in OIC Member Countries, where SMEs are estimated to account for more than 90% of jobs created and contribute an average of 50% to the GDP of these countries. Despite so, SMEs and the private sector often face the major hurdle of accessing finance, hindering their ability to expand their businesses.

ITFC has therefore placed special focus on the provision of trade solutions programs to develop SMEs and the private sector in OIC Member Countries through strategic partnerships with local banks and FIs, enabling the extension of both funded and unfunded financing solutions for this vital economic sector.

Funded transactions are primarily supported through ITFC's Line of Financing and Murabaha Financing schemes. These schemes have proven to be instrumental in empowering SMEs and the private sector to meet their financial needs effectively. On the other hand, ITFC's LC confirmation product facilitates unfunded transactions, which is expected to significantly enhance ITFC's diversification strategy and increase its private sector business volume in the future.

In 2023, total financing approved for SMEs and the private sector amounted to US\$ 905 million, a commendable 20% increase from the previous year. In the same, ITFC expanded its network of partner institutions by adding 11 new banks and FIs from Azerbaijan, Bangladesh, Cote D'Ivoire, Jordan, Kenya, Senegal, Türkiye, and Uzbekistan. This brings the total number of active partner banks in Member Countries to 39 as of the end of the year.

**SINCE ITS INCEPTION IN 2008,
ITFC HAS CUMULATIVELY
APPROVED A REMARKABLE
US\$ 18.5
BILLION
IN FAVOR OF PRIVATE SECTOR AND
SME CLIENTS, REPRESENTING
CLOSE TO
25.0%
OF THE CORPORATION'S TRADE
FINANCE PORTFOLIO.**



Box 03

Testimonial:

HamkorBank Supporting SMEs through Lines of Financing



The utilisation of the ITFC's line of finance of US\$ 20 million has significantly supported our corporate objectives, serving the diverse needs of local businesses

HamkorBank is one of the leading private banks in Uzbekistan, with operations covering different parts of the country. With a continuous focus on product innovation, we were able to roll out various financing programs to SMEs and corporate clients; one of them being the Sharia-compliant financing solutions. We have strategically leveraged the line of trade finance facility provided by ITFC to offer tailored solutions to the private sector in the country, aligning our product propositions with ITFC's commitment to fostering economic development and trade advancement through the provision of Sharia-compliant financing solutions.

The utilization of ITFC's line of finance of US\$ 20 million has significantly supported our corporate objectives, serving the diverse needs of local businesses. This support has been instrumental in reinforcing our position as a reliable financial partner, fostering trust and loyalty among our clientele.

We are eager to support and contribute to the development of the country by extending liquidity to the local companies, especially to the SMEs, helping them to engage in cross-border trade regionally and internationally. Through ITFC's financing solutions, we were able to bridge the gap seamlessly, ensuring the uninterrupted flow of clients' operations and trade. This not only strengthened our client relationship but also showcased the practical impact of ITFC's support in the advancement of trade.

I would like to extend our gratitude to ITFC for its continuous support and look forward to growing our relationships further.

Bakhtiyorjon Juraev
Chief Executive Officer
JSCB HamkorBank

IN DEPTH CASE STUDIES



CASE STUDY 01

STRENGTHENING FOOD SECURITY IN TAJIKISTAN THROUGH STRATEGIC PARTNERSHIPS



Strengthening resilience to food security shocks

In the heart of Central Asia, Tajikistan's battle against food insecurity underscores a remarkable journey of resilience and strategic intervention. The nation, grappling with the multifaceted challenges of food availability, access, utilization, and stability, has demonstrated an inspiring model of overcoming adversity through innovative solutions and international cooperation.



Challenges Overcome

Tajikistan's agricultural sector, employing a significant portion of the population, has historically faced hurdles of low productivity and seasonal fluctuations. These challenges, compounded by the country's reliance on food imports for over half of its population's needs, laid a precarious foundation. The COVID-19 pandemic and the subsequent crises further threatened this fragile balance, escalating the risk of nutritional deficits among the Tajik people, who allocate a substantial part of their expenditures to food.



Strategic Government Interventions

In a swift response to safeguard food security, the Tajik government implemented critical measures, including export bans on essential staples and the establishment of strategic food reserves. These actions, aimed at stabilizing food prices and ensuring availability, were pivotal during the recent global crises. The Agency of State Materials Reserve (ASMR)'s efforts to distribute staples at reduced prices directly impacted local markets, particularly benefiting remote and mountainous regions.



The Role of ITFC – Bolstering National Food Security

ITFC's involvement brought a new dimension of support and resilience to Tajikistan's food security strategy. With total disbursements amounting to US\$ 42 million since 2018, out of which US\$5.9 million was earmarked for 2023, ITFC financing helped facilitate the import of vital commodities, bolstering the nation's strategic reserves and enabling humanitarian assistance. This intervention not only provided immediate relief but also underscored the power of global partnerships in addressing food security.



Impact and Outcomes

The collaboration between Tajikistan and ITFC has yielded significant results. Thousands of metric tons of wheat were processed into flour, part of which was allocated for humanitarian aid within Tajikistan and to Afghanistan. This initiative not only alleviated immediate food insecurity but also demonstrated a profound commitment to solidarity and support among nations.



Looking Forward

As Tajikistan continues to navigate the challenges of food security, the story of its strategic partnership with ITFC not only provides a blueprint for tackling food security challenges but also reinforces the importance of international cooperation in building a more resilient and food-secure world.

CASE STUDY 02

ELEVATING WOMEN-LED SMES TO GLOBAL MARKETS WITH EXPORT LAUNCHPAD BANGLADESH



A Leap Forward for Women Entrepreneurs

The Export Launchpad Bangladesh project, implemented from 2020 to 2022 amidst the pandemic, aimed to bolster the capabilities of women entrepreneurs, recognizing their crucial role in sustainable economic development and poverty alleviation.



The role of ITFC - Transformative Outcomes for Women-led Enterprises

The program highlights ITFC's commitment to support the nation's efforts to enhancing the SME sector, particularly by advancing the roles of women entrepreneurs. The adaptability of the program, especially in pivoting to online training due to COVID-19, ensured uninterrupted learning and capacity building, crucial for maintaining momentum in these challenging times.



Specialized Training: Central to the project's achievements was the training of 30 master trainers, a significant number of whom focused on mentoring women entrepreneurs. This strategic investment in knowledge-sharing equipped women-led SMEs with the tools to navigate the complexities of international trade.



Empowerment Through Education: The project facilitated training for 43 SMEs, with a spotlight on sectors where women's entrepreneurship is burgeoning, such as jute and agro-food. This initiative not only enhanced their business acumen but also reinforced their competitive edge in the global market.



Global Platforms for Women-led SMEs: A pivotal moment for the project was the participation of 14 SMEs in an international fair. This opportunity was especially significant for women-led businesses, offering them unparalleled exposure to global markets and networks.



Impact and Outcomes

The success of Export Launchpad Bangladesh in training, empowering, and providing international exposure to women-led SMEs has had a ripple effect, inspiring confidence among women entrepreneurs and setting a precedent for inclusive economic growth. By focusing on sectors like jute and agro-food, the project not only leveraged Bangladesh's inherent strengths but also showcased the pivotal role of women in driving innovation and sustainability in these industries.



Looking Forward

ITFC, recognizing the pivotal role of SMEs in driving economic growth and social development, is committed to supporting Bangladesh's private sector. By leveraging strategic partnerships, financing solutions, and tailored advisory services, ITFC aims to catalyze sustainable growth and amplify the impact of Bangladesh's private sector on the global stage, including the empowerment of the country's women entrepreneurs.

CHAPTER 04



**Advancing Trade
Development in
Member Countries**



The increased emphasis on trade development alongside trade financing has come into even sharper focus since 2016, post the formulation of ITFC's long term 10-year strategy when it was first noted that funding alone will not be sufficient to meet the needs of Member Countries. Over the years, ITFC has been able to strengthen its development offerings significantly through the FIT model, which includes Flagship Programs, Integrated Trade Solutions, and Targeted Interventions.

This foresight has provided ITFC with the solid foundation to expand on its trade development offerings to help vulnerable Member Countries navigate today's global trade-related challenges marked by geopolitical tensions and rising nationalism and protectionist policies as governments step up efforts to build resilience and self-sufficiency. Furthermore, amidst these challenges that have marred the progress of global trade, OIC Member Countries are having to grapple with their social and environmental commitments to meet the looming 2030 UN SDG targets.

As part of its Strategy 2.0, alongside the provision of funds to vulnerable Member Countries, ITFC's trade development efforts in 2023 have continued to focus on supporting regional economic integration, strengthening inter-regional trade cooperation, securing regional supply chains, especially for strategic commodities, and developing environmentally friendly capacities and infrastructure in OIC Member Countries.

This Chapter provides an overview of the key accomplishments from the various initiatives and projects within the Trade and Business Development portfolio.

Regional and Economic Integration through Flagship Programs

Through its five flagship programs, ITFC's Trade Development arm has been supporting regional economic cooperation and intra-trade in the African, Arab, and CIS Regions, ensuring that all 45 Member Countries have access to tailored solutions that can help them withstand the harsh impacts of current global economic challenges.



The Arab Africa Trade Bridges (AATB) Program

Initiated in 2017, AATB aims to promote and enhance trade, investment, and infrastructure projects between Africa and the Arab World. AATB partners comprise several regional and international development organizations and two Member Countries. Since its launch, AATB projects span across many sectors including agriculture, agribusiness, healthcare, and transport. A total of 22 trade development activities were executed in 2023 including country programs, knowledge products, technical assistance, business matching, and trade and investment events.

Some of the key highlights and achievements of the AATB program in 2023 are outlined below, underscoring the AATB Program's commitment to fostering economic growth, trade partnerships, and sustainable development across the Arab and African region.

Nigeria Joins AATB: Africa's largest economy became the newest AATB member, signifying an expansion of the program's reach and influence, and the immense potential for strengthening trade relationships and economic bonds across the region.

Launch of the AATB Food Security Program (FSP): The program was conceived to address the issues of food insecurity in the African and Arab countries through the provision of finance and risk bearing instruments to unlock the steady supply of staple foods required by Member Countries. FSP is designed around the four pillars of AATB - Trade, Investment, Insurance, and Infrastructure - and also comprises a fifth cross-cutting enabler, which is Capacity Development and Technical Assistance. FSP will offer funded and unfunded food security-related financial assistance in addition to capacity development and technical assistance services. The program offers a coordinated platform for Member institutions to provide solutions to Member Countries on an individual or collective basis.

IATF 2023 Participation and Support:

AATB played a prominent role at the Inter-African Trade Fair (IATF 2023) in Cairo, underscoring the ongoing commitment to driving intra-OIC trade between the African and Arab regions, with Member Countries, Benin, Cameroon, Senegal and Togo receiving strategic assistance to unlock and diversify their trade potential.



Launch of "How to Export with AfCFTA" Training:

A comprehensive training program entitled "How to Export with AfCFTA," was launched in partnership with the International Trade Center (ITC). Targeting five member countries of Benin, Cameroon, Mauritania, Senegal and Togo, the training aims to provide essential knowledge and skills for successful exports within the African Continental Free Trade Area.

Box 04**Testimonial:****Afreximbank****Leveraging on Partnership to support Arab Africa Economic Integration in Key Sectors such as Food Security**

As a pan-African trade finance institution with a primary mandate to facilitate, promote and expand intra and extra African trade, the African Export Import Bank's (Afreximbank) partnership with ITFC is strategically aligned. Over the past eight years, Afreximbank and ITFC have jointly been working to strengthen South-South trade between Arab and African countries with the aim to transform the socioeconomic conditions in these regions.

Through ITFC, Afreximbank has received trade financing facilities to support the bank's sovereign, sub-sovereign, and corporate clients in mutual member countries, while benefitting from risk participation to enhance the Bank's capacities in trade facilitation programs. ITFC also extended grants to support strategic initiatives including the harmonization

of standards in medical devices, pharmaceuticals and clothing and textiles sectors in Africa, and trade facilitation and private sector engagement through the Bank's Intra-African Trade Fair (IATF) platform, of which ITFC is an Advisory Council Member.

To date, Afreximbank has benefitted from a trade finance facility of US\$ 200 million to finance trade-related activities; a US\$ 250 million facility to support procurement of vaccines; and a further US\$ 325 million to support the Bank's food security program to mitigate the impact of the Ukraine-Russia crisis. The collaboration on IATF has facilitated US\$ 115 billion in trade deals over three editions. Moreover, Afreximbank is a member of the Africa-Arab Trade Bridges Programme (AATB), through which a US\$1.5 billion Food Security Program

was launched to address the issues of food insecurity in the Arab and African regions.

Overall, the partnership with ITFC has contributed to the enhancement of the Bank's capacities to support multiple interventions in today's fragmented and volatile socioeconomic landscapes.

Kanayo Awani

Executive Vice President, Intra-African Trade Bank
Afreximbank

Country Programs:

Cameroon, Mauritania, and Senegal signed comprehensive programs encompassing a range of activities for their agriculture, trade, transport, and infrastructure sectors respectively.



Two new projects in Benin, and three in Togo, were identified in the transport, transit, and trade facilitation sectors.



Training on e-commerce and Incoterms® on international trade was provided to stakeholders in Togo, demonstrating a holistic approach to capacity building.



In Mauritania, a capacity development initiative in wheat cultivation was launched in collaboration with the Arab Center for the Studies of Arid Zones and Dry Lands (ACSAD).



In Tunisia, a Memorandum of Understanding (MoU) was signed with Sidi Thabet BioTech Pole to transform their FabLab initiative into a regional center of excellence. Two projects in Tunisia's biotechnology sector have been earmarked for support with facilitated market access to the African pharmaceutical sector.

Harmonization of Standards for Pharmaceuticals and Medical Devices (Phase 1, 2, and 3)

The need for the development and harmonization of standards within the Pharmaceuticals and Medical Devices sector in Africa has come into greater importance with the progress made towards the implementation of AfCFTA since the beginning of 2021. Following the successful implementation of the phases 1 and 2 during 2020 and 2021, the AATB in collaboration with Afreximbank, BADEA, and the African Organization for Standardization (ARSO), launched the third phase of the project in 2022, which involves the analysis of existing international, regional, and national standards for their suitability to be adopted as African Standards. These will then be notified to Member States for adoption compliance as National Standards.

Upon conclusion of Phase 1 in 2020 a total of 120 standards were harmonized within a period of six months. At the end of the 2nd Phase of the project in 2021, 76 out of the 77 standards for Medical Devices and Equipment, and 38 out of 39 standards for Pharmaceuticals and Medicinal products had been harmonized.

Harmonization of standards for the textiles and leather products (2023-2026):

Building on the success of harmonizing pharmaceutical standards in Africa, AATB, Afreximbank and ARSO have launched another standards harmonization project, this time within the textile and leather sector. It aims to elevate production consistency and quality by harmonizing no less than 75% percent of the proposed list of standards within the textiles and leather industry, one of the key priority sectors identified by United Nations Economic Commission for Africa (UNECA) in their 2019 Regional Value Chain study.



Arab African Buyers/Sellers Meetings Activities

6th Buyers/Sellers Meeting in Pharmaceuticals and Medical Devices:

The event was held during IATF 2023 in Cairo from 11-12 December 2023, witnessing the participation of 27 buyers and exporters respectively from 20 countries, opening up new opportunities for trade partnerships.



3rd Buyers/Sellers Meeting in Agro-Food Industries:

The event, which was held in Casablanca, Morocco from 25-26 January, attracted the participation of 69 importers and exporters across trade, food processing and services from African and Arab countries.

The Second Phase of the Aid for Trade Initiative for The Arab States (Aftias 2.0) Program:

aftias2.0

Aid for Trade Initiative
for the Arab States

ITFC, on behalf of the IsDB Group, has been an active partner and contributor to the Aid for Trade global initiative since its inception by the World Trade Organization (WTO) in 2005. Aimed at supporting Member Countries in building their capacities and benefiting from trade liberalization, ITFC has leveraged its flagship programs to implement key activities related to the Aid for Trade initiative.

Covering a large geographical footprint, the US\$ 40 million AftIAS 2.0 Program is one of the key flagship programs developed by ITFC for this purpose. Designed as a five-year program (2021-2026) and taking into consideration the

impacts of COVID-19 on trade, the flagship program aims to enhance the environment for international trade in the Arab region by making it more efficient and inclusive, thereby creating opportunities for employment and contributing to sustainable development.

To date, US\$ 15.5 million has been mobilized from the Kingdom of Saudi Arabia (KSA), the Arab Republic of Egypt, the Islamic Republic of Mauritania, the People's Democratic Republic of Algeria, the Arab Organization for Agricultural Development (AOAD), the Islamic Development Bank (IsDB), the International Islamic Trade Finance Corporation (ITFC), and the Trade Development Fund (TDF).

**A TOTAL OF 21 PROJECTS
WERE APPROVED AS FOLLOW:**

**16 COUNTRY PROJECTS IN ALGERIA,
COMOROS, EGYPT, JORDAN,
MAURITANIA, PALESTINE, SAUDI
ARABIA, AND YEMEN.**

**FIVE REGIONAL PROJECTS FOR THE
LEAGUE OF ARAB STATES (LAS), ARAB
ORGANIZATION OF AGRICULTURAL
DEVELOPMENT (AOAD), ARAB TOURISM
ORGANIZATION (ATO), ARAB ACADEMY
FOR SCIENCE, TECHNOLOGY & MARITIME
TRANSPORT (AASTMT) AND GCC
STANDARDIZATION ORGANIZATION (GSO).**

Box 05

Testimonial:

STEP Program Beneficiary SME benefiting from the STEP Program in capacity building and opening doors to international markets



(16 years) Since 2008

Foreign Trade Training Centre (FTTC) is the training arm of the Egyptian Ministry of Trade & Industry established to support the Government's vision towards a competitive and comprehensive trade scheme, setting export promotion as a priority. FTTC started operating in 2002 and signed a Memorandum of Understanding with Japan International Cooperation Agency (JICA) to establish a training center to deliver training programs and services related to exports and trade development.

FTTC's relationship with ITFC goes back 16 years to the time when the Corporation was established in 2008. The collaboration has entailed various capacity building programs to enhance the skills of Egyptian exporters and entrepreneurs. One such initiative is the

STEP Project, which provides capacity development to local MSMEs, community development and youth and women's empowerment programs. The project aims to train 600 Egyptian exporters, creating a cadre of export specialists over a span of two years and helping to build export competitiveness and sustainability in the global market.

Our partnership with ITFC has given us the opportunity to implement new initiatives towards achieving the 2030 UN SDGs, including a fully funded training scholarship to local exporters and SMEs, thus contributing positively to the business objectives of FTTC. It has enabled FTTC to expand its operations and extend its training programs to a wider range of audiences and beneficiaries. The project has had a positive impact on STEP graduates, empowering them to access new markets, participate in international

trade fairs, fulfil quality standards for their products, expand their business operations and add new product lines. In summary, we are highly appreciative of ITFC's contribution's which have helped FTTC to realize its mission of creating new generations of qualified exporters and entrepreneurs, while strengthening the competitiveness of Egyptian exports in global markets.

Mary Kamel
Executive Director
Foreign Trade Training Center (FTTC)



The Export Launchpad – Uganda



Export Launchpad
UGANDA
DEVELOPMENT TRADE OPPORTUNITIES

In December 2021, the Uganda Export Promotion Board (UEPB) requested technical assistance to develop the country's the export sector, which is a key driver for Uganda's economic development and job creation.

ITFC partnered with Trade Facilitation Office (TFO) Canada to launch the Export Launchpad Uganda program, aimed at supporting local SMEs in Kampala and in other provinces across the country.

The Export Launchpad Uganda program, which was previously successfully implemented in Senegal between 2017 and 2018 and in Bangladesh in 2020, was composed of:

- **Training of Trainers (ToT)**, with the goal of developing human resource capabilities in the field of international trade and equipping the Trade Support Institutions (TSIs) with the capacity to deliver trade-related training programs and support services to exporters and potential exporters.
- Market access, consisting of assistance to Ugandan SMEs in accessing international markets, including Canada.

The program was completed at the end of July 2023.



Trade Connect “Central Asia+” (TCCA+)



The TCCA+ flagship program was designed specifically for the Central Asia Region, targeting Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The objective of the program is to achieve inclusive economic growth and promote regional economic cooperation and trade among Member Countries in the region and with other OIC countries. TCCA+ is expected to achieve the following outcomes:

- Enhanced competitiveness in the regional markets through improved production quality and consistency.
- Increased time and cost efficiencies across border crossings through improved trade facilitation.
- Greater business exposure through increased intra-OIC trade interactions in regional markets (GCC, Asia, and Africa).
- Enhanced regional competitiveness through trade policy reforms and efficiencies within Trade Support Institutions (TSIs).

Workshops were held in Istanbul, Türkiye and Baku, Azerbaijan in October and December 2022 respectively, to align on and validate the objectives of the program.

ITFC also organized the TCCA+ Program Development Partners Roundtable during the 2nd Edition of the Tashkent International Investment Forum held on 28 April 2023. The Roundtable was an exceptional opportunity for an interactive and constructive discussion to present the Program to key stakeholders and highlight its targeted trade focused impact and outcomes.



ITFC SMEs Development Program



West Africa SMEs Program

West Africa SMEs Program: The West Africa (WA) SME Program is designed to offset the trade finance gap for SMEs and facilitate access to finance. It aims to have a positive impact both on banks and SMEs alike. For Banks, it will increase the offering of trade finance products, provide training and SMEs assessment tools to start or strengthen their SMEs lending practices. For SMEs, it will substantially increase the access to financing and build their capacity to decrease default rates on bank loans. A capacity-building program was designed to support Coris Bank on its SME finance operations, in particular lending operations, procedural set-up, and staff competencies.

Côte d'Ivoire: Riding on the success of the first two pilots in Burkina Faso and Senegal respectively, the West Africa SME Program was implemented in Côte d'Ivoire in 2021 in partnership with Bridge Bank, and Côte d'Ivoire PME Agency, whose mandate it is to strengthen the competitiveness of local SMEs and create sustainable jobs, in particular for young Ivorians, including women. The program, which is still ongoing, has supported around 120 SMEs in gaining access to finance.



KSA SMEs Export Empowerment Program

ITFC signed a tripartite MoU with Saudi Exim Bank and Saudi Small and Medium Enterprises General Authority (Monsha'at) in April 2022 to support SMEs in the Kingdom of Saudi Arabia (KSA), resulting in the launch of the KSA SMEs Export Empowerment Program in November 2022. The program is aimed at enhancing the competitiveness of Saudi SMEs in global markets in four main areas - export finance; capacity building; market access; and advisory services.

Two capacity development workshops and one market access activity was conducted in the last quarter of 2022 and first quarter of 2023 respectively. Additionally, two market access activities were held for 13 Saudi SMEs in Morocco and Egypt in the agro-food and pharmaceutical sectors. The export finance and advisory components commenced in the 2nd half of 2023.



Integrated Trade Solutions



Indonesian Coffee Export Development Program (ICEDP)

The ICEDP program, a partnership between ITFC and the Sustainable Coffee Platform of Indonesia (SCOPI), commenced in October 2021 as a five-year program to provide integrated trade solutions for the Indonesian coffee sector through technical assistance for Indonesian coffee farmers and trade financing for Indonesian coffee exporters. Concentrated in North Sumatra and Aceh, the two highest Arabica coffee-producing provinces in Indonesia, the program aims to attain sustainable and impactful increase in yields and quality of coffee production through the provision of capacity-building activities and support mechanisms for farmers to adopt Good Agricultural Practices (GAP).

The program includes the enhancement of the national curriculum for Arabica coffee farming, the production of e-learning materials, the establishment of a Monitoring & Evaluation System, as well as business support for the selected Master Trainers. This comprehensive intervention is expected to enhance the capacities of the coffee farmers and trainers. As of September 2023, 2,611 coffee farmers (34% of which were women) from 66 villages and belonging to over 90 farmer groups operating across 2,093 hectares received training and support through the ICEDP program.

Pakistan & Maldives Integrated Trade Solutions

ITFC organized a four-day training workshop on Sovereign Debt Management on 27 – 30 March 2023 in Jeddah, KSA, which was facilitated by Fitch Learning and attended by delegations from the Government of Maldives and Pakistan. The workshop aimed to contribute to the sustainability of public debt management in Maldives by equipping representatives overseeing public debt with the necessary skillset in managing sovereign debt and foreign financing.

Capacity Building for the Société Comorienne des Hydrocarbures (SCH) in Comoros

ITFC organized a four-day training workshop on Sovereign Debt Management on 27 – 30 March 2023 in Jeddah, KSA, which was facilitated by Fitch Learning and attended by delegations from the Government of Maldives and Pakistan. The workshop aimed to contribute to the sustainability of public debt management in Maldives by equipping representatives overseeing public debt with the necessary skillset in managing sovereign debt and foreign financing.

- Techniques for negotiating and drafting trade contracts for petroleum products;
- Debt recovery mechanisms and enforcement procedures in the OHADA area;
- Management of stocks of petroleum products, maintenance, and preventive measures; and
- Principles and practices of Islamic finance.

The Technical Assistance Program is anticipated to empower SCH in adopting international best practices, mitigating interpretative challenges, and optimizing terms of trade. Through enhanced knowledge of Islamic finance, SCH aims to align its financial strategies with ethical principles, fostering sustainable growth. The training will also contribute to improving SCH's practices in inventory management, ensuring operational efficiency in the oil and gas sector.

Egypt Integrated Trade Solutions

ITFC, in partnership with the Ministry of Planning and Economic Development and the Medium, Small, and Micro Enterprises Development Agency (MSMEDA), have developed a technical assistance program to build the capacities of women entrepreneurs in Egypt. The program is aimed at supporting inclusive economic growth and business development in Egypt's traditional and handicraft sectors. Some 50 women entrepreneurs are involved in the program through various capacity building, trade, and export promotion services.

Training Workshops for the Gambia National Water and Electricity Company (NAWEC)

A strategic capacity building initiative was developed for NAWEC to drive business growth and development through enhancing necessary skill sets in leadership and change management. A series of training workshops were held in December 2023 on corporate governance with a focus on financial reporting; financial planning, cash management and forecasting; and strategic formulation and execution and change management.

Targeted Interventions

Reverse Linkage Project between Guinea and Tunisia (Year 3)

IsDB and ITFC are jointly supporting Guinea through a Reverse Linkage program aimed at enhancing the country's mango and cashew nut export value chain while reducing food losses. Given their expertise in agricultural exports, Tunisian institutions have been identified as knowledge partners for their Guinean counterparts. The reverse linkage project's aim is to strengthen the capacities of the export support institutions; improve mango processing activities across the value chain; and provide support for market access. Three inter-professional organizations are being established in Kindia, Kankan and Boke to facilitate the program with Tunisian export associations and national institutions, including Agence Guinéenne pour la Promotion des Exportations (AGUIPEX).

The African Continental Free Trade Area

ITFC-IsDB AfCFTA Initiative

The initiative was designed by ITFC, as part of its Strategy 2.0 to support the implementation of the AfCFTA in African OIC countries and further drive intra-OIC trade in line with the OIC's 10-year Program of Action. Jointly implemented with IsDB as part of its Regional Cooperation and Integration Strategy, the initiative aims to provide trade development programs to support the economic recovery of OIC countries.

One of the landmark projects of the initiative is the joint project to support the operationalization of the African Continental Free Trade Area (AfCFTA), a partnership between the United Nations Economic Commission for Africa, the Enhanced Integrated Framework (EIF), the IsDB, ITFC and the Trade Development Fund (TDFD).

The joint project aims to strengthen the capacity of Burkina Faso, Guinea, Niger, Senegal, Togo, and Mauritania to support the effective implementation of the agreement. Thirty activities have been identified to support the implementation of the AfCFTA, including capacity building and sensitization; development of relevant information tools; and development of policy instruments. Since the launch of the project in March 2022, more than 1000 public and private officials have benefited from the program, particularly in areas involving harmonization of customs codes with new tariff provisions, application of rules of origin and the training of AfCFTA national stakeholders.



Training workshop on practical export modalities within the framework of the African Continental Free Trade Area (AfCFTA) for the benefit of the Mauritanian private sector from October 16 to 20, 2023 in Nouakchott (Mauritania).

Validation workshop of the study report on the development of the Senegal AfCFTA project bank for resource mobilization (19-20 October 2023).



Research on the impacts of the AfCFTA on OIC African countries



**African Continental
Free Trade Area (AfCFTA)**

ITFC and the SESRIC (Statistical, Economic and Social Research and Training Centre for Islamic Countries) have embarked on a research partnership on the AfCFTA. The partnership will produce a research trilogy intended to evaluate the impacts of the free trade agreement on selected OIC African countries and will derive practical recommendations to help countries navigate the road to full AfCFTA implementation.

The first paper was published in July 2021 and observed the results of tariff reduction on 24 economic sectors in 6 countries: Cote d'Ivoire, Egypt, Guinea, Mozambique, Tunisia, and Uganda. The second research report, entitled the Impacts of Trade Facilitation and Logistics Performance on Trade Flows in African OIC Countries examines how trade facilitation policies yield important benefits at a lower cost for intra-OIC trade, if implemented adequately. The third report, Creating Value Chains along the Trans-Sahara Road (TSR), assesses Trade Complementarities and Investment Opportunities for Developing Regional Value Chains along the TSR is currently under development.

Pakistan Trade Development

ITFC and the Commonwealth Secretariat in collaboration with the Pakistan Institute of Trade and Development (PITAD) and the Government of Pakistan's Ministry of Commerce, held a two-day training workshop on the Cost-Benefit Analysis of Free Trade Agreements (FTAs) in June 2023 in Islamabad, Pakistan. The training was provided to 30 Ministry of Commerce and PITAD officials to enhance their technical capabilities to undertake trade policy negotiations and empirical analysis of the costs and benefits of Free Trade Agreements.



Training workshop on the Cost-Benefit Analysis of Free Trade Agreements (FTAs) from 12-13 June 2023 in Islamabad, Pakistan.

Cameroon Digital Bootcamp

The bootcamp held in May 2023 was part of a wider initiative of the Commonwealth Secretariat and the ITFC, which has been supporting the Government of Cameroon with technical assistance and capacity building on trade opportunities. As part of the initiative, the Secretariat and ITFC facilitated the development of an e-commerce strategy for Cameroon, produced a training manual on leveraging e-commerce capabilities and hosted two training sessions for the country's women entrepreneurs. to increase the participation in global e-commerce trade. The first phase of the initiative, which involved the bootcamp, focused on building the digital trade and E commerce/online sales capacities of women owned MSMEs operating in the sectors of agribusiness including agro-processing; wholesale and retail trade; education; health and social services; arts and crafts; events management; food and beverage; hospitality; and tourism. Through the bootcamp 100 entrepreneurs were trained.



Cameroon Digital Bootcamp, Douala, 2-4 May 2023

Islamic Finance Training

A workshop on "Structuring Islamic Financial Products" was organized in Baku by ITFC for Azerbaijan's government institutions and private sector FIs in September 2023, aimed at promoting the knowledge and understanding of Islamic Trade Finance products and services in Azerbaijan. The workshop provided participants with a comprehensive understanding of Islamic Finance and its tools, including sale-based, lease-based, and equity-based instruments. Training was provided in areas such as capital markets and trade finance, while addressing the risk profiles associated with different Islamic instruments.





Box 06

Testimonial:

NAWEC's Partnership with ITFC for Energy Stability and Growth



The Gambia National Water & Electric Company (NAWEC) is a state-owned entity and the sole provider of water and electricity in the country. In February 2018, NAWEC entered into a contract with the Turkish energy exporter, Karpowership, which has been supplying 60% of Gambia's total electricity needs.

NAWEC's relationship with ITFC goes back eight years, having benefitted from a Murabaha Financing agreement of US\$ 35 million in the form of a short-term revolving loan with a flexible repayment period of 12 months on each drawdown.

ITFC financing has significantly helped in the timely procurement of Heavy Fuel Oil (HFO) for NAWEC's power plants, thus eliminating any fuel shortages stemming from a lack of funds to

purchase fuel oil to power its generators. It has also reduced load-shedding significantly. Additionally, ITFC's involvement has significantly bolstered NAWEC's capacity to make timely payments to Karpowership through the revolving loan, thus ensuring power supply stability across the country.

The partnership with ITFC has helped NAWEC to increase its power production capacity to meet the teeming power demand and provided a buffer on the company's cashflow and funding gap. This has accorded NAWEC with the revenues and stability to operate more efficiently and provide reliable power supply to its customers.

ITFC's Transformative and Strategic Leadership capacity building training on corporate governance with a focus on financial reporting, financial planning,

cash management and forecasting has enhanced the capacities of NAWEC's supervisors and senior management, enabling the transfer of knowledge organization wide. The training was indeed timely and practical in this era of ever-changing business landscapes, and more importantly pivotal to NAWEC's strategic transformation process.

Betty Marong
Group Finance Director
NAWEC

Trade Development Fund (TDFD)



The Trade Development Fund (TDFD) aims to promote sustainable development and corporate social responsibility by providing financial resources and technical assistance to enhance human and institutional capacities in OIC Member Countries. In 2023, the Fund disbursed four grants to various OIC nations, focusing on projects in healthcare, agriculture, and basic infrastructure, thereby positively impacting hundreds of lives.

In fulfilling the Fund's waqf mandate, four grants were provided in 2023 to various OIC countries including:



Comoros: Three rural Cooperatives (260 members) were provided with grants to increase the volume and quality of ylang-ylang flower oil production.



Cameroon: 3,150 Cotton farmers received grants to improve their literacy in French or the local Fulfuldé language to better communicate with stakeholders in the country's cotton supply chain.



Morocco: A grant was provided to reduce the effects of the September 2023 earthquake that hit several cities, causing catastrophic devastation and loss.



Pakistan: A grant was provided to facilitate e-learning classes for students from low-income, disadvantaged, underprivileged families in rural areas.

Furthermore, significant progress has been made in the finalization of a dedicated Investment Directives to improve the Fund's investments and returns. As of 2023, the Fund has been generating stronger returns through strategic investments.

Sustainability and Climate Efforts

Embracing environmental sustainability has become a critical imperative for ITFC and the IsDB Group as a whole. Islamic finance, with its emphasis on ethical and responsible investing offers a compelling framework for financing climate action. Key characteristics such as risk-sharing, asset-backed transactions, and adherence to environmental and social responsibility align seamlessly with the objectives of a green economy.

ITFC is uniquely positioned to contribute to fostering green financing and carbon credit trading by identifying and promoting Shariah-compliant opportunities in these areas. Carbon credits, representing verified emissions reductions, can serve as valuable assets within Islamic finance instruments. By incorporating carbon credits into financial products, IsDB and ITFC aim to incentivize climate-friendly investments and accelerate the transition to a low-carbon economy.

At the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) in Dubai, United Arab Emirates, ITFC hosted a side event titled "Sustainable Synergy: Islamic Finance and Carbon Credits in a Green Economy", which explored the opportunities to strengthen carbon credits into Islamic finance instruments and actionable strategies to overcome the challenges associated with integrating Islamic finance and carbon credit projects.

Moreover, amidst the bustling environment of COP28, the UN Climate Change Conference, ITFC and the Trade Development Fund (TDFD) collaborated to organize a session with the Oil Sustainability Program (OSP) focused on addressing clean cooking solutions. The panel discussion titled "A Just Transition to Clean Cooking with LPG & Renewables" aimed to initiate a meaningful dialogue on the future trajectory of clean cooking solutions, emphasizing the pivotal role of LPG and renewable energy sources in fostering a sustainable transition.

In an effort to offset its own carbon footprint, in 2023, ITFC obtained carbon credits from the Regional Voluntary Carbon Market Company (RVCMC) during an auction event in Nairobi, Kenya, a significant step forward in the Corporation's net-zero ambitions. The projects related to the Nairobi auction were a mix of CO2 avoidance and removal, three quarters of

which originated from countries in Africa Region, including OIC Member Countries.

ITFC also designed actively participated in the Global South Carbon Markets Conference: The Riyadh Edition, organized by RVCMC and S&P Global. The Panel discussed and analyzed the potential synergies between Islamic finance principles and the evolving landscape of carbon markets.

During the MENA Climate Week 2023, ITFC participated in a panel by the IsDB Group entitled "Climate and Sustainability - Perspectives from the Private Sector". The participation in the panel session was a chance to showcase what ITFC has done so far with regards to offsetting its carbon footprint as well as on issuing the Shari'ah Resolution for trading of Carbon Credits.



New Product Development

As a leader in Islamic trade finance, ITFC is taking the opportunity to lead the market in the development of Shari'ah-compliant trade finance products. Several new products are in the pipeline that will open up the horizon to new opportunities and solutions to demands from the markets for diversified products. There are already seven products at different stages of development, six of which are at various stages of Shari'ah review and clearance.

- Increase the practice and usage of Islamic trade finance in Member Countries.
- Enhance the trade competitiveness of Member Countries through capacity building, knowledge sharing, and specialized training programs.
- Promote Islamic Financing by providing training and investing in product development.
- Increase trade development market impact across Member Countries.

Advisory Services

ITFC established this new business line in 2023 as a function dedicated to offering expert Islamic finance and trade related advisory services to sovereigns and private sector entities in OIC Member Countries. Its primary objectives are to:

- Boost intra-OIC trade by designing and implementing policies that maximize trade competitiveness and increase regional integration.

The new function offers a variety of services to targeted clients in member countries, including Foreign Trade Policy and WTO alignment advisory, Islamic Finance capacity building and Products Development, Sustainability and Climate Finance advisory, Trade Digitalization, Small and Medium Enterprises Credit Enhancement advisory, Financial Institutions Risk and Compliance advisory, and other relevant services.



CHAPTER 05



**Strengthening
Partnerships**

Leading Islamic Syndications to Support Trade Finance Impact

ITFC uses Islamic instruments to leverage international financing, and among these instruments, Syndication remains the most active mechanism that helps in mobilizing funds to support the growth of trade financing in favor of ITFC member countries.

In 2023, as the financial markets are still adjusting to external shocks, ITFC took proactive action to strengthen its partnerships and attract new syndicate partners and potential investors in liquid markets such as the GCC and other markets in Europe, Asia, and Middle East.

This year, for a second time, ITFC has been ranked by Bloomberg and Refinitiv as the Number 1 and leading Bookrunner and top Mandated Lead Arranger (MLA) in Global Islamic Financing league tables.

This ranking of ITFC's syndicated trade finance operations recognizes the Corporation's leadership role in mobilizing capital globally and from a wide range of investors and financial institutions for the financing needs of its Member Countries.

ITFC's syndications far surpassed initial projections and resulted in mobilizing US\$ 3,433 million to fund 39 operations in 12 member states. The funds mobilized from the market represent over 54 % of total trade financing provided by ITFC in 2023.



Bloomberg

 **itfc**
International
Islamic Trade
Finance Corporation

2023
Global Islamic Financing
League Tables

#1
Bookrunner

#1
Mandated
Lead
Arranger

Member of
 **ISDB**



Islamic Financing League Table

Top Bookrunner and MLA

#1
2023

#2
2022

#1
2021

REFINITIV

 **itfc**
International
Islamic Trade
Finance Corporation

2023
Global Islamic Financing
League Tables

#1
Bookrunner

#1
Mandated
Lead
Arranger

Member of
 **ISDB**



Islamic Syndication League Table

Top Bookrunner and MLA

#1
2023

#1
2022

#1
2021

Leveraging Capital for Sustainable Business Model

The uncertainties in global financial markets, marked by inflation and higher-for-longer interest rates policies, have led ITFC to structure its leveraging activities in a manner that ensures the sustainable growth of its trade finance portfolio.

The year 2023 proved to be a milestone year for ITFC as it focused on expanding its network of reliable treasury partners and borrowing actively from the markets establishing its name as a solid and trustworthy borrower. Several new borrowing lines were established, and a new borrowing instrument (committed contingent liquidity facility) was introduced. Moreover, ITFC diversified revenue streams generated from treasury dealing and investment activities.

In 2023, ITFC was able to borrow at larger volumes at competitive rates, confirming the confidence and trust that treasury partners have for ITFC continued to adhere to its prudent liquidity management policy and investment directive, which has been praised by the rating agency and is one of the chief reasons for ITFC's high credit rating.

ITFC's Investment function, introduced in recent years, covers a vast scope of Shariah-complaint financial instruments, primarily to generate additional revenue streams, offer treasury solutions to Member Countries' financial markets and clients, and contribute to their financial development, while enhancing ITFC's capabilities and outreach in financial markets.





Looking forward, ITFC will continue to work closely with Member Countries and its treasury partners to participate in the development of innovative financial markets structures and solutions with a focus on creating a greener, more inclusive, and resilient future while enhancing ITFC's bottom line.

Synergy with IsDB Group Entities

ITFC has been actively collaborating with other IsDB Group entities to enhance group synergy and harmonization. This includes the establishment of a Technical Coordination Committee (TCC) and relevant business sub-teams to explore co-financing opportunities, exchange business pipelines, and share market-related risk knowledge. Joint KPIs have been developed and incorporated into each entity's work program and scorecards. ITFC's focus has been to undertake joint financing, whereby ITFC extends financing to cover the short-term needs of clients, while ICD covers the medium-term and ICIEC complements ITFC transactions with credit and political risk cover. The TCC also convenes quarterly as the "CEOs Forum" to discuss progress on joint KPIs. In 2023, ITFC exceeded its group synergy targets with "# of Potential Deals and Engagements" reaching 35, and "# of Joint Transactions Approved" reaching 8.

Throughout the year ITFC actively contributed to the Group Executive Committee Meetings (GECM), Group Synergy Facilitation Team (GSFT), High-level Committee (HLC), various Working Groups (WG) established by IsDB Group, Member Country

Strategy Papers (MCPS), Country Engagement Frameworks (CEF) and other group-level coordination platforms.

The HLC's focus in 2023 was on the IsDB Group Food Security Response Program (FSRP) to address food security challenges facing Member Countries. ITFC made an ambitious commitment of US\$ 4.5 billion out of the US\$ 10.5 billion IsDB Group FSRP in 3.5 years (July 2022-December 2025). By the end of 2023, ITFC's FSRP approvals exceeded US\$ 3 billion out of a target of US\$ 1.73 billion, with disbursements standing at US\$ 2.3 billion. ITFC's financing under FSRP is estimated to benefit 44 million people and almost 550,000 farmers. ITFC also implemented IsDB's FSRP transactions as an agent in a fast-track manner. Accordingly, the Service Level Agreement (SLA) that was signed between IsDB and ITFC in 2020, whereby ITFC was appointed by IsDB as an Agent for implementing certain approved trade finance-related operations and procuring the trade assets under the IsDB Group Strategic Preparedness and Response Program (SPRP), was extended in 2023 to accommodate the implementation of the FSRP projects. In this regard, IsDB's FSRP Project in Jordan

has been implemented as part of the extended SLA in 2023 where 10 LCs totaling US\$ 184 million have been issued out of which US\$ 182.7 million has been disbursed. Similarly, ITFC and ISFD signed in 2023 a 3-year Agreement for US\$ 150 million to support food trade transactions of LDMember Countries to mitigate the consequences of the food security crisis.

Besides the trade finance-related activities, IsDB and Group Entities continued to be among the key partners in the implementation of all ITFC Flagship Trade Development Programs including AFTIAS 2.0, AATB and TCCA+, bringing a holistic approach to trade development across the IsDB Group in 2023.

IsDB 
البنك الإسلامي للتنمية
Islamic Development Bank



CHAPTER 06

**2023 Financial
Statements**



THE INTERNATIONAL ISLAMIC TRADE
FINANCE CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2023
(18 JUMAD'II, 1445H)

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The International Islamic Trade Finance Corporation (the "Corporation"), which comprise the statement of financial position as of December 31, 2023, and the related statement of income, statement of changes in members' equity, statement of cash flows and statement of changes in off-balance sheet assets under management for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023, and the results of its operations, changes in members' equity, its cash flows and changes in off-balance sheet assets under management for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Corporation has also complied with the Shari'ah Rules and Principles as determined by the Group Shari'ah Board of the Islamic Development Bank Group during the period under audit.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions ("AAOIFI Code"), and we have fulfilled our other ethical responsibilities in accordance with the AAOIFI Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

These financial statements and the Corporation's undertaking to operate in accordance with Shari'ah Rules and Principles are the responsibility of the Corporation's management and the Board of Directors.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Accounting Standards issued by AAOIFI and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT - Continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT - Continued

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants



Ramadan 22, 1445H
April 1, 2024

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023**

(Expressed in Thousands of US Dollars unless otherwise stated)

	Notes	2023	2022
ASSETS			
Cash and cash equivalents	4	127,272	130,273
Wakala placements (due from)	4a	20,000	20,000
Commodity murabaha placements (due from)	4b	10,000	20,000
Trade murabaha financing, net	6	1,022,367	831,285
Investments in sukuk	5 & 7	426,417	363,794
Accrued income and other assets	8	11,337	12,084
Property and equipment		1,125	947
TOTAL ASSETS		1,618,973	1,378,383
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	9	46,013	29,747
Due to related parties	10	1,148	1,920
Commodity murabaha payable	11	415,212	288,678
Employee benefit liabilities	12	14,374	10,370
TOTAL LIABILITIES		476,747	330,715
MEMBERS' EQUITY			
Paid-up capital	13	746,658	746,318
Paid-up share premium	13	8,895	8,758
General reserve	14	392,963	325,642
Actuarial losses on employee benefit liabilities		(6,997)	(2,997)
Fair value reserve		707	(30,053)
TOTAL MEMBERS' EQUITY		1,142,226	1,047,668
TOTAL LIABILITIES AND MEMBERS' EQUITY		1,618,973	1,378,383
UNDISBURSED COMMITMENTS	16		

The accompanying notes from 1 to 24 form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

	Notes	2023	2022
INCOME FROM:			
Trade murabaha financing		68,886	37,205
Mudarib share of profit		14,611	7,747
Syndication arrangement fee		11,053	9,483
Implementation fees		13,406	13,623
Letter of credit issuance fees		8,158	16,001
Income from investments in sukuk		12,426	9,156
Income from commodity murabaha placements		7,180	1,843
Income from Wakala placements		1,217	1,023
Trade finance services and other income		1,465	937
Foreign currency gain/(loss)		3,131	(46)
		<u>141,533</u>	<u>96,972</u>
Financing cost		(17,976)	(2,547)
NET INCOME BEFORE EXPENSES		123,557	94,425
EXPENSES:			
Staff costs		(36,237)	(30,108)
Other administrative expenses	15	(9,909)	(9,376)
Depreciation		(633)	(549)
		<u>(46,779)</u>	<u>(40,033)</u>
Impairment allowance on financial assets	20	(5,160)	(10,519)
Recovery against written off receivables		-	10,287
NET INCOME		71,618	54,160

The accompanying notes from 1 to 24 form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

	Paid-up Capital	Paid-up share premium	General reserve	Actuarial deficit on employee benefit liabilities	Fair value reserve	Total members' equity
January 1, 2022	745,596	8,540	274,731	(29,172)	1,953	1,001,648
Actuarial gain on employee benefit liabilities (note 12)	-	-	-	26,175	-	26,175
Capital contributed	722	218	-	-	-	940
Grant for the Corporation's trade business initiative (note 14)	-	-	(3,249)	-	-	(3,249)
Changes in sukuk fair value reserve, net (note 7)	-	-	-	-	(32,006)	(32,006)
Net income	-	-	54,160	-	-	54,160
December 31, 2022	746,318	8,758	325,642	(2,997)	(30,053)	1,047,668
Actuarial loss on employee benefit liabilities (note 12)	-	-	-	(4,000)	-	(4,000)
Capital contributed	340	137	-	-	-	477
Grant for the Corporation's trade business initiative (note 14)	-	-	(4,297)	-	-	(4,297)
Changes in Sukuk fair value reserve, net (note 7)	-	-	-	-	(8,672)	(8,672)
Fair value loss transferred from equity due to change in policy (note 7)	-	-	-	-	39,432	39,432
Net income	-	-	71,618	-	-	71,618
December 31, 2023	746,658	8,895	392,963	(6,997)	707	1,142,226

The accompanying notes from 1 to 24 form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

	2023	2022
Cash flows from operating activities:		
Net income for the year	71,618	54,160
<i>Adjustments for:</i>		
Depreciation	633	549
Impairment allowance on financial assets	5,160	10,519
Grant accrual for the Corporation's trade business initiative	-	3,249
Cost of employee benefit liabilities	3,653	2,770
Amortization of premium / discount on sukuk	(155)	-
Realized loss on disposal of sukuk	360	108
	<u>81,269</u>	<u>71,355</u>
<i>Changes in operating assets and liabilities:</i>		
Trade murabaha financing	(195,951)	(47,381)
Accrued income and other assets	747	(784)
Due to related parties	(772)	(1,575)
Accruals and other liabilities	16,266	(4,763)
Cash (used in) / generated from operations	(98,441)	16,852
Employer contribution paid	(3,649)	(3,140)
Net cash (used in) / generated from operating activities	(102,090)	13,712
Cash flows from investing activities:		
Investments in sukuk	(53,340)	(101,016)
Proceeds from disposal of sukuk	20,980	22,423
Commodity murabaha placement (due from)	10,000	-
Wakala placement (due from)	-	5,000
Purchase of property and equipment	(811)	(493)
Net cash used in investing activities	(23,171)	(74,086)
Cash flows from financing activities:		
Capital contribution	477	940
Grant for the Corporation's trade business initiative	(4,297)	(3,249)
Commodity murabaha payable	126,534	64,987
Net cash from financing activities	122,714	62,678
Net change in cash and cash equivalents	(2,547)	2,304
Cash and cash equivalents, January 1	130,273	127,955
Reversal of impairment allowance on cash and cash equivalents	1	14
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>127,727</u>	<u>130,273</u>

The accompanying notes from 1 to 24 form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

	January 1, 2023	Additions	Net disposals/ withdrawals	Mudarib's share of profit	Agency fee	December 31, 2023	
Notes							
Net assets managed on behalf of syndication members	22	5,034,101	3,703,801	(5,097,137)	14,611	-	3,655,376
Net assets managed on behalf of Saudi Exim Bank	22	219,294	1,643	(220,410)	-	(527)	-
Net assets managed on behalf of Muwakkil	22	-	539,278	(521,553)	-	-	17,725
Total		<u>5,253,395</u>	<u>4,244,722</u>	<u>(5,839,100)</u>	<u>14,611</u>	<u>(527)</u>	<u>3,673,101</u>
	January 1, 2022	Additions	Net disposals/ withdrawals	Mudarib's share of profit	Agency fee	December 31, 2022	
Notes							
Net assets managed on behalf of syndication members	22	3,274,473	6,035,037	(4,283,156)	7,747	-	5,034,101
Net assets managed on behalf of Saudi Exim Bank	22	216,956	3,255	-	-	(917)	219,294
Net assets managed on behalf of Muwakkil	22	11,721	78,490	(90,211)	-	-	-
Total		<u>3,503,150</u>	<u>6,116,782</u>	<u>(4,373,367)</u>	<u>7,747</u>	<u>(917)</u>	<u>5,253,395</u>

The accompanying notes from 1 to 24 form an integral part of these financial statements

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

The International Islamic Trade Finance Corporation (the "Corporation" or "ITFC") 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. Most 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 from the Bank's headquarters in Jeddah, Saudi Arabia. The financial statements of the Corporation are expressed in thousands of United States Dollars ("USD").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the Financial Accounting Standards ("FAS") 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 Bank. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Corporation seeks guidance from generally accepted accounting principles as per the conceptual framework of AAOIFI provided they do not contradict the Rules and Principles of Islamic Shari'ah.

The financial statements are prepared under the historic cost convention except for the following items:

- Certain investments in Sukuk which are measured at fair value through equity.
- Employee benefit liabilities is measured using actuarial present value calculation based on projected unit credit method.

Accounting policies

a) 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.

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

b) Cash and cash equivalents

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

c) Wakala/Commodity murabaha placements (Due from)

- Commodity murabaha placements are made in Shari'ah compliant instruments with banks at a fixed profit. The buying and selling of commodities are limited by the terms of agreement between the Corporation and the various banks. The placements are initially recorded at cost, including acquisition charges and subsequently measured at cost less impairment (if any).
- The Wakala placements are accounted for under the Wakala Venture approach whereby the principal (hereinafter referred to as the "Muwakkil") initially recognizes the investment at cost and subsequently adjusts it to include Muwakkil's share in the profit or loss of the Wakala venture net of any agent's remuneration including any variable remuneration payable as of the reporting date.

d) Al-Wakala Bi Al-Istithmar

Al-Wakala Bi Al-Istithmar is used as a short to medium- and long-term working capital financing tool. The Corporation, in its capacity as the principal (hereinafter referred to as the "Muwakkil") appoints the client as its agent (hereinafter referred to as the "Wakil") to manage the investment amount (hereinafter referred to as the "Investment amount") in Shari'ah compliant activities that may be entered into, as agreed, by the Wakil on behalf of the Muwakkil. The prime objective of making such an investment is to generate profit from the business activities and get the Investment Amount paid back along with the profit amount, if any, on the investment maturity date based on the anticipated profit rate on the investments.

e) 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 expected credit losses.

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.

f) Investments in sukuk

Investments in sukuk are classified under core portfolio and treasury investment portfolio. During the year, the Corporation has changed the business model for its investments in sukuk. This change in the classification of sukuk aims to better align the Corporation's investment strategy with its long-term liquidity and investment requirements (for definitions and details refer to note 7).

Sukuk under core portfolio are acquired with the objective to hold the instrument till its maturity and to collect expected cash flows until they are matured. These sukuk are measured at amortized cost less allowance for expected credit losses.

Sukuk that are acquired under treasury investment portfolio are initially recognized at fair value plus transaction costs 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.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2023**

(Expressed in Thousands of US Dollars unless otherwise stated)

The Corporation exercises judgment to consider impairment on the financial assets designated at fair value through members' equity, at each reporting date. This includes determination of a significant or prolonged decline in the fair value of investments below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Corporation evaluates among other factors, the normal volatility in share prices. In addition, the Corporation considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Any resulting impairment is recognized in statement of income. Any subsequent increase in the fair value is recognized as fair value gain in statement of members' equity.

g) Financial assets and liabilities

Financial assets and liabilities are recognized in the statement of financial position when the Corporation assumes related contractual rights or obligations.

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Corporation.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation.

Recognized financial assets and financial liabilities are initially measured at fair value which is best evidenced by the transaction amount. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through statement of income are recognized immediately in statement of income.

On initial recognition, financial assets are classified and measured at either of (i) amortized cost, (ii) fair value through members' equity or (iii) fair value through statement of income, on the basis of both:

- a. the Corporation's business model for managing the investments; and
- b. the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Financial assets comprise investments in debt-type instruments.

(i) Classification**Debt-type instruments****Categorization**

Debt-type instruments are instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability. Investments in debt-type instruments are categorized into following a) non-monetary debt-type instruments or b) monetary debt-type instruments.

- a) Non-monetary debt-type instruments – these are debt-type instruments whereby the transaction structure results in creation of a non-financial liability or usufruct or services to be delivered in future; and are classified into the following categories: 1) at amortized cost, 2) at fair value through members' equity or 3) fair value through statement of income.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2023**

(Expressed in Thousands of US Dollars unless otherwise stated)

A non-monetary debt-type instrument is classified and measured at amortized cost only if investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument classified and measured at fair value through members' equity only if the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument classified and measured at fair value through statement of income include investments held for trading or designated at fair value through statement of income at inception. At inception, a non-monetary debt-type instrument can only be designated at fair value through statement of income if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise on measuring the assets or liabilities or quasi equity recognizing the gains or losses on them on different bases.

b) Monetary debt-type instruments – these are debt-type instruments whereby the transaction structure results in creation of a financial liability / debt; and are classified and measured at cost, till the time the transaction at the back-end is executed: and at amortized cost thereafter.

(ii) Recognition and derecognition

Instruments are derecognized at the trade date i.e., the date that the Corporation contracts to purchase or sell the asset, at which date the Corporation becomes party to the contractual provisions of the instrument. Instruments are derecognized when the rights to receive cash flows from the financial assets have expired or where the Corporation has transferred substantially all risk and rewards of ownership.

(iii) Measurement**Initial recognition**

Instruments are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through statement of income which are charged to statement of income.

Subsequent measurement

Investments at fair value through statement of income are re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognised in the statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortized cost are measured at amortized cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortization process and those arising on de-recognition or impairment of the investments, are recognised in the statement of income.

Investments at fair value through members' equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the statement of changes in members' equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in members' equity is transferred to the statement of income.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

(iv) Measurement principles

Amortised cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Corporation measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Corporation by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(v) Reclassification

The Corporation reclassifies the financial assets if there is a change in the business model for managing those financial assets. Changes to the business model are infrequent and determined by the Corporation's senior management as a result of external or internal changes and are significant to the Corporation's operations and evident to external parties.

Reclassifications are accounted for prospectively from the reclassification date. The Corporation does not restate any previously recognised gains or losses (including impairment gains or losses) or profit.

During the year, the Corporation reassessed and changed the business model of certain investments in Sukuk measured at fair value through equity. Financial assets measured at fair value through equity are reclassified to amortized cost by transferring the balance in fair value reserve in members' equity immediately before reclassification to the fair value of the financial asset on the statement of financial position immediately before the reclassification.

Financial assets comprise cash and cash equivalents, Wakala/Commodity murabaha placements (due from), trade murabaha financing, and investments in sukuk. These financial assets are measured at amortized cost less impairment except for certain investments in sukuk which are measured at fair value through members' equity.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include commodity murabaha payable and due to related parties and are initially measured at their fair values and thereafter stated at their costs.

h) Impairment of financial assets
Expected credit loss against financial assets held at amortized cost and at fair value through members' equity

The Corporation applies a three-stage approach to measuring Expected Credit Losses (ECLs) for financial assets measured at amortized cost and at fair value through members' equity. Financial assets migrate through the following three stages based on the change in credit risk since initial recognition.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

i) Stage 1: 12-months ECL

Stage 1 includes financial assets that have not had a significant increase in credit risk (SICR) since initial recognition. The Corporation recognizes 12 months of ECL for stage 1 financial assets. In assessing whether credit risk has increased significantly, the Corporation compares the risk of a default occurring on the financial asset as at the reporting date, with the risk of a default occurring on the financial asset as at the date of its initial recognition.

ii) Stage 2: Lifetime ECL – Significant increase in credit risk

Stage 2 comprises financial assets that have had a significant increase in credit risk since initial recognition, but for which there is no objective evidence of impairment. The Corporation recognizes lifetime ECL for stage 2 financial assets. For these exposures, the Corporation recognizes an allowance amount based on lifetime ECL (i.e. an allowance amount reflecting the remaining lifetime of the financial asset). A significant increase in credit risk is considered to have occurred when contractual payments are more than 180 days past due for sovereign assets and more than 90 days past due for non-sovereign assets.

iii) Stage 3: Lifetime ECL - credit impaired

Included in stage 3 are assets that have been categorized as credit impaired. The Corporation recognizes lifetime ECL for all net recoverable amount from the customer or from the resale of goods sold to that customer.

The expected credit loss allowance on financial assets at amortized cost is recognized in statement of income with corresponding effect to that financial asset. The expected credit loss allowance on financial assets at fair value through equity is recognized in statement of income with corresponding effect to fair value reserve of that asset in equity.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset only when there is a legal 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. Income and expenses are presented on a net basis only when permitted under FAS issued by AAOIFI, or for gains and losses arising from a group of similar transactions.

i) Fixed assets

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

Office and computer equipment	4 years
Motor vehicles	5 years

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

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

j) Provisions

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2023**

(Expressed in Thousands of US Dollars unless otherwise stated)

k) Revenue recognition*Trade murabaha financing*

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

Commodity murabaha placements

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

Wakala placements

Income from placements 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's share of profit is recognized on a time apportionment basis over the period from when the right to receive payment is established to date of repayment of all the murabaha receivable.

Syndication arrangement income and implementation fee

Income from syndication arrangement and implementation fee is recognized when beneficiary and syndication arranger have agreed upon the syndication terms and conditions, and the financing facility is declared effective. As such, revenue is recognized at a point in time when related arrangement and implementation is completed

Letter of Credit issuance income

Letter of Credit fee income is recognized at a point in time when the related performance obligations are satisfied.

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 transferred instantly to Trade Development Fund for onward disbursement to charitable needs, unless the Board of directors and Shari'ah Board decide otherwise

l) 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.

m) Employee benefit liabilities

The Corporation operates three defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SRPP"), the Staff Retirement Medical Plan ("SRMP") and the Retirement Medical Solidarity Plan ("RMSP"). All of these plans require contributions to be made to separately administered funds. A defined benefit plan is a plan that defines an amount of 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 INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2023**

(Expressed in Thousands of US Dollars unless otherwise stated)

A full actuarial valuation is performed every three years by engaging independent actuaries. For intermediate years, the defined benefit obligation is estimated by the independent actuaries using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial valuation results presented as of December 31, 2023 is based on a roll forward of the data as of 2021 (except for the SRMP plan actives, retirees and beneficiaries, data used to calculate their results are adjusted for the transfers to RMSP). For RMSP, a full valuation was performed based on data as of November 30, 2022 and then roll forwarded to December 31, 2023.

The present value of the defined benefit obligation due until 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 US AA rated corporate bonds. The bonds have terms to maturity closely matching the terms of the actual defined benefit obligation.

The current service cost of the defined benefit plan recognized in the statement of income reflects the increase in the defined benefit obligation resulting from employee service in the current year. The cost on defined benefit obligation represents increase in liability due to passage of time.

Retrospective modifications to benefits or curtailment gain or loss are accounted for as past service costs or income in the statement of income in the period of plan amendment.

Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets.

The pension committee, with advice from the Corporation's actuaries, determines the Corporation's contributions to the defined benefit scheme and the contributions are transferred to the scheme's independent custodians.

n) Commodity murabaha payable

Commodity murabaha placements entails the purchase and sale of commodities at fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other Islamic and conventional financial institutions. Commodity murabaha placements are carried at amortized cost.

o) Wakala payable

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 Corporation, acting as Wakeel decides in respect to the investments to be made from the Wakala Capital, subject to the terms of the Wakala agreement but in a fiduciary capacity and the Corporation bears no loss from and is not exposed to any variable returns except for the losses resulting from misconduct, negligence or violation of any of the terms of the Wakala agreements. Consequently, the Corporation does not control the underlying funds and therefore, does not recognize the Wakala capital and related investments on the statement of financial position.

Wakala fee is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

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Critical accounting judgements and estimates

The preparation of financial statements in accordance with FAS issued by AAOIFI, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires Management to exercise its judgment in the process of applying the Corporation's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgements and estimates are summarized below:

Significant judgements
Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Corporation monitors financial assets measured at fair value through equity. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. For change in business model during the year, see note 7.

Going concern

The Corporation's management has assessed the Corporation's ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, the 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.

Significant accounting estimates
Expected credit losses against financial assets

The measurement of credit losses under FAS 30 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Corporation's Expected Credit Losses ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- i) The Corporation's internal credit grading model, which assigns PDs to the individual grades;
- ii) The Corporation's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment;
- iii) Development of ECL models, including the various formulas and the choice of inputs
- iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs and LGDs
- v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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Employee benefit liabilities

The Corporation uses the projected unit credit method to determine the present value of its defined benefit plans and the related service costs. In this regard, the Corporation uses certain assumptions of discount rates, expected return on plan assets and rate of salary increases, which may differ from actual experiences. These estimates are updated on an annual basis and are subject to an evaluation by an independent actuary.

Effects of new and revised financial accounting standards

The following new financial accounting standards ("FAS") of The Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), which became effective for annual periods beginning on or after January 01, 2023, have been adopted in these financial statements if found to be applicable.

(i) Financial Accounting Standard – 39 “Financial Reporting for Zakah”

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after January 1, 2023 with early adoption permitted.

FAS 39 shall not impact the financial statements as the Corporation is not zakah payer.

(ii) Financial Accounting Standard - 41 “Interim Financial Reporting”

This standard prescribes the principles for the preparation of interim financial reports and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to the Islamic financial institutions in line with AAOIFI FAS.

The standard considers and aligns with the relevant requirements with FAS 1 “General Presentation and Disclosures in the Financial Statements” and other recently issued / revised FASs. This standard also provides an option for an institution to prepare and publish a complete set of financial statements at interim reporting dates in line with the respective FASs. This standard shall be effective for financial periods beginning on or after January 1, 2023.

There was no impact of the adoption of the above-mentioned standard on the Corporation as the Corporation is not required under law or regulation to prepare interim financial reports neither it prepares interim financial reports on a voluntary basis.

(iii) Financial Accounting Standard - 44 “Determining Control of Assets and Business”

This standard prescribes the criteria of obtaining control of assets, i.e., having risks and rewards incidental to ownership of assets, including those related to underlying assets of instruments such as Sukuk and participatory arrangements such as Mudaraba, Musharaka and Wakala. Furthermore, the standard addresses circumstances when control is lost.

This standard also sets out the principles for assessing the need to consolidate financial statements in case an institution controls a business, taking the form of an independent legal entity. This standard is effective immediately and applicable for and after the financial periods ended December 31, 2023 of the Corporation. The Corporation has evaluated the provisions of this standard and concluded that the Corporation is already in compliance with the requirements of the Standard.

New and amended FAS in issue but not yet effective and not early adopted

The following new FASs have been issued. The Corporation intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new FASs on its financial statements and systems.

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(i) Financial Accounting Standard – 40 “Financial Reporting for Islamic Finance Windows”

This standard improves upon and supersedes the AAOIFI’s FAS 18 “Islamic Financial Services Offered by Conventional Financial Institutions” issued in 2002. This standard requires conventional financial institutions offering Islamic financial services through an Islamic finance window to prepare and present the financial statements of the Islamic finance window in line with the requirement of this standard, read with other AAOIFI FASs. This standard provides principles of financial reporting including the presentation and disclosure requirements applicable on Islamic finance windows.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after January 1, 2024.

FAS 40 shall not impact the financial statements as the Corporation is an Islamic finance institution.

(ii) Financial Accounting Standard – 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”

The revised FAS 1 describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable on all the Islamic financial institutions and other institutions following AAOIFI FASs. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari’ah principles and rules and comparability with the institution’s financial statements of previous periods, and the financial statements of other institutions.

This standard shall be effective on the financial statements of the institutions beginning on or after January 1, 2024 with early adoption permitted. The Corporation is currently evaluating the impact of this standard on its financial statements.

(ii) Financial Accounting Standard - 42 “Presentation and Disclosures in the Financial Statements of Takaful Institutions”

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules.

This standard improves the presentation and disclosure requirements, in line with the global best practices, and supersedes the existing FAS 12 “General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies”.

This standard prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. This standard also establishes the general principles for the presentation of information and adequately reflecting the rights and obligations of different stakeholders within Takaful business model. It stipulates the information that should be disclosed in the financial statements of Takaful institutions to achieve the objectives of accounting and financial reporting.

The standard shall be accompanied by, and read in conjunction with, FAS 43 “Accounting for Takaful: Recognition and Measurement”, which covers the significant aspects of accounting for Takaful products.

This standard shall be effective on the annual financial statements of the Takaful institutions beginning on or after January 1, 2025 with early adoption of the standard is permitted if adopted alongside FAS 43 “Accounting for Takaful: Recognition and Measurement”, provided that FAS 1

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“General Presentation and Disclosures in the Financial Statements” has already been adopted or is simultaneously adopted.

FAS 42 shall not impact the financial statements as the Corporation is not a Takaful institution.

(iv) Financial Accounting Standard - 43 “Accounting for Takaful: Recognition and Measurement”

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business.

This standard shall be effective on the financial statements of the Takaful institution for the annual financial reporting period beginning on or after January 1, 2025. Early adoption of the standard is permitted if adopted alongside FAS 42 “Presentation and Disclosure in the Financial Statements of Takaful institutions”.

FAS 43 shall not impact the financial statements as the Corporation is not a Takaful institution.

(v) Financial Accounting Standard - 45 “Quasi-Equity (including Investment Accounts)”

This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners’ equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance sheet accounting and are reported as quasi-equity.

This standard provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure of quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Corporation is currently evaluating the impact of this standard on its financial statements.

(vi) Financial Accounting Standard - 46 “Off-Balance-Sheet Assets Under Management”

This standard prescribes the criteria for characterization of off-balance sheet assets under management and the related principles of financial reporting in line with the “AAOIFI conceptual framework for financial reporting”.

This standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies etc relating to off balance sheet assets under management, as well as, certain specific aspects of financial reporting, e.g. impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements, particularly aligning the same with the requirements of FAS 1 “General Presentation and Disclosures in the Financial Statements” in respect of the Statement of changes in the off balance sheet assets under management.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 “Quasi-Equity (including Investment Accounts)”. The Corporation is currently evaluating the impact of this standard on its financial statements.

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(vii) Financial Accounting Standard - 47 "Transfer of Assets Between Investment Pools"

This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfer of assets between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Sha'riah principles and rules and describes general disclosure requirements in this respect.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Corporation is currently evaluating the impact of this standard on its financial statements.

3. ISDB GROUP SHARI'AH BOARD

The Corporation's business activities are subject to the supervision of the single Shari'ah Board of the ISDB Group. The members of the single Shari'ah Board of the ISDB Group have been appointed by ISDB 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, ISDB Group, to implement the aforesaid Resolution of the ISDB BED, in the Corporation.

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 BANK BALANCES

	2023	2022
Cash at banks	127,728	130,275
Allowance for expected credit losses (4c)	(1)	(2)
Cash and cash equivalents	<u>127,727</u>	<u>130,273</u>

4a Wakala placements (due from) with original maturities of more than 3 months

Wakala placements are utilized in the purchase and sale of commodities. Trading is conducted by banks on behalf of the Corporation. The banks have discretion over buying and selling and investing the Corporation's funds, but this discretion is limited by the terms of the agreements between the Corporation and the banks, mainly relating to Shari'ah compliance. Since these placements are short-term maturing within a period of three months, therefore, the Corporation has applied Wakala Venture approach.

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4b Commodity murabaha Placements (due from) with original maturities of more than 3 months

Commodity murabaha placements entails the purchase and sale of commodities at agreed profit rates. The buying and selling of commodities is limited by the terms of agreement between the Bank and other Islamic and conventional financial institutions.

4c Allowance for expected credit losses

As of each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Corporation's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

5. AL-WAKALA BI AL-ISTITHMAR
Pass through approach

Assets, equity reserves, revenues, and other comprehensive income are aggregated on a line-by-line basis in the financial statements. The aggregate amounts added in respective line items are:

	2023	2022
Investments in sukuk and related accrued income and other assets	-	12,470
Fair value reserve of sukuk held at fair value through equity	-	(2,188)
Investment income from sukuk	-	314

The contract with the agent (also referred as Wakil) ended on November 30, 2023 and accordingly all the Sukuks held by the Wakil were transferred to the Corporation at their carrying value. The Sukuks are presented in Investments in Sukuks as of December 31, 2023.

6. TRADE MURABAHA FINANCING, NET

a) Total receivable relating to financing are as follows:

	2023	2022
Net receivable under murabaha financing (note 6 (b))	1,022,367	831,285
Net receivable from commodities under murabaha (note 6 (c))	-	-
Trade murabaha financing, net	<u>1,022,367</u>	<u>831,285</u>

b) Receivable under murabaha financing

	2023	2022
Gross amounts receivable	1,073,328	868,011
Less: unearned income	(39,825)	(30,459)
	<u>1,033,503</u>	<u>837,552</u>
Allowance for credit losses	(11,136)	(6,267)
Net receivable under murabaha financing	<u>1,022,367</u>	<u>831,285</u>

c) Commodities under murabaha – structured trade finance

	2023	2022
Total commodities under murabaha	-	41,738
Allowance for credit losses	-	(41,738)
Net receivable from commodities under murabaha	<u>-</u>	<u>-</u>

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Net receivable from commodities under murabaha represented the estimated recoverable amount from sale of goods which were previously sold to a customer that later became delinquent and those goods are still under the possession of that customer. The Corporation has written off these receivables during the year.

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 as a lead syndicate manager. The net assets managed on behalf of syndicate member is presented in statement of changes in off-balance sheet assets under management.

The movement in the expected credit losses and exposure at default on trade murabaha financing at end of the reporting period is as follows:

Exposure at default

2023	Stage 1	Stage 2	Stage 3	Total
January 1	804,046	33,506	41,738	879,290
Net change for the year	50,481	145,470	(41,738)	154,213
December 31	854,527	178,976	-	1,033,503

Expected credit losses

2023	Stage 1	Stage 2	Stage 3	Total
January 1	6,154	113	41,738	48,005
Provision charged / (written of during the year	2,796	2,073	(41,738)	(36,869)
December 31	8,950	2,186	-	11,136

Exposure at default

2022	Stage 1	Stage 2	Stage 3	Total
January 1	790,230	-	41,679	831,909
Net change for the year	13,816	33,506	59	47,381
December 31	804,046	33,506	41,738	879,290

Expected credit losses

2022	Stage 1	Stage 2	Stage 3	Total
January 1	5,499	-	36,170	41,669
Provision during the year	655	113	5,568	6,336
December 31	6,154	113	41,738	48,005

No income is accrued on the credit-impaired trade murabaha financing assets for the year ended December 31, 2023 and 2022.

There are no balances that are past due at the reporting date.

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7. INVESTMENTS IN SUKUK

The movement in investments in sukuk is summarized as follows:

Designated as at fair value through statement of changes in members' equity:

	2023	2022
January 1	363,794	321,512
Investments during the year	53,340	101,016
Disposals during the year	(20,980)	(22,423)
Realized loss on disposal	(360)	(108)
Fair value loss transferred from equity due to change in policy	39,432	-
Unrealized loss on revaluation recognized in equity	(8,672)	(32,006)
Allowance for expected credit losses	(292)	-
Charge for impairment	-	(4,197)
Amortization of sukuk purchased on discount / premium	155	-
December 31	426,417	363,794
Investments at amortized cost	393,518	-
Investments in Fair Value Through Equity	32,899	363,794
Total Investments	426,417	363,794

Investments in sukuk as of December 31, 2023 and 2022 represent sukuk issued by various governments and certain other entities. Till September 2023, before the change in business model, the Corporation's investment in sukuk were designated as at fair value through statement of changes in members' equity.

In October 2023, the Corporation changed the business model for its investments in Sukuk. This change in the classification of Sukuk aims to better align the Corporation's investment strategy with its long-term liquidity and investment requirements. The revised business model consists of:

- A core portfolio consisting of high-quality liquid assets with the objective to hold investments in order to collect expected cash flows until the instrument's maturity. Assets held under this portfolio are measured at amortized cost.
- A treasury investment portfolio ("TIP") generates incremental returns to achieve both collections of expected cash flows and selling. Assets held under this portfolio are designated, upon initial recognition, as fair value through statement of changes in members' equity.

As a result of this reclassification, unrealized fair value gains and losses relating to Sukuk, previously accumulated in the Fair Value Reserve in Members' Equity, were derecognized, and added to the carrying value of investments in Sukuk as of the date of reclassification.

Effect of reclassification	Investments in Sukuk – core portfolio	Fair Value Reserve – core portfolio
Carrying amount of investments in sukuk before reclassification	335,987	(39,432)
Changes due to reclassification	39,432	39,432
Carrying amount of investments in sukuk after reclassification	375,419	-

As of December 31, 2023, the amortized cost of sukuk measured at fair value through statement of changes in members' equity is USD 33.6 million. The fair value of sukuk measured at amortized cost is USD 368.7 million.

Investment in Sukuk includes Sukuk issued by a related party recognized at the carrying value of USD 50 million (2022: USD 39 million).

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The unrealized loss on revaluation recognized in equity is net of realized gain / (loss) on Investments in sukuk.

2023	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB	BB and below	
Governments	49,997	17,018	53,846	74,740	11,289	206,890
Other entities	-	30,000	129,132	17,370	43,025	219,527
	<u>49,997</u>	<u>47,018</u>	<u>182,978</u>	<u>92,110</u>	<u>54,314</u>	<u>426,417</u>

2022	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB	BB and below	
Governments	-	28,200	57,920	36,413	18,671	141,204
Other entities	39,275	18,938	151,854	12,523	-	222,590
	<u>39,275</u>	<u>47,138</u>	<u>209,774</u>	<u>48,936</u>	<u>18,671</u>	<u>363,794</u>

Expected credit losses

2023	Stage 1	Stage 2	Stage 3	Total
January 1	-	-	-	-
Provision charged	292	-	-	292
December 31	<u>292</u>	<u>-</u>	<u>-</u>	<u>292</u>

8. ACCRUED INCOME AND OTHER ASSETS

	2023	2022
Accrued income on investments in sukuk	2,855	2,503
Accrued income from placements through banks	402	299
Employee advances	5,314	5,582
Other receivables	2,766	3,700
	<u>11,337</u>	<u>12,084</u>

9. ACCRUALS AND OTHER LIABILITIES

	2023	2022
Accrued and other expenses	3,421	1,738
Staff related provisions	8,786	6,973
Other creditors	509	896
Advances from customers and payable to syndicate members	22,336	14,326
Grant accrual for the Corporation's trade business initiative	7,546	5,249
Other payable	3,415	565
	<u>46,013</u>	<u>29,747</u>

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	2023	2022
Mudarib's share of profit from affiliate	4,942	1,571
Trade murabaha income paid to affiliate members on their share in the syndicated Trade Murabaha	21,028	19,408

Due to related party comprises of:

	2023	2022
IsDB - Ordinary Capital Resources	1,030	1,735
IsDB Medical Fund	19	80
IsDB Pension Fund	-	77
Islamic Corporation for the Development of the Private Sector	99	28
	<u>1,148</u>	<u>1,920</u>

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

ii. As of December 31, 2023, the balance of USD 587.5 million (2022: 437.6 million) payable to related parties is presented in statement of changes in off-balance sheet assets under management (note 22).

iii. The Corporation earns Mudarib's share of profit from IsDB group entities based on its agreed share of profit related to trade murabaha financing transactions.

(b) Key management compensation

The compensation to key management is as follows:

	2023	2022
Salaries and other benefits	834	810
Board of directors' fee	833	754

11. COMMODITY MURABAHA PAYABLE

The Corporation has entered into commodity murabaha purchase and sale agreements with certain counter parties. Under the terms of the agreements, the Corporation has purchased certain commodities from these counter parties on deferred payment basis and has simultaneously sold these through those counter parties to third parties. The outstanding balance as of December 31 represents the purchase price under these agreements. Financing cost incurred on commodity murabaha purchases during 2023 was USD 14.4 million (2022: USD 2.4 million).

12. EMPLOYEE BENEFIT LIABILITIES

IsDB Group staff retirement plan comprises of defined benefit and hybrid plan within SPP, SRMP and RMSP (collectively referred to as staff retirement plans ("SRPs")). Every person employed by the Bank and its Affiliates on a full-time basis, as defined in the Bank and Affiliates employment policies, is eligible to participate in the SRP from the date joining the Bank.

IsDB Group has a multi-employer plan and includes the Corporation, Islamic Development Bank - Ordinary Capital Resources (IsDB-OCR), Special Account Resources Waqf Fund (WAQF), Islamic Corporation for Development (ICD), Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) and Islamic Solidarity Fund for Development (ISFD).

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SPP

SPP is a combination of both old defined benefit plan (Pillar I) and new hybrid pension plan (Pillar II) became effective on 1st Rajab 1399H (corresponding to May 27, 1979) and 17/05/1442H (01/01/2023G) respectively. Every person employed by the Bank and its Affiliates on a full-time basis except for fixed term employees, as defined in the employment policies of the Bank and its Affiliates, is eligible to participate in the SPP, from the date joining the Bank and its affiliates. Participation in the hybrid pension plan is limited to those who have less than five years of service as of December 31, 2021 on optional basis however, those who joined the Bank from January 1, 2021 are enrolled automatically.

In both Pillars, the employee contributes at a rate of 11.1% (2022-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2022-25.9%).

The main features of the SPP are:

- (i) Normal retirement age is the 62nd anniversary of the participant's birth
- (ii) On retirement, the eligible retired employee is entitled to 2.5% under the old staff retirement plan or 1% under the hybrid plan in the Define Benefit ("DB") component, of the Weighted Highest Average Remuneration ("WHAR") (as defined by the pension committee) for each year of pensionable service and limited to a maximum of 30 hijri years
- (iii) 10% of Bank and its Affiliates contribution of 25.9%, and 5% of employees contribution of 11.1%, are used to fund the Define Cost ("DC") component of the hybrid plan. The accumulated fund and its investment returns will be paid as retirement lump sum benefits to the participants in the hybrid plan.
- (iv) Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the Pension Committee

SRMP

Effective 1st Muharram 1421H (corresponding to April 6, 2000), the Bank established the medical benefit scheme for retired employee via the BED resolution dated 18 Shawwal 1418H (corresponding to February 15, 1998). This was extended to eligible staff members of the Bank's Affiliates i.e. for SPP. The Bank and its Affiliates at rate 1% and the staff at a rate 0.5% of the basic salaries respectively fund the SRMP. The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses.

The entitlements payable for each retired employee under the medical plan is computed according to the following formula:

WHAR (as defined by the pension committee) X contributory period (limited to a maximum of 30 hijri years) X 0.18%

Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the pension committee.

RMSP

In February 2019, the BED approved, establishment of the Retirees Medical Solidarity Plan (RMSP) which would provide new medical coverage benefits for IsDB Group staff future retirees. Under the proposal, active staff members who have at least 10 years of service period before their normal retirement age as of January 1, 2019 will automatically fall under RMSP. Those staff members who do not meet the minimum service period threshold will be offered the option to join the new Fund.

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Under RMSP, retirees will have their actual medical costs covered as per the minimum guaranteed benefit schedule. This mainly covers hospitalization and emergency care, repatriation and ambulance transport. Overseas specialist hospitalization and outpatient care is also covered but only in specified countries.

Members of RMSP started to receive benefits as from April 1, 2022 (the start date of the Plan).

RMSP contributions are funded on 4/4/4 % basis. Employees contribute 4% of their pensionable salaries and the employer matches it with 4%. Retirees also contribute 4% of their pension (before commutation withdrawals). Both Employer and Employee contributions started to accrue on January 1, 2019 and at August 1, 2021, employees started cash contributions to RMSP. These contributions cumulated before April 1, 2022 have been recognized as part of plan assets on the said date.

Retirees didn't contribute up until April 1, 2022 and received benefits under the SRMP up until that point.

Administration of SRPs

The Pension Committee appointed by the President of IsDB Group, administers SRPs as separate funds on behalf of its employees. The Pension Committee is responsible for the oversight of investment and actuarial activities of the SRPs. The SRP's assets are invested in accordance with the policies set out by the Pension Committee. The Bank and its affiliates underwrite the investment and actuarial risk of the SRPs and share the administrative expenses.

Risks*Investment risk*

The present value of the SRPs' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on SRPs' asset is below this rate, it will create a plan deficit. Currently the SRPs' have a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the SRPs' liabilities, the administrator of SRPs' consider it appropriate that a reasonable portion of the SRPs' assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Discount rate

A decrease in the bond return rate will increase the SRPs' liability but this will be partially offset by an increase in the return on the SRPs' debt investments.

Longevity risk

The present value of the SRPs' liability is calculated by reference to the best estimate of the mortality of SRPs' participants both during and after their employment. An increase in the life expectancy of the SRPs' participants will increase the SRPs' liability.

Salary risk

The present value of the SRPs' liability is calculated by reference to the future salaries of SRPs' participants. As such, an increase in the salary of the SRPs' participants will increase the SRPs' liability.

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

	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
Fair value of plan assets as of January 1	37,584	746	3,665	41,995	38,490
Adjustment of fair value at beginning of the year	(421)	4	(2,796)	(3,213)	125
Accumulated opening contributions	-	-	-	-	1,629
Income on Plan Assets	1,912	36	86	2,034	1,090
Return on Plan Assets less than discount rate	(1,345)	52	-	(1,293)	(1,384)
Plan participants contribution	1,248	3	530	1,781	1,579
Employer contribution	3,096	23	530	3,649	3,140
Disbursements from Plan Assets	(1,181)	(89)	(7)	(1,277)	(2,674)
Fair value of plan assets as of December 31	40,893	775	2,008	43,676	41,995
	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
Benefit obligation as of January 1	50,516	1,404	445	52,365	75,405
Current service costs	2,883	10	185	3,078	4,153
Past service income	-	-	-	-	(2,307)
Cost on Defined Benefit Obligation ("DBO")	2,506	69	34	2,609	2,139
Plan participants contributions	1,248	3	530	1,781	1,579
Disbursements from Plan Assets	(1,181)	(89)	(7)	(1,277)	(2,674)
Net actuarial (gain)/loss	(42)	23	(487)	(506)	(25,930)
Benefit obligation as of December 31	55,930	1,420	700	58,050	52,365
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	15,037	645	(1,308)	14,374	10,370

The above net liability mainly 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 Corporation in the members' equity immediately in the year, it arises, if material.

Based on the actuarial valuations, the pension and medical benefit expenses for the year 2023 comprised the following:

	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
Current service costs	2,883	10	185	3,078	4,153
Cost on DBO	2,506	69	34	2,609	2,139
Past service income	-	-	-	-	(2,307)
Income on assets	(1,912)	(36)	(86)	(2,034)	(1,090)
Other adjustments	-	-	-	-	(125)
Cost recognized in the statement of income	3,477	43	133	3,653	2,770

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	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
Actuarial (gain)/loss due to change in assumptions	(42)	23	(487)	(506)	(25,930)
Return on plan assets greater than discount rate	1,345	(52)	-	1,293	1,384
Accumulated opening contributions	421	(4)	2,796	3,213	(1,629)
Loss/(gain) recognized in the statement of changes in equity	1,724	(33)	2,309	4,000	(26,175)

(c) Principal assumptions used in the actuarial valuations are as follows:

	SRPP	SRMP	RMSP	SRPP	SRPP	RMSP
	2023	2023	2023	2022	2022	2022
Discount rate	5%	5%	5%	5.1%	5.1%	5.01%
Rate of expected salary increase	4.5%-6.5%	4.5%-6.5%	4.5%-6.5%	4.5%-6.5%	4.5%-6.5%	4.5%-6.5%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on US AA rated Corporate Bonds. Rate of expected salaries increase for 2023 and 2022 was based on age i.e., 20-35 years – 6.5%, 35-50 years – 5.0% and above 50 years - 4.5%.

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is as follows:

	SRPP	SRMP	RMSP			
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
2023	(Decrease in liability)/increase in liability					
Discount rate	(4,174)	4,734	(67)	73	(148)	184
Rate of salary increase	2,182	(2,031)	2	(2)	-	-
	SRPP	SRMP	RMSP			
2022	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
	(Decrease in liability)/increase in liability					
Discount rate	(3,793)	4,306	(68)	74	(116)	146
Rate of salary increase	2,171	(2,010)	3	(3)	-	-

The following table presents the plan assets by major category:

	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
Cash and cash equivalent and commodity placements	22,279	685	1,329	24,293	15,913
Managed funds and instalment sales	10,402	-	-	10,402	10,413
Investments in sukuk	7,682	80	472	8,234	11,401
Land	526	-	-	526	3,381
Other (net)	4	10	207	221	887
Plan assets	40,893	775	2,008	43,676	41,995

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The following table summarizes the expected funding status for the next year:

2023	SRPP	SRMP	RMSP
Present value of defined benefit obligation	58,893	1,408	1,434
Fair value of plan assets	(42,890)	(727)	(3,070)
Plan deficit/(surplus)	16,003	681	(1,636)
2022	SRPP	SRMP	RMSP
Present value of defined benefit obligation	53,159	1,391	1,132
Fair value of plan assets	(39,366)	(696)	(4,764)
Plan deficit/(surplus)	13,793	695	(3,632)

SRPP

The expected employer contribution for year ended 31 December 2024 is USD 2,741 and expected costs to be recognized in profit or loss is USD 3,707.

SRMP

The expected employer contribution for year ended 31 December 2024 is USD 7 and expected costs to be recognized in profit or loss is USD 43.

RMSP

The expected employer contribution for year ended 31 December 2024 is USD 454 and expected gain to be recognized in profit or loss is USD 127.

The amounts recognized in the pension and medical obligations reserve are as follows:

	SRPP	SRMP	RMSP	Total	Total
	2023	2023	2023	2023	2022
January 1	6,694	452	(4,149)	2,997	29,172
Effect of changes in financial Assumptions	877	14	4	895	(26,241)
Effect of experience adjustments	(919)	9	(491)	(1,401)	311
Return on plan assets less than discount rate	1,345	(52)	-	1,293	1,384
Other adjustments	421	(4)	2,796	3,213	(1,629)
December 31	8,418	419	(1,840)	6,997	2,997

The expected maturity analysis is below:

2023	SRPP	SRMP	RMSP
Year 1	3,961	96	(19)
Year 2	1,559	95	(18)
Year 3	1,321	94	(16)
Year 4	3,794	110	(7)
Year 5	1,392	109	(5)
Next five years	12,593	520	384
2022	SRPP	SRMP	RMSP
Year 1	3,864	96	(27)
Year 2	1,113	94	(23)
Year 3	1,513	93	(24)
Year 4	1,291	92	(23)
Year 5	3,666	108	(14)
Next five years	10,971	517	353

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13. PAID-UP CAPITAL

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

	2023	2022
Authorized capital	4,000,000	3,000,000
Subscribed capital	858,690	858,690
Subscribed not yet called	(26,050)	(26,550)
Called-up share capital (Par Value)	832,640	832,140
Installment due but not paid	(85,982)	(85,822)
Paid-up Capital (Par Value)	746,658	746,318
Subscribed premium	53,868	47,122
Subscribed premium not yet called	(10,518)	(9,117)
Called up share premium	43,350	38,005
Installment due but not paid	(34,455)	(29,247)
Paid-up Capital (premium)	8,895	8,758
Paid-up Capital (Par Value Plus Premium)	755,553	755,076

14. GENERAL RESERVE

In accordance with Article 27 of the Articles of Agreement of the Corporation, the General Assembly shall annually determine the dividends to be distributed only after the reserve reaches 25% of the subscribed capital.

 In accordance with General Assembly's resolution no. GA16/5-442 adopted on September 4, 2022 during the 16th meeting of General Assembly, the Corporation is required to allocate 6% of its net income but no less than USD 2 million annually and no more than USD 5 million annually for Corporation's trade development programs, initiatives, and other engagements for a period of next 5 years starting from 2020 net income. During the year, the Corporation has allocated USD 4.29 million for 2023 (2022: USD 3.25 million) for this purpose.

15. OTHER ADMINISTRATIVE EXPENSES

	2023	2022
Consultancy and marketing	2,631	2,831
Office rent and support services	1,707	2,024
Communication and membership	1,864	1,354
Travel expenses	1,278	1,254
Meeting expenses	1,403	1,005
Other expenses	1,026	908
	9,909	9,376

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16. UNDISBURSED COMMITMENTS

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

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

Undisbursed commitments comprised the following:

	2023	2022
Undisbursed commitments – trade Murabaha financing	327,896	314,185
LCs and standby obligations	208,208	57,994
	536,104	372,179

17. MATURITY PROFILE

Financial assets and liabilities according to their respective contractual maturity periods is as following:

2023	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	127,727	-	-	-	-	127,727
Commodity Murabaha placements (due from)	10,000	-	-	-	-	10,000
Wakala placements (due from)	-	20,000	-	-	-	20,000
Trade murabaha financing	389,394	620,161	12,812	-	-	1,022,367
Investments in sukuk	5,303	33,676	221,481	165,957	-	426,417
Total financial assets	532,424	673,837	234,293	165,957	-	1,606,511

2023	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Liabilities						
Due to related parties	1,148	-	-	-	-	1,148
Commodity Murabaha payable	115,054	300,158	-	-	-	415,212
Total financial liabilities	116,202	300,158	-	-	-	416,360
Undisbursed commitments (note 16)	299,323	220,585	16,196	-	-	536,104

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2022	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	130,273	-	-	-	-	130,273
Commodity Murabaha placements (due from)	10,000	10,000	-	-	-	20,000
Wakala placements (due from)	20,000	-	-	-	-	20,000
Trade murabaha financing	233,737	570,870	26,678	-	-	831,285
Investments in sukuk	-	18,665	211,809	133,320	-	363,794
Total financial assets	394,010	599,535	238,487	133,320	-	1,365,352

2022	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Liabilities						
Due to related parties	1,920	-	-	-	-	1,920
Commodity Murabaha payable	133,151	155,527	-	-	-	288,678
Total financial liabilities	135,071	155,527	-	-	-	290,598
Undisbursed commitments (note 16)	85,746	286,433	-	-	-	372,179

18. NET ASSETS IN FOREIGN CURRENCIES

	2023	2022
Saudi Riyal	2,894	2,129
Euro	5,925	4,544
AED	9	9

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19. CONCENTRATION OF FINANCIAL ASSETS

The geographical distribution of net financial assets are as follows:

2023	Cash and cash equivalents	Commodity murabaha placements (due from)	Wakala placements (due from)	Trade murabaha financing	Investments in sukuk	Total
Bahrain	-	10,000	-	-	4,873	14,873
Bangladesh	-	-	-	79,272	-	79,272
Belgium	9	-	-	-	-	9
Burkina Faso	-	-	-	60,722	-	60,722
Cameroon	-	-	-	15,218	-	15,218
Comoros	-	-	-	20,608	-	20,608
Cote D'Ivoire	-	-	-	253	-	253
Djibouti	-	-	-	38,032	-	38,032
Egypt	-	-	-	109,179	-	109,179
Gambia	-	-	-	43,041	-	43,041
Guinea	-	-	-	2,786	-	2,786
Hong Kong	-	-	-	-	17,018	17,018
Indonesia	358	-	-	10,098	43,312	53,768
Kyrgyzstan	-	-	-	271	-	271
Kuwait	20,000	-	20,000	-	19,858	59,858
Malaysia	-	-	-	-	27,612	27,612
Maldives	-	-	-	56,945	-	56,945
Mali	-	-	-	35,839	-	35,839
Mauritania	-	-	-	72,307	-	72,307
Nigeria	-	-	-	10,223	-	10,223
Oman	-	-	-	-	6,468	6,468
Pakistan	-	-	-	102,662	-	102,662
Qatar	20,000	-	-	-	38,996	58,996
Regional	-	-	-	33,495	-	33,495
IsDB	-	-	-	-	49,997	49,997
Saudi Arabia	2,895	-	-	-	105,171	108,066
Senegal	-	-	-	117,837	-	117,837
Tajikistan	-	-	-	11,434	-	11,434
Togo	-	-	-	13,816	-	13,816
Tunisia	-	-	-	64,449	-	64,449
Turkiye	-	-	-	40,221	-	40,221
UAE	40,513	-	-	-	113,112	153,625
Uganda	-	-	-	868	-	868
United Kingdom	43,952	-	-	-	-	43,952
Uzbekistan	-	-	-	82,791	-	82,791
TOTAL	127,727	10,000	20,000	1,022,367	426,417	1,606,511

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2022	Cash and cash equivalents	Commodity murabaha placements (due from)	Wakala placements (due from)	Trade murabaha financing	Investments in sukuk	Total
Bahrain	-	-	-	-	2,788	2,788
Bangladesh	-	-	-	115,747	-	115,747
Belgium	1,436	-	-	-	-	1,436
Burkina Faso	-	-	-	11,037	-	11,037
Cameroon	-	-	-	14,344	-	14,344
Comoros	-	-	-	8,181	-	8,181
Cote D'Ivoire	-	-	-	2,098	-	2,098
Djibouti	-	-	-	13,458	-	13,458
Egypt	-	-	-	211,415	-	211,415
Gambia	-	-	-	15,143	-	15,143
Hong Kong	-	-	-	-	9,535	9,535
Indonesia	8,105	-	-	1,977	36,413	46,495
Kyrgyzstan	-	-	-	695	-	695
Kuwait	-	10,000	15,000	-	19,110	44,110
Malaysia	-	-	-	-	22,013	22,013
Maldives	-	-	-	56,387	-	56,387
Mali	-	-	-	20,198	-	20,198
Mauritania	-	-	-	49,234	-	49,234
Oman	-	-	-	-	6,667	6,667
Pakistan	-	-	-	102,117	-	102,117
Qatar	-	10,000	-	-	56,750	66,750
IsDB	-	-	-	30,637	39,275	69,912
Saudi Arabia	2,130	-	5,000	-	83,800	90,572
Senegal	-	-	-	54,886	-	54,886
Suriname	-	-	-	560	-	560
Tajikistan	-	-	-	11,780	-	11,780
Togo	-	-	-	27,289	-	27,289
Tunisia	-	-	-	22,531	-	22,531
UAE	9	-	-	-	87,443	87,452
Uganda	-	-	-	5,964	-	5,964
United Kingdom	118,593	-	-	-	-	118,593
Uzbekistan	-	-	-	55,607	-	55,607
TOTAL	130,273	20,000	20,000	831,285	363,794	1,364,994

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

20. RISK MANAGEMENT

The Corporation's risk management is governed by various risk management policies, procedures and guidelines. The Risk Management Department ("RMD") is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Corporation through the identification, measurement and monitoring of all types of risks inherent in its activities. The Corporation'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 activities and financial transactions.

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Management level committees perform risk monitoring and oversight roles: the Asset and Liability Management Committee (“ALCO”), the Credit Committees (“CC”) and Investment Committees (“IC”) and Risk Management Committee (“RMC”). The ALCO is the oversight and control organ of the Corporation’s finance and treasury risk management activities. CC and IC ensure effective implementation of the Bank’s credit and investment policies and oversees all credit risk issues related to sovereign and non-sovereign operations. The RMC ensures that there is appropriate monitoring and oversight on all major risks arising from financing and investment operations through adopting relevant risk management frameworks, policies, guidelines and risk reports.

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 (note 6, 7, 8 and 9). The assets which subject the Corporation to credit risk principally consist of Wakala / Commodity Murabaha placements (due from), trade Murabaha financing and investments in sukuk which are, 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.

Credit risk includes potential losses arising from a counterparty’s (i.e., countries and banks/financial institutions, corporates, 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 the overall credit risk management framework to provide clear guidance on various types of financing. In addition, the Corporation has in place a counterparty’s assessment criteria and detailed structured exposure limits in line with the best banking practices. As a matter of fact, 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 Corporation maintains a comprehensive internal rating system for various classes of counterparties that are eligible for financing. While extending financing to its member countries, the Corporation safeguards 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.

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

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

The allowance/(reversal of allowance) recognized during the year is as follows:

	2023	2022
Trade - 37 -Murabaha receivables	4,869	6,336
Investments in sukuk	292	4,197
Cash and cash equivalents	(1)	(14)
	<u>5,160</u>	<u>10,519</u>

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

b) Market and liquidity risks

The Corporation is exposed to following 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 is denominated. Any financing denominated in currencies other than the functional currency is based on matched-funding principles or funded through external syndicate partners. The Corporation does not actively trade in currencies.

ii) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its net funding requirements. To guard against this risk, the Corporation adopts a conservative approach by maintaining high liquidity levels through investment in cash, cash equivalents, placements through banks and trade Murabaha financing with short-term maturity of three to twelve months. The maturity profile of the Corporation’s financial assets and liabilities has been presented in note 17.

iii) Mark-up risk

Mark-up risk arises from the possibility that changes in mark-up will affect the value of the financial instruments. The Corporation is exposed to mark-up on its investments in placements through banks, investments in sukuk 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.

c) Operational risk

The Corporation leverages on risk & control self-assessment (RCSA), incident and collection of loss (event) data (IMDC), and monitoring of key risk indicators (KRI) for the identification and assessment of operational risks. The operational risk management function is fully integrated into the overall risk management structure and is based on a decentralized ownership model that relies on the following three lines of defense: (1) Business Line Management, (2) Operational Risk Management, and (3) Audit Independent Review.

d) Shari’ah non-compliance risks

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

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

e) Fair values of financial assets and liabilities

The 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.

Investment in Sukuks are measured using Level 1 techniques.

There were no transfers between the levels during the current and previous year.

21. 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 19.

22. OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

The Corporation manages three categories of investment accounts/assets under management

1. The Corporation receives funds from external and related parties to provide trade Murabaha financing to its customers. These funds are received from syndicate members under the principles of Mudaraba whereby the Corporation does not have the authority over decisions with regards to the deployment of the funds received by the Corporation and, therefore, these are treated as quasi-equity of investment account holders. The Corporation agrees a fixed profit rate ranging from 1% - 15% (2022: 1%-15%) of the profit earned on the trade Murabaha financing with the investment account holders and is presented as Mudarib share of profit in the statement of income.

Assets managed on behalf of related parties as of December 31, 2023 was USD 587.5 million (2022: 437.6 million).

2. The Corporation had a Wakala based arrangement with Saudi Export-Import Bank ("Saudi EXIM Bank") in which it provided investment management services to Saudi EXIM Bank as its agent. The Corporation was not exposed to any variable returns on the investment of these funds and accordingly, did not control these funds. Accordingly, the Corporation did not recognize these funds on its statement of financial position.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

(Expressed in Thousands of US Dollars unless otherwise stated)

During the year, the Corporation earned USD 0.5 million (2022: USD 0.9 million) as variable and fixed investment agent remuneration. The remuneration was agreed through the Framework Agreement between the Corporation and Saudi EXIM Bank.

During the year, the Corporation and Saudi EXIM Bank terminated the Wakala based arrangement and the Corporation consequently transferred all the related net assets to Saudi EXIM Bank. The Corporation is no longer acting as the investment agent for the Saudi EXIM Bank as of December 31, 2023.

3. The Corporation has outstanding funds of USD 17.7 million (2022: Nil) under Wakala based arrangement. The Corporation has invested these funds in cash and cash equivalents and acts as its agent.

23. LIBOR TRANSITION

The Corporation established the LIBOR Transition Taskforce in 2020 and participated in workshops organized by IsDB's cross-functional team responsible for devising the Libor transition strategy. ITFC's Libor Transition Taskforce undertook an assessment of risks stemming from the LIBOR transition and developed a detailed action plan to preempt any potential adverse effect.

As a result, the Corporation formulated a fallback language, adopted the CME Term SOFR as the preferred replacement rate to LIBOR by leveraging on the clearance provided to IsDB by the Shariah Technical Committee and devised an internal and external communication plan to achieve a smooth transition. ITFC's decision to select the CME Term SOFR accounts also for similarities to the LIBOR rate implying minimal operational impact.

Since March 2023, ITFC financing agreements are mandatory incorporating either the approved fallback language for existing transactions or the CME Term SOFR as the reference rate for new transactions. During 2023, ITFC completed the transition to the new reference rate.

24. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Corporation's Board of Directors on March 18, 2024 (corresponding to Ramadan 8, 1445H) for submission to members of the General Assembly for approval.

CHAPTER 07



Appendices



Appendix 1 - Corporate Profile of IsDB

THE ISLAMIC DEVELOPMENT BANK ESTABLISHMENT

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

VISION

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

MISSION

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

MEMBERSHIP

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

CAPITAL

At its 45th Annual Meeting, the IsDB's Board of Governors approved the 6th General Capital Increase Protected of ID5.5 billion. As at the end of 2023, the subscribed capital of the IsDB stood at ID55.2 billion.

ISLAMIC DEVELOPMENT BANK GROUP

The IsDB Group comprises five entities: the Islamic Development Bank (IsDB), the Islamic Development Bank Institute (IsDBI), 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).

HEADQUARTERS AND REGIONAL HUBS

The IsDB is headquartered in Jeddah, the Kingdom of Saudi Arabia, and has 10 Regional Hubs in Abuja, Nigeria; Almaty, Kazakhstan; Ankara, Türkiye; Cairo, Egypt; Dakar, Senegal; Dhaka, Bangladesh; Jakarta, Indonesia; Kampala, Uganda; Paramaribo, Suriname; and Rabat, Morocco, with a Centre of Excellence in Kuala Lumpur, Malaysia.

FINANCIAL YEAR

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

Appendix 2 - ITFC Shareholders Table

International Islamic Trade Finance Corporation

Subscribed, Called-up, and Paid-up Capital As of 31/12/2023 (Sorted by Paid-up)

Sr. No.	Member	Number of Shares					
		Subscribed	Percent of Subscribed	Called-up	Percent of Called-up	Paid-up	Percent of Paid-up
1	Islamic Development Bank	26,637	31.02%	26,637	31.99%	26,637	35.67%
2	Saudi Arabia	14,557	16.95%	12,000	14.41%	12,000	16.07%
3	Saudi Fund for Development, Saudi Arabia	6,065	7.06%	6,065	7.28%	6,065	8.12%
4	Kuwait	4,821	5.61%	4,821	5.79%	4,821	6.46%
5	Türkiye	3,536	4.12%	3,536	4.25%	3,536	4.74%
6	Public Investments Fund, Saudi Arabia	3,000	3.49%	3,000	3.60%	3,000	4.02%
7	Malaysia	2,898	3.37%	2,898	3.48%	2,898	3.88%
8	Export Development Bank, Iran	2,500	2.91%	2,500	3.00%	2,486	3.33%
9	Egypt	1,513	1.76%	1,513	1.82%	1,513	2.03%
10	Nigeria	1,000	1.16%	1,000	1.20%	1,000	1.34%
11	Qatar	1,000	1.16%	1,000	1.20%	1,000	1.34%
12	Iraq	850	0.99%	850	1.02%	850	1.14%
13	Pakistan	843	0.98%	843	1.01%	843	1.13%
14	Albaraka Islamic Bank, Bahrain	818	0.95%	818	0.98%	818	1.10%
15	Faisal Islamic Bank of Egypt, Egypt	718	0.84%	718	0.86%	718	0.96%
16	Algeria	608	0.71%	608	0.73%	608	0.81%
17	Brunei Darussalam	582	0.68%	582	0.70%	582	0.78%
18	Tunisia	560	0.65%	560	0.67%	560	0.75%
19	Morocco	510	0.59%	510	0.61%	510	0.68%
20	Bank Mellat, Iran	500	0.58%	500	0.60%	500	0.67%
21	Indonesia	206	0.24%	206	0.25%	206	0.28%
22	Bangladesh	202	0.24%	202	0.24%	202	0.27%
23	Iran	8,692	10.12%	8,692	10.44%	192	0.26%
24	Bahrain	185	0.22%	185	0.22%	185	0.25%
25	Syria	185	0.22%	185	0.22%	185	0.25%
26	Palestine	184	0.21%	184	0.22%	184	0.25%
27	UAE	184	0.21%	184	0.22%	184	0.25%
28	Albaraka Investment Company, London	161	0.19%	161	0.19%	161	0.22%
29	Libya	139	0.16%	139	0.17%	139	0.19%
30	Jordan	130	0.15%	130	0.16%	130	0.17%
31	Jordan Islamic Bank	118	0.14%	118	0.14%	118	0.16%
32	Bank Keshavarzi, Iran	100	0.12%	100	0.12%	100	0.13%
Total		85,869	100%	83,264	100%	74,666	100%

Sr. No.	Member	Number of Shares					
		Subscribed	Percent of Subscribed	Called-up	Percent of Called-up	Paid-up	Percent of Paid-up
33	EN Bank, Iran	100	0.12%	100	0.12%	100	0.13%
34	Mauritania	100	0.12%	100	0.12%	100	0.13%
35	Bank Mellii, Iran	100	0.12%	100	0.12%	100	0.13%
36	Bank of Industry and Mine, Iran	100	0.12%	100	0.12%	100	0.13%
37	Yemen	100	0.12%	100	0.12%	99	0.13%
38	Cote D'Ivoire	85	0.10%	85	0.10%	85	0.11%
39	Sudan	93	0.11%	77	0.09%	77	0.10%
40	Burkina Faso	75	0.09%	75	0.09%	75	0.10%
41	Somalia	72	0.08%	72	0.09%	72	0.10%
42	Albaraka Turk Katilim Bankasi A.S. (Albaraka Turk Participation Bank).	69	0.08%	69	0.08%	69	0.09%
43	Lebanon	61	0.07%	61	0.07%	61	0.08%
44	Mozambique	60	0.07%	60	0.07%	60	0.08%
45	Bank Al baraka, Tunis	53	0.06%	53	0.06%	53	0.07%
46	Azerbaijan	50	0.06%	50	0.06%	50	0.07%
47	Bank Tejarat, Iran	50	0.06%	50	0.06%	50	0.07%
48	Benin	50	0.06%	50	0.06%	50	0.07%
49	Djibouti	50	0.06%	50	0.06%	50	0.07%
50	Gambia	50	0.06%	50	0.06%	50	0.07%
51	Suriname	50	0.06%	50	0.06%	50	0.07%
52	Uzbekistan	50	0.06%	50	0.06%	50	0.07%
53	Kyrgyzstan	50	0.06%	50	0.06%	50	0.07%
54	Uganda	49	0.06%	49	0.06%	49	0.07%
55	Senegal	48	0.06%	48	0.06%	48	0.06%
61	Turkmenistan	50	0.06%	34	0.04%	34	0.05%
56	Nile Bank for Commerce & Dev. - Sudan	26	0.03%	26	0.03%	26	0.03%
57	Sudanese Islamic Bank, Sudan	26	0.03%	26	0.03%	26	0.03%
58	Tadamon Islamic Bank, Sudan	26	0.03%	26	0.03%	26	0.03%
59	Gabon	22	0.03%	22	0.03%	22	0.03%
60	Tajikistan	50	0.06%	50	0.06%	17	0.02%
62	Maldives	50	0.06%	34	0.04%	34	0.05%
63	Cameroon	2	0.00%	2	0.00%	2	0.00%
64	Niger	50	0.06%	50	0.06%	-	0.00%
Total		85,869	100%	83,264	100%	74,666	100%

Appendix 3

Risk Management, Legal, Compliance and Internal Audit

RISK MANAGEMENT

ITFC pursues its efforts to enhance risk management practices to further ensure the Corporation's ability to effectively address risks stemming from the volatile business environment and various operational challenges. With core risk management policies and systems already in place, the focus of the Corporation is to further strengthen the risk management framework through its three pillars (working documents, systems & measurement tools, and people) and across the main risk clusters (Credit, Market, Liquidity and Operational risks) while consolidating the risk culture. Within this context, Moody's Investors Services, on June 21, 2023, issued a Credit Opinion on ITFC and affirmed the A1 long-term issuer rating and Prime-1 short-term issuer rating with a stable outlook. The rating affirmation reflects ITFC's 'Very large capital buffers', 'Adequate liquidity' and 'High strength of member support'.

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

At Supervisory Level

(Board of Directors and Audit, Risk and Compliance Committee of the Board)

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

At Management Level

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

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

At Department Level

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

Risk Management Division (RMD)

For effective implementation of the risk management framework, a dedicated Risk Management Division reporting to the Chief Risk Officer (CRO) operates within ITFC and focuses on credit, market, liquidity, operational and other risks. The RMD is independent from business functions.

LEGAL DIVISION

A dedicated Legal Division reporting to the Chief Risk Officer (CRO) operates within ITFC with the objective of providing effective and efficient legal advice as well as identifying and managing legal and regulatory risks. A non-exhaustive list of regular legal function's daily activities includes the drafting of agreements, supporting the structuring of transactions, advising various ITFC teams on legal related matters, and acting as a focal point for all matters involving IsDB Shari'ah Division.

The Legal Division also assumes a critical role in drafting, reviewing, and refining ITFC's internal policies, directives, and regulations to ensure they are comprehensive and aligned with the legal standards.

COMPLIANCE FUNCTION

A dedicated Compliance Function reporting to the Chief Risk Officer (CRO) operates within ITFC with the objective of implementing measures to identify and mitigate compliance risk, safeguarding ITFC from regulatory sanctions, financial and

reputational loss. ITFC's Compliance Function implements a risk-based AML Compliance Program ("AML Program") designed to comply with international standards on AML and the laws and regulations of OIC Member Countries. Further, the Compliance Function shapes the culture through in-person training and awareness sessions across the corporation.

In terms of governance, compliance oversight responsibility is assigned to the Audit, Risk and Compliance Committee of the Board while the Compliance Acceptance Committee acts as the management decision making body for high-risk clients.

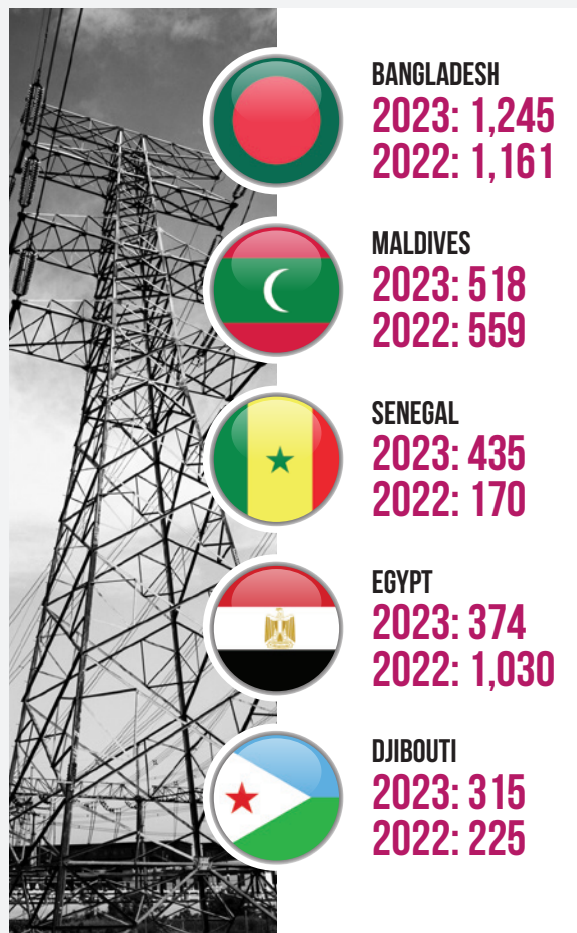
INTERNAL AUDIT OFFICE

The Internal Audit Office (IAO) adds value by providing independent, objective, insightful, risk-based assurance, and advice to protect ITFC. It functionally reports to the Audit, Risk, and Compliance Committee and provides senior management and the Board with independent view and reasonable assurance that the risk management and governance processes are adequately designed and functioning effectively. Any control gaps noted are reported to the management and Audit, Risk and Compliance Committee and steps are agreed to make necessary changes.

The IAO conducts risk-based audits, as well as advisory assignments, covering operational and corporate functions. The IAO's work is carried out with reference to the Institute of Internal Auditors' (IIA's) International Professional Practices Framework. The IAO is aligned with institutional strategy, stakeholder priorities, and key risks to deliver engagements in line with the available resources and internal audit plan approved by the Board Audit, Risk, and Compliance Committee.

Appendix 4 - 2023 Trade Finance Approvals

2023 - ITFC Top 5 Approvals Beneficiaries in Energy Sector (US\$ Million)



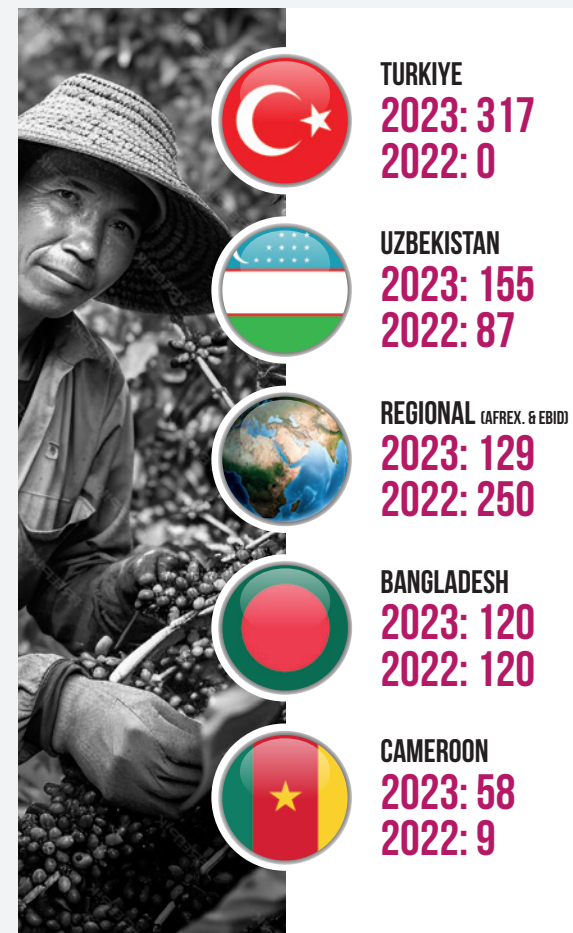
Source: ITFC Market Research & Monitoring

2023 - ITFC Top 5 Approvals Beneficiaries in Food & Agriculture Sector (US\$ Million)



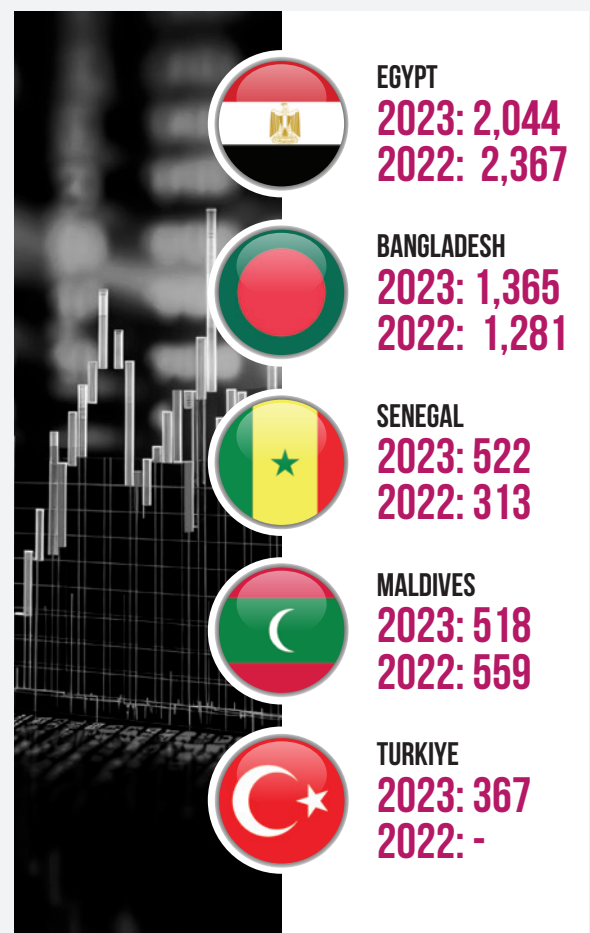
Source: ITFC Market Research & Monitoring

2023 - ITFC Top 5 Approvals Beneficiaries in Private Sector (US\$ Million)



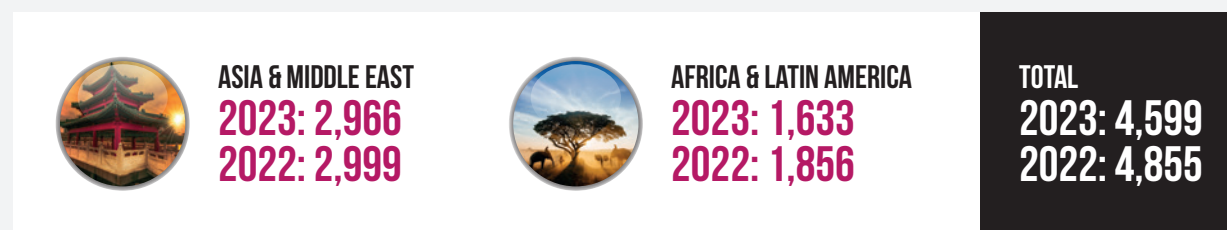
Source: ITFC Market Research & Monitoring

2023 - ITFC Top 5 Countries in Approvals (US\$ Million)

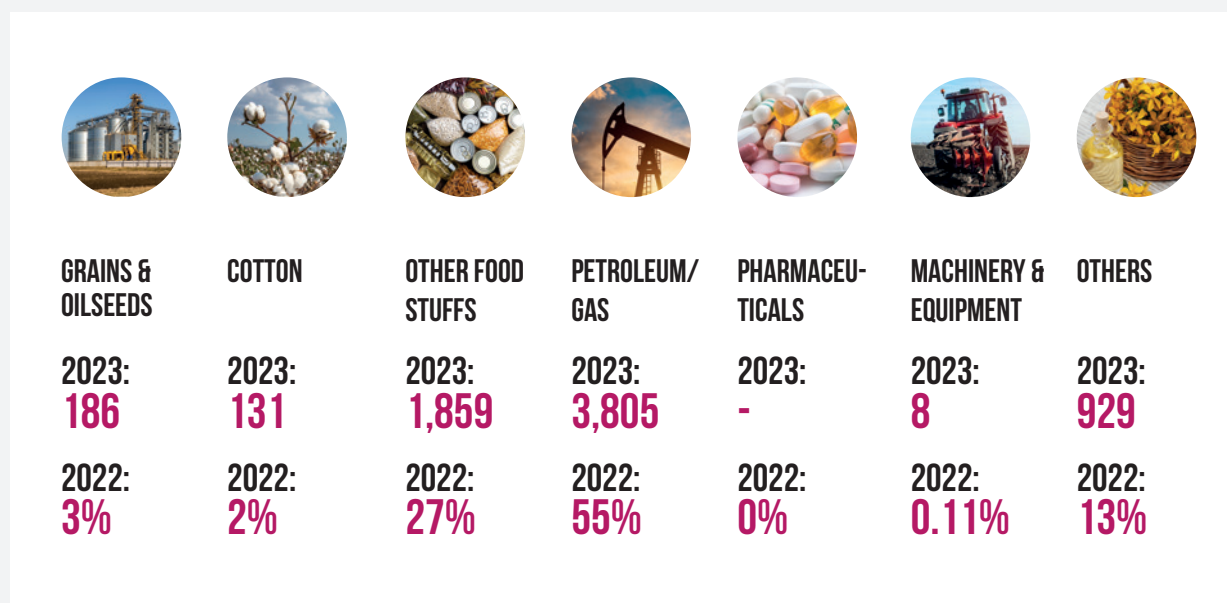


Source: ITFC Market Research & Monitoring

2023 - ITFC Intra-OIC Trade by Region (US\$ Million)



2023 - ITFC Trade Approvals by Commodities (US\$ Million)



Source: ITFC Market Research & Monitoring

ITFC Trade Approvals for LDCs since Inception (US\$ million.)

COUNTRIES	GRAND TOTAL (US\$)	SECTORS FINANCED	COUNTRIES	GRAND TOTAL (US\$)	SECTORS FINANCED
BANGLADESH	17,815	ENERGY, FINANCE	MAURITANIA	995	ENERGY, FOOD, HEALTH, INDUSTRIAL MFG
BENIN	127	ENERGY, FOOD, HEALTH	MOZAMBIQUE	20	FOOD, FINANCE
BURKINA FASO	2,876	ENERGY, FOOD, FINANCE	NIGER	45	ENERGY, FOOD
CHAD	11	FOOD	RWANDA	5	ENERGY
COMOROS	644	ENERGY, FOOD, FINANCE	SENEGAL	1,957	ENERGY, FOOD, FINANCE
DJIBOUTI	1,623	ENERGY	SIERRA LEONE	15	ENERGY
ETHIOPIA	40	ENERGY	SUDAN	126	FOOD
GAMBIA	766	ENERGY, FOOD, FINANCE	TOGO	512	ENERGY, FINANCE
GUINEA	5	HEALTH	UGANDA*	10	FINANCE
MALAWI	55	ENERGY, FINANCE	ZAMBIA**	25	FOOD
MALI	792	ENERGY, FOOD			
GRAND TOTAL	28,462		SHARE OF TOTAL APPROVALS SINCE INCEPTION (%)	37.72%	



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