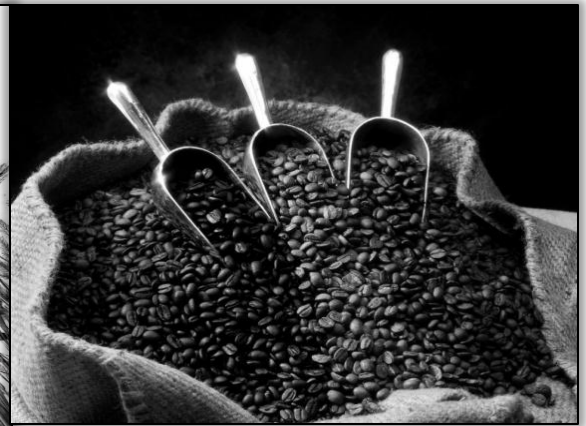


< advancing trade, improving lives >



itfc

International
Islamic Trade
Finance Corporation



3rd International Conference on Foreign Investment in Albania (6-7 June 2012)



Member of Islamic Development Bank Group

IDB Group

- > Multilateral developmental financial institution working in conformity with the principles of Islamic Ethics
- > Established in 1975
- > 56 shareholder countries (members of OIC)
- > Headquarter in Jeddah, Saudi Arabia
- > Aims at fostering economic development and social progress of member countries in accordance with the principles of Shari'ah

ITFC as Trade Finance Arm of IDB Group

1977

Starting of trade
finance business and
launching of Import
Trade Financing
Operations (ITFO)



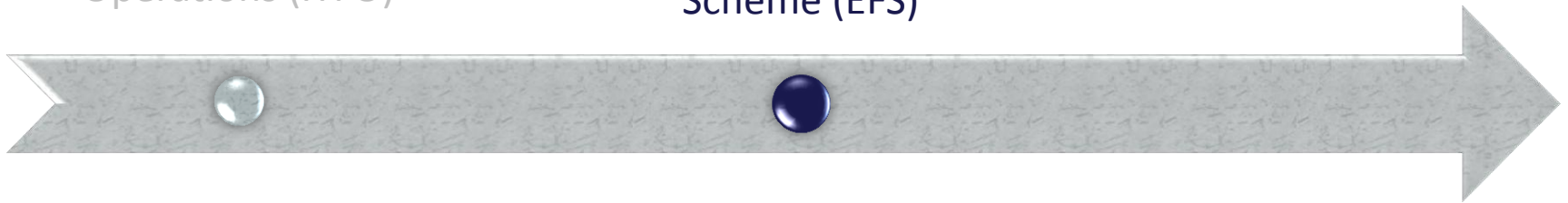
ITFC as Trade Finance Arm of IDB Group

1977

Starting of trade
finance business and
launching of Import
Trade Financing
Operations (ITFO)

1987

Launching of Export Financing
Scheme (EFS)



ITFC as Trade Finance Arm of IDB Group

1998

TFPD started to
manage BADEA Export
Financing Scheme
(BEFS)



ITFC as Trade Finance Arm of IDB Group

1998

TFPD started to
manage BADEA Export
Financing Scheme
(BEFS)

2008

**Start of the
ITFC**



Authorized capital of US\$ 3 billion



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Structured Trade Finance



1

ITFC New Strategic Approach

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Overview of Trade Finance Operations

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Structured Trade Finance

We exist to be a catalyst for the development of trade among OIC member countries and with the rest of the world

Aligned with Article 5, The Articles of Agreement.

Our purpose shall be to promote trade of member counties of the Organisation of Islamic Conference through providing trade finance and engaging in activities that facilitates intra-trade and international trade

ITFC is to be a recognized provider of trade solutions for OIC MCs needs

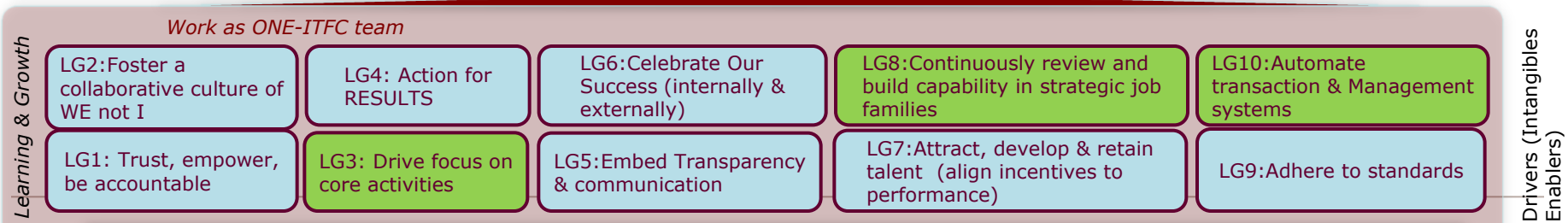
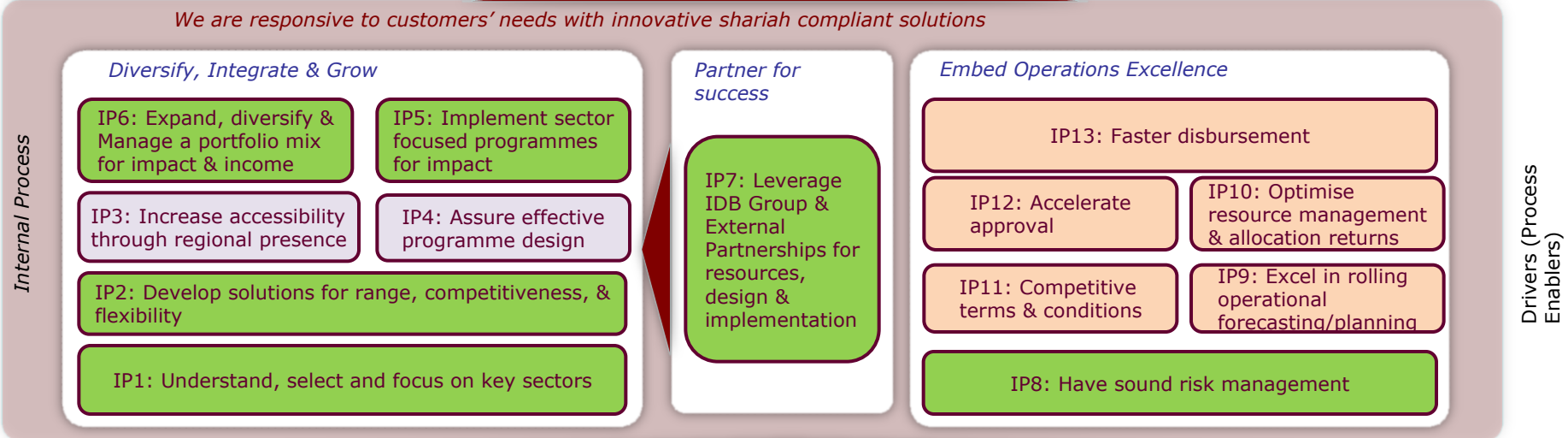
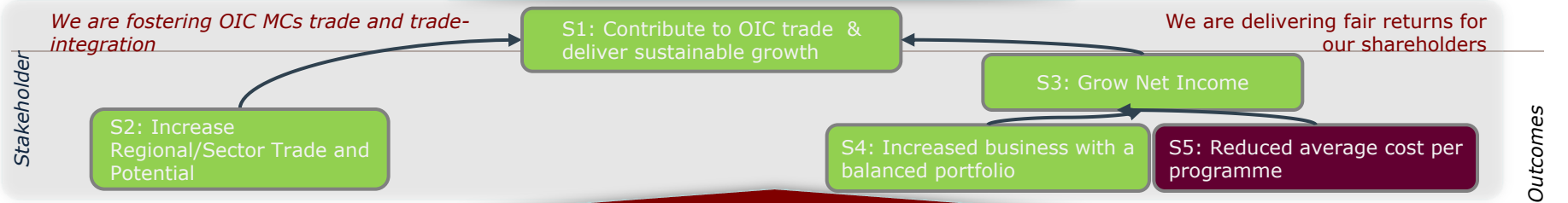
To provide directions to achieving this vision we agreed on our strategic destination specifically for 1431-1433H as;

- We are fostering OIC MCs trade and trade-integration
- We are responsive to customers' needs with innovative shariah compliant solutions
- We are the preferred choice for trade solutions
- We are delivering fair returns for our shareholders

ITFC Strategy Map 1431-1435H

We exist to be a catalyst for the development of trade among OIC member countries and with the rest of the world

Our vision: ITFC is to be a recognized provider of trade solutions for OIC MCs needs



Living our core values and working across functions underpin our success



1

ITFC New Strategic Approach

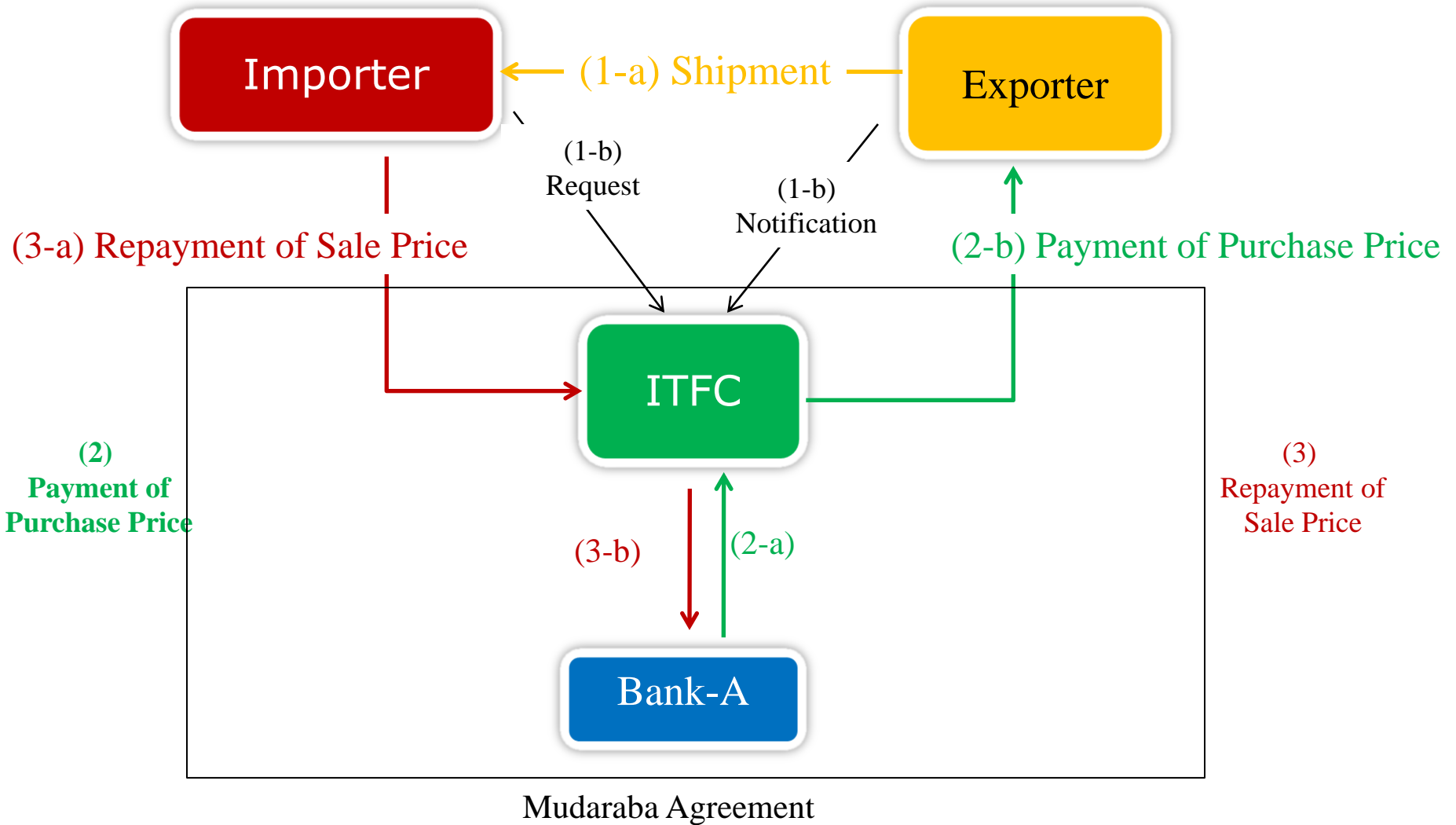
2

Overview of Trade Finance Operations

3

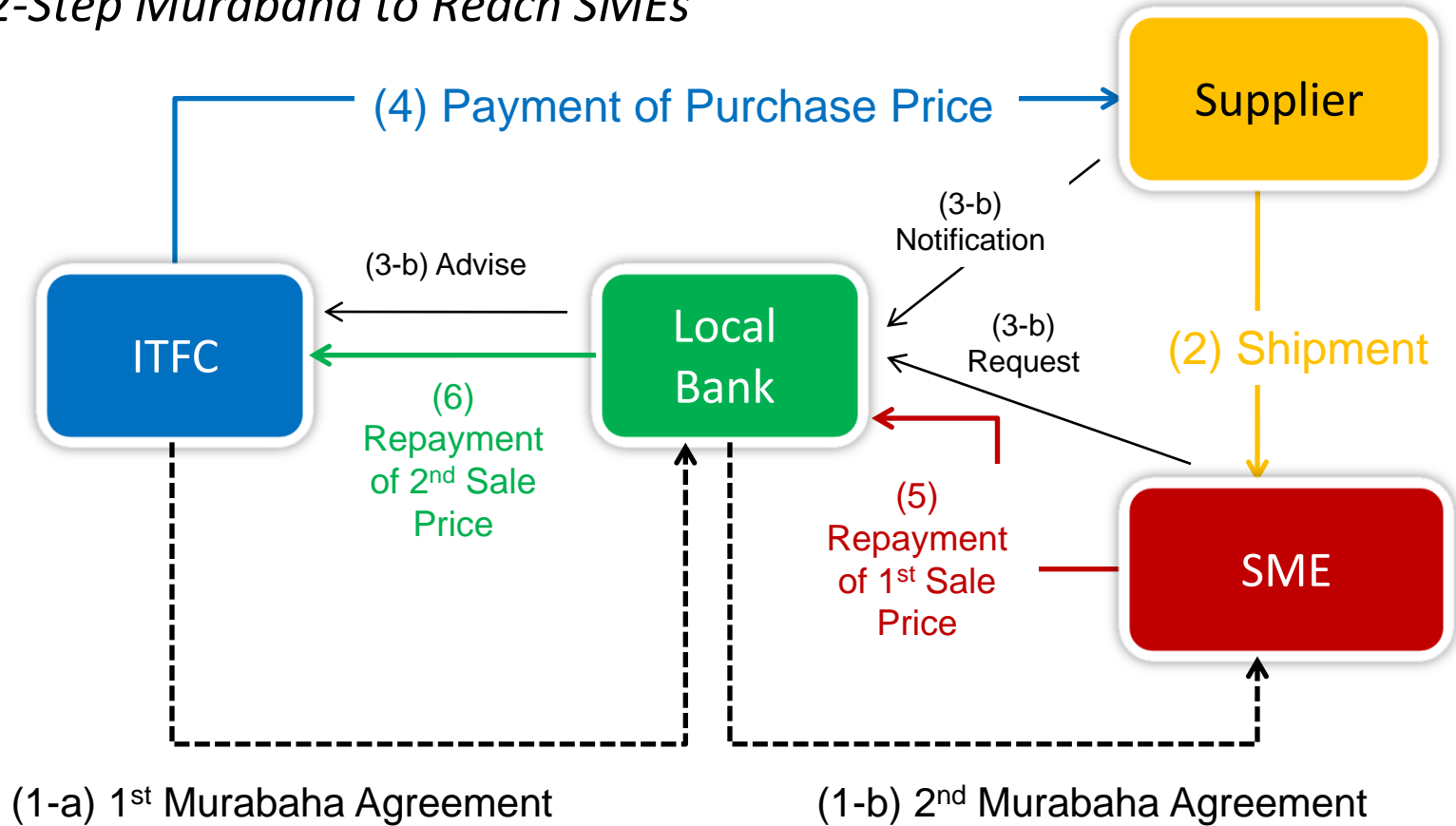
Structured Trade Finance

Direct Murabaha

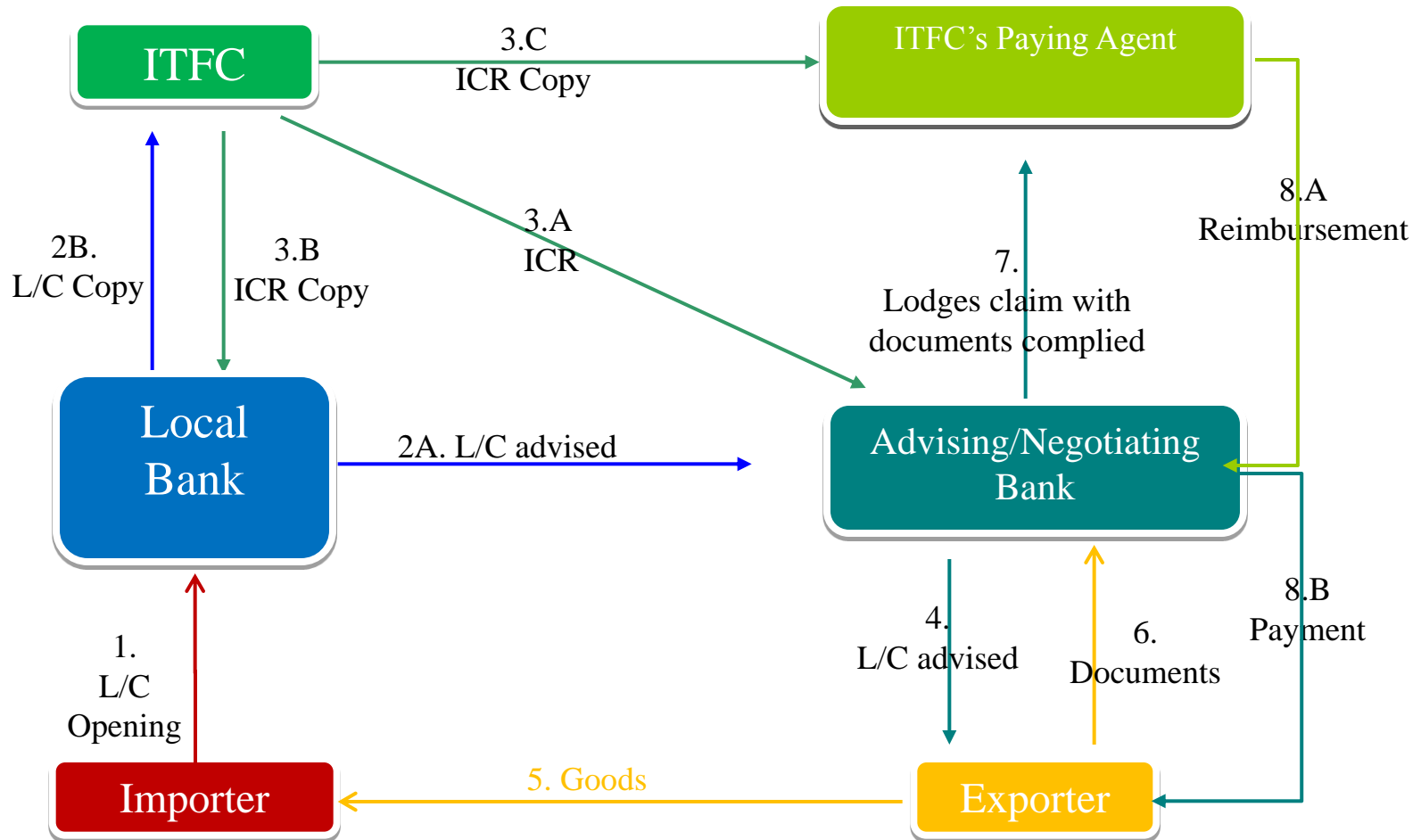


Line of Financing for Banks

- 2-Step Murabaha to Reach SMEs



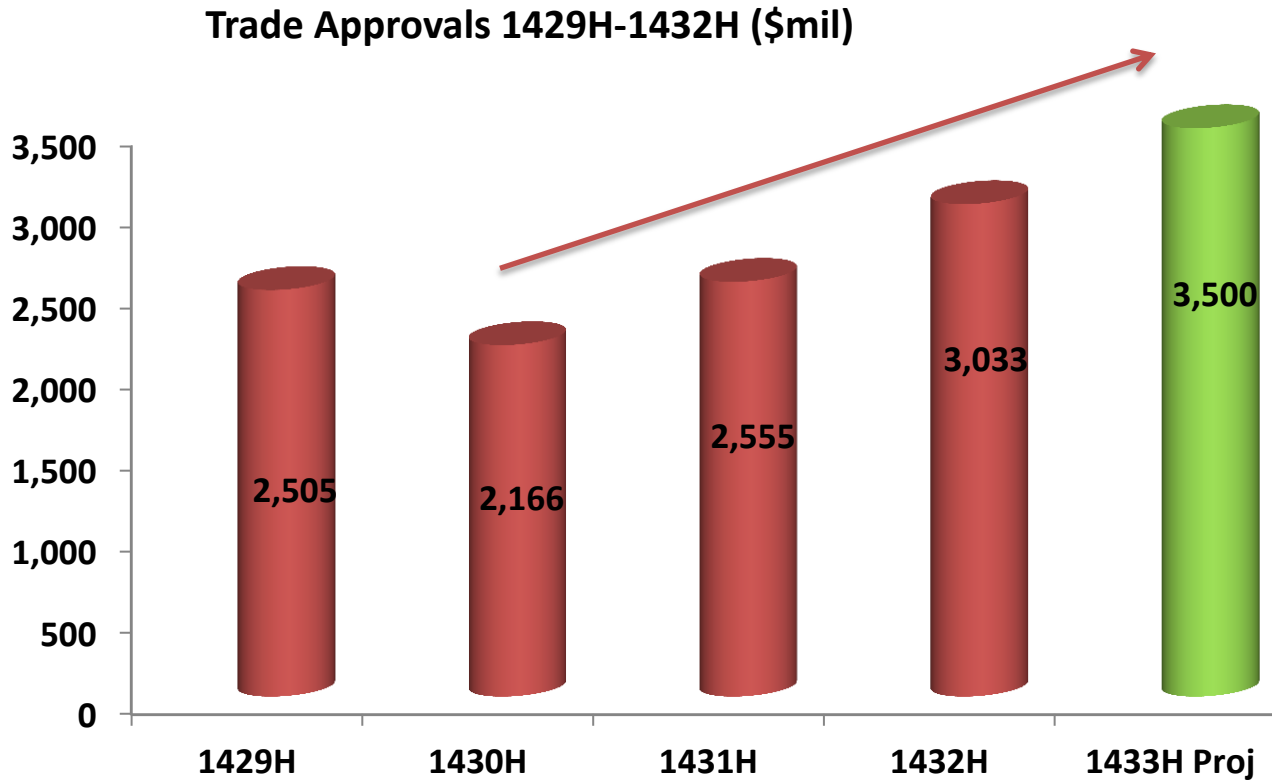
Disbursement Mechanism



> Trade Approvals



- Tremendous business growth over the last 3 years
- Approvals up by 40%, exceeding \$3 billion in 1432H



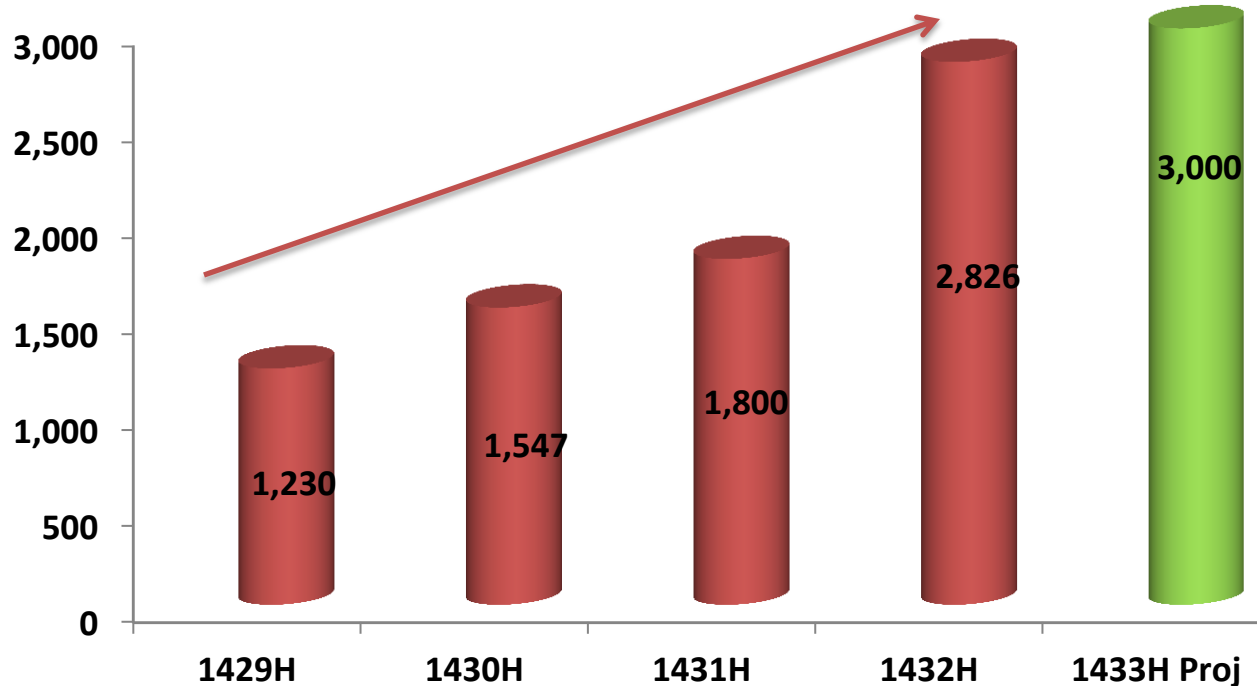


Total Disbursements



- Huge jump in utilization → total disbursements reached record US\$2.8 billion in 1432H

Total Disbursements 1429H-1432H (\$mil)





1

Overview of ITFC Trade Operations

2

ITFC New Strategic Approach

3

Structured Trade Finance



ITFC Business Challenge



New strategic direction as a result of:

- Global financial crisis (Euro Zone debt crisis, rating downgrades)
- More stringent lending requirement (Basel III)
- Deterioration in Sovereign Risk perception
- However, increasing demand for Islamic products

Implementation of ITFC new strategy map

Paradigm shift in business model

- Moving away from Direct (Balance Sheet based lending)
- More Focus on Structured Trade Commodity Finance



STF...Responding to Market Challenges



- Higher risk in Emerging Markets
- Rising commodity prices → Need for larger banking facilities

- Financial Crisis
 - ① Strict Lending Rules
 - ② Clients' Weak Balance Sheets

Off-Balance Sheet Financing



STF = Innovative Solutions

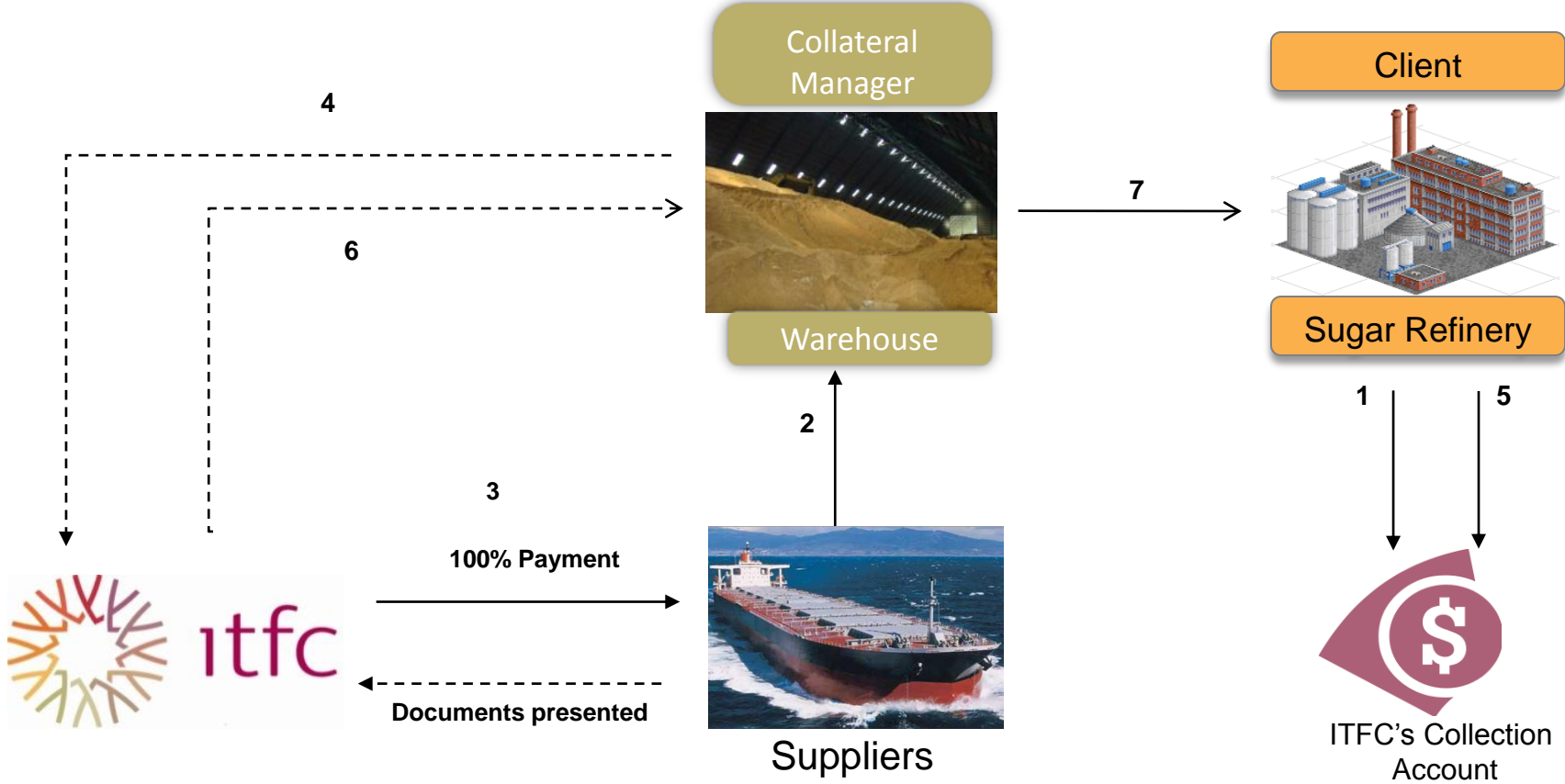


- ☀️ STF is an innovative **Commodity-Based** financing → More Secure
- ☀️ Alternative to conventional payment guarantee (Govt/Bank/Corp)
- ☀️ Transferring **Credit Risk** into **Performance Risk** → **Off-Balance Sheet Financing**
- ☀️ Source of Repayment: **Transaction Cash Flow** → **Self-Liquidating**
- ☀️ Security
 - ① Ownership/Pledge: Warehouse Receipt
 - ② Release: Against Cash and/or Receivables





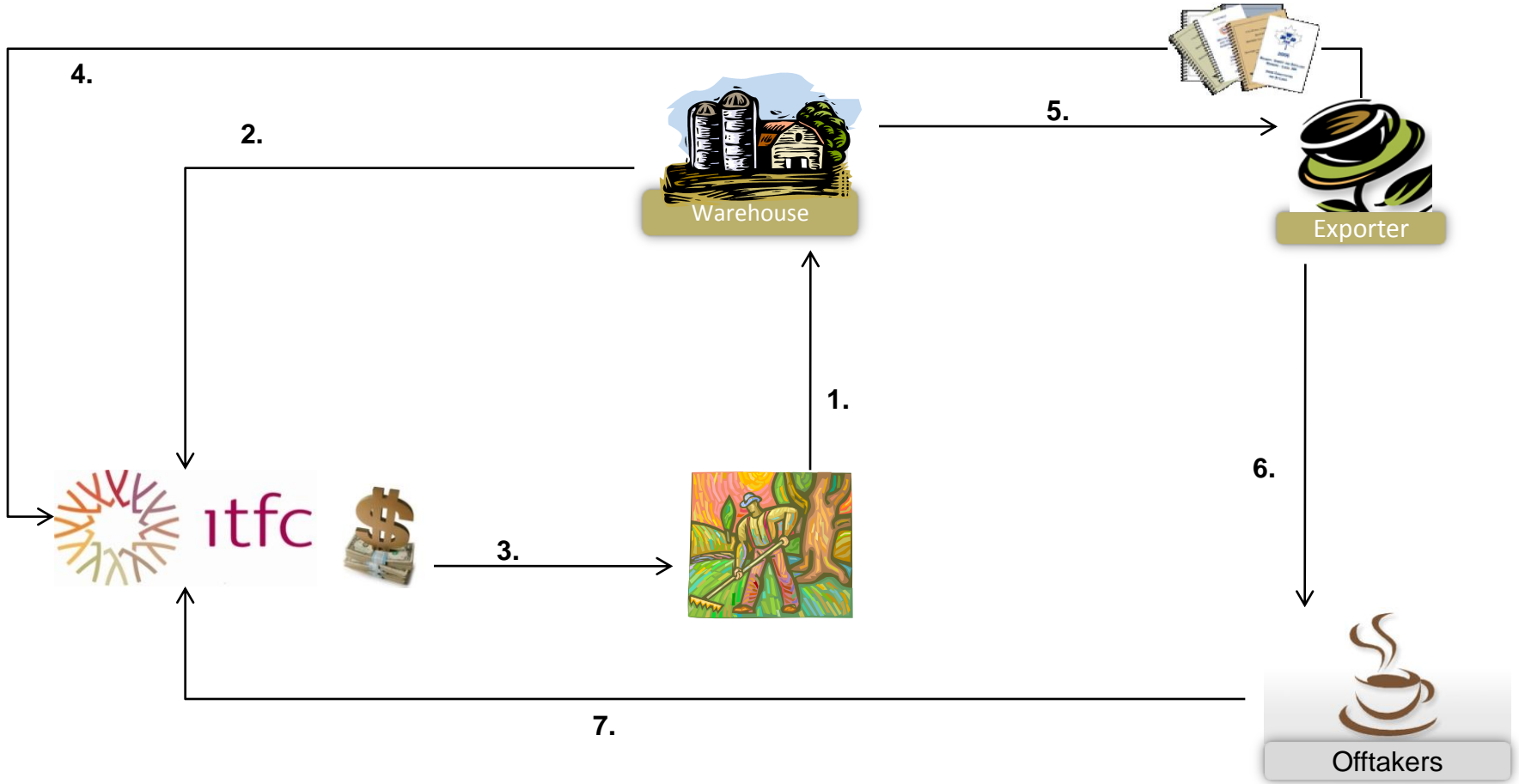
Import Financing



1. Client sends Documents to Warehouse
 2. Warehouse sends Documents to Collateral Manager
 3. Suppliers send Documents to ITFC
 4. ITFC sends Documents to Warehouse
 5. Warehouse sends Documents to ITFC
 6. Warehouse sends Documents to Client
 7. Client sends Documents to Warehouse
 8. Client sends Documents to ITFC's Collection Account
 9. ITFC's Collection Account sends Documents to Client



Pre-Export Financing



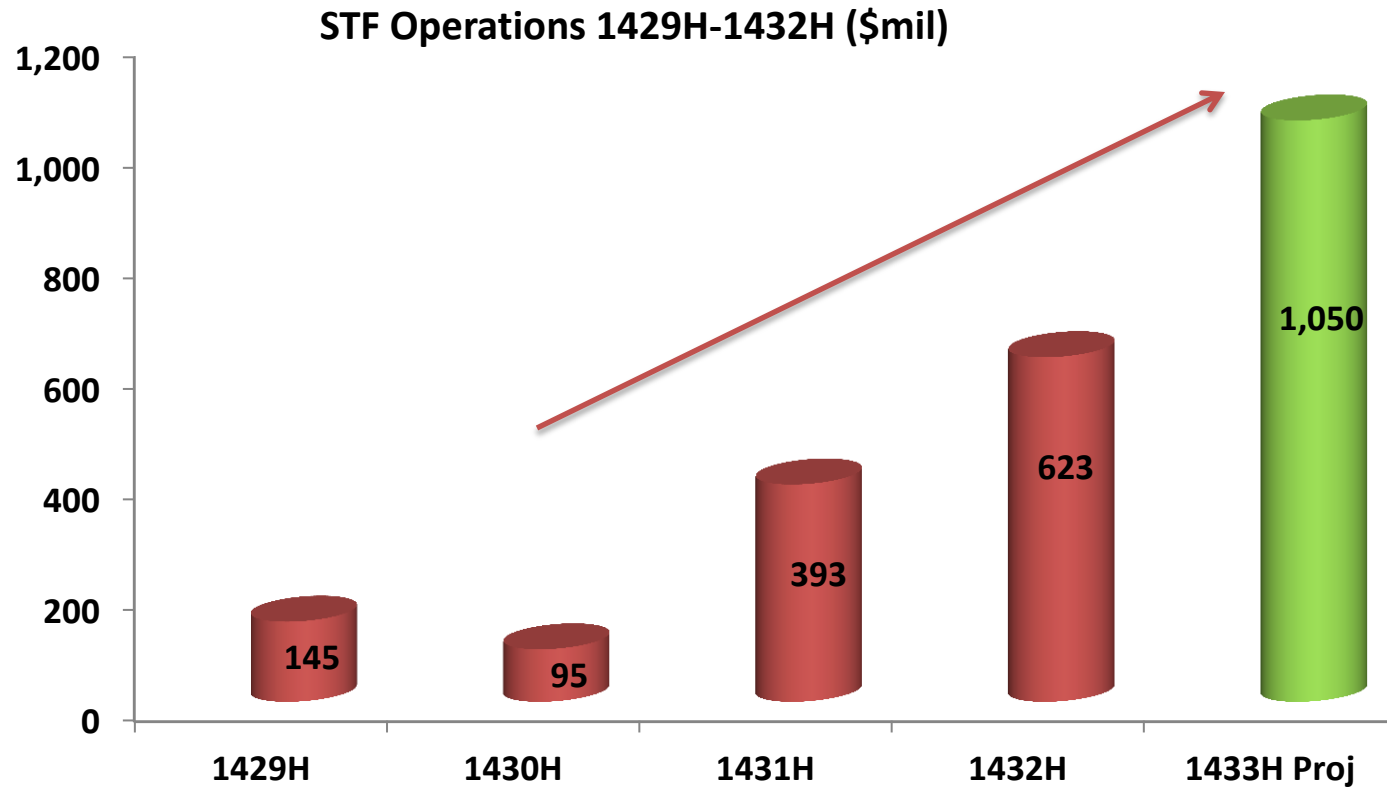
7. The Off-takers provide payment to the Warehouse, which then provides payment to itfc, which provides payment to the farmer.



Growth of STF Portfolio



- Exponential growth over the past 3 years (up by 556%)
- Projected to surpass \$1 billion in 1433H





STF Operations (1429-1432)



Financing Type	Country	No. Op.	Commodity	Amount (US\$ m)
Import Financing	Indonesia	14	Sugar, Soybean Meal	420
	Turkey	2	Wheat, Soybean, SBM, Rice, Corn, Cotton	60
	UAE	1	Cotton	50
	Malawi	1	Oil	50
	Egypt	3	Corn, Soya, Soybean Meal , Wheat	48
	Cameroon	2	Fertilizers	35
	Syria	1	Sugar	30
	Senegal	1	Oil	25
	Zambia	1	Fertilizers	25
	Benin	1	Oil	15
Sub-Total		27	60%	758
Pre-Export Financing	Kazakhstan	4	Wheat	170
	Burkina Faso	3	Cotton	159
	UAE	1	Oil	125
	Ivory Coast	1	Cotton	27
	Gambia	1	Groundnut	14
	Indonesia	3	Coffee	3
Sub-Total		13	40%	498
Total		40		1256

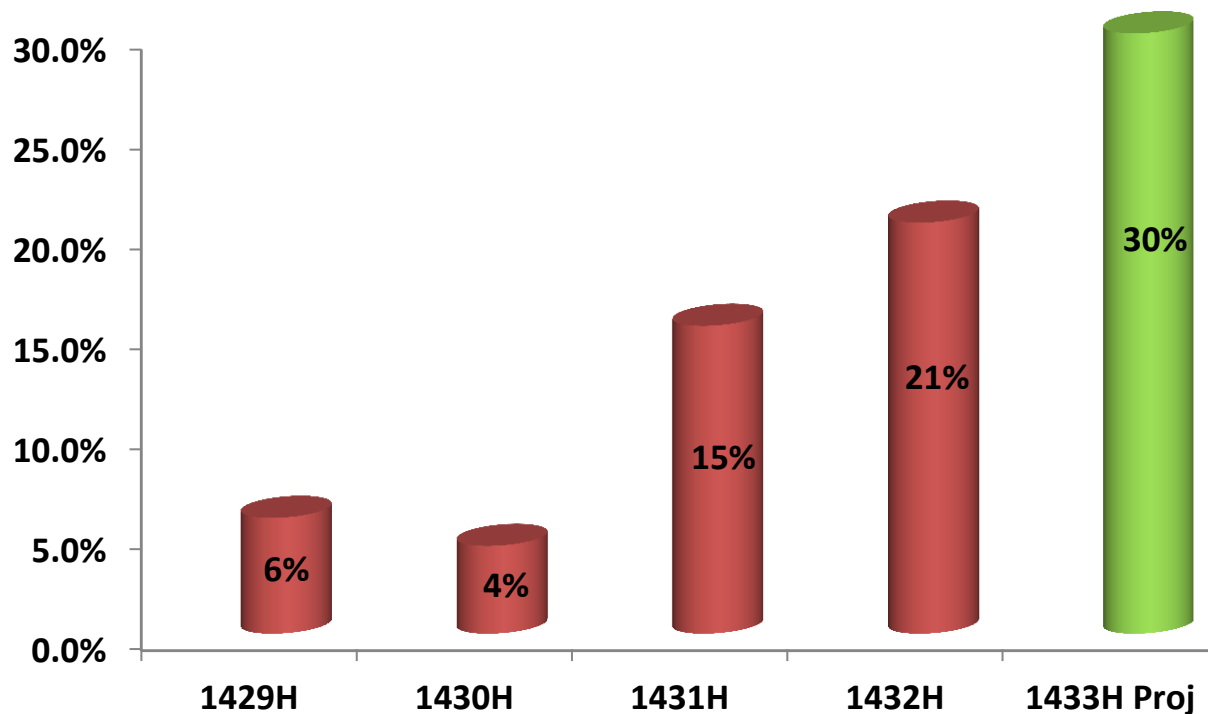


Diversification Through STF



- Portfolio Diversification → Growing STF + Declining Unsecured Operations

STF's Share of Total Approvals 1429H-1432H



> STF Key Advantages to Clients



- ☀ No Guarantees (Bank/Corp.) → Reaching Out to Customers →
ITFC Developmental Mandate
- ☀ Improved Liquidity for Importers, Exporters & Farmers
- ☀ Cutting Out the Middle-Man → Direct Purchase / Sale
- ☀ Off-Balance Sheet for Beneficiary → Better Financial Position





STF Key Advantages to Clients...Cont.



☀️ Client's Real Business Needs → Customized Innovative Solutions beyond Traditional Balance-Sheet Financing → Customer Satisfaction



Provide Tailored Solutions
+
Help Clients to be Competitive





STF Developmental Impact

Indonesia Coffee Deals



- **Facility:** Two STF operations (2 x \$1 million) in favor of two Coffee Cooperatives in Indonesia
- **Prompt payment to Farmers:** cooperatives received cash against delivery of the coffee beans
- Small amount with big impact on lives of the farmers and their families

“ITFC’s financing played a catalytic role in building the trust among the coffee producers and cooperatives. More importantly, it directly impacted the livelihood of the farmers and their families as they were able to overcome their cash flow challenges.”

> Coffee Beans Depulped



> Meeting with Farmers



> Farmer's Livelihood





Developmental Impact

Côte d'Ivoire Cotton Deal

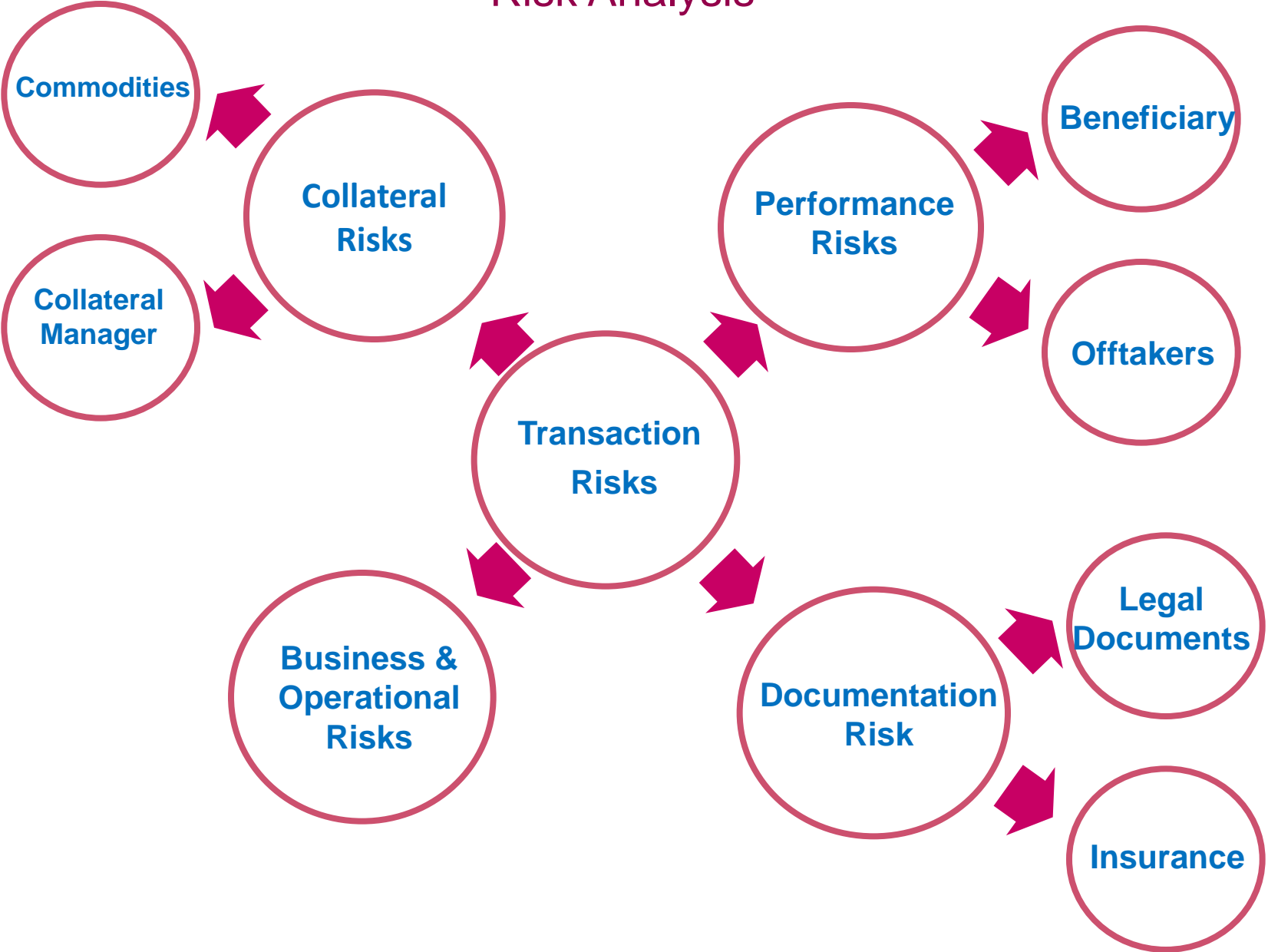


- **Facility:** (€ 18m input financing + € 5m post harvest financing)
- **Prompt payment to Farmers:** immediately after harvest & delivery → contributing to poverty alleviation by sustaining rural income
- Cotton is Major cash crop covering 60% of the total cultivated land in Cote d'Ivoire → Livelihood directly and indirectly to 3.5 million people
- Reviving the cotton sector → post-conflict reconstruction programme of Côte d'Ivoire



High Economic & Social Impact

Risk Analysis





Strategic Partners

Collateral Managers



☀ Country & Commodity Experience + Adequate Professional Indemnity Insurance





Strategic Partners

International Commodities Traders



☀️ Market Info. + Liquidation + Business Opportunities





Strategic Partners

Insurance Brokers



- ☀ Storage, Transit and Maritime Insurance
- ☀ Advisory Services
- ☀ Field Survey & Inspection



Conclusion



-
- ☀️ STF is secured & innovative solution contributing to profitability/Impact
 - ☀️ Elimination of credit risk (only Market & Performance Risk)
 - ☀️ In line with ITFC strategy of business growth and improved risk profile
 - ☀️ Preferred choice in difficult markets in a post financial crisis era
 - ☀️ Ability to implement complete value chain financing
 - ☀️ Tailored solutions to fit customer's requirements



Awards & Accolades for STF



<p>2011: Africa Deal of the Year</p> <p>Islamic Finance <i>news</i> <i>Awards</i> Deals of the Year — 2011 —</p>	<p>2010: Structured Murabaha</p> <p>Islamic Finance <i>news</i> <i>Awards</i> Deals of the Year — 2010 —</p>
<p>Syndicated Murabaha Groundnut Deal in the Gambia</p>	<p>\$40m Wheat Deal in Kazakhstan</p>
<p>2009: Structured Trade Finance</p> <p>Islamic Finance <i>news</i> <i>Awards</i> Deals of the Year — 2009 —</p>  	<p>2008: Syndicated Murabaha</p> 
<p>\$25m Sugar Deal for the import of raw sugar in Indonesia</p>	<p>\$27m Cotton Deal in Côte d'Ivoire</p>



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THANK
YOU!

