

Annual Report

1428H (2007-2008)



The Islamic Corporation for the Insurance of Investment and Export Credit
(Member of the Islamic Development Bank Group)



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Table of Contents

Page	Description
2	Key Data and Results Summary
3	Transmittal Letter
4	Management Structure
6	ICIEC's Vision and Mission
7	Message from the President
8	Moody's Assigns Aa3 rating to ICIEC
9	ICIEC - An Overview
13	Marketing ICIEC's Services
17	Underwriting Activities and Results
25	IDB Group's Investment Promotion Technical Assistance Program (ITAP)
29	Institutional Developments
31	Financial and Investment Results
35	Auditors' Report and Financial Statements

List of Tables and Charts

Page	Description
12	Membership & Capital Subscriptions Status
18	Growth of Operations' Indicators
18	Business Insured
19	Business Insured by Product Type
19	Business Insured by Exporter Country – Exporter Credit Insurance and Reinsurance Operations
19	Business Insured by Investor Country – Investment Insurance and Reinsurance Operations
20	Premium and Fee Income
20	Premium and Fee Income Contribution by Product
21	Current Exposure
21	Exposure by Country
21	Exposure by Sector
21	Exposure by Insurance Type
22	Technical Result
22	Insured Business Ceded
23	Loss Ratio Trend
24	Cumulative Claims and Recoveries
30	Summary Staff Positions
33	Investment Portfolio Summary
33	Asset Mix
34	Currency Mix
34	Investment Return Vs Libor
34	Investment Income

Key Data and Results Summary

A. OPERATIONS (USD million) ¹	1428H	1427H	Change%
Business Insured	1,469	859	71
Current Exposure	443	825	(46)
Premium and Fee	9.60	6.58	45
Claims Paid	0.49	4.00	(88)
Recoveries	1.26	1.36	(7)
Reinsurance Expenses	4.11	0.69	496
Admin and General Expenses	5.80	4.65	25
Technical Result	0.46	(1.40)	133

B. FINANCIAL	1428H	1427H	Change%
Share Capital (ID million)² :			
Authorized	100.00	100.00	-
Subscribed	97.74	97.24	-
Paid-up	73.00	72.74	-
Shareholders' Fund (USD million)³:			
Net Revenues	8.33	5.68	47
Surplus / (Deficit)	8.02	5.44	47
Accumulated Surplus / (Deficit) ⁴	68.34	58.02	18
Policyholders' Fund (USD million)³:			
Net Revenues	6.12	3.40	80
Surplus / (Deficit)	0.20	(3.74)	105
Accumulated Surplus / (Deficit) ⁴	(31.11)	(29.53)	5
Corporate Result (USD million):			
Net Surplus / (Deficit) ³	8.22	1.70	383
Net Reserves ⁴	37.23	28.49	31
Total Assets ⁴	164.04	148.08	11

¹ Gross cash values prior to accounting adjustments

² ID (Islamic Dinar) 1.00=USD 1.49 (1427H), ID 1.00=USD 1.58 (1428H)

³ Retranslated from ID to USD at the year-end exchange rates

⁴ Accumulated amounts in USD are based on the accumulated ID amounts translated at the year end exchange rate for the particular year.

Transmittal Letter



In the Name of Allah, the Beneficent, the Merciful

Date: 01 / 04 / 1429H
07 / 04 / 2008G

Honorable Members of the Board of Governors of the Islamic Corporation
for the Insurance of Investment and Export Credit.

Dear Brothers and Sisters,

Assalamu-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I have the honor to submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1428H (2007-2008), including audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,

A handwritten signature in blue ink, which appears to be "Dr. Ahmad Mohamed Ali". The signature is written in a cursive style and is positioned above the printed name of the signatory.

Dr. Ahmad Mohamed Ali
President of ICIEC

Management Structure

ICIEC Board of Directors



H.E. Dr. Ahmad Mohamed Ali
President, ICIEC & Chairman
Board of Directors



Hon. Agus Muhammad



Hon. Aissa Abdellaoui



Hon. Faisal Abdul Aziz
Al-Zamil



Hon. Ibrahim Mohamed
Al-Mofleh



Hon. Issufo Sanha



Hon. Jamal Nasser Rashid
Lootah



Hon. Mohammad
Azzarog Rajab



Hon. Br. Md. Shaheedul
Haque (Late)



Hon. Dr. Selim C. Karatas



Hon. Dr. Seyed Hamid
Pourmohammadi



Hon. Somone Mibrathu



Hon. Rahimberdi J. Jeparov



Hon. Yakoubou Mahaman Sani



Hon. Zeinhom Zahran

*Members are alphabetical order

Cosultative Committee



Dato Mohd. Fadli Yusof
Chairman



Dr. Abdel-Rahman Eltayeb Taha
Member



Dr. Mohammad El Fatih Hamid
Member



Mr. Mamadou Mansour Cama
Member



Dr. Salih Malayika
Member



Mr. Ahmet Kilicoglu
Member

Officers of the Corporation



H.E. Dr. Ahmad Mohamed Ali
President



Dr. Abdel-Rahman Eltayeb Taha
General Manager



Khemais El-Gazzah
Underwriting Director



Rahimi Ahmed Rahimi
Human Resource and
Services Director



Muhammad Azam Arif
Accounts & Finance Director



Eng. Yasser Madani Alaki
Acting Marketing Director



Our Vision

“To be the internationally recognized Leader in Shariah compatible Export Credit and Investment Insurance and Reinsurance in Member Countries”

Our Mission

“To encourage Exports from Member Countries and to facilitate the flow of Foreign Direct Investment to Member Countries by providing and encouraging the use of Shariah compatible Export Credit and Investment Insurance as Credit and Country Risk mitigation instruments”



Message from the President

The stakeholders of ICIEC would be pleased to know that the Corporation has again experienced a year of high growth in its credit and country risk insurance business. Thanks to an aggressive direct marketing strategy and a robust market demand for risk mitigation and credit enhancement services, ICIEC's Business Insured surged by 71% to reach USD 1.5 billion. The premium & fees also increased by a healthy 45% to reach USD 9.6 million. These results brought the cumulative Business Insured, since the inception of business in 1995, to USD 3.7 billion. This contributed towards achieving a first time surplus of USD 0.5 million in the technical result of the Corporation, one year ahead of its target.

The bulk of the business insured by ICIEC has gone to insure the non-payment risk of export credit offered by exporters, in our Member Countries, to buyer worldwide. This has helped exporters to penetrate new markets in relatively high risk countries, to expand their open account business, and in general enhance their ability to compete in an increasingly globalized market.

I must assure the stakeholders and clients of ICIEC that the strong growth of business that ICIEC has experienced for the last five years, did not come at the expense of sound underwriting and proper risk management. Indeed, the risk portfolio of ICIEC remained well diversified in terms of balance and quality, with investment grade countries making up more than 20% of the total exposure, and short-term transactions contributing to 49% of total exposure. Moreover, ICIEC has substantially increased its cession to the reinsurance market from 18% to 34% of its business portfolio during the year. I am pleased to report that the high quality of risk management and the overall insurance financial strength of the Corporation, has been confirmed in the recently announced rating of Aa3 by Moody's. This rating puts ICIEC at par with the major insurers of credit and political risk in the international market and should, therefore, encourage more utilization of its services by exporters from Member Countries and investors world wide.

The financial results of the Policyholders' Fund (the Insurance Operations' Account) also reflect the above performance with a first time surplus of USD 0.2 million. This was supported by a healthy surplus in the Shareholders' Fund (the Shareholders' Equity Investment Account) of USD 8.0 million, to realize a net surplus for the Corporation of USD 8.2 million, bringing accumulated net reserves to USD 37.2 million (32% of the Paid-up Capital).

ICIEC activities were not confined to its core insurance business only, as its developmental mandate dictates that it engages in various endeavors designed to support and help Member Countries expand their exports and attract more foreign investment flows. Toward this end, the Corporation was assigned the management of the IDB Group Investment Promotion Technical Program (ITAP), designed to help Member Countries improve their capability to attract foreign direct investment. ICIEC also redoubled its efforts to support export credit agencies in Member Countries through providing reinsurance and technical assistance services.

ICIEC's Medium Term Strategy calls for the continuation of the high rate of growth in business turnover coupled with prudent risk management and improved financial results. This strategic objective is now hampered by an exhausted underwriting capacity. The Corporation has sought and implemented various solutions to ameliorate the capacity problem including the increase of the gearing ratio of capital to insurance commitments and the expansion of reinsurance, but in the end, an injection of more capital resources is imperative, if the Corporation is to be able to realize its mandate of encouraging Member Countries' exports and facilitating the flow of investments into them.

It is equally important in this regard that the remaining Member Countries of IDB who have not joined the Corporation, or are in the process of completing their membership requirements, do so at the earliest possible time. This will not only enable these countries to benefit from ICIEC's credit risk mitigation services, but will also help enhance trade and investment flows among Member Countries of the OIC.

Dr. Ahmad Mohamed Ali
President of ICIEC



Moody's Investors Service

Moody's Assigns Aa3 rating to ICIEC

Moody's Investors Service assigned a first-time insurance financial strength rating of Aa3 to ICIEC, the rating outlook is stable. Moody's notes that ICIEC's rating reflects both the stand-alone fundamentals as well as potential support from its shareholders/IDB member countries. Thus, despite the absence of explicit guarantees, in the context of its key role as facilitator of trade between Islamic countries, ICIEC's rating reflects the strong ability and potentially high willingness of ICIEC's main ultimate shareholders, to support the company in times of financial distress.

This rating puts ICIEC at par with the major insurers of credit and political risk in the international market and should, therefore, encourage more utilization of its services by exporters from Member Countries and investors world wide.



ICIEC *An Overview*

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1415H (1994) with an authorized capital of ID 100 million.

It is an affiliate of the 'AAA' rated Islamic Development Bank (IDB). ICIEC has recently been assigned Aa3 Insurance Financial Strength Rating by Moody's.

Its shareholders are the Islamic Development Bank (through The Waqf Fund) and 35 OIC Member Countries.

ICIEC - An Overview

1. Legal Structure

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a member of the Islamic Development Bank (IDB) Group. ICIEC was established on 24 Safar 1415H (1st August 1994G) as an international institution with full juridical personality.

2. Membership

Membership in ICIEC is open to the Islamic Development Bank and countries which are members of the Organization of the Islamic Conference (OIC). At the end of 1428H, there were 36 shareholders of ICIEC, comprising IDB and 35 countries including 16 Arab Countries, 11 African Countries and 8 Asian Countries. Several other countries are in the process of completing the membership requirements.

3. Share Capital

The authorized share capital of ICIEC is ID* 100 million (USD 158 million), made up of 100,000 shares of ID 1,000 each. IDB has subscribed to half of the authorized capital through the Waqf Fund, while the other half is left for subscription by the Member Countries of the Organization of the Islamic Conference (OIC).

Each Member Country may subscribe to a minimum of 250 shares in the Corporation (worth ID 250,000). As of 30 Dhul Hijja 1428H, IDB and thirty five Member Countries had subscribed to a total of 97,740 shares,

equivalent of ID 97.74 (USD 154.43) million. The called-up installments amounted to ID 73.87 (USD 116.71) million, out of which ID 73.00 (USD 115.34) million has so far been paid-up. The net balance of ID 0.87 (USD 1.37) million is receivable from some Member Countries (list of ICIEC existing members and their ownership distribution is provided in table on Page 12).

The Board of Directors of ICIEC resolved during 1428H to increase the subscribed capital of the Corporation by 50% to reach ID 150 million. This additional ID 50 million is to be subscribed in its entirety by IDB through its Waqf Fund. This decision is yet to be confirmed by the Board of Governors of the Corporation.

4. Objective

ICIEC's objective is to increase the scope of trade transactions from the Member Countries of the Organization of the Islamic Conference (OIC), and to facilitate foreign direct investments into Member Countries and to provide reinsurance facilities to Export Credit Agencies (ECAs) in Member Countries. ICIEC fulfills these objectives by providing appropriate Islamic Shariah compatible credit and country risk insurance and reinsurance instruments.

5. Management Structure

The overall management of ICIEC is organized in a four-tier structure, summarized in the table below:

Board of Governors (BOG)	The BOG is composed of Governors representing the Member Countries of the IDB and ICIEC. All powers of the Corporation are vested in the BOG. However, BOG may delegate its powers to the Board of Directors of the Corporation (BOD).
Board of Directors (BOD)	The BOD is responsible for the general direction of the operations of ICIEC.
The President	The President of The Islamic Development Bank is ex-officio, the President of ICIEC and the Chief Executive of the Corporation, responsible for conducting its affairs under the direction of the BOD. The President is the legal representative of ICIEC, and has the power to approve its operations and contracts, and may delegate any of his powers to ICIEC's General Manager.
The General Manager	The General Manager is responsible for conducting the day-to-day business of the Corporation, in the context of the authority delegated to him by the President.

* Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to the Special Drawing Right (SDR) of the International Monetary Fund (ID 1.00 = USD 1.58 as at the end of 1428H).

ICIEC - An Overview

In addition, there is a *Consultative Committee* for the Corporation which advises the President on the overall management of the Corporation. Members of the Committee are prominent personalities from Member Countries who are well-versed in matters relating to export credit and investment insurance, international trade and banking.

All operations of ICIEC are in accordance with Islamic Sharia. All regulations, rules, policies and all other insurance instruments are subject to close scrutiny, before their coming into force, by The Sharia Committee of the Islamic Development Bank (IDB) which also acts as The Sharia Committee of ICIEC.

6. Insurance Facilities

ICIEC's services are tailored to target three market segments; Exporters, Banks and Investors. For each of the segments, ICIEC provides different insurance instruments to address specific customer needs.

6.1- Foreign Investment Insurance Services

ICIEC offers three foreign investment insurance policies:

- 1- Equity Investment Insurance Policy.
- 2- Financing Facility Investment Insurance Policy.
- 3- Loan Guarantee Investment Insurance Policy.

These policies provide long-term insurance cover against country risks for foreign investment flows into Member Countries, irrespective of their country of origin. Such risks include war, civil disturbances, foreign exchange convertibility and transfer restrictions, nationalization and other forms of host country government interference which may deny the investor his rights to control and manage his investments.

6.2- Export Credit Insurance Services

ICIEC offers six Export Credit Insurance (ECI) products which are summarized in the table below.

Segment	Instrument/Product	Maximum Term	Purpose	Risks Covered
Exporters	Comprehensive Short Term Policy (CSTP)	1 year	To protect Exporters and Banks against the risk of non-payment of an export receivable.	Non payment due to Commercial and Country Risks
	Globaliance Policy (GAP)	1 year		
	Supplemental Medium Term Policy (SMTP)	7 years		
	Specific Transaction Policy (STP)	7 years		
Banks	Bank Master Policy (BMP)	7 years	To protect the confirming bank of a Letter of Credit against the risk of non-payment by the issuing bank.	
	Documentary Credit Insurance Policy (DCIP)	1 year		

6.3- Reinsurance Services

To fulfill its mandate to assist the development of the export credit insurance services in Member Countries, and to help realize its long-term strategy of becoming a wholesaler of insurance products, the Corporation continued its efforts to enhance its cooperation with the Export Credit Agencies (ECAs) in Member Countries to provide reinsurance services in the form of a Reinsurance Facility Agreement (RFA).



berneunion





































ICIEC Joins Berne Union

ICIEC has joined the International Union of Credit and Investment Insurers (Berne Union) as an observer member. The resolution admitting ICIEC was approved by the 43 voting members of the Berne Union during its General Meeting held in New Delhi, India, during October 13-19, 2007.

The London-based Berne Union, established in 1934, is the leading international organization for the export credit and investment insurance industry. It actively facilitates cross-border trade by supporting international acceptance of sound practices in export credits and foreign investments while providing a forum for professional information and experience exchanges among the members.

The Berne Union membership will enable ICIEC to benefit from the experience of other Union members and place it among the world's top export credit and investment insurers. Moreover, it will facilitate marketing of ICIEC's insurance services. Finally, ICIEC will have access to a wealth of information and technical expertise from other Union members, such as (among others) Euler Hermes, Atradius, Coface, ECGD of UK, US Eximbank, EDC of Canada, Sinosure of China and EKF of Denmark, which are key players in the export credit and investment insurance industry.

**MEMBERSHIP AND CAPITAL SUBSCRIPTIONS STATUS
AS AT END OF 1428H (9th January 2008G)**

	Members	Date of Articles Ratification	Number of Shares Subscribed	Value of Shares (ID)
	1. Algeria	23.04.96	1,000	1,000,000
	2. Bahrain	06.03.99	250	250,000
	3. Bangladesh	11.05.93	250	250,000
	4. Benin	08.08.01	250	250,000
	5. Brunei	24.03.98	250	250,000
	6. Burkina-Faso	26.03.02	250	250,000
	7. Cameroon	04.07.92	250	250,000
	8. Chad	19.02.93	250	250,000
	9. Djibouti	08.08.04	250	250,000
	10. Egypt	30.12.92	2,500	2,500,000
	11. Gambia	01.03.96	250	250,000
	12. Guinea	22.07.97	250	250,000
	13. Indonesia	24.04.93	250	250,000
	14. Iran	19.12.96	5,000	5,000,000
	15. Jordan	21.04.93	250	250,000
	16. Kazakhstan	02.01.03	250	250,000
	17. Kuwait	13.07.94	2,500	2,500,000
	18. Lebanon	17.08.95	250	250,000
	19. Libya	06.02.93	1,500	1,500,000
	20. Malaysia	01.08.94	2,740	2,740,000
	21. Mali	04.09.93	250	250,000
	22. Mauritania	18.07.95	250	250,000
	23. Morocco	08.02.97	5,000	5,000,000
	24. Niger	04.03.03	250	250,000
	25. Pakistan	08.05.93	2,500	2,500,000
	26. Qatar	11.07.00	250	250,000
	27. Saudi Arabia	03.12.92	13,500	13,500,000
	28. Senegal	19.09.95	250	250,000
	29. Sudan	10.07.95	250	250,000
	30. Syria	01.02.98	250	250,000
	31. Tunisia	22.02.93	500	500,000
	32. Turkey	30.07.97	2,500	2,500,000
	33. Uganda	04.02.99	250	250,000
	34. UAE	11.07.00	2,500	2,500,000
	35. Yemen	30.12.96	500	500,000
	36. Islamic Development Bank (<i>Waqf Fund</i>)		50,000	50,000,000
	TOTAL		97,740	97,740,000



Marketing ICIEC's Services

The Direct Marketing strategy, close relationship with key exporters and regional banks, introduction of new products coupled with renewed emphasis on investment insurance business generated significant volume of high quality business for the Corporation during 1428H.

Marketing ICIEC's Services

1. Summary

Due to the success of previously implemented Marketing Strategies, the Corporation decided to continue with the strategies on hand which focus on direct marketing, targeting quality exporters, emphasizing investment insurance and promoting inward reinsurance to Export Credit Agencies (ECAs) in Member Countries. A close business relationship with existing customers was also emphasized, with the intention of obtaining additional insured business from them, many of whom have a considerable amount of export business that currently is not insured by ICIEC.

2. Export Credit Insurance

During 1428H, the Corporation undertook a two-pronged strategy to enhance its business volumes, whereby direct marketing to new clients was undertaken together with enhancing business relationship with existing customers. On top of that, the Corporation was also involved in getting quality 3rd party institutions to channel quality leads for the export credit insurance business.

As a result, ICIEC marketing staff conducted several visits to key clients jointly with underwriting staff. The visits aimed at ensuring that services provided to them are meeting their satisfaction and matching the clients needs. Moreover, clients were encouraged to add new buyers to their portfolio.

3. Investment Insurance

Several new investment proposals were received by the Corporation during the year. Close cooperation was

maintained with the Multilateral Investment Guarantee Agency (MIGA) of the World Bank. For example, the Corporation participated in the provision of Political Risk Insurance (PRI) cover worth UD\$ 50 million for the Doraleh Container Terminal (DCT) Project in Djibouti, together with MIGA.

4. Relationships with Commercial Banks

During 1428H, several trade finance banks have shown genuine interest to utilize the Corporation's services. Up to date, discussions are still on-going with number of banks based in Dubai, London, Bahrain, Malaysia and Indonesia. Some of these institutions are in the process of obtaining internal credit limits on ICIEC, or are simply waiting for an appropriate time to commence a relationship with the Corporation.

The Corporation arranged and finalized a loss-payee mechanism between key clients and their banks.

5. Other Marketing Activities

5.1- Marketing Missions, Promotional Seminars and Conferences

During 1428H, ICIEC participated in various regional and international conferences and seminars related to its business, which assisted in promoting its services at the regional and international levels.

a) 5th Member Country ECAs Meeting

In the beginning of 1428H, ICIEC organized the 5th meeting of Export Credit Agencies (ECAs). The ECAs Meeting constitutes institutions from the Organization of Islamic Conference (OIC) Member Countries.



Participants in the 5th ECAs Meeting in Jeddah – Muharram 1428H

Marketing ICIEC's Services

Thirty four delegates representing 22 institutions from the OIC Member Countries, and guests from the Asian Development Bank, COFACE, African Trade Insurance Agency, Afreximbank, MIGA, International Trade Center, ECGC of India, International Financial Consulting, FirstCity, Societe Generale, and the Islamic Development Bank participated in this meeting. Various areas of cooperation in the fields of business development, reinsurance facilities, credit information and technical assistance were discussed during the meeting.

b) Broader MENA Investment Summit

Under the patronage of His Excellency Sheikh Hamdan bin Rashid Al-Maktoum, Minister of Finance and Industry of the United Arab Emirates, a Broader MENA Investment Summit was held during Feb 20-21, 2007 at Dubai International Financial Center. The Summit brings together senior-level executives from leading corporations and banks in the Middle East, North Africa, Turkey, Pakistan, and Afghanistan. Topics discussed were related to investment challenges in the Broader MENA Region, Investing in infrastructure and investing in basic industries. The Summit was sponsored by the World Bank Group/MIGA and the Islamic Development Bank Group/ICIEC in

association with Dubai International Financial Center. About 250 delegates, comprising top-level business executives and financiers from the Middle East, North Africa, Turkey, Sudan, and Pakistan, attended this Summit.

5.2- Dubai Representative Office

During 1428H, ICIEC signed an agreement with the UAE government, whereby the UAE government agreed to host the first foreign representative office for ICIEC in the Emirate of Dubai.

The agreement was signed on behalf of the UAE government by H.E. Sheikh Hamdan Bin Rashed Al-Maktoum, Deputy Ruler of Dubai, Minister of Finance and Industry and IDB Group Governor, and on behalf of ICIEC by Dr. Ahmed Mohammed Ali, President of IDB Group and ICIEC.

The new office, which is scheduled to open during 1429H, would enable ICIEC to promote and market its products and services to other Member Countries in the region, such as Bahrain, Kuwait, Iran, Qatar, and Pakistan. Also, the office will be used as a venue for promoting the IDB Group Investment Promotion Technical Assistance Program in the field of promoting investments into Member Countries.



Broader MENA Investment Summit Co-sponsored by ICIEC and MIGA

Marketing ICIEC's Services

5.3- Cooperation with Partners

During the 32nd IDB Group Annual Meeting, which was held in May 2007 in Dakar, a Memorandum of Understanding (MoU) between SONAC, (Export Credit Insurance Agency of Senegal) and ICIEC was signed. Besides, the understanding of providing coinsurance/reinsurance facilities to SONAC, the MoU stipulated the understanding that ICIEC will provide reinsurance for guarantees issued by SONAC to foreign exporters.



ICIEC GM & SONAC GM sign MoU during IDB Group Annual Meeting in Dakar in the presence of the President of IDB Group.

5.4- ICIEC's Website www.iciec.com

A new, user-friendly and informative ICIEC website was launched in the middle of 1428H. This website provides the complete picture of ICIEC, including its full range of products and services. Several enquiries have been received through this website from members of public, financial institutions and corporations asking about ICIEC's products and services.

5.5- ICIEC Newsletter

During 1428H, Corporation published two issues of "ICIEC Newsletter". This Newsletter, which will be published on a quarterly basis, is aimed at providing the reader a snapshot of ICIEC's activities, ranging from credit and country risk insurance to investment promotion.



H.E. Sheikh Hamdan Bin Rashed Al-Maktoum and Dr. Ahmad Mohamed Ali sign an agreement of the ICIEC Representative Office in Dubai



ICIEC to Open Dubai Office



مركز دبي
المالي العالمي
Dubai International
Financial Centre

ICIEC recently signed an agreement with the UAE government, wherein the UAE government agreed to host the first foreign representative office for ICIEC in the emirate of Dubai.

The agreement was signed on behalf of the UAE government by H.E. Sheikh Hamdan Bin Rashed Al-Maktoum, Deputy Ruler of Dubai, Minister of Finance and Industry and IDB Group Governor; and on behalf of the IDB Group by Dr. Ahmad Mohammad Ali, President of the IDB Group and ICIEC. The Corporation was later able to obtain a license to operate within the Dubai International Financial Center (DIFC).

With Dubai rapidly becoming an important hub for finance and trade in the Middle East, a local presence there will enable ICIEC to respond more effectively to the requirements of its customers, and create better solutions for their needs.



Underwriting Activities and Results

The Corporation witnessed another successful year of operations' growth. A growth of 71% in business insured resulted in a healthy increase of 45% in premium and fees income during 1428H.

Underwriting Activities and Results

1. Summary of Operations' Indicators

Growth of Operations' Indicators

	1424H	1425H	1426H	1427H	1428H
Number of Policies in force	80	72	88	75	82
Business Insured (USD mn)	147	337	617	859	1,469
Current Exposure (USD mn)	150	253	447	825	443
Premium and Fees (USD mn)	2.1	2.9	4.0	6.6	9.6
Claims Paid (USD mn)	1.2	0.3	1.9	4.0	0.5
Recoveries (USD mn)	1.1	0.7	0.5	1.4	1.3
Admin. Expenses (USD mn)	3.3	3.8	3.9	4.7	5.8
Reinsurance Cession (USD mn)	-	-	0.2	0.7	4.1
Technical Result (USD mn)	(1.3)	(0.5)	(1.5)	(1.4)	0.5

- The year under review witnessed ICIEC continuing to build on its momentum, with key performance indicators showing significant growth in 1428H.
- **Business Insured** in 1428H surpassed the USD 1 billion mark for the first time in the Corporation's history, surging to USD 1.47 billion, an increase of 71% over last year.
- **Cumulative Business Insured** since the Corporation commenced operations reached USD 3.7 billion.
- **Premium & Fee Income** for the year reached USD 9.6 million, an increase of 45% over the past year.
- **Exposure** for the current year reduced by 46% to USD 443 million. This was as a result of a new methodology adopted to calculate exposure, in line with Berne Union Guidelines.
- **A Positive Technical Result** of USD 0.5 million was achieved for the first time since the Corporation's inception. This is a major milestone in the history of the Corporation.

2. Main Operations' Indicators

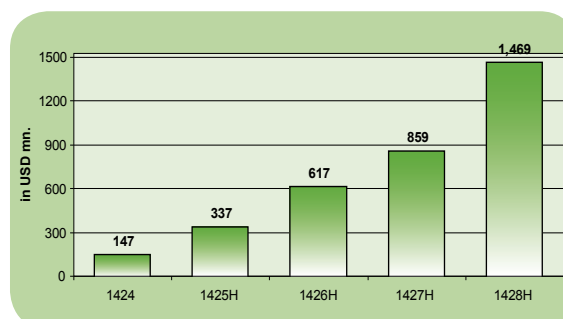
2.1 Business Insured

Business Insured by the Corporation during the year surged by 71%, to USD 1.47 billion, the first time in the Corporation's history that the USD 1 billion mark has been surpassed. All lines of business contributed to this increase. Export Credit Insurance (ECI), however, continues to be the primary engine of growth for the Corporation's Insured Business.

Export Credit Insurance involves provision of insurance services to exporters and banks in Member Countries to cover non-payment risks of buyers and banks. These services are offered through various insurance policies, namely the Comprehensive Short-Term Policy (CSTP), the Specific Transaction Policy (STP), the Supplemental Medium Term Policy (SMTP), the Bank Master Policy (BMP), the Documentary Credit Insurance Policy (DCIP), and the Globalliance Policy (GAP).

Cumulative Business Insured by the Corporation, since inception, has reached USD 3.7 billion. This means that of the total Business Insured by the Corporation since inception, almost 39% was insured in 1428H.

Business Insured



During the year, the Corporation witnessed significant growth in Short-Term ECI. In percentage terms, Business Insured under the CSTP increased by 56%.

Underwriting Activities and Results

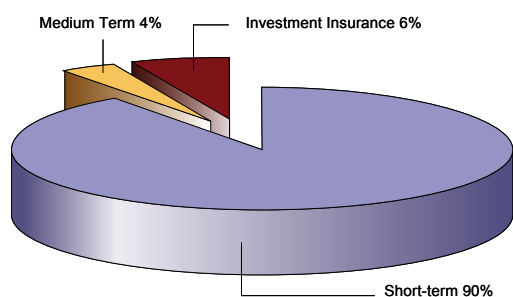
The CSTP and other Short-Term insurance products (like the DCIP and GAP) are characterized by high-volumes and low pricing. As a result, the volume of Business Insured increased at a relatively higher rate (71%) as compared to Premium & Fee Income, which increased by 45%.

Of the total Business Insured during the year, close to 90% was under the Short-Term ECI program; up from 85% last year. This is mostly as a result of the Corporation's drive to secure more Short-Term business from existing clients. Short-Term business helps the Corporation generate larger volumes of business with relatively lower levels of risk.

Business Insured under the Investment Insurance program more than doubled from USD 42 million in 1427H to USD 92 million in 1428H. Of the total Business Insured by the Corporation during the year, Investment Insurance contributed just over 6% of the total. This increase in Business Insured was generated by two new policies signed during the year.

Medium-Term Business Insured registered USD 62 million in 1428H, which is just over 4% of the total business insured during the year.

Business Insured by Product Type



The table below gives details of the exports insured by ICIEC, broken down by the supplier countries. Saudi Arabia continues to be the top exporter covered by ICIEC, followed by Turkey and Bahrain. Major clients like SABIC (Saudi Arabia), El-Sewedy (Egypt) and Midal Cables (Bahrain) have all contributed toward increased business volumes from their respective countries.

Business Insured by Exporter Country - Export Credit Insurance and Reinsurance Operations 1428H		
Country	Business Insured (USD mn)	Total %
Saudi Arabia	732	54
Turkey	254	19
Bahrain	157	12
Egypt	110	8
Pakistan	28	2
Tunisia	27	2
UAE	25	2
Syria	18	1
Sudan	4	0.3
Malaysia	3	0.2
Lebanon	3	0.2
Yemen	0.5	0.03
Total	1,360	100

The table below gives details of Business Insured under the Investment Insurance program, broken down by investor countries. During the year, ICIEC provided political risk reinsurance support to the Overseas Private Investment Corporation (OPIC) of the USA, which in turn arranged investment insurance for a 3-year investment by an American Corporation in Pakistan's power sector.

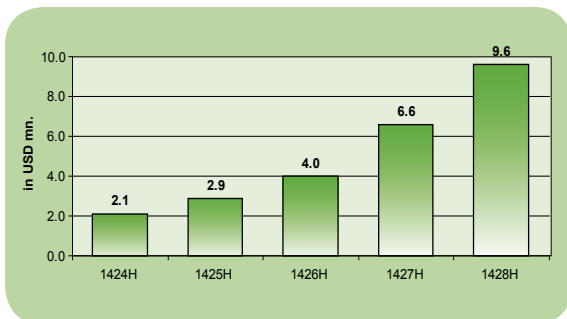
Business Insured by Investor Country - Investment Insurance and Reinsurance Operations 1428H		
Country	Business Insured (USD mn)	Total %
Romania	50	46
USA	20	18
UAE	18	17
France	13	11
Jordan	8	7
Saudi Arabia	1	1
Total	110	100

2.2 Premium & Fee Income

Gross Premium and Fee Income for the year was USD 9.6 million, which is an increase of 45% over the past year's performance. This growth was driven by increases in all lines of business of the Corporation, namely Export Credit Insurance (ECI), Investment Insurance, and Inward Reinsurance services.

Underwriting Activities and Results

Premium & Fee Income



Export Credit Insurance has been the mainstay of the Corporation with regard to premium income and business insured. In 1428H, Premium & Fee Income earned from ECI was USD 8.3 million, which is close to 87% of the total income for the year.

The CSTP, designed to cover Short-Term (maximum 1 year) non-payment risk of buyers on a recurring basis, contributed USD 3.7 million to the premium income for the year. This is almost 39% of the total premium income for the year, and a 40% increase over the premium generated by the CSTP in 1427H. Active utilization of limits by leading clients during the year contributed to the income generated by the CSTP.

The STP, which is still a relatively new product, allows ICIEC to cover single export transactions with a tenor of up to 7 years. Of the total premiums income in 1428H, over 44% (USD 4.2 million) was contributed by the STP. This is the largest amount contributed by any one product to the premium income. Compared to the premium generated by the STP during 1427H, the current year's number shows a growth of close to 90%. A large transaction, which closed during the latter half of the year, contributed significantly to these results.

The balance of the income from Export Credit Insurance was contributed to by the DCIP and the GAP. Revenues from the DCIP in 1428H were USD 0.20 million, an increase of 124% over 1427H.

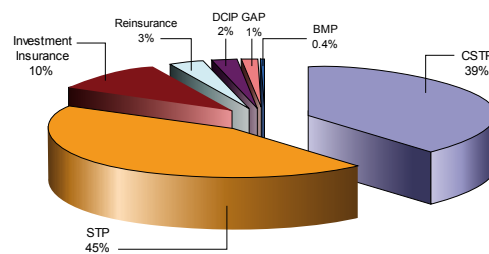
Income from Investment Insurance services increased by 159% in the current year, to reach USD 0.95 million. This large increase is because of two new Investment Insurance policies which were signed during the year.

ICIEC also offers reinsurance services to the Export Credit Agencies in Member Countries through participation in reinsurance treaties and offers direct reinsurance services through Reinsurance Facility Agreements (RFAs). Income generated from this line of business for 1428H was USD 0.31 million, an increase of over 100% over the premium generated in the previous

year. During 1428H, the Corporation signed a new quota share treaty with Shiekan Insurance Corporation (Sudan) and was able to renew its participation in the 3 reinsurance treaties of COTUNACE (Tunisia). The Corporation has ten RFA agreements in force currently.

Overall, most products showed double and triple digit growth in 1428H. The main drivers of revenue continue to be the CSTP and the STP, with Investment Insurance also coming in with a healthy contribution during the year.

Premium & Fee Income Contribution by Product



ICIEC Supports OPIC's Cover for GE Investment in Pakistan



ICIEC provided political risk reinsurance support to the Overseas Private Investment Corporation (OPIC) of the US, which in turn arranged insurance for a 3-year period investment by General Electric (GE) in Pakistan's power sector. GE and Pakistan's Water And Power Development Authority (WAPDA) have entered into a Rental Service Agreement, wherein GE agreed to rent to WAPDA seven Gas Turbine Generators, by way of an operating lease.

Marsh, an international insurance brokerage firm, had arranged the foreign investment insurance package, which was also contributed to by the Lloyd's of London. The total investment involved in this project is USD 49.7 million, one-third of which (USD16.57 million) was covered by ICIEC.

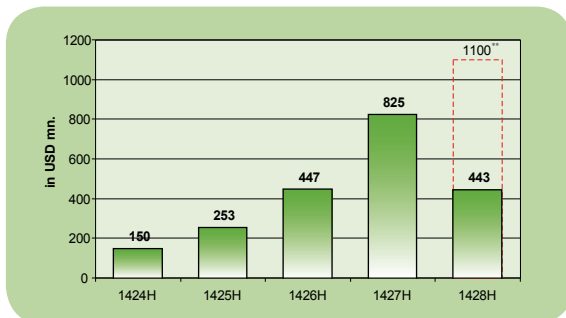
The additional power generated through this investment will help in reducing the load-shedding and power outages, which significantly and adversely impact not only the households, but also the industry in Pakistan. Accordingly, the extra power that would be made available to WAPDA would assist in the overall economic development of the country.

Underwriting Activities and Results

2.3 Current Exposure

Current Exposure for 1428H reduced by 46%, and is currently at USD 443 million. A new methodology* for calculation of Exposure (in line with Berne Union Guidelines) was adopted in the current year. This has resulted in the exposure levels falling in the current year.

Current Exposure

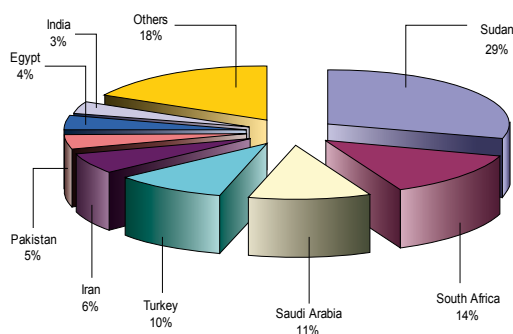


** Exposure would have been USD 1.1 billion with the old method of calculating exposure..

It is essential to know the Corporation's Exposure in specific countries of operations. The following chart indicates ICIEC's Exposure in various countries.

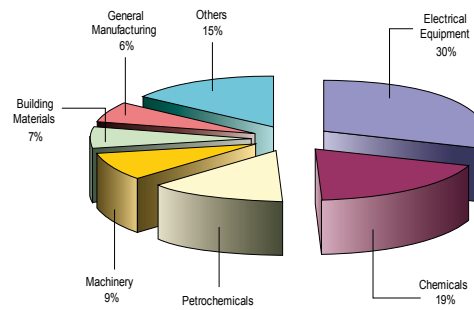
Exposure in Sudan continues to be the highest, with South Africa coming in next, mostly on account of petrochemical exports to the country.

Exposure by Country



The following chart breaks down ICIEC's Exposure in terms of sector for 1428H, which shows the predominance of industrial products.

Exposure by Sector



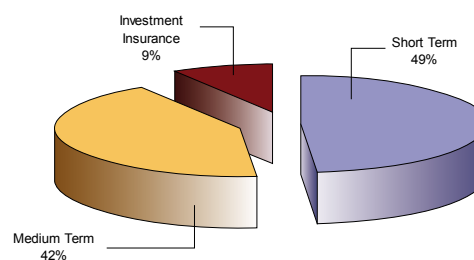
Electrical equipment, mainly cables, is the sector with the largest amount of exposure in ICIEC's risk portfolio. This is primarily due to Medium-Term transactions underwritten by the Corporation for some of its large clients. Chemicals and Petrochemicals are second and third respectively.

The chart below shows the Corporation's exposure by insurance type. The exposure is greatest in the Short-Term credit insurance line of business, at 49%. It should be noted that Short-Term exposure is rolled over a number of times during the year, since the credit periods given to buyers under Short-Term insurance range from 0-360 days. Also, the Exposure numbers are not strictly comparable to previous years numbers since the methodology for calculating the exposure has changed in the current year.

Exposure from Medium-Term Insurance is at 42%, while Investment Insurance Exposure is at 9%.

The portfolio is overall well-balanced between the various lines of business, and in sync with the premium income distribution between insurance type.

Exposure by Insurance Type



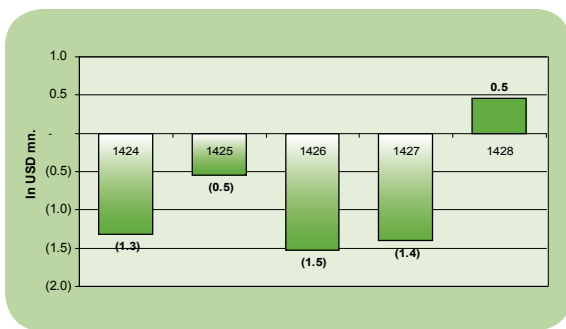
* Declarations received from policyholders translate into Exposure for the Corporation. The basic difference between the old and the new method of calculating exposure is the date on which Exposure is retired from the Corporation's books. In addition, the new method of calculating Exposure only takes into consideration the net insured amount, which is typically 90%; and includes outstanding claims and arrears in order to arrive at total Exposure figure.

Underwriting Activities and Results

2.4 Technical Result*

With a positive Technical Result of USD 0.5 million, the Corporation achieved a significant milestone in 1428H. The first ever positive technical result was achieved as a result of robust growth in the premium and fee income, and due to the fact that no major claims were lodged during the year.

Technical Result



2.5 Buyer Database

All buyer and bank files at ICIEC are maintained electronically, allowing for quick and easy access to buyer credit information through the Integrated Insurance Management System (IIMS). The electronic records include past experience, credit reports, credit opinions, correspondence etc. This database is updated



Dr. Abdel Rahman El Tayeb Ali Taha, ICIEC GM, (left), signs a Quota-Share Treaty agreement with Mr Osman Elhadi Ibrahim, the Managing Director of Shiekan Insurance and Reinsurance

on an as-needed basis, with the assistance of Coface. Electronic record maintenance reduces paperwork and helps reduce turn-around times. ICIEC currently maintains a database of over 2400 buyers and banks, up from approximately 1400 buyers last year.

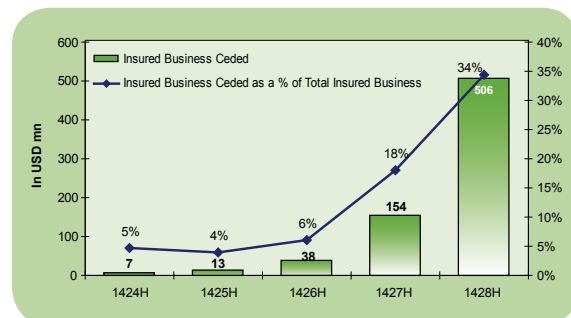
2.6 Outward Reinsurance

Outward Reinsurance, through which ICIEC cedes a certain portion of its insured business to reinsurers, is an essential capacity-enhancement and risk management tool. The Corporation has been able to strengthen its relations with its reinsurers over time, as evidenced by the increased amount of business ceded in the past three years.

During 1428H, ICIEC renewed its quota share treaty, which covers the Short-Term ECI portfolio. Business ceded under the treaty during 1428H was USD 403 million, which reflects a considerable increase over the past year. Additionally, facultative reinsurance was arranged for 8 transactions with total business insured ceded to the reinsurers of USD 103 million.

ICIEC has developed strong relationships with leading reinsurers like ACE, Atradius, Catlin, Beazley and Zurich Emerging Markets. In 1428H, 34% of the Business Insured by ICIEC was ceded to reinsurance, which is the highest amount of business ever ceded to reinsurance by the Corporation. This is particularly useful given that the Corporation has experienced some capacity constraints in recent years due to the fast expansion of its business.

Insured Business Ceded



* Technical Result is a key performance indicator for credit insurers. It is calculated by taking the Total Premiums & Fee Income for the year; deducting Administrative Costs and Claims Paid during the year, deducting Premiums Ceded to Reinsurers and adding back Recoveries during the year.

Underwriting Activities and Results

3. Claims & Recovery

3.1 Claims Activities' Summary

During 1428H, ICIEC received six claims for a total loss of USD 1.10 million. Five claims were filed under the CSTP and one under the STP. This represents a substantial decrease from the previous year, when claims for a total of USD 4.45 million were received. In 1428H the Corporation indemnified two policyholders for claims amounting to USD 0.49 million which represents a marked decrease compared to 1427H, when ICIEC paid USD 4.00 million in compensation to policyholders. Recoveries effected during 1428H amount to USD 1.26 million. This amount indicates a slight decrease compared to recoveries effected in 1427H when the Corporation's recoveries amounted to USD 1.36 million.

3.2 Paid Claims

During 1428H, ICIEC paid two claims for a total of USD 0.49 million under the CSTP.

On a cumulative basis, ICIEC has compensated 25 policyholders for a total of USD 21.80 million since its inception. The breakdown is as follows:

- USD 15.04 million under the BMP.
- USD 3.46 million under the SMTP.
- USD 3.30 million under the CSTP.

3.3 Recoveries

Recoveries effected for 1428H amounted to USD 1.26 million. These recoveries were received from defaulted parties located in Member Countries. Included in this amount are the policyholder's shares (10%) of the recoveries. Upon subrogation of the debt, after payment of a claim, ICIEC attempts to recover the full amount of the debt and then remits to the policyholders their share after offsetting the recovery costs. Net recoveries amounted to USD 1.14 million. Total gross recoveries which have been realized since the commencement of operations amount to USD 11.08 million, representing a gross recovery rate of 51%. When the portion to be remitted to policyholders is factored in, the figure stands at a respectable 46%.

3.4 Loss Minimization Efforts

Loss minimization and recovery efforts play a major role in ICIEC's strategy for minimizing losses and increasing its chances of prompt recovery. The first line of action is to negotiate an amicable rescheduled agreement with the defaulted parties enabling them to repay their debt through an extended time period. ICIEC monitors the cases very closely and ensures that the terms of the agreement are adhered to. Should the parties renege on their commitments, ICIEC, as a last resort, refers the matter for legal action.

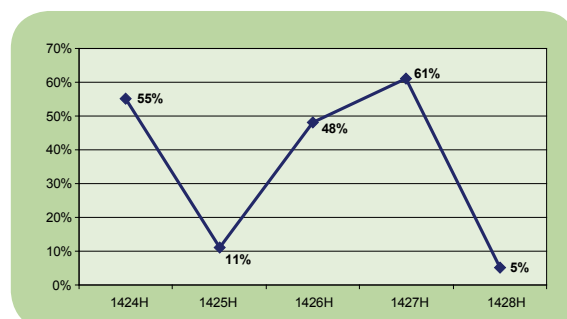
Since its inception ICIEC has been able to recover, through amicable settlements, an amount in excess of USD 6.9 million. On the other hand, ICIEC is currently involved in various countries, pursuing through the legal system cases where the parties had failed to fulfill their financial obligations towards the Corporation. The amount in question is USD 11 million.

4. Key Performance Indicators

4.1 Loss Ratio

Loss Ratio, defined as the percentage of claims paid for a year to the gross premium and fee income for the year, stood at a low of 5% in 1428H, since no large claims were lodged with the Corporation during the year.

Loss Ratio Trend

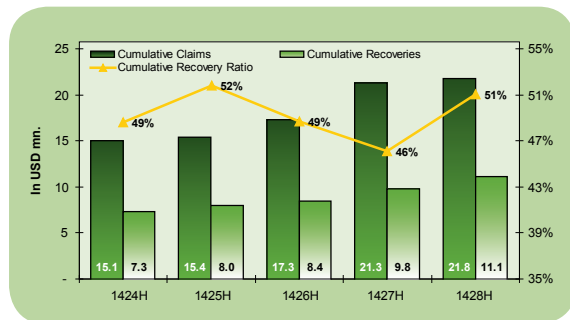


Underwriting Activities and Results

4.2 Recovery Ratio

The chart below shows the 5 year trend of cumulative recovery ratio, claims and recoveries (since ICIEC commenced operations). On an average, ICIEC has been able to recover roughly 50% of the total claims it has paid out since inception.

Cumulative Claims and Recoveries



4.3 Average Response Time

Response Time is an indicator of the time it takes for the Corporation to process individual applications and revert with decisions to the clients. It should be noted that the response time is a cross-product average. The response time typically tends to be much higher for Investment Insurance and Medium-Term transactions, whereas the response time is lower for Short-Term transactions.

Although the average response time has remained largely range-bound over the past 5 years, the total number of applications which have been processed has increased four-fold.

In mid-1428H, a new control and monitoring mechanism was introduced in the IIMS, which is expected to have a very positive impact on the response time in 1429H.

The Doraleh Container Terminal Project in Djibouti.



ICIEC has participated in the provision of political risk insurance cover for the Doraleh Container Terminal (DCT) Project in Djibouti. The project, which seeks to triple the current capacity of Djibouti port, has been sponsored by Dubai Ports World, in partnership with the Djiboutian Government.

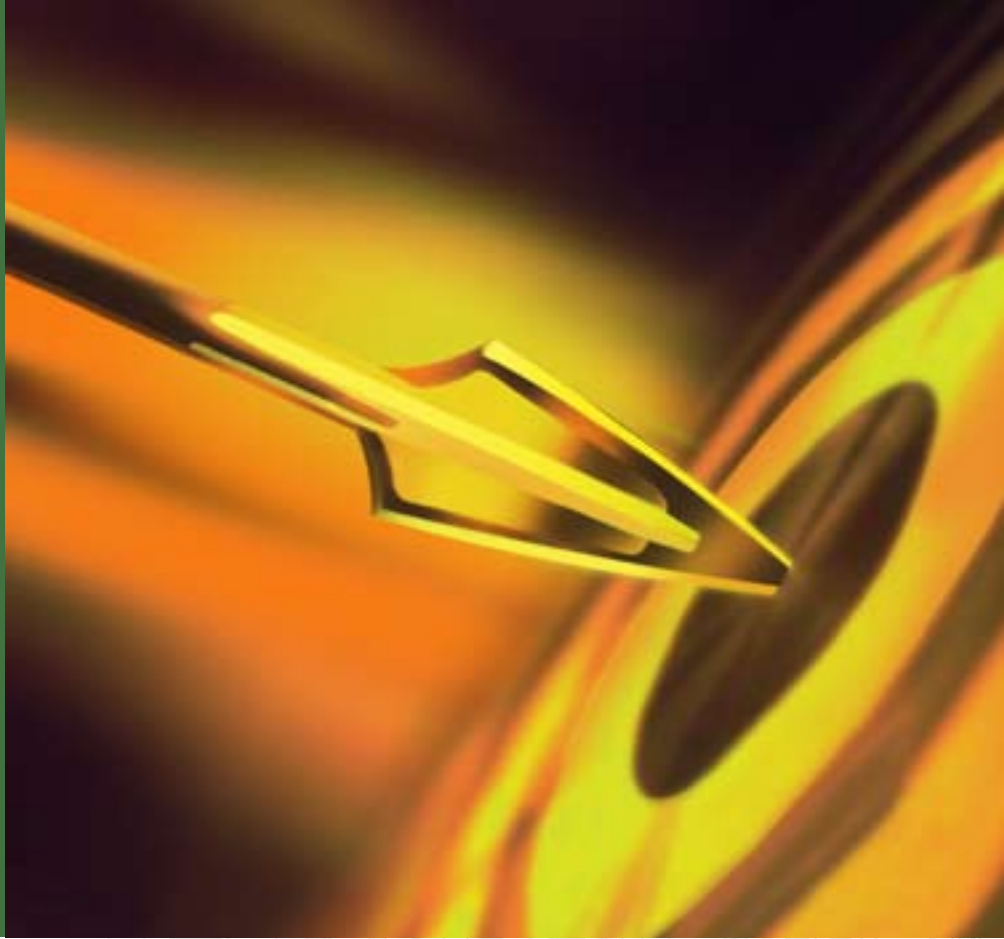
The political risk insurance cover is being led by MIGA, and the project constitutes the first actual collaboration of ICIEC and MIGA. ICIEC's participation in protecting the subject investment is in the form of providing reinsurance for US\$50 million.

The Doraleh Container Terminal project, which will bring in over US\$420 million in investment, will have a tremendous positive impact on the Djiboutian economy.

The Doraleh Project contributes to the realization of one of ICIEC's key mandates: to increase the flow of foreign direct investment (FDI) into ICIEC member states and it is in line with the Corporation's five-year strategic plan. It comes as no surprise, therefore, that this project won the prestigious 2007 Project Finance Magazine's Deal of the Year under the Best African Transport/Port Deal category.



A view of Doraleh Container Terminal Project in Djibouti



*IDB Group's Investment Promotion
Technical Assistance Program*

The ITAP was established in 2005, funded by IDB, ICD and ICIEC. Its focus areas include institutional development, sharing best practices, and information dissemination on investment opportunities in Member Countries.

1. Background

ITAP is an initiative by the Islamic Development Bank Group to help unlock the developmental potential of its 56 Member Countries through a comprehensive and integrated programme of foreign investment promotion technical assistance.



The ITAP Steering Committee, under the supervision of ICIEC, held its periodic meeting at ICIEC headquarter

2. Strategic Partners

ITAP identifies the specific needs of individual Member Countries in order to improve and invigorate the flow of foreign direct investment into them. ITAP has partnerships with sister organizations such as the Multilateral Investment Guarantee Agency (MIGA), UNIDO, the Malaysian Industrial Development Agency (MIDA), the Arab Bank for the Development of Africa (BADEA) - and the World Association of Investment Promotion Agencies (WAIPA). ITAP matches technical assistance needs with know-how transfer from its partner institutions as well as from Member Countries which have excelled in the investment promotion arena.

The types of technical assistance provided by the programme include:

- Needs Assessment Studies and Specific sectors need for intervention.
- Capacity Building of Investment Promotion Agencies and relevant government institutions.
- Country Promotion events, including seminars and conferences.
- Policy Advice to improve investment environment.
- Development of Investment Information Networks on the internet, as well as common software platforms that help in matching investors with projects in Member Countries.

3. ITAP Program Activities for 1428H

3.1 Conferences and Seminars:

- During June 2007, in Kuala Lumpur, IDB/ITAP, the Malaysian Industrial Development Authority (MIDA), the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the Islamic University of Malaysia organized a Training Program in "Using ICT and Websites for Investment Promotion". The Program was attended by 23 senior IT and Marketing officials from Investment Promotion Agencies and relevant government departments of 22 Member Countries of the IDB. The Program introduced the participants to the overall Investment Promotion Framework of Malaysia, as well as some of the trade, technology and SME financing initiatives of the Malaysian government. Site visits were made to Cyberjaya – the internet and shared services hub of Malaysia – where participants interacted with entrepreneurs from Malaysia's ICT sector.
- In October 2007, ITAP, in collaboration with the United Nations Conference for Trade and Development (UNCTAD), as well as the Jordan Investment Board (JIB), conducted a Training Program on "International Investment Agreements and Dispute Settlement" in Amman, Jordan. More than 29 participants from 22 countries took part in the Program, and a number of resource persons from countries as diverse as Mexico, Germany and the USA, as well as academics from the University of Paris, Sorbonne addressed the Program.

..... I wish, first and foremost, to thank you for organizing a wonderful training for my staff both the previous and the most recent one(John Musajja).

He tells me that the training was very enriching and will indeed boost his abilities in carrying out proactive investment promotion for Uganda.

Issa MUKASA

Director, The Investment Centre

Kampala – UGANDA

IDB Group's Investment Promotion Technical Assistance Program (ITAP)

- In January 2008, an IPA Staff Exchange / Familiarization Program was conducted in collaboration with Jordan Investment Board (JIB) in Amman. Participants explored the history, institutions, policies and framework of investment promotion in Jordan, and how they have contributed to Jordan's success in attracting FDI. In addition to the day-to-day operations of the JIB, the two week program also explored the operation of the Jordanian One-Stop-Shop, the Aqaba Free Zone, and the Al-Hassan Qualified Industrial Zones (QIZs).

3.2 Country Programs:

Sultanate of Oman:

- In early 2007, a joint ITAP-World Bank Team conducted an in-depth analysis of the Omani Centre for Investment Promotion & Export Development (OCIPED). A report on the basis of the finding was presented to the senior management of OCIPED and recommendations of the program were discussed in the OCIPED Board of Directors.

Sudan:

- In April 2007, on the back of 2 preparation missions by ITAP and UNIDO to Sudan, a detailed Project was identified and approved by the Program Steering Committee (PSC) and an MOU was signed between ITAP and the Government of Sudan related to the Project. The Project will provide technical assistance in the areas of improvement of the investment climate, institutional capacity building in order to evolve a strong investment promotion office, implementation of sector-specific investment promotion programs, channeling resulting



ITAP, UNCTAD and JIB (Jordan) conducted a training in Amman – October 2007

*..... Greetings from GIPFZA
Once again thank you so much for all your efforts in making the programme a very fruitful and rewarding one, it was indeed a very enlightening and inspiring experience and I will definitely make use of the knowledge gained from the programme.*

Kind Regards

*Fatou M. Jallow
Investment Promotion & Marketing
Department
Gambia Investment Promotion & Free Zones
Agency (GIPFZA)*

Gambia

investment projects to financial institutions such as ICD as well as providing project implementation support, thereby facilitating the inflow of foreign investments. UNIDO was selected as the project partner for implementation of the project, and the Ministry of Investment in Sudan as the local agency.

Comoros:

- In June 2007, ITAP prepared an Investment Climate Assessment on the Comoros Islands, on the request of the Comoros Government. In October 2007, a delegation of Saudi businessmen led by the President of the IDB traveled to Comoros based on opportunities identified in the Investment Climate Assessment document and announced investment plans in several key sectors of the economy, including fisheries, health, power and Ylang Ylang (main ingredient used in perfume production) exports.

Bosnia:

- In June 2007, ITAP provided assistance to the Bosnian Investment Promotion Agency, in collaboration with the Global Alliance for Partnership in Development (GAPID). As a result, the Bosnian IPA website was translated in Arabic language.

IDB Group's Investment Promotion Technical Assistance Program (ITAP)

Chad:

- In July 2007, following the Dakar IDB Annual Meeting, ITAP led a joint mission with ICD (The Islamic Corporation for the Development of the Private Sector) to Chad and made recommendation to the Ministry of Economy and Planning on how to improve Chad's FDI attraction prospects.

Uganda:

- In September 2007, following an ITAP mission to Uganda, a detailed Project document was drafted and reviewed by the ITAP PSC. An MOU and Letter of Agreement regarding the implementation of the Project were signed. In addition, BADEA agreed in principle to participate as a co-financer of the Project, and an MOU was signed between the IDB and BADEA to this effect.

Mauritania

- In September 2007, a joint ITAP – COD-3 mission was conducted to Mauritania. ITAP proposed the preparation of new investment promotion material for the country – particularly a comprehensive Investment Promotion Guidebook to communicate the competitive advantages of the country and the characteristics of the areas for potential investment as well as concise information required by investors.

3.3 Memoranda of Understanding (MOUs):

During 2007, ITAP signed 3 new Memoranda of Understanding (MOUs) with:

- The Ministry of Investment Sudan (MOI),
- Uganda Investment Authority (UIA),
- The Arab Bank for the Development of Africa (BADEA).

In addition to the country projects initiated earlier, ITAP plans to start the following country activities in 1429H:

- **Mauritania** – Comprehensive Investment Promotion Campaign.
- **Chad** – Targeted Investment Promotion Campaign.
- **Djibouti** – Country Investment Promotion Program.
- **Syria** – Helping the newly established Syrian Investment Agency (SIA) with country promotion activities.
- **Afghanistan** – Investment Promotion Conference.



Group photo of the participants of the Familiarization Program from Investment Promotion Agencies in IDB Member Countries



Institutional Developments

Since its inception in 1415H, the Corporation has been successful in attracting and retaining well qualified and experienced staff from around the world. At the same time, it has been able to acquire necessary IT resources to embark on developing an integrated IT system to support its operations.

Institutional Developments

1. Introduction

The Corporation recognizes that the quality of human resources is the most important factor affecting its efficiency and ultimately its ability to achieve its objectives. Therefore, it exerts continuous efforts to recruit high caliber staff and to avail them of the best available training facilities in a very supportive and professional work environment. At the same time, ICIEC continues to develop its IT systems in the human resource management area to improve the efficiency of personnel and services management.

1.1 Staffing

During 1428H, a total of 5 new staff joined the Corporation. This brings the total number of staff in ICIEC to 52, thus achieving a utilization of 84% of the approved positions. The remaining positions are expected to be filled during 1429H.

Summary Staff Positions

Description	1424H	1425H	1426H	1427H	1428H
Approved Positions*	43	48	52	59	62
Filled Positions	35	41	46	47	52
Utilization	81%	86%	88%	80%	84%

1.2 Training

During the year, the Corporation utilized its annual training budget to maximize the number of staff benefiting from training opportunities. The training covered these broad areas: technical (relating to the specialization of the staff member), management, financial, information technology skills, and languages.

A total of 30 staff members attended 20 in-house and local courses, and 24 training courses abroad.

2. ICIEC's Integrated Insurance Management System (IIMS)

The Integrated Insurance Management System (IIMS) is a customized, modular software suite, running on Oracle 11g, which has been developed in-house at ICIEC. The IIMS has been developed with the objective of seamlessly integrating all aspects of the Corporation's business in order to streamline its operations. All Underwriting Department activities like policy issuance, credit limit decisions, etc.. are currently done online using the IIMS. Customized modules in the IIMS have been developed to meet each insurance product's specific requirements, as well as to handle all administrative tasks like invoicing and declarations. Additional modules for Claims, Country Risk, etc are also being developed.

The IIMS is also used as a reporting tool, providing up-to-date information to the management on the Corporation's exposure, commitments, etc. It allows for individual performance benchmarks to be set, measured and monitored and has an impact on the response time to client queries. Client response times have improved significantly due to the intervention made possible by the IIMS.

Remote access via the internet to the IIMS, which will allow staff to keep up to date with day to day operations even when they are out of office, is to be launched soon.



Photo of ICIEC Staff in a gathering with guests invited from IDB Group windows

* The approved and filled position include three staff assigned at ITAP



Financial and Investment Results

The Corporation posted a net profit of USD 8.22 million for the year 1428H. This resulted in an increase of 31% in the net reserves, while the total assets increased by 11% during the year (in USD terms).

Financial and Investment Results

1. Summary*

The year marks a landmark achievement by the Corporation, as it surpassed the break-even point in both the Technical Account and the Policyholder's Fund, a goal achieved one year in advance of the planned time frame. This was made possible by strong performance of the insurance operations. The overall results of the Corporation reflect a net surplus of ID 5.20 (USD 8.22) million for the year 1428H. This was the result of a net surplus of ID 5.08 (USD 8.02) million in the Shareholders' Fund and a net surplus of ID 0.12 (USD 0.20) million in the Policyholders' Fund. At the end of 1428H, net reserves reached ID 23.56 (USD 37.23) million, and total assets of the Corporation stood at ID 103.82 (USD 164.04) million. These assets primarily relate to the Shareholders' Fund.

The gross income from invested funds (ID 4.50 million) showed a healthy increase of 25%, over the level achieved last year (ID 3.60 million). The Corporation follows prudent investment approach and attempts to minimize risk and maximize return on its investments. As a result, the annual return on investment was 4.75% this year compared to 3.81% last year. Net income in the Investment Operations' Account (ID 5.08 million), after payment of investment management fees and other expenses for the year, showed an increase of 39% over last year (ID 3.65 million). The summary of financial statements, highlights of financial performance, and investment analysis are provided hereunder. The details are available in the attached financial statements and accompanying notes.

The authorized share capital of the Corporation is ID 100 million, made up of 100,000 shares of ID 1,000 each. IDB has subscribed to half of the authorized capital, while the other half is left for subscription by the Member Countries of the Organization of the Islamic Conference (OIC). As of 30 Dhul Hijja 1428H, IDB and thirty five Member Countries had subscribed to a total of 97,740 shares, equivalent of ID 97.74 (USD 154.43) million. The called-up installments amounted to ID 73.87 (USD 116.72) million, out of which ID 73.00 (USD 115.34) million has so far been paid-up.

The net balance of ID 0.87 (USD 1.37) million is receivable from some Member Countries.

2. Takaful Model

In conformity with Shariah rules governing Takaful (cooperative) insurance, the Articles of Agreement of the Corporation (Article 28) require that the Corporation maintains two separate funds:

- a) Policyholders' Fund which contains mainly the insurance contributions and fees, and from which the insurance operations expenses are disbursed.
- b) Shareholders' Fund which contains the paid-up capital and the associated reserves.

This requirement is reflected in the structure of financial statements of the Corporation.

3. Policyholders' Fund

The 1428H gross premium amounted to ID 5.97 (USD 9.43) million, compared to 1427H amount of ID 4.20 million. The net premium and fees earned (after reinsurance session) during the year amounted to ID 3.88 (USD 6.13) million, while the operating expenses were ID 3.65 (USD 5.77) million and net claims incurred stood at ID 0.10 (USD 0.16) million. This resulted in a net surplus of ID 0.12 (USD 0.19) million during 1428H, which was a 105% improvement over the net deficit of ID 2.51 million for last year. This was the result of an increase in net premiums and lower IBNR provision for the year.

4. Shareholders' Fund

The capital contributed by the IDB (through Waqf Fund) and the Member Countries of the Corporation is mainly invested in various Shariah compatible investments through the IDB Treasury, acting as the Corporation's Fund Manager. A gross income of ID 4.50 (USD 7.11) million was generated from the investments. An amount of ID 0.77 (USD 1.22) million, was reported as a gain on exchange for the

* The percentages calculated here are based on the attached financial statements, which are in Islamic Dinar (ID). Hence these may vary from the percentages calculated elsewhere in USD.

Financial and Investment Results

year. This resulted in a total income of ID 5.08 (USD 8.02) million for the year. After deducting investment management fees paid to the IDB Treasury amounting to ID 0.12 (USD 0.19) million and other expenses of ID 0.07 (USD 0.12) million relating to the Shareholders' Fund, the net surplus achieved was ID 5.08 (USD 8.02) million. This shows an increase of 39% from ID 3.65 million reported last year. The net surplus has been transferred to the statutory reserve, as mandated under the Corporation's Articles of Agreement.

5. Investment Portfolio Analysis

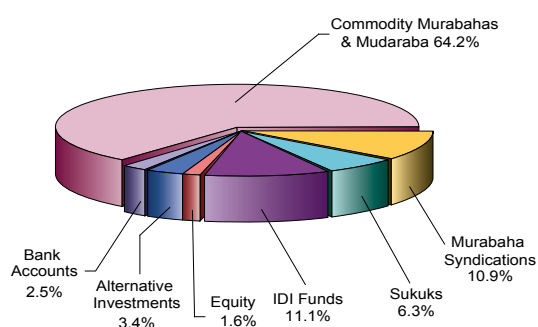
5.1 Investment Portfolio

During 1428H, ICIEC's financial performance in terms of growth in assets and investments was stable. The capital preservation principle guides the investment process at ICIEC, with an objective to grow the reserves so as to expand its underwriting capacity. The net reserves grew by 31% (in dollar terms) during the year under review.

The table below summarizes the assets, investments and investment income for the most recent five-year period. As can be seen from the table, the assets together with investments and investment income have grown consistently.

The current mix of asset classes in ICIEC's investment portfolio shows 64.2% of the investments in the form of highly liquid Commodity Murabaha placements, investment in the Unit Investment Fund (UIF) is 11.1%, Sukuk investment is 6.3% and Murabaha syndications total to around 10.9%. ICIEC has also invested in the capital protected CROCI indices under the Alternative Investments category, representing 3.4% of the investment portfolio. Investment in the equity of Takaful Re is 1.6%, whereas the cash at bank stands at 2.5%.

Asset Mix 1428H



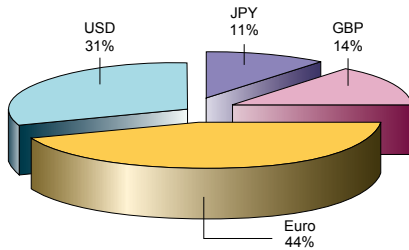
Investment Portfolio - 5 Year Trend

Summary	1424H	1425H	1426H	1427H	1428H
ID - USD exchange rate	1.49	1.51	1.44	1.49	1.58
<i>All figures in million ID</i>					
Total Assets	93.57	94.22	97.82	99.38	103.82
Total Investments	84.86	91.50	94.57	94.06	94.44
Investment Income	1.82	2.31	3.30	3.60	4.50
Growth rate of assets	2.38%	0.69%	3.83%	1.59%	4.47%
SDR LIBOR Moving Average	1.89%	1.83%	2.51%	3.47%	4.41%
Investment Return	2.61%	2.62%	3.55%	3.81%	4.75%
Spread-LIBOR & Investment Return	0.72%	0.79%	1.04%	0.34%	0.34%

Financial and Investment Results

Currency mix of investments indicates a 31% exposure in USD, 44% in Euro, 14% in GBP and 11% in JPY.

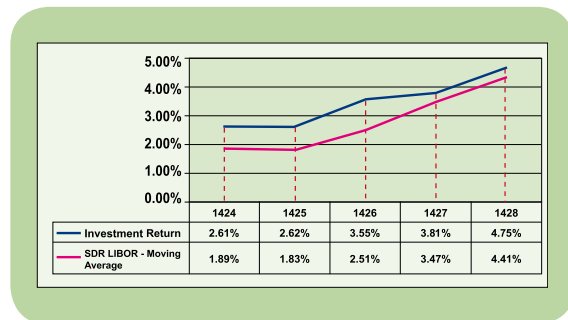
Currency Mix 1428H



5.2 Investment Returns

ICIEC's investments in 1428H provided income of ID 4.50 million compared to ID 3.65 million last year, at a rate of 4.71% against the benchmark return of 4.41%. Thus, investments outperformed the benchmark (SDR LIBOR), by 34 basis points.

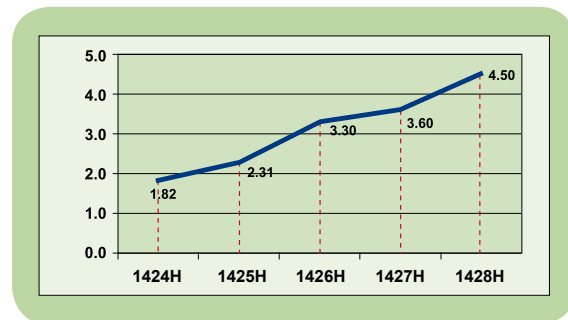
Investment Return vs SDR LIBOR



The investment income continued an upward trend and reached ID 4.50 million against ID 3.60 million in 1427H, an increase of 18%. This trend will likely taper off as the USD Libor is projected to be eased to very low levels as the Fed attempts to fight the building recession in the US economy and is expected to bring progressive rate cuts to Fed Fund rates.

Accordingly the investment return, which is related to the movement of the LIBOR rates, will come under pressure. However, some of the downside will be managed if the Corporation is able to diversify into asset classes other than the commodity Murabahas, and return on which is not linked to the LIBOR movements. Investment in CROCI is a step in this direction.

Investment Income (ID million)





Auditors' Report and Financial Statement

30 Dhul Hijjah 1428H (9 January 2008)



P.O. Box 1994
4th Floor, Al Nakheel Center, Medina Road
Al Hamra District, Jeddah 21441
Saudi Arabia
Tel. : +966 2 667 1040 / +966 2 665 2076
Fax : +966 2 667 2129
www.ey.com/me
Registration No. 45

Financial Statements

INDEPENDENT AUDITORS' REPORT

YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS OF THE BOARD OF GOVERNORS THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

We have audited the accompanying financial statements of **THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT** ("the Corporation"), which comprise the balance sheet as at 30 Dhul Hijjah 1428H (corresponding to 9 January 2008) and the income statement, statement of changes in shareholders' and policyholders' funds and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement; whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

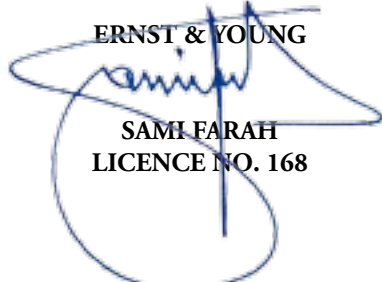
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Islamic Corporation for the Insurance of Investment and Export Credit as at 30 Dhul Hijjah 1428H (corresponding to 9 January 2008) and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Regulatory Matters

We confirm that, in our opinion, the accompanying financial statements comply with the financial statement preparation and presentation requirements of the Corporation's Articles of Agreement.



ERNST & YOUNG

SAMI FARAH
LICENCE NO. 168

07 April 2008
Jeddah, Kingdom of Saudi Arabia

Abdulaziz A. Alsowailim 227
Fahad M. Al-Toaimi 354

Sami E. Farah 168
Abdulhamid M. Bushnaq 155

Abdulaziz Alshubaibi 339
Ahmed I. Reda 356

Offices in the Kingdom : Alkhobar, Jeddah, Riyadh

Financial Statements

BALANCE SHEET

As at 30 Dhul Hijjah 1428H (9 January 2008)

(Islamic Dinars)

ASSETS	Note	1428H	1427H
Bank balances	3	2,437,395	621,641
Murabaha receivables	4	73,495,823	73,651,778
Accounts receivable, net	5	2,083,721	1,193,736
Claims recoverable, net	6	912,123	2,626,277
Prepaid expenses and other receivables	7	2,460,061	750,000
Available for sale investments	9	21,939,919	20,410,666
Fixed assets, net	10	130,460	122,376
Amount due from Islamic Development Bank	8	362,821	-
Total Assets		103,822,323	99,376,474
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	11	2,017,608	1,140,482
Claims payable	12	386,293	281,517
Amounts due to Islamic Development Bank	8	-	811,256
Unearned premiums	13	3,457,853	2,516,185
Provision for unreported claims	14	1,401,473	2,759,101
Total Liabilities		7,263,227	7,508,541
SHAREHOLDERS' FUND			
Share capital	15	72,995,000	72,745,000
Reserve	16	44,993,361	39,915,374
Fair value reserve		(1,739,759)	(977,434)
Loan to policyholders' fund	17	(19,126,425)	(17,346,440)
Total shareholders' fund		97,122,177	94,336,500
POLICYHOLDERS' FUND			
Accumulated losses	16	(19,689,506)	(19,815,007)
Loan from shareholders' fund	17	19,126,425	17,346,440
Total policyholders' fund		(563,081)	(2,468,567)
TOTAL LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS FUNDS		103,822,323	99,376,474

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 7 April 2008.

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

Financial Statements

INCOME STATEMENT

Year ended 30 Dhul Hijjah 1428H (9 January 2008)

(Islamic Dinars)

	Note	1428H	1427H
SHAREHOLDERS' FUND			
Investment income		4,497,465	3,596,248
Gain on exchange		<u>773,802</u>	<u>211,785</u>
		<u>5,271,267</u>	<u>3,808,033</u>
Investment management fees paid to Islamic Development Bank	8	(123,073)	(116,300)
General and administration expenses	8	<u>(70,207)</u>	<u>(40,656)</u>
		<u>(193,280)</u>	<u>(156,956)</u>
NET INCOME		<u>5,077,987</u>	<u>3,651,077</u>
POLICYHOLDERS' FUND			
Premiums earned	18	3,722,194	2,174,789
Policy fees earned		<u>155,422</u>	<u>107,826</u>
		<u>3,877,616</u>	<u>2,282,615</u>
Claims incurred	19	(99,102)	(1,675,672)
Employees' cost		(2,684,157)	(2,474,311)
General and administration expenses		(892,468)	(590,384)
Fees paid to Islamic Development Bank	8	<u>(76,388)</u>	<u>(54,021)</u>
		<u>(3,752,115)</u>	<u>(4,794,388)</u>
NET INCOME (LOSS)		<u>125,501</u>	<u>(2,511,773)</u>
NET CORPORATE INCOME		<u>5,203,488</u>	<u>1,139,304</u>

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 7 April 2008.

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

Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS

Year ended 30 Dhul Hijjah 1428H (9 January 2008)

(Islamic Dinars)

	Note	Capital	Reserve	Fair value reserve	Loan to policyholders' fund	Total
SHAREHOLDERS' FUND						
Balance at 30 Dhul Hijjah 1426H		72,745,000	36,264,297	(977,434)	(13,802,463)	94,229,400
Net income for the year	16	-	3,651,077	-	-	3,651,077
Net movement during the year	17	-	-	-	(3,543,977)	(3,543,977)
Balance at 29 Dhul Hijjah 1427H		72,745,000	39,915,374	(977,434)	(17,346,440)	94,336,500
Subscription paid		250,000	-	-	-	250,000
Net income for the year	16	-	5,077,987	-	-	5,077,987
Net movement during the year	17	-	-	(762,325)	(1,779,985)	(2,542,310)
Balance at 30 Dhul Hijjah 1428H		<u>72,995,000</u>	<u>44,993,361</u>	<u>(1,739,759)</u>	<u>(19,126,425)</u>	<u>97,122,177</u>

	Note	Accumulated losses	Loan from shareholders' fund	Total
POLICYHOLDERS' FUND				
Balance at 30 Dhul Hijjah 1426H		(17,303,234)	13,802,463	(3,500,771)
Net loss for the year		(2,511,773)	-	(2,511,773)
Net movement during the year	17	-	3,543,977	3,543,977
Balance at 29 Dhul Hijjah 1427H		(19,815,007)	17,346,440	(2,468,567)
Net income for the year		125,501	-	125,501
Net movement during the year	17	-	1,779,985	1,779,985
Balance at 30 Dhul Hijjah 1428H		<u>(19,689,506)</u>	<u>19,126,425</u>	<u>(563,081)</u>

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

Financial Statements

CASH FLOWS STATEMENT

Year Ended 30 Dhul Hijjah 1428H (9 January 2008)

(Islamic Dinars)

	Note	1428H	1427H
OPERATING ACTIVITIES			
Net corporate income for the year		5,203,488	1,139,304
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation		46,088	46,700
Provisions		950,737	423,954
Gain on exchange		(773,802)	(211,785)
Changes in operating assets and liabilities:			
Accounts receivable		(883,324)	(331,998)
Claims receivable		756,756	(1,817,709)
Prepaid expenses and other receivable		(1,710,061)	(179,427)
Accounts payable and accrual		877,126	67,636
Claims payable		104,776	55,912
Amounts due to Islamic Development Bank		(811,256)	(2,469,034)
Amounts due from Islamic Development Bank		(362,821)	-
Unearned premium		941,668	1,551,048
Provision for unreported claims		1,357,628	1,210,899
Net cash provided by (used in) operating activities		2,981,747	(514,500)
INVESTING ACTIVITIES			
Available for sale investments		(2,113,687)	701,701
Murabaha receivables		3,086,655	(7,821,949)
Purchase of fixed assets		(54,172)	12,036
Net cash provided by (used in) investing activities		918,796	(7,108,212)
FINANCING ACTIVITY			
Proceeds from issue of share capital		(250,000)	-
Net cash provided by financing activity		(250,000)	-
Net Change in Cash and Cash Equivalents		4,150,543	(7,622,712)
Cash and cash equivalents - beginning of the year		60,864,394	68,487,106
Cash and Cash Equivalents - End of the Year	20	65,014,937	60,864,394

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

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 Dhul Hijjah 1428H (9 January 2008)

1. ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit was formed as an autonomous affiliate of The Islamic Development Bank with full juristic personality under the terms of its Articles of Agreement, signed by certain Islamic countries and Islamic Development Bank (IDB). The principal office of the Corporation is located in Jeddah, Saudi Arabia.

The objectives of the Corporation are to enlarge the scope of trade transactions and the flow of investments among member states by providing, in accordance with the principles of Shari'ah, export credit insurance and reinsurance as well as insurance and reinsurance of investments.

The Articles of Agreement of the Corporation came into effect on 24 Safar 1415H and the Corporation commenced operations on 4 Safar 1416H (corresponding to 1 July 1995).

In accordance with the Articles of Agreement, the Corporation is required to maintain and administer two separate funds:

- (a) A policyholders' fund
- (b) A shareholders' fund

Establishment expenses are paid out of the capital by way of a loan to be repaid from the surplus accruing to the policyholders' fund. The shareholders shall not be entitled to a share in any surplus accruing to the policyholders' fund; any deficit in the policyholders' fund shall be covered from the capital by way of a loan to be repaid from future surplus accruing to the policyholders' fund.

The accompanying financial statements are denominated in Islamic Dinars (ID). The value of one Islamic Dinar, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund, was equal to US\$ 1.580 as at 30 Dhul Hijjah 1428H (1427H: US\$ 1.493).

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Interpretation issued by International Financial Reporting Interpretations Committee.

The financial statements have been presented in Islamic Dinars (ID).

The financial statements are prepared under the historical cost convention as modified by the measurement at fair value of available for sale investments.

The accounting policies are consistent with those used in the previous year.

During the year, the Corporation adopted IFRS 7 Financial Instruments: Disclosures and consequent amendments to IAS 1 - Capital Disclosures which has resulted in amended and additional disclosures regarding financial instruments and associated risks and capital management.

New standard issued but not yet effective

The following standard has been issued by the International Accounting Standards Board (IASB) but is not yet mandatory for these financial statements:

- IAS 1 - Presentation of financial statements (Revised) - effective for annual periods commencing 1 January 2009.

The application of the above is not expected to have a material impact on the financial statements as and when it becomes effective. However, it will result in amendments to the presentation of the financial statements

Premiums earned

Net premiums, after deducting policy acquisition costs, are taken into income over the terms of the related policies, on a pro-rata basis. Unearned premiums

Financial Statements

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

represent premiums that belong to a period subsequent to the balance sheet date. These are taken to income over the unexpired period of coverage on a pro-rata basis.

Murabaha income

Murabaha income is accrued on a time apportionment basis over the period from actual disbursement of funds to the settlement date. Once a payment is overdue, no additional charge is made or income accrued.

Investments income

Investments income is recognized when dividends are declared.

Bank commission income

As the Corporation is operating under Shari'ah law, bank commission income is not recognized in the income statement. It is recorded in a liability account to be disposed of later on in accordance with Shari'ah law.

Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Corporation's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year is included in the underwriting account for that year.

Murabaha receivables

Murabaha receivables are stated at total amounts due including mark-up at maturity date less any provision for impairment. The portion of mark-up which has

not been accrued to income is considered as unearned income and deducted from the total amounts due including mark-up at maturity date.

Available for sale investments

The investments are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments are re-measured at fair value. Unrealized gains and losses are reported as a separate component of the statement of changes in shareholders' fund until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in the statement of changes in shareholders' fund is included in the income statement for the period.

Fixed assets

Fixed assets are stated at cost net of accumulated depreciation and any impairment in value. Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Vehicles	5 years
Office equipment	5 years
Computers	4 years
Furniture and fixtures	10 years

Fair values

For investments traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the investee latest available financial statements, or is based on the assessment by the Company of the value of future cash flows from the investment.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence

Financial Statements

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future anticipated cash flows and any impairment loss is recognized in the income statement.

Translation of foreign currencies

The accompanying financial statements are denominated in Islamic Dinars (ID). Appropriate exchange rates are used to translate transactions or balances denominated in foreign currencies. The resulting gains or losses are included in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and murabaha commodity placements having a maturity of three months or less at the date of acquisition.

Employees' retirement benefits

The Corporation subscribes to the staff retirement benefit plans of IDB group. The contributions under these plans are paid to IDB and charged to the income statement, and in return, IDB assumes the obligation for payment of employees' retirement benefits. Consequently no provision for employees' retirement benefits is recorded in these financial statements.

3. BANK BALANCES

Bank balances are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Shareholders' Fund	1,656,530	333,425
Policyholders' Fund	780,865	288,216
	<u>2,437,395</u>	<u>621,641</u>

4. MURABAHA RECEIVABLES

Murabaha receivables are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Shareholders' Fund:		
Murabaha commodity placement, net	62,577,542	60,242,753
Other murabaha receivables	10,918,281	13,409,025
	<u>73,495,823</u>	<u>73,651,778</u>
Murabaha commodity placements:		
With original maturity period of three months or less (note 20)	62,577,542	60,242,753

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Trade accounts receivable	2,197,739	1,314,415
Provision for bad debts	(114,018)	(120,679)
	<u>2,083,721</u>	<u>1,193,736</u>

As at 30 Dhul Hijjah the aging of unimpaired trade accounts receivables is as follows:

	Total	Neither past due nor impaired	31-60 days	61-90 days	91-120 days	> 120 days
1428H	2,083,721	801,777	863,036	144,094	274,814	-
1427H	1,193,736	842,847	128,202	41,913	131,110	49,664

The Corporation credit period is 30 days after which receivables are considered to be past due. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

Accounts receivable are related to policyholders' fund.

Financial Statements

6. CLAIMS RECOVERABLE, NET

Claims recoverable are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Claims recoverable	8,450,468	9,207,224
Provision for doubtful claims	(7,538,345)	(6,580,947)
	<u>912,123</u>	<u>2,626,277</u>

Claims recoverable are related to the policyholders' fund and represent amounts recoverable from defaulted parties in respect of claims settled by the Corporation.

7. PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Shareholders' Fund	768,258	676,598
Policyholders' Fund	<u>1,691,803</u>	<u>73,402</u>
	<u>2,460,061</u>	<u>750,000</u>

8. AMOUNTS DUE FROM/DUE TO ISLAMIC DEVELOPMENT BANK

	(Islamic Dinar)	
	1428H	1427H
Policyholders' Fund	<u>362,821</u>	<u>811,256</u>

IDB provides a number of services including investment, finance, administration, legal, etc. to the Corporation for a fee. In addition, a significant proportion of the Corporation's expenses are paid by IDB and re-charged to the Corporation.

9. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Shareholders' Fund:		
Quoted Investments: Units in IDB-Unit Investment Fund	10,897,955	11,534,649
Islamic Sukuk	<u>6,171,558</u>	<u>7,201,805</u>
	<u>17,069,513</u>	<u>18,736,454</u>
Unquoted Investments: Share in Takaful Re.	1,581,798	1,674,212
Share in CROCI Islamic Global Index	<u>3,288,608</u>	<u>-</u>
	<u>21,939,919</u>	<u>20,410,666</u>

10. FIXED ASSETS

The Corporation's fixed assets are related to the policyholders' fund.

11. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Shareholders' Liabilities:		
Bank commission	546,860	504,883
Other payables	191,493	118,471
	<u>738,353</u>	<u>623,354</u>
Policyholders' Liabilities:		
Other payable	636,281	302,065
Accrued payables	<u>642,974</u>	<u>215,063</u>
	<u>1,279,255</u>	<u>517,128</u>
	<u>2,017,608</u>	<u>1,140,482</u>

Financial Statements

12. CLAIMS PAYABLE

Claims payable are related to the policyholders' fund where settlement procedures were not completed until the date of the financial statements.

13. UNEARNED PREMIUMS

Unearned premiums are related to the policyholders' fund.

14. PROVISION FOR UNREPORTED CLAIMS

Provision for claims estimated as incurred but not reported (IBNR) relates to the policyholders' fund and represents 0.5% of the outstanding exposures at year end

15. SHARE CAPITAL

	(Islamic Dinar)	
	1428H	1427H
Authorised capital 100,000 shares of ID 1,000 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and subscribed capital 50,000 shares of ID 1,000 each fully paid	<u>50,000,000</u>	<u>50,000,000</u>
47,740 shares(1427-47,240) of ID 1,000 each, of which ID 500 has been call up	23,870,000	23,620,000
Less: subscription receivable	<u>(875,000)</u>	<u>(875,000)</u>
	<u>72,995,000</u>	<u>72,745,000</u>

The remainder of the uncalled subscriptions on issued capital is subject to call by the Corporation as and when required to meet its obligations and may be refunded in whole or in part, in which event the amounts refunded shall become part of the callable capital obligation of the shareholders.

The shareholders (member states) may withdraw from the Corporation after the expiry of a period

of 5 years from the date of their membership. In such an event, the Corporation shall arrange for the repurchase of the shares of a withdrawing shareholder at a price equal to the book value of such shares on the date the shareholder ceases to be a member.

16. RESERVE

In accordance with Article 29 of Chapter IV of the Corporation's Articles of Agreement, all profits accruing to the shareholders' fund as well as the surplus accruing to the policyholders' fund shall be allocated to reserve, until such reserve equals five times the subscribed capital of the Corporation.

After the reserve of the Corporation have reached this level, the Board of Governors will decide to what extent the surplus accruing to the policyholders' fund and the net income accruing to the shareholders' fund may be distributed or allocated to reserve.

17. LOAN TO POLICYHOLDERS' FUND FROM SHAREHOLDERS' FUND

In accordance with clause 13 (3) of the Articles of Agreement, the deficit in the policyholders' fund should be covered by a loan from the shareholders' fund. The loan is recoverable only from the future surplus accruing to the policyholders' funds.

Loan from shareholders' fund is comprised of the following as at end of Dhul Hijjah

	(Islamic Dinar)	
	1428H	1427H
Policyholders' Fond		
Total assets	5,961,793	4,416,616
Total liabilities	(6,524,874)	(6,885,183)
Accumulated losses	<u>19,689,506</u>	<u>19,815,007</u>
Net deficit in policyholders' fund	<u>19,126,425</u>	<u>17,346,440</u>

Financial Statements

18. PREMIUMS EARNED

Premiums earned are comprised of the following for the years ended at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Gross premiums	5,968,979	4,204,216
Unearned premiums at the beginning of the year	2,516,185	965,137
Unearned premiums at the end of the year	(3,457,853)	(2,516,185)
	5,027,311	2,653,168
Reinsurance premiums	(1,305,117)	(478,379)
Net premiums	<u>3,722,194</u>	<u>2,174,789</u>

19. CLAIMS INCURRED

Claims incurred are comprised of the following for the years ended at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Gross claims paid	490,620	2,709,720
Recoveries(*)	(202,416)	(2,768,579)
Net claims	288,204	(58,859)
Claims related expenses	106,352	39,618
Outstanding claims:		
Movement in provision for unreported claims	(1,357,628)	1,210,899
Movement in provision for doubtful claims	957,398	428,102
Movement in claims payable	<u>104,776</u>	<u>55,912</u>
	<u>99,102</u>	<u>1,675,672</u>

*Recoveries represent amounts collected or collectible by the Corporation in respect of debts which were the subject of insurance claims during the year, net of the corresponding reinsurers' share which is Nil in both 1428H and 1427H. Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

20. CASH AND CASH EQUIVALENTS

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

	(Islamic Dinar)	
	1428H	1427H
Bank balances	2,437,395	621,641
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (note 4)	<u>62,577,542</u>	<u>60,242,753</u>
	<u>65,014,937</u>	<u>60,864,394</u>

21. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Corporation transacts business with related parties. The terms of these transactions are approved by the Corporation's management.

Transactions with related parties included in the income statement are as follows for the years ended at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Premium and policy fees earned	11,743	100,342
Investment management fees paid to Islamic Development Bank	123,073	116,300
Administration fee paid to Islamic Development Bank	76,388	54,021
Expenses paid by Islamic Development Bank on behalf of the Corporation	2,214,705	2,682,068

Related party balances included in the balance sheet are comprised of the following as at end of Dhul Hijjah:

	(Islamic Dinar)	
	1428H	1427H
Amounts due from Islamic Development Bank	<u>362,821</u>	-
Amounts due to Islamic Development Bank	-	<u>811,256</u>
Claims payable	<u>74,580</u>	<u>78,935</u>

Financial Statements

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The book values of all classes of financial assets and financial liabilities, as recorded in the balance sheet, approximate the fair value of those assets and liabilities.

23. RISK MANAGEMENT

The nature of activities and management policies with respect to risk management are:

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 the carrying value as disclosed in the balance sheet.

The financial instruments which subject the Corporation to credit risk principally consist of bank balances, murabaha receivables, accounts receivable and claims recoverable.

The Corporation seeks to limit its credit risk with respect to customers by setting credit limit for individual customers and monitoring outstanding receivables.

The Corporation's investment portfolio is primarily managed by IDB and comprises deals with reputable banks. The Corporation is, therefore, of the opinion that no credit loss is likely to occur. All of the Corporations' murabaha deals will mature within eighteen months of the balance sheet date.

The Corporation is exposed to credit risk on the following balances:

	(Islamic Dinar)	
	1428H	1427H
Murabaha receivable	73,495,823	73,651,778
Accounts receivable, net	2,083,721	1,193,736
Claims receivable, net	912,123	2,626,277
Other receivables	49,720	73,408
	76,541,387	77,545,199

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Corporation's investment portfolio is held in major currencies in line with the composition of the Islamic Dinar basket, namely US Dollars, Sterling Pound, Euro and Japanese Yen. The Corporation has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly. As such, the Corporation is not exposed to any material currency risk.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following table summarises the maturities of the Corporation's undiscounted financial liabilities at 30 Dhul Hijjah:

	(Islamic Dinar)			
	Less than 3 months	3 to 12 months	1 to 5 years	Total
1428H	1,306,589	119,031	591,988	2,017,608
1427H	513,267	108,471	518,744	1,140,482

d) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk based on the outstanding exposure at the year end amounts to ID 280 million (ID 551.8 million in 1427H). The Corporation minimizes any detrimental impact on its assets, due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (Notes 16 and 21).

24. ZAKAT AND TAX TREATMENT

Since the Corporation is part of Baitul Mal (public money), it is not subject to Zakat or tax.



Islamic Development Bank (IDB)

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

Purpose

The purpose of the IDB is to foster the economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah (Islamic Law)

Functions

The functions of the IDB are to provide various forms of development assistance for poverty alleviation through human development, forging economic cooperation through of trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. The IDB is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, addition to setting up trust funds.

The IDB is mandated to mobilize financial resources through Shari'ah-compliant modes. It is also charged with the responsibility of providing technical assistance to member countries, and extending training facilitates for personnel engaged in development activities in member countries.

P.O Box: 5925 Jeddah 21432
Kingdom of Saudi Arabia
Tel: (966) 2 6361400 Fax: (966) 2 6366871
E-mail:archives@isdb.org
Website: www.isdb.org

Brief Corporate Profile of other IDB Group Members



Islamic Research and Training Institute (IRTI)

The IRTI was established in 1401H (1981) to help the IDB in discharging its functions in the fields of research and training. According to its statute, the objectives of IRTI are to undertake research and provide training and information services to member countries and Muslim communities in non-member countries to help bring their economic, financial and banking activities into conformity with Shari'ah and to further accelerate economic development and enhance cooperation amongst them.

IRTI

P.O Box: 9201 Jeddah 21413 Kingdom of Saudi Arabia
Tel: (966) 2 6361400 Fax: (966) 2 6366871
E-mail:irti@isdb.org Website: www.irti.org



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

The ICD was established in 1420H (1999) as an independent entity within the IDB Group. The mission of the ICD is to promote the private sector as a vehicle for economic growth and development in member countries. The Authorized Capital of the ICD is USD 1 billion, of which USD 500 million is available for subscription. The IDB has subscribed 50% of its capital, while member countries and public financial institutions in member countries have subscribed up to 30 and 20%, respectively. As of end 1428H, the total Paid-Capital of the ICD stood at USD 330.07 million.

ICD

P.O Box: 54869 Jeddah 21514 Kingdom of Saudi Arabia
Tel: (966) 2 6361400 Fax: (966) 2 6366871
E-mail:icd@isdb.org Website: www.icd-idb.org

ITFC

The International Islamic Trade Finance Corporation (ITFC)

The establishment of the ITFC as an autonomous entity within the IDB Group was approved by the IDB Board of Governors at its meeting held in Jumad Awwal 1426H (June 2005). The ITFC commenced operations on 1st Muharram 1429H (10th January 2008). The primary objective of the Corporation is to facilitate intra-trade among member countries using Shari'ah compliant instruments. The Authorized Capital of the ITFC is USD 3 billion and its Subscribed Capital is USD 750 million. The ITFC's headquarters is in Jeddah, Saudi Arabia and the first branch will be established in Dubai, UAE. ITFC is the sole entity in the IDB Group which offers programmes and activities related to trade finance and promotion.

ITFC

P.O Box: 9201 Jeddah 21413 Kingdom of Saudi Arabia
Tel: (966) 2 6361400 Fax: (966) 2 6366871
E-mail:itfc@isdb.org

قال الله تعالى

(وَقُلْ اَعْمَلُوا فَسَيَرَى اللّٰهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ)

صدق الله العظيم



Address : P.O. Box15722 Jeddah 21454 Kingdom of Saudi Arabia

Telephone : General: (966-2) 644 5666
Marketing Dept.: (966-2) 646 7596 / 7597 / 7608 / 7609

Fax : Management: (966-2) 637 9504
Operations: (966-2) 644 3447
Finance and HR & Services: (966-2) 637 9755

Email: iciec@isdb.org | **Website:** www.iciec.com