

Annual Report

1429H | 2008G



"Globally Secure"

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



TRANSMITTAL LETTER

In the Name of Allah, the Beneficent, the Merciful

Date: 03/04/1430H
30/03/2009G



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


Dear Brothers and Sisters,

Assalamo-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (JCJEC), I 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 other activities of the Corporation during 1429H, including audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,


Dr. Ahmad Mohamed Ali
President of JCJEC

ICIEC BOARD OF DIRECTORS

Chairman :



Dr. Ahmad Mohamed Ali

Members :



Hon. Aissa Abdellaoui



Hon. Bader Abdullah. S. Abuaziza



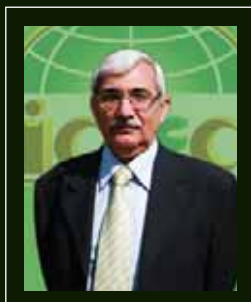
Hon. Faisal Abdul Aziz Al-Zamil



Hon. Farrakh Qayyum



Hon. Hamadan H. Tagaimurodov



Hon. Hassan H. Abdul Hussain Al Haidary



Hon. Ibrahim M. Al-Mofleh



Hon. Ismail Omar Al Dafa



Hon. Jamal N. Rashid Lootah



Hon. Junidi Hashim



Hon. Nailane Mhadji



Hon. Dr. Selim C. Karatas



Hon. Dr. Seyed H. Pour Mohammadi



Hon. Yerima Mashoud Amadou



Hon. Zeinhom Zahran

(*) In Alphabetical Order

CONSULTATIVE COMMITTEE

Chairman :



Dato Mohd Fadzli Yusof

Members :



Dr. Salih Malayika



Mr. Mamadou Mansour Cama



Mr. Ahmet Kilicoglu



Dr. Mohammad El Fatih Hamid



Dr. Abdel Rahman Eltayeb Taha

ICIEC MANAGEMENT



President
Dr. Ahmad Mohamed Ali



General Manager
Dr. Abdel Rahman Eltayeb Taha



Khemais El-Gazzah
Director
Short Term Insurance,
and Acting Director
Medium Term & Investment Insurance



Rahimi Ahmed Rahimi
Director
Human Resources &
Corporate Services



Muhammad Azam Arif
Director
Accounting & Finance



VISION

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





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 last quarter of 2008 witnessed the beginning of the international financial crisis and the ensuing global economic recession which seriously affected the quality of credit risk worldwide. The export credit and investment insurance industry was directly affected by the crisis. Thus, the 2008 financial results of major credit insurance and reinsurance providers registered reduced income levels, as a result of a substantial increase in paid claims. Nevertheless, the industry as a whole remains in good shape, although credit limits are generally reduced and country cover attitudes are much more restrictive.

During the year under review, the Corporation embarked upon a change in its strategic focus under the IDB Group Vision 1440H, and the associated strategic thrusts, capitalizing on its niche as a multilateral credit and political risk insurer and reinsurer. This shift is reflected in a higher volume of business and contribution of premium being generated from the medium-term business for the year compared to previous years. The resulting change in the structure of ICIEC's risk portfolio coupled with sound underwriting and proper risk management, has helped to shield the Corporation from the impact of the international financial crisis. This, however, does not mean that ICIEC is entirely immune from the effects of the crisis. As the global recession deepens and the credit crunch continues, the quality of commercial and country risk of Member Countries will inevitably be affected. This could lead to incidences of default in ICIEC's medium term book.

Against this backdrop, I am pleased to report that ICIEC was able to maintain, roughly, the same level of insured business as last year (USD 1.445 billion as compared to USD 1.469 billion). Thanks to the increase in medium term business, premium income increased from USD 9.6 million to USD 13.2 million (an increase of 37.5%). Net claims paid, at USD 650,000 continued to sustain the low levels experienced in recent years. This, however, was not enough to bring the technical result, which recorded a small deficit of USD 350,000, to break even, as almost 50% of the gross premium and fee income went to cover the reinsurance expenses. The outstanding insurance risk exposure of the Corporation reached USD 559 million, increasing from USD 433 million last year (26% increase), reflecting the increase in medium term business.

The financial results of the Policyholders' Fund (the Insurance Operations' Account) registered a deficit of USD 4.43 million. This is attributable to a lower "earned" premium for the year, as the major portion of premium belongs to medium term transactions and therefore, would be "earned" over the future period of the insurance cover. This helped to enhance the strength of the balance sheet, accumulating USD 13.11 million as "unearned premium". This is held as

reserve to enhance the future years' earning stream. However, since the Shareholders' fund (the Shareholders' Equity Investment Account) generated a surplus of USD 5.14 million, the Corporation recorded a net surplus of USD 0.71 million. This brought the accumulated net reserves to USD 35.07 million (31% 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 is managing the IDB Group Investment Promotion Technical Assistance Program (ITAP), designed to help Member Countries improve their capability to attract foreign direct investment. ITAP activities, within the short time of its existence, reached 12 Member Countries, providing critically needed technical assistance. ICIEC also redoubled its efforts to support export credit agencies in Member Countries through providing reinsurance which now represents 18% of ICIEC's insured business, increasing from 4% last year.

ICIEC's medium term strategy calls for the continuation of the growth in business turnover coupled with prudent risk management and improved financial results. This strategic objective is being pursued under the IDB Group medium term strategy which calls for increased intervention in the IDB Member Countries to achieve poverty alleviation through economic integration, infrastructure development and supporting Islamic financial institutions. To reach these goals, the Corporation sought and implemented various solutions to ameliorate its insurance capacity problem, including the increase of the gearing ratio of capital to insurance commitments and the expansion of reinsurance. However, in the end, an injection of more capital resources is imperative, if the Corporation is to be able to realize its mandate of supporting Member Countries' exports and facilitating the flow of investments into them, particularly, during these times of decreasing credit and investment flows and increasing country and commercial risks.

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 (about one third of OIC members) 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

ICIEC'S OVERVIEW



Moody's has assigned an Insurance Financial Strength rating of Aa3 to ICIEC.

Moody's Investors Service



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 (IDB) and countries which are members of the Organization of the Islamic Conference (OIC). At the end of 1429H, there were 38 shareholders of ICIEC, comprising IDB and 37 countries including 16 Arab, 13 African and 8 Asian Countries. Several other countries are in the process of completing the membership requirements.

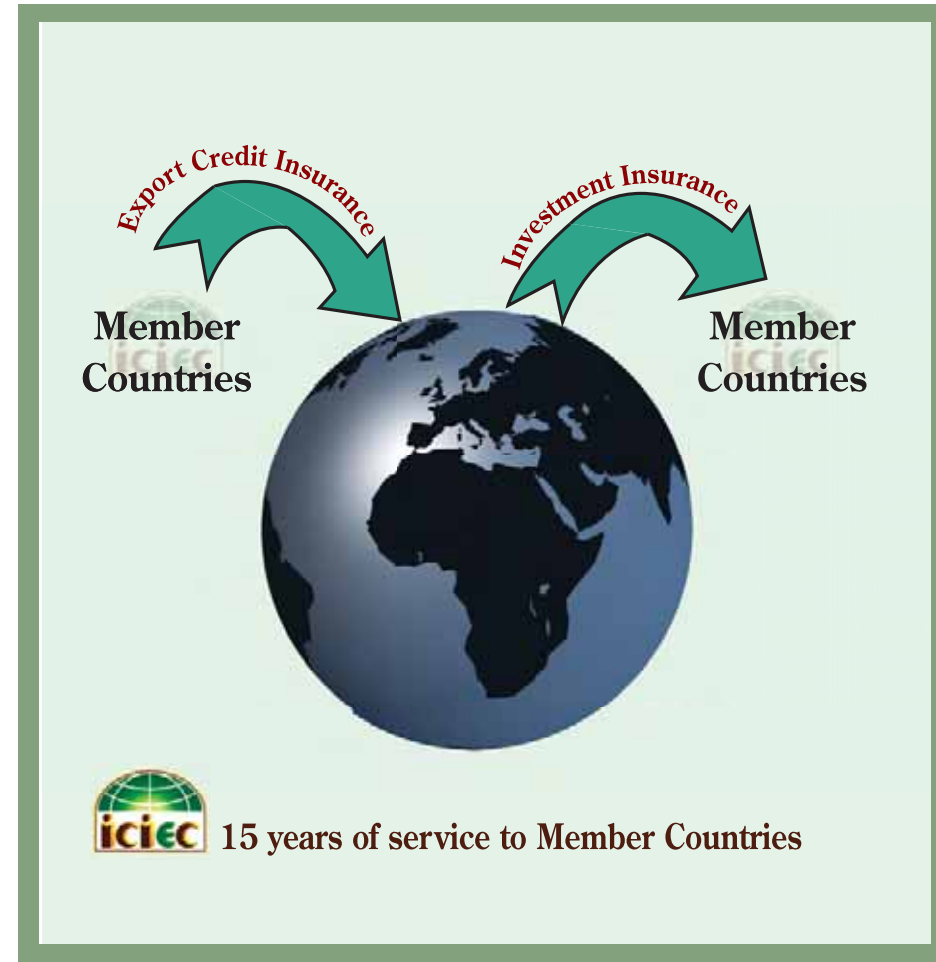
3. Share Capital

The authorized share capital of ICIEC is ID* 150 million (USD 231 million), made up of 150,000 shares of ID 1,000 each. IDB has subscribed to 100,000 shares of the authorized capital through the Waqf Fund, while the remaining 50,000 shares are 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 to the stock capital of ICIEC. (worth ID 250,000). As of 30 Dhul Hijja 1429H, IDB and thirty seven Member Countries had subscribed to a total of 148,240 shares, equivalent of ID 148.24 (USD 228.29) million. The called-up installments amounted to ID 74.12 (USD 114.14) million, out of which ID 73.06 (USD 112.51) million has so far been paid-up. The net balance of ID 1.06 (USD 1.63) million is receivable from some Member Countries (list of ICIEC members and their ownership distribution is provided on page 11).

4. Objective

ICIEC's objective is to enlarge the scope of trade transactions of its Member Countries, and to facilitate and encourage the flow of foreign direct investments to the Member Countries. ICIEC fulfills this objective by providing appropriate Islamic Shariah compatible export credit and country risk insurance and reinsurance instruments.

**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 1.54 as at the end of 1429 H).*



5. Governance Structure

The governance structure of ICIEC is composed of four levels, 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 (BOD) of the Corporation.
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.

In addition, there is a **Consultative Committee** for ICIEC 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.

The Shariah Committee of the IDB also acts as Shariah Committee of ICIEC. As a Shariah compatible institution, all operations of ICIEC are in accordance with Islamic Shariah, all regulations, rules, policies and all other insurance instruments are subject to close scrutiny, before their coming into force, by the Shariah Committee.



Meeting of the Board of Directors in IDB Headquarters, Jeddah, Saudi Arabia

6. Insurance Facilities

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

6.1- 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)	2 years	To protect Exporters and Banks against the risk of non-payment of an export receivable.	Non payment due to Commercial and Country Risks
	Globalliance Policy	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)	2 years		

6.2- 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.

6.3- Reinsurance Services :

Part of the objectives of the formation of ICIEC was to assist the development of the export credit insurance services in its Member Countries. As such, the Corporation has entered into several agreements with the Export Credit Agencies (ECAs) in Member Countries in the forms of Reinsurance Facility Agreement (RFA) and Reinsurance Treaty. RFA is offered to ECAs in Member Countries to reinsure, on facultative basis, the commercial and/or political risk underwritten by them in respect of export credit insurance, provided that the transaction meets the same requirements of eligibility imposed by ICIEC. RFA can also be used to reinsure foreign investments located in Member Countries against non commercial risk. As for Reinsurance Treaty, it is a reinsurance tool whereby the ceding Insurer agrees, in the beginning of a contract, to cede a portion of its risk portfolio to ICIEC against an agreed portion of premium. Usually renewable every year, Reinsurance Treaty is offered in many forms, e.g. Quota Share, Excess of Loss, Stop Loss etc.



Participants after attending the Prague Club bi-annual meeting co-hosted by ICIEC and the Jordan Loan Guarantee Corporation at Dead Sea Resort, Jordan - May 2008

MEMBERSHIP AND CAPITAL SUBSCRIPTIONS STATUS AS AT THE END OF 1429H (28th December 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. Gabon	TBD	250	250,000
 12. Gambia	01.03.96	250	250,000
 13. Guinea	22.07.97	250	250,000
 14. Indonesia	24.04.93	250	250,000
 15. Iran	19.12.96	5,000	5,000,000
 16. Jordan	21.04.93	250	250,000
 17. Kazakhstan	02.01.03	250	250,000
 18. Kuwait	13.07.94	2,500	2,500,000
 19. Lebanon	17.08.95	250	250,000
 20. Libya	06.02.93	1,500	1,500,000

MEMBERS	DATE OF ARTICLES RATIFICATION	NUMBER OF SHARES SUBSCRIBED	VALUE OF SHARES (ID*)
 21. Malaysia	01.08.94	2,740	2,740,000
 22. Mali	04.09.93	250	250,000
 23. Mauritania	18.07.95	250	250,000
 24. Morocco	08.02.97	5,000	5,000,000
 25. Niger	04.03.03	250	250,000
 26. Nigeria	05.06.06	250	250,000
 27. Pakistan	08.05.93	2,500	2,500,000
 28. Qatar	11.07.00	250	250,000
 29. Saudi Arabia	03.12.92	13,500	13,500,000
 30. Senegal	19.09.95	250	250,000
 31. Sudan	10.07.95	250	250,000
 32. Syria	01.02.98	250	250,000
 33. Tunisia	22.02.93	500	500,000
 34. Turkey	30.07.97	2,500	2,500,000
 35. Uganda	04.02.99	250	250,000
 36. Yemen	11.07.00	2,500	2,500,000
 37. UAE	30.12.96	500	500,000
 38. IDB (Waqf Fund)		100,000	100,000,000
TOTAL		148,240	148,240,000

*ID 1.00=USD 1.54 at end of 1429H

BUSINESS DEVELOPMENT ACTIVITIES



1. Conferences and Forums

During the year, the Corporation participated in the 2008 London Sukuk Summit, where ICIEC made a presentation on the critical role it can play in encouraging and supporting the Sukuk industry by insuring Sukuk assets against credit and political risks. ICIEC also participated in various seminars and forums under the umbrella of IDB Group such as the 4th World Islamic Economic Forum (WIEF) in Kuwait and the OIC Business Forum (the 12th Private Sector Meeting for the Promotion of Trade and Joint Venture Investment among Islamic Countries) held in Kampala.

ICIEC participated in the Egypt Trade and Export Finance Forum that was held in Cairo on the 10th of November, 2008 which was an opportunity for the participants from the banking and insurance sector to discuss issues related to Egypt's business environment, the role of factoring companies, the credit insurance and risk management. During the Forum, ICIEC delivered a presentation on its role, as a multilateral agency, in developing trade and encouraging the flow of investments into its Member Countries.

2. Promotion Seminars

To promote ICIEC insurance services and to develop its activities in Tunisia, ICIEC co-organized with Cotunace (the national ECA of Tunisia) and the Tunisian Association of Banks and Financial Institutions a seminar for banks and other businesses. The International Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for the Development of the Private Sector (ICD) participated in the seminar to give an overview of the different services offered by various entities of IDB Group. The seminar was inaugurated by the Governor of the Central Bank of Tunisia.

As a follow-up to this seminar, two technical workshops were later organized by ICIEC, Cotunace and Arab Investment and Export Credit Insurance Corporation (Dhaman). The first topic covered investment insurance, and the second was related to insurance coverage for Letters of Credit confirmation by banks. It should be noted in this respect that Cotunace will be promoting these two products on behalf of ICIEC and Dhaman, who will be sharing the risks with COTUNACE.

3. Participation in Meetings of Professional Associations

ICIEC co-hosted the bi-annual meeting of the Prague Club (a branch of the Berne Union, The International Union of Credit & Investment Insurers) in collaboration with Jordan Loan Guarantee Corporation in Jordan, where Export Credit Agencies (ECAs) from emerging and developing countries were invited to exchange their experiences and discuss common issues. In addition, ICIEC attended the annual meeting of the Credit Alliance led by COFACE, the French global credit insurer, which was held in Paris, France as well as the general meeting of Berne Union which was hosted by the Export Development Corporation (EDC), in Banff Canada.



ICIEC's General Manager participates in session panel discussion in the Freind of Lebanon Conference, Beirut, November 2008



4. Other Activities

4.1 Exhibitions : ICIEC participated in exhibitions held on the sidelines of the 3rd Islamic Banks and Financial Institution Conference in Damascus, Syria, the 33rd IDB Group Annual Meeting in Jeddah, Saudi Arabia, the 6th International Financial and Investment Institutions Forum in Syria, and the Friends of Lebanon Conference in Beirut, Lebanon.

4.2 Advertising: The Corporation advertised in several magazines including Global Trade Review Directory, Supplement of MENA Trade Review published by GTR Exporta, the annual publication of Arabnews (100 Top Saudi Companies), Al-Bayan, Al-Iktissad Wal Aamal, as well as Dawn newspaper in Pakistan.

4.3 ICIEC Newsletter: ICIEC published three editions of its Newsletter which covered the main achievements and news relating to ICIEC during the year. The newsletters were distributed to ICIEC's shareholders, stakeholders and partners.



ICIEC's Strategic Customers



UNDERWRITING ACTIVITIES AND RESULTS



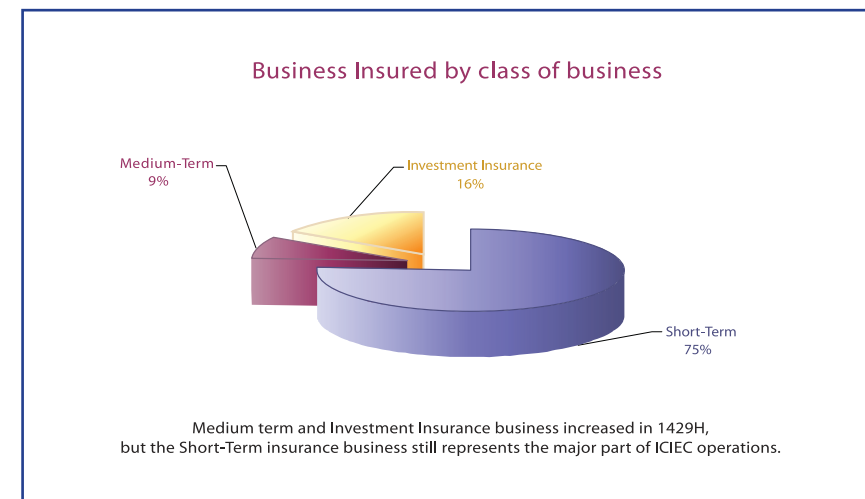
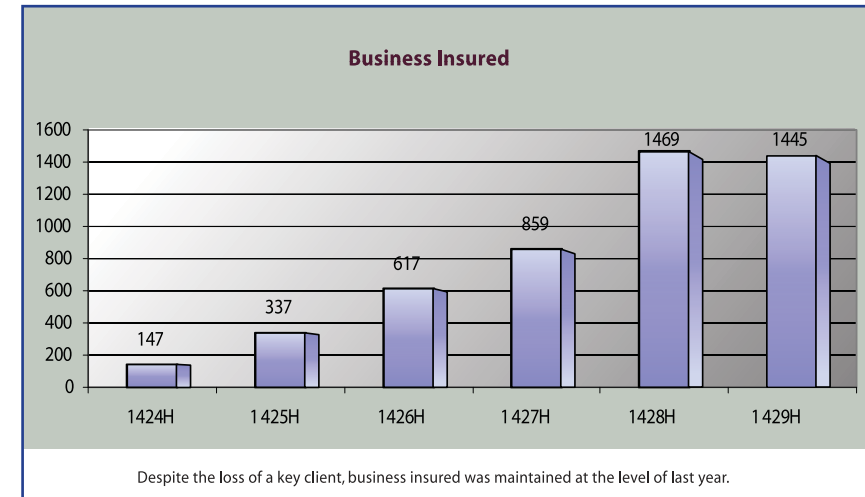
1. Summary of ICIEC Operations

	1425 H	1426 H	1427 H	1428 H	1429 H
Number of Policies in force	72	88	75	82	94
Business Insured (USD mn)	337	617	859	1,469	1,445
Current Exposure (USD mn)	253	447	825	443	559
Premium and Fees (USD mn)	2.9	4.0	6.6	9.6	13.2
Claims Paid (USD mn)	0.3	1.9	4.0	0.5	0.65
Recoveries (USD mn)	0.7	0.5	1.4	1.3	0.1
Admin. Expenses (USD mn)	3.8	3.9	4.7	5.8	6.6
Reinsurance Cession (USD mn)	-	0.2	0.7	4.1	6.4
Technical Result (USD mn)	(0.5)	(1.5)	(1.4)	0.5	(0.35)

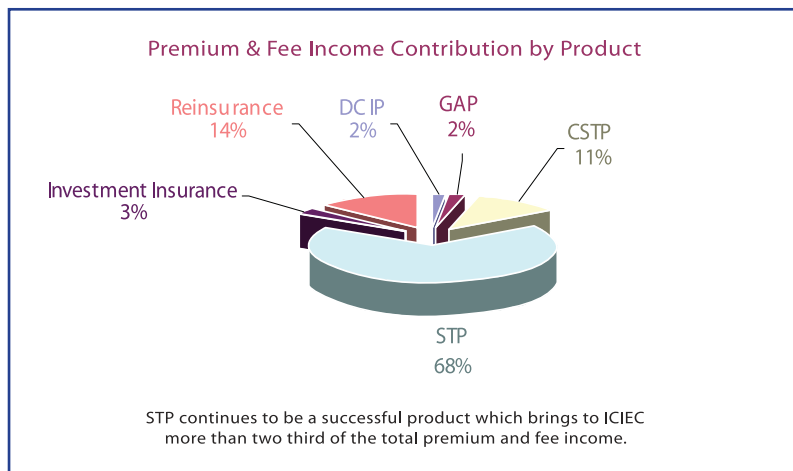
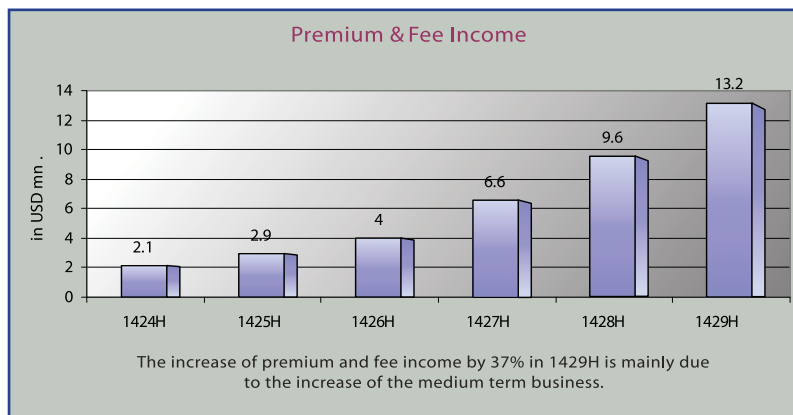
1.1- Business Insured

Despite the overall slowdown in business during 2008, as a result of the international financial crises and the loss of one of our key customers, the business insured by the Corporation during 1429H registered only a slight decrease of less than 2% (decreasing from USD 1.47 billion in 1428H to USD 1.45 billion in 1429H). The Short-term business insured still represents the bulk of ICIEC portfolio at 75%, with the balance in the Investment and the Medium-term insurance. As shown in the table below, the majority of the export insurance business originated from Saudi Arabia (44%), followed by Bahrain (15%), Egypt (11%) and the United Arab Emirates (11%).

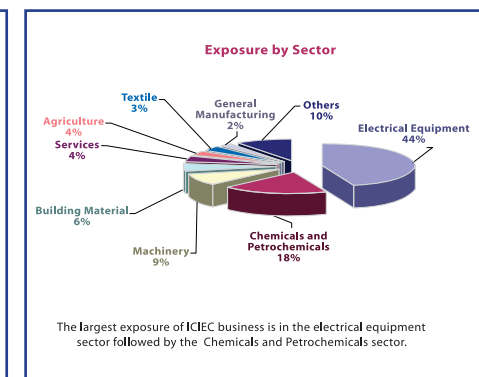
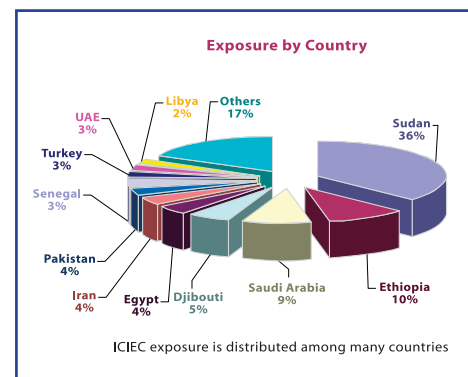
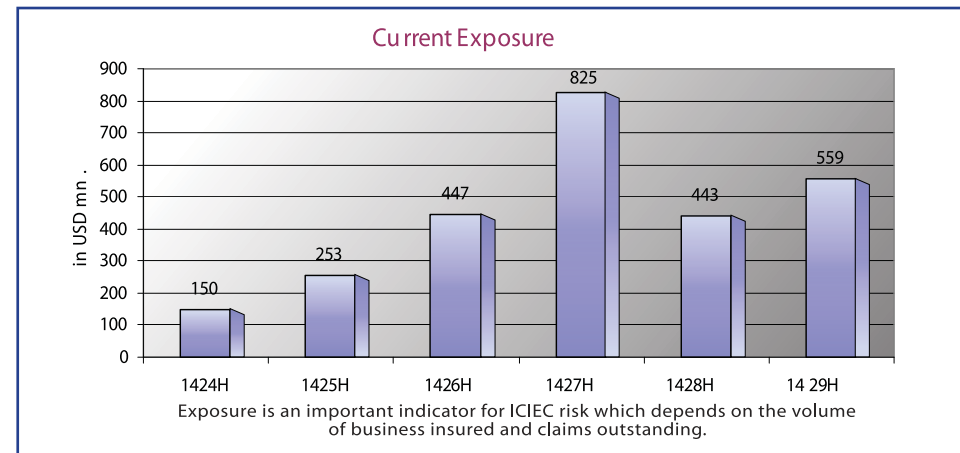
Business Insured by Supplier Country Global Operations 1429H		
Country	Business Insured (USD mn)	Total%
KSA	641	44
Bahrain	219	15
UAE	159	11
Egypt	152	11
Tunisia	87	6
Pakistan	42	3
Syria	22	2
Lebanon	21	1
Yemen	14	1
Others	88	6
Total	1,445	100



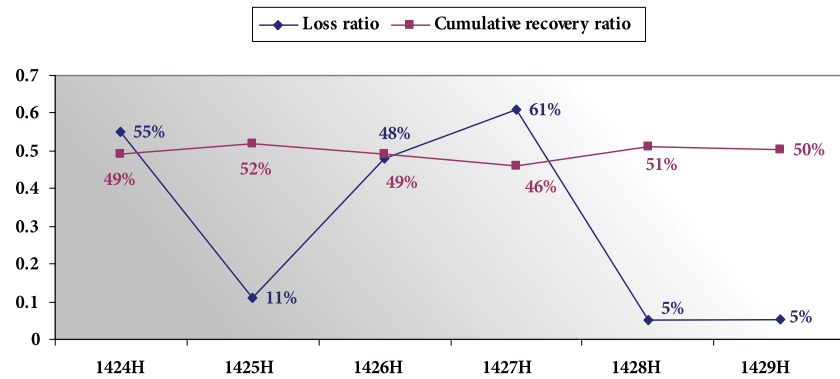
1.2- Premium and Fee Income : The premium and fee income reached USD 13.2 million registering a substantial increase of 38% over last year. This big increase in premium income was mainly due to the increase in the medium term business insured under the Specific Transaction Policy, which contributed to 68% of the total premium and fees invoiced by the Corporation.



1.3- Exposure : The total insurance risk exposure of the Corporation which is composed of outstanding commitments, arrears and outstanding claims, reached USD 559 million, an increase of 26% over the last year figure of USD 443 million. Exposure in Sudan was the highest with 36%, followed by Ethiopia (10%), Saudi Arabia (9%). Sector-wise the highest exposure was in electrical equipments (44%), chemicals and petrochemicals (18%), and machinery (9%).



Loss Ratio Trend / Cumulative Recovery Trend



The loss ratio of the Corporation is at its lowest level of 5% in 1428 / 1429H. This is an excellent performance compared to the industry where the average is around 60%

1.4- Claims and Loss Ratio : During 1429H the Corporation did not encounter any major claims. It paid 4 policyholders for a total amount of USD 0.65 million. ICIEC was able to achieve a loss ratio (the ratio of claims/revenue) as low as 5%, which is considered one of the best within the industry where the loss ratio averaged 60%.

2. Short Term Business

The Corporation underwrites short-term export credit business up to two years through various products, including whole-turnover and single transaction policies. The market for short-term insurance business is very competitive. ICIEC faced intense competition in most of its Member Countries from global providers offering very low premium rates supported by very advanced technology. In an endeavor to keep up with the prevailing market competition, ICIEC undertook several initiatives to improve the quality of its services, starting by reducing its response time from 18 days to 7 days, revision of its pricing policy, building strategic partnership with national Export Credit Agencies (ECAs) in Member Countries, providing more delegation of authority to underwriters, improving its electronic operations management system, and reviewing its underwriting processes.

During 1429H the short-term business insured reached around USD 1.00 billion, representing 74% of the total Corporation's business insured. The main sectors under short term exports were electrical equipment, petrochemicals, textiles and mining products exported mainly from Egypt, Saudi Arabia, Bahrain, Pakistan and Syria to 45 countries around the world.



**Partnership under Short Term Insurance with a Key Customer
Midal Cables of Bahrain**

Midal Cables of Bahrain is a manufacturer/exporter of Aluminum Cables and Aluminum Overhead Conductors, Wires, Rods and Conform Extrusion Products for Transmission and Distribution, and is considered as one of the world leaders in this sector.

Midal's Management has always been striving for the best quality and customer satisfaction, and on the other hand established and utilized the best available systems for internal credit management and business analysis.

ICIEC's relationship with Midal began in the year 2000, under the Comprehensive Short Term Policy. There has been close coordination achieved between Midal and ICIEC, and a high level of trust has been built between the two. Midal has very efficient credit management procedures in place, a fact which allows ICIEC to extend cover for Midal buyers even in extremely difficult and risky markets. Currently, ICIEC provides insurance cover for 67 buyers of Midal, in all parts of the world, including OECD countries and Africa.



3. Inward Reinsurance Business

To fulfill its mandate to assist the development of the export credit insurance services in Member Countries, the Corporation continued enhancing its inward reinsurance business with many ECAs, particularly during 1429H. Cooperation agreements in the forms of Memorandum of Understanding (MoU) and Quota Share Reinsurance Treaty (QTS) were signed with the Export Credit Insurance Company of the Emirates (ECIE), the Arab Investment and Export Credit Insurance Corporation (Dhaman), COTUNACE of Tunisia, NEXI of Japan, and CAGEX of Algeria.

During the year under review, the Corporation received 291 applications for reinsurance transactions on facultative basis from a number of national ECAs for a total amount of USD 1,269 million, of which the Corporation approved 139 credit limits applications amounting to USD 452 million, showing an increase of USD 257 million over last year. The total reinsured business by the Corporation during the year was USD 308 million.

4. Medium Term Business

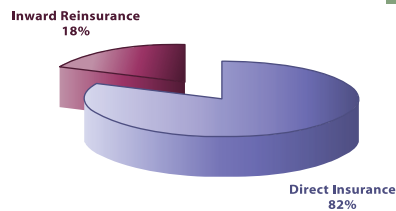
In line with IDB Group strategy, the Corporation decided to branch out into more high quality medium-term transactions taking into account those with the highest developmental impact for its Member Countries. ICIEC underwrote medium-term transactions including exports of heavy equipments and the implementation of turn key projects in strategic sectors such as infrastructure, telecommunication, and electrification. For example, two major transactions were closed by the Medium Term Division involving the electrification grids being installed in Sudan, and were concluded under the Specific Transaction Policy.

The Medium-term business was mainly covered under the Specific Transaction Policy which, over the course of the past two years has become the biggest contributor to ICIEC's revenues. The success of the product lies in its flexibility, as it can be used for both short-term and medium-term transactions, and simple two step policy issuance procedure (involving filling the application, and acceptance of ICIEC's offer of insurance), which leads to quick turn-around times.

Dr. Abdel Rahman Taha, ICIEC'S GM, right, signs cooperation agreement with Eng. Saed Al-Awadi, the CEO of ECIE in Dubai.



Direct Insurance vs. Inward Reinsurance



Inward reinsurance increased from 4% to 18% during 1429H in ICIEC business portfolio.



El-Sewedy Project in Sudan

El-Sewedy Group is one of the largest integrated cable & electrical accessory manufacturers in the Middle-East. The Group is one of the key clients of ICIEC, and has been a policyholder for many years.

ICIEC recently covered a two-year turn-key project undertaken by El-Sewedy Group. This particular project involves the installation of a low-voltage electricity transmission network in the Northern Governorate of Sudan.

ICIEC covered both the political and commercial risks related to this project under 2 Specific Transaction Policies (STPs). ICIEC was able to leverage on its status as a multilateral, and get significant reinsurance support from the Lloyd's Market for this transaction.

Utilizing ICIEC's services allows El-Sewedy Group to offer attractive payment terms to its clients, and allows the Group to manage its liquidity effectively, since ICIEC insurance enables monetization of credit at competitive rates.

ICIEC Reinsurance Support to Sabodala Project, Senegal

ICIEC provided, through Lloyd's of London Syndicate insurers, political risk re-insurance support to the Sabodala Gold Project in Senegal.

Three insurers, AIG, Chubb and Catlin, provided political risk insurance in favor of Macquarie Bank Limited of Australia for its partial funding of the project against Transfer Restrictions, Expropriation, and War & Civil Disturbance. ICIEC provided reinsurance for 50% of Chubb and Catlin's shares of the project cover. The cover started in August 2008 for a period of 4 years.



The Sabodala Gold Project

The project will create direct employment for 470 Senegalese workers. In addition to the direct employment opportunities, MDL will support local community projects in the villages neighboring the project. These include construction of a kindergarten, a clinic with two ambulances, and village bores as well as hand pumps.

5. Foreign Investment Insurance

Six investment projects were processed during the year 1429H. One project was successfully completed and is under cover, two could not be covered due to lack of "non objection" on the part of the host country, and three have been internally cleared but are yet to be signed by the client. In addition, the policies covering three other projects were renewed. The total value of the projects under cover (including those reinsured) stands at about USD130 million. These projects are in various sectors including agribusiness, petrochemicals, oil & gas, pharmaceuticals, mining, and power and infrastructure. The host countries were Egypt, Algeria, Djibouti, Iran, and Pakistan, whereas the investors came from France, the US, UAE, Australia and Jordan.

There are a number of other projects in the pipeline. These include a telecoms project in Bangladesh, two independent power projects in Indonesia, a mining project in Burkina Faso, a water treatment plant in Syria and a project in Indonesia. The total investment involved in these projects is expected to exceed one billion dollars.

6. Credit Information and Buyer Monitoring

ICIEC utilizes the services of 20 Credit Information Agencies, located worldwide, in addition to direct access to 4 online bank and buyer databases to obtain reliable credit assessment reports on new credit limit applications and monitoring of existing files on insured business.

Exchange of information on defaulted buyers had always been one of the concerns of the Corporation. It has developed a regularly updated list of buyers with bad payment records or high probability of default. These lists are exchanged among other ECAs in Member Countries. It is also building a common database of black-listed buyers in collaboration with the Arab Investment and Export Credit Insurance Corporation (Dhamaan).

The Corporation also maintains its own database of buyers and banks which has grown rapidly in line with the increase in the operations, growing from 3,268 files to reach 4,721 files at the end of 1429H. All buyer and bank files in ICIEC are maintained electronically, allowing for quick and easy access to credit information through the Integrated Insurance Management System (IIMS). The electronic records include past experience, credit reports, credit opinions, correspondence, etc.

7. Outward Reinsurance

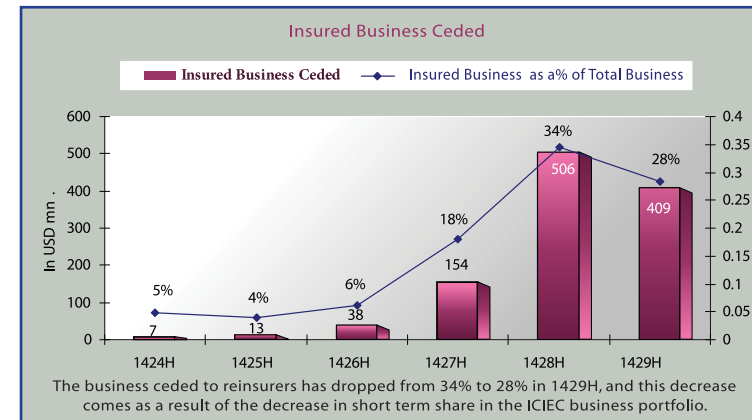
ICIEC cedes part of its risk portfolio to reinsurers as a risk management tool, as well as a way to address capacity constraints. ICIEC business is ceded to reinsurers under a quota-share treaty (QST) led by Atradius Re and Catlin and under facultative reinsurance arranged by the brokerage firm "FirstCity Partnership Limited", and several other brokers based in London.

During 1429H, ICIEC renewed its quota-share treaty with Atradius Re and Catlin for the fifth consecutive year since its inception in 2004. The Corporation continued also to develop relationships with other reputable reinsurers of credit and political risk in the market, such as Beazley, ACE and Hiscox, who participated last year in major medium term transactions.

Business ceded under the QST during 1429H reached USD 327 million. In addition, 3 facultative reinsurance transactions were arranged with a total business insured ceded to reinsurers of USD 82 million. A total of USD 409 million worth of business was ceded to reinsurers from ICIEC's QST and Facultative arrangements representing about 28% of the Corporation's total Business Insured, which was slightly less than year 1428H. The reduction of ceded business was mainly due to the increased business of Documentary Credit Insurance Policy, Reinsurance Facility Agreement (RFA) and Global Alliance Policy (GAP). All these policies are not part of the Treaty and hence, no ceding was required.



Dr. Abdel Rahman Taha, ICIEC'S GM, right, signs an MOU with Mr. Hidehiro Konno, Chairman & CEO of Nippon Export and Investment Insurance (NEXI) in Japan.



8. Claims and Recovery

8.1- Notification of Probable Loss (NPL) : During 1429H, the Corporation received 9 Notifications of Probable Loss (NPL), for a total amount of USD 7.32 million, from policyholders from Syria, Lebanon, Egypt and Pakistan. These NPLs were related to buyers located in Jordan, Egypt, Japan, Sudan, USA and Saudi Arabia. Eight out of the nine NPLs received were settled by the buyers during the year, prior to submission of claims, as a result of a very close follow-up and cooperation among ICIEC, its policyholders and the buyers.

8.2- Claims : During 1429H, ICIEC paid four claims for a total of USD 0.65 million, representing an increase of 33% when compared to last year. These claims were related to four policyholders from UAE, Saudi Arabia, Bahrain and Pakistan, who were compensated during the year for transactions with buyers from Kuwait, Saudi Arabia, Turkey and USA. The business sectors involved were food stuffs, air-conditioning, overhead conductors and textile. On a cumulative basis, ICIEC has compensated 29 policyholders since its inception for a total of USD 22.29 million.

8.3- Recoveries : Recoveries effected during 1429H amount to USD 0.10 million, indicating a significant decrease over last year when recoveries amounted to USD 1.30 million. This decrease in recoveries is due to the fact that most of the outstanding paid claims were subject to lengthy legal procedures in several Member Countries. The total recoveries since inception amounted to USD 10.17 million. Overall the outstanding claims since the inception are to the tune of USD 12.12 million representing a cumulative recovery ratio of 46% of the total claims paid by the Corporation since inception. This is in line with the average for the international credit insurance industry.



TECHNICAL ASSISTANCE FOR INVESTMENT PROMOTION



1. Background

The IDB Investment Technical Assistance Program (ITAP), an initiative of the IDB Group, was established in 2005, managed by ICIEC and funded by IDB, ICD and ICIEC. Its objective is to help unlock the developmental potential of its 56 Member Countries through a comprehensive and integrated program of foreign investment promotion technical assistance. Its focus areas include institutional development, sharing best practices, and information dissemination on investment opportunities in Member Countries. The types of technical assistance provided by the program include: Needs Assessment Studies, Capacity Building of Investment Promotion Agencies and relevant government institutions, Identification of investment opportunities, Country Promotion events, Policy Advice to improve investment environment and Development of Investment Information Networks on the internet, as well as common software platforms that help in matching investors with projects in Member Countries.

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 established partnerships with sister organizations such as the Multilateral Investment Guarantee Agency (MIGA), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference for Trade and Development (UNCTAD), the Malaysian Industrial Development Agency (MIDA), the Arab Bank for the Economic Development in Africa (BADEA), the Foreign Investment Advisory Service (FIAS), 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.

3. ITAP Activities for 1429H

3.1- Knowledge transfer through Conferences and Seminars:

- * An ITAP mission traveled to Kuala Lumpur, Malaysia from 13 to 17 October 2008 for the MIDA-ITAP Conference on the topic of "Industrial Zones, Keys to their Success: OIC Examples & Best Practices". This year's theme for the Conference was suggested to MIDA by ITAP, following the recommendations made during the Jeddah Investment Promotion Expert Group Meeting in July 2008, encouraging ITAP to play a pivotal role in experience sharing among OIC Member Countries.
- * ITAP organized a seminar during the June 2008 IDB Annual Meeting in Jeddah on the subject of "Developing IDB Member Countries as destination for investments". The seminar was



Dr. Abdel Rahman Taha, ICIEC'S GM, left, signs MOU with Abdel Aziz Khalaf, Chairman of the Arab Bank for Economic Development in Africa (BADEA) in the presence of IDB Group President, Jeddah - April 2008.

attended by representatives from delegations present during the Annual Meeting. Experts from FIAS (World Bank's Foreign Investment Advisory Services), UNIDO, and some national investment promotion agencies made presentations at the conference.

- * On the request of COMCEC to prepare a list of recommendations by countries and experts on how to attract FDI and how to increase intra-investments, to be presented to the Ministers of OIC Member Countries during the COMCEC Annual Meeting, ITAP organized a meeting of international experts as well as country representatives in Jeddah in July 2008 to compile the recommendations and prepare the requested document. In attendance at the meeting were members of the African Business Roundtable, representatives of the World Association of Investment Promotion Agencies (WAIPA) as well as practitioners from select Member Countries.
- * In September 2008, ITAP helped organize a conference, called for by the President of IDB Group, inviting business firms to discuss investment opportunities in IDB Member Countries and partner with IDB entities. In addition, the IDB business partnership seeks to identify firms which

are recognized as “Centres of Excellence” in GCC and encourage them to export their business model and know-how to IDB Member Countries. It was later decided to develop the program into a permanent “IDB Group Business Forum” to be managed by the Islamic Corporation for the Development of the Private sector (ICD).

- * In October 2008, the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI), in collaboration with the IDB Group organized a workshop in Kampala, Uganda, on the topic of “IDB Financing and ADFIMI Training Facilities for the Development Finance Institutions in Sub-Saharan Africa”. The purpose of the workshop was to establish and strengthen ADFIMI’s relations with the Development Finance Institutions (DFIs).
- * As part of IDB’s Statistical Capacity Building (IDB-STATCAP) initiative for Member Countries, ITAP and other IDB Departments have been collaborating with the Data Resource Centre (DRC) in the IDB to implement the initiative. The Economic Planning and Statistics Department (EPSD) together with ITAP, in collaboration with United Nations Conference on Trade and Development (UNCTAD), organized an Expert Group Meeting (EGM) on Investment Statistics for the Organization of Islamic Conference (OIC) in July 2008 at UNCTAD’s Headquarters in Geneva, Switzerland. Experts from 7 IDB Member Countries took part in the meeting in addition to the IMF, UNCTAD, as well as representatives from ASEAN.

3.2 Country Programs:

Sudan: Upon signature of the MOU with the project partners, UNIDO and the Sudanese Ministry of Investment (MOI), the project commenced in March 2008 with the initiation of the assessment of the MOI (SWOT analysis, review of organizational structure, assessment of training needs, sensitization of policy makers to FDI promotion). The resulting report and its recommendations were approved by the Ministry of Investment and during August 2008 a project management unit (PMU) was established under the MOI to start the implementation of the consultant’s recommendations. Currently ITAP and UNIDO are working on the restructuring required within the MOI which shall be followed by the sector analysis to determine the investment opportunities in Sudan.

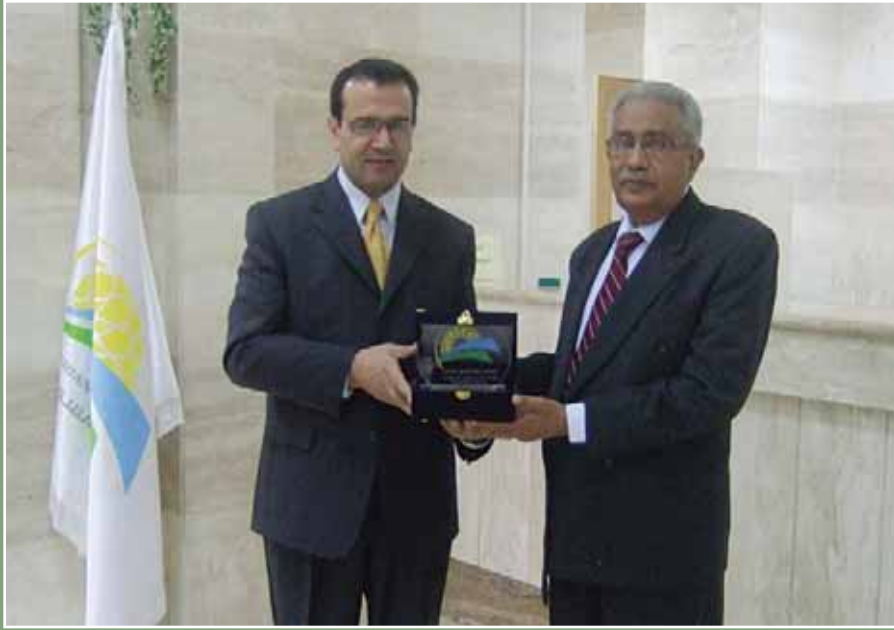
Mauritania: ITAP was requested by the Délégation Générale à la Promotion de l’Investissement Privé (DGPIP) to prepare an investment guide. An “Invest in Mauritania 2008” book was prepared and submitted.



IDB Group/ITAP Delegation with participants at ADFIMI workshop in Kampala, Uganda - October 2008

Uganda: The ITAP Uganda Project commenced its activities in February 2008 with the initiation of the preliminary assessment and sector analysis study which was contracted to a local consultant. The assignment was successfully completed. In April 2008, ITAP signed a co-financing agreement with the Arab Bank for the Economic Development of Africa (BADEA) for the ITAP Uganda Project. ITAP is currently working on developing investment project profiles that can be used for subsequent promotion activities during the course of the project, which aims at promoting Ugandan investment opportunities in Gulf cooperation Council Countries.

Djibouti: Agreement has been reached with Djibouti’s Investment Promotion Agency to prepare a short investment survey along with private sector project profiles ready to be promoted among potential investors. The documents will be prepared by ITAP and translated and printed in Arabic with the aim of attracting GCC-based investors. Currently most investments are directed to the Free Zone and leave limited job creation footprints in the local economy.



Dr. Abdel Rahman Taha receives a memorial plaque from Dr. Ahmed Abdel Aziz the General Manager of Syrian Investment Agency (SIA) after the signing ceremony of MOU between ITAP and SIA

Jordan: In February 2008, ICIEC signed an MOU with the Jordan Investment Board. According to the MOU, the parties shall cooperate to encourage the increase of flow of foreign investments, including technology transfer, into the OIC Member Countries through country needs assessments; investment promotion programs; institutional capacity building i.e. strengthening of Investment Promotion Agencies of Member States; and studies and consultations to improve the investment environment.

Syria: ICIEC signed an MOU with the Syrian Investment Agency in November 2008 in Damascus. According to the MOU, ICIEC will provide technical assistance to the Syrian Investment Agency which will include institutional capacity building and human resources development. It is envisaged that the Turkish Investment Promotion Agency and the Foreign Investment Advisory Service will be invited to help in the implementation of the project.

Task Force on Food Security and Private Sector Solutions: Under the initiative for the IDB Group for the support of Member Countries affected by the world food crisis, a task force was created with ICIEC/ITAP as the focal point for IDB Group to identify investment opportunities in Member Countries in the agribusiness field and to match those potential projects with GCC investors. The task force has been engaged in conducting the following initiatives:

- * Collecting information on the investment environment and investment opportunities in the agriculture and agribusiness sectors in Member Countries,
- * Designing an electronic investment gateway that provides the target audience with information regarding investment opportunities in Member Countries,
- * Organizing match-making events for potential investors with businessmen from Member Countries.



Participants after attending the annual training program of ITAP and MIDA in Malaysia.



CORPORATE SERVICES AND INSTITUTIONAL DEVELOPMENTS



1. Human Resources Management

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.

During 1429H, 6 new staff joined the Corporation while 5 staff left and/or transferred to other member entities of the Group. This brought the total number of staff in ICIEC to 49, thus achieving a utilization of 73% of the approved positions. Some of the remaining positions are expected to be filled during 1430H.

Summary Staff Positions (1425H-1429H)

Description	1425 H	1426 H	1427 H	1428 H	1429 H
Approved Positions	48	52	59	62	67
Filled Positions	41	46	47	48	49
Utilization	86%	88%	80%	77%	73%

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



2. Re-organization of ICIEC

The previous organization structure of ICIEC was composed of two functional operations departments (Marketing and Underwriting), two support departments (Accounting and Finance, and Human Resources Management and Services), in addition to a number of specialized units reporting directly to the General Manager (Country Risk Analysis, Legal, and Claims/Recoveries). The structure has generally worked well in support of the strategic objectives of the Corporation facilitating the phenomenal growth in its insurance business.

A strategic review of ICIEC operations conducted by AON Corporation, concluded that the splitting of transaction processing between two departments created many operational problems (lack of coordination and accountability) leading to customer dissatisfaction. Also, lumping short-term, medium-term, and investment insurance in one department did not allow for the development of different skill sets. Moreover, the structure did not provide for a corporate-wide risk management function. To cope with these challenges, many adjustments were made in staff roles and operational procedures. This inadvertently produced an 'informal organization' resulting in discrepancies between how ICIEC actually conducted its business in terms of roles, activities and interactions, in contrast to the blueprint of its formal organization structure. However, the informal organization did not provide clear definitions of the new roles and processes being practiced and, hence, at times, led to lack of clarity and even confusion in staff assigned roles, authority and accountability.

A consulting study conducted by International Financial Consultants, Canada, proposed to restructure the organization of ICIEC in order to formalize the existing ICIEC informal operational roles and procedures, enhance operational efficiency, improve customer services, be more customer-oriented and institute corporate-wide risk management function. The most fundamental changes under the new structure are:

- Shift from a function-based organization structure (Marketing and Underwriting) to a product-based organization structure (Short term, Medium term and Investment products). The new structure is composed of two operations departments: Short Term Insurance Department (STID) and Medium Term and Investment Insurance Department (MTID), each being responsible for the full line of business in its area of specialization (business development, sales, underwriting, and customer care).

- Creation of an independent Risk Management Department (RMD) that will be responsible for establishing and monitoring the overall risk standards and risk assessment procedures for ICIEC and managing a number of existing related functions namely Country Risk Analysis, Claims and Recoveries, and Reinsurance.

- Establishment of Promotion and International Relations Unit (PIRU). The Unit will be responsible for the general promotion of the services of ICIEC.

Other departments and units (Accounting and Finance, Human Resources Management and Corporate Services, Legal Affairs) will continue to perform their supportive roles to the operations departments. Dubai Representative Office and Investment Promotion Technical Assistance Program (ITAP), will continue to report to the General Manager.

3. Risk Management

Risk management at ICIEC is not a new phenomenon, as the Corporation is in the business of risk management and the services it provides are essentially risk mitigation instruments. The Corporation has a risk management foundation on which a more comprehensive and holistic risk management infrastructure, as outlined in the Corporation's Risk Management Framework (RMF) will be built. The risks facing ICIEC emanate primarily from its insurance activities and are categorized as credit and country risks. Besides, the Corporation is exposed to the risks arising from the investment of its liquid funds in the money & capital markets. Additionally, there is also an exposure to the operational risks including the risk of people, process or system failure.

Cognizant of the importance of bringing the various pieces of the risk puzzle together, in line with the concept of enterprise-wide risk management, the Corporation in its reorganizational plan amplified the scope of risk management by creating a dedicated Risk Management Department (RMD). The new RMD will be the focal point of the risk management activities at the Corporation. RMD has four divisions; Regulation and Monitoring, Country Risk Analysis, Claims and Recovery and Reinsurance.

Now that all divisions are staffed, more work will be undertaken in streamlining and institutionalizing the risk management culture in the Corporation. Considerable efforts will be undertaken in the coming years to develop and enhance the risk monitoring and reporting capabilities of the Corporation and in this regard an MIS solution will be sought; either developed internally or in the context of the IDB IT renewal project (BEST Program).

4. Integrated Insurance Management System (IMS)

The Integrated Insurance Management System (IMS) is a customized, modular software suite, running on Oracle 11g, which has been developed in-house at ICIEC. The IMS has been developed with the objective of seamlessly integrating all aspects of the Corporation's business in order to streamline operations. All underwriting activities such as policy issuance, credit limit decisions, etc, are currently done online using the IMS. Customized modules in the IMS 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.

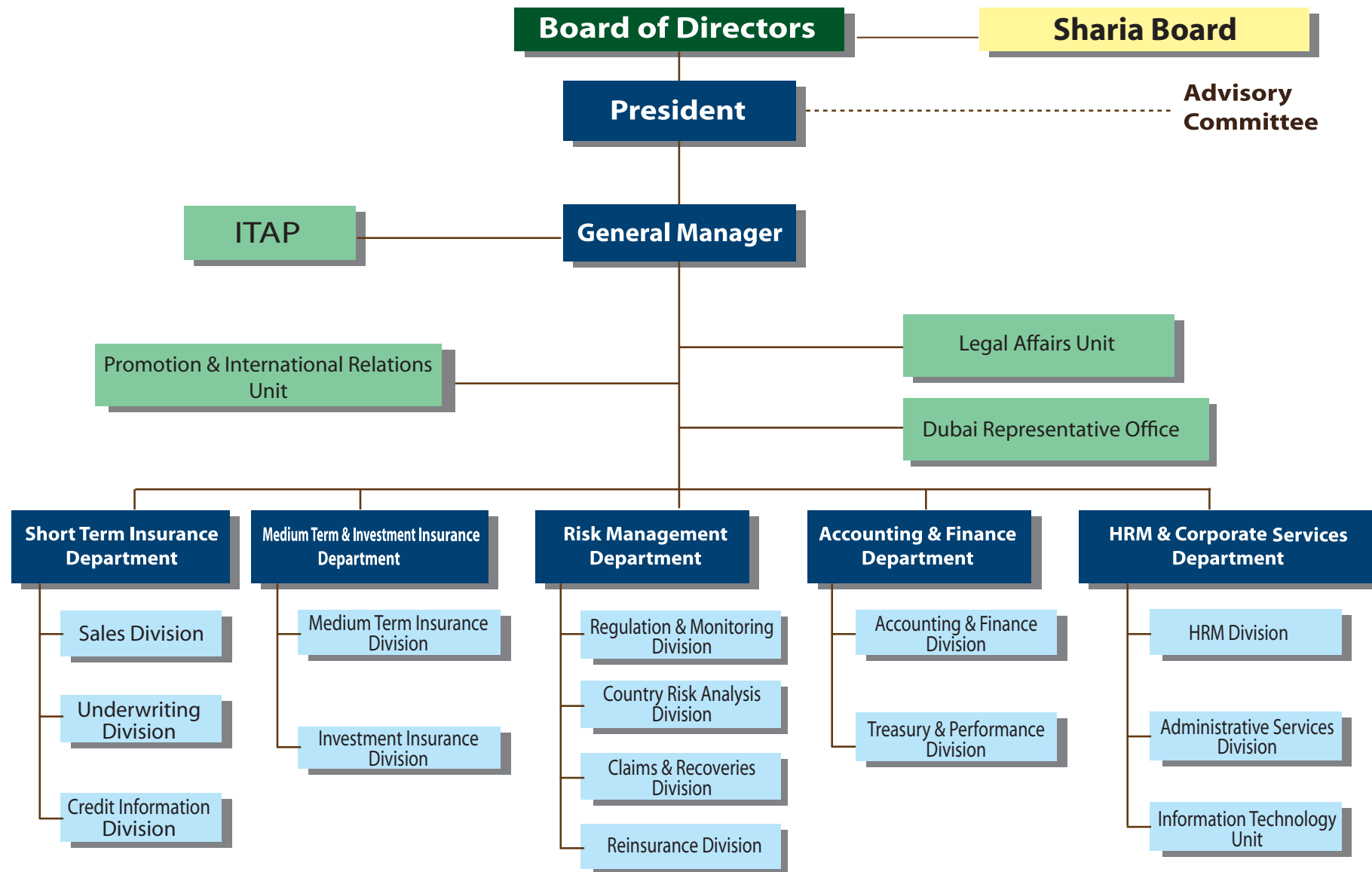
The IMS is also used as a reporting tool, providing up-to-date information to the management on the Corporation's exposure, commitments, etc. It allows for individual performance benchmarks to be set, measured and monitored and has an impact on the response time to client queries. Client response times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

Remote access via the internet to the IMS, 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. Eventually, it is planned that policyholders will be able to have direct on-line access to the IMS to manage their own policies and interact with the concerned staff in ICIEC.

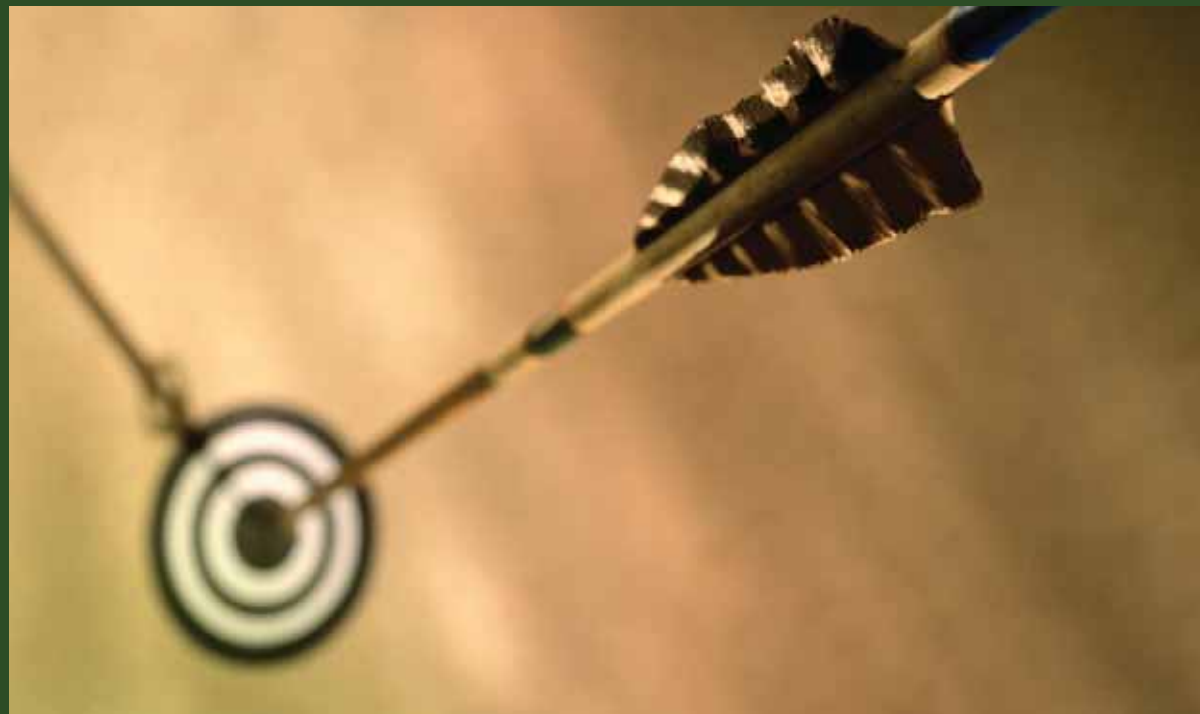
To ensure that the Corporation has a clear and practical strategy leading to the development of Corporation-wide information technology system, Ernst & Young Consulting was engaged. The consultants completed their evaluation of IMS and made recommendations designed to enhance the current IMS and future systems within the context of the IDB computerization project (BEST Program).



ICIEC ORGANIZATION CHART



FINANCIAL AND INVESTMENT RESULTS



1. Summary*

With the financial implications of the global economic crisis a constant threat, 1429H was a year of capital preservation. The Corporation moved towards minimizing the after-effects of the financial shock and preserving its capital base; advising its policyholders of stricter underwriting procedures, greater sharing of credit information among its strategic partners, minimizing probable claims through extensive negotiations, in addition to pursuing a low-risk tolerance investment strategy.

The operational results of ICIEC reflect its ability to withstand such high economic and operational pressures, with the Corporation still reporting a net surplus of ID 0.46 million, albeit considerably lower than that experienced the previous reporting year (ID 5.20 million). The Shareholders' Fund had a net surplus of ID 3.34 million whilst the Policyholder's Fund entailed a net deficit of ID 2.88 million. The shrinkage in surpluses were predominantly due to lower premiums "earned", despite the big increase in the gross premiums. This was a factor of the increase in medium term business insured, in addition to the lower investment income due to shrinkage in, particular to, the USD LIBOR.

ICIEC's overriding investment objectives have been to safe-guard its assets and preserve its capital base. In pursuit of these objectives, the Corporation invested in highly liquid assets and was able to sustain its investments as a percentage of total assets at around 90% in 1429H. However, the Corporation's gross income from invested funds declined by 16% from previous year to reach ID 3.77 million (ID 4.50 million in 1428H). As the majority of the investments are priced on the LIBOR basis, the decline in LIBOR caused the investment return to decrease, reaching 3.90% as compared to 4.75% of the previous year. The net investment income, after taking into account investment management fees, exchange losses, and other expenses, declined by 34% over the previous year to reach ID 3.34 million.

During 1429H, the Corporation was successful in increasing its authorized capital from ID 100 million to ID 150 million. This was justified by the increase in insurance business levels experienced by ICEIC over the past five years. The additional subscription of ID 50 million was contributed entirely by the Islamic Development Bank (IDB) through its Waqf fund, bringing its total contribution to ID 100 million towards the Corporation's capital.

**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 this report in US Dollars.*

2. Takaful Model

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

Policyholders' Fund; which contains mainly the insurance contributions and fees, and from which the insurance operations expenses are disbursed.

Shareholders' Fund; which contains the paid-up capital and associated reserves.

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

3. Policyholders' Fund

The 1429H gross premiums amounted to ID 8.10 million, as compared to previous year's gross premiums of ID 5.97 million, an increase of 36%. The net premiums and fees "earned" during the year amounted to ID 1.95 million, a 50% reduction on the net premiums achieved during the previous fiscal year. Net Claims incurred stood at ID 0.51 million, whilst operating expenses reached ID 4.32 million during 1429H. This resulted in the Policyholders' Fund realizing a net deficit of ID 2.88 million during the year, as compared to a net surplus of ID 0.13 million earned during 1428H.

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 compliant investments. Due to the impact of the ongoing financial crisis in 1429H, ICIEC reported a lower investment income as well as a lower net surplus for the Shareholders' Fund. The gross income generated from the investment activities carried out during 1429H amounted to ID 3.77 million. In the previous year, the Corporation earned an exchange gain of ID 0.77 million; however in 1429H there was a small exchange loss of ID 0.07 million. After taking into account the fees and expenses incurred, the Shareholders' Fund was able to generate a net surplus of ID 3.34 million.

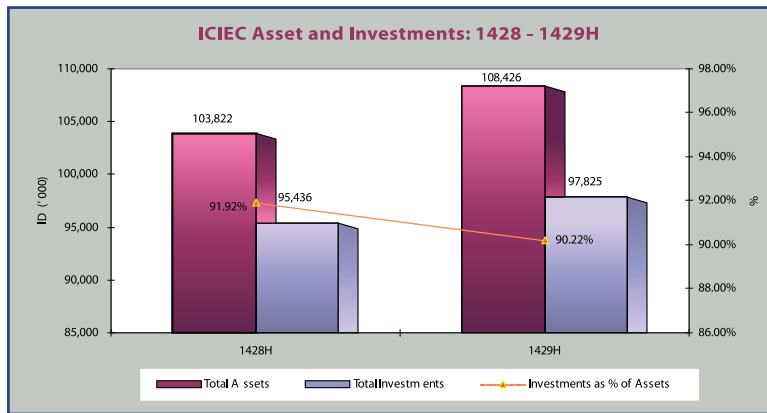
5. Corporate Result

The overall corporate result of the Corporation for 1429H remained positive at ID 0.46 million against a net surplus of ID 5.20 million in 1428H, a significant decrease of 91%, resulting from the deficit in the Policyholders' Fund and the decrease in the surplus of the Shareholders' Fund.

6. Investment Portfolio Analysis

6.1- Investment Portfolio

ICIEC's financial performance in terms of growth in assets and investments over the past fiscal year (1429H) remained moderately steady. In ID terms, total assets grew by 4.4%, whilst total investments grew by 2.5% over the previous year. Examining the figures in detail shows that as a percentage of total assets, ICIEC investments, at the end of 1429H (90.22%) declined compared to the level of last year (91.92%). This slight decrease is due to the increase of other classes of assets in the balance sheet.



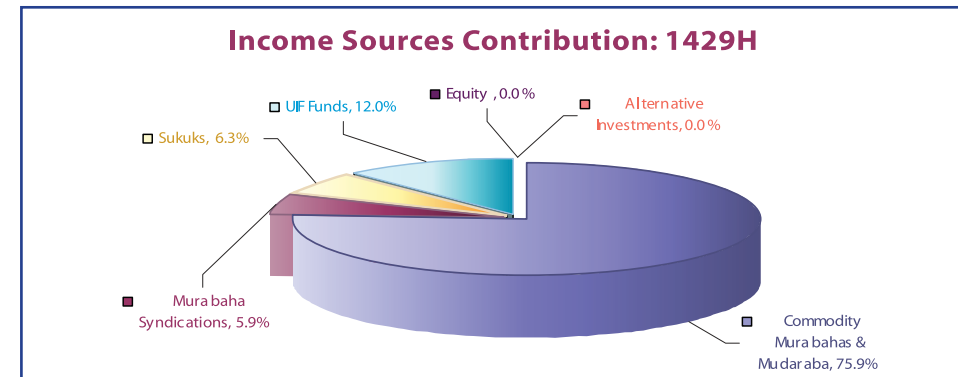
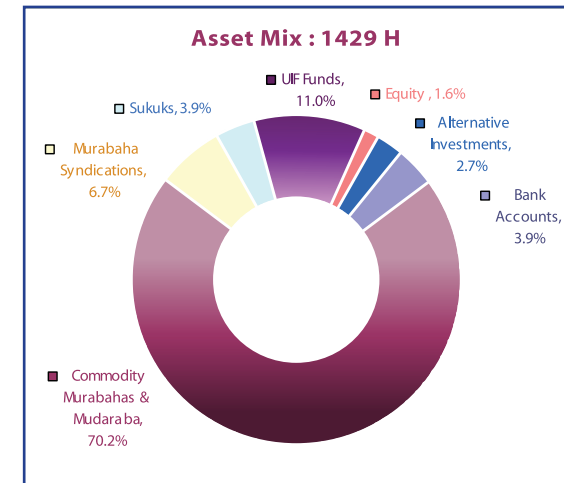
Investment Portfolio - 5 Year Trend

Summary	1425H	1426H	1427H	1428H	1429H
Exchange Rate ID - US\$	1.51	1.44	1.49	1.58	1.54
All figures in ID 'millions					
Total Assets	94.22	97.82	99.38	103.82	108.43
Total Investments	91.50	94.57	94.06	95.43	97.83
Investment Income	2.31	3.30	3.60	4.50	3.77
Investment Return % (a)	2.62%	3.55%	3.81%	4.75%	3.90%
SDR LIBOR % (b)	1.83%	2.51%	3.47%	4.41%	4.20%
SDR & Return % (a-b)	0.79%	1.04%	0.34%	0.34%	-0.30%

Highly liquid Commodity Murabaha and Mudaraba placements continue to be the main contributor to ICIEC's investment portfolio. This is in line with past trends, where the Corporation has been holding the majority of its investments in highly liquid form.

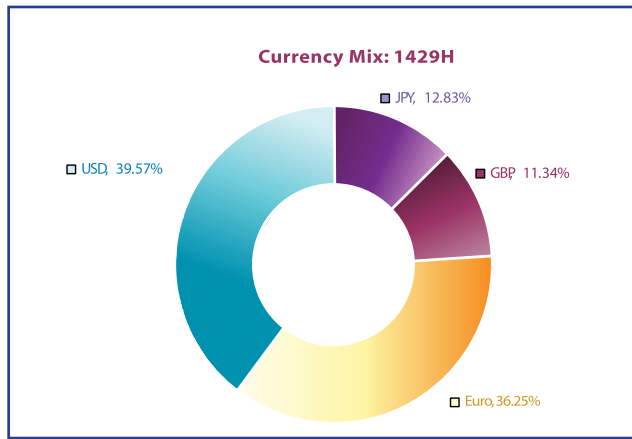
Murabaha Syndications, which contributed 11% of ICIEC's total investment portfolio in 1428H, decreased to less than 7% in 1429H. As these transactions are structured through government guarantees and collateralization, ICIEC pursued these opportunities with greater push. However, as the economic turmoil limited such opportunities, this asset class reduced its contribution to the overall portfolio. Investments in the IDB Unit Investment Fund (UIF) and equities have remained stable in comparison to 1428H, whilst Sukuk and Alternative Investments (comprising of CROCI investments) have declined to 3.9% and 2.7% respectively. Bank accounts portfolio contribution increased to 3.9% in 1429H, primarily as the matured investments were held for the reinvestment cycle to begin.

The pie chart below summarizes the major contributors to ICIEC's investment portfolio income during the year 1429H.



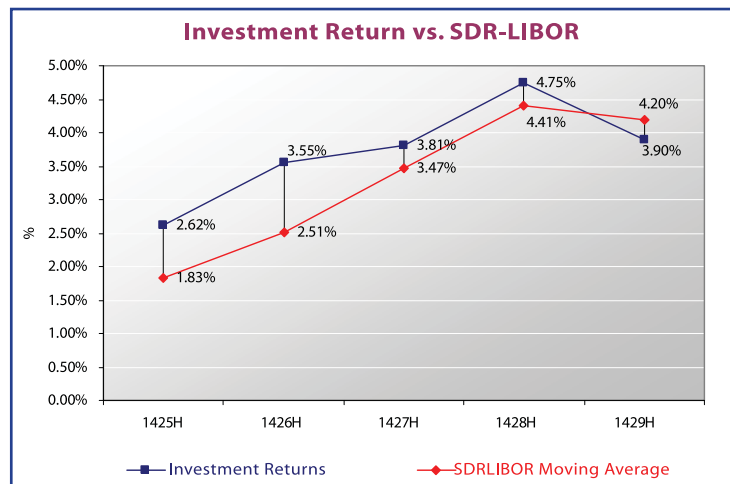
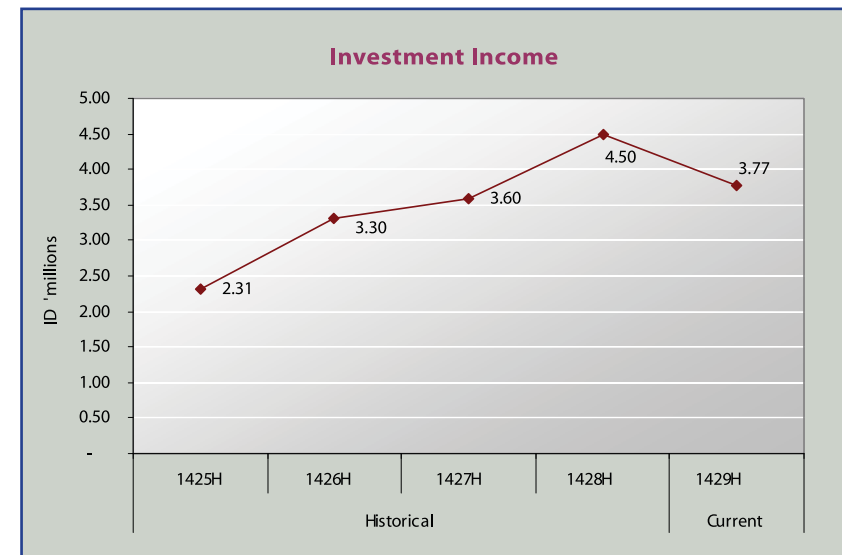


There was a reduction in both Pound and Euro currency weights over the previous year, while USD denominated transactions took a major share of the total investment portfolio during the year.



6.2- Investment Returns

ICIEC's investments in 1429H provided an income of ID 3.77 million compared to ID 4.50 million the previous year, a decrease of 16%, resulting from the sharp decline in the LIBOR. Thus, ICIEC's investments performed lower against the benchmark of SDR-LIBOR by 30 basis points. With limited investment opportunities resulting from the global financial crisis, ICIEC was unable to generate higher earnings from its portfolio, and hence was unable to beat its SDR-LIBOR benchmark for the year. The Corporation is seeking various new means of diversifying its asset classes that are less dependent on LIBOR movements and the allocation to these types of asset classes is expected to increase in the coming years.





INDEPENDENT AUDITORS' REPORT



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Registration No. 45



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 1429H (corresponding to 28 December 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 auditor's 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

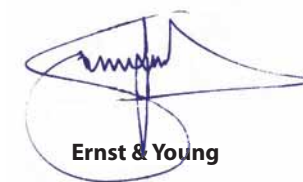
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Islamic Corporation for the Insurance of Investment and Export Credit as at 30 Dhul Hijjah 1429H (corresponding to 28 December 2008) and its financial performance and its cash flows for the 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.



19 April 2009
Jeddah, Kingdom of Saudi Arabia



Sami Farah
Licence No. 168

Abdulaziz A. Alsowailim 227
Fahad M. Al-Toami 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 1429H (28 December 2008)

(Islamic Dinars)

	Note	1429H	1428H
ASSETS			
Bank balances	3	3,936,520	2,437,395
Murabaha receivables	4	75,604,308	73,495,823
Accounts receivable, net	5	863,517	2,083,721
Mudarabah receivables, net		2,708,586	-
Claims recoverable, net	6	933,516	912,123
Prepaid expenses and other receivables	7	4,742,042	2,460,061
Available for sale investments	9	19,512,395	21,939,919
Fixed assets, net	10	125,161	130,460
Amounts due from Islamic Development Bank	8	-	362,821
Total assets		108,426,045	103,822,323
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	11	1,935,347	2,017,608
Claims payable	12	113,702	386,293
Amounts due to Islamic Development Bank	8	222,956	-
Unearned premiums	13	8,510,586	3,457,853
Provision for unreported claims	14	1,809,928	1,401,473
Total liabilities		12,592,519	7,263,227
SHAREHOLDERS' FUND			
Share capital	15	73,057,500	72,995,000
Reserve	16	48,332,741	44,993,361
Fair value reserve		(2,987,911)	(1,739,759)
Loan to policyholders' fund	17	(17,852,925)	(19,126,425)
Total shareholders' fund		100,549,405	97,122,177
POLICYHOLDERS' FUND			
Accumulated losses	16	(22,568,804)	(19,689,506)
Loan from shareholders' fund	17	17,852,925	19,126,425
Total policyholders' fund		(4,715,879)	(563,081)
Total liabilities, shareholders' and policyholders' funds		108,426,045	103,822,323

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 19 April 2009

The attached notes 1 to 26 form part of these financial statements.

FINANCIAL STATEMENTS

INCOME STATEMENT | Year Ended 30 Dhul Hijjah 1429H (28 December 2008)

(Islamic Dinars)

	Note	1429H	1428H
SHAREHOLDERS' FUND			
Investment income		3,767,763	4,497,465
(Loss) gain on exchange		(74,617)	773,802
		<u>3,693,146</u>	<u>5,271,267</u>
Investment management fees paid to Islamic Development Bank	8	(126,802)	(123,073)
General and administration expenses	8	(120,123)	(70,207)
Permanent decline in investment value		(106,841)	-
		<u>(353,766)</u>	<u>(193,280)</u>
Net income		<u>3,339,380</u>	<u>5,077,987</u>
POLICYHOLDERS' FUND			
Premiums earned	18	1,893,817	3,722,194
Policy fees earned		52,974	155,422
		<u>1,946,791</u>	<u>3,877,616</u>
Claims incurred	19	(505,002)	(99,102)
Employees' cost		(3,088,656)	(2,684,157)
General and administration expenses		(1,126,551)	(892,468)
Fees paid to Islamic Development Bank	8	(105,880)	(76,388)
		<u>(4,826,089)</u>	<u>(3,752,115)</u>
Net (Loss) / Income		<u>(2,879,298)</u>	<u>125,501</u>
Net Corporate Income		<u>460,082</u>	<u>5,203,488</u>

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 19 April 2009
The attached notes 1 to 26 form part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS

Year Ended 30 Dhul Hijjah 1429H (28 December 2008)

(Islamic Dinars)

	Note	Capital	Reserve	Fair value reserve	Loan to Policyholders' fund	Total
SHAREHOLDERS' FUND						
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		72,995,000	44,993,361	(1,739,759)	(19,126,425)	97,122,177
Subscription paid		62,500	-	-	-	62,500
Net income for the year	16	-	3,339,380	-	-	3,339,380
Net movement during the year	17	-	-	(1,248,152)	(1,273,500)	25,348
Balance at 30 Dhul Hijjah 1429H		73,057,500	48,332,741	2,987,911	17,852,925	100,549,405

(Islamic Dinars)

	Note	Accumulated Losses	Loan to shareholders' fund	Total
POLICYHOLDERS' FUND				
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		(19,689,506)	19,126,425	(563,081)
Net loss for the year		(2,879,298)	-	(2,879,298)
Net movement during the year	17	-	(1,273,500)	(1,273,500)
Balance at 30 Dhul Hijjah 1429H		(22,568,804)	17,852,925	(4,715,879)

The attached notes 1 to 26 form part of these financial statements.

FINANCIAL STATEMENTS

CASH FLOWS STATEMENT | Year Ended 30 Dhul Hijjah 1429H (28 December 2008)

(Islamic Dinars)

	Note	1429H	1428H
OPERATING ACTIVITIES			
Net corporate income for the year		460,082	5,203,488
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation		46,496	46,088
Provisions		269,390	950,737
(Loss) gain on exchange		74,617	(773,802)
Permanent decline in available-for-sale investments		(106,842)	-
Changes in operating assets and liabilities:			
Accounts receivable		1,217,530	(883,324)
Claims receivable		(288,109)	756,756
Mudarabah receivables, net		(2,708,586)	-
Prepaid expenses and other receivable		(2,354,768)	(1,710,061)
Accounts payable and accrual		(82,261)	877,126
Claims payable		(272,591)	104,776
Amounts due to/from Islamic Development Bank		585,777	(1,174,077)
Unearned premium		5,052,733	941,668
Provision for unreported claims		408,455	(1,357,628)
Net cash provided by (used in) operating activities		2,301,923	2,981,747
INVESTING ACTIVITIES			
Available for sale investments		1,243,930	(2,113,687)
Murabaha receivables		3,922,872	3,086,655
Purchase of fixed assets		(41,197)	(54,172)
Net cash provided by (used in) investing activities		5,125,605	918,796
FINANCING ACTIVITY			
Subscriptions received		62,500	250,000
Net cash (used in) provided by financing activity		62,500	250,000
Net Change in Cash and Cash Equivalents		7,490,028	4,150,543
Cash and cash equivalents at the beginning of the year		65,014,937	60,864,394
Cash and Cash Equivalents at the end of the year	20	72,504,965	65,014,937
SUPPLEMENTARY INFORMTION FOR NON-CASH TRANSACTIONS			
Fair value adjustment		(1,363,223)	(762,325)
Other receivable transferred to available-for-sale investments		72,787	-

The attached notes 1 to 26 form part of these financial statements.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 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\$ 1.544 as at 30 Dhul Hijjah 1429H (1428H: US\$ 1.580).

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 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.

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 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.

Mudarabah income

Mudarabah income is accrued on a time apportionment basis over the period of Mudarabah.

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 2008)

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

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.

Mudarabah receivables

Mudarabah 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 less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the income statement as the expense is incurred.

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 Corporation 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 that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 2008)

3. BANK BALANCES

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Shareholders' fund	3,181,371	1,656,530
Policyholders' fund	755,149	780,865
	<u>3,936,520</u>	<u>2,437,395</u>

4. MURABAHA RECEIVABLES

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Shareholders' fund:		
Gross Murabaha commodity placements	68,892,313	62,889,570
Deferred profit	(323,868)	(312,028)
	<u>68,568,445</u>	<u>62,577,542</u>
Other murabaha receivables	7,035,863	10,918,281
	<u>75,604,308</u>	<u>73,495,823</u>
Murabaha commodity placements:		
With original maturity period of three months or less (Note 20)	<u>68,568,445</u>	<u>62,577,542</u>

5. ACCOUNTS RECEIVABLE, NET

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Trade accounts receivable	980,209	2,197,739
Provision for bad debts	(116,692)	(114,018)
	<u>863,517</u>	<u>2,083,721</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
1429H	863,517	663,182	114,821	25,725	2,920	56,869
1428H	2,083,721	801,777	863,036	144,094	274,814	-

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.

6. CLAIMS RECOVERABLE, NET

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Claims recoverable	8,738,577	8,450,468
Provision for doubtful claims	(7,805,061)	(7,538,345)
	<u>933,516</u>	<u>912,123</u>

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 2008)

7. PREPAID EXPENSES AND OTHER RECEIVABLES

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

(Islamic Dinars)

	1429H	1428H
Shareholders' fund	235,002	768,258
Policyholders' fund	4,507,040	1,691,803
	<u>4,742,042</u>	<u>2,460,061</u>

8. AMOUNTS DUE (TO)/FROM ISLAMIC DEVELOPMENT BANK

(Islamic Dinars)

	1429H	1428H
Policyholders' fund	(222,956)	362,821

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 Dinars)

Shareholder's fund	1429H	1428H
Quoted Investments:		
Share in CROCI Islamic Global Index	2,733,859	3,288,608
Islamic Sukuk	4,006,076	6,171,558
	<u>6,739,935</u>	<u>9,460,166</u>
Unquoted Investments:		
Shares in Takaful Re.	1,618,898	1,581,798
Units in IDB - Unit Investment Fund	11,153,562	10,897,955
	<u>12,772,460</u>	<u>12,479,753</u>
	<u>19,512,395</u>	<u>21,939,919</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 Dinars)

	1429H	1428H
Shareholders' Liabilities		
Bank commission	524,817	546,860
Other payables	167,440	191,493
	<u>692,257</u>	<u>738,353</u>
Policyholders' Liabilities		
Other payable	842,608	636,281
Accrued payables	400,482	642,974
	<u>1,243,090</u>	<u>1,279,255</u>
	<u>1,935,347</u>	<u>2,017,608</u>

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 exposure at year end.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 2008)

15. SHARE CAPITAL

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Authorised capital 150,000 shares (1428H: 100,000) of ID 1,000 each	<u>150,000,000</u>	<u>100,000,000</u>
Issued and subscribed capital 100,000 shares of ID 1,000 each: 50,000 shares of ID 1,000 each fully paid 50,000 shares of ID 1,000 not called	50,000,000 -	50,000,000 -
48,240 shares (1428H - 47,740) of ID 1,000 each, of which ID 500 has been called up	24,120,000	23,870,000
Less: subscriptions receivable	<u>(1,062,500)</u>	<u>(875,000)</u>
	<u>73,057,500</u>	<u>72,995,000</u>

The authorized capital was increased by 50,000 shares of ID 1,000 each subscribed to by IDB in accordance with Board of Governors Resolution No. BG/IC/(4)15/429 dated 30 Jumada' I 1429H corresponding to 4 June 2008.

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:

	<i>(Islamic Dinars)</i>	
Policyholders' fund:	1429H	1428H
Total assets	7,184,383	5,961,793
Total liabilities	(11,900,262)	(6,524,874)
Accumulated losses	<u>22,568,804</u>	<u>19,689,506</u>
Net deficit in policyholders' fund	<u>17,852,925</u>	<u>19,126,425</u>

18. PREMIUMS EARNED

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Gross premiums	8,100,158	5,968,979
Unearned premiums at the beginning of the year	3,457,853	2,516,185
Unearned premiums at the end of the year	<u>(8,510,586)</u>	<u>(3,457,853)</u>
	3,047,425	5,027,311
Reinsurance premiums	<u>(1,153,608)</u>	<u>(1,305,117)</u>
Net premiums	<u>1,893,817</u>	<u>3,722,194</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS | AT 30 Dhul Hijjah 1429H (28 December 2008)

19. CLAIMS INCURRED

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Gross claims paid	133,360	490,620
Recoveries (*)	(57,875)	(202,416)
Net claims	75,485	288,204
Claims related expenses	26,937	106,352
Outstanding claims:		
Movement in provision for unreported claims	408,455	(1,357,628)
Movement in provision for doubtful claims	266,716	957,398
Movement in claims payable	(272,591)	104,776
	505,002	99,102

(*) 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 1429H and 1428H. 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:

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Bank balances	3,936,520	2,437,395
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (Note4)	68,568,445	62,577,542
	72,504,965	65,014,937

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:

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Premium and policy fees earned	-	11,743
Investment management fees paid to Islamic Development Bank	126,802	123,073
Administration fee paid to Islamic Development Bank	105,880	76,388
Expenses paid by Islamic Development Bank on behalf of the Corporation	2,818,442	2,214,705

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

	<i>(Islamic Dinars)</i>	
	1429H	1428H
Amount due from Islamic Development Bank	-	362,821
Amount due to Islamic Development Bank	222,956	-
Claims payable	76,329	74,580

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Corporation's financial assets consist of cash and bank balances, receivables, receivables, inventories and due from related parties, its financial liabilities consist of payables, accrued expenses and due to a related party.

The fair values of financial instruments are not materially different from their carrying values.

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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, mudarabah receivables, available-for-sale investments 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 Corporation's murabaha deals will mature within eighteen months of the balance sheet date.

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

(Islamic Dinars)

	1429H	1428H
Murabaha receivables	75,604,308	73,495,823
Accounts recouvable, net	863,517	2,083,721
Claims receivable, net	933,516	912,123
Mudarabah receivables	2,708,586	-
Available-for-sale investments	19,512,396	21,939,919
Other receivables	28,221	49,720
	99,650,544	98,481,306

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 Dinars)

	Less than 3 months	3 to 12 months	1 to 5 years	Total
1429H	1,114,457	167,440	653,450	1,935,347
1428H	1,306,589	119,031	591,988	2,017,608

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 362 million (ID 280 million in 1428H). 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 14 and 19).

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24. ZAKAT AND TAX TREATMENT

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

25. KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the balance sheet date, gross trade accounts receivable were ID 980,209 (1428H:ID 2,197,739), and the provision for doubtful debts was ID 116,692 (1428H: ID 114,018). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the income statement.

26. RECLASSIFICATIONS

Certain reclassifications have been made to the 1428H financial statements to conform to the classifications used in 1429H.

قال تعالى :

﴿ وَقُلْ اَعْمَلُوا فَسَيَرَى اللّٰهُ
عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ ﴾

صدق الله العظيم



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 1395H (July 1975) and IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

Purpose

The purpose of the IDB is to foster 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 main function of IDB is to provide various forms of development assistance for poverty alleviation through human development, forgoing economic cooperation by promoting trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. It also establishes special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds.

In addition, IDB mobilizes financial resources using Shari'ah-compliant modes and provides technical assistance to member countries, including provision of training facilities for personnel engaged in development activities in member countries.

Capital

Pursuant to the decision of the Board of Governors in their 31st Annual Meeting held in Kuwait in Jumad Awwal 1427H (May 2006), the Authorized Capital of IDB was doubled from ID15 billion to ID30 billion and the Issued Capital was also increased from ID8.1 billion to ID15 billion. The Issued Capital was further increased to ID16 billion by the Board of Governors in their 33rd Annual Meeting held in Jeddah, Kingdom of Saudi Arabia on 29-30 Jumad Awwal 1429H (3-4 June 2008); of which ID14.47 billion was subscribed with ID3.3 billion paid-up as of end-1429H.

Head Office and Regional Offices

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

Brief Corporate Profile of other IDB Group Members



Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981) to help 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.



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

ICD was established in 1420H (1999) as an independent entity within IDB Group. The mission of ICD is to promote the private sector as a vehicle for economic growth and development in member countries. The Authorized Capital of ICD is \$1 billion, of which \$500 million is available for subscription. IDB has subscribed 50 percent of its capital, while member countries and public financial institutions in member countries have subscribed up to 30 and 20 percent, respectively. As of end-1429H, the total Paid-up Capital of ICD stood at \$357.36 million.



International Islamic Trade Finance Corporation (ITFC)

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