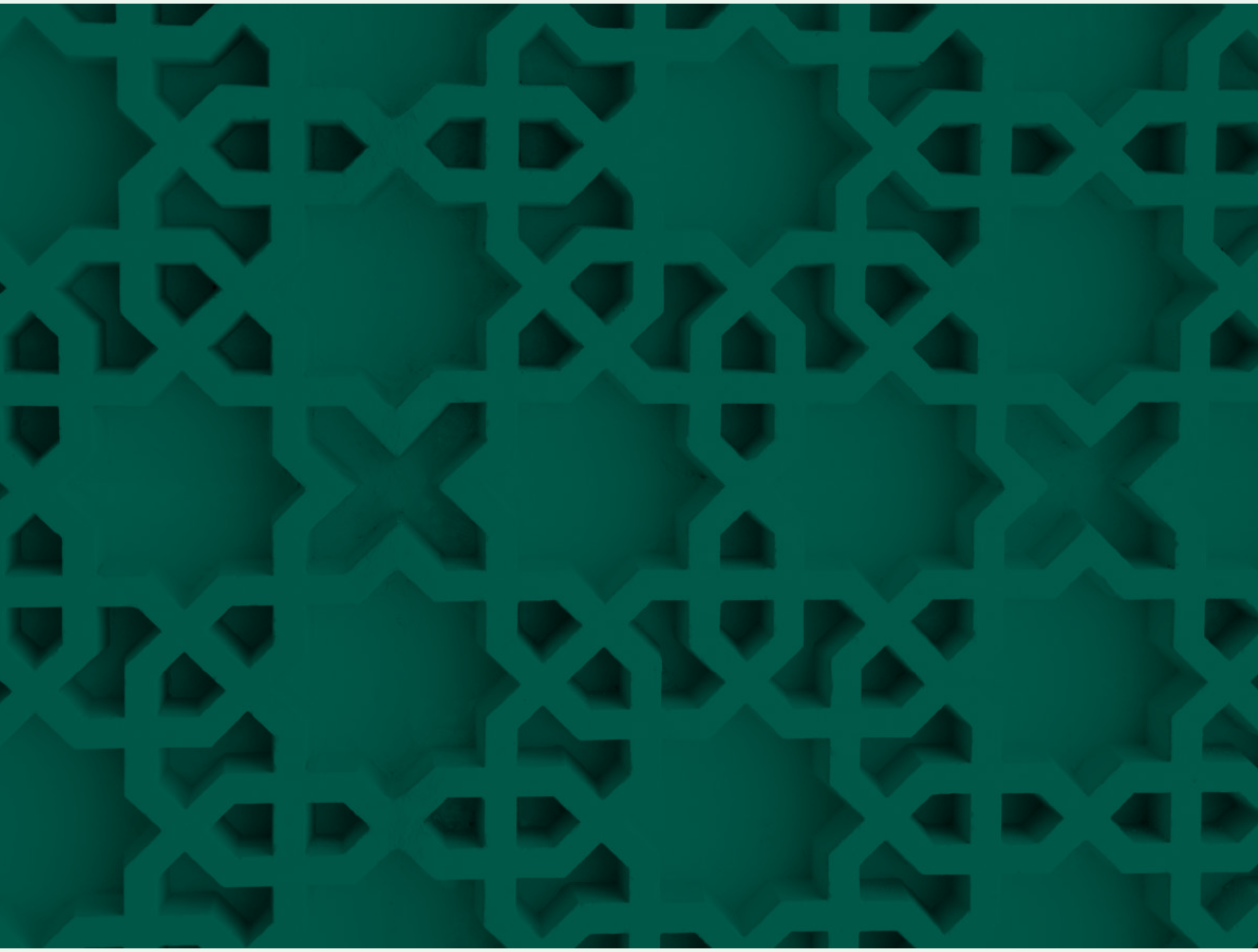
Annual Report
1431H - (2010G)

Partners in Development

The Islamic Corporation for the Insurance of Investment and Export Credit
(a member of the Islamic Development Bank Group, Jeddah)

بسم الله الرحمن الرحيم

In the Name of Allah, the Most Gracious, the Most Merciful



Contents

Our Vision

"To be the Internationally recognized ***leader in Sharia compatible*** export credit and investment insurance and re-insurance in member countries."

Our Mission

"To ***encourage*** exports from member countries and to ***facilitate*** the flow of foreign direct investments to member countries by ***providing*** and ***encouraging*** the use of sharia compatible export credit and investment insurance as credit and political risk mitigation instruments."

Making Business Transactions Less Risky and More Competitive For Over 16 Years

1994

- Establishment of ICIEC as a multilateral export credit and investment insurance entity

1995

- Commencement of ICIEC operations

1998

- Increased membership by OIC Countries
- Investment Insurance services commence

2000

- ICIEC joins COFACE Credit Alliance
- Amendment to ICIEC Articles of Agreement to allow cover of exports to the world

2005

- Amendment to ICIEC Articles of Agreement to allow cover of investments from anywhere in the world

2007

- Accepted as an observer in Berne Union

2008

- Increased capital to ID 150 milion
- Assigned first timae rating of Aa3 by Moody's

2009

- Attained full membership in Berne Union
- Establishment of Aman Union
- Country membership reaches 38 countries
- Maintaining Moody's IFSR during global financial crisis

2010

- Appointment of the Chief Executive Officer.
- Inauguration of the 1st Representative Office (DIFC/Dubai)
- Aa3 Rating confirmed by Moody's
- Country membership reaches 40 countries.

Transmittal Letter

Date: 28 /05 /1432H
02 / 05 /2011G

In the Name of Allah, the Most Gracious, the Most Merciful

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

Dear Brothers and Sisters,

Assalamo-Alaikum Warahmatullah Wabarakatuh

In accordance with the provisions of Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), I submit herewith 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 for the year 1431H (2009-2010G), including the audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,

Dr. Ahmad Mohamed Ali
Chairman of the Board, ICIEC

Business and Financial Results

Highlights 1431H

(18th December 2009-6th December 2010)

In USD millions

Business Highlights	1430H	1431H	Change
New Insurance Commitments	2,134	3,214	51%
Business Insured	1,029	1,967	91%
Current Exposure	743	731	-2%
Premium and Fees	12.5	16.28	30%
Claims Paid	1.60	0	-100%
Recoveries	1.91	0.02	-99%
Reinsurance Cession	5.06	5.66	12%
Administrative Expenses	7.49	8.63	15%
Technical Result	**0.26**	**2.01**	**682%**

In Islamic Dinar (ID)* millions

Financial Highlights	1430H	1431H	Change
Total Assets	114.88	120.54	5%
Total Shareholders' Equity	101.99	106.03	4%
Paid-Up Capital	73.25	73.43	0%
Net Reserves	25.57	25.87	1%
Investment Income	2.09	1.74	-17%
Earned Premium and Fees	3.67	4.02	10%
Net Claims Incurred	(0.26)	0.11	42%
Net Corporate Result	**1.09**	**0.14**	**-87%**

** Islamic Dinar (ID) is the unit of account of the Corporation. It is the equivalent to the Special Drawing Rights (SDR) of the International Monetary Fund (ID 1.00 = USD 1.54 as at the end of 1431H).*

Board of Directors

H.E. Dr. Ahmad Mohamed Ali
ICIEC's Chairman Board of Directors

Ibrahim Mohamed Al-Mofleh
(Saudi Arabia)

Ismail Omar Al Dafa
(Qatar)

Bader Abdullah S Abuaziza
(Libya)

Khamdan H. Tagaimurodov
(Albania, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan)

Hassan Hashem Abdul Hussain Al Haidary
(Bahrain, Djibouti, Iraq, Jordan, Lebanon, Maldives and Oman)

Yerima Mashoud Amadou
(Burkina Faso, Cameroon, Chad, Gabon, Gambia, Mali, Mauritania, Niger, Senegal and Togo)

Dr. Asghar Abolhasani Hastiani
(Iran)

Selim Cafer Karatas
(Turkey)

Abdul Aziz Abdullah Al-Zaabi
(United Arab Emirates)

Junaidi Hashim
(Brunei, Indonesia, Malaysia and Suriname)

Zeinhom Zahran
(Egypt)

Nailane Mhadji
(Comoros, Cote d'Ivoire, Guinea, Guinea Bissau, Morocco, Nigeria, Sierra Leone, Somalia, Sudan, Tunisia and Uganda)

Abdul Majid Rana
(Pakistan, Afghanistan and Bangladesh)

Aissa Abdellaoui
(Algeria, Benin, Mozambique, Palestine, Syria and yemen)

Faisal Abdul Aziz Al-Zamil
(Kuwait)

Management

Dr.Abdel Rahman Eltayeb Taha
Chief Executive Officer

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

Muhammed Azam
Director, Accounting Finance

Adil A. Babikr
Director, Legal Affairs

Bassam Dawoud
Acting Director, HR & Corporate Service

Message from the Chief Executive Officer

I am pleased to report that ICIEC business results for the year 1431H (2009/2010) not only show that the Corporation compensated for the drop in insurance business caused by the global recession, but was able to achieve a remarkable 50% increase in new insurance commitments, thus surpassing the US$ 3 billion mark for the first time.

This increase in business volume reflects the resumption of trade and investment activities which had been largely dormant during the financial crisis. Indeed, the volume of new business could have been much higher had ICIEC possessed the insurance capacity to satisfy the expanding demand for its services. Not surprisingly, the utilization of insurance commitments almost doubled, reaching the level of nearly US$ 2 billion and showing a healthy 60% rate of conversion from commitments to insured business. With no claims paid out for the year, the Corporation registered zero loss ratio and was able to achieve a US$ 2 million surplus in its technical result.

On the financial front, ICIEC reported a modest surplus of ID 0.14 million for the year 1431H, compared to the ID 1.09 million reported last year. This performance was a direct consequence of the low returns on its investments due to the minimal LIBOR, as well as the increased reinsurance cession necessitated by the high level of reliance on outward reinsurance to augment the Corporation's limited insurance capacity. The low investment returns notwithstanding, the Corporation's total assets increased by 5% to attain ID 120.54 million, with a corresponding 4% rise in shareholders' equity. At the same time, the net reserves hit the ID 25.87 million mark, representing 35% of the paid-up capital, and signifying the solid financial position of the Corporation.

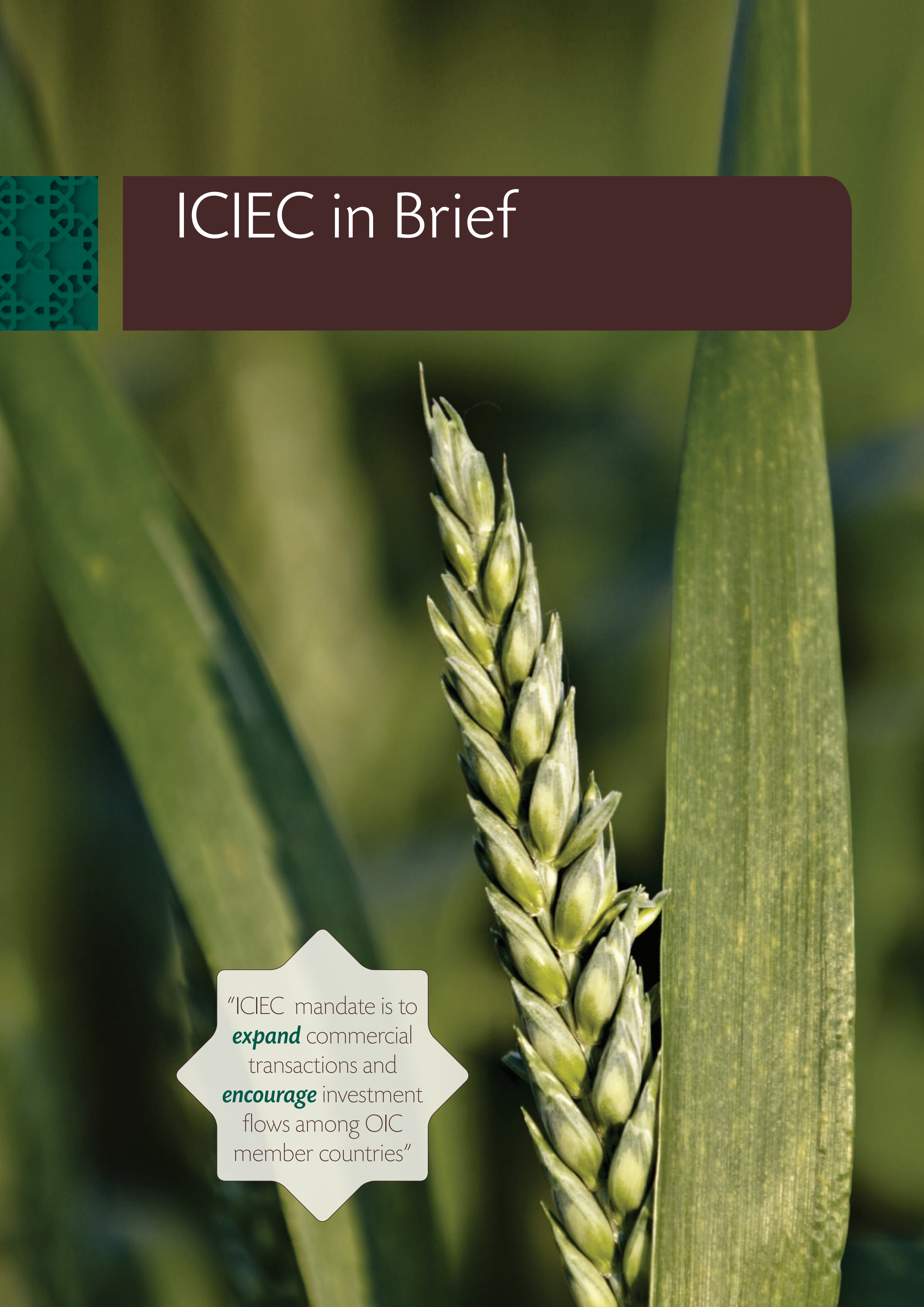
The year 1431H also saw important developments designed to improve the efficiency of insurance operations and enhance the Corporation's responsiveness to customer demands. The completion and implementation of the electronic Integrated Insurance Management System was a significant milestone in the continued effort to develop the insurance system. No less significant was the fact that the Corporation gave effect to the amendments to the Articles of Agreement to allow for coverage of the import of strategic goods and commodities by member countries from non-member countries, and for the insurance of the domestic sales of exporters that hold the insurance policies of the Corporation.

ICIEC achievements in 1431H and the continued expansion of the demand for its services clearly show that credit and political risk insurance has now been recognized by exporters, investors and financial institutions in member countries as a useful and necessary risk management tool. However, meeting this fast expanding demand remains a challenge for ICIEC, given its relatively modest capital base. It is, therefore, imperative that the Corporation's capital be increased substantially. Management has been working with the Board of Directors towards achieving this goal, and we look forward to the generous participation of member countries in the expected call for capital increase.

Dr. Abdel-Rahman Eltayeb Taha
Chief Executive Officer
Jeddah, 28 Rabi II, 1432 (2 April, 2011)

"Remarkable ***50% increase*** in new insurance commitments"

ICIEC in Brief



"ICIEC mandate is to ***expand*** commercial transactions and ***encourage*** investment flows among OIC member countries"

Objectives

ICIEC was established in 1994 as an autonomous international multilateral export credit insurance agency affiliated with the Islamic Development Bank (IDB). Its mission is to expand commercial transactions and encourage investment flows among its member countries. ICIEC fulfils these objectives by providing Shariah-compliant export credit insurance and re-insurance services to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks. It also provides investment insurance against country risks, in particular the risks of exchange transfer restrictions, expropriation, war and civil disturbance, as well as the risk of breach of contract by host government. The Corporation recently introduced new products, thus enhancing its customer reach. In this regard, it will provide export credit insurance services to exporters from non-member countries, by supplying capital equipment, infrastructure related projects and food security related items to its member countries on selective basis. Furthermore, ICIEC is set to insure domestic sales of exporters in member countries.

Membership and Share Capital

Membership of ICIEC is open to the Islamic Development Bank and member countries of the Organization of Islamic Conference (OIC). As at the end of 1431H, the Corporation had 41 shareholders - IDB and 40 countries, 17 of which are Arab, 14 African and 9 Asian and other countries.

The authorized share capital of ICIEC is ID 150 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, and the remaining 50,000 shares are left for subscription by the member countries of OIC.

ICIEC Takaful Model

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

- Policyholders' Fund containing mainly insurance contributions and recoveries in the form of paid claims and from which the insurance operations expenses are disbursed;
- Shareholders' Fund comprising the paid-up capital and accumulated reserves and from which any deficit in Policyholders' Fund may be financed.

These requirements are reflected in the structure of the financial statements of the Corporation.

The Articles of Agreement do not allow for the distribution of surpluses from either the Shareholders' or Policyholders' Funds until the accumulated reserves rise up to five times the subscribed capital of the Corporation.

Corporate Governance and Organization

Governance

At its 16th Annual Meeting held in Ashgabat, Turkmenistan, on 10th Jumada II 1430H (3 June 2009), ICIEC Board of Governors in a resolution adopted amendments to the Corporation's Articles of Agreement on the structure of its Senior Executive Management. According to the resolution, ICIEC shall have a Chief Executive Officer in place of a General Manager; and the President of the Islamic Development Bank shall become the ex-officio Chairman of the Board of Directors of the Corporation. These decisions took effect from 1431H.

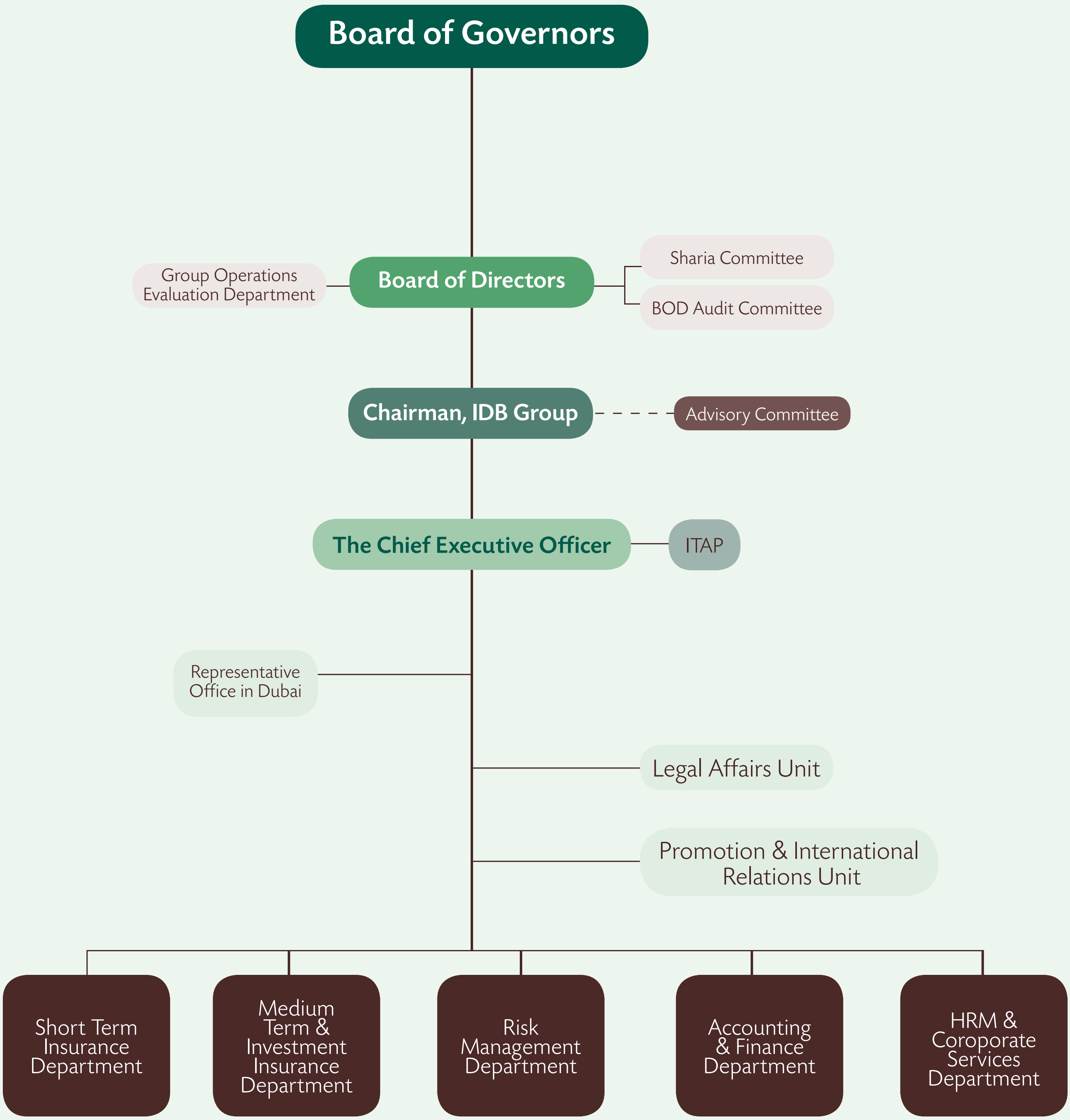
The overall governance of ICIEC is built on the following four-tier structure:

Board of Governors (BOG)	The BOG is composed of Governors representing the member countries of IDB. All powers of the Corporation are vested in the BOG. However, the 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.
Chairman of the Board of Directors	The President of IDB is the ex-officio Chairman of the Board of Directors. He presides over the meetings of the Board of Directors but without the right to vote except in the event of a tie.
The Chief Executive Officer	In accordance with the Guidelines, Rules and Regulations laid down by the Board of Directors and under the general supervision of the Chairman of the Board of Directors, the Chief Executive Officer has full executive powers to manage the affairs of the Corporation. He has the power to appoint, promote and dismiss staff, and disburse funds in accordance with the plan and budget approved by the Board of Directors. He can, within the limits of the powers delegated to him by the Board of Directors, approve operations and investments by the Corporation and the conclusion of contracts pertaining thereto, in accordance with the said Guidelines, Rules and Regulations. The Chief Executive Officer attends the meetings of the Board of Directors but without the right to vote.

Organization

As shown in the diagram on the next page, ICIEC organizational structure is composed of five main departments, two of which are in charge of management of insurance operations, and three others for provision of support services. The Legal Affairs, the Promotion and International Relations Unit, and IDB Group Investment Promotion Technical Assistance Program (ITAP) report directly to the CEO.

Organization Chart



ICIEC Medium-Term Strategy

ICIEC mandate of helping its member countries to boost their exports and attract foreign investments emanates directly from IDB Group's mission to assist member countries to achieve development and prosperity for their people. ICIEC strategic objectives thus aim at fulfilling the Corporation's charter, whilst providing meaningful contribution towards achieving IDB Group's developmental goals..

Increase Business Volume

Although the Corporation posted high rates of growth during the past six years, sustaining this growth level will be a challenge, the reason being the increasing international competition. Growth in business volumes, by way of diversified client base and risk portfolio, will ensure not only the non-dependence of ICIEC growth rate on a few clients, but also the long-term business viability and financial stability of the Corporation. In addition, increased business volumes will contribute directly and meaningfully to ICIEC mandate of increasing exports from, and attracting investment flows to, member countries. It should be noted, however, that increased business volumes will not occur at the expense of prudent risk management practices, which constitute a core principle of ICIEC risk underwriting.

Increased business volume will further contribute directly to the enhancement of the following IDB Group strategic focus areas:

ICIEC Strategic Objectives

Infrastructure Development:
Through facilitating investment flows to ICIEC member countries.

Economic Integration of IDB Member Countries:
By way of encouraging more trade transactions among member countries and facilitating investment flows.

Islamic Financial Institutions Development:
ICIEC can offer unique, Shariah compliant risk management and mitigation tools for Islamic banks.

ICIEC can contribute toward the focus area of **"Poverty Alleviation"** through directing more business to the least Developed Member Countries(LDMCs) and Small-Medium Enterprises (SMEs).

ICIEC's 17th BOG Annual Meeting in Baku, Azerbaijan 23-24 June 2010

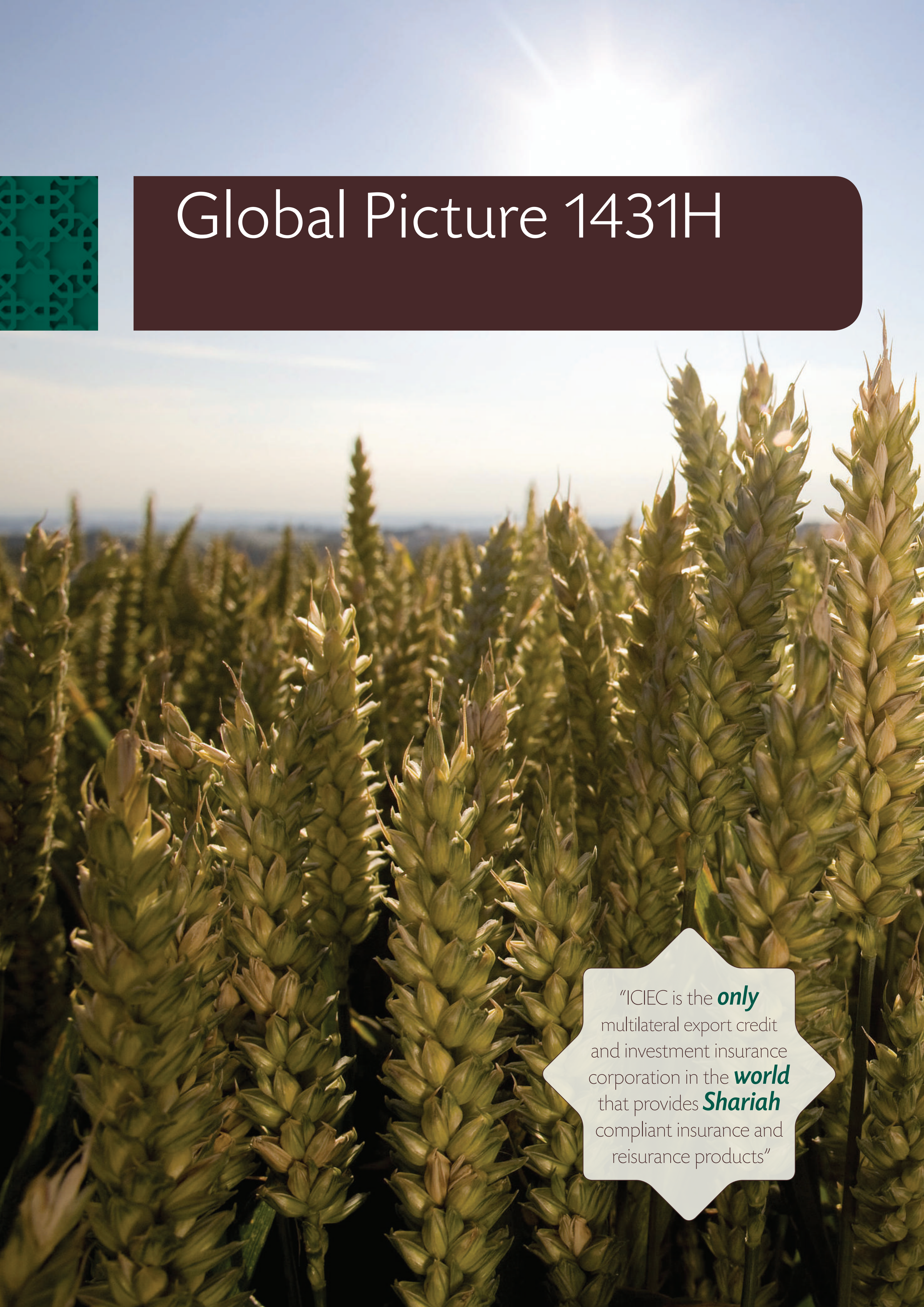
Maintain the Corporation's Financial Health

Considering the expectations of ICIEC stakeholders (Board, IDB Group Management, member countries clients), it is crucial to maintain and improve the financial health of the Corporation. Improved financial health will ensure that ICIEC is better able to engage in meaningful development related work, which is also part of its mandate. Attainment of this objective is contingent on increased business volume, coupled with prudent risk management and reduced administrative costs. This will also help maintain the Corporation's Aa3 rating.

Increase Developmental Impact

The Corporation's mandate includes playing a key role in the development of member countries' economies. Due to the Management's focus on achieving a break-even in terms of technical result, the last five-year Strategic Plan could not provide adequate focus in this area. However, the new three-year rolling Business Plan (under the approved IDB Group Reform initiative) attaches considerable importance to the developmental impact of the Corporation's activities. Thus, compared to the previous predominantly short-term export credit insurance portfolio, ICIEC is currently aiming to increase its share of medium-term export credit and foreign investment insurance in the risk portfolio.

Global Picture 1431H



"ICIEC is the ***only*** multilateral export credit and investment insurance corporation in the ***world*** that provides ***Shariah*** compliant insurance and reisurance products"

Global Macroeconomic Prospects*

Global economic recovery was relatively modest in 2010, with a GDP growth of 3.9% after a contraction of 2.2% in 2009. Regionally, the growth was uneven as the emerging markets which are the driving force of the growth, posted a GDP growth of 7% in 2010. Despite the expansionary fiscal and monetary policies instituted by the authorities in the USA and in the Euro zone, the developed world was dogged by a relatively poor performance of 2.7%. The stimulus initially reinvigorated the economies but lost momentum in the second half of 2010. It now seems that the limits of these aggressive policies have been reached. Indeed, a number of European countries have experienced fiscal problems and high public debt burden; but fortunately, the fear of a double-dip recession has faded. Despite past projections, 2011 is not expected, any more, to be the year of full recovery, as global GDP is estimated to post a growth of 3.3%, which is less than that of 2010. The developed world will continue to drag down world economic growth, while the emerging markets will maintain their dynamism. More specifically, the US economy, considered as the engine of the world economy, will continue to suffer from a low growth of 2.8%, high unemployment in the neighborhood of 10% and a recalcitrant consumer confidence. In addition, the real estate sector is still in shambles in some states and the polarized political environment continues to haunt economic policy.

The Euro zone is also expected to be dogged by an overshooting public debt and a weak GDP growth of 1.4%, in contrast to 1.7% in 2010. Several countries in the zone have a public debt/GDP ratio of over 100%, which is quite unsustainable. Countries like Greece and Ireland sought rescue from the EU and the IMF, but are not yet out of the woods. If these countries and others with high debt burden such as Portugal, Spain or even Italy fail to service their debt obligations, the zone may get mired in a full-blown sovereign debt crisis.

In contrast to the situation in the developed world, the emerging markets are projected to maintain their robust performance, with GDP growth of about 6%. This growth will be driven by a combination of high commodity prices and substantial capital inflow. China, India and Brazil lead this pack; which also includes other Latin American, Asian and African countries. Despite all that, there is the risk of a

Data source: World Bank: Global Economic Prospects, January 2011.

bubble associated with this high performance. In addition to the volatility of commodity prices, there is substantial inflow of foreign capital to these countries as well as a real estate boom. These are the hallmarks of a potential bubble. Rising inflation, particularly in terms of food prices, is another negative development in these countries which, unless curtailed, may stoke social tensions in some countries, as is already unfolding in North Africa.

In-between these two extremes lie the "developing Europe" countries which had seen a boom prior to the global economic crisis. This region, which depended largely on investment inflows from the developed world, is still underperforming as high unemployment prevails. A yawning balance of payment deficit emerged, with the drying up of the capital inflows from the developed world. These countries need to restructure their economies in order to become resilient to future capital swings. Global trade figures were the mirror image of industrial production which rebounded strongly, before contracting in the last quarter of 2010. This performance reflected a similar rebound in trade figures which reached its pre-crisis level in mid-2010. In late 2010, the trade figures of the emerging countries stood at 16% higher than their pre-crisis levels, as the developed countries struggled to attain pre-crisis levels. In short, global trade fell by 11% in 2009 but grew by 15.7% in 2010, while lower growth rates of 8.3% and 9.6% are projected for 2011 and 2012, respectively.

With respect to investment inflows, Foreign Direct Investment (FDI) was subdued, with net flows to emerging markets accounting for US$410 billion in 2010, i.e. an increase of 16% after a 40% decline in 2009. However, there was a marked rise in South-South FDI flows, particularly from Asia. After reaching its peak in 2008 when it hit the $207 billion level, FDI from emerging countries climbed to $210 billion in 2010. More than 60% of this FDI originated from the so-called BRIC (Brazil, Russia, India and China). Other capital inflows to the developing world included substantial net private equity inflow, portfolio equity, short-term debt and bonds.

In the final analysis, global economic prospects are two-tiered. On the one hand, the developed world remains bogged down by the lingering effects of the deep recession of 2009. While the US economy,

the source of the global economic crisis, showed positive signs of recovery, the Euro zone performed below expectation in 2010, and indeed may remain in this unenviable position through 2011.
On the other hand, the global economic recovery was sustained by the strong growth in the emerging economies. This is a reflection of the robust commodity prices coupled with substantial foreign capital inflow – a situation which if combined with strong currency appreciation, may lead to a bubble. In any event, the fact that most ICEIC member countries fall in the emerging markets category augurs well for the Corporation's export credit and investment insurance operations. Nevertheless, the recent developments in the Middle East will have their effect on the business of the Corporation..

ICIEC's Support to its Policyholders during the Crisis

While the worst fallout from the financial crisis seems to be over, it is difficult to conclude that all is well with the world economy. There are several undercurrents to be considered as the world chalks a way out of the crisis. While the importance of and demand for credit insurance products increased during the crisis, the capacity to underwrite did not change significantly.

Aware of the need to balance its insurance support for its policyholders, especially when it is needed most and in a risk effective manner, ICIEC was both prudent and customer sensitive in its response to the financial crisis.

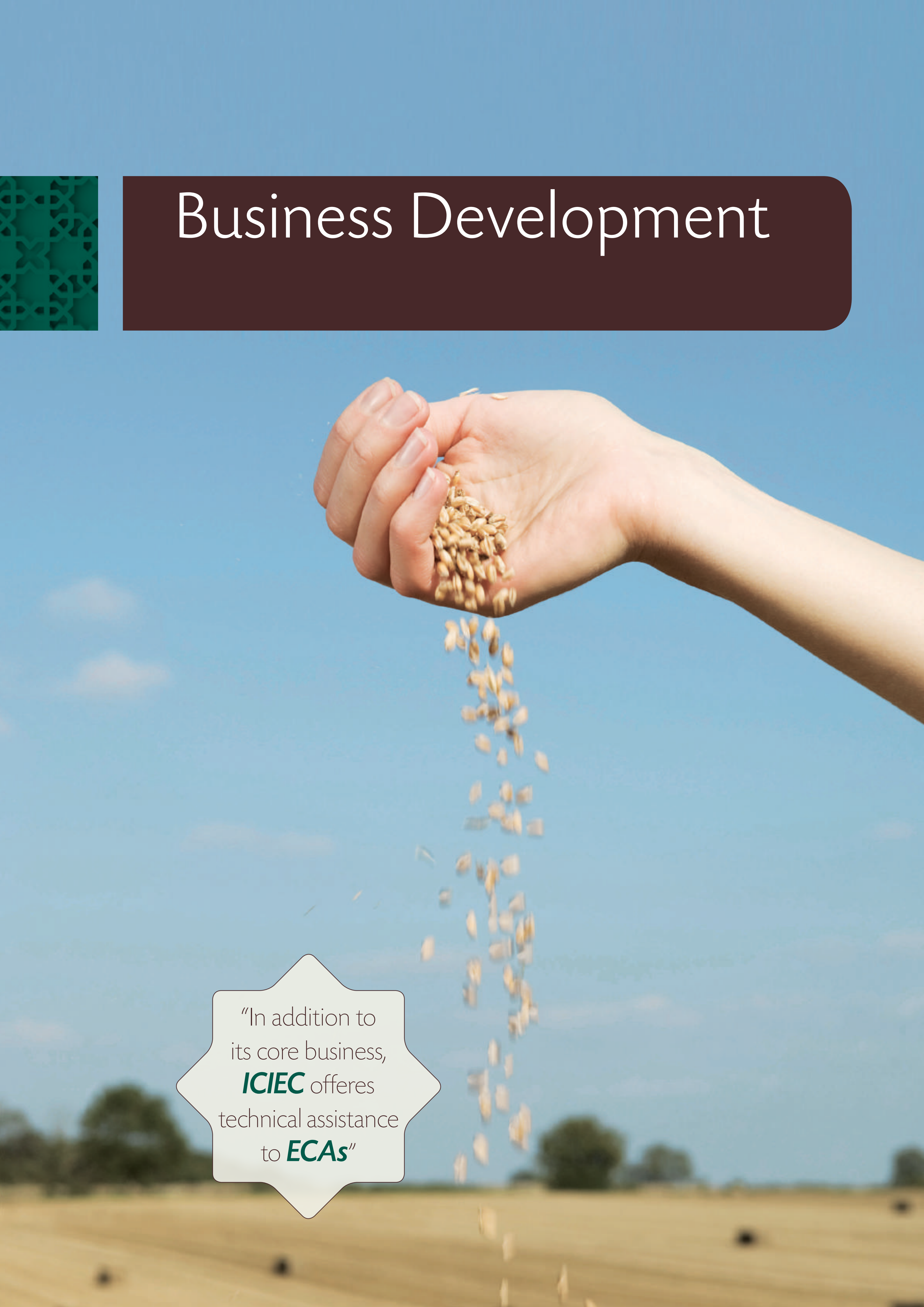
Various steps were taken to manage the situation, including:

Close Coordination with the Policyholders
ICIEC believes that the first line of defense against the risk of default lies with the policyholder. For this reason, it maintained close association with its policyholders to ensure that prompt measures are taken to settle over-dues. Policyholders were also informed that corrective actions, such as limit cancellations or reductions, would be taken where appropriate.

Enhancing Credit Information Sources
The need for timely, reliable and accurate information is more acute in times of crisis. Such information helps underwriters to take better decisions and minimizes the risk of default by the ultimate counterparty. The quality of credit information provided by various agencies was assessed and more resources were brought in, in addition to the on-line access provided by Coface and Atradius. ICIEC is also working on the development of its Early Warning System which will be consistent with the Islamic Development Bank (IDB) Group initiative and with the Corporation's unique business requirements.

Review of Buyers and Banks
The Corporation kept a close watch on the risk portfolio of buyers and banks by obtaining adequate credit information, thereby gaining a better insight into buyers' financial status. Underwriters worked hard to maintain a prudent underwriting approach while targeting a low loss ratio. The review of large limits was given high priority to countries in ICIEC portfolio that were facing economic distress. Special attention was accorded to the review and adjustment of buyer credit limits. Similarly, certain vulnerable sectors which faced recessionary pressures, such as textile, retail and construction, were reviewed on priority basis. As regards assessment of banks' limits, special attention was paid to banks' funding model, capitalization ratios, loans to deposits ratios and to off-balance sheet and contingent liabilities.

Business Development



"In addition to its core business, ***ICIEC*** offeres technical assistance to ***ECAs***"

The business development function is an integral part of the assorted business responsibilities of the Corporation. This function affects business objectives and targets in terms of customer satisfaction, loyalty, retention, repeat business and, hence, the financial stature of the Corporation. In view of these business and financial implications, the Corporation believes that there is a need to continuously find room to improve its Business Development Strategy.

Products, marketing, distribution channels, promotion and institutional relations have been the most crucial drivers of ICIEC business development function.

Products and Services

The product design and development strategy adopted by ICIEC is anchored mainly on the needs expressed by each category of customers in member countries. The Corporation is resolved to become customer-oriented in its product development approach, and client-centric in its services. The diagram on the opposite page outlines ICIEC products and services. It is the underlying focus of these products and services to be exhaustive in their coverage of the needs of most of the relevant economic players in the fields of exports and investments in the Corporation's member countries. In addition to those directly involved in its core business activities (exporters and investors), ICIEC is serving other important economic players such as financial institutions (banks) as well as the national and other multilateral export credit agencies (ECAs) covering member countries. In each case, the Corporation is offering a special range of products tailored to the specific nature of the risks inherent in the activities of each category of customers. Given the different interactivities of these categories of players, ICIEC services are considered as being in a truly dynamic shape that embraces the role of facilitator of trade and investment flows in member countries.

- In the bid to be more supportive of the economic development endeavours of its member countries, ICIEC in 1431H introduced a major flexibility in the eligibility criteria that govern its services. On this score, the Corporation will cover the import of capital goods and strategic commodities originating from non-member countries, insure exporters' domestic sales and offer 100% cover in case of sovereign or acceptable bank guarantees.

- The Corporation has responded to the need for protection of the assets of investors whose counterparties are sovereign state entities. In this regard, it launched in 1430H (and tweaked further in 1431H) a new product called Non-Honoring of Sovereign Financial Obligations (NHSO). This new product is intended for international investors and financiers to encourage them to execute their economic projects in member countries by providing them with cover against risks related to host country commitments.

- In response to the observations made by a number of banking institutions, the **Bank Master Policy** is being restructured to allow for a split into two separate products - Import Finance Policy and Export Finance Policy. Compared to the previous situation, the new product structure is expected to mitigate the credit-risk of financial institutions depending on the nature of their involvement in the trade or project finance transaction. According to the criteria for eligibility to ICIEC services, the Import Finance Policy will be financing Intra-OIC Trade transactions.

- ICIEC is considering offering bond products to contractors so as to satisfy the demand expressed by a number of customers engaged in overseas contracting businesses. This will support the contractors' businesses and facilitate project implementation in member countries.

Marketing and Sales Strategy

Target Business Mix

ICIEC remains focused mainly on diversifying its business portfolio in terms of insurance products, economic sector and geographical distribution.

Due to its characteristics as a driver of high volumes with low default ratio, ICIEC continues to consider short-term business as the key constituent of its underwriting portfolio. In addition, the diversification that short-term business provides serves the Corporation's endeavor to improve the quality of its portfolio, while sustaining its prime mandate as the Export Credit Agency of the Islamic world.

On the other hand, ICIEC adopts a very selective underwriting approach for medium-term and foreign investment insurance businesses, and accords strong priority to projects with high developmental impact. This has the advantage of enabling the Corporation to extend its support to reputable corporations and financial institutions around the world, particularly active in these categories of business.

Relationship with Financial Institutions

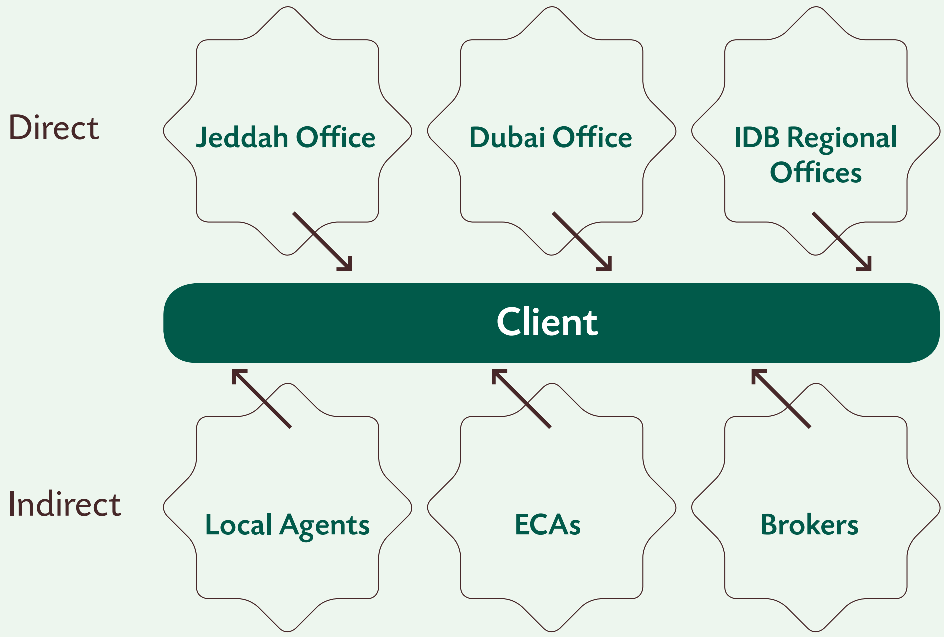
In 1431H, ICIEC gave special consideration to strategic development of the relationship with financial institutions. In this regard, it organized professional seminars and symposia in member countries, demonstrating the relevance of export credit insurance services as credit risk mitigation tools in line with Basel II solvency regulations.

During the year, several leading trade finance banks showed genuine interest in the Corporation's services. Five banks based in Bahrain, Turkey, UAE and Malaysia signed the DCIP. Some other leading financial institutions are in the process of extending internal credit limits to ICIEC.

IDB Group
As part of its strategy to build strong business relation with financial institutions, ICIEC accords special attention to private sector oriented entities and departments in IDB Group. Given that ICIEC risk mitigation services are embedded in the same trade or project finance deals contracted with ITFC, ICD or the PPP department in IDB, this will enable exporters and investors in member countries to be fully served by IDB Group as a "One-Stop Shop." ICIEC strong reinsurance relationships are instrumental in this regard, not only in terms of beefing-up the Corporation's capacity, but also in respecting the internal Group risk exposure ratios.

Distribution Channels

Despite ICIEC wide market coverage serving all member countries' markets and dealing in various jurisdictions, the Corporation exerts tremendous effort to enhance its outreach so as to provide its clients with the best service possible and approach potential customers wherever they are. The selection of appropriate distribution channels is instrumental in this regard.



Direct Distribution Channels

Jeddah Office
A team of highly competent multilingual Jeddah-based marketers with proven track record in selling, swiftly, financial products with high sophistication is available to cover more than 40 countries around the world. This multi-country approach – based on ICIEC international network and local-service quality – has already attracted numerous clients.

ICIEC Representative Office – Dubai
The ICIEC Representative Office in Dubai is expected to play the role of regional business development center for the Corporation. It is meant to be especially instrumental in sourcing medium-term and foreign investment businesses. The Office, which has been registered with the Dubai International Financial

Center (DIFC), will be able to interact with investors and financial institutions looking for insurance services. To attain maximum self-sufficiency for the benefit of its customers, the Representative Office would be sufficiently empowered to address all operational matters at its end, in full coordination with the Corporation's Head Office in Jeddah.

IDB Group Regional Offices

IDB has 4 regional offices that act as remote centers of excellence for its regional vicinity, providing ease of reach to stakeholders in all the member countries that are hardly reachable from Jeddah.

The following chart illustrates their locations and area of coverage:

Indirect Distribution Channels

Local Agents

ICIEC works closely with its local agents in several member countries to achieve sustainable and steady growth despite its limited geographical representation. The Corporation encourages and assists the local agents in marketing DCIP and FII products, enhancing the rates of utilization by existing customers and introducing new quality customers to ICIEC.

National Export Credit Agencies

ICIEC has entered into strategic liaison with the national Export Credit Agencies (ECAs) of its member countries.

It acts to complement ECAs products offer with its unique credit and investment insurance products, thereby giving exporters and investors from member countries the opportunity to benefit from the use of the Corporation's services that are not provided directly by their local ECAs.

At the same time, ICIEC provides ECAs with the option of reinsuring businesses with the Corporation, thus addressing their capacity constraints and allowing them to insure more businesses than they would be able to manage on their own.

Brokers

Brokers have proved to be an excellent channel especially for medium-term insurance business. They are efficient in arranging not only credit insurance services, but also all other types of insurance products like foreign investment and bank products. To enhance awareness of ICIEC capabilities and competitive advantage in comparison to other players in the market, the Corporation is set to build strong relationships with several reputable brokers in both member and non-member countries.

Promotion

Conferences, Forums, and Promotional Seminars

In most of its forty member countries, that it has been covering to date, ICIEC still feels the need to develop and sometimes to build awareness of Export Credit and Political Risk Insurance almost from the scratch. Moreover, in countries that are already active in this business, there is always a need for ICIEC to promote its products and services in different market segments. To these ends, the Corporation seeks to seize every available opportunity for significant participation in, if not active contribution to, conferences, forums and promotional seminars in its member countries dealing with Export Credit and Political Risk Insurance matters or Risk Management issues on behalf of financial institutions.

During the year, ICIEC organized, contributed to, participated in and sponsored a number of events in coordination with OIC Organizations (COMCEC), business partners (Berne Union, Prague Club, Aman Union, ECAs and Ex-Im Banks) and IDB Group sister entities (ITFC, ICD) in various countries across the world.

Publications

ICIEC published press releases on the achievements of its key activities and operations. It also published four editions of its quarterly newsletter during the year, the aim being to keep customers, shareholders and other stakeholders fully updated on its activities and performance.

Dr. Ahmad Mohamed Ali ICIEC's BOD Chairman discusses with H.H Sheikh Hamdan bin Rashid Al-Maktoum Deputy Ruler of Dubai, Minister of Finance, IDB Governor for the UAE – 24 May 2010

ICIEC Inaugurates Representative Office in DIFC

Under the patronage of His Highness Sheikh Hamdan bin Rashid Al Maktoum , Deputy Ruler of Dubai, Minister of Finance and IDB Governor for the United Arab Emirates ICIEC inaugurated its representative office in Dubai International Financial Centre (DIFC) in 1431H. The inauguration ceremony was attended by Dr. Ahmad Mohamed Ali, President of the IDB Group and the Chairman of the Board of Directors (BOD) of ICIEC, H.E. Ahmed Humaid Al Tayer Governor of DIFC, H.E Younis Haji Al Khoori, Director General, Ministry of Finance, Dr. Abdel Rahman El-Tayeb Taha, the CEO of ICIEC; and a large number of senior government officials, banks, and corporates from the UAE.

Industry Relationship

Aman Union

Under the leadership of ICIEC and the Arab Investment & Export Credit Guarantee Corporation, Dhaman, Arab and Islamic export credit insurance agencies (ECAs) succeeded in establishing a professional association named Aman Union.

Launched on 28 October 2009 in Beirut, Lebanon, at a conference organized jointly by ICIEC and Dhaman in cooperation with the Lebanese Credit Insurer (LCI), the Aman Union is the first ever organization to bring investment and export credit agencies in the Arab and Islamic world under one umbrella. Its aims are to enhance cooperation among Arab and Islamic export credit institutions and encourage the development of investment and export credit insurance industry in its member countries. Aman Union will also offer technical assistance towards the establishment of new agencies and enhance the insurance capacity of existing ones.

Aman Union currently has 23 members comprising the 16 founding members and 7 new members admitted to the Union at its First Annual General Assembly held in Tunis in November 2010.

In 2010, Aman Union Secretariat General launched its official website **(www.amanunion.net)**. Furthermore, it is currently working on an ongoing project to establish a common database. The next General Assembly will take place in Turkey in 2011 to be hosted by Turk Exim Bank.

Business Development with National ECAs

ICIEC upscaled its cooperation with export credit insurance agencies (ECAs) in member countries, in terms of promotional activities and business relationship. In this regard, the Corporation in 1431H partnered with a number of regional and national ECAs, including Dhaman (former IAIGC) of Arab countries, CAGEX – Algeria, and SMAEX – Morocco, to mount special promotional programs for exporters, banks and investors.

In terms of Business Development during the year under review, ICIEC boosted its technical assistance to Sheikan and NAIFE in Sudan, through the reinsurance of Sudanese livestock exports to Saudi Arabia. These exports saw significant increase in volume, representing an important achievement for these ECAs. In addition, ICIEC provid both ECAs with online portal access to its IMS and started selling credit reports to them on buyer/counterparties.

ICIEC's Dubai Representative Office will be a full-fledged provider of ICIEC's Shariah Compliant Export Credit & Political Risk Insurance products to banks and corporates operating in Dubai and neighboring countries. The DIFC, being the premier international financial centre in the region, provides an excellent base for ICIEC to be close to its clients, and craft better solutions for their needs. In addition, the DIFC has a developed infrastructure and sophisticated regulatory framework that will definitely support ICIEC's efforts to expand its business both in UAE and in neighboring countries.

In Tunisia, ICIEC succeeded in enhancing its already high level of cooperation with COTUNACE through joint marketing of the Corporation's products in Tunisia and promotion of Tunisian exports.

In Oman, ICIEC signed three agreements with the national ECGA (ECA of Oman), namely: a Cooperation Agreement actualized by an MoU, a Debt Collection Agreement and a Reinsurance Facility Agreement (RFA). All these agreements will help to boost Omani exports and support ECGA endeavours.

Central Banks

Export Credit Insurance (ECI) & Political Risk Insurance (PRI) are widely accepted risk mitigation instruments in the developed world. However, emerging markets are yet to realize the added value of such products and services. Given the need to support cross-border trade and investment flows as part of IDB Group developmental mandate, ICIEC management realizes the importance of liaising with central and commercial banks for creation of awareness of the benefits of ECI & PRI. Moreover, the central banks of ICIEC member countries need to acknowledge the said benefits for the banking industry, and accordingly incorporate them in their Basel II (now Basel III) regulatory roll out programs. In this regard, it is needful to pursue ICIEC initiative to enhance banks' (central and commercial) awareness of the benefits of ECI and PRI in light of Basel II framework. ICIEC believes that given its multilateral status, high independent credit rating, preferred creditor status, shareholding structure, international alliances and reinsurance support, sound capitalization and prudent risk management regime, policyholder banks should be able to apply zero risk weight on their risk exposure with the Corporation.

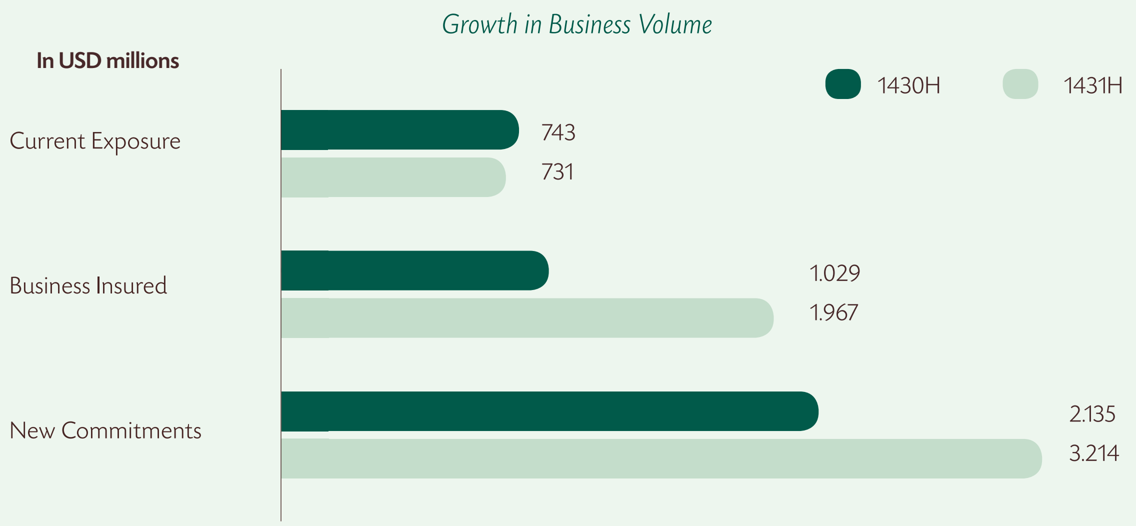
ICIEC has initiated dialogue with central banks in Saudi Arabia, Bahrain and Lebanon, in the first phase. It has arranged technical seminars for banks in Saudi Arabia, Lebanon and Bahrain to showcase how credit insurance can be used as a risk mitigation mechanism in line with Basel II regulations. IFSB and more central banks in member countries would be approached in the next phase to advocate the use of ECI and PRI as well as the favorable treatment of ICIEC comprehensive insurance coverage.

H.E Rasheed M. Al-Maraj, governor of Central Bank of Bahrain, left, receives a commemorative plaque from Dr. Abdel-Rahman El-Tayeb Taha, CEO of ICIEC

Insurance Operations

"The Corporation witnessed another successful year of operations' ***growth***.
A growth of ***91%*** in business insured resulted in a healthy ***increase*** of ***30%*** in premium and fees income during ***1431H***"

Summary Results



With the weakening of economic conditions since the onset of the global financial crisis, exporters looked to export credit insurance to mitigate the increasing risks of selling their products overseas. This is reflected in the significant recovery in ICIEC volume of business insured in 1431H, which increased by more than 90% in relation to the previous year, approaching the US$ 2 billion level for the first time since the inception of the Corporation.

The huge rise of business insured resulted in a significant jump in the premium and fees invoiced for 1431H, representing an increase of 30%.

Despite the prevailing increase in buyers' insolvency all over the world, ICIEC has managed to reduce by 100% the amounts of claims paid in 1431H, thanks to the prudent underwriting approach that was adopted in reaction to the financial crisis in 1430H.

ICIEC supports high-tech exports from Malaysia

In 1431H, the Corporation issued a policy covering exports of state-of-the-art internet & telecom equipment from Malaysia to Bahrain. The exporter is a multinational corporation with a large manufacturing operation in Malaysia. The buyer is a start-up internet services provider in Bahrain, which offers high-speed internet, voice, and data services to its customers in Bahrain. The buyer will use the equipment to further enhance the reach of its internet services network.

The buyer is owned by a Middle East based business house, who required Shariah compliant supplier financing for the transaction. ICIEC's insurance cover was crucial in this transaction, since the Corporation is the only multilateral institution in the world, which provides Shariah-compliant export credit insurance cover.

Technical Results

In USD millions

	1430H	1431H	Change%
Premium and Fees	12.50	16.28	30%
Claims Paid	1.60	NIL	-100%
Claims Recovered	1.91	0.02	-99%
Reinsurance Cession	(5.06)	(5.66)	12%
Administrative Expenses	(7.49)	(8.63)	15%
Technical Result	0.26	2.01	682%

New Insurance Commitments

Insurance commitment or contingent liability in the credit and political risk insurance business refers to the firm obligation of an insurer to insure a transaction according to specified terms, conditions and purposes, in favor of its policyholders and in relation to a specific importer.

1431H was a record year for new insurance commitments which peaked at US$ 3.2 billion for the first time, that is, an increase of 51% compared to last year. This performance demonstrates the growing demand for credit insurance from our member countries and by foreign investors.

A paradigm shift in demand for Foreign Investment Insurance business from member countries occurred in 1431H, a business which accounted for over 52% of new commitments in 1431H (compared to 41% last year). This development points to a growing awareness of the importance of political risk insurance as a tool for investments promotion in member countries, and underscores ICIEC unique character both as an insurer and as investment promoter.

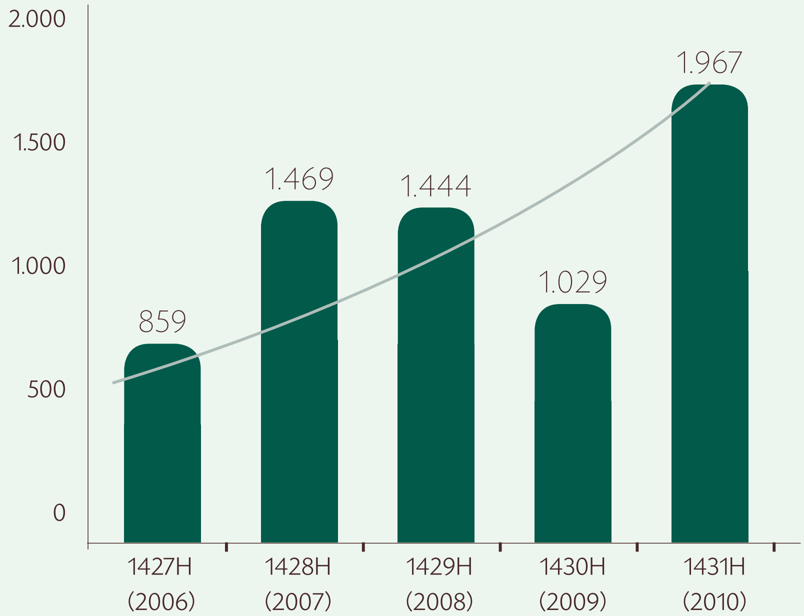
The transaction involves a credit period of 4 years with semi-annual installments taking place over three years after a grace period of one year. ICIEC's cover protects the exporter from the non-payment risk of the buyer.

This is ICIEC's second transaction in the Information and Communication Technology (ICT) field, and the Corporation will continue to focus on this sector, which is crucial for the development of its member countries.

Business Insured

The positive growth in real GDP in all the member countries in 1431H stimulated demand for export credit and investment insurance products, thus necessitating a reactive move by ICIEC to stretch its capabilities in order to meet the emergent demand.

Business Insured (USD mn)



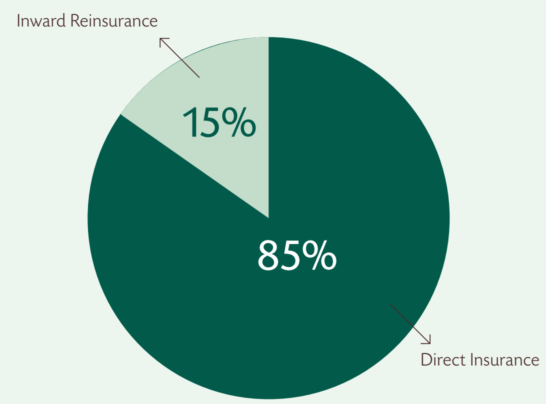
For the past seven years, the business insured by ICIEC has been continuously growing at an annual rate of 34%, attaining its highest level in 1431H at US$ 1.96 billion. Eighty-five per cent of this figure resulted from the Corporation's direct insurance offer to the market, while only 15% was generated through Inward Reinsurance.

Cristal- A global leader in the titanium dioxide (TiO2) business

Cristal Global is a Saudi Limited Company established in Jeddah in 1989, owned by Saudi and GCC nationals. It is the second largest Titanium Dioxide producer in the world, the largest producer of merchant titanium chemicals, and the leading manufacturer of specialty titanium products. It provides numerous products and services for a variety of industries around the world.

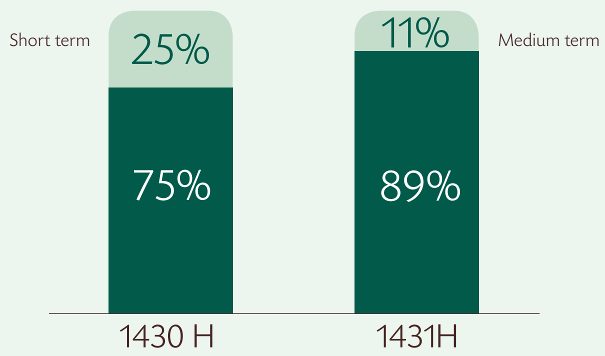
Cristal Global now directs the operations of eight TiO2 manufacturing plants on five continents, with locations in Ashtabula, Ohio; Baltimore, Maryland; Salvador, Bahia; Stallingborough, UK; Thann, France; Yanbu, Saudi Arabia; Bunbury, Australia; and a mine site in Paraiba, Brazil.

Business Insured 1431H



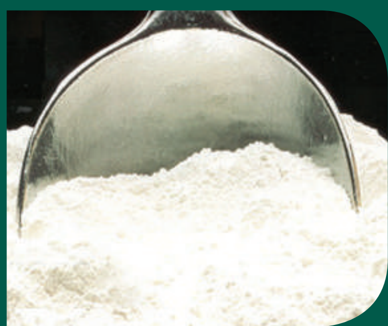
Inward Reinsurance has been one of ICIEC core products in the past few years on account of its relevance to ICIEC mandate of supporting member countries and their ECAs via capacity enhancement. Furthermore, through this product, ICIEC shares risk and participates in the transactions with private and public insurers from non-member countries who insure investments channeled to member countries.

Business Insured by Class of Business: 1430-1431H



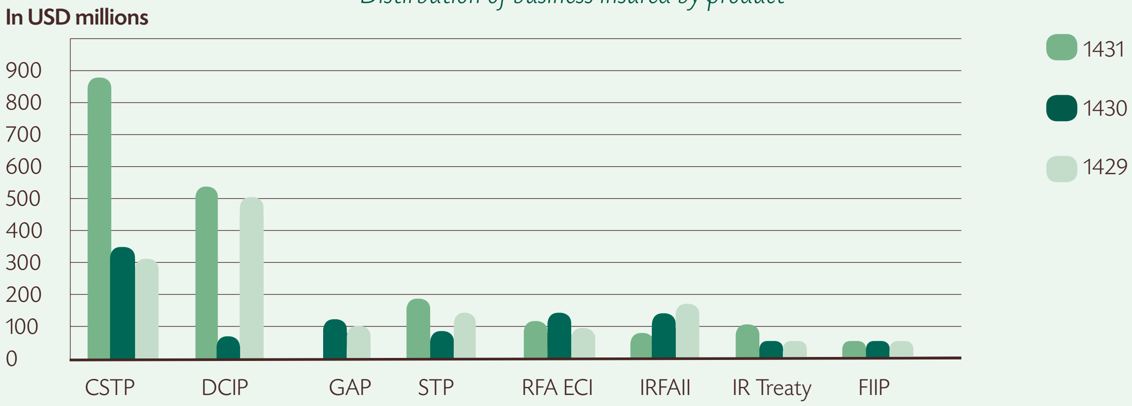
As in previous years, short-term operations continued to claim the bulk of the business with 89% share; whilst the remaining portion was attributable to medium-term and investment insurance operations, which are in line with the industry model (ST Business constitutes 82% of Berne Union new business for 2009).

Cristal is one of the major clients of ICIEC. The relationship between ICIEC, as a credit insurance provider and Cristal Global as one of the major Saudi exporting companies, started in July 2008 through ICIEC's Comprehensive Short Term Insurance Policy. ICIEC is committed to cover over USD 100 million worth of Cristal exports to over 200 buyers located across the world.



The diagram below showcases ICIEC business insured distribution by product in the past three years:

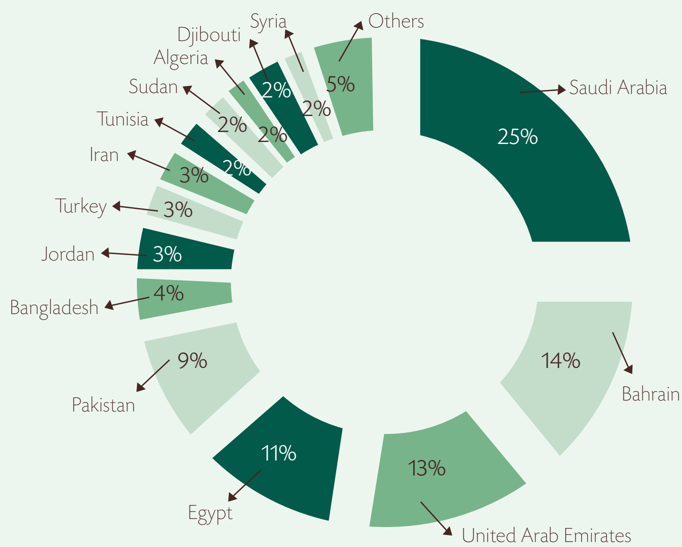
Distirbution of business insured by product



ICIEC Comprehensive Short Term Policy (CSTP) which covers consumable goods on a whole-turnover basis, witnessed a significant rise in usage by policyholders in 1431H, attaining 45% of total business insured for the period. This is followed by the Documentary Credit Insurance Policy (DCIP) - a product exclusively developed to cover the risk of unconfirmed Letters of Credit (LC) – which saw a significant increase in its share of business from 7% in 1430H to 27% of total business insured in 1431H. This performance signaled a growing identification by banks in the region of the unique utility of DCIP in the management of their off-balance sheet risks.

The Specific Transaction Policy (STP), which covers specific transactions relating to medium-term business, saw its share of total business insured rise from 9% in 1430H to 10% in 1431H, thanks to the improvement recorded in the structured trade finance deal flow in the region after some stagnation post the financial crisis.

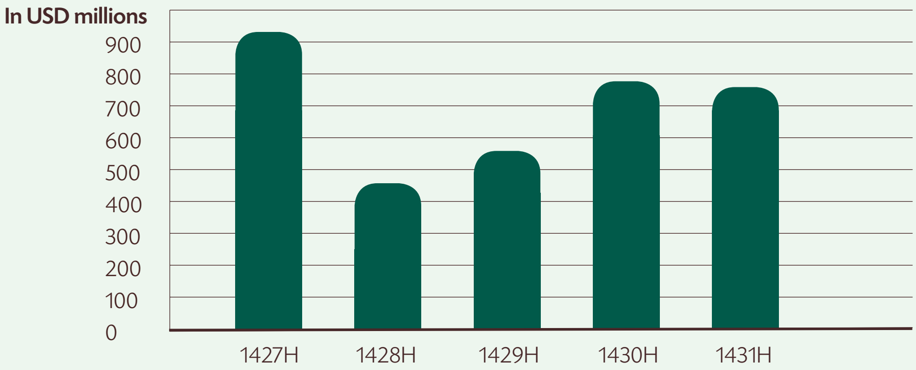
Business Insured 1431H
(member country distribution)



The pie chart above shows how ICIEC member countries benefitted from its services. Business insured for a country includes exports from the country and imports by buyers located in the country, as well as investments from and to the country. Saudi Arabia remains the top country which benefitted from ICIEC services with 25%, closely followed by Bahrain with 14%, UAE with 13%, Egypt with 11% and Pakistan with 9%.

Exposure

Business Insured by member country distribution (1431)

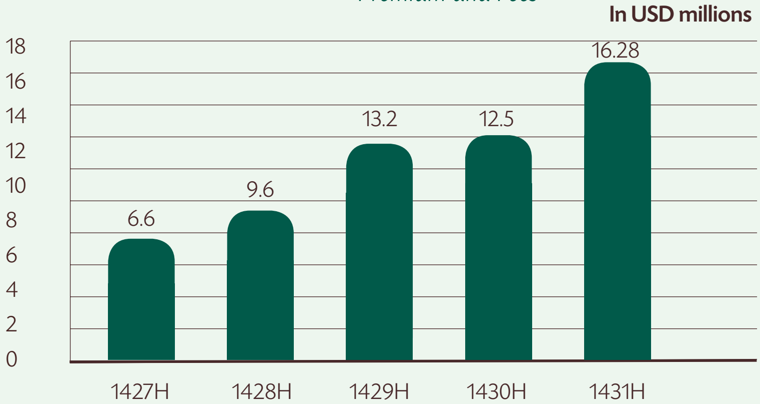


Exposure at any given time is an important indicator for ICEIC risk portfolio. ICIEC exposure, composed primarily of outstanding commitments, arrears and outstanding claims, stood at US$ 731 million in 1431H, a slight decline of 1.6% in relation to the preceding fiscal year, 1430H.

ICIEC exposure was maintained at almost the same level as last year's despite the upsurge of business insured. This is attributed to the increasing proportion of short-term business in the Corporation's total insured business for 1431H. Given the short-term nature of its transactions, this increase did not add much to the Corporation's exposure.

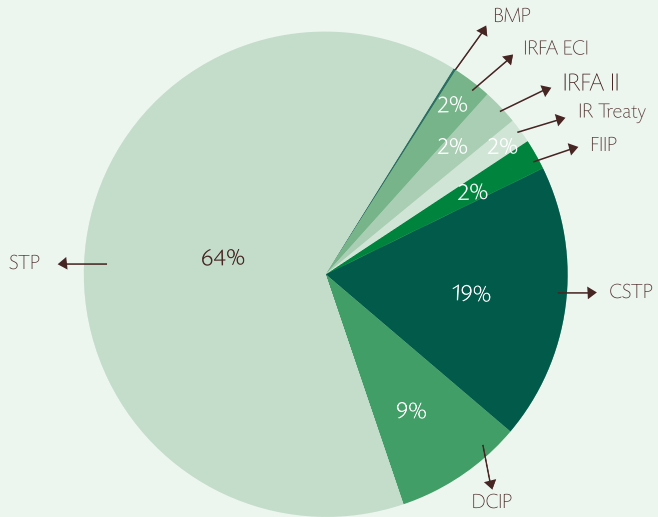
Premium and Fee Income

Premium and Fees



Premium and fee income stood at US$ 16.28 million, registering a healthy increase of 30% over the previous year, 66% of which was contributed by ICIEC medium and long-term business.

Premium Distribution by Product 1431H



The Single Transaction Policy (STP) accounted for 64% of the premium generated in 1431H. STP was the main policy used to cover medium-term project finance business, and this explains its substantial contribution.

The Comprehensive Short-Term Policy (CSTP) comes next with 19% of the total premium generated in 1431H, followed by DCIP which contributed 9%.

Claims and Recovery

Claims

The Corporation did not pay any claims in 1431H. As indicated in the following figure, the gap between the growth in premium and claims paid has been widening since 1427H, reaching its largest level in 1431H. This is a pointer to ICIEC success in maintaining a balanced risk portfolio and its ability to adapt quickly to changing economic conditions.

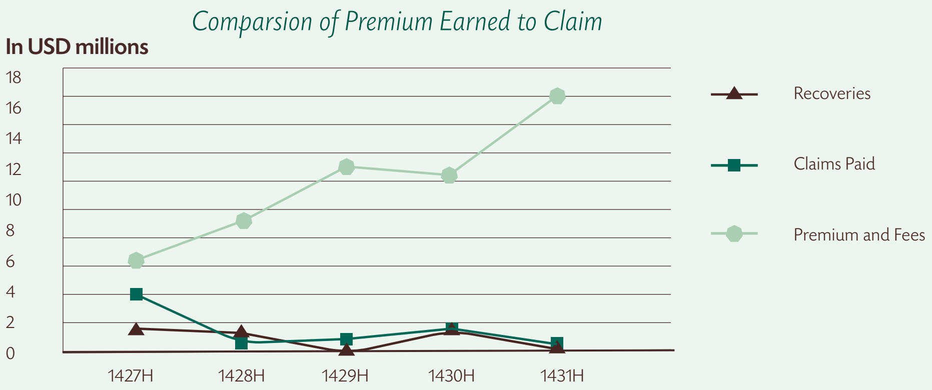
Recoveries

ICIEC recoveries received in 1431H amounted to US$ 20,000, bringing the sum of the cumulative claims recovered since its inception to US$12.11 million, and representing a cumulative recovery ratio of 51% of the total claims paid by ICIEC since its inception.

The Al Dar Al Arabia Project in Algeria

During 1431H, ICIEC provided a political risk insurance policy to Hikma, a leading pharmaceutical company in the MENA region. Hikma – through its wholly owned subsidiary, Arab Pharmaceutical Manufacturing (APM)– acquired the remaining 50% of the shares of Dar Al Arabia in Algeria for a consideration of US$18.5 million. But the overall project is estimated to total US$45 million, US$20 million of which was covered by ICIEC against the risks of Transfer Restrictions, Expropriation and War and Civil Disturbance for a tenor of five years.

Al Dar Al Arabia was established in 2005 as a joint venture between Arab Pharmaceutical Manufacturing Company (APM), which was later bought out

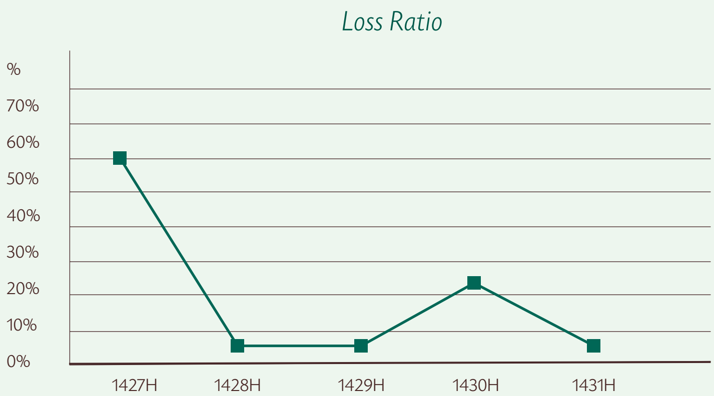


At present, the Corporation has six cases before courts in member countries, totaling US$ 9 million. Two of these cases have already received positive final judgments while the rest are in their final stages.

Loss Ratio

Amid the surge of insolvencies that swept across the entire credit insurance industry during the past two years, ICIEC managed to achieve its lowest loss ratio in years, at 0%.

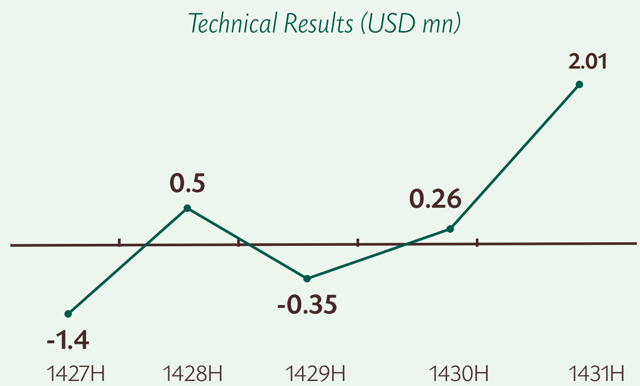
Despite the substantial increase in the volume of business, ICIEC was able to beat the industry's average loss ratio for the past four consecutive years - the result of the Corporation's sustained effort to improve its underwriting techniques and adaptive risk management strategy.



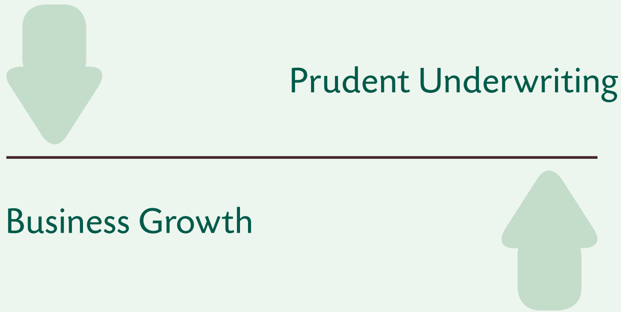
by Hikma, and Dar Al Dawa, another Jordanian pharmaceutical company. Dar Al Arabia owns a 6,000 m^2 manufacturing facility that has recently been constructed to the highest international standards and approximately 21,000 m^2 of land in the Sidi Abdalla industrial zone in Algiers. Once operational, Al Dar Al Arabia plant will double Hikma's manufacturing capacity in Algeria and will provide significant scope for further expansion.

Al Dar Al Arabia will manufacture exclusively penicillin, which by nature requires a separate facility and cannot be produced alongside other drugs.

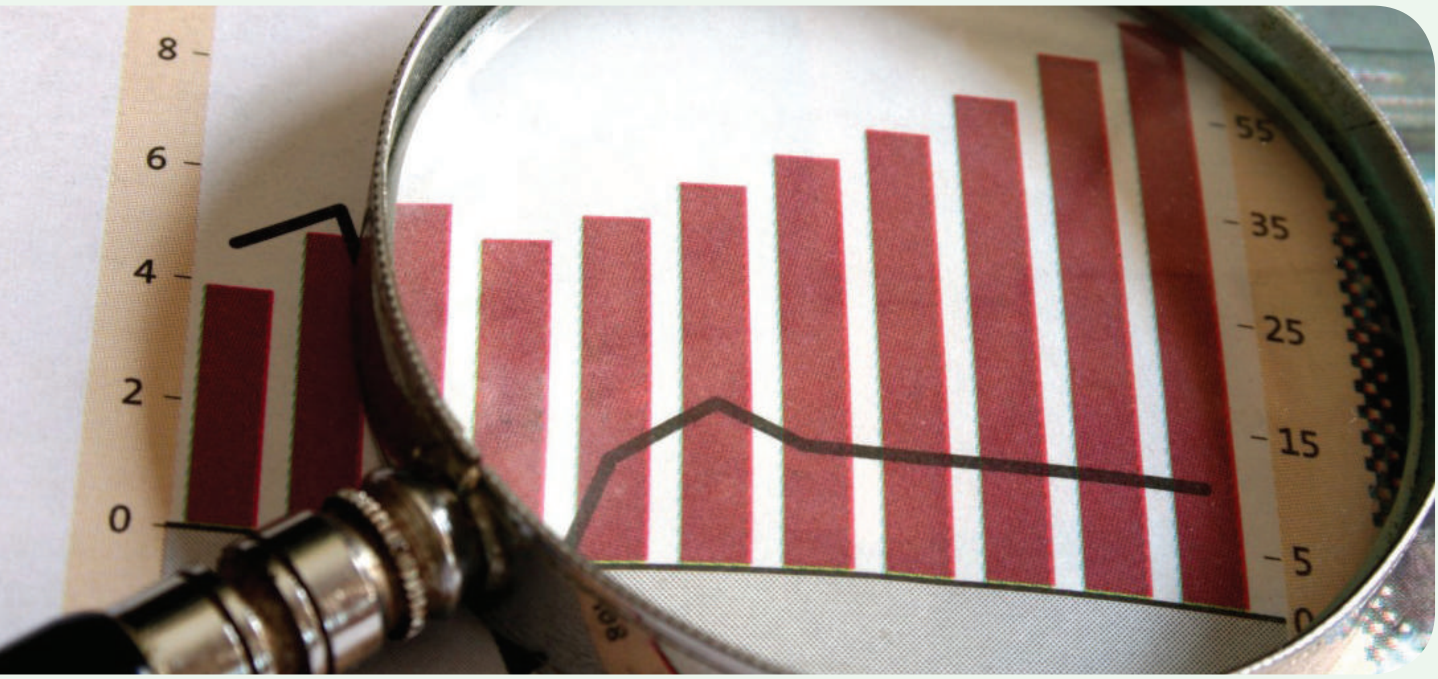
Technical Results



ICIEC managed to achieve a dramatic shift in its technical results during the five years indicated in the above graph, moving from technical deficit as high as US$ 1.4 million in 1427H to technical surplus of US$ 0.26 million and US$ 2.01 million, respectively, in two of the most challenging years.



This achievement reflects the success of the Corporation's multi-line strategy of maximizing its business growth potential, while maintaining a prudent underwriting approach.



The IDB Group Investment Promotion Technical Assistance Programme

ITAP

"***Promoting promising investment opportunities*** which would encourage FDI flows into member countries"

Background

IDB Group Investment Promotion Technical Assistance Programme (ITAP) was launched in 2005. It is managed by ICIEC and funded by IDB, ICD and ICIEC, as well as by contributions from a number of multilateral organizations and member countries. The main objectives of ITAP are to assist member countries in improving their investment climate, and in identifying and promoting promising investment opportunities likely to encourage FDI flows into these countries. The types of technical assistance provided by the Programme include: needs assessment studies and sector studies; capacity building for Investment Promotion Agencies (IPAs) and relevant government institutions; identification of investment opportunities; and country promotion events, including seminars and conferences.

ITAP has established partnerships with 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 Economic Policy Research Foundation of Turkey (TEPAV), the Union of Chambers and Commodity Exchange of Turkey (TOBB), the Arab Bank for 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 transfer of know-how from its partner institutions as well as from member countries which have excelled in the arena of investment promotion.

Dr. Abdek Rahman Taha, ICIEC's CEO signs the MOU with the Petko Draganov, Dupety Secretary-General of UNCTAD, 25 June 2010

Capacity Building Activities 1431H

Familiarization Programs for Iraqi Investment Commissions

ITAP, in cooperation with the Jordan Investment Board (JIB), organized a familiarization program for 6 senior staff members from Al Anbar Investment Commission of Iraq. The program was hosted by JIB in March - April, 2010. Following the success achieved by the first program, ITAP conducted a similar familiarization program for 13 officials from Nineveh, Salahuddin and Al Anbar Investment Promotion Commissions of Iraq in Amman, Jordan, in June - July, 2010

Capacity Building Program for French speaking Member Countries

ITAP and UNCTAD organized their third capacity building program for officials of investment promotion agencies in IDB member countries in Morocco in April, 2010. The theme of the Program was "Investment Promotion: Strategy, Protection and Aftercare." It was attended by 30 participants from 15 member countries..

Capacity Building Program for Investment Promotion Agencies (IPAs) in Member Countries

ITAP, the Economic Policy Research Foundation of Turkey (TEPAV), the Union of Chambers and Commodity Exchange of Turkey (TOBB) and the World Bank Group organized a capacity building program for IPA officials in IDB member countries. The theme of the Program was: "Attracting and Retaining Investments: The Role of Investment Climate and Incentives." The Program which took place in Istanbul, Turkey in September, 2010, was attended by twenty-five specialists from 24 member countries.

Capacity Building Program on Public-Private Partnership

This was the 5th annual ITAP capacity building program for Investment Promotion officials of IDB member countries, organized in collaboration with the Malaysian Industrial Development Authority (MIDA), in Kuala Lumpur, Malaysia in November, 2010. In attendance were 32 participants from 27 member countries. Additionally, MIDA had extended invitations to Malaysian businessmen to participate in the event and several meetings were held between these businessmen and the participants representing different member countries.

Country Programs

Sudan	ITAP technical assistance to the Ministry of Investment is designed to strengthen the Ministry in all aspects of investment promotion and in particular to transform it into a pro-active investment promotion agency. As a result of ITAP/UNIDO Program, a new organizational structure, which now includes a Domestic Investment Promotion Unit, has been approved by the Ministry. Thanks to this project, four priority sectors were identified, namely: Marble/Stone, Leather, Solar energy and Agro-Industry. Project profiles in the Marble/Stone sector have been completed and submitted to the Ministry. Additionally, the survey for the Leather sector has also been completed and a study of the opportunities offered by the sector will be prepared in due course. Moreover, a COMFAR III training workshop for the private and financial sectors was completed in November 2010.
Uganda	ITAP Uganda Project commenced its activities in February, 2008. With this, the initiation of the preliminary assessment and sector analysis study was contracted to a local consultant. An activity plan was prepared by UNIDO Bahrain and ITAP, and endorsed by Ugandan Investment Authority (UIA). Project profiles have been prepared, and translation into Arabic is underway. A Technical Advisor/Project Coordinator for the project was recruited to review the project profiles, prepare the capacity building programs, manage the consultants for investor perception survey and prepare the investment forum which will mark the completion of the Program.
Syria	ITAP provided a training course on "Planning and Organization of Conferences" for 25 staff members of the Syrian Investment Agency (SIA) and another training course on "Customer Care" for 25 staff members, mainly the One-Stop-Shop staff, of the same agency. A consultancy agreement has been signed with a Syrian consultancy firm for the preparation of 100 project profiles on investment opportunities in Syria.

Institutional Development

"An ***Aa3*** rating from ***Moody's*** is indicative of the level of confidence placed in ***ICIEC's*** risk managment environment"

Human Resources Management

The Corporation recognizes that the quality of human resources is the most crucial factor impacting its efficiency and, ultimately, its ability to achieve its objectives. Therefore, it invests sustained effort for the recruitment of highly competent staff and in providing them with the best possible training facilities in a supportive and professional work environment. At the same time, ICIEC expects to benefit from the introduction of the SAP-based IT system to improve the efficiency of its personnel and services management.

Risk Management

ICIEC is mindful of the importance of risk management for its long-term sustainability; and so attempts are being made to strengthen the risk management regime in the Corporation. Pursuant to this effort and in line with IDB Group risk management initiatives, a comprehensive review of an in-house risk management system is underway. It is noteworthy that ICIEC current Risk Management Framework provides guidelines on management of the technical, investment and operational risks faced by the Corporation. However, a more detailed risk management action plan is to be prepared and implemented. The Corporation has already established a Risk Management Department (ICIEC-RMD) which will gradually implement its terms of reference by setting risk management standards, as well as by monitoring and controlling their application. It will also streamline risk reporting to Management, IDB Group and the BOD.

Moody's Confirms Aa3 Rating of ICIEC

In October 2010, Moody's Investors Service, one of the leading rating agencies in the world, re-confirmed for the second time the Aa3 insurance financial strength rating (IFSR) which was assigned to ICIEC for the first time in April 2008, and confirmed in 2009. Moody's noted that ICIEC's rating reflects both the stand-alone fundamentals as well as potential support from its shareholders/ IDB Group member countries. Thus, despite the absence of explicit guarantees, in the context of its key role as facilitator of trade among Islamic countries, ICIEC's rating reflects the strong ability and potential high willingness of its main shareholders.

Furthermore, Moody's noted that the rating reflects ICIEC's legal structure and business nature, as it is the only multilateral export credit and investment insurance corporation in the world that provides Shariah-compatible insurance and reinsurance products, as well as its enhanced regional knowledge based on its experience of operating in the region. Moody's also noted that as a member of the IDB Group, ICIEC benefits from various managerial synergies and support.

Moody's

Credit Rating

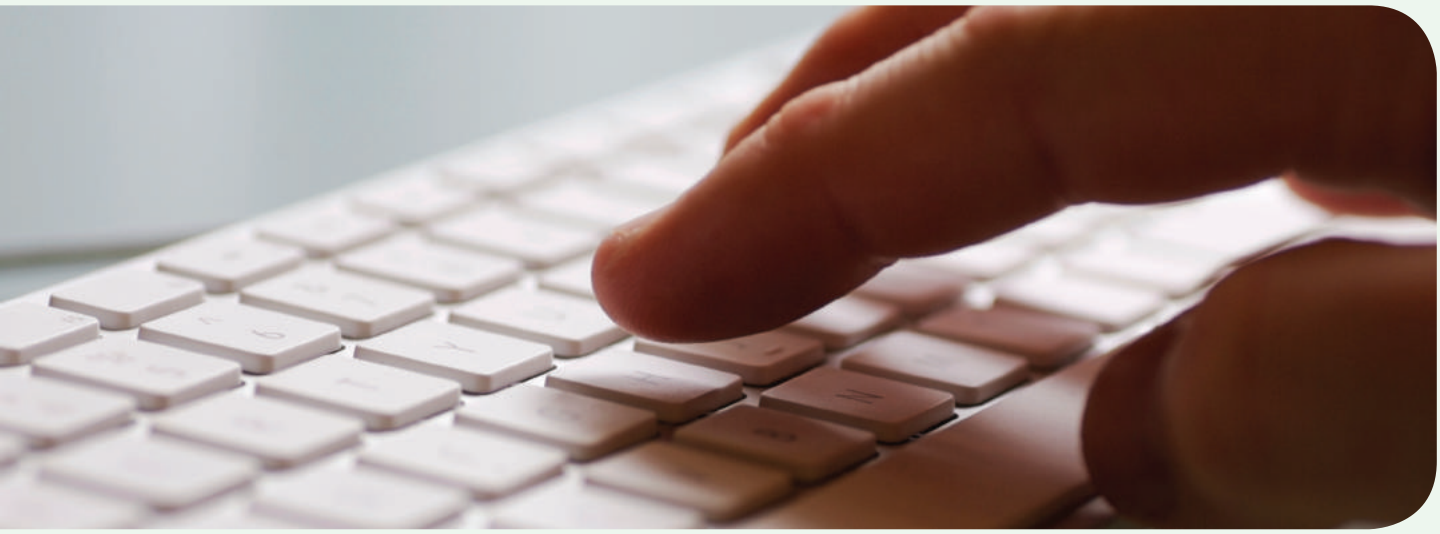
"ICIEC maintained an IFSR of Aa3 for 2010 notwithstanding the impact of the financial crisis. This rating places ICIEC at par with major insurers of credit and political risk in the global arena, hence consolidating the Corporation's strategies and initiatives since its inception."

Whereas the global financial crisis challenged the credit ratings of most financial institutions, credit insurance institutions in particular were severely affected. However, ICIEC was able to maintain its high quality credit rating, reflecting both the stand-alone fundamentals and potential support from its shareholders, IDB Group and member countries. With a strong international network of alliances with leading companies in the industry, in addition to low market penetration of credit insurance in its member countries, Moody's expects ICIEC growth to be a strengthening feature in its rating. The Corporation believes the recent trends in its business growth and its positive impact on its member countries' development will be supported by adequate capital increase by its member countries.

Integrated Insurance Management System (IMS)

The Export Credit and Political Risk Operations Modules of the IMS were completed during the current year, and fully deployed to users, some additional modules like Risk Management are currently being developed. As a whole, 75% of the IMS project has been completed to date, allowing ICIEC clients to partially manage their policies online. The remaining part of the portal is expected to be completed during 1432H.

A Simplification Project was initiated by the IT Unit with the objective of making the system more user-friendly and role specific. A change in the look and feel of the screens is also a key objective. Those who have not been using the system will be provided with access to the modules as per their requirements.



Investment Operations

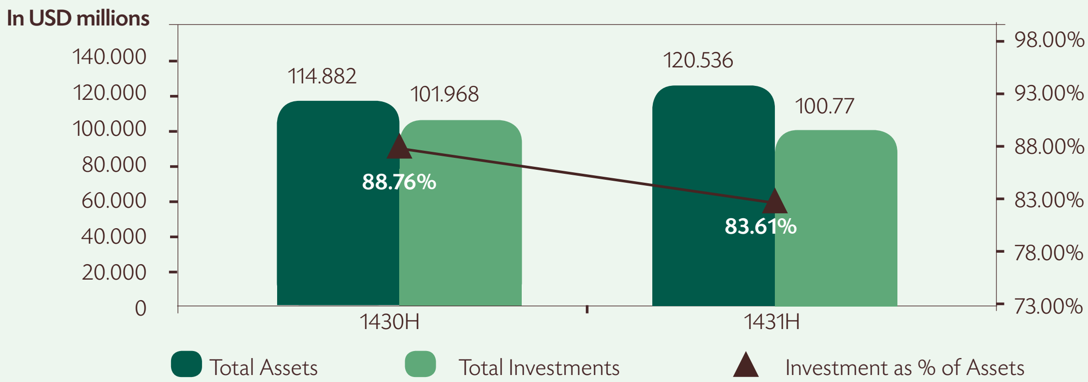
"ICIEC was able to ***exceed*** its income benchmark for the year by ***56 bps***"

Investment Portfolio

In fiscal year 1431H, ICIEC financial performance in terms of assets and investments growth remained moderately steady. In ID terms, total assets grew by 4.92%, while total investments declined by 1.2% in relation to the previous year. The decline in total investments is attributable to a greater increase in cash balances, as a large number of transactions reached their maturity prior to the balance sheet date. This is further evidenced by the fact that ICIEC investments accounted for only 83.61% of total assets compared to the level attained the previous year (88.7%).

The chart hereunder outlines the growth in the Corporation's assets and investments:

ICIEC Asset and Investments: 1430H-1431H



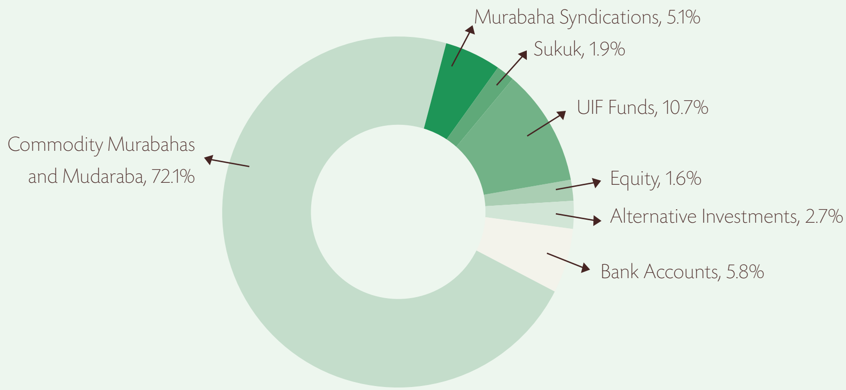
The following table presents a summary of ICIEC assets, investments and investment income in the past five-year period. As could be seen from the table, assets and investments recorded consistent growth during the period under review. However, the investments decline in 1431H arose from the fact that the investment offers ready for disbursement were yet to come into effect, thus obliging the Corporation to hold large amounts of surplus cash. Investment income had declined during the previous two years as a direct consequence of the global financial crisis. However, with the financial markets showing signs of recovery, and the Corporation applying a more proactive approach to in-house investments, ICIEC was able to exceed its income benchmark for the year by 56 bps.

Summary	1427H	1428H	1429H	1430H	1431H
Exchange Rate ID-USD	1.49	1.58	1.54	1.57	1.54
		All Figures in ID'Million			
Total Assets	99.38	103.82	108.43	114.18	120.535
Total Investments	94.06	95.43	97.83	101.33	100.77
Investment Income	3.60	4.50	3.77	2.09	1.74
Investment Return % (a)	3.81%	4.75%	3.90%	2.10%	1.72%
SDR LIBOR % (b)	3.47%	4.41%	4.20%	2.72%	1.04%
SDR and Return % (a-b)	0.34%	0.34%	-0.30%	-0.62%	0.68%

** Based on average Total Investments*

As the diagram below depicts, highly liquid Commodity Murabaha and Mudaraba placements continue to be the main contributor to ICIEC investment portfolio. This is consistent with past trends, whereby the Corporation has been holding a majority of its investments in highly liquid form.

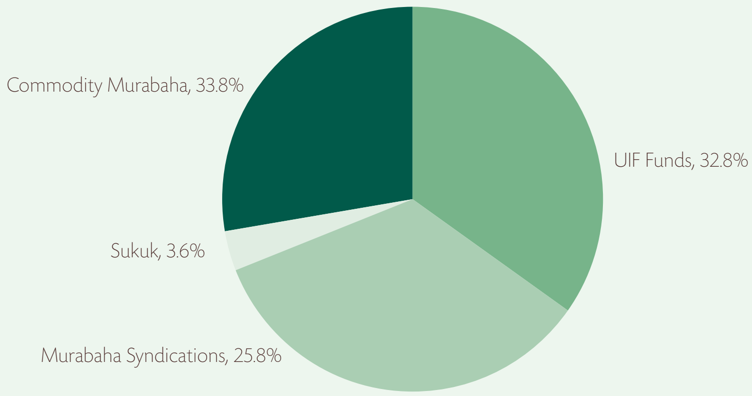
Asset Mix: 1431H



Murabaha syndications, which claimed over 9% of ICIEC total investment portfolio in 1430H, fell sharply in terms of its contribution to the portfolio to only 5% in 1431H. Furthermore, Sukuk, which in 1430H represented over 6% of the overall portfolio, dipped in terms of its contribution to the portfolio, to a minimal 2% in 1431H. With limited new sovereign Sukuk available on the market, the Corporation expanded into this asset class through the secondary market for tradable Sukuk, with investment in a tradable sovereign Sukuk. With signs of limited economic recovery after the financial crisis, the Corporation was unable to find investment opportunities in other asset classes that would meet its specific risk appetite. Consequently, investments in IDB Unit Investment Fund (UIF), Equities and Alternative Investments (comprising CROCI investments) remained stable in 1431H.

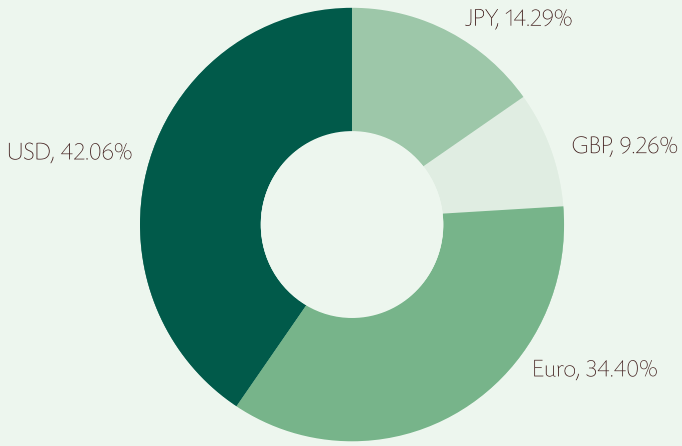
The pie chart below summarizes the major contributors to ICIEC investment portfolio income in 1431H. The currency mix of ICIEC's investment portfolio for the year 1431H is outlined below.

Income Sources Contribution: 1431H



The currency mix of ICIEC investment portfolio for 1431H is outlined below. GBP currency weight plummeted as Yen currency shot up in relation to the previous year. US$ denominated transactions took a major share of the total investment portfolio during the year. ICIEC made attempts to shift its YEN commodity portfolio (which was generating very little income) towards medium-term and more profitable opportunities via investment in a YEN denominated Sukuk. The Corporation has already approved the transaction; but as at the date of the balance sheet, the transaction was yet to become effective.

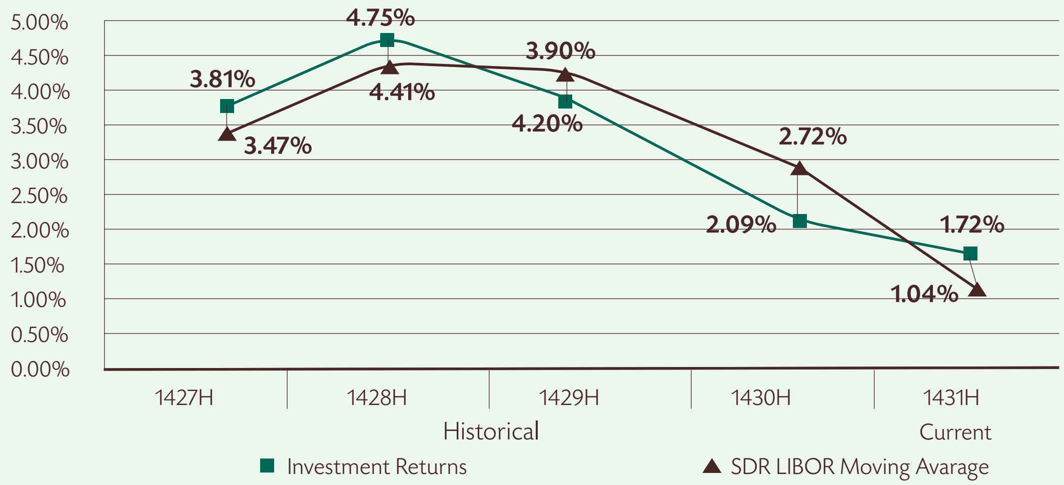
Income Sources Contribution: 1431H



Investment Returns

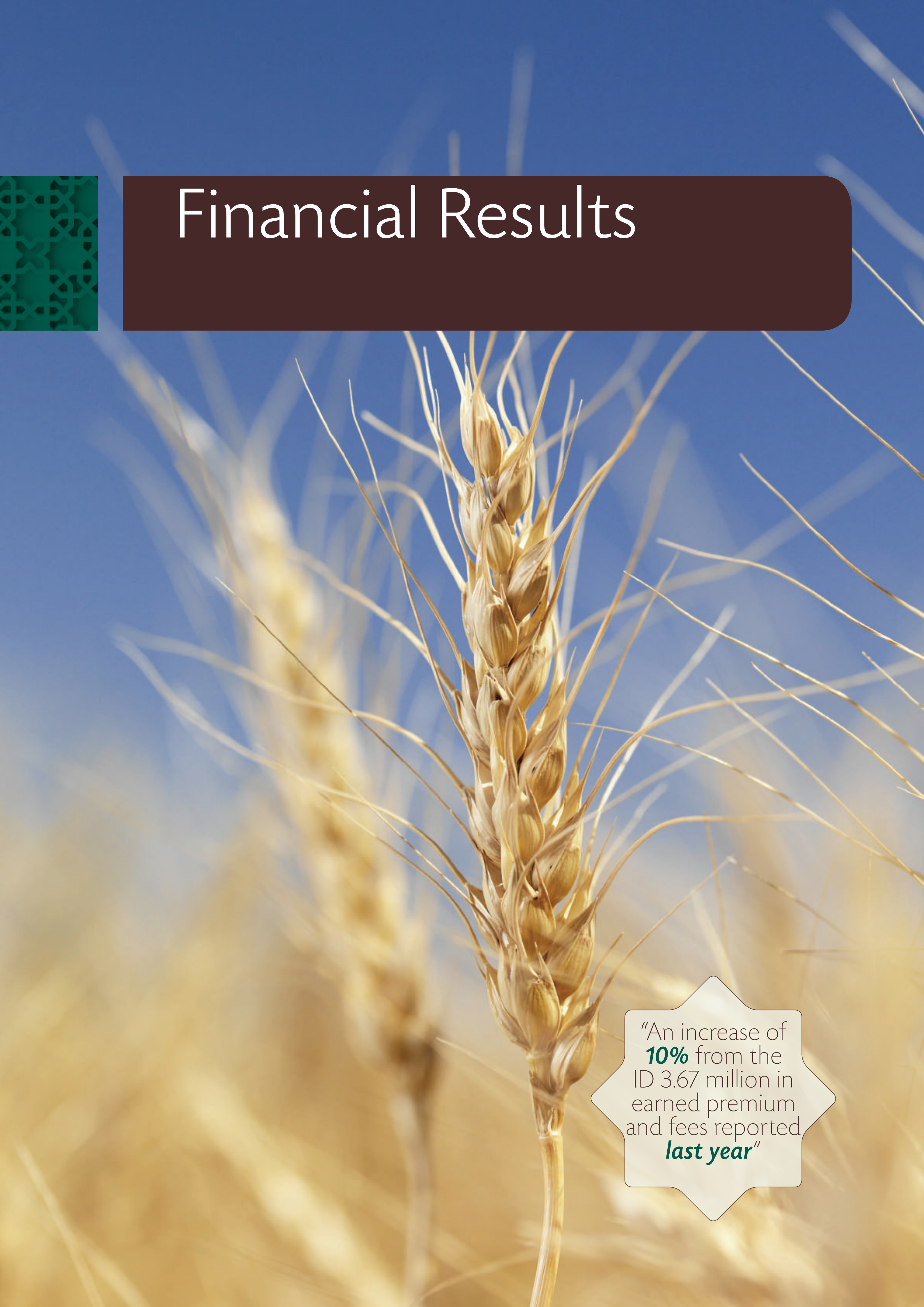
ICIEC investments in 1431H yielded an income of ID 1.74 million as against ID 2.09 million the previous year - a decrease of 17% resulting from the continued low levels in LIBOR. Furthermore, given that over 17% of ICIEC investment portfolio is placed in liquid funds, the low ceilings in the LIBOR greatly impacted on the overall results. However, with the Corporation maintaining a pro-active approach to its in-house investments and its greater concentration on other better performing assets (namely, Murabaha Syndications), it was able to achieve a performance level higher than its benchmark of SDR-LIBOR as shown in the chart below:

Investment Return VS. SDR-LIBOR



Despite the limited investment opportunities resulting from the international financial crisis, ICIEC was able to generate higher rates of returns from its portfolio, and thus managed to beat its SDR-LIBOR benchmark for the year. The Corporation continues to seek various new means of diversifying its asset classes that are less dependent on LIBOR movements. Allocation to these types of asset classes is expected to increase in coming years.

Financial Results



"An increase of **10%** from the ID 3.67 million in earned premium and fees reported ***last year***"

Summary

The overall results recorded by the Corporation indicate a net surplus of ID 0.14 million in 1431H. This performance is attributable to a net surplus of ID 1.72 million in the Shareholders' Fund and a net deficit of ID 1.58 million in the Policyholders' Fund. As at the end of 1431H, Net Reserves stood at ID 25.87 million, and the Corporation's Total Assets at ID 120.54 million. These assets primarily relate to the Shareholders' Fund.

The income from invested funds showed a decrease of 17% over the level achieved last year mainly due to reliance on commodity placement, as no new Murabaha syndications were added during the year. ICIEC adopts a prudent investment approach and attempts to minimize risk and maximize returns on its investments. Hence, the investment returns closely follow the SDR-LIBOR benchmark. The net income in the investment operations' account, after payment of investment management fees and other expenses for the year, showed a 6% decline over last year's achievement. The summary of the financial statements and the highlights of financial performance are provided hereunder. Details thereof are available in the attached financial statements and notes.

The Corporation's authorized share capital was ID 150 million, made up of 150,000 shares of ID 1,000 each. IDB subscribed to 66.7% of the authorized capital through its Waqf Fund, while the balance is open for subscription by OIC member countries. As at 30 Dhul Hijja 1431H, IDB and 40 member countries had subscribed to a total of 148,990 shares, equivalent to ID 148.99 million. The called-up installments amounted to ID 74.50 million, ID 73.47 million of which has so far been paid up. The net balance of ID 1.03 million is receivable from some member countries.

Policyholders' Fund

The 1431H gross premium amounted to ID 10.43 million, compared to ID 7.93 million in 1430H. The net premium and fees earned during the year stood to ID 4.02 million, up 10% from the ID 3.67 million reported last year. This outcome was consistent with the overall rise in invoiced premium. With the absence of paid claims, and a lower provisioning for IBNR claims due to reduced exposure, the net claims incurred showed an expense of ID 0.11 million in contrast to a credit balance of ID 0.26 million the previous year. The operating expenses amounted to ID 5.50 million, up 18% from ID 4.66 million last year. This rise was consistent with the large increase recorded in all the operations indicators - resulting in a net deficit of ID 1.58 million in 1431H, compared to the net deficit of ID 0.73 million incurred in 1430H. This decline in the annual results is attributable mainly to the nearly 100% increase in the reinsurance cession for the year, leaving a smaller amount of retained premiums to cover the Corporation's expenses.

Shareholders' Fund

The capital contributed by IDB Waqf Fund and the Corporation's member countries is for the most part invested in various Shariah compatible investments through IDB Treasury which acts as the Corporation's fund manager. An income of ID 1.74 million was generated from the investments, and another ID 0.12 million was reported as gain on exchange- thus resulting in a gross income of ID 1.86 million for the year. After deducting the investment management fees amounting to ID 0.09 million paid to IDB Treasury, and sundry expenses of ID 0.06 million on the Shareholders' Fund, the net surplus stood at ID 1.72 million - down 6% from the ID 1.83 million reported last year. This net surplus has been transferred to the statutory reserve, as mandated by the Corporation's Articles of Agreement.

Corporate Result

The overall corporate surplus was a modest ID 0.14 million, down 87% from the ID 1.09 million surplus reported last year. This reduced surplus was caused primarily by the 115% rise in the deficit incurred by the Policyholders' Fund, and the 6% slide of the surplus achieved by the Shareholders' Fund. It reflects the vulnerability of corporate results that are predicated on a swing in any one factor that contributes to the net surplus. This state of affairs highlights the need for the Corporation to continue to invest effort to enhance its business volume, with an expected boost in its share capital. Until ICIEC accumulates the requisite critical mass in its business operations, it would be very difficult for it to produce a sustainable level of surplus in its financial results.

ICIEC Member Countries

Memberships and Capital Subscriptions Status at the End of 1431H (December 6, 2010)

1 **Islamic Development Bank (Waqf Fund)**
No. of Shares Subscribed: 100,000
Value of Shares (ID): 100,000,000

2 **Saudi Arabia**
No. of Shares Subscribed: 13,500
Value of Shares (ID): 13,500,000

3 **Iran**
No. of Shares Subscribed: 5,000
Value of Shares (ID): 5,000,000

4 **Morocco**
No. of Shares Subscribed: 5,000
Value of Shares (ID): 5,000,000

5 **Malaysia**
No. of Shares Subscribed: 2,740
Value of Shares (ID): 2,740,000

6 **Egypt**
No. of Shares Subscribed: 2,500
Value of Shares (ID): 2,500,000

7 **Kuwait**
No. of Shares Subscribed: 2,500
Value of Shares (ID): 2,500,000

8 **Pakistan**
No. of Shares Subscribed: 2,500
Value of Shares (ID): 2,500,000

9 **Turkey**
No. of Shares Subscribed: 2,500
Value of Shares (ID): 2,500,000

10 **UAE**
No. of Shares Subscribed: 2,500
Value of Shares (ID): 2,500,000

11 **Libya**
No. of Shares Subscribed: 1,500
Value of Shares (ID): 1,500,000

12 **Algeria**
No. of Shares Subscribed: 1,000
Value of Shares (ID): 1,000,000

13 **Tunisia**
No. of Shares Subscribed: 500
Value of Shares (ID): 500,000

14 **Yemen**
No. of Shares Subscribed: 500
Value of Shares (ID): 500,000

15 **Albania**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

16 **Bahrain**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

17 **Bangladesh**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

18 **Benin**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

19 **Brunei**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

20 **Burkina-Faso**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

21 **Cameroon**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

22 **Chad**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

23 **Cote d'Ivoire**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

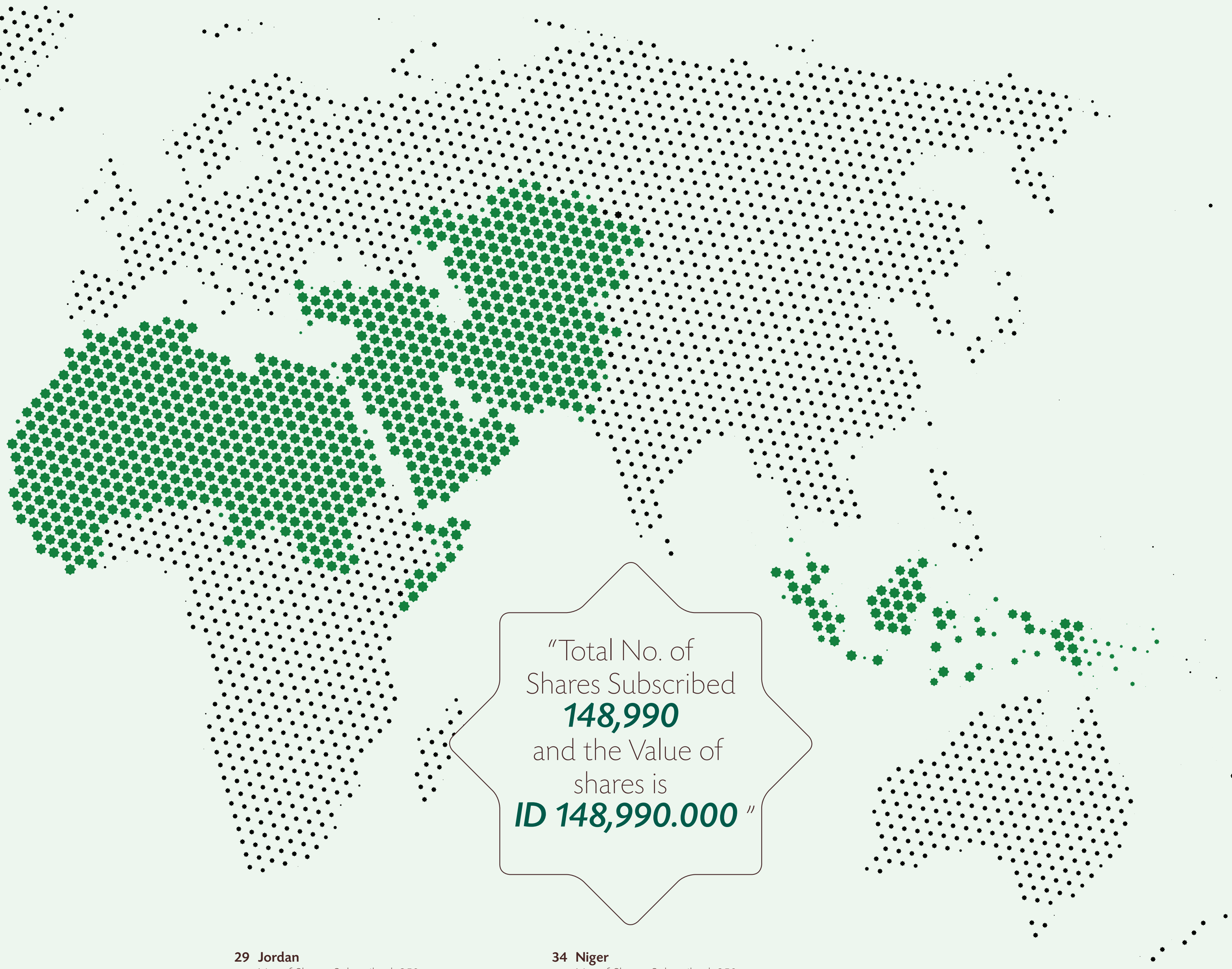
24 **Djibouti**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

25 **Gabon**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

26 **Gambia**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

27 **Guinea**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

28 **Indonesia**
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000



"Total No. of Shares Subscribed **148,990** and the Value of shares is **ID 148,990.000** "

29 Jordan
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

30 Kazakhstan
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

31 Lebanon
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

32 Mali
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

33 Mauritania
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

34 Niger
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

35 Nigeria
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

36 Oman
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

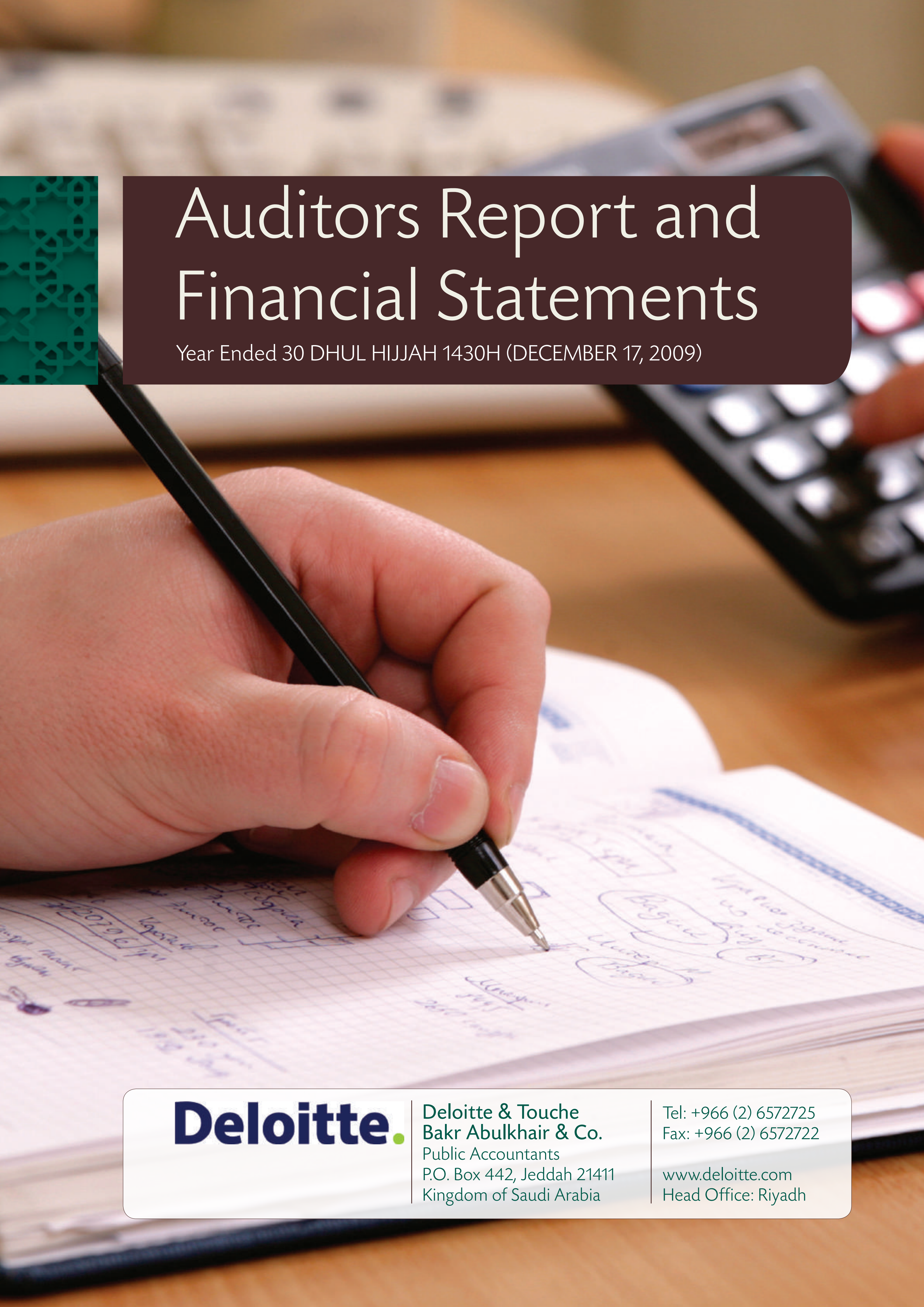
37 Qatar
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

38 Senegal
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

39 Sudan
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

40 Syria
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000

41 Uganda
No. of Shares Subscribed: 250
Value of Shares (ID): 250,000



Auditors Report and Financial Statements

Year Ended 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
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Kingdom of Saudi Arabia

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Head Office: Riyadh

AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
The Islamic Corporation for the Insurance of Investment and Export Credit

We have audited the accompanying financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit (the "Corporation") as of 30 Dhul Hijjah, 1431 (December 6, 2010), which comprise the statement of financial position, statement of income, statement of comprehensive income, statement of changes in shareholders' and policyholders' fund 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 these financial statements in accordance with International Financial Reporting Standards, and for internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 Corporation as at 30 Dhul Hijjah, 1431 (December 6, 2010), and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Other Regulatory Matters

In our opinion, the accompanying financial statements comply with the financial statement preparation and presentation requirement of the Corporation's Articles of Agreement.

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
*** 28 Jumada'I, 1432**
*** May 2 , 2011**

STATEMENT OF FINANCIAL POSITION
AS OF 30 DHUL HIJJAH 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

	Notes	1431H	1430H
ASSETS			
Bank balances	5	**6,563,836**	1,656,794
Murabaha financing, net	6	**82,580,436**	79,716,593
Accounts receivable, net	7	**1,763,184**	1,056,227
Claims recoverable, net	8	**1,452,691**	2,655,496
Prepaid expenses and other receivables	9	**8,857,399**	6,544,661
Due from Islamic Development Bank (IDB)	10	**939,734**	845,797
Available-for-sale investments	11	**18,195,399**	22,251,832
Property and equipment	12	**183,281**	155,767
TOTAL ASSETS		**120,535,960**	114,883,167
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	13	**3,892,835**	1,936,051
Claims payable	14	**366,163**	424,970
Unearned premiums	15	**14,604,006**	11,277,606
Provision for unreported claims	16	**2,374,610**	2,425,438
Total liabilities		**21,237,614**	16,064,065
SHAREHOLDERS' FUND			
Share capital	17	**73,432,500**	73,245,000
Reserve	18	**51,878,101**	50,158,162
Fair value reserve		**(1,126,652)**	(1,280,367)
Loan to policyholders' fund	19	**(18,150,597)**	(20,135,432)
Total shareholders' fund		**106,033,352**	101,987,363
POLICYHOLDERS' FUND			
Accumulated deficits	18	**(24,885,603)**	(23,303,693)
Loan from shareholders' fund	19	**18,150,597**	20,135,432
Total policyholders' fund		**(6,735,006)**	(3,168,261)
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		**120,535,960**	114,883,167

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 28 Jumada 1, 1432H (May 2, 2011).

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME
YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

	Notes	1431H	1430H
SHAREHOLDERS' FUND			
Investment income		1,743,151	2,091,188
Gain on foreign exchange		119,775	3,340
		1,862,926	2,094,528
Investment management fees paid to IDB	10,23	(86,054)	(120,000)
General and administrative expenses	10	(56,933)	(127,707)
Non temporary impairment in investment value		-	(21,400)
		(142,987)	(269,107)
Net income		1,719,939	1,825,421
POLICYHOLDERS' FUND			
Premiums earned	20	3,904,318	3,554,413
Policy fees earned		113,424	112,092
		4,017,742	3,666,505
Net claims (incurred)/recovered	21	(105,006)	261,360
Employees' related cost		(3,881,685)	(3,435,952)
General and administrative expenses		(1,472,430)	(1,118,322)
Fees paid to IDB	10,23	(140,531)	(108,480)
		(5,599,652)	(4,401,394)
Net deficit		(1,581,910)	(734,889)
NET CORPORATE INCOME		138,029	1,090,532

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

	Note	1431H	1430H
Net income from shareholders' fund		1,719,939	1,825,421
Unrealized gain on available for sale investments		153,715	1,707,544
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,873,654	3,532,965

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)

(Expressed in Islamic Dinars)

	Capital	Reserve	Fair value reserve	Loan to policyholder's fund	Total
SHAREHOLDERS' FUND					
Balance at 30 Dhul Hijjah 1429H	73,057,500	48,332,741	(2,987,911)	(17,852,925)	100,549,405
Subscription paid	187,500	-	-	-	187,500
Total comprehensive income for the year	-	1,825,421	1,707,544	-	3,532,965
Net movement during the year (note 19)	-	-	-	(2,282,507)	(2,282,507)
Balance at 30 Dhul Hijjah 1430H	**73,245,000**	**50,158,162**	**(1,280,367)**	**(20,135,432)**	**101,987,363**
Subscription paid	**187,500**	**-**	**-**	**-**	**187,500**
Total comprehensive income for the year	**-**	**1,719,939**	**153,715**	**-**	**1,873,654**
Net movement during the year (note 19)	**-**	**-**	**-**	**1,984,835**	**1,984,835**
Balance at 30 Dhul Hijjah 1431H	**73,432,500**	**51,878,101**	**(1,126,652)**	**(18,150,597)**	**106,033,352**

POLICYHOLDERS' FUND	Accumulated Deficits	Loan from shareholders' fund	Total
Balance at 30 Dhul Hijjah 1429H	(22,568,804)	17,852,925	(4,715,879)
Net deficit for the year	(734,889)	-	(734,889)
Net movement during the year (note 19)	-	2,282,507	2,282,507
Balance at 30 Dhul Hijjah 1430H	**(23,303,693)**	**20,135,432**	**(3,168,261)**
Net deficit for the year	**(1,581,910)**	**-**	**(1,581,910)**
Net movement during the year (note 19)	**-**	**(1,984,835)**	**(1,984,835)**
Balance at 30 Dhul Hijjah 1431H	**(24,885,603)**	**18,150,597**	**(6,735,006)**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

	Note	1431H	1430H
OPERATING ACTIVITIES			
Net income for the year		**138,029**	1,090,532
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		**51,723**	44,376
Allowance for doubtful debts		**2,360**	-
Gain on property & equipment disposal		**(2,464)**	-
Provision for unreported claims		**217,279**	(739,206)
Non temporary decline in available-for-sale investments		**-**	(21,400)
Changes in operating assets and liabilities:			
Accounts receivable		**(709,317)**	(190,734)
Claims recoverable		**985,526**	(984,750)
Mudarabah receivables, net		**-**	2,708,586
Prepaid expenses and other receivable		**(2,312,738)**	(1,802,619)
Accounts payable and accrual		**1,956,784**	704
Claims payable		**(58,807)**	311,268
Due from IDB		**(93,937)**	(1,068,753)
Unearned premium		**3,326,400**	2,767,020
Provision for unreported claims		**(50,828)**	615,510
Net cash from operating activities		**3,450,010**	2,730,534
INVESTING ACTIVITY			
Available-for-sale investments		**4,210,148**	(1,010,493)
Murabaha financing		**(12,363,463)**	5,848,896
Purchase of property and equipment		**(90,218)**	(74,982)
Proceeds from sale of property & equipment		**13,445**	-
Net cash (used in)/from investing activity		**(8,230,088)**	4,763,421
FINANCING ACTIVITY			
Share subscriptions received		**187,500**	187,500
Net cash from financing activity		**187,500**	187,500
Net change in cash and cash equivalents		**(4,592,578)**	7,681,455
Cash and cash equivalents at the beginning of year		**42,526,645**	34,845,190
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	22	**37,934,067**	42,526,645

The accompanying notes form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

1. ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit ("the Corporation") was formed as an autonomous affiliate of The Islamic Development Bank (IDB) with full juristic personality under the terms of its Articles of Agreement, signed by certain Islamic countries and 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 July 1, 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 U.S. $ 1.5392 as at 30 Dhul Hijjah, 1431H (1430H: U.S. $ 1.5709).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations (effective from July 1, 2009) have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- IFRS 3 Business Combination
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 17 Distribution of Non-cash Assets to Owners
- Amendments and improvements to, IFRS 2, IAS 38, IAS 39 IFRIC 9 and IFRIC 16 resulting from the Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after 1 July 2009.

2.2 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards, IFRICs and amendments:	Effective for annual periods beginning on or after
• IAS 32 (revised) Financial Instruments:	1 February 2010
• IAS 24 Related Party Disclosures	1 January 2011
• IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
• Amendments and improvements to IFRS 1, IFRS 2, IFRS 3, IFRS 5, IFRS 7, IFRS 8, IFRS 9, IAS 1, IAS 7, IAS 17, IAS 27, IAS 34, IAS 36, IAS 39, IFRIC 13 and IFRIC 14 resulting from Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after 1 January 2010

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Corporation in the period of initial application.

3. 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 Interpretations 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.

Premiums earned

Net premiums, after deducting policy acquisition costs, are taken into surplus over the terms of the related policies, on a pro-rata basis. Unearned premiums represent premiums that belong to a period subsequent to the statement of financial position date. These are taken to income over the unexpired period of coverage on a pro-rata basis.

Murabaha income

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

Investments income

Investments income is recognized when dividends are declared.

Bank commission income

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

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Outstanding claims
Outstanding claims comprise the estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position, 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 date of statement of financial position.

Any difference between the provisions at the date of statement of financial position and settlements of provisions in the following year is included in the underwriting account for the year.

Murabaha financing
Murabaha financing is 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
Available-for-sale investments are initially recognized at cost and thereafter are normally re-measured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are reported as a separate component of other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported under "fair value reserve" within equity, is included in profit or loss for the period.

Property and equipment
Property and equipment 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 property and equipment 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 property and equipment 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. Following is the estimated useful life of the property & equipments in use of the Corporation;

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

Fair values

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

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the investee's 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 the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement;
(b) 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;
(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective mark up rate.

Translation of foreign currencies

The accompanying financial statements are denominated in 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.

Provision

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

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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 statement of income, 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Corporation's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Corporation's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Corporation will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is based on historical experience of management.

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.

5. BANK BALANCES

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

	1431H	1430H
Shareholders' fund	**6,120,881**	956,293
Policyholders' fund	**442,955**	700,501
Total	**6,563,836**	1,656,794

6. MURABAHA FINANCING, NET

Murabaha financing is comprised of the following as at end of Dhul Hijjah:

	1431H	1430H
Shareholders' fund		
Gross Murabaha commodity placements	**77,083,893**	69,989,401
Deferred profit	**(106,996)**	(127,302)
	76,976,897	69,862,099
Other murabaha financing		
	5,603,539	9,854,494
	82,580,436	79,716,593
Murabaha commodity placements as at end of Dhul Hijjah with original maturity period of three months or less (note 22)	**31,370,231**	40,869,851

7. ACCOUNTS RECEIVABLE, NET

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

	1431H	1430H
Policyholders' fund		
Trade accounts receivable	**1,880,260**	1,170,943
Provision for doubtful debts	**(117,076)**	(114,716)
	1,763,184	1,056,227

As of 30 Dhul Hijjah, the aging of trade accounts receivable is as follows:

	Total	Neither past due nor impaired	31-60 Days	61-90 Days	91-120 Days	»120 Days
1431H	**1,880,260**	**1,511,055**	**150,369**	**13,302**	**120,037**	**85,497**
1430H	1,170,943	782,600	225,804	13,853	54,540	94,146

The Corporation's 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.

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8. CLAIMS RECOVERABLE, NET

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

	1431H	1430H
Policyholders' fund:		
Claims recoverable	**8,737,801**	9,723,327
Provision for doubtful claims	**(7,285,110)**	(7,067,831)
	1,452,691	2,655,496

It represents amounts recoverable from defaulted parties in respect of claims settled by the Corporation.

As of 30 Dhul Hijjah, the aging of claims recoverable is as follows:

	Total	Within 1 Year	1-2 years	3-5 Years	Over 5 years
1431H	**8,737,801**	**71,947**	**1,276,511**	**3,560,182**	**3,829,161**
1430H	9,723,327	1,132,669	655,053	2,966,721	4,968,884

9. PREPAID EXPENSES AND OTHER RECEIVABLES

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

	1431H	1430H
Shareholders' fund:		
Accrued income	**36,812**	142,904
	36,812	142,904
Policyholders' fund:		
Prepaid insurance	**8,569,914**	6,163,016
Advance against housing	**126,775**	91,958
Other receivables	**123,898**	146,783
	8,820,587	6,401,757
	8,857,399	6,544,661

10. DUE FROM ISLAMIC DEVELOPMENT BANK

	1431H	1430H
Policyholders' fund	**939,734**	845,797

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.

11. AVAILABLE-FOR-SALE INVESTMENTS

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

	1431H	1430H
Shareholders' fund		
Quoted investments		
Share in CROCI Islamic Global Index	**2,972,621**	3,103,449
Islamic Sukuk	**2,240,476**	6,427,650
	5,213,097	9,531,099
Unquoted investments:		
Share in Takaful Re.	**1,624,220**	1,591,495
Units in IDB – Unit Investments Fund	**11,358,082**	11,129,238
	12,982,302	12,720,733
	18,195,399	22,251,832

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12. PROPERTY AND EQUIPMENT

The Corporation's property and equipments are related to the policyholders' fund.

	1 Muharram 1431	Additions	Disposal	Transfer	30 Dhul Hijjah 1431
Cost:					
Vehicles	**96,455**	**37,510**	**(31,374)**	**-**	**102,591**
Furniture and fixtures	**120,591**	**19,301**	**-**	**11,538**	**151,430**
Office equipment	**40,303**	**6,088**	**-**	**(11,538)**	**34,853**
Computer equipment	**313,114**	**27,319**	**-**	**-**	**340,433**
Total Cost	**570,463**	**90,218**	**(31,374)**	**-**	**629,307**
Depreciation:					
Vehicles	**65,291**	**9,988**	**(20,393)**	**-**	**54,886**
Furniture and fixtures	**78,586**	**11,223**	**-**	**9,292**	**99,101**
Office equipment	**28,932**	**3,444**	**-**	**(9,292)**	**23,084**
Computer equipment	**241,887**	**27,068**	**-**	**-**	**268,955**
Total depreciation	**414,696**	**51,723**	**(20,393)**	**-**	**446,026**
Net Book Value at 1 Muharram	**155,767**				
Net Book Value at 30 Dhul Hijjah					**183,281**

	1 Muharram 1430	Additions	30 Dhul Hijjah 1430
Cost:			
Vehicles	96,455	-	96,455
Furniture and fixtures	112,214	8,377	120,591
Office equipment	36,814	3,489	40,303
Computer equipment	249,999	63,115	313,114
Total Cost	495,482	74,981	570,463
Depreciation:			
Vehicles	54,979	10,312	65,291
Furniture and fixtures	69,012	9,574	78,586
Office equipment	26,726	2,206	28,932
Computer equipment	219,603	22,284	241,887
Total depreciation	370,320	44,376	414,696
Net Book Value at 1 Muharram	125,162		
Net Book Value at 30 Dhul Hijjah			155,767

13. ACCOUNTS PAYABLE AND ACCRUALS

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

	1431H	1430H
Shareholders' liabilities		
Bank commission (13.1)	556,026	607,214
Other payables	344,147	473,046
	900,173	1,080,260
Policyholders' liabilities		
Other payables	1,363,684	416,031
Accrued payables	1,628,978	439,760
	2,992,662	855,791
	3,892,835	1,936,051

13.1 This represents net accumulated income up to Dhul Hijjah 30, 1431H generated from liquid placements with certain conventional banks and financial institutions which were not considered in compliance with Sharia principles. This amount will be used for donation or charitable purposes.

14. CLAIMS PAYABLE

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

	1431H	1430H
Opening balance	424,970	113,702
Addition during the year	75,323	1,243,791
Payment made during the year	(134,130)	(932,523)
	366,163	424,970

15. UNEARNED PREMIUMS

Unearned premiums are related to the policyholders' fund (note 20).

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16. 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.

	1431H	1430H
Opening balance	**2,425,438**	1,809,928
(Reversal)/addition during the year	**(50,828)**	615,510
	2,374,610	2,425,438

17. SHARE CAPITAL

	1431H	1430H
Authorized capital		
150,000 shares (1430: 150,000) of ID 1,000 each	**150,000,000**	150,000,000
IDB – ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
100,000 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	**50,000,000**	50,000,000
50,000 shares of ID 1,000 not called	**-**	-
Member countries		
48,990 shares (1430: 48,490) of ID 1,000 each, of which		
ID 500 has been called	**24,495,000**	24,182,500
Less: Subscriptions receivable	**(1,062,500)**	(937,500)
	73,432,500	73,245,000

The uncalled subscriptions on issued capital are 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 shareholder ceases to be a member.

18. 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 has 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.

19. LOAN TO POLICYHOLDRS' 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:

	1431H	1430H
Policyholders' fund		
Total assets	**13,602,432**	11,815,545
Total liabilities	**(20,337,438)**	(14,983,806)
Accumulated deficits	**24,885,603**	23,303,693
Net deficit in policyholders' fund	**18,150,597**	20,135,432

20. PREMIUMS EARNED

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

	1431H	1430H
Gross premiums	**10,433,120**	7,928,324
Unearned premiums at the beginning of the year	**11,277,606**	8,510,586
Unearned premiums at the end of the year	**(14,604,006)**	(11,277,606)
	7,106,720	5,161,304
Less: Reinsurance premiums	**(3,202,402)**	(1,606,891)
Net premiums	**3,904,318**	3,554,413

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21. CLAIMS INCURRED

Claimed incurred are comprised of the following as at end of Dhul Hijjah:

	1431H	1430H
Claims surrendered	**(28,680)**	(1,010,640)
Claims related expenses	**(264,088)**	(113,393)
Recoveries shared with policy holders	**-**	(172,090)
Movement in provision for unreported claims	**50,828**	(615,510)
Recoveries	**136,934**	2,172,993
	(105,006)	261,360

21.1 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 was ID 0.6 million in 1431H and 0.6 million in 1430H. Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

22. CASH AND CASH EQUIVALENTS

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

	1431H	1430H
Bank balances	**6,563,836**	1,656,794
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (note 6)	**31,370,231**	40,869,851
	37,934,067	42,526,645

23. 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 IDB included in the statement of income are as follows for the year ended at end of Dhul Hijjah:

	1431H	1430H
Investment management fees	**86,054**	120,000
Administration fee	**140,531**	108,480
Expenses paid by IDB on behalf of the Corporation	**3,504,587**	2,688,857

Related parties balances included in the statement of financial position are as follows for the year ended at end of Dhul Hijjah:

	1431H	1430H
Amount due from IDB	**939,734**	845,797
Claims payable	**199,015**	194,878

24. 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 bank balances, receivables, murabaha receivables, claims recoverable, available for sale investment, due from related parties and certain other receivables, whereas its financial liabilities consist of payables and accruals.

The fair values of financial instruments are not materially different from their carrying values. Following table provides an analysis of available for sale financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on degree to which the fair value is observable:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

	Level 1	**Level 2**	**Level 3**
Share in CROCI Islamic Global Index	2,972,621	-	-
Islamic Sukuk	2,240,476	-	-
Unit in IDB - Unit Investment Fund	-	-	11,358,082
Share in Takaful Re.	-	-	1,624,220

25. RISK MANAGEMENT

Risk management lies at the heart of the Corporation's operations. Insuring political and credit risk requires a sound risk management infrastructure and an effective risk culture. The Corporation considers the importance of risk management at all levels of its operations; from the Corporation's Board of Directors to the underwriting officer level. The Corporation manages its risk in line with the guidelines and policies which have been approved by the Board of Directors "the BOD". The Corporation shares the same BOD and Audit Committee as that of its parent IDB. Moreover, the

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Corporation is also represented in the IDB Group Risk Management Committee and coordinates with the Group Risk Management Department on risk issues pertaining to the Group.

The nature of activities and management policies with respect to risk management are provided under the various categories of risks faced by the Corporation:

a) Insurance risk
As a multilateral institution, the Corporation provides two distinct services; credit insurance and political risk insurance to its policyholders. Both of these products require the Corporation to carry out buyer/project and country risk assessment in a way to minimize the payment of claims as the Corporation's net earnings would depend upon the incidence of claims payment. The risk of paying out claims to its policyholders, though contingent in nature, is the major risk which the Corporation faces. The management of insurance risk is done effectively by employing various risk management techniques including risk diversification, risk transfer (reinsurance) and monitoring of technical provisions.
The Corporation closely monitors its claim and recovery activities and provisions for outstanding claims. Cognizant of the importance of risk diversification the Corporation sets exposure limits per country, per buyer and per transaction. The Corporation has established well functioning reinsurance programs which include treaty and facultative reinsurance that are helpful in managing its portfolio risk profile.

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

The Corporation faces credit risk in its reinsurance program where the reinsurers may fail to meet their contractual obligation of paying out claims. This risk is minimized by engaging reinsurers of high credit quality (high investment grade only) as evidenced by their credit rating. In addition, the Corporation is gradually increasing the number of reinsurance providers to spread the risk and augment its underwriting capacity.

The Corporation is also exposed to credit risk in its investment portfolio of listed debt securities. In this regard, 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 statement of financial position.

The financial instruments, which subject the Corporation to credit risk, principally consist of bank balances, Murabaha receivables, accounts receivable, available-for-sale listed debt securities and claims recoverable. The Corporation seeks to limit its credit risk with respect to customers by actively following up for payment of invoices with the individual customers and monitoring outstanding receivables.

The Corporation's investment portfolio is primarily managed by IDB and comprises of 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 from the date of the statement of financial position.

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

	1431H	1430H
Murabaha receivables	**82,580,436**	79,716,593
Accounts receivable, net	**1,763,184**	1,056,227
Claims recoverable, net	**1,452,691**	2,655,496
Available-for-sale investments	**2,240,476**	6,427,650
Other receivables	**81,798**	88,071
	88,118,585	89,944,037

c) Market risk

The risk that changes in market factors e.g. changes in reference rates (LIBOR) will affect Corporation's investment portfolio can be considered as the market risk. Majority of the Corporation's investments are managed by the IDB Treasury, which follows the IDB Group risk policies on market risk management.

d) 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 in its investment portfolio.

However, as the insurance exposure is primarily in USD, the Corporation faces currency risk in terms of settling any claim payments which exceed the USD amount on its asset side. This risk is somewhat minimized, as the corresponding reinsurance receivables will also be in USD.

e) 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. There are two aspects to the liquidity risk; the funding liquidity and the market liquidity risk. In case of the Corporation, the latter is of more relevance.

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

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YEAR ENDED 30 DHUL HIJJAH, 1431 (DECEMBER 6, 2010)
(Expressed in Islamic Dinars)

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

	Less than 3 months	3 to 12 months	1 to 5 years	Total
1431H	**2,440,612**	**504,388**	**947,835**	**3,892,835**
1430H	879,394	404,856	651,801	1,936,051

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

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

At reporting date, if mark-up rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net income would not be changed significantly.

g) Operational risk
The risk of loss faced by a financial institution arising from failed processes, people and/or systems is termed as the operational risk.

The Corporation works very closely with the IDB Group Internal Audit Department (GIAD) and Risk Management Department (GRMD) to ensure presence of an effective internal control system through which it attempts to manage its operational risk. GIAD regularly audits the Corporation's internal controls and recommends improvements under the risk based internal audit approach. In a recent audit, GIAD comprehensively covered the underwriting operations with a special focus on the credit approval process.

The Corporation has developed an in-house Integrated Insurance Management System, and is now engaged in building the risk management modules. It also works with the IDB Group IT initiatives and is a client in many Group-wide IT solutions. The most recent has been the implementation of the SAP platform for the Finance, HR and Procurement areas.
The Corporation follows IDB Group 'Best Practices and Customer Due Diligence Standards' and internal operational regulations when dealing with clients.

h) 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 475 million (1430H: ID 485 million). The Corporation minimizes any detrimental impact on its assets, due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (notes 16 and 18).

26. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of equity of the corporation (comprising issued capital and reserve).

As the corporation is a multilateral organization, the capital of the corporation is not subject to external regulations. However, the Corporation intends to follow best industry practices in terms of prudent capital management policies. In this regard the Corporation will benefit from the solvency II and IFSB standards.

27. ZAKAT AND TAX TREATMENT

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

The Islamic Development Bank (IDB)

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).

Vision

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

Mission

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

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 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 in Jumad Awwal 1429H (3-4 June 2008). During 35th Annual Meeting of the Board of Governors held in Baku, Azerbaijan, in Rajab 1431H (June 2010), the Issued Capital was again increased to ID18 billion, of which ID17,474. 63 million was subscribed with ID4,031.07 million paid up as of end 1431H.

Head Office and Regional Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, 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) as the research and training arm of the Islamic Development Bank (IDB). IRTI is now entrusted with the key role of transforming the IDB Group into a world-class knowledge-based organization. It shoulders the responsibility of leading the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry (IFSI), which supports socioeconomic development in member countries. Under the Vision 1440H of the IDB Group, IRTI is envisioned to be a centre of excellence, serving as a focal point for all capacity building and advisory services in basic and applied Islamic economics and finance that support member country governments and their agencies. For that, IRTI will gradually strengthen its core business activities in knowledge services through research, information, policy dialogue and Shari'ah advisory services, with the aim of eventually providing full consulting assistance to its stakeholders.

www.irti.org

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 evelopment in member countries. The Authorized Capital of ICD is $2 billion, of which $1 billion is available for subscription. IDB has subscribed 50 % of its capital, while member countries and public financial institutions in member countries have subscribed up to 30 and 20 %, respectively. As of end-1430H, the total Paid-up Capital of ICD stood at $401,637,526 million.

www.icd-idb.org

International Islamic Trade Finance Corporation (ITFC)

ITFC was established in Jumad Awal 1426H (June 2005) and commenced business operations in Muharram 1429H (January 2008) as the autonomous and dedicated trade finance entity of the IDB Group. Prior to this, trade finance business was undertaken by various entities under different programmers in the IDB Group. A rich heritage that spans more than 30 years in trade finance by the IDB Group puts ITFC in a leadership position in fostering socio-economic development, setting new benchmarks in ethical trade financing. The main objective leading to the establishment of ITFC is to help promote and facilitate intra-trade between OIC member countries using Shariah-compliant financing instruments and provides support towards achievement of the 20 % intra-OIC trade volume targets by 2015 contained in the Makkah Declaration, 2005. In addition to trade finance, the ITFC mandate also includes support for trade promotion activities and programmers in member countries. The Authorized and Subscribed Capital of ITFC are $3 billion and $750 million respectively and has its headquarters in Jeddah, Saudi Arabia.

www.itfc-idb.org.

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