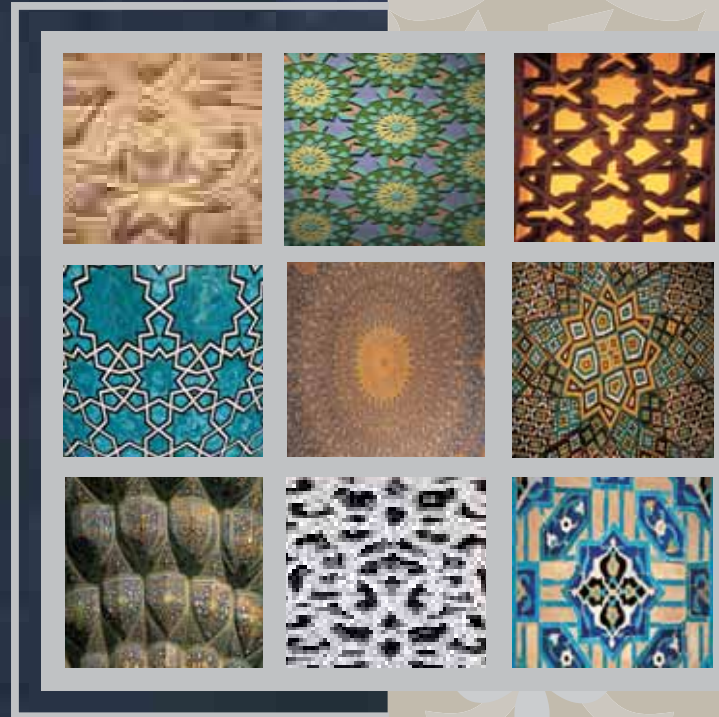




"Globally Secure"










1425H Annual Report

(2004-2005)



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

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KEY DATA & RESULTS SUMMARY

	1424H	1425H	Change%
OPERATIONS (USD million)¹			
New Commitments	287	475	65.50
Current Commitments	265	451	70.19
Business Insured	147	337	129.25
Current Exposure	150	253	68.67
Premium & Fee	2.14	2.92	36.45
Claims Paid	1.16	0.33	(71.55)
Recoveries	1.08	0.65	(39.81)
FINANCIAL			
Share Capital (ID Million)²			
Authorized	100.00	100.00	-
Subscribed	96.99	96.99	-
Paid-up	72.43	72.43	-
Shareholders' Fund (USDmillion)³			
Net Revenues	2.72	3.47	27.57
Surplus / Deficit	3.14	3.16	0.63
Accumulated Surplus / (Deficit) ⁴	44.78	48.09	7.39
Policyholders' Fund (USD million)³			
Net Revenues	2.06	3.13	51.94
Surplus / Deficit	(1.82)	(3.14)	72.53
Accumulated Surplus / (Deficit) ⁴	(21.16)	(24.42)	15.41
Corporate Result (USD million)			
Net Surpls / (Deficit) ³	1.32	0.02	(98.48)
Net Reserves ⁴	23.62	23.67	0.21
Investments & Banks Balances ⁴	135.07	138.55	2.58
Total Assets ⁴	139.88	141.70	1.38

1- Gross cash values prior to accounting adjustments

2- 1424H: ID 1.00 = USD 1.495, 1425H: ID 1.00 = USD 1.504

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

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



Transmittal Letter

In the Name of Allah, the Beneficent, the Merciful

Date: 17 / 05 /1426H
24 / 06 /2005G

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

Dear Brothers,

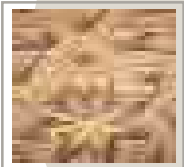
Assalamo-Alaikum Warahmatullah Wabarakatuh

In accordance with Article 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1425H, including audited financial statements.

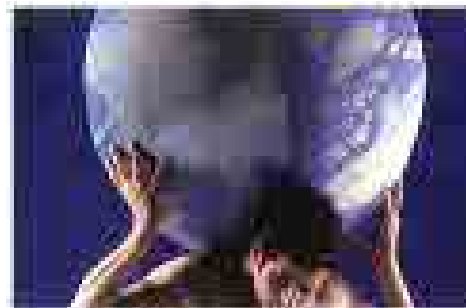
Please accept the assurances of my highest consideration.

Yours sincerely,

Dr. Ahmad Mohamed Ali
President of ICIEC



Vision & Mission



Let ICIEC carry the responsibility of protecting your exports around the world

Vision

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



Mission

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

Management

Board of Directors

Chairman:

Dr. Ahmad Mohamed Ali

Members (*):

Hon. Abdulaziz Nur Hersi
Hon. Abu Salihu Hj. Mohamed Shariff
Hon. Faisal Abdul Aziz Al-Zamil
Hon. Ibrahim Bin Mohamed Al-Mofleh
Hon. Ilgar Veysal Oglu Isayev
Hon. Jamal Nasser Rashid Lootah
Hon. Dr. Mehdi Karbasian
Hon. Mohamad Ali Taleb
Hon. Mohammed Azzaroog Rajab
Hon. Ould Samba Achour
Hon. Dr. Selim C. Karatas
Hon. Dr. Waqar Masood Khan
Hon. Zeinhom Zahran
Hon. Dr. Zul-Kifl Salami

Officers of the Corporation

President:

Dr. Ahmad Mohamed Ali

General Manager:

Dr. Abdel-Rahman Eltayeb Taha

Underwriting Manager:

Khemais El-Gazzah

Marketing Manager:

Irfan Bukhari

Human Resource & Services Manager:

Rahimi Ahmed Rahimi

Accounts & Finance Manager:

Muhammad Azam Arif



Consultative Committee

Chairman:

Dr. Abdel-Rahman Al-Zamil

Members:

Dato Mohd Fadzli Yusof
Mr. Iqbal Ahmed Khan
Mr. Abdul Haq Al-Kafsi
Dr. Abdel Rahman Eltayeb Taha
Dr. Mohammad El Fatih Hamid

(*) In Alphabetical Order

Message from the President

During 1425H (2004/2005), which co-incided with the 10th year of its establishment, ICIEC experienced another year of remarkable growth in its insurance business. New insurance commitments jumped by 66% to reach USD 475 million. The actual 'business insured' increased from USD 147 million last year to USD 337 million, an increase of 129%. This led to a substantial increase of 36% in the gross premium income reaching USD 2.92 million.

However, while the export credit insurance showed substantial growth, the investment insurance continued to underperform, due largely to a lack of demand for such insurance cover in the Member Countries, as a very small percentage of the investments flowing into Member Countries emanates from other Member Countries. This has led the Corporation to propose to its Board of Governors to expand its insurance cover to include investments emanating from Non-Member Countries, which is expected to impact positively on the investment insurance business of the Corporation.

On the claims front, the Corporation also enjoyed very good results, where claims paid to policyholders witnessed a substantial drop from USD 1.16 million last year to only USD 0.33 million. This was more than offset by USD 0.65 million in recoveries during 1425H.

The above results confirm the success of ICIEC's business strategy emphasizing direct marketing to high quality clients, expansion of the insurance service to include exports to Non-Member countries, the improvement of the underwriting process accruing from ICIEC's alliance with COFACE of France, and the enhancement of the quality of human resources. As a consequence, the Corporation now enjoys a sizeable, more balanced and better quality portfolio of insured risks covering 63 countries world-wide.

Despite the big increase in all insurance operations indicators and the positive claims results, the Policyholders' Fund (the insurance operations account) continued to register a deficit, recorded at USD 3.14 million for the year. This is due to the fact that the income from the insurance business is not yet large enough to cover the operations expenses, the paid claims and the several provisions required by the Corporation's accounting policies and procedures. The major negative impact this year resulted from the increase in provision for unreported claims, calculated as a fixed percentage of the increasing current insurance exposure.

An additional negative impact came from the reduction in the estimate of claims recoverable, due to the slow recovery and age of certain major claims paid by the Corporation in the past.

However, the deficit in the Policyholders' Fund was more than offset by a USD 3.16 million surplus in the Shareholders' Fund (the investment account), resulting in a marginal net surplus for the Corporation of USD 0.02 million. This corporate surplus was added to Net Reserves which reached USD 23.67 million at year end.

The year 1425H also witnessed major developments in the reinsurance area. The most important one was the conclusion of a quota share reinsurance treaty led by Atradius Re, one of the major international reinsurers of credit and political risk in the world. The treaty does not only enable ICIEC to cede part of its insured risks portfolio to the reinsurer, but also helps to expand ICIEC's insurance capacity and bring more discipline to the underwriting process. At the same time the Corporation activated its "inward reinsurance" services to export credit insurance agencies and insurance companies in Member Countries (ECAs). The Corporation's Reinsurance Facility Agreement (RFA) was signed with a number of ECAs.

The above achievements, coupled with the development and the introduction of new insurance products, the envisaged completion of the testing and implementation of ICIEC's Insurance Management Information System, and the preparations for the launching of investment promotion activities, clearly indicate that the Corporation has succeeded in building the institutional infrastructure and forging the appropriate strategy for sustained business growth and financial stability. This should empower the Corporation to better achieve its vision of becoming the export credit and investment insurer of choice for Member Countries, thereby helping to expand their exports and encourage investment flows among them, as it is mandated to do.

Dr. Ahmad Mohamed Ali
President of ICIEC

ID 1.00=USD 1.504 at 1425H year-end

ICIEC Overview



1. Legal Structure

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

2. Membership

Membership in ICIEC is open to the Islamic Development Bank and countries which are members of the Organization of the Islamic Conference (OIC). At the end of 1425H, there were 35 shareholders of ICIEC, comprising IDB and 34 countries. Several other countries are in the process of completing the membership requirements.

3. Capital Subscription

The authorized capital of ICIEC is ID^{*} 100 (USD 150) million. The Islamic Development Bank and 34 Member Countries subscribed to shares in the capital of the Corporation having a face value of ID 96.99 (USD 145.87) million. IDB contributed ID 50 (USD 75.20) million, which represents 50% of authorized capital. Member Countries subscribed ID 46.99 (USD 70.67) million.

The remainder of authorized capital, ID 3.01 million, is available for subscription by new members (list of ICIEC existing members and their ownership distribution is provided in the opposite table).

4. Objective

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

5. Medium Term Strategy

ICIEC formulated its 5-Year Strategic Plan, in alignment with the overall IDB Group objectives. The Plan aims at meeting the objectives of (a) increasing the volume of business of the Corporation and (b) maintaining the financial health of the Corporation. Accordingly, the Plan envisages an annual growth rate in business insured of 35% per annum, and 8.5% in the Corporation's reserves.



MEMBERSHIP AND CAPITAL SUBSCRIPTIONS STATUS AS AT END OF 1425H (9th February 2005G)

Members	Date of Articles Ratification	Number of Shares Subscribed	Value of * Shares (ID)
1. ALGERIA	23.04.96	1,000	1,000,000
2. BAHRAIN	06.03.99	250	250,000
3. BANGLADESH	11.05.93	250	250,000
4. BENIN	08.08.01	250	250,000
5. BRUNEI	24.03.98	250	250,000
6. BURKINA FASO	26.03.02	250	250,000
7. CAMEROON	04.07.92	250	250,000
8. CHAD	19.02.93	250	250,000
9. EGYPT	30.12.92	2,500	2,500,000
10. GAMBIA	01.03.96	250	250,000
11. GUINEA	22.07.97	250	250,000
12. INDONESIA	24.04.93	250	250,000
13. IRAN	19.12.96	5,000	5,000,000
14. JORDAN	21.04.93	250	250,000
15. KAZAKHSTAN	02.01.03	250	250,000
16. KUWAIT	13.07.94	2,500	2,500,000
17. LEBANON	17.08.95	250	250,000
18. LIBYA	06.02.93	1,000	1,000,000
19. MALAYSIA	01.08.94	2,740	2,740,000
20. MALI	04.09.93	250	250,000
21. MAURITANIA	18.07.95	250	250,000
22. MOROCCO	08.02.97	5,000	5,000,000
23. NIGER	04.03.03	250	250,000
24. PAKISTAN	08.05.93	2,500	2,500,000
25. QATAR	11.07.00	250	250,000
26. SAUDI ARABIA	03.12.92	13,500	13,500,000
27. SENEGAL	19.09.95	250	250,000
28. SUDAN	10.07.95	250	250,000
29. SYRIA	01.02.98	250	250,000
30. TUNISIA	22.02.93	500	500,000
31. TURKEY	30.07.97	2,500	2,500,000
32. UGANDA	04.02.99	250	250,000
33. UAE	11.07.00	2,500	2,500,000
34. YEMEN	30.12.96	500	500,000
35. ISLAMIC DEVELOPMENT BANK		50,000	50,000,000
TOTAL		96,990	96,990,000

* One Islamic Dinar is equal to One SDR which is equal to USD 1.504 as at the end of 1425H.

In order to achieve the above objectives, ICIEC crafted a Vision Statement for the Corporation and redefined its Mission Statement.

ICIEC vision statement is as follows:

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

The Mission Statement, articulated below, serves as a means of highlighting the overriding focus of the Corporation:

"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 Shariah compatible Export Credit and Investment Insurance as Credit and Political Risk mitigation instruments".

6. Management

The overall management of ICIEC is executed by a four-tier system, summarized in the table below:

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

In addition, there is a Consultative Committee for the Corporation which advises the President on the overall management of the Corporation. Members of the Committee

are prominent personalities from Member Countries who are well-versed in matters relating to export credit and investment insurance, international trade and banking.

7- Insurance Facilities

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

7.1- Export Credit Insurance Services

Since ICIEC commenced business in 1416H (1995G), it has been offering three types of insurance policies:

- (a) Comprehensive Short Term Policy (CSTP)
- (b) Supplemental Medium Term Policy (SMTP)
- (c) Bank Master Policy (BMP)

Two new Export Credit Insurance products were approved during 1424H and operationalized during 1425H. The Export Credit Insurance Products, including the new ICIEC products, are summarized in the table below:

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

* New ICIEC products.

7.2- Foreign Investment Insurance Services

ICIEC introduced the Foreign Investment Insurance Policy (FIIP) in 1419H (1998G). The FIIP provides insurance cover against country risks to investors from Member Countries who intend to invest in other Member Countries. Such risks include war, civil disturbance, foreign exchange convertibility and transfer restrictions, nationalization and other forms of host country government interference which may deny the investor his rights to repatriate his investments and profits. The policy cover can be for up to 20 years.

7.3- Reinsurance Facility

By the end of 1425H, ICIEC successfully developed and launched a new reinsurance product named Reinsurance Facility Agreement (RFA). This agreement is a facultative reinsurance arrangement that could be developed into a quota share-treaty. The initial marketing of this agreement witnessed considerable appetite from the ECAs in Member Countries to sign it with ICIEC. The Corporation can also participate in existing reinsurance treaties of the ECAs in Member Countries.

8- Investment Promotion

ICIEC is mandated to facilitate the flows of investments to its Member Countries. Many of the ICIEC Member Countries have not been successful in attracting investment flows due to unfavorable investment environment, lack of investment promotion capacity/capabilities, inability to articulate their competitive sectors and investment projects and due to a lack of centralized investment information data base.

In order to address these critical issues, an IDB Technical Cooperation Program in the field of Investment Promotion was designed by ICIEC and is ready to be launched in early 1426H. The objective of the Program is to assist Member Countries in identifying and promoting promising investment opportunities which would encourage Foreign Investment flows in the Member Countries. This activity will be undertaken in partnership with relevant specialized multilateral agencies such as the Multilateral Investment Guarantee Agency (MIGA), the United Nations

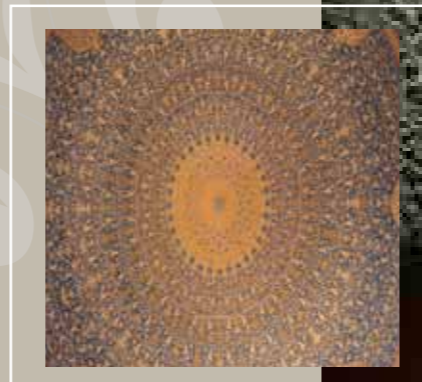
Industrial Development Organization (UNIDO) and more importantly by leveraging IDB's own knowledge base and expertise in project development and finance in Member Countries.



General Manager of ICIEC and Executive Vice-President of MIGA sign Memorandum of Understanding in Washington D.C. (USA)

Insurance Operations Results

Total amount of business insured increased by 129% on 1424H, to USD 337 million, primarily as a result of ICIEC's closer working relationship with policyholders and the extension of ICIEC market to cover non member countries. Premium and fees income from business insured rose significantly by 36%, to USD 2.92 million during 1425H.



1- Marketing Activities

1.1 Export Credit Insurance

During 1424H, a strategic shift was made in the manner in which ICIEC marketed its services when the 'indirect' marketing approach was complemented with an emphasis on a concentrated and selective marketing approach which targeted selected customers in specific countries.

During 1425H, the above marketing strategy was continued. In addition to this direct strategy, the marketing efforts were also concentrated on existing key customers to enhance the volume of their business with the Corporation. This dual approach was very successful, and during 1425H, ICIEC not only attracted additional important customers, but also considerably increased the volume of business and improved the quality of transactions being underwritten.

1.2 Investment Insurance

The marketing strategy and program also emphasized the marketing of investment insurance during 1425H. In this regard, the Corporation cooperated with the Multilateral Investment Guarantee Corporation (MIGA) of the World Bank, and launched joint investment insurance marketing missions.

1.3 Local Agents

The local agents' network is an important part of ICIEC's distribution chain. ICIEC believes that a strong network of local agents can be an effective and integral part of ICIEC's distribution chain. However, while a number of agency agreements are in place, historically, the relationship was not playing the role that ICIEC had envisaged. Therefore, during 1425H, ICIEC reviewed its relationships with local agents and concentrated on a few key markets to identify, recruit and train local agents. Two agents in Turkey have been identified and one in Egypt. Local Agency Agreements with these companies are expected to be finalized during the first quarter of 1426H.

1.4 New Products

During 1425H, ICIEC launched two new insurance products, which were earlier approved during 1424H. The first is the Documentary Credit Insurance Policy (DCIP) which is an instrument available to commercial banks. The policyholder, i.e., the commercial bank, is protected against the risk of non-payment of an Import Letter of Credit issued by an importer's bank and confirmed by the policyholder on behalf of its exporting customer. The DCIP was launched during the last quarter of 1425H, and it is expected that the first few policies would be issued in 1426H. A number of key regional banks have shown keen interest in the product.

The second new instrument launched is the Specific Transaction Policy (STP). The STP is designed to insure single short and medium-term export transactions, usually associated with project finance. It covers the same risks as the existing Supplemental Medium Term Policy (SMTP) which caters for medium-term whole-turnover business. During 1425H, 17 STP applications were received, of which 6 were approved, supporting a business volume of about USD 17.50 million.

1.5 Application Forms and Brochures

As part of the effort to improve its marketing and sales tools, ICIEC revamped its brochures, pamphlets and other promotional literature for its various products/services. In addition, the Application Forms for short and medium term insurance policies were redesigned to assist in reducing the processing time of the Policy Application.

1.6 Relationships with Commercial Banks

Export credit insurance is an important facilitator of export financing. Therefore, ICIEC has made the development of close relationship with commercial banks a key element of its marketing strategy, so that exporters covered by ICIEC insurance could obtain export financing from commercial banks. During 1425H, an aggressive

marketing campaign targeting banks was implemented, resulting in more banks accepting ICIEC's insurance cover as effective security for their cross-border financing transactions.

1.7 Relationships with National Export Credit Agencies (ECAs)

ICIEC's mandate makes it incumbent upon it to cooperate with and assist ECAs in Member Countries to develop their technical capability and enhance their insurance capacity. During 1425H, ICIEC convened the Fourth Meeting of the ECAs of Member Countries, held in Iran, during December 13th and 14th, 2004G. The ECAs emphasized the need for ICIEC to provide technical assistance and to enhance their underwriting capacity by providing re-insurance support.

1.8. Marketing Missions, Promotional Seminars and Conferences

During 1425H, ICIEC undertook about 25 missions in 12 Member Countries. In addition, a number of customers were met within the Corporation's host country. The Corporation arranged a promotional seminar for the private sector companies in Iran during December 2004, after the conclusion of the ECAs' Meeting. This private sector seminar was organized to promote ICIEC products and services in Iran and was organized in coordination with the Islamic Chamber of Commerce, Industries and Mines of Iran. It was attended by exporters, investors and bankers.

The Corporation also attended various regional and international conferences and seminars related to its business. These functions enabled the Corporation to raise the level of recognition for its name and services to keep abreast of the latest developments in the industry and provided opportunities for promoting ICIEC's services and establishing contacts with similar organizations in the industry. The following are examples of such events:

- Conference on Structured Trade / Commodity Finance & Risk Management, Asia-Middle East 2004, Kuala Lumpur - Malaysia.
- Symposium on Risk Management in Islamic Banking, Riyadh – Saudi Arabia.
- Investment Promotion with UNIDO and Government of Bahrain, Manama – Bahrain.
- Conference on Investment in Iraq, Beirut - Lebanon.
- Workshop on Pioneering Experiences in Export Promotion, Casa Blanca – Morocco.
- MENA Trade and Export Finance Forum 2004, Dubai - UAE.



ICIEC Member Country Export Credit Agencies' Meeting in Tehran - Iran

1.9 ICIEC Website, www.iciec.com

The marketing strategy of ICIEC includes utilizing the internet as a marketing medium. IDB has undertaken an ambitious project for developing a web-based portal for the IDB Group, including ICIEC. This project is under implementation by international IT companies. Meanwhile, ICIEC has updated its website in order to provide customers with information on ICIEC services and products, facilitate the downloading of the text of the insurance policies and application forms as well as other documents. It is also planning to provide online applications facility to potential customers.

1.10 IDB's Technical Cooperation Program in the field of Investment Promotion

The IDB's Technical Cooperation Program in the field of Investment Promotion is designed to promote FDI flows by assisting the Member Countries (MCs) to identify and promote promising investment opportunities which would encourage FDI flows in the MCs.

The Program is a joint IDB Group initiative, with funding contributions expected from IDB, ICD and ICIEC. The Program will be governed and directed by a Program Steering Committee (PSC), representing the various IDB Group windows. The management and implementation of the Program will be the responsibility of ICIEC. It is envisaged that the Program would be executed in partnership with other multilateral agencies such as MIGA/Foreign Investment Advisory Service (FIAS) of the World Bank and United Nations Industrial Development Organization (UNIDO) to utilize their experience and expertise in this field.

The activities of the Program will be split into two basic activities; (a) Technical Assistance for MCs and (b) the setting up of an Electronic Investment Database about Member Countries with the cooperation of MIGA.

The Technical Assistance Program (TAP) will focus on assisting the Member Countries in identifying the country's need for FDI by a need assessment study. It will also include sector assessments and within the selected sector investment proposals will be

prepared and marketed. A corollary to the TAP will be supporting capacity building activities of the host Investment Promotion Agency (IPA) as well as providing policy advice to the government, if requested.

While the Program was approved by the IDB Group Management, formal approval of the related business plan and budget and implementation is expected in early 1426H.

2- Underwriting Activities

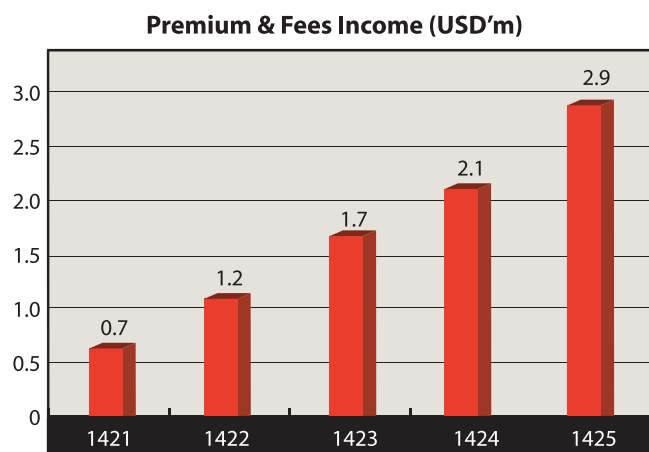
2.1- Summary of Operations' Indicators

The year under review has been characterized by unprecedented rates of growth in all key business indicators. The true momentum in growth has been highlighted by the jump in premium and fees income which exceeded USD 2.9 million after breaking the USD 2.1 million mark in 1424H, together with the substantial increase in business insured which has increased by 129% on last year (USD 337 million from USD 147 million). This large growth has been undertaken with fewer policies in force reflecting a higher quality of policyholder portfolio. The Corporation has employed a strategy of cleansing its portfolio of inefficient policies and maximizing the premium fee income through better client and portfolio management.

Global Operations 1421H - 1425H					
	1421	1422	1423	1424	1425
Premium & Fees USD'm	0.7	1.2	1.7	2.1	2.9
Business Insured USD'm	46	58	129	147	337
New Commitments USD'm	104	139	289	287	475
Current Commitments USD'm	184	248	254	265	451
Policy Portfolio (in force)	66	63	67	80	72

2.2- Operations' Indicators

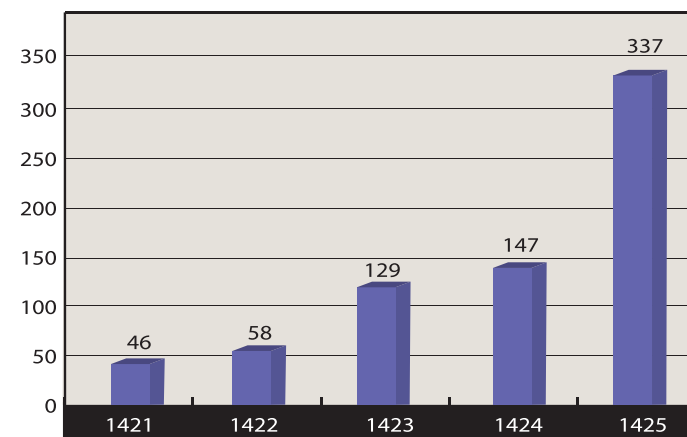
a) Premium – This year saw the continued growth in income as the Corporation exceeded USD 2.90 million in terms of premium and fees an increase of 37% on 1424H. Export credit insurance based income increased from USD 1.65 million to USD 2.50 million, an uplift of 53%. While investment insurance premium and fee income decreased by 19% to USD 0.40 million. Export credit insurance based income accounted for 86% of total premium in 1425H, as compared to 77% in 1424H.



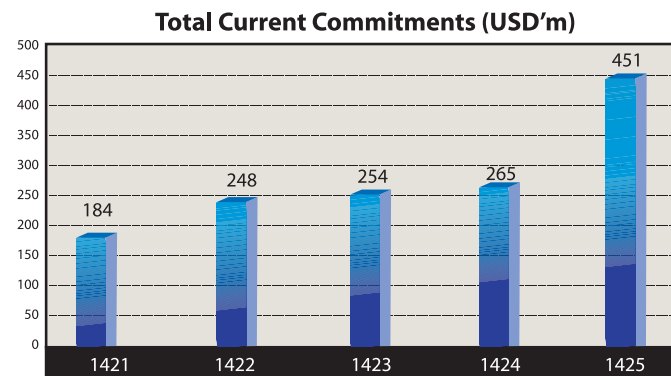
b) Business Insured & Exposure – 1425H was an extraordinary year in terms of business insured. Utilization of insurance commitments improved dramatically as business insured reached a global total of USD 337 million, an uplift of 130% on the previous year. This is reflective of the on going hands-on approach, to pursue greater utilization with policyholders, applied for the last two years. The utilization rate increased to 75% of current commitments in 1425H, from 55% in 1424H, representing an increase of 36%. This is a direct result of increased activity of the major policyholders.

The Corporation's total exposure (the maximum amount the Corporation is liable to pay) reached USD 252.70 million, an increase of 68% on 1424H, as a direct result of the increased business insured.

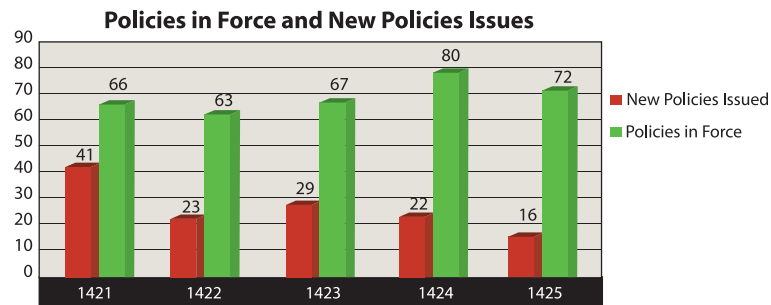
Business Insured - Declarations (USD'm)



c) Commitments - New insurance commitments approved by the Corporation during 1425H increased by a substantial 66%, from USD 287 million in 1424H to USD 475 million by year end 1425H. This is a factor of the large increase in the approval ratio from 24% in 1424H to 67% in 1425H. Consequently, the Corporation's total current commitments increased to USD 451 million compared to USD 265 million as at the end of 1424H, representing an increase of 70%. Despite the large increase in new business approved, the Corporation has continued to strictly observe its prudent underwriting approach.

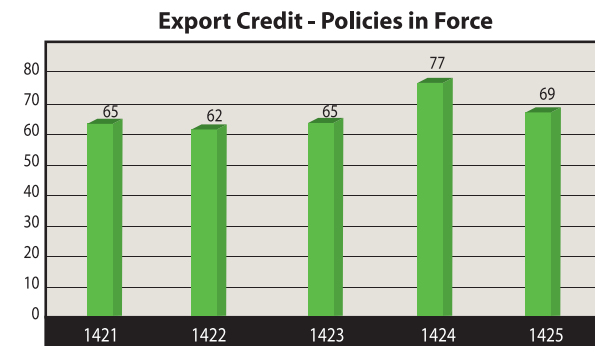


d) Policy Portfolio - During 1425H, the number of new policies issued was 16, down from 22 policies issued in the previous year*. The Corporation's total number of policies in force reached 72 as at end of 1425H, compared to 80 as at end of 1424H representing a 10% net reduction. The Corporation undertook an active portfolio management strategy, which necessitated the removal of inefficient policies and unutilized commitments, and became more selective in choosing new policyholders.



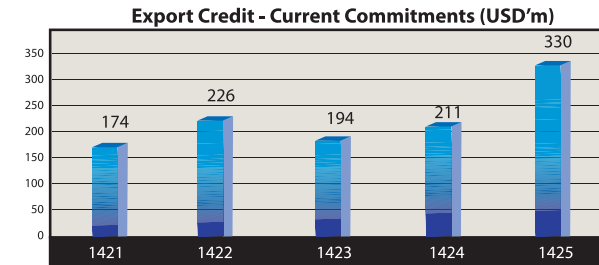
2.3- Export Credit Insurance

a) Policies - During 1425H, the Corporation issued 16 new export credit insurance policies, down from 21 policies issued in the previous year. This follows on from our view of being very selective when choosing new policyholders, in line with the industry practices. In terms of renewals the Corporation, as mentioned above, undertook an active approach to its portfolio; closing 55 policies in the period 1424-1425 which were not performing adequately, and renewing only 53 (a decrease of 26% on 1424H). As a result, the total number of policies in force as at end of 1425H reached 69 as compared to 77 policies as at the end of 1424H, a decrease of 10%.



*Due to a typing error 21 policies were recorded for 1424H in the last annual report

b) Export Credit Commitments - During the year under review, ICIEC approved new insurance commitments totaling USD 354.40 million to cover exports and financing operations, compared to USD 201 million during 1424H, an increase of 76%. The total current commitments were USD 330.30 million compared to USD 211 million as at end of 1424H, an increase of approximately 56%. This large increase in insurance approvals is a result of major policyholders becoming progressively more active.



b1) Current Export Credit Insurance Commitments by Policyholder Country

	1425H			1424H		
	USD'm	%	Rank	USD'm	%	Rank
United Arab Emirates	120.7	36.5	1	70.0	33.1	1
Turkey	72.7	22.0	2	27.3	12.9	3
Saudi Arabia	64.3	19.5	3	65.8	31.1	2
Bahrain	34.9	10.6	4	11.4	5.4	5
Pakistan	12.9	3.9	5	9.1	4.3	6
Others	24.8	7.5	-	27.7	13.1	-
TOTAL	330.3	100	-	211.3	100	-

The distribution of ICIEC's export credit insurance commitments, according to policyholder's country, highlights the source of the business volume that ICIEC is servicing. Key policyholders have driven this year's performance and this is highlighted by the above table. Clients such as Dubai Islamic Bank, DEPA, SABIC, CCH Europe and Midal Cables, among others, have been at the forefront of insuring their export and financing business with ICIEC in 1425H. The most dramatic change has been the influence of Turkey which has taken the second highest position with USD 72.70 million in export credit insurance commitments. In 1424H, Turkey enjoyed USD 27.30 million in commitments from policyholders and ranked 3rd with approximately 13% of total commitments. The UAE has remained in first place, a position achieved since 1424H (USD 70 million), recording USD 120.70 million in 1425H. Saudi Arabia and Bahrain were third and fourth respectively. In addition, 1425H saw Pakistani policyholders adding substantially to the commitments of ICIEC.

b-2) Total Export Credit Commitments by Buyer Country and Region in 1425H

The top ten current commitments by country accounted for in excess of 70% of the total commitments as was the case in 1424H.

However, the composition has again seen dramatic changes. Germany has become the largest country in terms of commitments by buyer country with USD 66.30 million, accounting for 20.1% of total commitments. Commitments on Saudi Arabia and Qatar have fallen, while UAE, South Africa and Iran are the notable movers within total commitments by buyer country. The US has effectively more than doubled its position in relative terms going from 4% (USD 8.40 million) in 1424H to 9.1% (USD 30 million) of total commitments.

BUYER COUNTRY	USD'm	%
Germany	66.3	20.0
USA	30.0	9.1
Turkey	26.3	8.0
United Arab Emirates	25.7	7.7
South Africa	22.3	6.8
Egypt	17.4	5.3
United Kingdom	14.1	4.3
Bangladesh	13.2	4.0
Iran	11.0	3.3
Syria	10.0	3.0
Others	94.0	28.5
TOTAL	330.3	100

In terms of regional distribution by buyers, Europe accounted for 42% of total current commitments. The next largest set of buyers came from Asia with USD 113.70 million in commitments, worth approximately 34% of the total commitments. The African region has witnessed an absolute increase of USD 7.70 million to USD 47.80 million in 1425H, but has dropped in relative terms to 14% of commitments in 1425H from 19% in 1424H. the total

North American buyer commitments are up from USD 8.40 million in 1424H to USD 30.60 million in 1425H predominately as a result of increased trade between the US and Pakistani exporters.

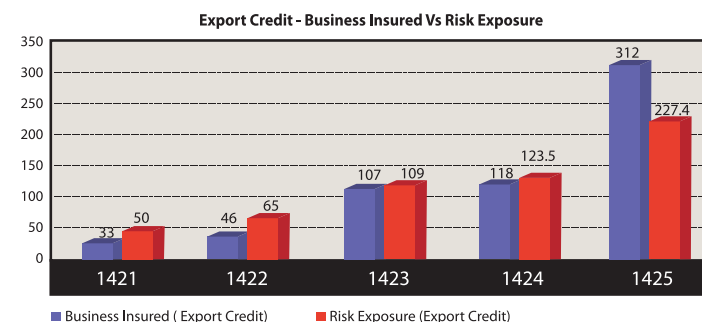
b-3) Total Export Credit Commitments by Sector in 1425H

The following table highlights a concentration of sectoral export credit insurance commitments in four sectors. The largest is Textiles and Leather Products with 29% of total commitments, followed by Chemicals and Petrochemicals accounting for 15%, Building Materials with 14% and Other Manufacturing with 11%. The remainder of the commitments is spread relatively evenly.

COMMITMENTS BY SECTORS 1425		
	Amount USD	%
Agriculture	2,547,520	0.8
Building Materials	45,240,825	13.7
Chemicals & Petrochemicals	48,783,356	14.8
Electrical Equipment	23,845,414	7.2
Food Manufacturing	25,542,000	7.7
Machinery Manufacturing	23,533,340	7.1
Other Manufacturing	37,306,980	11.3
Textiles and Leather Products	95,066,000	28.8
Services	7,902,000	2.4
Misc and Other	20,508,560	6.2
Totals	330,275,996	100

c) Export Credit Business Insured and Risk Exposure - The total amount of business insured for the exports made and the financing extended by policyholders during 1425H was USD 312 million, compared to USD 118 million in 1424H, an increase of 164%. This growth rate has surpassed the growth rate of 133% achieved in the period 1422/1423 when the effects of extending ICIEC market to include exports to non-member countries came into force. This substantial growth rate is attributable to two reasons, firstly active client management by the Corporation and secondly a large increase in volume insured with respect to the major policyholders.

Total exposure resulting from export credit insurance, as at the end of 1425H, reached USD 227.40 million compared to USD 123.50 million as at end of 1424H, representing an 84% increase. This increase is a direct result of the large change in business insured by the Corporation.



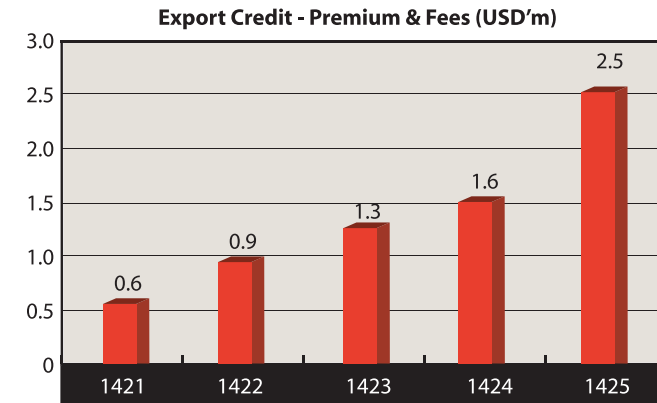
The following table highlights the Corporation's exposure on a country by country basis in 1425H. The largest exposure by far for the Corporation is Turkey at approximately USD 72.50 million, followed by South Africa with approximately USD 40.90 million. The top four countries with the largest exposures contributed to 68% of the total exposure. These countries related lower to the lowest sovereign and commercial risk grouping.

Top 10 Exposures by Buyer Country	
Turkey	31.9%
South Africa	18.0%
United States of America	10.8%
United Arab Emirates	7.5%
Sudan	4.1%
Mauritius	3.8%
Germany	3.1%
Egypt	2.9%
Australia	2.8%
United Kingdom	2.0%
Others	13.1%



d) Export Credit Insurance Premium Income

As the business insured increased by 164% in 1425H, the resulting gross premium and fees income generated from the export credit insurance business rose to USD 2.52 million. This was a net increase of 53% on 1424H levels of USD 1.65 million. The net increase in premium was not as much as the change in business insured because the major policyholders who drove the increase in business insured were increasingly looking for coverage on better terms. The fact that they brought a large volume of low risk short term business enabled them to enjoy large discounts on pricing from the international credit insurance market, thereby compelling ICIEC to follow suit.



2.4-Investment Insurance

The year 1425H was a relatively quiet year for investment insurance against political risk in terms of actual insurance coverage. The year however witnessed a substantial amount of groundwork for future business.

The Corporation received 5 Preliminary Applications for a total provisional investment coverage amount of USD 101.50 million, as compared to 9 preliminary applications received in 1424H with a provisional investment amount of USD 59.10 million. However, there were no Main Applications received in 1425H, as opposed to five in the previous year. No new policies were issued in 1425H.

Three policies were renewed in 1425H with a total insured amount of USD 21.90 million. Total exposure decreased by 5% in 1425H to USD 25.30 million as compared to USD 26.50 million in 1424H. Business insured fell by 13% to USD 25.30 million. Consequently, total premium and fees income generated during the year was USD 0.40 million, a fall of 19% on 1424H.

3- Claims and Recovery

3.1- Claims Activities' Summary

In 1425H, ICIEC received five claims for a total loss of USD 4.01 million. This represents a significant increase from a year earlier when ICIEC received one claim for a total of USD 0.26 million. During 1425H, the Corporation paid two claims for a total amount of USD 0.33 million. This is a sizeable decrease compared to 1424H, when ICIEC paid a total of USD 1.16 million in compensation to a policyholder under the Bank Master Policy (BMP). Recoveries effected during 1425H amount to USD 0.65 million. This amount indicates a decrease compared to recoveries effected last year when the Corporation recovered an amount of USD 1.08 million.

3.2- Claims Received

Five claims were lodged with the Corporation during 1425H, under the Comprehensive Short Term Policy (CSTP) and BMP for a total amount of USD 4.01 million. One of these claims was paid during the year. Two claims were rejected, one under BMP and the other under the CSTP, for policyholder's non-compliance with the terms and conditions of the policy, and one was suspended as the policyholder requested an extension of the due date. Due to loss minimisation efforts, another claim was eventually withdrawn as the buyer paid, albeit with some delays.

3.3- Paid Claims

During 1425H, ICIEC paid two claims for a total of USD 0.33 million. A policyholder was compensated for a claim previously lodged under the BMP for the amount of USD 323,510. Another policyholder was compensated under the CSTP for an amount of USD 8,357.

3.4- Recoveries

Recoveries effected for 1425H amounted to USD 650,079. These recoveries were received from defaulted parties located in Member Countries. Included in this amount are the policyholders' shares of the recoveries. Net recoveries amounted to USD 585,071. Total gross recoveries, which have been realized since the commencement of operations, amounted to USD 7.97 million, representing a gross recovery rate of 51.8%. The Corporation continued to aggressively pursue a number of unrecovred paid claims in Egypt, Morocco, and Saudi Arabia.

Breakdown of Claims & Recoveries since 1418 H

Year H	Type of Policy	No.	Claims Received (USD) million	No.	Claims Paid (USD) million	Recoveries (USD) million
1418	CSTP	1	0.141	1	0.126	0.01
1419		0	0	0	0	0
1420	BMP	1	3.645	1	0.888	0.61
1421	(4) BMP (1) CSTP	5	10.204	4	5.861	2.237
1422	(9) BMP (1) CSTP	10	15.93	3	2.32	2.364
1423	(2) BMP (1) CSTP	3	2.772	4	4.715	*
1424	(1) CSTP	1	0.256	1	1.155	1.084
1425	(1) BMP (4) CSTP	5	4.014	2	0.332	0.65
Total		26	36.962	16	15.397	7.974

* Including reinsurance amount of USD 0.33 million



The ICIEC GM honoring a staff during one of its social activities



4- Reinsurance

4.1- Outward Reinsurance

During 1425H, considerable progress was achieved in the outward reinsurance (reinsuring ICIEC's business) since ICIEC was able to start its first outward reinsurance treaty. ICIEC signed on 30th June 2004 a quota-share treaty that covers its short term portfolio with first class reinsurers led by Atradius Re. This treaty covers both ICIEC's direct portfolio and the inward reinsurance business that ICIEC may write from ECAs in its Member Countries. The main objective that ICIEC aimed at from this strategic step was to share part of its risk portfolio and boost its underwriting capacity. In 1426H, ICIEC shall continue its efforts to improve its outward reinsurance program to cover its entire portfolio.

4.2- Inward Reinsurance

In 1425H, after securing the reinsurance treaty with Atradius Re, ICIEC increased its efforts to introduce an integrated inward reinsurance program to assist, and enhance risk-sharing arrangements with ECAs in Member Countries. By the end of 1425H, ICIEC successfully developed a new reinsurance agreement named Reinsurance Facility Agreement (RFA). The RFA is an agreement to provide facultative (case-by-case) reinsurance. The RFA could eventually be developed into a quota-share treaty.

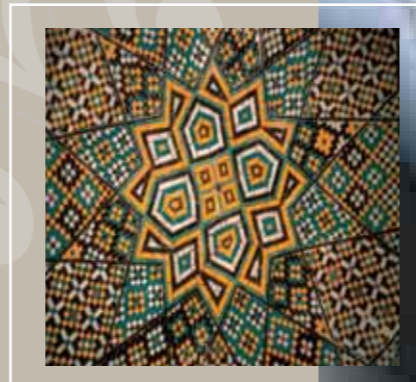
The initial marketing of this agreement revealed a considerable appetite from the ECAs in Member Countries to sign it with ICIEC. Three RFAs were signed by ICIEC: Sheikan Insurance and Reinsurance Company of Sudan, the Export Guarantee Fund of Iran and the State Insurance Corporation of Export Credit and Investment (EKIC) of Kazakhstan. Furthermore, ICIEC considered participation in the existing treaties of the ECAs in Member Countries. In this respect, it agreed to participate in the Compagnie Tunisienne pour L'Assurance du Commerce Extérieur (COTUNACE) existing treaties that cover short term business.



Signature of Reinsurance Facility Agreement - Iran 1425H

Institutional Developments

The objective of the Corporation shall be to enlarge the scope of trade transactions and the flow of investments among Member States. To serve its objectives the Corporation shall provide, in accordance with the principles of Shariah, export credit / investment insurance by paying the policyholder a reasonable idemnity in respect of losses resulting from the risks.



1- Introduction

ICIEC is a unique multilateral organization, providing export credit and investment insurance and reinsurance services according to Islamic Shariah. To meet the aspirations of its Member Countries, the Corporation had the challenging task of building from scratch an institution that could support its Member Countries in expanding exports and investment flows among themselves. Since its inception in 1415H, ICIEC has been able to acquire, develop, and effectively use the required human and technical resources to develop an institution capable of achieving the mission of the Corporation and meeting the expectations of its Member Countries. Following are some of the activities undertaken during 1425H.

2- Strategic Planning Exercise

The Corporation participated in the IDB Group's Strategic Planning Steering Committee which was assigned the task of supervising the preparation of the IDB Group's 5-Year Strategic Plan. Besides participating with the other IDB Group members in this critical task, this has been an extremely useful exercise for ICIEC in writing its own 5-Year Strategic Plan, in alignment with that of the Group.

ICIEC 5-Year Strategic Plan was approved by its Board of Directors during its 37th Meeting, and is being used by the Corporation as the guiding document for its annual business plans for 1426H-1430H.

3- Ten Year Performance Review

The year 1425H marked the 10th year of existence for ICIEC. In this respect, the Corporation initiated a review of its performance for the 10 year period to guide it in formulating its future strategy. This exercise will be conducted by AON Risk Consulting, a division of AON Limited, a leading trans-national insurance firm.

4- Human Resources Management and Services

The Corporation recognizes that the quality of human resources is the most important factor affecting its efficiency and ultimately its ability to achieve its objectives. Hence, it continued efforts to recruit high caliber staff from Member Countries

and to avail them of the best available training facilities. At the same time, ICIEC is rapidly developing its information technology capacity in the human management area to improve the efficiency of personnel and services management.

4.1 Staffing

During the year under review, the Corporation recruited 6 new staff, bringing the total number of staff in ICIEC to 41. Thus achieving a utilization of 86% of the approved positions, and registering a growth of 17% from last year.

The remaining 7 unfilled positions are expected to be filled during 1426H.

Description	1423	1424	1425
Approved Positions	41	43	48
Filled Positions	36	35*	41
Utilization	88%	81%	86%

* Three staff members moved from the Corporation to assume new duties within the IDB Group.



Staff of the Islamic Corporation for the Insurance of Investment and Export Credit

4.2 Training

During the year under review, training focused on benefiting from IDB's in-house training facilities to cover three broad areas: technical (relating to the specialization of the staff member), management, financial, computer skills, and languages. A total of 32 staff members attended 21 IDB in-house courses, 6 local training courses, and 17 courses abroad. In addition 2 training course were organized by COFACE, the French export credit insurance company.



5- Technical Systems

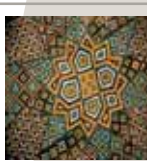
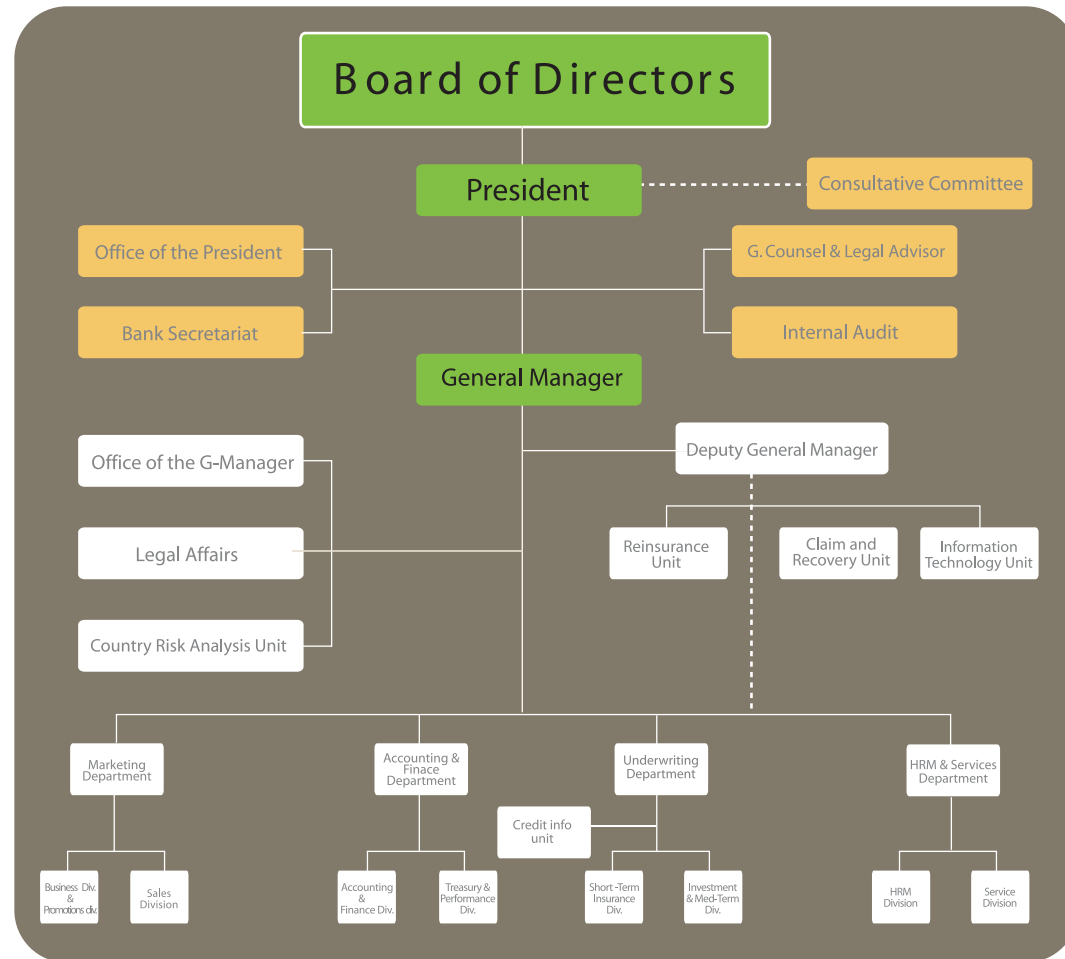
ICIEC utilizes various information technology applications, including accounting and human resources management, available from the Islamic Development Bank. The proposed Financial and Electronic Document Management System, and other ancillary systems, are expected to improve the operational efficiency of the IDB Group. ICIEC, as a member of the IDB Group and a contributor to the cost of developing these systems, stands to benefit from the same.

Besides the IDB Group IT infrastructure, the Corporation is developing its own electronic Insurance Management Information System to improve the management of its unique operational requirements.

The design of the system has been completed, and it is undergoing testing and gradual implementation. Most of the underwriting processing modules have been implemented and are currently being utilized by the staff, and part of the information reports have been tested and confirmed.

An accounting 'Receivable Module' was developed and has been used by the Accounting and Finance Department of ICIEC since last year. The module will be integrated with the Underwriting Module during 1426H.

ICIEC ORGANIZATION CHART



Finance and Investment Summary

In conformity with its Articles of Agreement, which require ICIEC to maintain a sound financial position, ICIEC is pursuing a medium-term strategy aiming at achieving financial balance in the Policyholders' Fund.



1- Summary

The financial year 1425H witnessed a robust growth in revenues from investment as well as insurance operations. The Shareholders' Fund (investment account) reported a 27% growth in investment income, due to the prudent and balanced approach adopted by ICIEC in minimizing risk and maximizing return on its investment portfolio as well as the general rise in the market rates of return. However, due to a slight exchange loss (compared to an exchange gain last year) and the impact of ICIEC's share of the IDB Group annual general meeting expenses (first time expenses), the net surplus for the year was the same (ID 2.10 million) as achieved last year. At the same time, the Policyholders' Fund (insurance operations account) reported a 50% growth in earned premium and fees income (net), due to a higher level of short-term insurance business underwritten during the year. However, due to the increased business volume the current exposure at year-end was much higher than last year, necessitating additional provision for unreported claims. In addition, ICIEC substantially reduced its estimate of claims recoverable considering the age and slow performance of certain major claims paid. These factors affected the net deficit for the year in the insurance operations account, which increased by 72% to reach ID 2.09 million compared to ID 1.22 million last year. Hence, on an overall basis, the Corporation reported a marginal surplus of ID 10,660 for the year 1425H.

2- Unit of Account

Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to the Special Drawing Right (SDR) of the International Monetary Fund (ID 1.00 = USD 1.504 as at the end of 1425H).

3- Share Capital

The authorized share capital of the Corporation is ID 100 million, made up of 100,000 shares of ID 1,000 each. IDB has subscribed to half of the authorized capital, while the other half is left for subscription by the Member Countries of the Organization of the Islamic Conference (OIC). Each Member Country may subscribe to a minimum of 250 shares in the Corporation (worth ID 250,000). As of 29 Dhul Hijja 1425H, IDB and thirty four Member Countries had subscribed to a total of 96,990 shares, equivalent of ID 96.99 (USD 145.87) million. The called-up installments amounted to ID 73.50

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

(USD 110.54) million, out of which ID 72.43 (USD 108.93) million has so far been paid-up. The net balance of ID 1.07 (USD 1.61) million is receivable from some Member Countries.

4- Separation of Shareholders' and Policyholders' Funds

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

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

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

5- Shareholders' Fund

The capital contributed by the Member Countries of the Corporation is mainly invested in various Shariah compatible investment instruments through the IDB Treasury Department, acting as the Corporation's Fund Manager. One long-term investment has been carried out directly by the Corporation, in the shares of IDB Unit Investment Fund. A gross income of ID 2.31 (USD 3.47) million was generated from the investments. ICIEC paid investment management fees to the IDB Treasury Department amounting to ID 0.10 (USD 0.15) million. An amount of ID 0.11 (USD 0.16) million, was reported as ICIEC share of IDB Group annual general meeting expenses for the year, resulting in a net surplus of ID 2.10 (USD 3.16) million earned from investments. The net surplus has been transferred to the statutory reserve, as mandated under the Articles of Agreement.

6- Policyholders' Fund

The 1425H gross premium amounted to ID 1.86 (USD 2.80) million, compared to 1424H amount of ID 1.29 (USD 1.93) million. The net premium and fees earned during the year amounted to ID 2.08 (USD 3.13) million, while the operating expenses were ID 2.49 (USD 3.74) million and net claims incurred were ID 1.68 (USD 2.53) million. This resulted in a net deficit of ID 2.09 (USD 3.14) million during 1425H, showing an increase in the net deficit of ID 0.87 million compared to 1424H.

• The figures recorded here may differ from those reported in the Operation's Results Chapter as the former are subject to certain accounting adjustments.



This deterioration which occurred despite the large increase in business and gross premium income can be traced back to one major cause. The "claims incurred", which includes provision for unreported claims and claims under process as well as estimates of claims recoverable, showed a steep increase of 357% over the previous year. It is primarily due to the increase in insurance exposure, resulting in higher provision for unreported claims, and substantial reduction in the estimated claims recoverable. This reflects the conservative and prudent approach taken by the Corporation in presenting its financial results.

7- Net Corporate Financial Result

The overall results of the Corporation reflect a net marginal surplus of ID 0.01 (USD 0.02) million for the year 1425H. This was the result of a net surplus of ID 2.10 (USD 3.16) million in the Shareholders' Fund and a net deficit of ID 2.09 (USD 3.14) million in the Policyholders' Fund. At the end of 1425H, net reserves reached ID 15.74 (USD 23.67) million, and total assets of the Corporation stood at ID 94.22 (USD 141.70) million. These assets primarily relate to the Shareholders' Fund.

8- Investment Portfolio Analysis

During 1425H, ICIEC's financial performance in terms of growth in assets was stable (growth of 0.7%) whereas, investment returns experienced an increase of about 27% compared to 1424H. The overriding focus of the Corporation has been to preserve the asset base and also attempt to increase the same so as to expand its underwriting capacity. The capital preservation principle guides the general investment process at ICIEC.

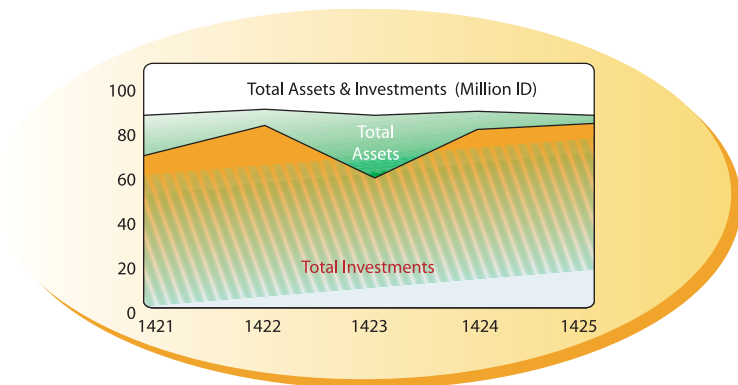
	1421	1422	1423	1424	1425
1 Islamic Dinar (ID) Equals USD	1.269	1.255	1.37	1.495	1.504
	All figures in million ID				
Total Assets	89.31	93.64	91.39	93.57	94.22
Total Investments	74.12	85.18	54.98	84.70	91.53
Investment Return	3.78	3.56	2.23	1.82	2.31
	All figures in percentage				
Growth rate of assets	3	4.85	-2.40	2.38	0.69
Growth rate of Investment Return	15	-5.79	-37.32	-18.33	26.73
SDR LIBOR Moving Average	4.83	4.25	2.89	2.06	1.74
Investment Return	5.40	4.47	3.19	2.61	2.60
Spread LIBOR & Investment Return	0.57	0.22	0.30	0.55	0.86

* Fixed deposits, as per the Shariah rules, are not considered a part of the investment portfolio. This is the primary reason of the drop in investment value in 1423H, reflected by a ditch in the above table, where an amount of ID 26.50 million was put aside in fixed deposits for the ID rebalancing purposes.

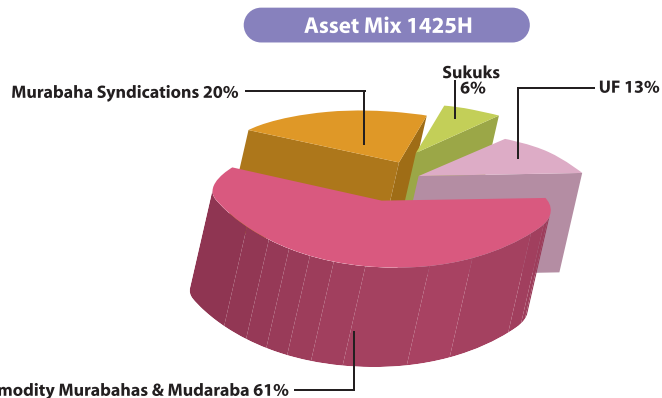
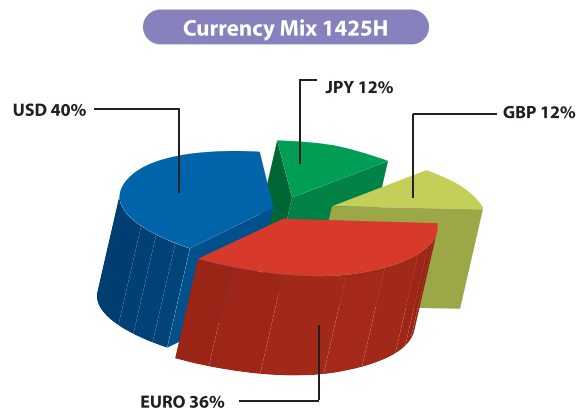
The previous table summarizes the assets, investments and investment returns for the most recent five-year period. As can be seen from the table, the assets have grown consistently, together with the investments, and the investment returns also have remained positive.

8.1 Asset/ Investment Base

The total assets increased from ID 89.31 million in 1421H to ID 94.22 million at the end of year 1425H, showing an increase of 5%. The average growth has been steady at around 2%. The change in total assets from 1422H to 1423H was negative, owing primarily to the settlement of ID 3.30 million payable to IDB. It is important to note that the investments have historically averaged around 90% of the total assets. The decrease in total investments during the 1422H-1423H period was as a result of a major currency rebalancing exercise carried out, where some funds were put in the fixed deposit.

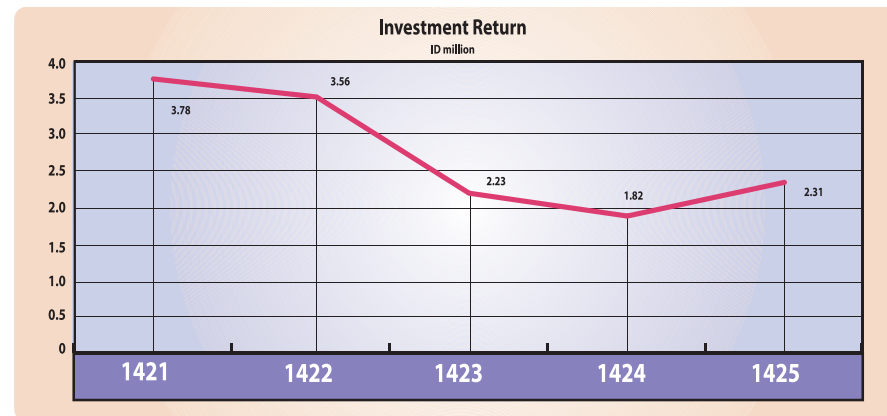


61% of the ICIEC investments are in the form of highly liquid commodity Murabaha and Mudaraba placements, investment in Unit Investment Fund Units is 13%, Sukuk investment is around 6% and Murabaha syndications total to around 20%. Currency mix of investments indicates a 40% exposure in USD, 36% in Euro, 12% in both GBP and JPY.

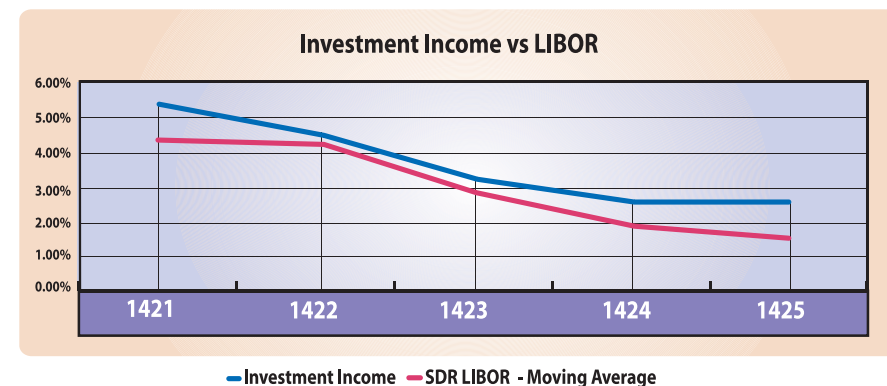


8.2 Investment Return

ICIEC's investments in 1425H earned ID 2.31 million showing an out-performance, versus the SDR LIBOR, of 86 basis points. The investment return rebounded with a substantial 27% growth in 1425H, though going through some troubled waters in the most recent five year period during which the investment return declined from ID 3.78 million to ID 2.31 million. The decline in investment return continued during the three year period 1422-1424H.



The return is invariably related to the movements of the SDR LIBOR rates, as all ICIEC investments are earning returns on LIBOR basis. The investment return clearly outperformed the average SDR LIBOR during the period (1421-1425H) by an average of 50 basis points. Investment return averaged 3.65% during this time period.



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 balance sheet of The Islamic Corporation for the Insurance of Investment and Export Credit as of 29 Dhul Hijjah 1425H (9 February 2005) and the related statements of income, cash flows and changes in shareholders' and policyholders' funds for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Corporation as of 29 Dhul Hijjah 1425H (9 February 2005), and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Corporation's Articles of Agreement in relation to the preparation and presentation of the financial statements.

For Ernst & Young



Dr. Abdullah A. Baeshen
Registration No. 66

1 Rabi Al Thani 1426H
9 May 2005
Jeddah



BALANCE SHEET

Year ended 29 Dhul Hijjah 1425H (09 February 2005) (Islamic Dinars)

ASSETS	NOTES	1425	1424
Bank balances	3	624,020	5,489,648
Murabaha receivables	4	74,727,123	66,648,470
Accounts receivable	5	567,156	473,167
Claims recoverable	6	1,157,565	2,434,029
Prepaid expenses and other receivables	7	248,090	209,788
Non-trading investments	9	16,771,834	18,211,495
Fixed assets	10	120,119	99,477
Total assets		94,215,907	93,566,074
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	11	998,436	818,324
Claims payable	12	208,742	354,494
Amounts due to Islamic Development Bank	8	2,281,032	2,111,835
Unearned premiums	13	821,615	1,044,528
Provision for unreported claims	14	1,73,441	1,003,425
Total liabilities		6,041,266	5,332,606
SHAREHOLDERS' FUND			
Share capital	15	72,432,500	72,432,500
Reserve	16	32,957,751	30,858,463
Fair value reserve		(977,434)	(907,947)
Loan to policyholders' fund	17	(13,103,702)	(12,891,302)
Total shareholders' fund		91,309,115	89,491,714
POLICYHOLDERS' FUND			
Accumulated losses	16	(16,238,176)	(14,149,548)
Loan from shareholders' fund	17	13,103,702	12,891,302
Total policyholders' fund		(3,134,474)	(1,258,246)
Total liabilities, shareholders' and policyholders' funds		94,215,907	93,566,074

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 9 May 2005.

The attached notes 1 to 25 form part of these financial statements.

INCOME STATEMENT

Year ended 29 Dhul Hijjah 1425H (9 February 2005) (Islamic Dinars)

	NO TES	1425	1424
SHAREHOLDERS' FUND			
Investment income		2,310,155	1,822,942
(Loss)/ gain on exchange		(7,589)	396,076
		2,302,566	2,219,018
Investment management fees paid to Islamic Development Bank	8	97,347	118,305
General and administration expenses		105,931	-
		203,278	118,305
Net income for the year		2,099,288	2,100,713
POLICYHOLDERS' FUND			
Premiums earned	18	1,982,373	1,181,658
Policy fees earned		134,874	206,150
		2,117,247	1,387,808
Local agent commission		36,740	3,277
		2,080,507	1,384,531
Claims incurred	19	1,676,882	366,560
Employees' cost		1,917,277	1,714,058
General and administration expenses		526,254	486,432
Fees paid to Islamic Development Bank	8	48,722	35,750
		4,169,135	2,602,800
Net loss for the year		(2,088,628)	(1,218,269)
NET CORPORATE INCOME FOR THE YEAR	18	10,660	882,444

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 29 Dhul Hijjah 1425H (9 February 2005) (Islamic Dinars)

	NOTES	1425	1424
OPERATING ACTIVITIES			
Net corporate income for the year		10,660	882,444
Adjustments for:			
Loss/ (gain) on exchange		7,589	(396,076)
Depreciation		36,692	36,343
		54,941	522,711
Changes in operating assets and liabilities:			
Amounts due to Islamic Development Bank		169,197	1,540,898
Other assets		1,144,173	854,679
Other liabilities		34,360	(187,127)
Unearned premium		(222,913)	32,386
Provision for unreported claims		728,016	53,425
Net cash from operating activities		1,907,774	2,816,972
INVESTING ACTIVITIES			
Non-trading investments		1,362,585	(2,298,577)
Murabaha receivables		(31,708,706)	(9,796,921)
Purchase of fixed assets		(57,334)	(46,374)
Net cash used in investing activities		(30,403,455)	(12,141,872)
FINANCING ACTIVITY			
Proceeds from issue of share capital		-	562,500
Net cash from financing activity		-	562,500
DECREASE IN CASH AND CASH EQUIVALENTS			
	20	(28,495,681)	(8,762,400)
Cash and cash equivalents at the beginning of the year		61,611,174	70,373,574
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	20	33,115,493	61,611,174

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS

Year ended 29 Dhul Hijjah 1425H (9 February 2005) (Islamic Dinars)

	Notes	Capital	Reserve	Fair value reserve	Loan to policyholders' fund	Total
SHAREHOLDERS' FUND						
Balance at 30 Dhul-Hijjah 1423H		71,870,000	28,757,750	(200,609)	(13,633,559)	86,793,582
Subscriptions paid	15	562,500	—	—	—	562,500
Net income for the year	16	—	2,100,713	—	—	2,100,713
Net movement during the year	17	—	—	—	742,257	742,257
Net fair value loss from investment in IDB-Unit Investment Fund		—	—	(707,338)	—	(707,338)
Balance at 29 Dhul Hijjah 1424H		72,432,500	30,858,463	(907,947)	(12,891,302)	89,491,714
Net income for the year	16	—	2,099,288	—	—	2,099,288
Net movement during the year	17	—	—	—	(212,400)	(212,400)
Net fair value loss from investment in IDB-Unit Investment Fund		—	—	(69,487)	—	(69,487)
Balance at 29 Dhul Hijjah 1425H		72,432,500	32,957,751	(977,434)	(13,103,702)	91,309,115
POLICYHOLDERS' FUND						
				Accumulated losses	Loan from shareholders' fund	Total
Balance at 30 DhulHijjah 1423H				(12,931,279)	13,633,559	702,280
Net loss for the year				(1,218,269)	—	(1,218,269)
Net movement during the year	17			—	(742,257)	(742,257)
Balance at 30 Dhul Hijjah 1424H				(14,149,548)	12,891,302	(1,258,246)
Net loss for the year				(2,088,628)	—	(2,088,628)
Net movement during the year	17			—	212,400	212,400
Balance at 29 Dhul Hijjah 1425H				(16,238,176)	13,103,702	(3,134,474)

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005)

1. GENERAL

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

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

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

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

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

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

The accompanying financial statements are denominated in Islamic Dinars (ID). The value of one Islamic Dinar, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund, was equal to US \$ 1.504 as of 29 Dhul Hijjah 1425 (1424: US\$ 1.495).

At 29 Dhul Hijjah 1425H the Corporation had 41 employees (1424H: 35 employees).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The significant accounting policies adopted are as follows:

Accounting convention

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

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Murabaha income**

Income from murabaha 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.

Non-trading investments income

Income is recognised when the right to receive payment is established.

Bank commission income

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

Outstanding claims

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

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

Murabaha receivables

Murabaha receivables are stated at total amounts due including mark-up at maturity date less any provision for impairment. The portion of mark-up which has not been accrued to income is considered as unearned income and deducted from the total amounts due including mark-up at maturity date.

Non-trading investments

Non-trading investments are classified as "available for sale". The investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments which are classified as "available for sale" are remeasured at fair value. Unrealised gains and losses are reported as a separate component of the statement of changes in shareholders' fund until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in the statement of changes in shareholders' fund is included in the income statement for the period.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

Fair values

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

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future anticipated cash flows and any impairment loss is recognised in the income statement.

Foreign currencies

The records of the Corporation are maintained in Islamic Dinars (ID). Transactions in other currencies are recorded in Islamic Dinars at the approximate rates of exchange prevailing at the time of transactions. Monetary assets and liabilities in other currencies at the balance sheet date are retranslated at the year end rates of exchange. Exchange differences are reported as part of the results for the year.

Cash and cash equivalents

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

Employees' retirement benefits

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

3. BANK BALANCES

	1425	1424
Shareholders' fund:		
Current accounts	372,614	116,564
Time deposits	-	4,943,051
Policyholders' fund	251,406	430,033
Total	624,020	5,489,648

4. MURABAHA RECEIVABLES

	1425	1424
Shareholders' fund:		
Murabaha commodity placements, net	55,799,829	63,050,176
Other murabaha receivables	18,927,294	3,598,294
	74,727,123	66,648,470
Murabaha commodity placements, net:		
With original maturity period of three months or less (note 20)	32,491,473	56,121,526
With original maturity period of more than three months	23,308,356	6,928,650
	55,799,829	63,050,176

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005)

5. ACCOUNTS RECEIVABLE

Accounts receivable are related to the policyholders' fund.

6. CLAIMS RECOVERABLE

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

7. PREPAID EXPENSES AND OTHER RECEIVABLES.PREP

	1425	1424
Shareholders' fund	121,747	146,817
Policyholders' fund	126,343	62,971
Total	248,090	209,788

8. AMOUNTS DUE TO ISLAMIC DEVELOPMENT BANK

	1425	1424
Policyholders' fund	2,281,032	2,111,835
Total	2,281,032	2,111,835

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

9. NON-TRADING INVESTMENTS

	1425			1424		
	Held to Maturity	Available for sale	Total	Held to Maturity	Available for sale	Total
Shareholders' fund:						
Quoted investments						
Units in IDB Unit Investment Fund	-	11,452,508	11,452,508	-	11,521,995	11,521,995
Sukuk	-	5,319,326	5,319,326	6,689,500	-	6,689,500
Total	-	16,771,834	16,771,834	6,689,500	11,521,995	18,211,495

During the year the Corporation has sold an investment, amounting to ID 3.3 million, classified as "held to maturity". Consequently, management has reclassified the remaining investments, classified as "held to maturity," as "available for sale."

10. FIXED ASSETS

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

11. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are related to the following:

	1425	1424
Shareholders' liabilities:		
Bank commission	578,271	574,680
Other expenses	105,931	--
	684,202	574,680
Policyholders' Liabilities:		
Other payable	59,869	125,723
Accrued expenses	254,365	117,921
	314,234	243,644
Total	998,436	818,324

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005) (Islamic Dinars)

12. CLAIMS PAYABLE

Claims payable are related to the policyholders' fund.

13. UNEARNED PREMIUMS

Unearned premiums are related to the policyholders' fund.

14. PROVISION FOR UNREPORTED CLAIMS

Provision for claims estimated as incurred but not reported relates to the policyholders' fund and represents 1% of the total risk insured by the Corporation as at 29 Dhul Hijjah 1425H.

15. SHARE CAPITAL

	1425	1424
Authorised capital 100,000 shares of ID 1,000 each	100,000,000	100,000,000
Issued and subscribed capital 50,000 shares of ID 1,000 each fully paid	50,000,000	50,000,000
46,990 (1424 H: 46,990) shares of ID 1,000 each, of which ID 500 has been called up	23,495,000	23,495,000
Less: subscriptions receivable	(1,062,500)	(1,062,500)
	72,432,500	72,432,500

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

The shareholders (member states) may withdraw from the Corporation after the expiry of a period of 5 years from the date of their membership. In such an event, the Corporation shall arrange for the repurchase of the shares of a withdrawing shareholder at a price equal to the book value of such shares on the date the shareholder ceases to be a member.

16. RESERVE

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

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

17. LOAN TO POLICYHOLDERS' FUND FROM SHAREHOLDERS' FUND

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

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended 29 Dhul Hijjah 1425H (9 February 2005)

Loan from shareholders' fund is comprised of the following:

	1425	1424
Policyholders' fund:		
Total assets	2,295,847	3,499,680
Total liabilities	(5,430,321)	(4,757,926)
Accumulated losses	16,238,176	14,149,548
Net deficit in policyholders' fund	13,103,702	12,891,302

18. PREMIUMS EARNED

	1425	1424
Gross premiums	1,856,758	1,289,728
Unearned premiums at the beginning of the year	1,044,528	1,020,549
Unearned premiums at the end of the year	(821,615)	(1,044,528)
	2,079,671	1,265,749
Reinsurance premiums	(97,298)	(84,091)
Net premiums	1,982,373	1,181,658

During the year, the management reviewed the basis of calculating unearned premium and decided to compute the unearned premium relating to unexpired period of coverage, on a pro-rata basis. Previously the management used different basis to estimate unearned premium on short term and long term policies. For short term policies, unearned premium was estimated at the rate of 50% of direct net premium. For long term policies, unearned premium was estimated at the rate of 50% of direct net premium for the first twelve months of the cover, and at the rate of 100% of direct net premium for the period of coverage beyond twelve months.

Had the Corporation estimated the unearned premium on the old basis, the net corporate income for the year would have been lower by ID 525,139.

19. CLAIMS INCURRED

	1425	1424
Gross claims paid	220,573	805,959
Recoveries, net (see note below)	838,537	34,489
Net claims	1,059,110	840,448
Claims related expenses	35,508	-
Outstanding claims:		
Movement in provision for unreported claims	728,016	53,425
Movement in claims payable	(145,752)	(527,313)
	1,676,882	366,560

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 (1425H: Nil, 1424H: Nil). Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005) (Islamic Dinars)

20. CASH AND CASH EQUIVALENTS

	1425	1424
Bank balances	624,020	5,489,648
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (note 4)	32,491,473	56,121,526
	33,115,493	61,611,174

21. RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the income statement are as follows:

	1425	1424
Premium and policy fees earned	254,561	473,678
Claims incurred	-	234,132
Investment management fees paid to Islamic Development Bank	97,347	118,305
Administration fee paid to Islamic Development Bank	48,722	35,750
Expenses paid by Islamic Development Bank on behalf of the Corporation	2,129,264	1,764,273

Related party balances included in the balance sheet are as follows:

	1425	1424
Accounts receivable	10,160	15,227
Amounts due to Islamic Development Bank	2,281,032	2,111,835
Claims payable	109,623	324,972

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

23. RISK MANAGEMENT

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Corporation the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the balance sheet.

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

The attached notes 1 to 25 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 29 Dhul Hijjah 1425H (9 February 2005)

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

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

b) Currency risk

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

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

c) Liquidity risk

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

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

d) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk based on the outstanding exposure at the year end amounts to ID 173.1 million (ID 100.3 million in 1424H). The Corporation minimizes any detrimental impact on its

assets, due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (Notes 14 and 19).

24. ZAKAT AND TAX TREATMENT

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

25. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

The attached notes 1 to 25 form part of these financial statements.

Islamic Development Bank Group



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

Address:

P.O.Box 15722 Jeddah 214554 Kingdom of Saudi Arabia

Telephone (General): (966 2) 644 5666

(Marketing Dept.): (966 2) 646-7594/7596/7597/7598/7608

Fax Management: + (966 2) 637 9504 - Operations (966 2) 644 3447 - Finance and Human Resources: (966 2) 637 9755

E-mail: iciec@isdb.org / Website : <http://www.iciec.com>