



10 *Years of Service to Member Countries*



CONTENTS

Transmittal Letter	1
Board of Directors	4
Management	5
Message from the President	6
ICIEC Overview	7
ICIEC 10th Anniversary	11
Marketing ICIEC Services	14
Underwriting Activities and Results	17
Institutional Developments	25
Finance and Investment Summary	28
Auditors' Report and Financial Statements	32

KEY DATA & RESULTS SUMMARY

OPERATIONS (USD million)	1425H	1426H	Change%
New Commitments	475	808	70.11
Current Commitments	451	808	79.16
Business Insured	337	618	83.38
Current Exposure	253	447	76.68
Premium & Fee	2.92	4.0	36.99
Claims Paid	0.33	1.92	481.82
Recoveries	0.65	0.45	(30.77)

FINANCIAL

Share Capital (ID million)²

Authorized	100.00	100.00	-
Subscribed	96.99	97.24	0.02
Paid-up	72.43	72.74	0.04

Shareholders' Fund (USD million)³

Net Revenues	3.47	5.17	49.00
Surplus / Deficit	3.16	4.78	51.27
Accumulated Surplus / Deficit	48.09	52.22	8.59

Policyholders' Fund (USD million)³

Net Revenues	3.13	3.45	10.22
Surplus / Deficit	(3.14)	(1.53)	(51.27)
Accumulated Surplus / Deficit ⁴	(24.42)	(24.98)	2.29

Corporate Result (USD million)

Net Surplus / (Deficit) ³	0.02	3.25	16150 ⁵
Net Reserves ⁴	23.67	25.96	9.67
Investment & Banks Balances ⁴	138.55	137.21	(0.97)
Total Assets ⁴	141.70	141.25	(0.32)

1- Gross cash values prior to accounting adjustments

2- ID (Islamic Dinar) 1.00= USD, 1.504 (1425H), ID 100=USD 1,444 (1426H)

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.

5- For explanation, please consult chapter on Finance Summary

Transmittal Letter

In the Name of Allah, the Beneficent, the Merciful

Date: 12/03/1427H
10/04/2006G

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

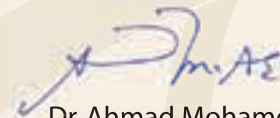
Dear Brothers,

Assalamo-Alaikum Warahmatullah Wabarakatuh

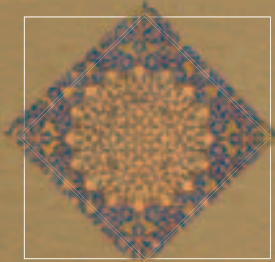
In accordance with Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1426H, including audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,



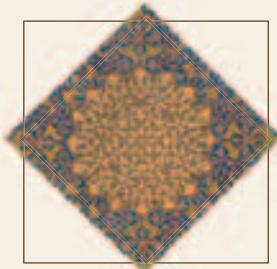
Dr. Ahmad Mohamed Ali
President of ICIEC



Vision

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

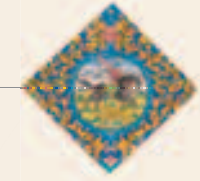




Mission

"To encourage Exports from Members Countries and 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 Country Risk mitigation instruments".

ICIEC Board of Directors



Hon. Agus Muhammad



Hon. Aissa Abdellaoui



Hon. Arslan Meredovich Yazyyev



Hon. Faisal Abdul Aziz Al-Zamil



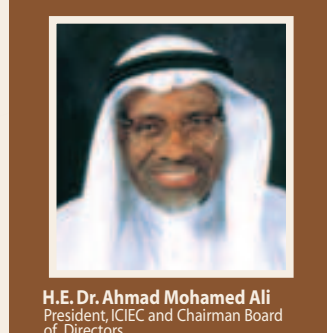
Hon. Ibrahim Mohamed Al-Mofleh



Hon. Issufo Sanha



Hon. Jamal Nasser Rashid Lootah



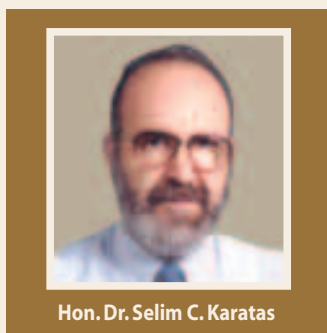
H.E. Dr. Ahmad Mohamed Ali
President, ICIEC and Chairman Board
of Directors



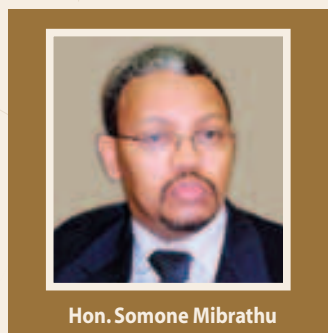
Hon. Mohammad Azzarog Rajab



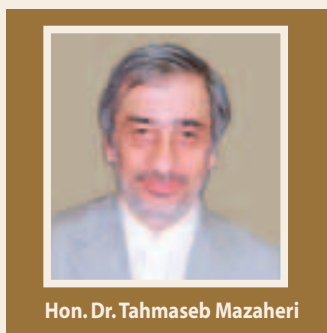
Hon. Md. Ismail Zabihullah



Hon. Dr. Selim C. Karatas



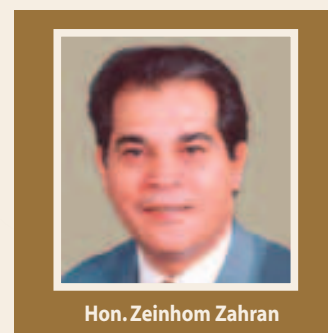
Hon. Somone Mibrathu



Hon. Dr. Tahmaseb Mazaheri



Hon. Yakoubou Mahaman Sani



Hon. Zeinhom Zahran

Management



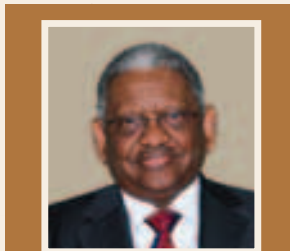
Consultative Committee



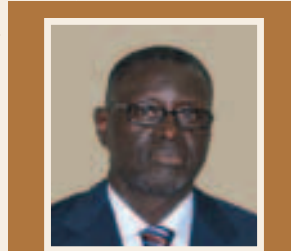
Dato Mohd. Fadzli Yusof
Chairman



Dr. Abdel-Rahman Eltayeb Taha
Member



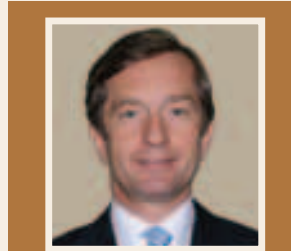
Dr. Mohammad El Fatih Hamid
Member



Mr. Mamadou Mansour Cama
Member



Dr. Salih Malayika
Member



Mr. Ahmet Kilicoglu
Member

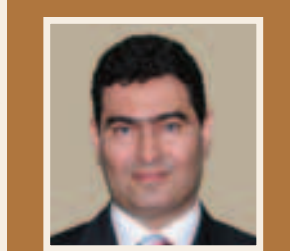
Officers of the Corporation



Dr. Ahmad Mohamed Ali
President, ICIEC



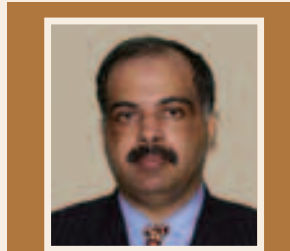
Dr. Abdel-Rahman Eltayeb Taha
General Manager



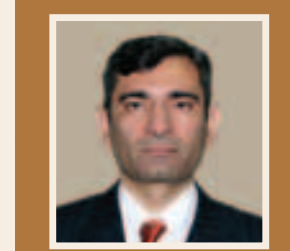
Khemais El-Gazzah
Underwriting Manager



Rahimi Ahmed Rahimi
Human Resource
and Service Manager.

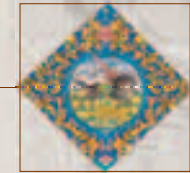


Irfan Bukhari
Marketing Manager



Muhammad Azam Arif
Accounts & Finance Manager

Message from the President



The year 1426H (2005-2006) saw ICIEC experience another remarkable year of growth in its insurance business. New 'insurance commitments' jumped by 70% to reach USD 808 million. The actual 'business insured' increased from USD 337 million last year to USD 618 million, an increase of 83%. This led to an increase of 38% in the gross premium income, which reached USD 4 million.

With the very high increase in business insured, the claims paid by the Corporation also increased to USD 1.92 million compared to USD 0.33 million during 1425H. However, the recoveries effected during the year were modest amounting to USD 0.45 million. This is attributable to the fact that the cases at hand have been on ICIEC books for a long time and had proved to be quite intransigent for various reasons.

The above impressive 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 and investments from non-member countries, the introduction of new products, 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, and is poised for sustained growth and better service to its Member Countries.

Owing to the big increase in all insurance operations indicators, the Policyholders' Fund (the insurance operations account) registered a marked reduction of about 50% in the deficit, recorded at USD 1.53 million for the year compared to USD 3.14 million last year. The deficit continued 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.

However, the deficit in the Policyholders' Fund was more than offset by a USD 4.78 million surplus in the Shareholders' Fund (the investment account), resulting in a substantial net surplus for the Corporation of USD 3.25 million. This corporate surplus was added to net reserves which reached USD 25.96 million at year end (25 % of paid-up capital).

The year 1426H also witnessed major developments in the reinsurance area. The most important was the successful renewal of the quota-share reinsurance treaty led by Atradius, one of the major international reinsurers of credit and political risk, on more favorable terms. At the same time, the Corporation expanded its business under the "inward reinsurance" services it offers to Export Credit Agencies in Member Countries by signing its Reinsurance Facility Agreement (RFA) with several of them, thus helping them to expand their insurance capacity.

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 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 into them, as it is mandated to do.

The remarkable success of ICIEC in expanding its business has, inevitably, lead to serious capacity constraints. In the short term this could be ameliorated by increasing the limit of the maximum contingent liability that the Corporation may assume. However, eventually the capital resources of the Corporation will have to be enhanced.

A handwritten signature in blue ink, appearing to read 'Dr. Ahmad Mohamed Ali'.

Dr. Ahmad Mohamed Ali
President of ICIEC

ICIEC OVERVIEW

ICIEC OVERVIEW



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1415H. It is a member of the 'AAA' rated Islamic Development Bank Group (IDB), and has an authorized capital of ID 100 million. Its subscribed capital of ID 97.24 million and its shareholders are the Islamic Development Bank and 35 OIC Member Countries.



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 1426H, there were 36 shareholders of ICIEC, comprising IDB and 35 countries. Several other countries are in the process of completing the membership requirements.

3- Capital Subscription

The authorized capital of ICIEC is ID 100 million (USD 144 million). The Islamic Development Bank and 35 Member Countries subscribed to shares in the capital of the Corporation having a face value of ID 97.24 million (USD 140 million). IDB contributed ID 50 million (USD 72 million), which represents 50% of authorized capital. Member Countries subscribed ID 47.24 million (USD 68 million). The remainder of authorized capital, ID 2.76 million, is available for subscription by new members (list of ICIEC existing members and their ownership distribution is provided on page 10).

4- Objective

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

5- Management

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

* One Islamic Dinar is equal to One SDR which is equal to USD 1.444 as at the end of 1426H.

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

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.



Consultative Committee in session: from right, President ICIEC, Chairman Consultative Committee and General Manager ICIEC.



6- Insurance Facilities

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

6.1- Export Credit Insurance Services

ICIEC offers five Export Credit Insurance products which 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.	Non-payment due to 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)	1 year		

6.2- Foreign Investment Insurance Services

ICIEC offers three foreign investment insurance policies :

- (1) Equity Investment Insurance Policy.
- (2) Financing Facility Investment Insurance Policy.
- (3) Loan Guarantees Investment Insurance Policy.

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


6.3 Reinsurance Services

To fulfill its mandate to assist the development of the export credit insurance industries in Member Countries and to help realize its long-term strategy of becoming a wholesaler of insurance products, ICIEC successfully developed and launched its Reinsurance Facility Agreement (RFA). This product, which is offered to Export Credit Agencies (ECAs) and commercial insurance companies in Member Countries, is essentially a facultative reinsurance arrangement that could be developed into a quota-share treaty. In addition, the Corporation can directly participate in reinsurance treaties signed between ECAs and international reinsurance providers.



Signing of Agreement between ICIEC and COFACE in the presence of ICIEC President.

Membership and Capital Subscriptions Status as at end of 1426H (30th January 2006 G)

MEMBERS	DATE OF ARTICLES RATIFICATION	NUMBER OF SHARES SUBSCRIBED	VALUE OF SHARES (ID*)
 1. Algeria	23.04.96	1,000	1,000,000
 2. Bahrain	06.03.99	250	250,000
 3. Bangladesh	11.05.93	250	250,000
 4. Benin	08.08.01	250	250,000
 5. Brunei	24.03.98	250	250,000
 6. Burkina-Faso	26.03.02	250	250,000
 7. Cameroon	04.07.92	250	250,000
 8. Chad	19.02.93	250	250,000
 9. Djibouti	08.08.04	250	250,000
 10. Egypt	30.12.92	2,500	2,500,000
 11. Gambia	01.03.96	250	250,000
 12. Guinea	22.07.97	250	250,000
 13. Indonesia	24.04.93	250	250,000
 14. Iran	19.12.96	5,000	5,000,000
 15. Jordan	21.04.93	250	250,000
 16. Kazakhstan	02.01.03	250	250,000
 17. Kuwait	13.07.94	2,500	2,500,000
 18. Lebanon	17.08.95	250	250,000
 19. Libya	06.02.93	1,000	1,000,000

MEMBERS	DATE OF ARTICLES RATIFICATION	NUMBER OF SHARES SUBSCRIBED	VALUE OF SHARES (ID*)
 20. Malaysia	01.08.94	2,740	2,740,000
 21. Mali	04.09.93	250	250,000
 22. Mauritania	18.07.95	250	250,000
 23. Morocco	08.02.97	5,000	5,000,000
 24. Niger	04.03.03	250	250,000
 25. Pakistan	08.05.93	2,500	2,500,000
 26. Qatar	11.07.00	250	250,000
 27. Saudi Arabia	03.12.92	13,500	13,500,000
 28. Senegal	19.09.95	250	250,000
 29. Sudan	10.07.95	250	250,000
 30. Syria	01.02.98	250	250,000
 31. Tunisia	22.02.93	500	500,000
 32. Turkey	30.07.97	2,500	2,500,000
 33. Uganda	04.02.99	250	250,000
 34. UAE	11.07.00	2,500	2,500,000
 35. Yemen	30.12.96	500	500,000
 36. IDB		50,000	50,000,000
TOTAL		97,240	97,240,000

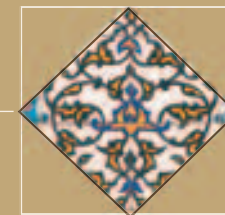
*ID 1.00=USD 1.444 at end of 1426H

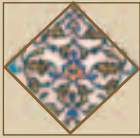
ICIEC 10th ANNIVERSARY

ICIEC 10th ANNIVERSARY



10 *Years of Serving the Ummah*





Under the patronage of H.E. Sheikh Hamad Al-Sayari, Governor of the Saudi Monetary Agency (SAMA), and Alternate Governor of the IDB Group for Saudi Arabia, ICIEC celebrated its 10th Anniversary on 27th November 2005 at IDB Headquarters in Jeddah, Saudi Arabia.

About 200 guests from different countries attended the gathering, representing different institutions, including exporters, investors, banks and Export Credit Agencies in OIC Member Countries, in addition to multilateral and international credit and political risk insurers and brokers such as the Multilateral Investment Guarantee Agency (MIGA), COFACE, ATRADIUS, Catlin and First City.



H.E. Sheikh Hamad Al-Sayari, Governor of SAMA during the 10th anniversary of ICIEC.

H.E. Sheikh Hamad Al-Sayari, commended the impressive growth witnessed by ICIEC, emphasizing its important role in developing the competitive capacities of Member Countries in the fields of international trade and foreign investment flows.

H.E. Dr. Ahmed Mohamed Ali, President of IDB Group, delivered the opening speech in which he emphasized that the creation of ICIEC falls within the IDB's endeavor to provide the OIC Member Countries with the necessary – Shariah compatible - products and tools that will help enhance their trade and investments. He also commended the achievements of the organization not only in providing export credit and political risk insurance, but also in providing technical assistance to ECAs in Member Countries.

In his speech, Dr. Abdel-Rahman Taha, the General Manager of ICIEC highlighted the achievements of the Corporation during its first decade, where cumulative insurance commitments and business insured reached USD 2 billion and 1.2 billion respectively. He also stressed the fact that the Corporation succeeded in building its reserves to USD 24 million bringing net value of ICIEC's Shareholders Fund to USD 137 million

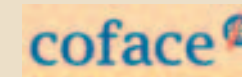
ICIEC BUSINESS PARTNERS



- Reinsurance Treaty
- Credit Info

ECAs in MCS Inward Reinsurance to

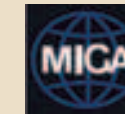
- COTUNACE - Tunisia
- MECIB - Malaysia
- KECIC - Kazakhstan
- Shiekan - Sudan
- EGFI - Iran
- ECGE - Egypt
- JLGC - Jordan



- Credit Info
- Underwriting opinion
- Training
- Technical Support

PRAGUE CLUB

- Berne union Body
info Exchange



- Reinsurance
- Training
- Technical Support
- Joint PRI Marketing
- Joint IP Initiatives

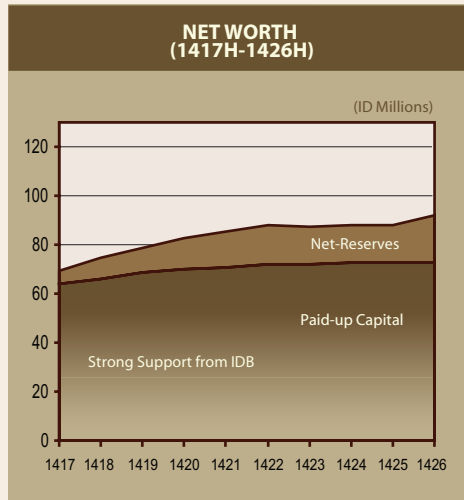
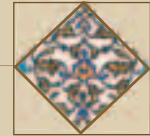
First City Partnership Ltd. London

- Reinsurance Brokering



One of the 10 ICIEC top customers being recognized during the ceremony

Symbolic souvenirs were given during the gathering to ICIEC's top customers, including: Dubai Islamic Bank (UAE), SABIC (Saudi Arabia), Midal Cable (Bahrain), Hikma Pharmaceuticals (Jordan), Syriamica (Syria), Depa Interiors (UAE), Sapphire and Alkaram Textile (Pakistan).



Cumulative Insurance Services Offered (1995-2005)

New Commitments	USD 2 Billion
Business Insured	USD 1.2 Billion
Claims	USD 1.7 Million
Recoveries	USD 8 Million

During the same occasion, ICIEC signed a number of agreements including the renewal of its Reinsurance Treaty with ATRADIUS, and Memorandum of Understanding with COFACE confirming their intention to cooperate in the joint marketing of credit management products.



President IDB Group delivering his speech during the Ceremony.



IDB Group Senior Staff share ICIEC's Celebrations

MARKETING ICIEC SERVICES

MARKETING ICIEC SERVICES



The Direct Marketing strategy, close relationship with key exporters and regional banks, introduction of new products coupled with renewed emphasis on investment insurance business generated significant volume of high quality business for the Corporation during 1426H.

Marketing ICIEC Services



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.

Given the success of this marketing strategy, it was continued through 1425H and 1426H. 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 proved to be effective. Thus, during 1426H, ICIEC not only attracted additional important customers, but also considerably increased the volume of business and improved the quality of transactions underwritten.



2- Investment Insurance

The Corporation cooperated with the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, and launched joint investment insurance marketing missions. This joint venture resulted in the growth of the investment insurance applications pipeline from almost nil to close to USD 1 billion. During the year, the efforts in this area of business resulted in ICIEC underwriting 3 new transactions with an aggregate value of USD 43 million.

3- Local Agents

ICIEC believes that a strong network of local agents can be an effective and integral part of its product distribution chain. However, while a number of agency agreements are in place, historically, the relationship did not play the role that ICIEC had envisaged. Therefore, during 1426H, ICIEC reviewed its relationships with local agents and concentrated on a few key markets to identify, recruit and train local agents. Local Agency Agreements were finalized with two agents in Turkey, one in Egypt and one in Syria.

4- New Products

The Documentary Credit Insurance Policy (DCIP) is an instrument offered by ICIEC 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 bank on behalf of its exporting customer. While the DCIP was launched during the last quarter of 1425H, one policy with the National Commercial Bank for USD 55 million was issued in 1426H. Although there was considerable interest in this product, ICIEC launched the product on a limited basis during 1426H to gain experience with the instrument prior to aggressively selling it in the market. It is expected that during 1427H more business will be booked under the DCIP.



The Reinsurance Facility Agreement (RFA)- an instrument to insure member country ECAs, was launched during 1426H. RFA has proved to be very popular. Seven RFA were concluded with ECAs resulting in re-insurance support of USD 26.4 million to these ECAs during the year.

5- Relationships with Commercial Banks

Export credit insurance is an important facilitator of export financing. Therefore, ICIEC had 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 1426H, ICIEC issued its Bank Master Policy to Emirates Islamic Bank (EIB), UAE and Union de Banques Arabes et Françaises (UBAF), France. A number of other regional and international banks have shown keen interest to work with ICIEC and these opportunities will be followed up in the coming year.



6- Marketing Missions, Promotional Seminars and Conferences

During 1426H, ICIEC undertook 35 marketing missions to 12 Member Countries. In addition, a number of customers were visited within the Corporation's host country.

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 brand 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. In addition, an Export Credit Insurance Conference was organized in Sudan, in cooperation with Sheikan for Insurance and Reinsurance (Sudan). This was undertaken to assist Sheikan Co. in launching their Export Credit Insurance business in Sudan for which ICIEC provided reinsurance and technical support.

7- IDB Group's Investment Promotion Technical Assistance Program (IPTAP)

The IDB Group's Investment Promotion Technical Assistance Program is designed to promote foreign investment flows by assisting the Member Countries to identify and promote promising investment opportunities which would attract investment flows.

The Program is a joint IDB Group initiative, with funding contributions from IDB, Islamic Corporation for Development of the Private Sector and ICIEC. The Program is governed and directed by a Program Steering Committee, representing the various IDB Group entities. The management and implementation of the Program is the responsibility of ICIEC. The Program is executed in partnership with other multilateral agencies such as MIGA, and the United Nations Industrial Development Organization (UNIDO).

The activities of the Program involve two basic areas; (a) Technical Assistance for Member Countries and (b) the setting up of an Electronic Investment Database on Member Countries investment environment and opportunities in collaboration with MIGA.

The technical assistance activities focus on assisting Member Countries in identifying their need for foreign investment promotion capacity by a 'needs assessment study'. It will also include sector assessments and within the selected sector, investment proposals will be prepared and marketed. A corollary to the technical assistance will be supporting capacity building activities of the host country's Investment Promotion Agency (IPA) as well as providing policy advice to the government, if requested..



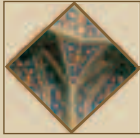
An ICIEC promotional seminar held in Sudan under the patronage of the H.E. Minister of Foreign Trade of Sudan.

UNDERWRITING ACTIVITIES AND RESULTS



The Corporation witnessed another successful year of operations' growth.

A growth of 70% in new insurance commitments and 83% in business insured resulted in a healthy increase of 35% in premium and fees income during 1426H.



Underwriting Activities and Results

1- Summary of Operations' Indicators

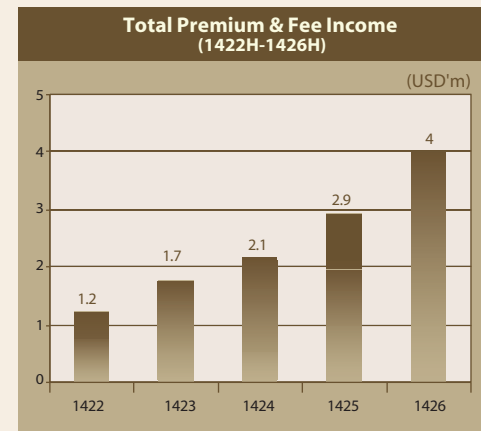
The year under review witnessed substantial jumps in all key business indicators. The true momentum in growth was highlighted by the large increase in new insurance commitments made during the year which reached USD 808 million from USD 475 million last year (70%), together with the substantial increase in business insured which increased by 83% over last year to USD 618 million from USD 337 million. As a result, premium and fees income increased by 35% reaching about USD 4 million. The new products which were launched this year, such as the Specific Transaction Policy, Documentary Credit Insurance Policy and RFA, all contributed positively to the growth of the insurance portfolio. The Corporation continued employing a strategy of cleansing its portfolio of inefficient policies and maximizing the premium and fee income through better clients and portfolio management.

Global Operations (1422H-1426H)					(USD'm)
	1422	1423	1424	1425	1426
Policy Portfolio (Number in force)	63	67	80	72	88
New Commitments	139	289	287	475	808
Current Insurance Commitments	248	254	265	451	808
Business Insured	58	129	147	337	618
Premium and Fees	1.2	1.7	2.1	2.9	4.0

2- Overview of Main Operations' indicators

2.1 Premium

This year saw the continued growth in income as the Corporation achieved approximately USD 4 million in terms of gross premium and fees income, an increase of 35% on 1425H. Export credit insurance based income increased from USD 2.5 million to USD 3.4 million, an increase in excess of 34%, while investment insurance premium and fee income increased by 26% to USD 0.5 million. Export credit insurance based income accounted for 86% of total premium earned, exactly in line with 1425H.



2.2 Business Insured and Exposure

1426H was an impressive year in terms of business insured. Utilization of insurance commitments improved dramatically with business insured reaching a global total of USD 618 million, a jump of 83% on the previous year. This is reflective of the on going hands on approach to pursue greater utilization with respect to policyholders applied over the last three years. The utilization rate increased to 80% of current commitments in 1426H from 75% in 1425H. This is a direct result of the increased activity of the major policy-

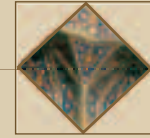
holders and Corporation's direct marketing and underwriting approach.

The Corporation's total exposure (the maximum amount the Corporation is liable to pay) reached USD 447 million, an increase of 77% on 1425H as a direct result of the increased business insured. This again is in line with the growth rates in the previous year.

Business Insured by Policy Type	
CSTP	61%
BMP	17%
FIIP	7%
STP	5%
DCIP	4%
Treaty	4%
SMTP	1%
RFA	1%

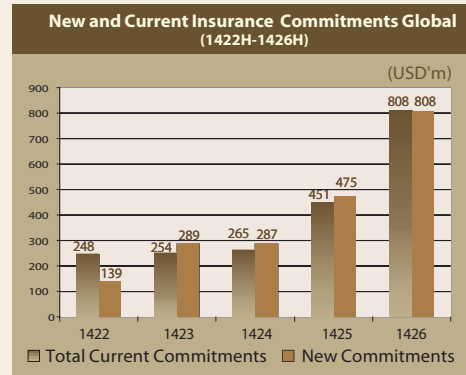
Business insured by policy type indicates that the bulk of our insurance and premium written comes from the short term policy (CSTP) with 61% of the total business insured. The medium term portfolio with the SMTP and BMP have accounted for 18% of the total business insured. With the introduction of the reinsurance treaties and facultative facilities and the Specific Transaction Policy (STP) a further 9% of business was written.

Underwriting Activities and Results



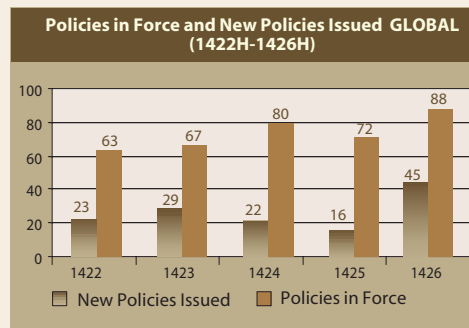
2.3 Commitments

New insurance commitments approved by the Corporation during 1426H increased by a substantial 70% from USD 475 million in 1425H to USD 808 million. Consequently, the Corporation's total current commitments increased to USD 808 million compared to USD 451 million as at the end of 1425H, representing an increase of 79%. With the existing phenomenal growth trends in ICIEC business, it is expected that the Corporation will most likely run-out of underwriting capacity by the first quarter 1427H. This would mean that ICIEC will not be able to undertake any additional business, unless appropriate solutions are sought such as: increasing the subscribed capital of the Corporation, increasing the ICIEC leverage, and increasing ICIEC cession with reinsurers.



2.4 Policy Portfolio

During 1426H, 45 new policies were issued, almost triple the number issued in the previous year. The Corporation's total number of policies in force reached 88 as at end of 1426H, compared to 72 as at end of 1425H representing a 22% net gain. The bulk of these new policies came with the full launching of the Specific Transaction Policy (STP), Documentary Credit Insurance Policy (DCIP) and Reinsurance policies (RFA and Treaty). The Corporation however is still undertaking an active portfolio management strategy which necessitated the removal of inefficient policies and unutilized commitments, and became increasingly more selective in choosing new policyholders.

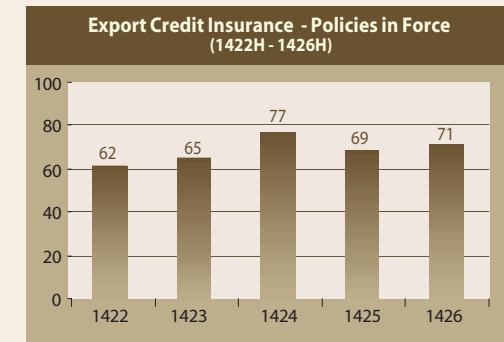


*Current commitment = the amount of contingent liability assumed by the Corporation at any point of time.

3 - Export Credit Insurance

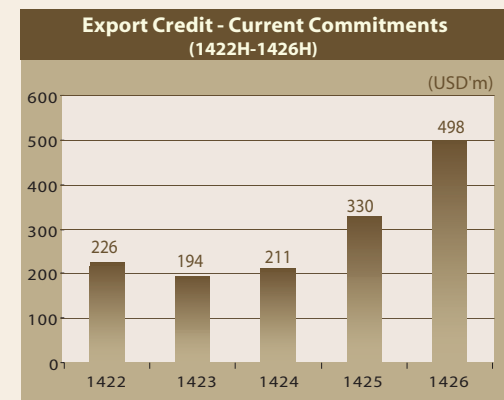
3.1 Policies

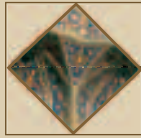
During 1426H, the Corporation issued 30 new export credit insurance policies, double the number issued during 1425H. The bulk of this growth has come from two sources – firstly from the traditional CSTP product and secondly from the relatively new STP which has allowed policyholders one time bespoke coverage of their risks. The Corporation, however, has maintained the view of being very selective when choosing new policyholders in line with industry practices.



3.2 Export Credit Commitments

During the year under review ICIEC approved new insurance commitments totaling USD 431 million to cover exports and financing operations, compared to USD 354 million during 1425H, an increase of 21%. The total current commitments as at end of 1426H were just in excess of USD 498 million compared to USD 330 million as at end of 1425H, an increase of just over 50%.





Underwriting Activities and Results

a) Current Export Credit Insurance Commitments by Policyholder Country (1426H)

Top Exporter Credit Insurance Commitments by Policyholder Country	1426H			1425H		
	USDm	%	Rank	USDm	%	Rank
United Arab Emirates	191	38	1	121	37	1
Saudi Arabia	144	29	2	64	19	3
Turkey	93	19	3	72	22	2
Bahrain	29	6	4	35	11	4
Pakistan	16	3	5	13	4	5
Other Countries	25	5	-	25	7	-
TOTAL	498	100	-	333	100	-

The distribution of ICIEC's export credit insurance commitments according to policyholder's country highlights the source of the business volume ICIEC is receiving from its Member Countries. Again the pattern is very similar to 1425H when the same key policyholders have driven the business. Clients such as Dubai Islamic Bank, DEPA, SABIC, CCH Europe and Midal Cables, El Sewedy Cables, among others, have again been at the forefront of insuring their export and financing business with ICIEC in 1426H. During 1426H the most dramatic change has seen Saudi Arabia increasing its business volume (commitments of USD144.4 million) and as a result moving ahead in the ranking to 2nd position above Turkey. The UAE has remained in first place, a position achieved since 1424H (USD 70 million), recording USD190.9m in 1426H. Bahrain and Pakistan maintained their position at fourth and fifth respectively as per 1425H.



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

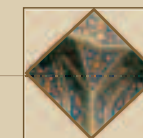
b) Total Export Credit Commitments by Buyer Country and Region in 1426H

Commitments by Buyer Country					
1426H			1425H		
Country	USD'm	% Share	Country	USD'm	% Share
Germany	161	32	Germany	66.3	20.1
South Africa	45	9	USA	30	9.1
Turkey	29	6	Turkey	26.3	8.0
United Arab Emirates	26	5	United Arab Emirates	25.7	7.8
United Kingdom	25	5	South Africa	22.3	6.8
USA	24	5	Egypt	17.4	5.3
Egypt	18	4	United Kingdom	14.1	4.3
Italy	14	3	Bangladesh	13.2	4.0
Australia	13	3	Iran	11	3.3
Qatar	11	2	Syria	10	3.0
Other Countries	132	26	Other Countries	94	28.3
TOTAL	498	100	TOTAL	330.3	100

The top ten current commitments by importing country accounted for in excess of approximately 73% of the total commitments, just above 1425H which recorded 72%.

The composition has seen some changes since 1425H. Germany has maintained its number one position with the largest commitments at USD 161 million but it has seen its share of the total commitments go up from 20% in 1425H to approximately 32% in 1426H. USA has seen a large drop in commitments decreasing from USD 30 million in 1425H to USD 24 million. South Africa has increased its share of commitments from USD 22.3 million to USD 45 million with the onset of large petrochemical transactions being approved for coverage by the Corporation. Commitments on both Iran and Syria have fallen with positive movements for Australia and Italy both moving into the top ten.

Underwriting Activities and Results



Region	USD'm	%
Europe	239	48.0
Asia	102	20.4
MENA	87	17.4
Africa	46	9.2
America	25	5.0
TOTAL	498	100

In terms of regional distribution by buyers, Europe again accounted for the largest portion with 48% of buyer commitments up from 41.8% of total current commitments in 1425H. The next largest set of buyers came from Asia with USD 102 million, the Middle East North Africa recorded USD 87 million in commitments worth approximately 17.4% of the total commitments. The Sub-Saharan African region has witnessed a slight decrease from USD 47.7 million to USD 46 million by end 1426H still recording a significant 9.2%. The Americas recorded 5% of total commitments equivalent to USD 25 million.

The opposite table highlights a concentration of sectoral export credit insurance commitments within four sectors. The largest is "Other Manufacturing (which includes paper, wood, furniture, and other miscellaneous items such as sports apparel, etc)" with 25.7% of the total commitments, followed by "Chemicals and Petrochemicals/Plastics/Textiles" with 23.5%, thirdly "Textiles and Leather Products" which has fallen to 20.2% from 28.8% in 1425H, and finally "Electrical Equipment" with 8.8%. "Building materials" has witnessed the next most significant drop after the textiles commitments with the share falling from 13.7% in 1425H to 4.8% by end 1426H.

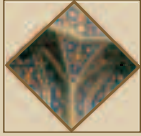
Commitments By Sector 1426H	% Share
Other Manufacturing	25.7
Chemicals & Petrochemicals/Plastics	23.5
Textiles and Leather Products	20.2
Electrical Equipment	8.8
Food Manufacturing	5.8
Machinery Manufacturing	5.4
Building Materials	4.8
Services	4.5
Agriculture	1.1
Other Countries	0.2
Total	100

Cooperation with Saudi Basic Industries Corporation's (SABIC) Expanding its Exports

The Petrochemical Sector is one of the key drivers of the exports of ICIEC member countries. Hence it received a special attention in ICIEC's marketing strategy, making it the second largest sector benefiting from the Corporation's export credit insurance. Not surprisingly, most ICIEC's credit insurance cover to this sector went to SABIC, enabling it to expand its open account credit facilities to buyers world-wide and to accept documentary credit arrangements from banks in high risk markets. During 1426H (2005G) alone, ICIEC insured USD 200 million of SABIC's exports to 5 countries.

Covering SABIC's business meant that the Corporation had, in many cases, to structure special security arrangements for the coverage of the risks. This was only possible because of the strong business relationship that developed between ICIEC's staff and SABIC's highly trained Risk Management and Strategic Business Units (SBU's) professionals. This close cooperation sometimes took the shape of joint missions to visit prospective buyers.



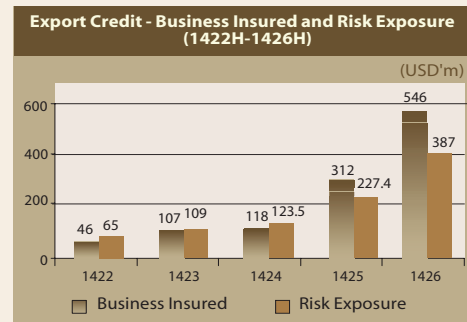


Underwriting Activities and Results

3.3 Export Credit Business Insured and Risk Exposure

The total amount of business insured for the exports made and the financing extended during 1426H was USD 546 million, compared to USD 312 million in 1425H, an increase of 75%. This substantial growth rate is attributable to three reasons, firstly active client management by the Corporation, secondly a tremendous increase in volume insured with respect to the major policyholders, and thirdly the impact of the new insurance products in force i.e. through

the Specific Transaction Policy and Documentary Credit Insurance Policy.



Total exposure resulting from export credit insurance, as at the end of 1426H, reached USD 387 million compared to USD 227 million as at end of 1425H, representing a 70% increase. This increase is a direct result of the large change in business insured by the Corporation.

The opposite table highlights the Corporation's exposure on a country by country basis in 1426H. The largest exposure is South Africa with 18% of the total exposure (USD 70.5 million), followed by Turkey with 16% (approximately USD 60.2 million). The top five countries with the largest exposures contributed to 56% of the total exposure. These countries belong to the relatively lower sovereign and commercial risk grouping.

Country	Percentage
South Africa	18%
Turkey	16%
German	9%
Sweden	7%
United Arab Emirates	7%
Indonesia	5%
Australia	4%
United States of America	4%
Canada	3%
Syria	3%
Other Countries	24%

3.4 Export Credit Insurance Premium Income

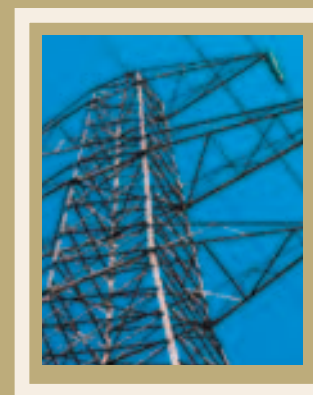
As the business insured increased by 75% in 1426H, the resulting gross premium and fees income generated from the export credit insurance business during 1426H increased to USD 3.4 million. This was a net increase in premium and fees of 34% on 1425H levels of USD 2.5 million.

Helping Sudan's National Electricity Corporation (NEC) Rehabilitate the National Electric Power Grid

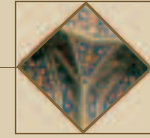
Established in 1908, NEC is responsible for the generation and supply of electricity for the whole of Sudan. It has approximately 755 thousand consumers and a production capacity of 3.4 thousand GWh. Historically, Sudan's Electricity sector has been plagued by poor infrastructure and frequent outages. This prompted the launch of a comprehensive Rehabilitation and Performance Improvement Program in 2000, to upgrade power plants, sub-stations, transmission lines, and distribution networks, enabling the electric grid to provide adequate and reliable supply of electricity.

To achieve this major developmental program, NEC has contracted the supply of its requirements of various equipment and technical services, with suppliers in several ICIEC Member Countries. ICIEC has helped

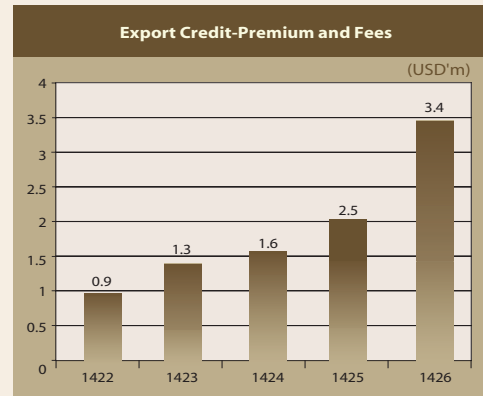
in facilitating the import of those badly needed equipments and services, by providing the appropriate credit insurance to the exporters. This has enabled NEC to access sophisticated and powerful suppliers and to obtain credit facilities on favorable terms, thus helping it in achieving its ambitious rehabilitation program, which will have a considerable developmental impact on the electric grid in Sudan and the overall development and welfare of the country.



Underwriting Activities and Results

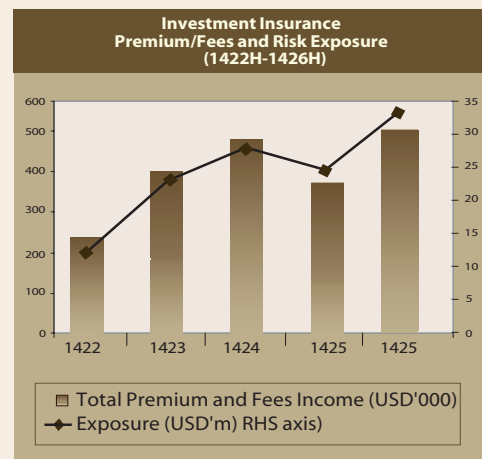


The net increase in premium did not grow in line with the change in business insured because the major policyholders who drove the increase in business insured were increasingly undertaking large volumes of low risk short term business looking for coverage on better terms based on premium pricing in line with the international credit insurance market.



4- Investment Insurance

The year 1425H was characterized by a substantial marketing effort for ICIEC laying the foundations for substantial future business, and 1426H saw the benefits of this groundwork. The Corporation received 27 Preliminary Applications in 1426H for a total provisional investment



coverage amount of USD 3.5 billion as compared to 5 preliminary applications amounting to USD 101.5 million in 1425H. There were three main (final) applications made in 1426H worth USD 52 million in contrast to zero in 1425H. Four policies were renewed in 1426H with a total insured amount of USD 32 million. Total exposure increased by 26% in 1426H to USD 32 million as compared to USD 25 million in 1425H. Business insured rose by 68% to USD 43 million. Consequently, the total premium and fees income generated during the year was USD 0.5 million, a rise of 26% on 1425H.

ICIEC Investment Insurance facilitates the flow of investments to Member Countries: The Case of Hikma Pharmaceuticals of Jordan Investment in Algeria

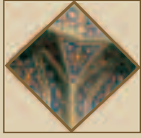
In 2003 Hikma Pharmaceuticals obtained an insurance policy from ICIEC to cover its investment and build its own plant in Algeria "Trust Pharma". This plant will manufacture products to be sold, first, in the Algerian market, followed by North African and European markets. The plant is expected to recruit about 300 Algerian employees.

In 2004 and 2005 Hikma sales in the Algerian market constituted up to 30% of total Hikma Pharmaceuticals (Jordan) sales.

For Algeria, Hikma's investment is crucial for the development of the local pharmaceutical industry in terms of transferring medical technology and the enhancement of managerial skills. It is also vital for the overall economic development of Algeria. When the investment matures, Trust Pharma is envisaged to replace pharmaceutical imports worth USD 7.5 million per year in addition to contributing a net foreign exchange of USD 3.6 million and USD 500,000 in annual tax revenues and creating more than 30 high level jobs.

ICIEC's country risk insurance coverage of Trust Pharma, is a good example of how ICIEC foreign investment insurance services meet the dual goals of facilitating sustainable economic development of ICIEC/ IDB Member States and serving the business needs of its policyholders.





Underwriting Activities and Results

5- Claims and Recovery

5.1 Claims Activities' Summary

In 1426H ICIEC received seven claims for a total loss of USD 1.63 million. Six claims were filed under the Comprehensive Short Term Policy (CSTP) and one under the Bank Master Policy (BMP). This represents a substantial decrease from the previous year, when five claims for a total of USD 4.01 million were received. In 1426H Corporation indemnified three Policyholders for claims totalling USD 1.92 million which represents a marked increase compared to 1425H, when ICIEC paid only USD 0.33 million in compensation to policyholders. Recoveries effected during 1426H amount to USD 0.45 million. This amount indicates a decrease compared to recoveries effected in 1425H when the Corporation recovered an amount of USD 0.65 million.

5.2 Claims Received

Seven claims were lodged with the Corporation during 1426H, under the CSTP & BMP for a total amount of USD 1,628,073. One claim for an amount of USD 450,781 was withdrawn as the buyer had paid.

5.3 Paid Claims

During 1426H, ICIEC paid three claims for a total of USD 1,915,838. All three claims were under the CSTP and were short term transactions (12 months). This brings the total commutative paid claims to USD 17.3 million, since the commencement of business.

5.4 Recoveries

Recoveries effected for 1426H amounted to USD 453,536. These recoveries were received from defaulted parties located in member countries. Included in this amount are the policyholder's shares of the recoveries. Net recoveries would amount to USD 408,182.

This brings total gross recoveries which have been realized since the commencement of operations of the Corporation amount to USD 8.42 million, representing a gross recovery rate of 48.7%. When the portion to be remitted to policyholders is factored the percentage stands at 43.8%.

5.5 Loss Minimization Efforts

ICIEC continued its relentless effort to minimize losses and effect recoveries for claims paid. In 1426H, due to proper loss mitigation efforts, a claim for nearly half a million dollars was withdrawn.

As recovery is a core function of ICIEC and represents a key indicator of corporate performance, ICIEC's strategy for the recovery of claims paid consists of utilizing mechanism such as voluntary negotiated rescheduling agreements with defaulted partners to ensure repayment of debt. In one particular case, a rescheduled agreement was signed in 1426H for the repayment of USD 1.7 million within one year and the debtor agreed to provide ICIEC with a bank guarantee. In other cases, where debtors have reneged on their commitments on negotiated settlements, the Corporation took legal action, as a last resort. In that context, ICIEC is currently engaged in litigation for the recovery of a debt portfolio of a total USD 7.0 million.

6- Reinsurance

6.1 Inward Reinsurance

The Corporation continued its efforts to increase its inward reinsurance business through marketing the Reinsurance Facility Agreement (RFA) among ECAs in member countries and negotiating ICIEC participation in ECAs treaties.

1426H saw the Corporation signing five RFA agreements with member country ECAs. The Corporation successfully participated in four reinsurance treaties with two ECAs to cover short term business.

During 1426H, the Corporation received 61 applications for transactions under RFA for a total amount of USD 68 million. During the year 1426H, The Corporation approved 37 credit limits for total amount of USD 26.4 million. This brought the total commitment under inward reinsurance to USD 21.9 million (USD 8.5 million for RFA and USD 13.4 million under Treaties). The business insured under inward reinsurance reached USD 28 million (USD 6 million for RFA and USD 22 million under Treaties). The premium income under inward reinsurance reached USD 23 thousand (USD 8 thousand under RFA and USD 15 thousand under Treaties).

6.2 Outward Reinsurance

The Corporation successfully renewed its outward reinsurance treaty with ATRADIUS for a second year with significant improvements in the treaty terms and special acceptance for exceptional limits on some buyers. Furthermore, the Corporation succeeded in renewing various lines of facultative reinsurance covering transactions insured by the Corporation, and has also been active in obtaining coverage for new medium term transactions on a facultative basis from the international credit and political risk reinsurance market.

INSTITUTIONAL DEVELOPMENTS

INSTITUTIONAL DEVELOPMENTS



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



Institutional Developments

1- Introduction

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 1426H.

2- Ten Year Performance Review

The Corporation celebrated its 10th year anniversary during 1426H. In this respect the 10th year performance review study, initiated in 1425H, was also completed. The recommendations forwarded by AON Risk Consulting, a division of AON Limited, are being studied by the Management. These are expected to help improve the operations and processes of the Corporation to meet its objectives more efficiently in the face of rapidly changing global economic environment.

3- 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. Therefore, it exerts continuous efforts to recruit high caliber staff from Member Countries and to avail them of the best available training facilities and a supportive and professional work environment. At the same time, ICIEC continues to develop its information technology capacity in the human resources management area to improve the efficiency of personnel and services management.

3.1 Staffing

During the year under review, the Corporation recruited 5 new staff bringing the total number of staff in ICIEC to 46. Thus achieving a utilization of 88% of the approved positions, and registered a growth of 12% from last year. The remaining 6 unfilled positions are expected to be filled during 1427H.

Description	1423H	1424H	1425H	1426H
Approved Positions	41	43	44	52
Filled Positions	36	35	41	46
Utilization	88%	81%	86%	88%



The ICIEC GM honoring a staff during one of its quarterly gathering in the presence of IDB Human Resources Management.

3.2 Training

During the year under review, the Corporation fully utilized its annual training budget to maximize the number of staff benefiting from training opportunities. The training covered the following broad areas: technical, management, financial, computer skills, and languages. A total of 31 staff members attended 32 IDB in-house courses, 16 local training courses, and 10 training courses abroad. In addition, one training course was organized by COFACE, the French Export Credit Insurance Company.

No. of Staff	Training Courses (by location)				Local
	IDB in-house	Local	Abroad	COFACE	
31	32	16	10	1	59

No. of Staff	Training Courses (by subject area)				Total
	Technical	Financial	Language	Management	
31	19	14	4	22	59

Institutional Developments



4- Information Technology

ICIEC utilizes various Information Technology (IT) Applications, including accounting and human resources management, available from its parent, the Islamic Development Bank. At present there are proposals from the IDB to implement Financial and Electronic Document Management System, and other ancillary systems, which 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.

4.1 ICIEC IT System

In addition to the IDB Group IT infrastructure, the Corporation is developing its own Integrated Insurance Management System (IIMS) to improve the management of its unique operational requirements.

During 1426H good progress was made in the implementation of the "IIMS" within the Corporation. This progress is related to various areas such as improving the reporting system, moving to the latest technology available in Oracle and introducing better control and improvements in the developed Modules. One of the most important tasks completed during 1426H was the successful upgrading of the version of Oracle Database, from 8i to 10g. This will improve the workability of the IIMS by getting faster response to the user.

The Corporation successfully moved to Application Server technology from the working Client Server technology. This is an important step towards Web Application which will allow the usage of the system from the internet in the future.

Work on the enhancement of the existing Underwriting and Finance modules continues alongside work on the development of the new modules. The major developments implemented during the year are related to the development and testing of a new Credit Limit Applications underwriting version which will introduce additional control and auto follow-up of the day to day underwriting operations including taking electronic decisions. This new version will be applied to the remaining underwriting modules as well, which include Contract Applications, Financing Operations, etc.

An accounting 'Receivable Module' was developed and has been used by the Accounting and Finance Department of ICIEC over the last two years. This module is integrated with the Underwriting Module.

4.2 Paperless Documentation Plan

The Underwriting Department initiated in September 2005 a plan to scan all files relating to Buyers, Banks, Investment Insurance, Re-insurance and Policyholders and place them within the Integrated Insurance Management System. This should result in reduction in administration cost as quick access will allow for a cut in time spent looking for particular files and information, reduction in duplication, and generally improve the response time to customer requests. At the present time, approximately in excess of 70% of all buyer files have been scanned. It is envisaged that over the next few years complete underwriting will be done through the said Integrated Insurance Management System without resorting to paper based decisions.



FINANCE AND INVESTMENT SUMMARY

FINANCE AND INVESTMENT SUMMARY



This year witnessed improved results in both the investment and insurance accounts. As a result, the corporate surplus for 1426H was ID 2.25 million, compared to ID 0.01 million last year. This resulted in bringing the net reserves to ID 17.98 million and the total assets to ID 97.82 million at the end of 1426H.



1- Introduction*

The Corporation's overall results remained positive for the year 1426H. It achieved an impressive 13% growth in the net insurance revenues, while the expenditure (including claims) decreased by 18% from last year's level. This caused the deficit in insurance operations account to decrease by 49%, compared to that of 1425H. At the same time, the net revenues from invested funds substantially improved by 56% from the level achieved last year, owing to the prudent and balanced approach adopted by ICIEC in minimizing risk and maximizing return on its investments. The net income in the investment operations account after payment of investment management fees and other expenses for the year, showed an increase of 58% over that achieved last year. The summary of financial statements and the highlights of financial performance and investment analysis are provided in the following pages. The details are available in the attached financial statements and accompanying note.

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 1.444 as at the end of 1426H).

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 of the Member Countries of the Organization of the Islamic Conference (OIC). Each Member Country may subscribe to a minimum of 250 shares in the Corporation (worth ID 250,000). As of 30 Dhul Hijja 1426H, IDB and thirty five Member Countries had subscribed to a total of 97,240 shares, equivalent of ID 97.24 (USD 140.41 million). The called-up installments amounted to ID 73.56 (USD 106.22 million), out of which ID 72.74 (USD 105.04 million) has so far been paid-up. The net balance of ID 0.82 (USD 1.18 million) is receivable from some Member Countries.

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

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

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

5- Shareholders' Fund

The paid-up capital of the Corporation is mainly invested in various Shariah compatible investment instruments through the IDB Treasury Department, acting as the Corporation's Fund Manager. An income of ID 3.30 (USD 4.77 million) was generated from the investments. Additionally, an amount of ID 0.28 (USD 0.40 million), was reported as gain on exchange for the year. This resulted in net revenue of ID 3.58 (USD 5.17 million) for the year. After deducting investment management fees paid to the IDB Treasury Department amounting to ID 0.10 (USD 0.14 million) and other expenses of ID 0.17 (USD 0.25 million) relating to the Shareholders' Fund, the net surplus was ID 3.31 (USD 4.78 million). This shows a healthy growth over net surplus of ID 2.10 million reported last year. The net surplus has been transferred to the statutory reserves, as mandated under the Corporation's Articles of Agreement.

6- Policyholders' Fund

The 1426H gross premium amounted to ID 2.50 (USD 3.61 million), compared to 1425H amount of ID 1.86 million. The net premium and fees earned during the year amounted to ID 2.39 (USD 3.45 million), while the operating expenses were ID 2.68 (USD 3.87 million) and net claims incurred were ID 0.78 (USD 1.13 million). This resulted in a net deficit of ID 1.06 (USD 1.53 million), during 1426H, showing a substantial reduction in the net deficit of ID 2.09 million incurred during 1425H.



Finance and Investment Summary

7- Net Corporate Financial Result

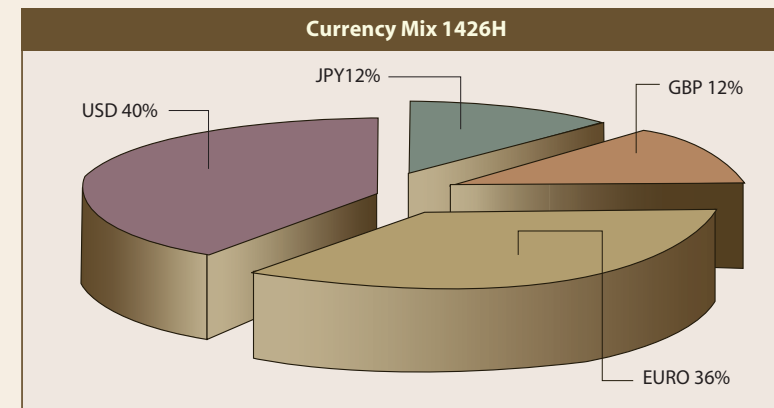
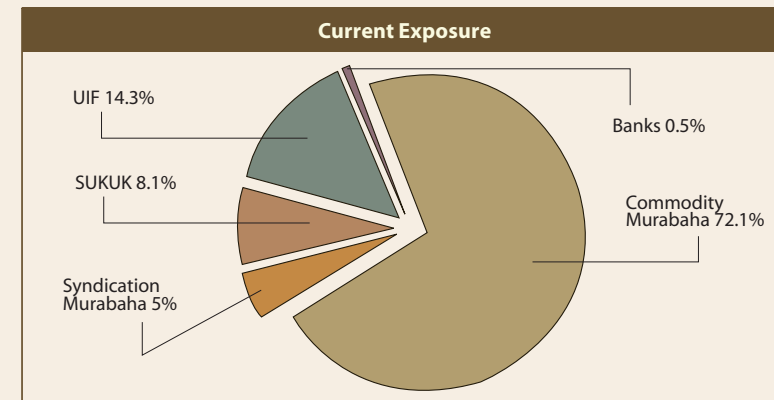
The overall results of the Corporation reflect a net surplus of ID 2.25 (USD 3.25) million for the year 1426H. This was the result of a net surplus of ID 3.31 (USD 4.78) million in the Shareholders' Fund and a net deficit of ID 1.06 (USD 1.53) million in the Policyholders' Fund. At the end of 1426H, net reserves were ID 17.98 (USD 25.96) million, and total assets of the Corporation stood at ID 97.82 (USD 141.25) million. These assets primarily relate to the Shareholders' Fund.

8- Investment Portfolio Analysis

During 1426H, ICIEC's financial performance in terms of growth in assets was stable, while on the investment return, the performance was impressive with an increase of over 43%. The capital preservation principle guides the investment process at ICIEC, with an objective to grow the same so as to expand its underwriting capacity. The following table summarizes the assets, investments and investment income for the most recent five-year period. As can be seen from the table, the assets together with investments and investment return have grown consistently, albeit at a slow rate.

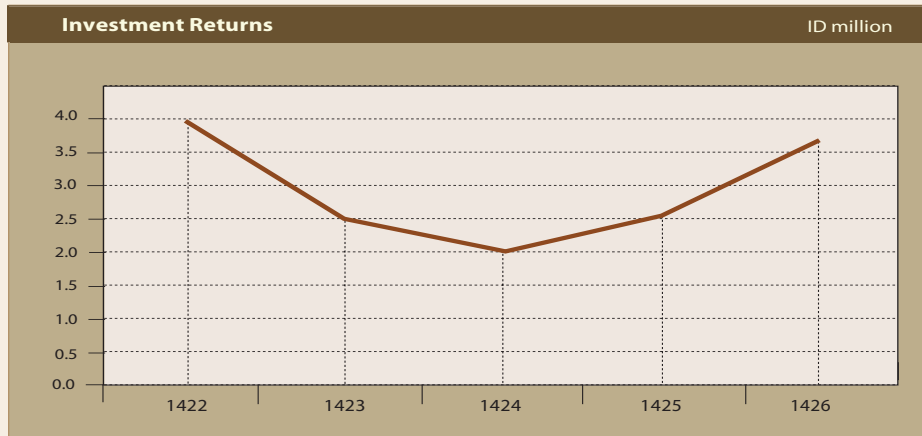
	1422H	1423H	1424H	1425H	1426H
1 Islamic Dinar (ID) Equals USD	1.255	1.37	1.495	1.51	1.44
<i>All figures in million ID</i>					
Total Assets	93.64	91.39	93.57	94.22	97.82
Total Investments	85.31	54.98	84.86	91.50	94.57
Investment Income	3.56	2.23	1.82	2.31	3.30
Growth Rate of Assets	4.8%	-2.4%	2.4%	0.7%	3.8%
SDR LIBOR Moving Average	3.9%	2.6%	1.9%	1.8%	2.5%
Investment Return	4.5%	3.2%	2.6%	2.6%	3.5%
Spread (LIBOR & Investment Return)	0.55%	0.54%	0.72%	0.76%	1.04%

The current mix of asset classes in ICIEC's investment portfolio shows that 73% of the investments are in the form of highly liquid Commodity Murabaha and Mudaraba placements, investment in Unit Investment Fund Units is 14%, Sukuk investment is around 8% and Murabaha syndications total to around 5%. Currency mix of investments indicates a 40% exposure in USD, 36% in Euro, 12% in both, GBP and JPY .

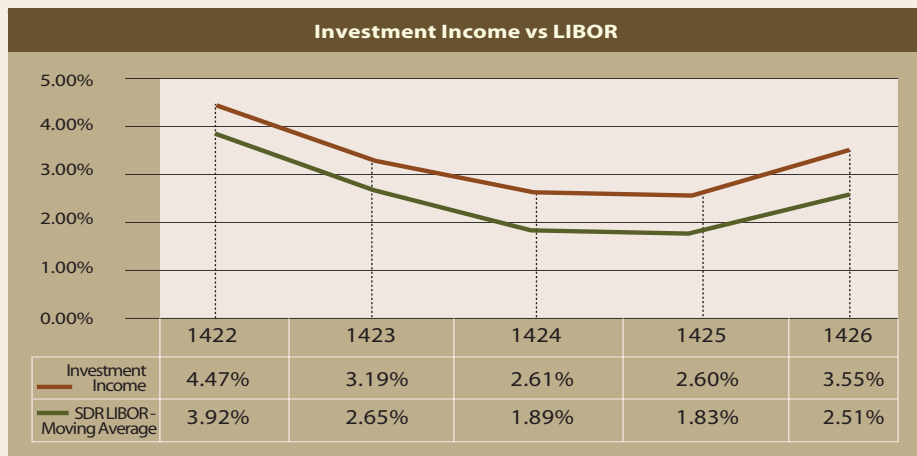


ICIEC's investments in 1426H returned ID 3.30 million showing an out-performance, versus the SDR LIBOR, of 104 basis points. Compared to 1425H the investment returns rebounded with an impressive 43% growth in 1426H, though going through some troubled waters in the most recent five year period, during which the investment return declined from ID 3.56 million in 1422H to ID 1.82 million in 1424H.

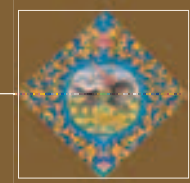
Finance and Investment Summary



The investment return is invariably related to the movements of the SDR LIBOR rates, as almost all ICIEC investments are earning returns on LIBOR basis. The above graph shows that the investment return clearly outperformed the average SDR LIBOR during the period (1422-1426H) by an average of 72 basis points. Investment return averaged 3.3% during this time period.



Auditor's 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 balance sheet of THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT as of 30 Dhul Hijjah 1426H (corresponding to 30 January 2006) 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 our 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 referred to above taken as a whole:

1. Present fairly, in all material respects, the financial position of The Islamic Corporation for the Insurance of Investment and Export Credit as of 30 Dhul Hijjah 1426H (corresponding to 30 January 2006) and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
2. Comply with the financial statement preparation and presentation requirements of the Corporation's Articles of Agreement.

Sami E. Farah, Abdulhamid M. Bushnaq & Partner

Sami Farah
Licence No. 168



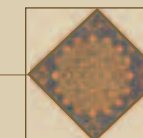
10 April 2006
Jeddah, Kingdom of Saudi Arabia



Financial Statements

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

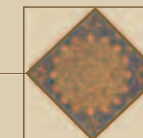
BALANCE SHEET | Year Ended 30 Dhul Hijjah 1426H (30 January 2006)



(Islamic Dinars)

ASSETS	Notes	1426H	1425H
Bank balances	4	451,089	624,020
Murabaha receivables	5	73,457,263	74,727,123
Accounts receivable, net	6	857,590	583,192
Claims recoverable, net	7	1,236,670	1,157,565
Prepaid expenses and other receivables	8	570,573	248,090
Available for sale investment	10	21,112,367	16,771,834
Fixed assets	11	135,157	120,119
TOTAL ASSETS		97,820,709	94,231,943
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	12	1,072,846	1,014,472
Claims payable	13	225,605	208,742
Amounts due to Islamic Development Bank	9	3,280,290	2,281,032
Unearned premiums	14	965,137	821,615
Provision for unreported claims	15	1,548,202	1,731,441
Total Liabilities		7,092,080	6,057,302
SHAREHOLDERS' FUND			
Share capital	16	72,745,000	72,432,500
Reserve	17	36,264,297	32,957,751
Fair value reserve		(977,434)	(977,434)
Loan to policyholders' fund	18	(13,802,463)	(13,103,702)
Total Shareholders' Fund		94,229,400	91,309,115
POLICYHOLDERS' FUND			
Accumulated losses	17	(17,303,234)	(16,238,176)
Loan from shareholders' fund	18	13,802,463	13,103,702
Total Policyholders' Fund		(3,500,771)	(3,134,474)
TOTAL LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUND		97,820,709	94,231,943

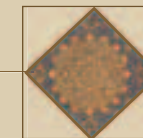
The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 10 April 2006
The attached notes 1 to 26 form part of these financial statements.



(Islamic Dinars)

	Notes	1426H	1425H
SHAREHOLDERS' FUND			
Investment income		3,300,989	2,310,155
Gain (loss) on exchange		282,467	(7,589)
		3,585,456	2,302,566
Investment management fees paid to Islamic Development Bank	9	(102,963)	(97,347)
General and administration expenses		(173,947)	(105,931)
		(276,910)	(203,278)
NET INCOME		<u>3,306,546</u>	<u>2,099,288</u>
POLICYHOLDERS' FUND			
Premiums earned	19	2,251,182	1,982,373
Policy fees earned		138,668	134,874
		2,389,850	2,117,247
Local agent commission		(2,393)	(36,740)
Claims incurred	20	(774,999)	(1,676,882)
Employees' cost		(2,188,244)	(1,917,277)
General and administration expenses	9	(453,654)	(526,254)
Fees paid to Islamic Development Bank		(35,618)	(48,722)
		3,454,908	(4,205,875)
NET LOSS		<u>(1,065,058)</u>	<u>(2,088,628)</u>
NET CORPORATE INCOME	19	<u>2,241,488</u>	<u>10,660</u>

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



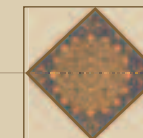
(Islamic Dinars)

	Notes	1426H	1425H
OPERATING ACTIVITIES			
Net corporate income for the year		2,241,488	10,660
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation		44,713	36,692
Provisions		1,439,804	-
Gain (loss) on exchange		(282,467)	7,589
Changes in operating assets and liabilities:			
Accounts receivable		(324,080)	(110,025)
Claims receivable		(1,186,760)	1,268,875
Prepaid expenses and other receivables		(322,483)	(38,302)
Accounts payable		58,374	196,148
Claims payable		16,863	(145,752)
Amounts due to Islamic Development Bank		999,258	169,197
Unearned premium		143,522	(222,913)
Provisions for unreported claims		(183,239)	728,016
Net cash provided by operating activities		2,644,993	1,900,185
INVESTING ACTIVITIES			
Available for sale investments		(4,340,553)	1,370,174
Murabaha receivables		36,814,404	(31,708,706)
Purchase of fixed assets		(59,751)	(57,334)
Net cash provided by (used in) investing activities		32,414,120	(30,395,866)
FINANCING ACTIVITY			
Proceeds from issue of share capital		312,500	-
Net cash from financing activity		312,500	-
Net Change in Cash and Cash Equivalents		35,371,613	(28,495,681)
Cash and cash equivalents-beginning of the year		33,115,493	61,611,174
Cash and Cash Equivalents-End of the Year	21	68,487,106	33,115,493

The attached notes 1-26 from part of these financial statements.

Financial Statements

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT
STATEMENT OF CHANGE IN SHAREHOLDERS' AND POLICYHOLDERS FUNDS
Year Ended 30 Dhul Hijjah 1426H (30 January 2006)



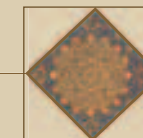
(Islamic Dinars)

SHAREHOLDERS FUND'	Notes	Capital	Reserve	Fair value reserve	Loan to policyholders' fund	Total
Balance at 29 Dhul-hijjah 1424H		72,432,500	30,858,463	(907,947)	(12,989,302)	89,491,714
Net income for the year	17	-	20,099,288	-	-	2,099,288
Net movement during the year	18	-	-	-	(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
Subscription paid		312,500	-	-	-	312,500
Net income for the year	17	-	3,306,546	-	-	3,306,546
Net movement during the year	18	-	-	-	(698,761)	(698,761)
Balance at 30 Dhul-Hijjah 1426H		<u>72,745,000</u>	<u>36,264,297</u>	<u>977,434</u>	<u>(13,802,463)</u>	<u>94,229,400</u>

(Islamic Dinars)

POLICYHOLDERS FUND'	Notes	Accumulated losses	Loan from shareholders' fund	Total
Balance at 29 Dhul-hijjah 1424H		(14,149,548)	12,891,302	(1,258,246)
Net loss for the year	18	(2,088,628)	-	(2,088,698)
Net movement during the year		-	212,400	212,400
Balance at 29 Dhul-hijjah 1425H		(16,238,176)	13,103,702	(3,134,478)
Net loss for the year	18	(1,065,058)	-	(1,065,058)
Net movement during the year		-	698,761	698,761
Balance at 30 Dhul-Hijjah 1426H		<u>(17,303,234)</u>	<u>13,802,463</u>	<u>(3,500,771)</u>

The attached notes 1-26 from part of these financial statements.



1- ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit was formed as an autonomous affiliate of The Islamic Development Bank Group 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 \$ 1.444 as of 30 Dhul Hijjah 1426 (1425: US\$ 1.504).

At 30 Dhul Hijjah 1426H the Corporation had 46 employees (1425H: 41 employees).

2- BASIS OF PRESENTATION

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

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

3- SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Corporation's significant accounting policies:

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.

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 recognised when dividends are declared.

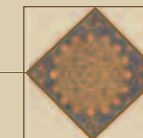
Bank commission income

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.



3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Murabaha receivables

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

Available for sale investments

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

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

Fair values

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

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.

Translation of foreign currencies

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

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.

4- BANK BALANCES

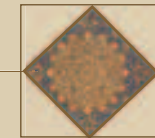
Bank balances are comprised of the following as at 30 Dhul Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Shareholders' Fund	2,400	372,614
Policyholders' Fund	<u>448,689</u>	<u>251,406</u>
	<u>451,089</u>	<u>624,020</u>

5-MURABAHA RECEIVABLES

Murabah receivables are comprised of the following as at 30 Dhul Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Shareholders' Fund:		
Murabaha commodity placements, net	68,036,017	55,799,829
Other murabaha receivables	<u>5,421,246</u>	<u>18,927,294</u>
	<u>73,457,263</u>	<u>74,727,123</u>
Murabaha commodity placements		
With original maturity period of three months or less (note 21)	68,036,017	32,491,473
With original maturity period of more than three months	-	<u>23,308,356</u>
	<u>68,036,017</u>	<u>55,799,829</u>



6- ACCOUNTS RECEIVABLE, NET

Accounts receivable are comprised of the following as at 30 Dhul-Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Trade Accounts Receivable	982,417	658,337
Provision For Bad Debts	<u>(124,827)</u>	<u>(75,145)</u>
	<u>857,590</u>	<u>583,192</u>

Accounts receivable are related to policyholders' fund

7- CLAIMS RECOVERABLE, NET

Claims recoverable are comprised of the following as at 30 Dhul Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Claims Recoverable	7,389,515	6,902,757
Provision For Doubtful Claims	<u>(6,152,845)</u>	<u>(5,745,192)</u>
	<u>1,236,670</u>	<u>1,157,565</u>

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

8- PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables are comprised of the following as at 30 Dhul-Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Shareholders' Fund	409,265	121,747
Policyholders' Fund	<u>161,308</u>	<u>126,343</u>
	<u>570,573</u>	<u>248,090</u>

9- AMOUNTS DUE TO ISLAMIC DEVELOPMENT BANK

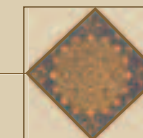
	(Islamic Dinars)	
	1426H	1425H
Policyholders' Fund	<u>3,280,290</u>	<u>2,281,032</u>

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

10- AVAILABLE FOR SALE INVESTMENT

Available for sale investments are comprised of the following as at 30 Dhul Hijjah:

	(Islamic Dinars)	
	1426H	1425H
Shareholders' Fund:		
Quoted Investments:		
Units in IDB-Unit Investment Fund	11,931,200	11,452,508
Islamic Sukuk	<u>7,449,397</u>	<u>5,319,326</u>
	<u>19,380,597</u>	<u>16,771,834</u>
Unquoted Investments:		
Shares in Takaful Re.	<u>1,731,770</u>	-
	<u>21,112,367</u>	<u>16,771,834</u>



11- FIXED ASSETS

The Corporation's fixed assets are related to the policyholder's fund

12- ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised of the following as at 30 Dhul Hijjah:

(Islamic Dinars)

	1426H	1425H
Shareholders' Liabilities		
Bank commission	600,166	578,271
Other expenses	151,776	105,931
	<u>751,942</u>	<u>684,202</u>
Policyholders' Liabilities		
Other payables	167,776	254,365
Accrued expenses	153,188	75,905
	<u>320,904</u>	<u>330,270</u>
	<u>1,072,846</u>	<u>1,014,472</u>

13- CLAIMS PAYABLE

Claims payable are related to the policyholders' fund.

14- UNEARNED PREMIUMS

Unearned premiums are related to the policyholders' fund.

15- PROVISION FOR UNREPORTED CLAIMS

Provision for claims estimated as incurred but not reported (IBNR) relates to the policyholders' fund. Based on the past experience, the management has decided to change the percentage for calculating the IBNR provision from 1% to 0.5% of the outstanding exposures at year end. Had the Corporation estimated the provision for unreported claims at 1% of the outstanding exposures at year end, the net corporate income for the year would have been lower by ID 1,548,202.

16- SHARE CAPITAL

(Islamic Dinars)

	1426H	1425H
Authorised capital 1,00,000 shares of ID 1,000 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and subscribed capital 50,000 shares of ID 1,000 each fully paid	50,000,000	50,000,000
47,240 (1425H:46,990) shares of ID 1,000 each, of which ID 500 has been called up	<u>23,620,000</u>	<u>23,495,000</u>
Less: subscription receivable	<u>(875,000)</u>	<u>(1,062,500)</u>
	<u>72,745,000</u>	<u>72,432,500</u>

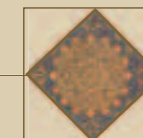
The remainder of the uncalled subscriptions on issued capital is subject to call by the Corporation as and when required to meet its obligations and may be refunded in whole or in part, in which event the amounts refunded shall become part of the callable capital obligation of the shareholders.

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

17- 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.



18- LOAN TO POLICYHOLDERS' FUND FROM SHAREHOLDERS' FUND

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

Loan from shareholders' fund is comprised of the following as at 30 Dhul Hijjah:

(Islamic Dinars)

Policyholders' Fund	1426H	1425H
Total assets	2,839,367	2,295,847
Total liabilities	(6,340,138)	(5,430,321)
Accumulated losses	17,303,234	16,238,176
Net deficit in policyholders' fund	13,802,463	13,103,702

19- PREMIUMS EARNED

Premiums earned are comprised of the following as at 30 Dhul Hijjah:

(Islamic Dinars)

	1426H	1425H
Gross premiums	2,495,815	1,856,758
Unearned premiums at the beginning of the year	821,615	1,044,528
Unearned premiums at the end of the year	(965,137)	(821,615)
	2,352,393	2,079,671
Reinsurance Premiums	(101,111)	(97,298)
Net Premiums	2,251,182	1,982,373

20- CLAIMS INCURRED

Claims incurred are comprised of the following as at 30 Dhul Hijjah:

(Islamic Dinars)

	1426H	1425H
Gross claims paid		220,573
Recoveries, net (see note below)	(777,292)	838,537
Net claims	506,924	1,059,110
Claims related expenses	26,798	35,508
Outstanding Claims		
Movement in provision for unreported claims	(183,239)	728,016
Movement in provision for doubtful claims	407,653	-
Movement in claims payable	16,863	(145,752)
	774,999	1,676,882

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 (1426H: Nil, 1425H: Nil). Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

21- CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following as at 30 Dhul Hijjah:

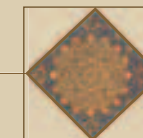
(Islamic Dinars)

	1426H	1425H
Bank balances	451,089	624,020
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (note 5)	68,036,017	32,491,473
	68,487,106	33,115,493

22- 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 as at 30 Dhul Hijjah:



22- RELATED PARTY TRANSACTIONS (continued)

(Islamic Dinars)

	1426H	1425H
Premium and policy fees earned	180,394	254,561
Investment management fees paid to Islamic Development Bank	102,962	97,347
Administration fee paid to Islamic Development Bank	35,617	48,722
Expenses paid by Islamic Development Bank on behalf of the Corporation	2,718,431	2,129,264

Related party balances included in the balance sheet are comprised of the following as at 30 dhul Hijjah:

(Islamic Dinars)

	1426H	1425H
Accounts receivable	-	10,160
Amounts due to Islamic Development Bank	3,280,292	2,281,032
Claims payable	95,991	109,623

23- 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.

24- RISK MANAGEMENT

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

a) Credit risk

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

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

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

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

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 309.1 million (ID 173.1 million in 1425H). 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 15 and 20).

25- ZAKAT AND TAX TREATMENT

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

26- COMPARATIVE FIGURES

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