ANNUAL REPORT
1433H | 2012

iciec
Globally Secure

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

بسم الله الرحمن الرحيم

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

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OUR VISION

“To be the internationally recognized **leader in Sharia compatible** export credit and investment insurance and re-insurance in member countries.”

OUR MISSION

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

MAKING **BUSINESS TRANSACTIONS LESS RISKY** AND **MORE COMPETITVE** FOR OVER **18** YEARS

1994

- Establishment of ICIEC as a multilateral export credit and investment insurance entity, with initial membership of 13 countries

2000

- Amendment to ICIEC Articles of Agreement to allow cover of exports to the world

2005

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

2008

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

2009

- Membership in Berne Union
- Establishment of Aman Union

2010

- Appointment of the Chief Executive Officer.
- Inauguration of the 1st Representative Office (DIFC/ Dubai)
- Country membership reaches 40 countries.

2011

- Increase in the authorized capital from ID 150 million to ID 400 million

2012

- Increase in paid-up capital by 37% to reach over ID 100 million
- Maintained the Aa3 rating from Moody's

TRANSMITTAL LETTER

In the Name of Allah, the Beneficent, the Merciful
Date: 01/04/1434H
11/02/2013G

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

Dear Brothers and Sisters

Assalamo-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit, on behalf of the Board of Directors, for the kind attention of the esteemed Board of Governors, the Annual Report and the audited Financial Statements of the Corporation for the Year 1433H (2011-2012).

Please accept the assurances of my highest consideration.

Yours sincerely,

Dr. Ahmad Mohamed Ali
Chairman of the Board, ICIEC

BUSINESS AND FINANCIAL RESULTS – HIGHLIGHTS

In USD Millions

Business Highlights	1432H	1433H	Change
New Insurance Commitments	3,364	2,314	-31%
Business Insured	3,123	3,074	-2%
Current Exposure	1,084	1,254	16%
Premium and Fees	15.37	13.86	-10%
Claims Paid	0.11	2.11	--
Recoveries	0.15	0.04	-73%

In Islamic Dinar (ID)* Millions

Financial Highlights	1432H	1433H	Change
Total Assets	125.32	155.86	24%
Total Shareholders' Equity	108.33	142.73	32%
Paid-Up Capital	73.50	101.00	37%
Net Reserves**	26.26	28.35	8%
Investment Income	1.88	2.41	28%
Earned Premium and Fees	4.86	6.49	34%
Net Claims Paid /(Recovered)	(0.14)	0.75	536%
Net Corporate Result	0.26	(0.41)	-157%

*The Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to Special Drawing Rights (SDR) of the International Monetary Fund (ID 1.00 = USD 1.53 as of the end of 1433H).

**Net Reserves represent the sum of Reserve, fair value reserve and accumulated deficits in the balance sheet.

BOARD OF DIRECTORS

Dr. Ahmad Mohamed Ali
The Chairman, Board of Directors

Dr Hamad bin Suleiman Al Bazai
(Saudi Arabia)

Bader Abdullah Abuaziza
(Libya)

Dr. Asghar Abolhasani Hastiani
(Iran)

Abdulwahab Saleh Al-muzaini
(Kuwait)

Zeinhom Zahran
(Egypt)

Ali Hamdan Ahmed
Executive director of UAE

Ismail Omar Al Dafa
(Qatar)

Ibrahim Halil Canakci
(Turkey)

Mohammed Gambo Shuaibi
(Nigeria)

Mohammed Irwan Serigar
(Brunei Darussalam, Indonesia, Malaysia, Suriname)

Md. Abul Kalam Azad
(Afghanistan, Bangladesh, Maldives, Pakistan)

Adel Ben Ali
(Algeria, Mauritania, Morocco, Tunisia)

Mohammed Jawad Bin Hassan Suleman
(Bahrain, Oman, Sudan, Yemen)

Mohammed Ahmed Abu Awad
(Iraq, Jordan, Lebanon, Palestine Syria)

Sékou Ba
(Burkina-Faso, Gambia, Mali, Niger, Senegal, Togo)

Antonio Fernando Laice
(Chad, Comoros, Djibouti, Gabon, Mozambique, Somalia, Uganda)

Diamonde Kanvaly
(Benin, Cameroon, Côte d'Ivoire, Guinea, Guinea-Bissau, Sierra Leone)

Yerlan Alimzhanuly Baidaulet
(Albania, Azerbijian, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan)

MANAGEMENT

Dr.Abdel Rahman Eltayeb Taha
Chief Executive Officer

Khemais El-Gazzah
Chief Operating Officer

Muhammed Azam
Director, Accounting and Finance

Adil A. Babikr
Director, Legal Affairs

Bassam Dawoud
Acting Director, HR and Corporate Service

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present to the stakeholders of the Corporation the Annual Report for the year 1433H. Despite it being a year of continued economic headwinds, globally as well as in ICIEC member countries, coupled with the prolonged unfolding political change in a number of member countries, the Corporation has continued to enhance the support it provides for exports from and investments into our member countries. At the same time, ICIEC continues to face very strong competition from global export credit insurance providers, all of which are expanding their operations in ICIEC member countries (especially as growth in their home markets of Europe has stalled). Despite these challenges, the Corporation's Business Insured numbers remained strong at USD 3.07 billion, which is comparable to the business insured numbers achieved last year.

1433H was a stand-out year for ICIEC's Political Risk Insurance (PRI) program. Business Insured under ICIEC's PRI program stood at a record high of USD 825 million in 1433H (an increase of 167%) - a testament to the increased awareness of the importance of involving multilaterals like ICIEC in new investment programs. A significant part of this increase in the PRI numbers can also be attributed to the growing relationship ICIEC is building with the Multilateral Investment Guarantee Agency of the World Bank, which views ICIEC as a strategic reinsurance partner in its member countries. As the Corporation's business continues to expand, ensuring timely and professional customer service becomes more and more important, but, at the same time, challenging. With an eye on the expanding portfolio, the Corporation undertook a restructuring of the Operations Department during the year. The restructuring involved the appointment of a Chief Operating Officer, and the separation of the Business Development and Customer Relations Management, and Underwriting functions of the Corporation. The reorganization will allow the Corporation to be more responsive to the needs of its customers, while at the same time allow underwriters to focus on the complex business of credit and political risk insurance.

In 1432H, the Board approved an increase in the Authorized Capital of the Corporation to ID 400 million. Efforts were ongoing throughout 1433H to reach out to member states of the Corporation, to encourage them to subscribe to the increased share capital. These efforts have been only partially successful, and the paid-up capital of the Corporation currently stands at ID 101 million. I would like to take this opportunity to call upon the member countries, which have not already done so, to subscribe to the general and optional capital increase. For every dollar of capital subscribed, ICIEC can provide at least 10 times in insurance support for member countries exports and inward foreign direct investment.

"Business Insured under ICIEC's PRI program stood at a record high of **USD 825 million** in 1433H (**an increase of 167%**)"

Part of ICIEC's mandate is to develop the Islamic financial services industry by offering complementary products for Islamic financing structures. During the course of the year, the Corporation has designed two new products which are expected to address a growing need in the Islamic financial services segment. The first product is the Sukuk Insurance policy, which will allow Sukuk issuers (primarily sovereign ICIEC member countries) to utilize Sukuk to tap into capital markets, with an ICIEC insurance cover providing added security to the Sukuk investors against the non-payment risks of the Sukuk issuer/sponsor. This is a unique product, not offered by any other insurance provider, and is already generating significant interest in the market. The second product is the Bank Master Policy for Istisna financing, which will protect Islamic banks against non-payment risks of obligors in Istisna financing structures.

Finally, in terms of institutional development, I am pleased to report that ICIEC's Dubai Office is now fully operational. The Office has already started generating considerable business during the course of 1433H, having succeeded in attracting business from blue-chip corporate and bank customers based in the UAE during the year. The long-term vision for the Office is to become the main point of contact for business development and customer relations management for financial institution clients, and I am confident that the Office will evolve into this role in the very near future.

ICIEC's strategy for 1434H is to continue its strong showing in business indicators, while at the same time strengthening the financial results of the Corporation by ensuring high-quality underwriting, and enhanced investment returns are generated. We are thankful for the ongoing support received from ICIEC's member countries and the Board of Directors. With the collective effort of all stakeholders, I am confident the Corporation will continue to achieve the mandate it was assigned by its member countries.

Yours sincerely,

Dr. Abdel-Rahman Eltayeb Taha
Chief Executive Officer

ICIEC IN BRIEF

“ICIEC’s mandate is to expand commercial transactions and encourage investment flows among OIC member countries”

Objectives

ICIEC was established in 1994 as an autonomous international multilateral export credit insurance agency affiliated with the Islamic Development Bank (IDB). Its purpose is to expand commercial transactions and encourage investment flows among its member countries. ICIEC fulfills these objectives by providing Shariah compliant export credit insurance and re-insurance services to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks. It also provides investment insurance against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance, and breach of contract by the host government.

The Corporation recently introduced new products, enhancing its outreach to the market. Thus, ICIEC is now able to provide export credit insurance services to exporters from non-member countries supplying capital equipment, infrastructure related projects, and food security related items to its member countries on selective basis. Also, ICIEC may insure domestic sales of exporters in member countries.

Enhancing Synergy within the IDB Group

ICIEC's Articles of Agreement envisaged that IDB is to benefit from its insurance services. Indeed, the Bank Master Policy, which is currently available for commercial Islamic banks, was originally designed to cover IDB trade finance risks. Currently, ICIEC has in place an arrangement with International Islamic Trade Finance Corporation (ITFC), an IDB Group member, which will provide financing to buyers and exporters in member countries using ICIEC cover.

Membership and Share Capital

Membership in ICIEC is open to the IDB and countries that are members of the Organization of Islamic Cooperation (OIC). At the end of 1433H, there were 41 shareholders of ICIEC, comprising the IDB and 40 countries, including 17 Arab countries, 14 African countries and 9 Asian and other countries.

Currently, the authorized share capital of ICIEC is ID 400 million, made up of 400,000 shares of ID 1,000 each. The IDB subscribed to 100,000 shares of the authorized capital through the Waqf Fund, while the member countries subscribed to 129,998 shares out of 250,000 shares allocated for subscription by the member countries, bringing the total subscribed capital to ID 229,998,000, of which ID 100,997,000 was paid up. The remaining 50,000 shares of the authorized capital of ICIEC are offered for subscription by financial institutions and commercial enterprises in the member countries of the Corporation.

ICIEC Takaful Model

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

- The Policyholders' Fund, which contains mainly the insurance contributions and recoveries from paid claims and from which the insurance operations expenses are disbursed; and
- The Shareholders' Fund, which contains the paid-up capital and accumulated reserves and from which a deficit in the Policyholders' Fund may be financed through a non-interest bearing loan.

These requirements are reflected in the structure of the financial statements of the Corporation. In addition, the Articles of Agreement do not allow the distribution of surpluses from the Shareholders' or Policyholders' Funds until the accumulated reserves are five times the subscribed capital of the Corporation.

Corporate Governance and Organization

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

Board of Governors (BOG)	The BOG is composed of Ministers representing the member countries of the IDB. All powers of the Corporation are vested in the BOG. However, the BOG may delegate some of its powers to the Board of Directors of the Corporation (BOD).
Board of Directors (BOD)	The BOD, which is the same as the Board of the IDB, is responsible for the general direction of the operations of ICIEC.
Chairman of the BOD	The President of IDB is the ex-officio Chairman of the Board of Directors.
The Chief Executive Officer	The Chief Executive Officer, in accordance with the Guidelines, Rules and Regulations approved by the BOD and under the general supervision of the Chairman of the BOD, has full executive powers to manage the affairs of the Corporation. He can, within the powers delegated to him by the BOD, approve operations and investments by the Corporation and the conclusion of contracts pertaining thereto within the Guidelines, Rules and Regulations approved by the Board of Directors. The Chief Executive Officer attends the meetings of the BOD without the right to vote in such meetings.

ICIEC's 19th Annual Meeting held in Khartoum in conjunction with the 37th IDB Annual Meeting 4 April 2012

ICIEC's organization structure is composed of six main departments, of which three departments manage the insurance operations (Business Development, Trade Credit Insurance and Structured Finance and Investment Insurance) and three departments provide support services (Legal and Claims, Accounting and Finance and the Human Resources Management and Corporate Services). The Promotion and International Relations Unit, and Risk Management Divisions report directly to the Chief Executive Officer.

ICIEC member countries

Memberships and Capital Subscriptions Status at the End of 1433H (14 November, 2012)

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

Saudi Arabia
No. of Shares Subscribed: 60,000
Value of Shares: ID 60,000,000

Iran
No. of Shares Subscribed: 10,000
Value of Shares: ID 10,000,000

Kuwait
No. of Shares Subscribed: 7,500
Value of Shares: ID 7,500,000

UAE
No. of Shares Subscribed: 7,500
Value of Shares: ID 7,500,000

Egypt
No. of Shares Subscribed: 6,703
Value of Shares: ID 6,703,000

Kazakhstan
No. of Shares Subscribed: 6,500
Value of Shares: ID 6,500,000

Morocco
No. of Shares Subscribed: 5,000
Value of Shares: ID 5,000,000

Turkey
No. of Shares Subscribed: 5,000
Value of Shares: ID 5,000,000

Bahrain
No. of Shares Subscribed: 3,625
Value of Shares: ID 3,625,000

Malaysia
No. of Shares Subscribed: 2,740
Value of Shares: ID 2,740,000

Pakistan
No. of Shares Subscribed: 2,500
Value of Shares: ID 2,500,000

Libya
No. of Shares Subscribed: 1,500
Value of Shares: ID 1,500,000

Algeria
No. of Shares Subscribed: 1,000
Value of Shares: ID 1,000,000

Tunisia
No. of Shares Subscribed: 1,000
Value of Shares: ID 1,000,000

Yemen
No. of Shares Subscribed: 1,000
Value of Shares: ID 1,000,000

Sudan
No. of Shares Subscribed: 750
Value of Shares: ID 750,000

Burkina-Faso
No. of Shares Subscribed: 680
Value of Shares: ID 680,000

Bangladesh
No. of Shares Subscribed: 500
Value of Shares: ID 500,000

Gambia
No. of Shares Subscribed:500
Value of Shares: ID 500,000

Indonesia
No. of Shares Subscribed: 500
Value of Shares: ID 500,000

Jordan
No. of Shares Subscribed: 500
Value of Shares: ID 500,000

Oman
No. of Shares Subscribed: 500
Value of Shares: ID 500,000

Albania
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Benin
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Brunei
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Cameroon
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Chad
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Cote d'Ivoire
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Djibouti
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Gabon
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

Guinea
No. of Shares Subscribed: 250
Value of Shares: ID 250,000

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

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

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

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

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

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

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

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

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

GLOBAL PICTURE 1433H

"The ICIEC maintained an IFSR of Aa3 for 2012, notwithstanding the impact of the global financial crisis."

Slow Rebound in Trade Credit and Investment Insurance

According to the International Monetary Fund's World Economic Outlook report released in October 2012, the world economy is still in a recovery mode. However, the pace of the recovery has slowed in the second half of 2012 and there are fears that it may relapse into recession. As a result, the Fund has revised downwards its global economic growth forecast which was released in July 2012 from 3.5% and 3.9% to 3.3% and 3.6% for 2012 and 2013 respectively.

The fortunes of global trade volumes and investment flows are directly linked with the state of the global economy. Following a significant decline in 2009 —as a result of the global financial crisis— export credit and investment insurance business rebounded and reached pre-crisis levels in 2010. With the recovery of global trade and investment inflows, business insured surpassed pre-crisis levels in 2011. The results from the first half of 2012 show a continuation of this trend, with a total business insured, by Berne Union* members, of USD 1.8 trillion. This trend reflects the strong commitment of export credit and political risk insurers to support international operations of exporters and investors in a volatile economic environment. Berne Union members, for instance, increased their level of short term export credit insurance support in the first half of 2012, reaching a level matching the pre-crisis levels.

The volume of medium and long term credit and political risk insurance business supported by Berne Union members reached an all-time high of USD 589 billion at the end of June 2012 compared to USD 584 million in 2011. However, it should be noted that medium and long term new commitments were at USD 83 billion in the first half of 2012, representing only 43% of new commitments in the full year of 2011, which indicates a slight reduction in the rate of growth of new medium and long term business in 2012.

For the insurance of foreign direct investment, the new business insured reached USD 47 billion in the first half of 2012, up by 10% over the same period of last year.

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

*Berne Union is the largest association for export credit and investment insurance organizations worldwide. It has the 50 largest ECAs and credit and political risk insurers in the world as its members, which collectively support approximately 10% of world exports. ICIEC has been a member of the Berne Union since 2009

Rise in Claims

The performance of the industry was hampered in the first half of 2012 by a high level of claims indemnification, with a total claims paid of USD 2 billion. This level represented 53% of claims paid in the whole year of 2011 and 60% of claims paid in 2010.

The share of short term claims out of total claims paid to exporters increased from 35% in 2011 to 42% as of the first half of 2012. This was the result of a higher increase in short term claims than that of medium and long term claims during that period. Short term claims reached USD 835 million, representing an increase of 60% over those paid in the first half of 2011, which may indicate that much higher claims are expected to be paid by the end of 2012 compared to 2011 and 2010. The largest part of claims (73%) was mainly paid on buyers in Europe (France, the United Kingdom, Italy, Greece and Spain). 18% was paid on buyers in the United States and only 3% was paid on buyers in a member country of ICIEC (Libya).

Medium and Long term claims paid by Berne Union members reached USD 1.2 billion in the first half of 2012, which represents 47% of total claims paid in the whole year of 2011 and 63% of the claims paid in 2010. The bulk of medium and long term claims was paid in Libya (28%), Iran (10%), the Republic of Korea (10%) and UAE (6%).

With regard to the investment insurance line of business, claims paid have been reduced considerably by indemnifying only USD 35 million in the first half of 2012. Of these claims, 53% were paid on Vietnam and 11% were paid on two ICIEC member countries, Libya and Cote d'Ivoire.

Challenges Ahead

The industry is facing some major challenges. The most serious among these are the worsening European sovereign debt crisis— and the consequent banking sector woes— and the Basel III banking regulatory regime. Johan Schrijver, the President of the Berne Union, stated that **"Berne Union members continue to express serious concerns about the ability of banks to fund trade and investment given the proposed regulatory changes and the on-going funding challenges that banks are facing. Any further deterioration in bank capacity for trade and export finance could have serious consequences for global trade and economic recovery."**

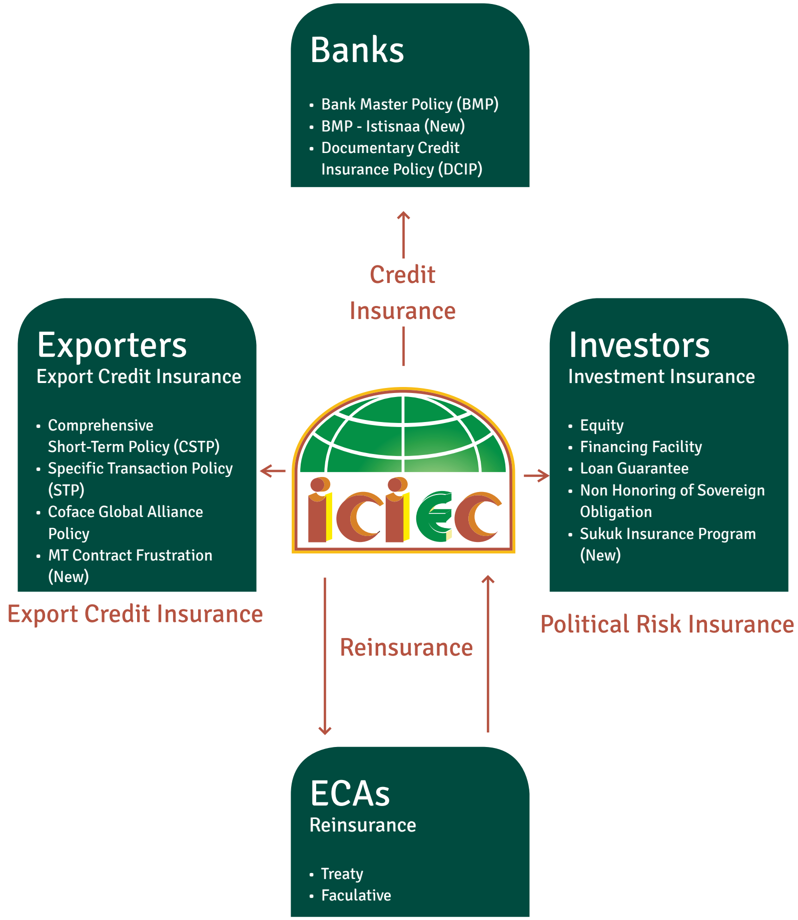
BUSINESS DEVELOPMENT

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

Products and Services

ICIEC products are designed to meet the needs of exporters, investors, financial institutions and export credit agencies. The diagram below summarizes the range of products offered by ICIEC to the different client categories. It should be noted that ICIEC is continuously endeavoring to develop new products and services to respond to the needs of its member countries.

During the year, ICIEC introduced a number of changes to its eligibility criteria in order to be more flexible and more supportive to the economic development efforts of its member countries. As a result, a new insurance product (Contract Frustration Policy) was launched to respond to the needs of contractors who compose a large segment in member countries. This product covers the commercial and non-commercial risks of single contracts and minimizes the risks contractors are exposed to in case of contract frustration by the sponsors.



Distribution Channels

ICIEC exerts considerable efforts to enhance its outreach to provide its clients with the best service possible and to approach potential customers wherever they are. The selection of appropriate distribution channels is therefore instrumental.

Jeddah Office: This is staffed by a small team of highly qualified multilingual marketing specialists based at ICIEC's Headquarter in Jeddah, with a proven track record in selling financial products and who can move swiftly to cover many countries around the world.

ICIEC Representative Office – Dubai: The ICIEC Representative Office in Dubai is registered with the Dubai International Financial Center (DIFC). It plays a major role in promoting ICIEC services in the UAE and neighboring countries and in sourcing medium-term and foreign investment business.

IDB Group Regional Offices: ICIEC uses the IDB Group's four Regional Offices located in Almaty, Dakar, Kuala Lumpur and Rabat, to provide easy access to stakeholders from all member countries.

IDB Gateway Offices: The IDB Group has recently approved the opening of Gateway Offices in certain member countries having recognized that its business model has to be more delegation driven in order to enhance the operational effeciency and effectiveness of IDB Group developmental initiatives. To start with, the IDB Group will be opening offices in 5 countries, namely Turkey, Indonesia, Bangladesh, Nigeria and Egypt. These Gateway Offices present a good opportunity for ICIEC to hire local staff with the objective of having an on-the-ground presence to discover and penetrate those markets in pursuance of a business plan for the corporation in 1434H.

Local Agents: ICIEC has not increased the number of its local agents during the year, as it intends to rely more on the Gateway Offices which are better positioned to function in their respective markets.

National Export Credit Agencies: ICIEC acts to complement the national ECAs' products offering with its unique credit and investment insurance products, in addition to providing technical assistance and reinsurance support to enhance their insurance capacity. ICIEC has entered into strategic relationships with many of these ECAs given its mandate to support the development of the export credit industry in member countries.

In this regard, many agreements have been signed during this year including an important one with ***Tasdeer*** (the newly established ECA of Qatar – (part of Qatar Development Bank) involving cooperation in reinsurance, credit information, technical assistance in underwriting, technical training, knowledge sharing, and IT support. In addition, ICIEC signed a reinsurance agreement with Malaysia Eximbank, and agency agreements with ASEI of Indonesia and Turk Eximbank. Other agreements are expected to be signed soon such as the Cooperation Framework Agreement with Nigeria Exim Bank.

Brokers: Brokers have proven to be an excellent channel especially for medium-term and investment insurance business. In order to increase awareness of ICIEC's capabilities and competitive advantage in comparison to other players in the market, ICIEC is building strong relationships with several reputable brokers in both member countries and non-member countries.

AMAN UNION 3RD Annual General Meeting

The International Union of Export Credit Insurers -“AMAN UNION”- in the OIC member countries, held its 3rd Annual General Meeting in Kuala Lumpur, Malaysia, from 20 to 22 November 2012. This event was co-organized by the Secretariat General and, managed by ICIEC and Malaysia Eximbank (MEXIM). More than 80 participants from more than 35 organizations representing national ECAs, international reinsurers, credit information agencies and debt collection companies actively interacted on the different topics of the program presented by credit insurance experts from the industry.

The meeting also discussed the latest developments and updates in the industry, Members’ expectations for the year 2013, the impact of the recent political events on AMAN UNION members, claim experience of AMAN UNION members, cooperation between AMAN UNION and Berne Union, Bond insurance and Sukuk insurance product development by ICIEC.

Four new members were accepted during the meeting, namely National Borge, GARANT, Cedar Rose and International Advisors, bringing the total number of AMAN UNION members to 17 full members, 3 associate members and 11 observers.

The performance report of AMAN UNION members during 2011 shows an average yearly growth of 12.3% in new business insured during the last 4 years where it increased from USD 12.3 billion in 2008 to reach USD 17.4 billion in 2011, a decrease in premium written by 31% (from USD 127.1 million to USD 88.5 million), an increase in claims paid by 51% (from USD 23.7 million to USD 35.2 million) and a decline in recoveries by 73% (from USD 25.2 million to USD 6.8 million).

Group photo of participants in the 3rd Annual Meeting of AMAM UNION coming from more than 35 different organizations - 21 November 2012, Kuala Lumpur.

The Database Center

The 3rd Annual General Meeting of the AMAN UNION also witnessed the official launching of the Database Center “DBC” by ten subscribers. This project consists of a pool to share black-listed buyers, access existing credit reports in the database, order and purchase credit reports and opinions on new buyers located anywhere in the world, order updates on existing buyers in the database, and share credit limit approvals and experience of other members of the UNION. The DBC is expected to be operational by May 2013.

INSURANCE OPERATIONS

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

Summary of Operations Results 1433H

	Results 1432H	Results 1433H	Change %
New Commitments	3,364	2,314	-31%
Current Commitments	2,461	2,859	16%
Business Insured	3,123	3,074	-1.6%
Exposure	1,084	1,254	15.7%
Premium Issued	15.37	13.86	-9.80%
Outstanding NPLs	2.83	16.29	476%
Claims Paid	0.11	2.11	1818%
Recoveries	0.15	0.04	-73%

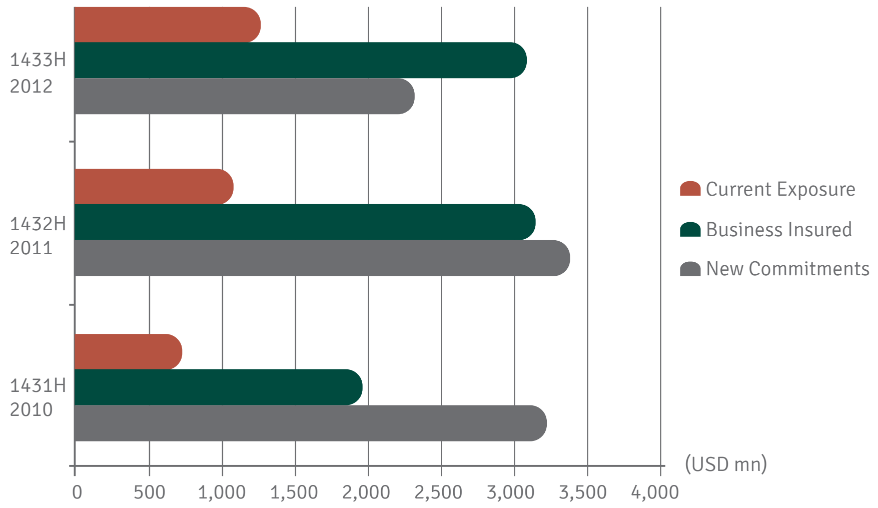
ICIEC's New Insurance Commitments during the year 1433H reached USD 2,314 million, registering a decline of 31% as compared to last year. This decline is mainly attributed to low business generated under the Documentary Credit Insurance Policy, and the Specific Transaction Policy. Although the new commitments show a drop, the current (outstanding) commitments, which is a cumulative figure, indicate an increase of 16% compared to last year.

The Business Insured or actual utilization of commitments during the year 1433H was USD 3,074 million compared to USD 3,123 million during 1432H, indicating a slight decline of 1.6%, mainly due to cancellation of short term policies and non-materialization of some transactions under the DCIP. This decline in short term business was, however, dampened by the sharp increase of business insured of the foreign investment insurance business, which stood at USD 825 million, compared to USD 310 million last year, reflecting an increase of 166%.

The Total Gross Exposure reached USD 1,254 million compared to USD 1,084 million in the year 1432H, an increase of 16% which is a direct result of the increase in business under the investment insurance.

ICIEC invoiced a total **Insurance Premium** of USD 13.9 million during the year 1433H compared to USD 15.4 million during last year, showing a decrease of 9.7%.

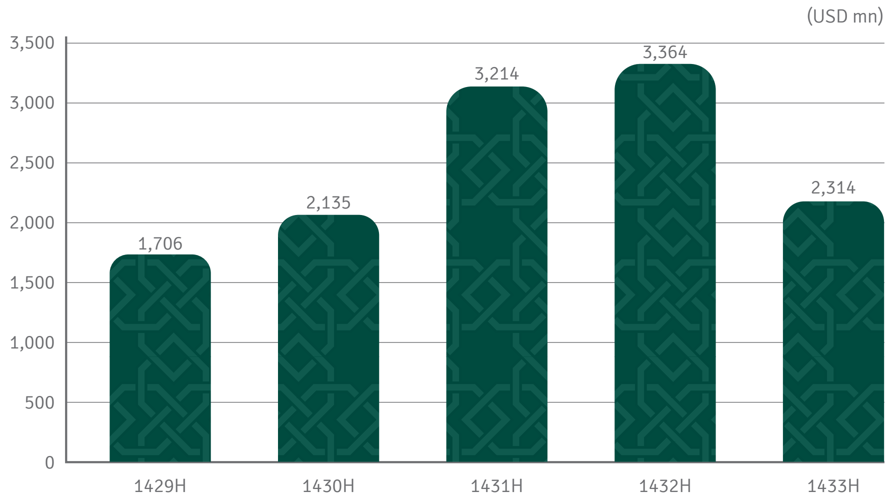
The total outstanding **Notifications of Probable Loss** (NPLs) at the end of the year 1433H reached USD 16.29 million compared to USD 2.83 million at the end of last year. The total claims paid during 1433H were USD 2.11 million which resulted from the short term export credit insurance line of business, compared to USD 0.11 million last year, reflecting the deterioration in the global credit risk environment



New Insurance Commitments

New insurance commitments are the new business booked for the year 1433H. It reached USD 2,314 million compared to USD 3,364 million for last year, registering a decrease of 31%. This drop is a reflection of the hardening in the Corporation's risk appetite due to the economic difficulties prevailing world-wide, and political instability in some member countries. This was clearly reflected in the increase in claims paid by the ECAs world-wide. However, the demand for cover has actually increased as exporters, financial institutions, and investors became more risk averse due to the same factors which made it difficult for the Corporation to provide its credit and political risk insurance services.

New Commitments



JBF BOPET Film Manufacturing Project in Bahrain

Globally Secure

During 1433H, ICIEC provided insurance support for JBF RAK of the UAE covering their USD 100 million investment in a polyester film manufacturing (BOPET) plant in the Kingdom of Bahrain. The insurance cover is provided against the risks of expropriation, war & civil disturbance and breach of contract for a period of 5 years.

The JBF's polyester film manufacturing facility is located in Bahrain International Investment Park in Salman Industrial City. The BOPET plant will have a production capacity of 93,000 tons of Polyester films, the majority of which will be exported to US and European markets. The project will thus contribute to the growth of exports from Kingdom of Bahrain.

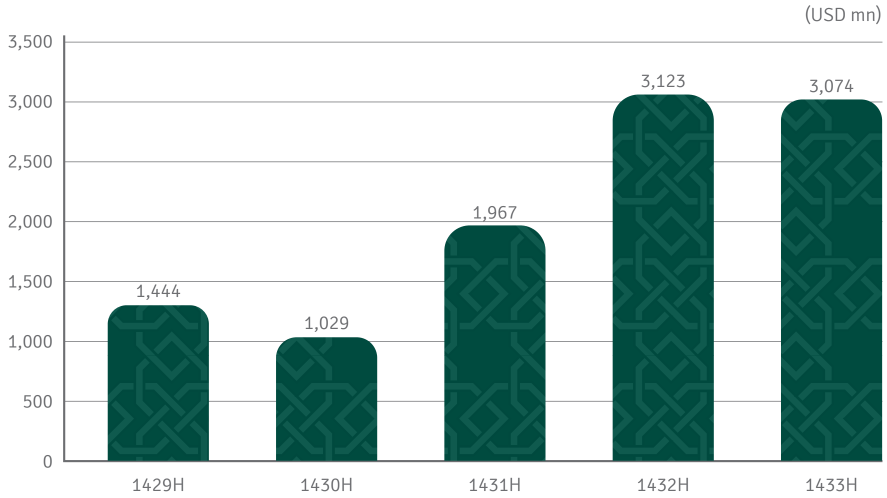
Business Insured

ICIEC's actual business insured during the year 1433H reached USD 3,074 million compared to USD 3,123 million during 1432H, showing a slight decrease of 1.6%. The drop in booking new export and project finance business could be attributed to the difficult business environment faced by clients who were unable to sustain their normal levels of business activity. It will take some time for ECAs' business to recover, awaiting the emergence of a more stable business environment.

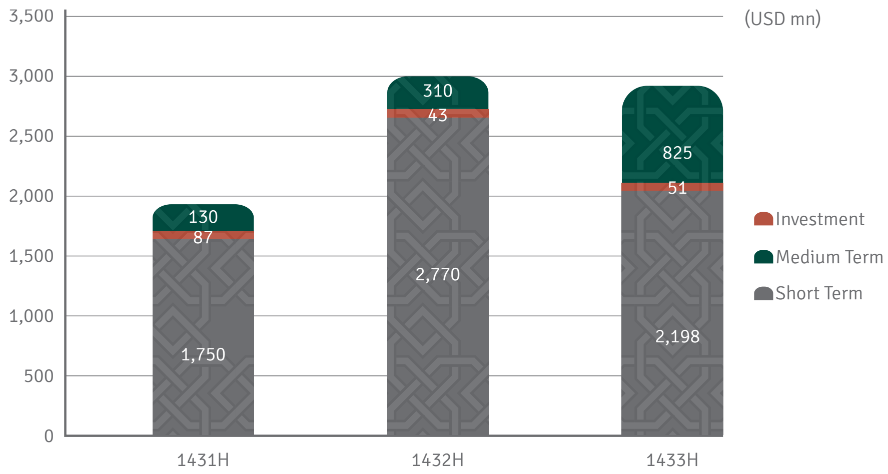
Business Insured by Line of Business

The business insured under short term export credit insurance for 1433H was USD 2,198 million, representing 71% of total business insured, while business insured under medium term project finance and foreign investment represented only 2% (USD 51 million) and 27% (USD 825 million) respectively. Medium term business again witnessed a slack season, while investment insurance witnessed a noticeable growth compared to last year.

Business Insured



Business Insured by Line of Business (USD MN)



The 7th Independent Water and Power Producer "IWPP" and UAE's largest Desalination Plant (130 MIGD) and Electricity Capacity (2000MW)

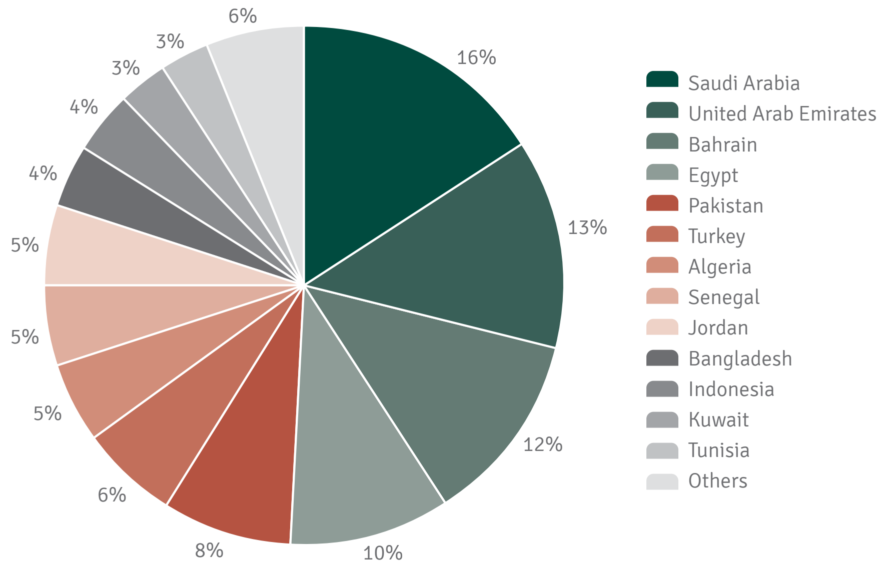
During 1433H, ICIEC provided an 18-month insurance cover against the risk of contract frustration to support the procurement of dredging services by the Fujairah Asia Power Company (FAPCo) of the UAE. The policyholder is a Dutch contractor named Van Oord Dredging & Marine Contractors BV.

FAPCo, which is 60% owned by ADWEA, UAE, is the seventh Independent Water and Power Producer "IWPP" under the UAE program for the privatization of the water and power sector. It is also the UAE's largest desalination plant with more than USD 2.8 billion of investments. The size of this contract is USD 46.5 million. The project is classified as a strategic one for the UAE as it will contribute to the efforts being exerted in addressing the acute water shortage in the country.

Benefiting ICIEC member countries

Member countries of ICIEC benefitted from ICIEC services under the various lines of business, including credit insurance in support of their exports and imports, in addition to investments from and to the member countries. The countries benefitting remained almost the same as last year, led by Saudi Arabia with 16%, UAE 13%, Bahrain 12%, Egypt 10%, Pakistan 8%, Turkey 6%, and Algeria, Jordan and Senegal with 5% each.

Benefiting ICIEC member countries (Based on Business Insured - 1433H)



Exposure

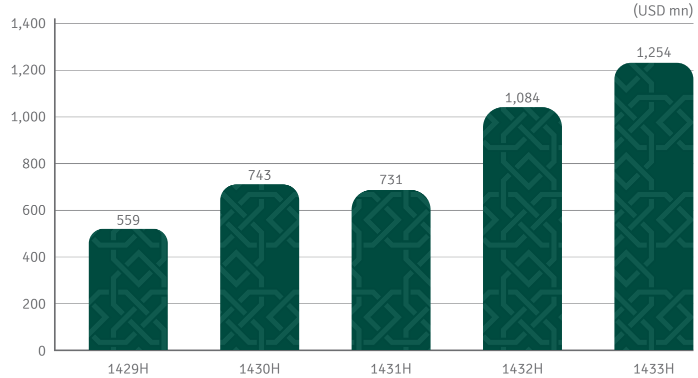
Total exposure is an aggregate measure of outstanding commitments, arrears and outstanding claims. It serves as an indicator of the Corporation's portfolio at risk, at any given time. The exposure at the end of 1433H reached USD 1,254 million compared to USD 1,084 million last year, registering an increase of 16%. The break-up of exposure related to short-term, medium term and FII business was USD 482 million, USD 291 million and USD 481 million respectively, or 38%, 23% and 38% respectively.

However, the net outstanding exposure stood at only USD 804 million after subtracting reinsurance cession to international reinsurers of USD 450 million or 36%. The following table highlights the distribution of ICIEC gross and net exposure among various lines of business:

ICIEC Exposure 1433H by Line of Business

Line of Business	Gross Exposure (USD mn)	Net Exposure (USD mn)	Net Exposure
Short Term	482	263	55%
Medium Term	291	130	45%
Foreign Investment	481	411	85%
TOTAL	1,254	804	64%

Current Exposure



ICIEC's New Outward Quota Share Treaty Partners

Effective on 1 October 2012, ICIEC has secured the services of the world's leading Re-Insurers, Munich RE and hannover re in its new Outward Quota Share Treaty, in addition to its existing partner, Catlin Re of Switzerland. Munich RE is the Lead Reinsurer in the Treaty.

The inclusion of Munich RE and hannover re on board of ICIEC's Quota Share Treaty resulted from the efforts exerted by ICIEC and its reinsurance broker REIB, to restructure the Quota Share Treaty to make it more supportive of the changing structure of trade credit insurance business and the future strategy of the Corporation.

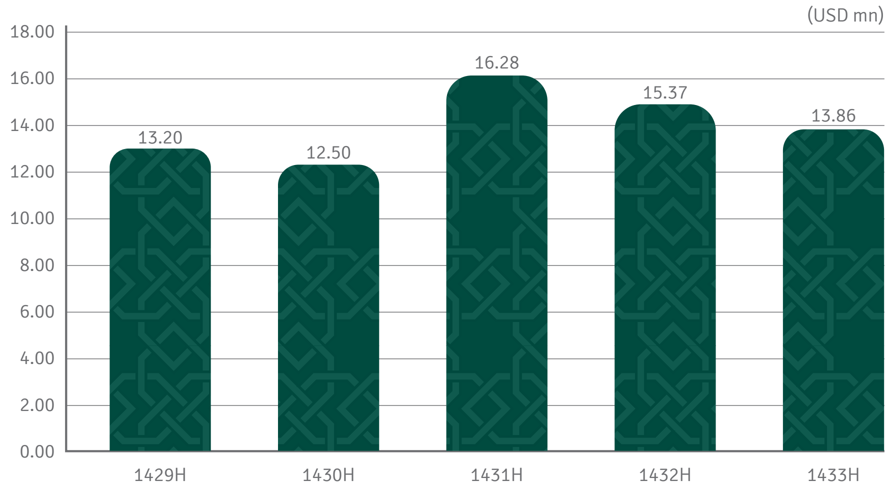
Munich RE hannover re

Gross Premium Issued

The gross premium invoiced during the year 1433H reached USD 13.85 million compared to USD 15.36 million last year, indicating a decrease of 10%. The premium for the year 1433H under the Short-term, Medium-term and FII amounted to USD 6.20 million, USD 1.90 million, and USD 5.75 million respectively.

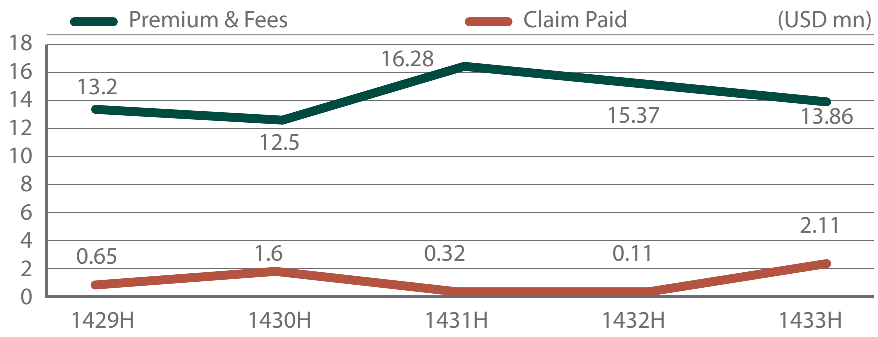
Premium under Short-term decreased to USD 6.20 million, down by 23% compared to last year. This is mainly due to the low volume of business in addition to the sharp decline in the premium rates due to severe competition in the market. Premium generated from Medium-term business was only USD 1.90 million, down from USD 3.80 million last year, a drop of 49%. However, the premium invoiced under Foreign Investment Insurance was USD 5.75 million, up from USD 3.60 million last year, an increase of 62%.

Premium & Fees Earned (USD MN)



Claims Paid

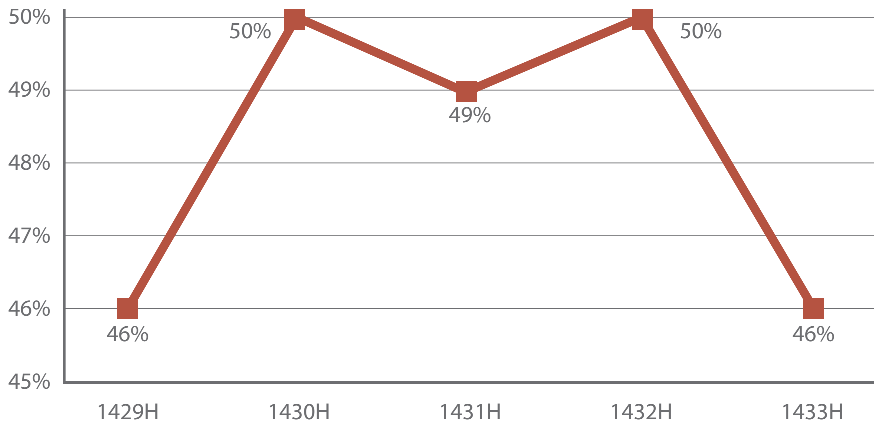
The total claims paid in 1433H were USD 2.11 million compared to USD 0.11 million during last year. The 3 claims paid were all under the short term line of business and were paid for buyers in Syria, Qatar and Morocco. However, a large number of near-claim situations were averted due to the joint effort of the Corporation and policyholder, to follow-up, negotiate, and bring pressure to bear on defaulting buyers.



Recoveries

A small recovery of USD 0.04 million was made in 1433H from buyers in Greece and Saudi Arabia, compared to USD 0.15 million during last year. The Corporation continues to closely follow-up on a number of legal cases in several member countries, in addition to cases assigned to international debt and recovery agencies. These efforts are expected to bear fruit in due course.

Cumulative Recovery Ratio



Henri Konan Bedie Bridge Project, Abdijan, Cote d’Ivoire

ICIEC Globally Secure

MIGA World Bank Group

ICIEC provided a 12 million euros reinsurance support to the Multilateral Investment Guarantee Agency (MIGA) for its Euro 20.5 million cover to Bouygues S.A. of France covering their equity investments in the Henri Konan Bédié (HKB) Bridge project in Abidjan, Côte d’Ivoire. The cover is provided against the risks of transfer restriction, expropriation, war & civil disturbance and breach of contract. The period of cover will be 15 years.

The HKB Bridge will be over the Ebrié lagoon in Abidjan, with access roads to the north and south between the residential area of Riviera and the industrial area of Marcory. The total length of the full road connection will be approximately 6.6 km, with the bridge itself spanning 1.5 km.

The HKB Bridge will not only reduce travel time and operating costs to its users and improve general flow, but will also have knock-on benefits for all those travelling around Abidjan.

THE IDB GROUP INVESTMENT PROMOTION TECHNICAL ASSISTANCE PROGRAM (ITAP)

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

The IDB Group Investment Promotion Technical Assistance Program (ITAP) was launched in 2005 and is managed by ICIEC. The main objectives of ITAP are to assist member countries in improving their investment climate, and identifying and promoting promising investment opportunities which would encourage FDI flows into these countries. The types of technical assistance provided by ITAP include: needs assessment and sector studies; capacity building of investment promotion agencies (IPAs) and relevant government institutions; identification of investment opportunities; country promotion events, including seminars and conferences.

(L to R): Ambassador Khalil Al Khonji, the chairman of the Federation of GCC chambers of commerce, Dr. Abdel-Rahman Taha, ICIEC's CEO, H.E Maria Kiwanuka MOPED nad Governor for IDB, H.E. The President of Uganda, Mr. Yoweri Kaguta Museveni, and Sheikh Ebrahim Bin Khalifa Al Khalifa, Chairman of UNIDO ARCEIT

Program Partners

ITAP has established partnerships with organizations such as the Multilateral Investment Guarantee Agency (MIGA), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the Malaysian Industrial Development Agency (MIDA), the Arab Bank for Economic Development in Africa (BADEA), the Foreign Investment Advisory Service (FIAS), the Union of Chambers & Commodity Exchange of Turkey (TOBB), Jordan Investment Board (JIB), the Economic Policy Research Foundation of Turkey (TEPAV), the Investment Promotion Agency of Turkey (ISPAT), the Arab Regional Centre for Entrepreneurship & Investment Training (ARCEIT), the Ministry of Economy of Turkey, and the World Association of Investment Promotion Agencies (WAIPA). ITAP matches technical assistance needs with transfer of know-how from its partner institutions as well as from member countries which have excelled in investment promotion and attraction.

Capacity Building Programs

#	Program	Date	Partner/s	Location	Participants
1	A Capacity Building Program for CIS member countries "WAIPA Certificate Program".	05-07 March, 2012	WAIPA, KAZNEX, INVEST	Astana, Kazakhstan	19
2	Investor Services and After-Care for Djibouti's National Investment Promotion Agency (NIPA)	24-25 Sep. 2012	COMESA, RIA, NIPA	Djibouti	17
3	Subcontracting and Partnership Exchanges Program (SPXs)	15 – 19 Oct. 2012	MIDA, UNIDO	Kuala Lumpur, Malaysia	22
4	Workshop on International Investment Policies, Investment Promotion Strategies and Sustainable Development	19 - 23 Nov. 2012.	UNCTAD	Casablanca, Morocco	26
5	Sharing Turkey's Experience in Improving Investment Climate	17-20 Dec. 2012	Ministry of Economy of Turkey, TEPAV ,TOBB	Ankara, Turkey	26

Country Programs

Uganda TA Program

The objective of the technical assistance program, which started in 2008, is to assist the Uganda Investment Authority (UIA) to attract greater flows of investments into Uganda, particularly investment flows from the Gulf Cooperation Council (GCC) countries, and to strengthen the institutional capabilities of the Authority through the implementation of a comprehensive investment promotion program. The latter activity included capacity building in project appraisal and investment promotion, preparation of project profiles and a direct marketing campaign. In this respect, six sectors were selected (cotton, dairy, meat, tourism, energy, fruit and vegetables) corresponding to the economic priorities of the Government of Uganda. Specific project profiles from each sector were prepared, translated into the Arabic language and used to promote investment in Uganda in the GCC countries.

The GCC-Uganda Investors Forum held in Kampala during the period 28-29 May 2012 - as the last component of the project - marked the project completion. The Forum, which was inaugurated by the President of Uganda, brought together around 210 participants: 60 participants from the GCC and around 150 from within Uganda.

The Gambia Project (on-going project)

The ITAP Technical Assistance Project extended to the Gambia Investment and Export Promotion Agency (GIEPA), is a one year project, which commenced on 14 March 2012. This is a projects-based comprehensive investment promotion program that will identify specific investment opportunities. The project components include:

- Identifying two promising sectors for investment in the Gambia and specific project profiles to target investment; and
- Building the capacity of GIEPA and other relevant government bodies to conduct similar programs in future.

The Project is on track. On 11 August 2012, a consultant was selected to conduct the sector identification process, prepare specific investment opportunities, and create a marketing and promotion plan. From 13 – 15 November 2012, a training course on “Best Proactive FDI Aftercare” was delivered to the staff of GIEPA. The training event was provided as part of wider FDI capacity-building for GIEPA. The aim of the course was to review international best practice policies and techniques in aftercare, and to develop the knowledge and skills of participants to enable GIEPA increase the long-term effectiveness of its investor development program.

Sierra Leone Project (on-going project)

The ITAP Technical Assistance Project extended to Sierra Leone Export and Investment Promotion Agency (SLIEPA) is a two-year project, co-financed with the Arab Bank for the Economic Development of Africa (BADEA). The main objective of this project is to help Sierra Leone attract foreign direct investment (FDI). The project components include:

- Sector and Project Identification;
- Marketing and Promotion Campaign;
- Facilitation and Investor Servicing; and
- Capacity Building of SLIEPA

The project is on track. On 4th March 2012, a consultant was selected to perform sector and sub-sector analysis and prepare project profiles. The sector identification has been completed while the project profiles will be completed by March 2013. During the period 14 – 16 March 2012, a training course on capacity building for SLIEPA staff on sector identification was conducted by an expert from International Development of Ireland (IDI). Another capacity building and familiarization course for three SLIEPA staff was conducted in Jordan, in collaboration with JIB from 2 – 6 September 2012.

INSTITUTIONAL DEVELOPMENT

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

Human Resources Management

The Corporation recognizes that the quality of human resources is the most important factor affecting its efficiency and ultimately its ability to achieve its objectives. Therefore, it exerts continuous efforts to recruit high caliber staff and to provide them with the best possible training facilities in a supportive and professional work environment. At the same time, ICIEC is benefiting from the implementation of the relevant modules of the SAP-based IT system to improve the efficiency of its personnel and services management.

ICIEC staff attend technical training in SACE of Italy, November 2012

Integrated Insurance Management System (IMS)

ICIEC, like all leading ECAs, has working to automate its operation system through the Integrated Insurance Management System (IMS). This year the ICIEC IT team completed 85% of IMS remote access, allowing its staff, clients and the public access to information via IMS and web portal. Most of the ICIEC clients now manage their policies and portfolio online.

This project aims to allow staff and clients to easily use and maneuver the system. It is expected to be completed and implemented around the end of next year.

The project is fully integrated with the SAP systems being implemented by the IDB Group. Modules on buyers and banks for submissions and decisions are fully automated which has resulted in a user-friendly environment for its staff and curtailing the response time to policyholders. A reporting module - a key area of the IMS - has been accomplished which will fulfill all the statistical requirements of insurance operations.

The next phase, which is the simplification project, is ongoing as per the schedule.

Risk Management

1433H was a very active year in terms of cooperation with the Group Risk Management Committee (GRMC), which was very useful for the Corporation in allowing it to align its Risk Management Framework with the overall policies of the Group.

Major credit risk management guidelines were proposed by the Group Risk Management Department (GRMD), and the Corporation contributed with the other entities of the Group in the deliberation sessions led by the specialized consultants who were hired for that purpose.

Based on thorough internal revisions, the Corporation concluded that these was for developing adjusted and consistent credit guidelines and scorecards so as to address the particular scope of credit and political risk insurance, compared to those designed for investment and financing business. In this important task, the Corporation plans to benefit from the guidelines proposed by GRMD as well as from IFSB standards, in addition to best practices in Takaful and insurance sector.

Dealing with operational risk management at the internal level, the Corporation prepared a report on its Early Warning System and shared it with the GRMC, which recommended its submission to the Audit Committee of the BOD.

The Corporation prepared its Risk Report for the first time, where it focused on all relevant areas of governance, portfolio exposures and performance analysis in insurance, as well as in investment operations.

To further enhance its risk management, the Corporation is in the process of developing a business intelligence system (BIS), which is expected to be instrumental in addressing the reporting requirements. This initiative will augment and enhance the risk monitoring and reporting capabilities and would allow the Management to have a more timely and accurate understanding of the risk management aspects of the Corporation.

Credit Rating

"ICIEC maintained an IFSR of Aa3 for 2012, notwithstanding the impact of the financial crisis. This is a rating that places ICIEC at par with major insurers of credit and political risk in the global arena, and consolidates the Corporation's strategies and initiatives since its inception."

ICIEC was able to maintain its high quality credit rating, reflecting both the stand-alone fundamentals as well as potential support from its shareholders, the IDB Group and member countries. With a strong international network of alliances with leading market players in the industry, in addition to low market penetration of credit insurance in its member countries, Moody's expects ICIEC's growth to be a strengthening feature in its rating. ICIEC believes the recent trends in its business growth and its positive impact on its member countries' development will be supported by an adequate increase by its member countries. The recent increase in ICIEC's authorized capital from ID 150 million to ID 400 million was an important achievement that is expected to boost insurance capacity and positively affect stakeholders' perception of ICIEC's status and potential.

INVESTMENT OPERATIONS

"The investment operations maintained for the third year in a row, its healthy performance compared to the benchmark rate of return."

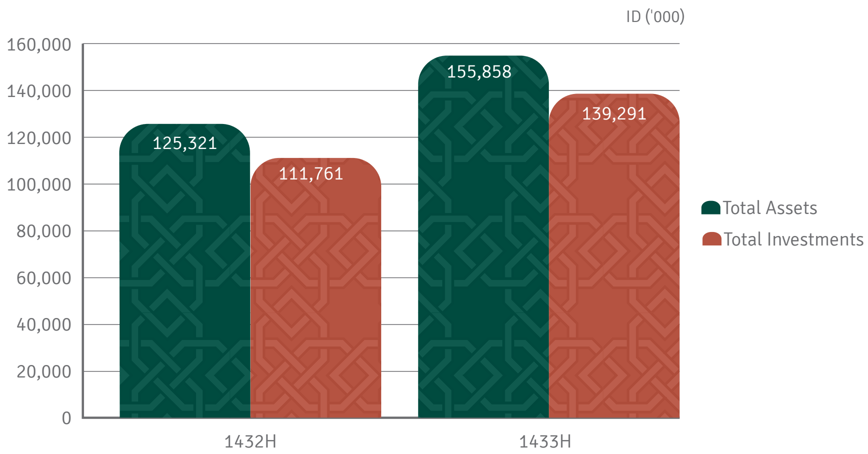
Investment Portfolio

For the year ending 1433H ICIEC's total investments grew by 25% over the previous year. This increase, being the largest over the past few years, can be attributed to the cash injection in the Corporation's paid-up capital during the year, resulting from the Board of Governors' approval during the 1432H annual meeting to boost ICIEC's overall capital adequacy to improve its insurance capacity.

ICIEC cash balances, as a result, increased to ID 4.78 million in 1433H as compared to lower levels realized last year (ID 1.03 million). This increased cash balance for 1433H was also due to the capital injections that were received by ICIEC after the completion of the investment cycle at year end.

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

ICIEC Assets and Investments: 1432H - 1433H

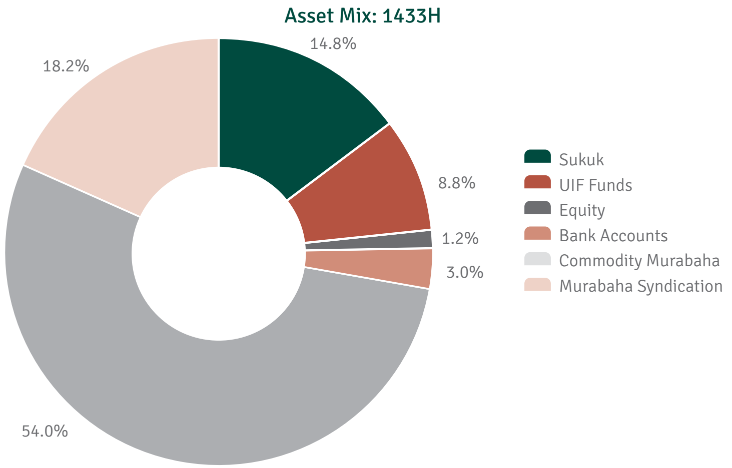


The following table presents a summary of ICIEC's assets, investments and investment income for the last five-year period. As can be seen from the table, assets as well as investments have grown consistently during the period under review (except for 1431H when investments minimally declined). As discussed earlier, the increase in investments during 1433H was due to the cash injection into the Corporation via a capital increase. As a result, ICIEC was actively increasing its investment proposal reviews, seeking and participating in a larger number of investment grade Sukuk and Murabaha syndicate offerings.

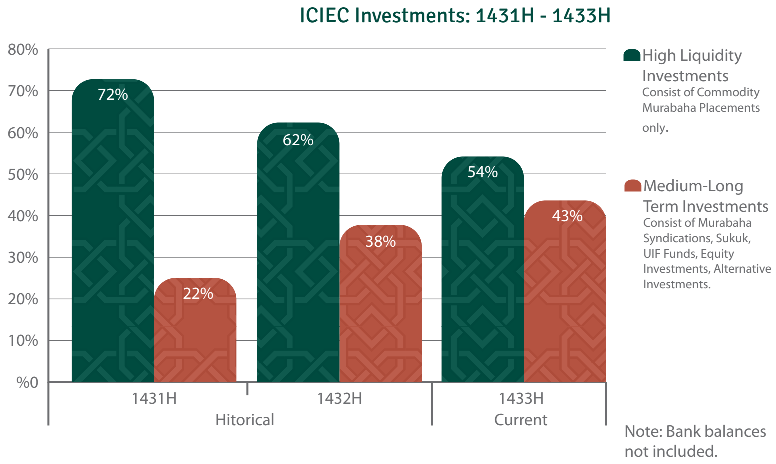
With the Corporation maintaining a more growth focused investment portfolio as well as applying a more proactive approach towards in-house investments for 1433H, ICIEC was able to boost its investment income results for the year, increasing by 28% over the previous year.

Summary	1429H	1430H	1431H	1432H	1433H
Exchange Rate ID - US$	1.54	1.57	1.54	1.56	1.53
All figures in ID' million					
Total Assets	108.43	114.18	120.53	125.32	155.86
Total Investments	97.83	101.33	100.77	111.76	139.29
Investment Income	3.77	2.09	1.74	1.88	2.41
Investment Return % (a)	3.90%	2.10%	1.72%	1.77%	1.92%
SDR LIBOR % (b)	4.20%	2.72 %	1.04%	0.99%	1.03%
(a-b)	(0.30%)	(0.62%)	0.68%	0.78%	0.89%

As the following diagram, highly liquid commodity Murabaha placements continue to be the main contributor to ICIEC's investment portfolio, albeit on a smaller scale this year than in previous years. This was in-line with ICIEC's investment plan, implemented in 1432H, of realigning the investment portfolio with lesser reliance on liquid placements and greater exposure to better performing assets.



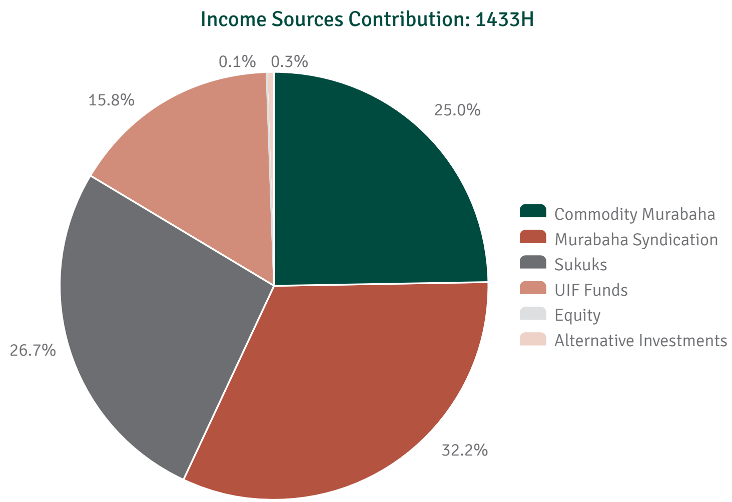
The table below summarizes the outcome of the portfolio realignment strategy over a 3-year period:



As can be concluded from the table, the Corporation has succeeded in shifting its exposure in commodity Murabaha towards asset classes less susceptible to LIBOR movements that offer higher returns.

Murabaha syndications, which contributed 12% to ICIEC's total investment portfolio in 1432H, increased its contribution to over 18% in 1433H. With a similar trend, Sukuk investments increased from 12% in 1432H to 15% in 1433H. With the effectiveness of various newly approved investment transactions during the period, the Corporation was able to utilize most of the surplus cash resulting from the capital injection to participate in investment grade transactions. Furthermore, 1433H witnessed a large number of corporate as well sovereign Sukuk issuances in the market which enabled the Corporation to expand into this asset class and improve the overall asset quality of the portfolio. With limited opportunities in other asset classes that would meet the Corporation's specific risk appetite, investments in IDB Unit Investment Fund (UIF) and equities remained stable during 1433H, whilst Alternative Investments (comprising CROCI investments) matured prior to year end.

The pie chart below summarizes the major contributors to ICIEC's investment portfolio income during the year 1433H.

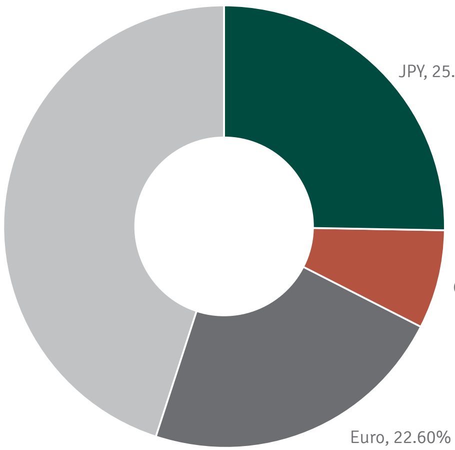


As seen from the chart, ICIEC's investment income is being generated on a more balanced level, with all major asset classes within the portfolio contributing to overall returns.

The currency mix of ICIEC's investment portfolio for the year 1433H is outlined below. USD denominated transactions continued to take a major share of the total investment portfolio during the year, primarily as all major Sukuk offerings were denominated in the USD. On the other hand, the Corporation's exposure to Euro denominated transactions reduced to 23% from 39% the previous year due to the Eurozone crisis and devaluation of its currency. The Corporation has also continued with its efforts to shift its JPY commodity portfolio (generating very little income) towards medium and more profitable opportunities, most recently via investment in a Yen denominated sovereign backed private placement.

The Corporation continues to move towards maintaining a more balanced SDR currency mix, diversifying itself against single currency LIBOR rates whilst improving overall asset quality.

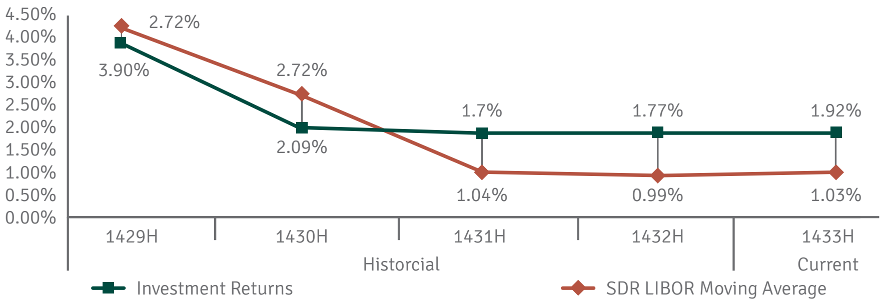
Currency Mix: 1433H



Investment Returns

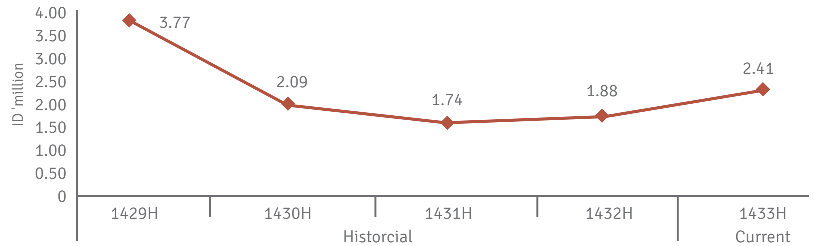
ICIEC's investments in 1433H provided an income of ID 2.41 million compared to ID 1.88 million the previous year, an increase of 28% resulting from a focused investment strategy aimed at decreasing exposure in investing instruments directly impacted by volatility of LIBOR movements. Moreover, by maintaining a pro-active approach towards its in-house investments and greater concentration on other performing assets (namely Murabaha syndications and Sukuk), the Corporation was able to perform higher than the previous year.

Investment Return vs. SDR-LIBOR



Despite the market slowdown resulting from the increased pressures of the Eurozone crisis during 1433H, the Corporation was able to generate higher rates of return from its portfolio, beating its benchmark for the year by 89 bps. The Corporation continues to seek various new means of diversifying its asset classes that are less dependent on LIBOR movements and the allocation to these types of asset classes are expected to continue to increase in the coming years.

Investment Income



FINANCIAL RESULTS

"The Corporation witnessed an increase of 23% from the ID 4.86 million in earned premium and fees reported last year"

Summary

Pursuant to the resolution of its shareholders' meeting in 1432H, ICIEC started receiving additional capital subscriptions from its shareholders during 1433H. This contributed to a 37% increase in the share capital, and a 24% increase in the total assets of the Corporation. These funds were invested, and thus the investment and cash balance reflected an increase of 28%. Hence 1433H shows a much stronger balance sheet for the Corporation, with total assets of ID 155.86 million, compared to ID 125.32 million in the 1432H balance sheet.

The overall financial results of the Corporation reflect a net deficit of ID 0.41 million for the year 1433H, primarily as a result of ID 0.83 million of foreign exchange translation losses on the Euro based investments. This net corporate deficit is composed of a net surplus of ID 1.28 million in the Shareholders' Fund and a net deficit of ID 1.69 million in the Policyholders' Fund. However, ICIEC also experienced ID 2.50 million of unrealized gain on investments, bringing the comprehensive income for the Shareholders' Fund to ID 3.78 million. According to the Articles of Agreement, the net results of the Corporation are transferred to the Reserves*, bringing Net Reserves to ID 28.35 million.

The income from invested funds showed an increase of 28% over the level achieved last year, as the available funds from the capital increase were invested and due to increase in reliance on investment assets other than the commodity placements as more Sukuk and Murabaha syndications were added during the year. However, due to the large foreign exchange translation loss of ID 0.83 million, mainly on the Euro based investments, the 1433H net investment income showed a reduction of 26% over that of 1432H. ICIEC follows a prudent investment approach and attempts to minimize risk and maximize return on its investments. Hence, the investment returns closely follow the SDR-LIBOR benchmark. The net income in the investment operations' account, after payment of investment management fees and other expenses for the year, reached ID 1.28 million, showing a decline of 34% over what was achieved last year. The summary of financial statements and highlights of financial performance are provided below. The details are available in the attached external auditors' report.

Share Capital

In recognition of the sustained high growth in demand for the Corporation's insurance services in its member countries, the Board of Governors resolved during 1432H to more than double ICIEC's authorized capital. Therefore, the authorized share capital of the Corporation was increased from ID 150 million to ID 400 million, consisting of 400,000 shares of ID 1,000 each. IDB has subscribed to ID 100 million (25% of the authorized capital) through its Waqf Fund, while the ID 250 million balance is left for subscription by the member countries of the Organization of Islamic Cooperation (OIC) and ID 50 million for eligible financial institutions and commercial enterprises. As at year-end 1433H, IDB and 40 member countries had subscribed to a total of 229,998 shares - equivalent to ID 230.00 million. The called-up installments amounted to ID 115.00 million, out of which ID 101.00 million have so far been paid-up. The net balance of ID 14.00 million, comprising mostly second installments dues, is receivable from some member countries.

*Net Reserves represent the sum of Reserve. Fair value reserve and Accumulated deficits in the Balance Sheet.

Policyholders' Fund

The 1433H gross premium amounted to ID 8.68 million, compared to ID 9.79 million in 1432H, a reduction of 11% due to lower invoiced premium for the year. The net premium and fees earned during the year amounted to ID 6.49 million, an increase of 34% from ID 4.86 million reported last year. This increase in earned premium, compared to a decrease in gross invoiced premium for the year, reflects the earned premium added from the previous years' invoiced premium. Due to higher provisioning for IBNR claims, lower recoveries and higher actual claims paid, the net claims incurred showed an expense of ID 0.75 million compared to a positive balance of ID 0.14 million the previous year. The operating expenses were ID 7.63 million, up 10% from ID 6.95 million last year. This increase was primarily due to the higher administrative expenses and implementation of the new pension rules. This resulted in a net deficit of ID 1.69 million during 1433H, the same as incurred during 1432H. Despite this deficit, the Policyholders' Fund was able to reduce its reliance on the loan from Shareholders' Fund, as it did not need any further cash injection.

Shareholders' Fund

The capital contributed by the IDB Waqf Fund and the member countries of the Corporation is invested in various Shariah compliant investments mainly through the IDB Treasury, acting as the Corporation's fund manager. An income of ID 2.41 million was generated from investments, compared to ID 1.88 million during 1432H, a growth of 28%. Due to the decline in the Euro currency value, a loss of foreign currency translation was reported of ID 0.83 million compared to ID 0.26 million reported as gain on exchange for 1432H. After deducting investment management fees paid to the IDB Treasury, and other expenses relating to the Shareholders' Fund, the net surplus was ID 1.28 million. This shows a decline of 34% from ID 1.95 million reported last year. The surplus has been transferred to the statutory reserve, in accordance with the Corporation's Articles of Agreement.

ICIEC Supports Sudanese Livestock Exports to KSA

ICIEC has a special arrangement with the two insurance agencies in Sudan, namely Sheikan Insurance and Reinsurance Company Ltd (Sheikhan) and the national ECA, National Agency for Insurance and Finance of Exports (NAIFE) to cover export of livestock specifically to Saudi Arabia. Under this arrangement Shiekhan and NAIFE provide insurance to Sudanese exporters as per the structure and conditions pre-agreed with ICIEC.

Sudanese exporters will use Shiekan/NAIFE insurance policy reinsured by ICIEC to get financing from Sudanese banks by designating them as loss payee. ICIEC insurance policy was accepted by the Central Bank of Sudan as a first order guarantee. Previously, exporters used to assign real estate property as collateral to the banks.

This arrangement program started in June 2010 and the total business insured reached USD 85 million. This structure helped Sudan increase its exports of livestock to Saudi Arabia to more than USD 200 million in 2011 and 2012. It provides a good example of the developmental role of ICIEC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED 29 DHUL HIJJAH, 1433H
(NOVEMBER 14, 2012)

Deloitte and Touche Bakr Abulkhair and Co.
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AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit (the "Corporation") as of 29 Dhul Hijjah, 1433H (November 14, 2012), which comprise the statements of financial position, income, comprehensive income, changes in shareholders' and policyholders' fund and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 29 Dhul Hijjah, 1433H (November 14, 2012), and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the accompanying financial statements comply with the financial statement preparation and presentation requirement of the Corporation's Articles of Agreement.

Deloitte and Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
1 Rabi'II, 1434H
February 11, 2013

STATEMENT OF FINANCIAL POSITION
AS OF 29 DHUL HIJJAH 1433H (NOVEMBER 14, 2012)

(Expressed in Islamic Dinars)

	Notes	1433H	1432H
ASSETS			
Bank balances	5	**4,778,257**	1,034,281
Murabaha financing, net	6	**103,655,324**	79,100,529
Accounts receivable, net	7	**811,198**	1,172,456
Claims recoverable, net	8	**1,831,172**	1,379,677
Due from Islamic Corporation for the Development of Private Sector	10	**242,902**	-
Available-for-sale investments	11	**35,635,313**	32,660,901
Prepaid expenses and other assets	9	**8,696,925**	9,775,055
Property and equipment	12	**207,295**	198,006
TOTAL ASSETS		**155,858,386**	125,320,905
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	13	**3,127,065**	2,698,608
Claims payable	14	**296,951**	294,424
Unearned premiums	15	**15,284,370**	16,223,771
Due to Islamic Development Bank (IDB)	10	**5,167,796**	4,091,172
Provision for unreported claims	16	**2,633,348**	2,257,275
Total liabilities		**26,509,530**	25,565,250

	Notes	1433H	1432H
SHAREHOLDERS' FUND			
Share capital	17	**100,997,000**	73,495,000
Reserve	18	**55,104,312**	53,825,019
Fair value reserve		**1,511,964**	(992,145
Loan to policyholders' fund	19	**(14,887,001)**	(17,996,846)
Total shareholders' fund		**142,726,275**	108,331,028
POLICYHOLDERS' FUND			
Accumulated deficits	18	**(28,264,420)**	(26,572,219)
Loan from shareholders' fund	19	**14,887,001**	17,996,846
Total policyholders' fund		**(13,377,419)**	(8,575,373)
TOTAL LIABILITIES AND EQUITY		**155,858,386**	125,320,905

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 1 Rabi'II, 1434H (February 11, 2013).

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

	Note	1433H	1432H
SHAREHOLDERS' FUND			
Investment income		**2,408,554**	1,877,322
(Loss)/gain on foreign exchange translation		**(834,710)**	261,567
		1,573,844	2,138,889
Investment management fees paid to Islamic Development Bank (IDB)	10,22	**(163,191)**	(120,000)
General and administrative expenses		**(131,360)**	(71,971)
		(294,551)	(191,971)
Net income		**1,279,293**	1,946,918
POLICYHOLDERS' FUND			
Gross premiums		**8,684,771**	9,792,350
Unearned premiums at the beginning of the year		**16,223,771**	14,604,006
Unearned premiums at the end of the year		**(15,479,378)**	(16,223,771)
		9,429,164	8,172,585
Less: Reinsurance premiums		**(3,211,303)**	(3,495,462)
Net premiums earned		**6,217,861**	4,677,123
Policy fees earned		**272,039**	180,296
		6,489,900	4,857,419
Net claims (incurred)/recovered	20	**(747,200)**	141,446
Employees' related costs		**(5,584,129)**	(5,075,271)
Sales and marketing expenses		**(727,131)**	(790,803)
General and administrative expenses		**(1,093,084)**	(916,998)
Administration fee	22	**(227,000)**	(170,646)
Gain on foreign exchange		**196,443**	268,237
		(8,182,101)	(6,544,035)
Net deficit		**(1,692,201)**	(1,686,616)
NET CORPORATE (LOSS)/INCOME		**(412,908)**	260,302

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

	Notes	1433H	1432H
Net income from shareholders' fund		**1,279,293**	1,946,918
Unrealized gain on available for sale investments		**2,504,109**	134,507
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,783,402**	2,081,425

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

	Share Capital	Reserve	Fair value reserve	Loan to policyholders' fund	Total
SHAREHOLDERS' FUND					
Balance at 30 Dhul Hijjah 1431H	73,432,500	51,878,101	(1,126,652)	(18,150,597)	106,033,352
Subscription received	62,500	-	-	-	62,500
Total comprehensive income for the year	-	1,946,918	134,507	-	2,081,425
Net movement during the year (note 19)	-	-	-	153,751	153,751
Balance at 29 Dhul Hijjah 1432H	**73,495,000**	**53,825,019**	**(992,145)**	**(17,996,846)**	**108,331,028**
Subscription received	**27,502,000**	**-**	**-**	**-**	**27,502,000**
Total comprehensive income for the year	**-**	**1,279,293**	**2,504,109**	**-**	**3,783,402**
Net movement during the year (note 19)	**-**	**-**	**-**	**3,109,845**	**3,109,845**
Balance at 29 Dhul Hijjah 1433H	**100,997,000**	**55,104,312**	**1,511,964**	**(14,887,001)**	**142,726,275**

	Accumulated Deficits	Loan from shareholders' fund	Total
POLICYHOLDERS' FUND			
Balance at 30 Dhul Hijjah 1431H	(24,885,603)	18,150,597	(6,735,006)
Net deficit for the year	(1,686,616)	-	(1,686,616)
Net movement during the year (note 19)	-	(153,751)	(153,751)
Balance at 29 Dhul Hijjah 1432H	**(26,572,219)**	**17,996,846**	**(8,575,373)**
Net deficit for the year	**(1,692,201)**	**-**	**(1,692,201)**
Net movement during the year (note 19)	**-**	**(3,109,845)**	**(3,109,845)**
Balance at 29 Dhul Hijjah 1433H	**(28,264,420)**	**14,887,001**	**(13,377,419)**

STATEMENT OF CASH FLOWS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

	Note	1433H	1432H
OPERATING ACTIVITIES			
Net (loss)/income for the year		**(412,908)**	260,302
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		**82,839**	70,690
Allowance for doubtful debts		**2,275**	-
(Gain)/loss on property & equipment disposal		**(2,068)**	4,235
Provision for unreported claims		**376,073**	(117,335)
Non temporary decline in available-for-sale investments		**-**	-
Changes in operating assets and liabilities:			
Accounts receivable		**358,983**	590,728
Claims recoverable		**(451,495)**	73,014
Prepaid expenses and other receivable		**1,078,130**	(917,656)
Accounts payable and accrual		**428,457**	(1,194,227)
Claims payable		**2,527**	(71,739)
Due from affiliates/IDB		**(242,902)**	939,734
Unearned premium		**(939,401)**	1,619,765
Due to IDB		**1,076,624**	4,091,172
Net cash from operating activities		**1,357,134**	5,348,683
INVESTING ACTIVITY			
Available-for-sale investments		**(8,109,335)**	(14,330,995)
Murabaha financing		**(44,353,708)**	9,216,140
Purchase of property and equipment		**(92,582)**	(108,247)
Proceeds from sale of property & equipment		**2,522**	18,597
Net cash used in investing activity		**(52,553,103)**	(5,204,505)
FINANCING ACTIVITY			
Share subscriptions received		**27,502,000**	62,500
Net cash from financing activity		**27,502,000**	62,500
Net change in cash and cash equivalents		**(23,693,969)**	206,678
Cash and cash equivalents at the beginning of year		**38,140,745**	37,934,067
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	21	**14,446,776**	38,140,745

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

1. ACTIVITIES

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

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

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

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

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

All expenses to run the insurance business are charged to the policyholders' fund at cost, without any administration fee levied by the shareholders. The shareholders are not entitled to a share in any surplus accruing to the policyholders' fund; any deficit in the policyholders' fund is covered from the capital by way of a loan to be repaid from future surplus accruing to the policyholders' fund.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

The accompanying financial statements are denominated in Islamic Dinars (ID). The value of one Islamic Dinar, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund, was equal to U.S. $ 1.52623 as at 29 Dhul Hijjah, 1433H (1432H: U.S. $ 1. 5562).

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

2.1 New IFRS, IFRIC and amendments thereof, adopted by the Corporation

International Accounting Standards Board (IASB) has issued the following new and amended IFRS and IFRIC that are effective for the periods starting on or after the dates mentioned below:

Standard/ Interpretation	Description	Effective date
IFRS 1	Amendments to IFRS 1: sever hyperinflation and removal of fixed dates for first time adopters	July 1, 2011
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosure - transfer of financial assets	July 1, 2011

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

2.2 New and amended standards issued but not yet effective

IASB has issued the following new and amended standards that are not yet effective:

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments	January 1, 2015
IFRS 1	Amendments to IFRS 1	January 1, 2013
IFRS 7	Amendments to IFRS 7	January 1, 2013
IAS 32	Amendments to IAS 32	January 1, 2014
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosures of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	July 1, 2012
IAS 19	Amendments to IAS 19 Employee benefits	January 1, 2013
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Associates and joint ventures	January 1, 2013

Adoption of the relevant new and amended standards, issued but not yet effective, applicable to the Company would result in additional disclosures and changes in certain classifications and measurements in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the measurement at fair value of available-for-sale investments. These financial statements have been presented in Islamic Dinars which is the reporting and functional currency of the Corporation.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

Investments income
Investments income is recognized when dividends are declared. Income from investments in sukuk is accrued on a time apportionment basis using the rate of return advised by the issuing entities.

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

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

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

Murabaha financing
Murabaha financing is stated at total amounts due including mark-up at maturity date less provision for impairment, if any. The portion of mark-up which has not been accrued to income is considered as deferred income and deducted from the total amounts due including mark-up at maturity date. These Murabaha arrangements have maturities of one year or less.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

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

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

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

Fair values

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

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

Impairment and uncollectibility of financial assets

An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income.

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective markup rate.

Translation of foreign currencies

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

Provision

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

Cash and cash equivalents

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

Employees' retirement benefits

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

The ultimate liability arising from claims made under insurance contracts

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

Impairment of accounts receivable

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

5. BANK BALANCES

Bank balances consist of the following as at end of Dhul Hijjah:

	1433H	1432H
Shareholders' fund	**4,111,294**	23,700
Policyholders' fund	**666,963**	1,010,581
	4,778,257	1,034,281

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH, 1433H (NOVEMBER 14, 2012)
(Expressed in Islamic Dinars)

6. MURABAHA FINANCING, NET

	1433H	1432H
Shareholders' fund:		
Gross Murabaha commodity placements	**77,608,509**	65,701,134
Deferred profit	**(150,435)**	(148,050)
	77,458,074	65,553,084
Other murabaha financing	**26,197,250**	13,547,445
	103,655,324	79,100,529
Murabaha commodity placements as at end of Dhul Hijjah With original maturities of three months or less (note 21)	**9,668,519**	37,106,464

7. ACCOUNTS RECEIVABLE, NET

	1433H	1432H
Policyholders' fund:		
Trade accounts receivable	**929,269**	1,288,252
Allowance for doubtful debts	**(118,071)**	(115,796)
	811,198	1,172,456

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

	Total	Neither past due nor impaired	31-60 Days	61-90 Days	91-120 Days	>120 Days
1433H	**929,269**	**104,778**	**116,675**	**111,054**	**368,305**	**228,457**
1432H	1,288,252	92,266	267,237	139,736	303,012	486,001

The aging of accounts receivable past due and considered impaired is as follows:

	Total	31-60 Days	61-90 Days	91-120 Days	>120 Days
1433H	**118,071**	**-**	**-**	**-**	**118,071**
1432H	115,796	-	-	-	115,796

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

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8. CLAIMS RECOVERABLE, NET

	1433H	1432H
Policyholders' fund:		
Claims recoverable	**9,543,920**	8,550,514
Provision for doubtful claims	**(7,712,748)**	(7,170,837)
	1,831,172	1,379,677

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

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

	Total	Within 1 Year	1-2 years	3-5 Years	Over 5 Years
1433H	**9,543,920**	**852,990**	**140,626**	**1,670,472**	**6,879,832**
1432H	8,550,514	-	1,166,268	3,494,361	3,889,885

The aging of claims recoverable past due and considered impaired is as follows:

	Total	Within 1 Year	1-2 years	3-5 Years	Over 5 Years
1433H	**7,712,748**	**426,495**	**140,626**	**939,035**	**6,206,592**
1432H	7,170,837	-	688,677	2,592,275	3,889,885

9. PREPAID EXPENSES AND OTHER ASSETS

	1433H	1432H
Shareholders' fund		
Accrued income	**259,288**	218,412
	259,288	218,412
Policyholders' fund		
Prepaid insurance	**6,459,764**	8,233,907
Advance against housing	**1,895,727**	1,245,329
Other receivables	**82,146**	77,407
	8,437,637	9,556,643
	8,696,925	9,775,055

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10. DUE (TO)/FROM ISLAMIC DEVELOPMENT BANK GROUP

	1433H	1432H
Policyholders' fund – Islamic Development Bank	**(5,167,796)**	(1,468,081)
Policyholders' fund – Islamic Corporation for the Development of the Private Sector	**242,902**	-
Shareholders' fund – Islamic Development Bank	**-**	(2,623,091)
	(4,924,894)	(4,091,172)

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

11. AVAILABLE-FOR-SALE INVESTMENTS

	1433H	1432H
Shareholders' fund		
Quoted investments (carried at fair value through income statement):		
Share in CROCI Islamic Global Index	**-**	3,049,686
Units in IDB – Unit Investments Fund	**12,639,281**	11,156,458
Islamic Sukuk	**21,358,009**	16,848,289
	33,997,290	31,054,433
Unquoted investments:		
Share in Takaful Re.	**1,638,023**	1,606,468
	35,635,313	32,660,901

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12. PROPERTY AND EQUIPMENT

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

	1 Muharram, 1433H	**Additions**	**Disposal**	**29 Dhul Hijjah, 1433H**
Cost:				
Vehicles	**136,337**	**-**	**(26,074)**	**110,263**
Furniture and fixtures	**151,430**	**3,052**	**(148)**	**154,334**
Office equipment	**56,087**	**38,037**	**(482)**	**93,642**
Computer equipment	**368,806**	**51,493**	**-**	**420,299**
Total Cost	**712,660**	**92,582**	**(26,704)**	**778,538**
Depreciation:				
Vehicles	**69,990**	**26,109**	**(26,074)**	**70,025**
Furniture and fixtures	**121,648**	**15,203**	**(148)**	**136,703**
Office equipment	**25,509**	**6,663**	**(28)**	**32,144**
Computer equipment	**297,507**	**34,864**	**-**	**332,371**
Total depreciation	**514,654**	**82,839**	**(26,250)**	**571,243**
Net Book Value at 1 Muharram	**198,006**			
Net Book Value at 29 Dhul Hijjah				**207,295**

	1 Muharram, 1432	Additions	Disposal	29 Dhul Hijjah 1432
Cost:				
Vehicles	102,591	58,640	(24,894)	136,337
Furniture and fixtures	151,430	-	-	151,430
Office equipment	34,853	21,234	-	56,087
Computer equipment	340,433	28,373	-	368,806
Total Cost	629,307	108,247	(24,894)	712,660
Depreciation:				
Vehicles	54,886	17,166	(2,062)	69,990
Furniture and fixtures	99,101	22,547	-	121,648
Office equipment	23,084	2,425	-	25,509
Computer equipment	268,955	28,552	-	297,507
Total depreciation	446,026	70,690	(2,062)	514,654
Net Book Value at 1 Muharram	183,281			
Net Book Value at 29 Dhul Hijjah				198,006

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13. ACCOUNTS PAYABLE AND ACCRUALS

	1433H	1432H
Shareholders' liabilities		
Bank commission (13.1)	**459,146**	517,453
Other payables	475,797	531,970
	934,943	1,049,423
Policyholders' liabilities		
Other payables	**198,364**	174,809
Accrued payables	**1,993,758**	1,474,376
	2,192,122	1,649,185
	3,127,065	2,698,608

13.1 This represents net accumulated income up to Dhul Hijjah 29, 1433H generated from placements with certain conventional banks and financial institutions which were not considered in compliance with Sharia principles. This amount will be used for donation or charitable purposes.

14. CLAIMS PAYABLE

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

	1433H	1432H
Opening balance	**294,424**	366,163
Addition during the year	**866,860**	-
Payment made during the year	**(864,333)**	(71,739)
	296,951	294,424

15. UNEARNED PREMIUMS

Unearned premiums are related to the policyholders' fund. Unearned premiums represent premiums that belong to a period subsequent to the reporting date. These are taken to income over the unexpired period of coverage on a pro-rata basis.

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16. PROVISION FOR UNREPORTED CLAIMS

Provision for unreported claims estimated as incurred but not reported (IBNR) relates to the policyholders' fund and represents 0.5% of the outstanding exposure at year end. This provision is necessitated due to the nature of risks underwritten by the Corporation, especially those having longer than one year duration.

	1433H	1432H
Total underwritten exposure at year end, net	**526,669,513**	451,455,095
IBNR provision @ 0.5%	**2,633,348**	2,257,275

	Gross exposure	Reinsured exposure	Net exposure
Total underwritten exposure at year end	**821,744,394**	**295,074,881**	**526,669,513**
Total IBNR @ 0.5%	**4,108,722**	**1,475,374**	**2,633,348**

17. SHARE CAPITAL

	1433H	1432H
Authorized capital		
400,000 shares (1432: 400,000) of ID 1,000 each	**400,000,000**	400,000,000
IDB - ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
100,000 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	**50,000,000**	50,000,000
50,000 shares of ID 1,000 not called		
Member countries		
129,998 shares (1432: 48,990) of ID 1,000 each, of which		
ID 500 has been called	**64,999,000**	24,495,000
Less: Subscriptions receivable	**(14,002,000)**	(1,000,000)
	100,997,000	73,495,000

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

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

18. RESERVE

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

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

19. LOAN TO POLICYHOLDRS' FUND FROM SHAREHOLDERS' FUND

In accordance with clause 13(3) of the Articles of Agreement, the net 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' fund. The net deficit is interpreted as the shortfall of assets to meet any liabilities of the policyholders' fund.

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

	1433H	1432H
Policyholders' fund		
Total assets	**12,197,168**	13,317,363
Total liabilities	**(25,574,587)**	(21,892,736)
Accumulated deficits	**28,264,420**	26,572,219
Net deficit in policyholders' fund	**14,887,001**	17,996,846

20. CLAIMS (INCURRED)/RECOVERED

	1433H	1432H
Claims surrendered	**(697,465)**	-
Claims related expenses	**(220,155)**	(10,533)
Movement in provision for unreported claims	**(376,073)**	117,335
Recoveries	**546,493**	34,644
	(747,200)	141,446

20.1 Recoveries represent amounts collected or collectible by the Corporation in respect of debts which were the subject of insurance claims during the year, net of the corresponding reinsurers' share which was ID Nil in 1433H and Nil ID in 1432H. 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

	1433H	1432H
Bank balances	**4,778,257**	1,034,281
Murabaha commodity placements with original maturities of three months or less (note 6)	**9,668,519**	37,106,464
	14,446,776	38,140,745

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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 Islamic Development Bank ("IDB") included in the statement of income are as follows:

	1433H	1432H
Investment management fees	163,191	120,000
Administration fee	227,000	170,646
Expenses paid by IDB on behalf of the Corporation	4,494,375	5,376,109

Related parties balances included in the statement of financial position are as follows:

	1433H	1432H
Amount due from Islamic Corporation for the Development of the Private Sector	242,902	-
Claims payable – International Islamic Trade Finance Corporation	198,162	196,704
Amount due to IDB	5,167,796	4,091,172

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Corporation's financial assets consist of bank balances, receivables, murabaha receivables, claims recoverable, available for sale investments, due from related parties and certain other receivables, whereas its financial liabilities consist of payables and accruals.

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

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

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

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

	Level 1	Level 2	Level 3
Islamic Sukuk	21,358,009	-	-
Unit in IDB - Unit Investment Fund	12,639,281	-	-
Share in Takaful Re.	-	-	1,638,023

24. RISK MANAGEMENT

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

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Risk Management Committee and coordinates with the Group Risk Management Department on risk issues pertaining to the Group.

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

a) Insurance Risk

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

b) Credit risk

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

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

The Corporation is also exposed to credit risk in its investment portfolio of listed debt securities. In this regard, for all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the statement of financial position.

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

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

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

	1433H	1432H
Murabaha receivables	**103,655,324**	79,100,529
Accounts receivable, net	**811,198**	1,172,456
Claims recoverable, net	**1,831,172**	1,379,677
Available-for-sale investments	**21,358,009**	16,848,289
Other receivables	**82,146**	77,407
	127,737,849	98,578,358

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c) Market risk

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

d) Currency risk

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

The Corporation's investment portfolio is held in major currencies in line with the composition of the Islamic Dinar basket, namely the US Dollar, Sterling Pound, Euro and Japanese Yen. The Corporation has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

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

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its commitments associated with financial liabilities when they fall due. There are two aspects to the liquidity risk: the funding liquidity and the market liquidity risk. In the case of the Corporation, the latter is of more relevance.

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

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

	1433H			
	Less than 3 months	**3 to 12 Months**	**1 to 5 years**	**Total**
Financial assets	**14,668,229**	**94,709,066**	**37,576,871**	**146,954,166**
Financial liabilities	**(1,478,424)**	**(333,344)**	**(756,096)**	**(2,567,864)**
	13,189,805	**94,375,722**	**36,820,775**	**144,386,302**

	1432H			
	Less than 3 months	3 to 12 Months	1 to 5 years	Total
Financial assets	38,500,248	42,436,812	34,410,782	115,347,842
Financial liabilities	(1,649,185)	(492,263)	(557,160)	(2,698,608)
	36,851,063	41,944,549	33,853,622	112,649,234

f) Mark-up risk

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

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

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

g) Operational risk

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

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

The Corporation has developed an in-house Integrated Insurance Management System, and is now engaged in building the risk management modules. It also works with the IDB Group IT initiatives and is a client in many Group-wide IT solutions. The most recent has been the implementation of the SAP platform for the Finance, HR and Procurement areas.

The Corporation follows IDB Group 'Best Practices and Customer Due Diligence Standards' and internal operational regulations when dealing with clients.

h) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk based on the outstanding net exposure at the year end amounts to ID 527 million (1432H: ID 451 million). The Corporation minimizes any detrimental impact on its assets due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (notes 16 and 18).

i) Reinsurance risk

In order to minimize its financial exposure, whether in its overall Short Term portfolio, or in large Medium Term transactions, and as per the industry practice, the Corporation enters into exposure ceding agreements (Quota Share Treaty or Facultative Agreement) with internationally operating and reputable reinsurance companies. Accordingly, the Corporation carefully evaluates the financial strength of the reinsurers, and monitors their concentration risk in geographic regions, economic sectors or in specific activities, in order to minimize its exposure to significant losses which may be due to reinsurers' insolvency.

Reinsurers are selected using stringent parameters and guidelines set by the management of the Corporation, focusing mainly on the following criteria:

- Acceptable credit rating by a recognized rating agency (S&P, Moody's, A.M. Best, or Fitch)
- Financial strength, managerial and technical expertise and historical performance
- Market reputation
- Past business relationship/experience with the Corporation

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The following table summarizes the Corporation's gross exposure country-wise:

Country	1433H
Algeria	106,691,803
Bahrain	82,339,447
Bangladesh	20,904,146
Ethiopia	123,937,490
Indonesia	25,627,293
Saudi Arabia	54,500,333
Kuwait	48,096,563
Pakistan	44,658,947
Qatar	15,879,317
Senegal	44,387,940
Spain	14,987,719
Sudan	18,838,436
Turkey	16,008,271
United Arab Emirates	20,605,609
United Kingdom	18,417,360
Other	165,863,720
Gross Exposure	821,744,394
Ceded Exposure to Reinsurers	(295,074,881)
Net Exposure	526,669,513

25. CAPITAL MANAGEMENT

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

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

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26. ZAKAT AND TAX TREATMENT

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

THE ISLAMIC DEVELOPMENT BANK

Establishment

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

Vision

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

Mission

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

Capital

The Authorized Capital of IDB is ID30 billion and the Issued Capital is ID18 billion of which ID17.8 billion was subscribed and ID4.6 billion was paid up as at end-1433H.

Islamic Development Bank Group

IDB Group comprises five entities: Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Development of the Private Sector (ICD), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and International Islamic Trade Finance Corporation (ITFC)

Head Office and Regional Offices

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

ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

IRTI was established in 1401H (1981) as the research and training arm of the IDB. As a member of the IDB Group, IRTI places a key role in transforming the Group into a world-class knowledge-based organization. It shoulders the responsibility for leading the development and sustenance of a dynamic and comprehensive Islamic financial fervices Industry, which supports socio-economic development in member countries. With this objective, IRTI has been gradually strengthening its core business activities in knowledge services through research, policy dialogue and Shari'ah advisory services. **www.irti.org**

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

ICD was established in 1420H (1999) as an independent entity within the IDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to compliment the role played by IDB through development and promotion of the private sector as a vehicle for economic growth and prosperity in member countries. The main objectives of ICD are: (i) support economic development of its member countries through provision of finance aimed at promoting private sector development in accordance with the principles of Shariah, and (ii) provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private sectors. **www.icd-idb.org**

INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)

The International Islamic Trade Finance Corporation (ITFC) was established in 2005 and commenced business operations in 2008 with an Authorized Capital of $3 billion, as an autonomous and dedicated trade finance entity of the Islamic Development Bank (IDB) Group. ITFC supports the development of markets and trading capacities of its member countries of the Organization of the Islamic Cooperation (OIC) in order to promote the IDB Group's strategic developmental objectives. Operating to world-class standards, the ITFC's mission is clear from its mandate to be a catalyst for the development of trade among OIC member countries and with the rest of the world .ITFC aspires to be a recognized provider of trade solutions for the OIC member countries' needs; in order to fulfill its brand promise of 'Advancing Trade and Improving Lives". **www.itfc-idb.org.**

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