



ICIEC

THE ISLAMIC CORPORATION FOR
THE INSURANCE OF INVESTMENT
AND EXPORT CREDIT



2017 ANNUAL REPORT



Member of
Islamic Development
Bank Group

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The background of the image is a complex, repeating geometric pattern of overlapping triangles and polygons in various shades of teal and light green, creating a textured, crystalline effect.

FOR MORE
THAN TWO
DECADES
MAKING
BUSINESS
TRANSACTIONS
LESS RISKY &
MORE
COMPETITIVE



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

H. E. The Chairman,

Board of Governors of the Islamic Corporation for the Insurance of Investment and
Export Credit (ICIEC)

Date: 25 / 02 /2018

Dear Mr. Chairman,

Assalamu Alaikum wa Rahmatullah wa Barakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I have the honour to present, on behalf of the Board of Directors, to the esteemed Board of Governors the Annual Report of ICIEC for the year 1438H-1439H (2017). The report highlights ICIEC's activities, achievements and audited financial statements for the year ending on 31/12/2017.

Please accept, Mr. Chairman, the assurances of my highest consideration.

A handwritten signature in blue ink, enclosed in a blue oval. The signature is stylized and appears to be 'B. H. Hajjar'.

Dr. Bandar M. H. Hajjar
Chairman of the Board of Directors

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ACRONYMS & ABBREVIATIONS

ABS	:	Agriculture Bank of Sudan
AEM	:	Albatros Energy Mali
AIIM	:	African Infrastructure Investment Managers
BOD	:	Board of Directors
BI	:	Business Insured
BIHC	:	Bursa Integrated Healthcare Campus
BOAD	:	Banque Ouest Africaine de Développement
CAGEX	:	La Compagnie Algérienne d'Assurance et de Garantie des Exportations
CBE	:	Central Bank of Egypt
CIS	:	Commonwealth of Independent States
COMCEC	:	Committee for Economic and Commercial Cooperation
COTUNACE	:	Compagnie Tunisienne pour l'Assurance du Commerce Extérieur
CSTP	:	Comprehensive Short Term Policy
DCIP	:	Documentary Credit Insurance Policy
DHAMAN	:	Arab Investment and Export Credit Guarantee Corporation
EAIF	:	Emerging Africa Infrastructure Fund
EBRD	:	European Bank for Reconstruction and Development
ECA	:	Export Credit Agencies
EDM	:	Énergie du Mali
EGPC	:	Egyptian General Petroleum Corporation
EPC	:	Engineering, Procurement, Construction
ERM	:	Enterprise Risk Management
FDI	:	Foreign Direct Investments
FII	:	Foreign Investment Insurance
FIIP	:	Foreign Investment Insurance Policy
GDP	:	Gross Domestic Product
GRMC	:	Group Risk Management Committee
GRMD	:	Group Risk Management Department
GWP	:	Gross Written Premium
HTP	:	Healthcare Transformation Program
IBNR	:	Incurred But Not Reported
ICD	:	Islamic Corporation for the Development of the Private Sector
ICIEC	:	The Islamic Corporation for the Insurance of Investment and Export Credit
ID	:	Islamic Dinar
IsDB	:	The Islamic Development Bank
IDBG	:	The Islamic Development Bank Group
IMF	:	International Monetary Fund
ITFC	:	International Islamic Trade Finance Corporation
IRTI	:	Islamic Research and Training Institute
LAA	:	Local Agency Agreement
LC	:	Letter of Credit
LIBOR	:	London Interbank Offered Rate
MLT	:	Medium and Long Term
MOU	:	Memorandum of Understanding
MT	:	Medium Term
NAIFE	:	National Agency for Insurance and Finance of Exports (Sudan)
NBE	:	National Bank of Egypt
NBU	:	National Bank for Foreign Economic Activity of the Republic of Uzbekistan
NHSO	:	Non-Honoring of Sovereign Financial Obligations
NHSO-SOE	:	Non-Honoring of Sovereign Financial Obligations-State owned Enterprise
NPL	:	Notification of Probable Loss
OFID	:	OPEC Fund for International Development
OIC	:	Organization of Islamic Cooperation
PHF	:	Policy Holder's Fund
PPP	:	Public-Private Partnership
SMBC	:	Sumitomo Mitsui Banking Corporation
SME	:	Small and Medium Enterprises
SHF	:	Shareholder's Fund
SPV	:	Special Purpose Vehicle
ST	:	Short Term
STP	:	Specific Transaction Policy
STP-CF	:	Specific Transaction Policy for Contract Frustration
TDB	:	Trade and Development Bank
UIF	:	Unit Investment Fund
WWF	:	World WAQF Foundation

VISION **MISSION**

Vision

“To be recognized as the preferred enabler of trade and investment for sustainable economic development in member countries”

Mission

“To facilitate trade and investment between member countries and the world through Shariah-compliant risk mitigation tools”







H.E. Dr. Bandar M. H. Hajjar
Chairman



Hon. Ulan Aiylchiev
Azerbaijan, Albania, Uzbekistan, Turkmenistan,
Tajikistan, Kazakhstan, Kyrgyz



Hon. Bader Ahmed Al Qayed
Qatar



Hon. Hamad Bin Suleiman Al Bazai
Kingdom of Saudi Arabia



Hon. Dr. Zul Kifl Salami
Benin, Guinea, Guinea Bissau, Sierra Leone,
Cameroon, Cote d'Ivoire



Hon. Dr. Hisham El Chaar
Jordan, Syria, Iraq, Palestine,
Lebanon



Hon. Dr. Mohamed Ahmed Hassan Al-Afandi
Bahrain, Sudan, Oman, Yemen



Hon. Zeinhom Zahran
Egypt



Hon. Kazi Shofiquel Azam
Afghanistan, Pakistan, Bangladesh,
Maldives



Hon. Dr. Hosein Ghazavi Khourasgani
Iran

BOARD OF DIRECTORS



Hon. Mrs. Zourehatou Kassah Traore
Burkina Faso, Togolese, Gambia, Senegal,
Mali, Niger



Hon. Dr. Abdalnasr Abouzkeh
Libya



Hon. Osman Çelik
Turkey



Hon. Ali Hamdan Ahmed
United Arab Emirates



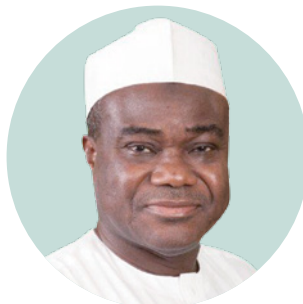
Hon. Abdirahman Sharif
Uganda, Chad, Gabon, Djibouti, Comoros,
Mozambique, Somalia



Hon. Mohamed Zemmouri
Tunisia, Algeria, Morocco, Mauritania



Hon. Isa Rachmatarwata
Indonesia, Brunei Darussalam, Suriname,
Malaysia, Guyana



Hon. Mohammed Gambo Shuaibu
Nigeria



Hon. Wisam Jasem Al-Othman
Kuwait

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



I am confident that building on its robust performance in 2017, ICIEC will continue to meet its stakeholders' expectations and remain well placed to play the role of a catalyst in promoting trade and foreign direct investments in our Member Countries.

The year 2017 was a year of general volatility. But it also saw a slight recovery from the crisis of 2016, where the Export Credit and Political Risk Insurance industry recorded historically high levels of claims across the industry with over USD 6 billion in total. Due to the volatility and the sluggish global economic recovery, industry losses were high this year as well in all the business segments, with total claims projected to exceed USD 3 billion at the end of 2017.

In 2017, ICIEC facilitated a total Business Insured of USD 7.5 billion in its Member Countries. The Corporation also generated a total premium income of USD 35.39 million. The proportion of Business Insured in the Short Term line of business decreased from 79% in 2016 to 76% in 2017 as opposed to the Investment Insurance increasing from 16% in 2016 to 21% in 2017. The Medium Term remained the same at 5%.

With respect to the three business lines, the Short Term and the Medium Term Export Credit insurance saw the most drastic reduction in business insured, witnessing a decline of 12% and 17% respectively in comparison with 2016. The Foreign Investment Insurance (FII) recorded a significant increase in business insured of 28%. These statistics reflect an uptick in demand for project-related Political Risk Insurance and a stagnation of growth in Trade Credit instruments as a result of a reduction in regional trade as well as stiff competition in the market.

With regards to the investment of the Corporation's liquid funds, our primary guiding principle is to safeguard our assets and to preserve ICIEC's capital base. In 2017, income from the shareholders' fund (SHF) registered a net income of ID 265,551, Total expenses decreased by 39% from ID 26.6 million in 2016 to ID 16.5 million in 2017. The net result of the policyholders' fund is a surplus of ID 0.96 million.



On the back of the strong performance highlighted above, ICIEC has maintained - or the ninth year in a row - its Aa3 Moody's rating, which is one of the strongest in the Export Credit and Political Risk Insurance industry. Going forward, and on the basis of the expertise gained over the last 23 years in this field, ICIEC will continue on this path, allowing the Corporation to carry out its developmental agenda toward its 44 Member Countries in a sustainable manner.

I am confident that building on its robust performance in 2017, ICIEC will continue to meet its stakeholders' expectations and remain well placed to play the role of a catalyst in promoting trade and foreign direct investments in our Member Countries.

I am grateful to the Honorable Chairman and the Honorable members of the Board of Directors for their unwavering support to the Corporation.

Finally, I would like to take this opportunity to thank all of ICIEC's staff members whose commitment to the ICIEC and IDB Group values of hard work and dedication continue to ensure the achievement of our goals.

Yours sincerely,

A handwritten signature in teal ink that reads "Oussama Kaissi". The signature is fluid and cursive, with a small dot above the 'i' in "Kaissi".

Oussama Abdul Rahman Kaissi
Chief Executive Officer



The background of the page is a complex geometric pattern of overlapping triangles and polygons in various shades of teal and light green, creating a modern, abstract design.

CORPORATE GOVERNANCE AND **RISK MANAGEMENT**

CORPORATE GOVERNANCE AND RISK MANAGEMENT



ICIEC IN BRIEF

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1994, following a recommendation by the Organization of Islamic Cooperation's (OIC) Standing Committee for Economic and Commercial Cooperation (COMCEC) to establish a multilateral export and investment insurance institution. It was formally created as an autonomous multilateral export credit insurance entity, and a member of the Islamic Development Bank (IDB) Group. ICIEC is based in Jeddah, the Kingdom of Saudi Arabia, and has representative offices in Dubai (the UAE), Istanbul (Turkey) and Dakar (Senegal). Its shareholders are the



ICIEC adopts a structured approach to risk management. This entails the adoption and implementation of appropriate policies, guidelines, frameworks, systems, tools, and procedures that are in place and being adhered to by all functions.

“AAA” rated IDB and 44 countries, which are members of the Organization of the Islamic Cooperation (OIC). Since 2008, ICIEC has continuously been assigned a rating of Aa3 by Moody’s. ICIEC was established with the objective of increasing the scope of trade transactions of its member countries, and to facilitate foreign direct investments into these countries. ICIEC fulfils these objectives by providing appropriate Islamic Shariah-compliant credit and political risk insurance and reinsurance solutions.

CORPORATE GOVERNANCE

ICIEC has a layered corporate governance structure that consists of a Board of Governors, a Board of Directors and an Audit Committee, each of which plays a significant and complementary oversight role. The Board of Governors consists of the Ministers of Finance of the Member Countries of the Islamic Development Bank. The Board of Directors represent the Board of Governors and are deputized to oversee the Corporation’s operational activities and strategic programs. The Chief Executive Officer of the Corporation leads an executive management team that executes the day-to-day operational activities.

RISK MANAGEMENT

The role and objective of the Risk Management function is to ensure that the Corporation maintains a sound risk profile, strong financial standing and creditworthiness. To this effect, compliance with both IDBG regulations and ICIEC internal regulations are key.

ICIEC strives to secure and maintain the highest credit rating possible from reputable rating agencies. These goals are accomplished through identifying, measuring, mitigating, monitoring, and reporting on risks inherent in the Corporation’s activities in a timely manner.

ICIEC adopts a structured approach to risk management. This entails the adoption and implementation of appropriate policies, guidelines, frameworks, systems, tools, and procedures that are in place and being adhered to by all functions. In line with its institutional development plan and the requirements of the Ten-Year Strategy, ICIEC aims to adopt the Enterprise Risk Management (ERM) approach, which covers the strategic risks associated with the Corporation’s

business model as well as risks related to its insurance and investment activities, liquidity and treasury exposures, market risks, asset-liability management, and operational risks.

Starting in 2017 ICIEC started to pursue the full implementation of all policies and procedures as recommended and adopted the Group Risk Management's Risk Management Guidelines for Insurance Operations (including the Credit Risk Assessment Guidelines for Corporates, Financial Institutions/Banks, and Projects). These guidelines have been modified to suit ICIEC's specific needs and were approved by the Board of Directors. The Risk Function's

transactional review continues to be based on selected criteria (risk flagging) as provided for by the risk management guidelines. Specific transaction ratings, on a 21-Grade Scale of specific sizeable projects has since begun. The results of these ratings have better informed the Corporation's perception and pricing of risks related to specific projects. The Corporation has also implemented a new Incurred But Not Reported (IBNR) calculation method in its provisioning for exposures.

ICIEC works closely with the IDB Group's Risk Management Department (GRMD) and the Group Risk Management Committee (GRMC) on shared risk issues.



ICIEC CREDIT RATING

In June 2008, ICIEC was awarded its first rating of Aa3 by Moody's. The Corporation has succeeded since in maintaining this remarkable achievement, notwithstanding the impact of the many global and regional economic, financial and commodity price crises over decade. The latest rating announcement was made on 31 July 2017 where ICIEC's rating of Aa3 was confirmed with a stable outlook.

This rating places ICIEC at par with other major credit and political risk insurers in the global arena. ICIEC's rating reflects the strong ability and potentially high willingness of ICIEC's main shareholders, and in particular the Islamic Development Bank (IDB) (AAA Stable), and its Member Countries, to support the Corporation in times of financial distress. The rating also reflects the Corporation's legal structure and nature of business as the only multilateral export credit and investment insurance corporation in the world that provides Shariah-compliant insurance and reinsurance solutions as well as its enhanced regional knowledge based on its operational experience.

ICIEC's Regional Gateway Offices

In line with the IDB Group's strategy, ICIEC is in the process of decentralizing its business development and client management activities to Group regional and country gateway offices. This enables the Corporation to be closer to customers and to serve them in a more efficient manner. Currently, ICIEC has a presence in three member countries: the UAE, Turkey and Senegal. These offices have been playing, over the past several years, an important role in delivering on ICIEC's mandate.

The Dubai Office

The Dubai Office commenced operations in 2012. Its primary task is to serve as a business development channel for the Corporation and to provide an on-the-ground service to customers in the UAE and neighboring countries. The Office has facilitated a total business insured of USD 4.6 billion since inception. In 2017, the Office was able to source USD 955 million in business insured. Some of the landmark projects generated and executed through the Office include the Al-Sufouh Tram project in Dubai, the Galilah Water Desalination plant in Ras Al Khaimah, and the Pakistan International Airlines Islamic Financing transaction for engine refurbishment. The Office has been instrumental in developing and enhancing the Corporation's relationship with key international banks and companies having physical presence in the UAE.

The Istanbul Office

The Istanbul Office of ICIEC is part of the Turkey Country Gateway Office of the IDB Group. It was established in 2015, with the mandate to serve the Turkish market in promoting Medium Term Exports and Foreign Direct Investments (FDI) into and out of Turkey. The total business insured generated by the Office is USD 554.5 million since inception. In 2017, a business insured of USD 371.4 million was facilitated. Some of the important transactions originated by Istanbul Office include helping Turk Exim mobilize long term funding by insuring the lender against the non-payment risk of Turk Exim Bank. Moreover, ICIEC supported financing by a foreign lender of a Hospital in Konya under a PPP structure. The Office has also supported Turk Eximbank in their financing of Turkish Contractors' projects in a number of member countries under its Buyer's Credit Program. One of the landmark projects is Douala-Japoma Sports Complex in Cameroon. The cooperation between Istanbul Office and international banks plays a vital role in supporting projects that have critical developmental impact in Turkey as well as in other member countries.

The Dakar Office

The Dakar Office is part of the IDB Group's regional office there. ICIEC's presence in Dakar started in 2014 with the objective of serving the vast Sub-Saharan African market. The Dakar Office has facilitated a total business insured of close to USD 0.5 billion since its inauguration in 2014. This has been mainly in the form of supporting imports of strategic commodities and capital goods by insuring LCs confirmed by banks in Sub-Saharan Africa. Going forward, the Office is expected to increase the LC confirmation business in Sub-Saharan Africa and to play a key role in originating opportunities for supporting Foreign Direct Investments and infrastructure related projects in Sub-Saharan Africa.



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**THE DEVELOPMENT IMPACT OF
ICIEC'S INTERVENTIONS IN
MEMBER COUNTRIES**

THE DEVELOPMENT IMPACT OF ICIEC'S INTERVENTIONS IN MEMBER COUNTRIES



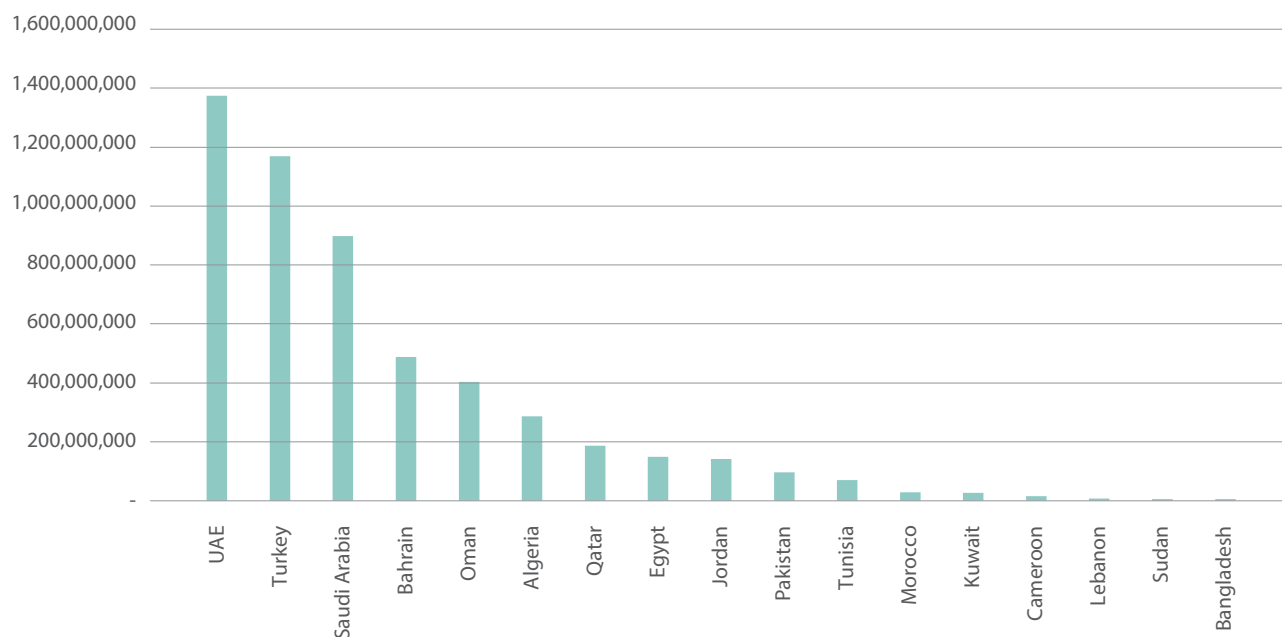
FACILITATION OF TRADE TRANSACTIONS AND FOREIGN INVESTMENTS IN MEMBER COUNTRIES

During 2017, 36 Member Countries have benefitted from ICIEC's insurance products and services, resulting in the facilitation of USD 11.27 billion in trade transactions and Foreign Direct Investments (FDI). Of this amount, USD 5.34 billion was in the form of exports from member countries, USD 3.67 billion imports into member countries (including strategic goods and capital equipment from non-member countries), and USD 2.25 billion in foreign investments (comprising inward and outward investments). In doing so, the Corporation deployed its capital, but more importantly, it also raised reinsurance support from a number of international reinsurers including multilateral development financing institutions, non-member country national export credit agencies (ECAs) and private providers of trade credit and political risk insurance.

The charts below show the utilization of ICIEC's products by its member countries during 2017 under the various business lines.

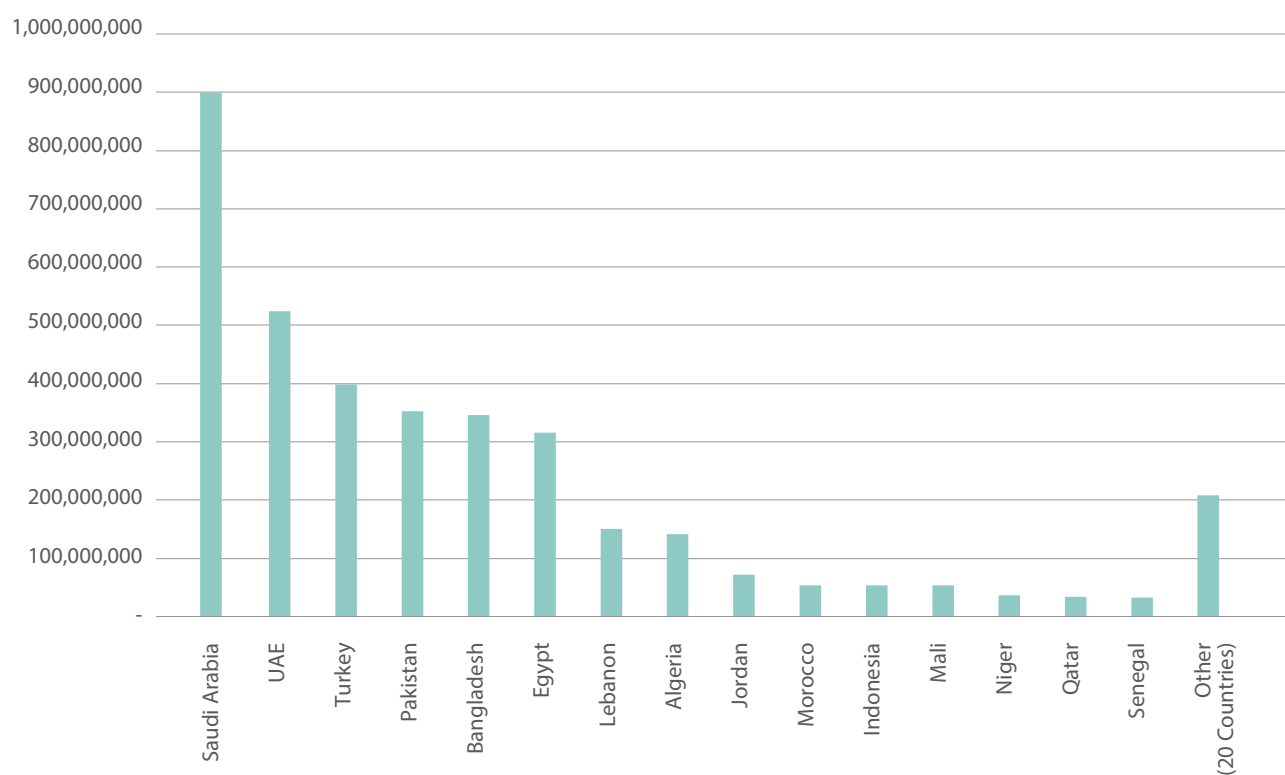
2017 Member Countries' beneficiaries of ICIEC export credit products

Export Business Facilitated by ICIEC in Each Member Country (USD) - 2017



The vast majority of exports supported by ICIEC in 2017 were from Turkey, the United Arab Emirates, the Kingdom of Saudi Arabia, Bahrain, Oman, Algeria and Qatar.

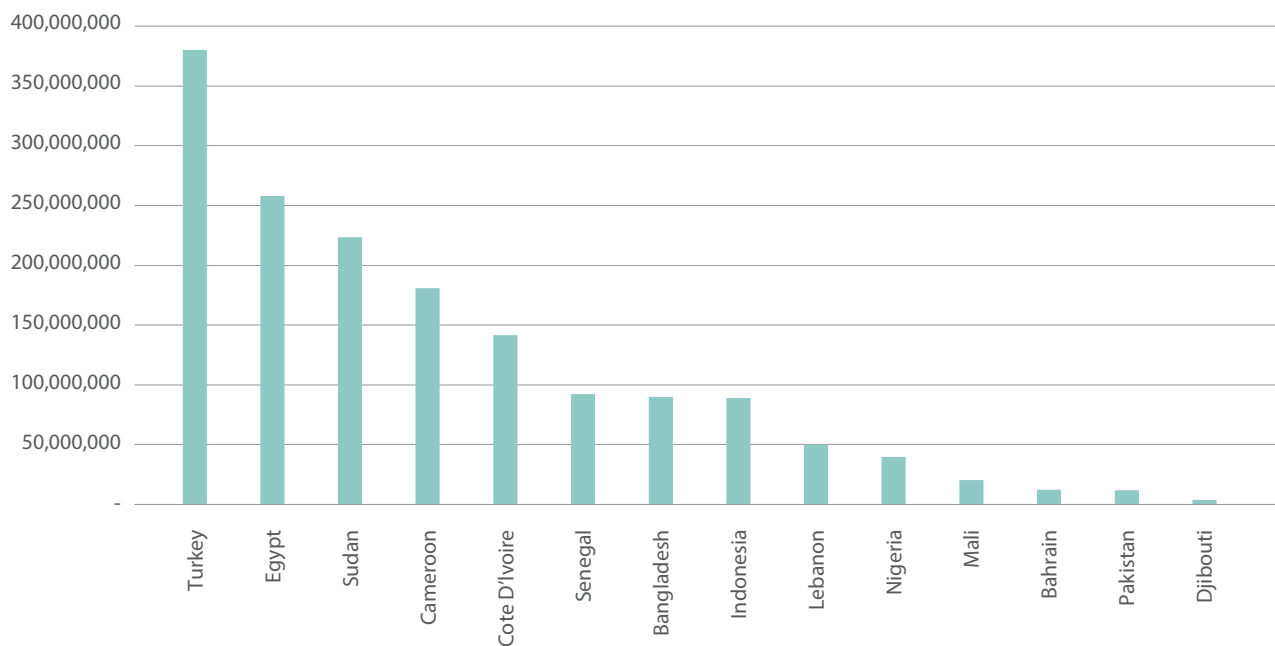
Import Business Facilitated by ICIEC in Each Member Country (USD) - 2017



With respect to imports, the Kingdom of Saudi Arabia leads the way, followed by the United Arab Emirates, Turkey, Pakistan, Bangladesh, Egypt, Pakistan, Lebanon and Algeria.

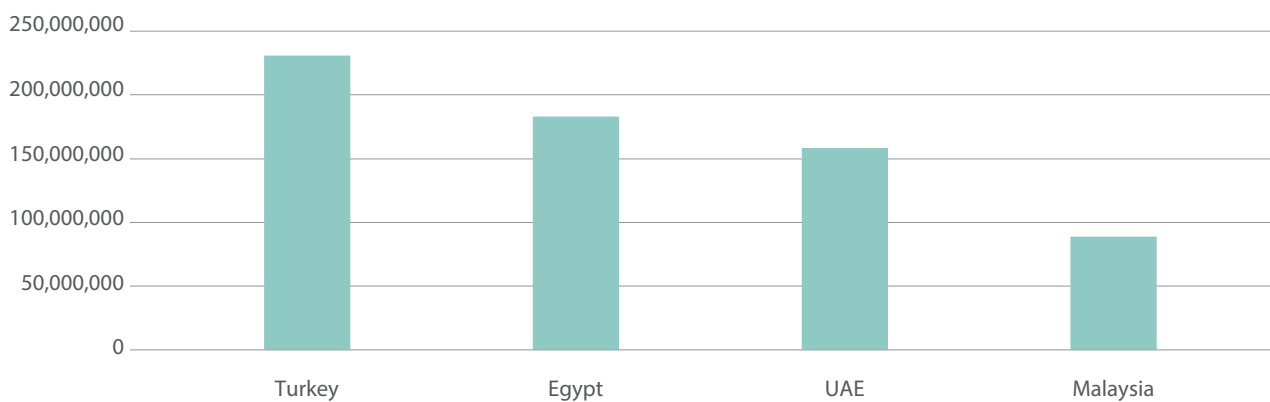
Some of the imports are from Member Countries, while others are from Non-Member Countries. The latter are capital goods and strategic commodities that are covered on an exceptional basis. This is so because ICIEC's mandate is fundamentally Member Country export promotion driven.

Inward Investments Facilitated by ICIEC in Each Member Country (USD) - 2017



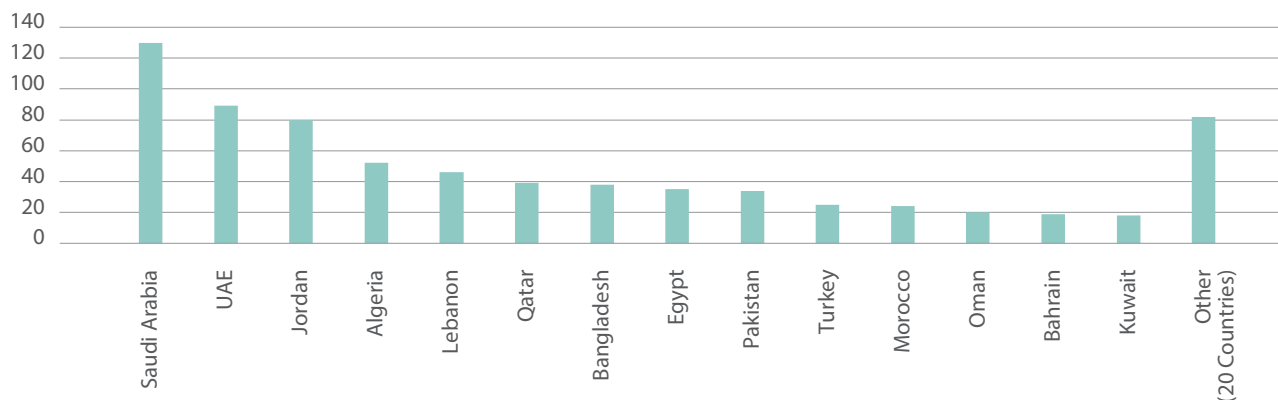
Turkey attracted the most foreign direct investments (FDI) through the support of ICIEC in 2017, closely followed by Egypt, Sudan, Cameroon, Cote D'Ivoire, Senegal, Bangladesh, Lebanon and Indonesia.

Outward Investments Facilitated by ICIEC from Member Countries (USD) -2017



Four Member Countries benefited from ICIEC's support in 2017 to make investments overseas. These were Egypt, the United Arab Emirates, Turkey and Malaysia.

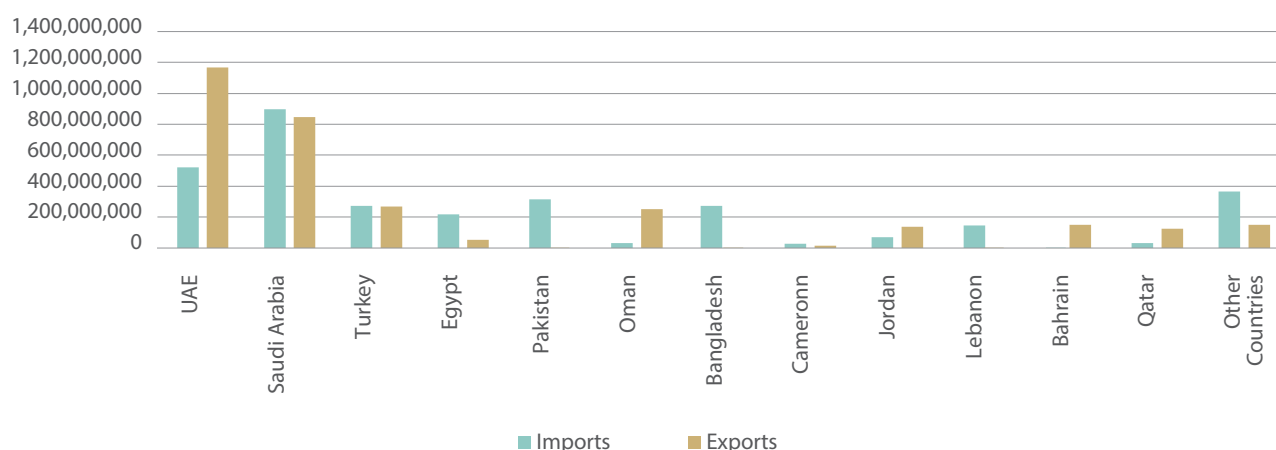
Number of Entities Utilized ICIEC Services in Member Countries (2017)



FACILITATION OF INTRA-TRADE AMONG OIC COUNTRIES

One of ICIEC's key objectives is to encourage and support intra-trade among OIC member countries. This is also one of the main pillars of the IDB Group Ten-Year Strategy. During 2017 the trade credit coverage provided to OIC intra-trade reached USD 3.18 billion. This constitutes exports from 17 OIC member countries to 38 other OIC member countries, which is equivalent to 54% of trade credit insured by ICIEC during the year.

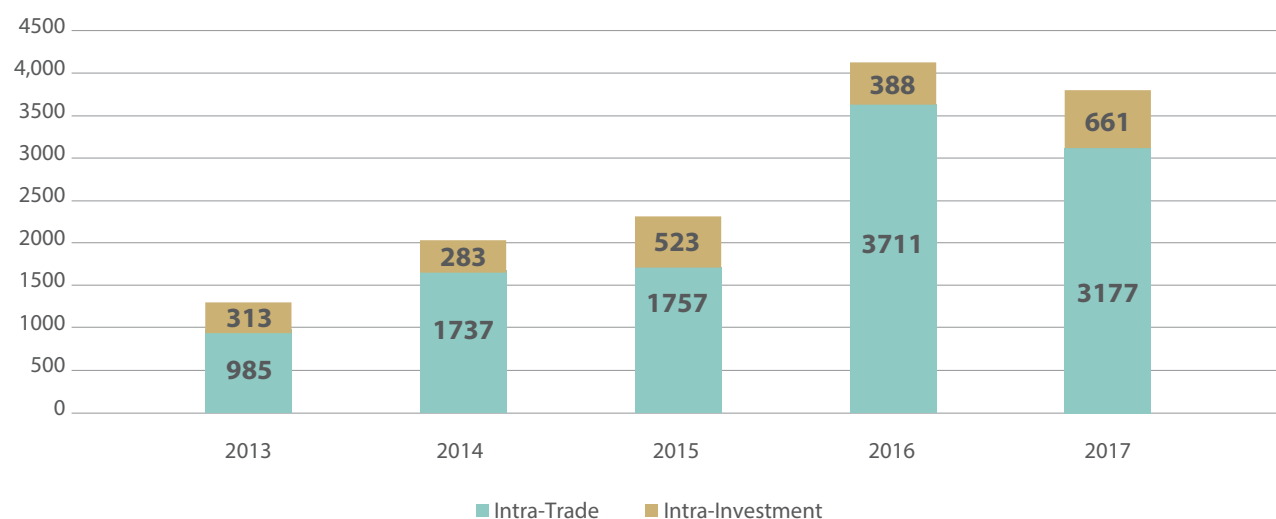
Intra-Trade Among OIC Member Countries Covered by ICIEC during 2017



The intra-trade and intra-investments among OIC member states which ICIEC facilitates have been growing, on average by 35% per annum over the last five years. It jumped from USD 1.3 billion in 2013 to USD 4 billion in 2017. As the table below shows, however, the total intra-OIC trade and investments declined by 6.4% to USD 3.8 billion in 2017. This is a reflection of the decrease of the business insured in 2017, which in turn is an indication of the difficult trade environment resulting from the low commodity prices in the region.

Year	Intra-Trade (USD M)	Intra-Investment ((USD M)	Total	Annual Growth	Average Annual Growth
2013	985	313	1,298		
2014	1,737	283	2,020	55.62%	
2015	1,757	523	2,280	12.87%	
2016	3,711	388	4,099	79.78%	
2017	3,177	661	3,838	-6.37%	35.48%
Total	11,367	2,168	13,535		

Intra-Trade & Intra-Investment Among OIC Countries Facilitated by ICIEC (USD M)



MAJOR TRANSACTIONS SUPPORTED IN 2017

Helping the SME Sector in Egypt to thrive

In 2017, The Corporation insured a USD 300 million financing facility from the African Export-Import Bank (Afreximbank), a Cairo-based African regional trade financing bank, to the National Bank of Egypt (NBE). The purpose of the facility was to fund SMEs operating in the field of light manufacturing in Egypt.

The tenure of the facility—and hence ICIEC’s insurance policy—is three years. The National Bank of Egypt is the oldest bank in Egypt and it is fully owned by the Government of Egypt.

This transaction is in line with the Egyptian Government’s strategy and it is within the context of the Central Bank of Egypt (CBE)’s Initiative to Support Small and Medium-sized Enterprises (SMEs). The Initiative aims at creating jobs, reducing youth unemployment and providing financing services to small businesses, with an emphasis on supporting craftsmen and other SMEs in the Egyptian market.

Partly as a result of this Initiative, the number of SME customers of NBE increased to 50,000.



Boosting the Healthcare PPP Projects in Turkey

Turkey, a member country of ICIEC, has been undertaking substantial reforms in the healthcare sector through the Healthcare Transformation Program (HTP) since 2003. The HTP seeks to invest USD 10 billion in the healthcare infrastructure of the country, adding 40,000 beds to the existing capacity.

In 2017, ICIEC provided a EUR 40 million insurance policy to Sumitomo Mitsui Banking Corporation (SMBC), a leading Japanese bank, covering their participation in the financing of the construction of a health campus facility in Turkey against the risk of Non-Honoring of Sovereign Financial Obligation for 18 years. The financing was provided by the Islamic Development Bank (IsDB), the European Bank for Reconstruction and Development (EBRD), and a number of commercial international banks alongside SMBC.

The project involves the construction and facilities management of a new healthcare campus in the historic city of Bursa, Turkey. The Bursa Integrated Healthcare Campus (BIHC) will have a total of 1,355 beds and will serve the city of Bursa's 2.8 million population as well as the surrounding provinces of Balıkesir, Canakkale and Yalova.

The Campus includes the following specialized hospitals:

- A 468-bed regional hospital;
- A 275-bed cardiovascular diseases hospital;
- A 264-bed oncology hospital;
- A 48-bed psychiatry hospital;
- A 100-bed high-security forensic psychiatric hospital; and
- A 200-bed physical therapy and rehabilitation hospital.

BRS Sağlık Yatırım A.Ş., an SPV, is responsible for the construction of the hospital buildings in a 3.5 year time frame. The company will also undertake facilities management for the campus for a period of 25 years against availability payments from the Turkish Ministry of Health. The transaction is executed under the Turkish Healthcare PPP law.



Earlier, ICIEC extended the same type of cover to SMBC for its EUR 82 million financing of Adana and Yozgat PPP Hospitals in Turkey. In January 2017, Yozgat PPP Hospital started its operations and Adana PPP Hospital was expected to become operational by the end of 2017.

ICIEC's support to Turkey's Healthcare PPP program is in line with the Corporation's strategy of supporting Member Countries' infrastructure development and increasing human welfare.

Enhancing intra OIC Economic Integration by supporting Member Country contractors

In 2017, ICIEC extended, under two separate policies, insurance cover to Kinza Yapi, a Turkish EPC contracting company, for its projects in two different OIC member countries: Mali and Uzbekistan.



Kinza Yapi signed a contract with a local group from Côte d'Ivoire for the interior design and refurbishment of Sheraton Hotel in Bamako, Mali. The African Export-Import Bank (Afreximbank) was the financier of the project and Coris Bank was the agent bank. Coris Bank issued, in favor of the contractor, a revolving Letter of Credit (LC) for USD 25 million. As Kinza Yapi did not have prior experience with the issuing bank, it contacted several banks in Turkey for the confirmation of the LC. But no bank was willing to do so. Later, Kinza Yapi approached ICIEC for a solution. As a result, ICIEC issued a Specific Transaction Policy (STP) to Kinza Yapi insuring the non-payment risk of the LC due to commercial and/or political reasons.

The second cover is related to the interior design and decoration of Hilton Hotel Tashkent in Uzbekistan. Kinza Yapi was awarded the project by the Government of Uzbekistan. The National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU) issued a L/C, which was confirmed by Kuveyt Turk Participation Bank. ICIEC extended insurance support to the confirming bank under the Documentary Credit Insurance Policy (DCIP), allowing it to confirm the total LC amount of USD 14 million.



ICIEC covered both transactions to enhance intra OIC economic integration, which is line with the IDB Group's Ten-Year Strategy.

A Lifeline to the Agriculture Sector in Sudan

ICIEC issued an insurance policy to the Eastern and Southern African Trade and Development Bank (TDB). The policy covers TDB's EUR 199.5 million financing facility to the Agriculture Bank of Sudan (ABS). The purpose of the facility is to support small-scale farmers in Sudan and finance the export of selected commodities.



Agriculture, as a sector, is crucial for the Sudanese economy as it employs about 80% of the workforce

In this transaction, ICIEC is covering the risk of expropriation resulting from the potential seizure of the insured goods by the government. The facility is structured with full recourse to the stock of commodities being financed. TDB facilities have contributed to increasing the productivity of agriculture in Sudan as a result of the availability of adequate supply of seeds and fertilizers.

More than one million farmers throughout the country and their families are expected to benefit from the export proceeds which should trickle down to the poor segment of Sudanese society.

More importantly for the general economy in Sudan, the export of commodities will result in a direct injection of foreign exchange reserves into the country and will help Sudan repay its obligations vis-à-vis TDB and other creditors.



Strengthening the Power Sector in Mali

ICIEC supported the execution of a power plant in Mali. The project "Albatros Energy Mali (AEM)" is located in the south-western part of Mali. ICIEC's involvement in this project is from two sides. First, ICIEC issued a Specific Transaction Policy for Contract Frustration (STP-CF) to the EPC contractor, Burmeister & Wain Scandinavian Contractor, covering political risks. Second, ICIEC issued a Foreign Investment Insurance Policy (FIIP) worth EUR 122 million in favor of African Infrastructure Investment Managers (AIIM) of South Africa. The policy covers AIIM's 44% equity participation in the project against political risks.

Financiers of the project include the Islamic Development Bank (IDB), the Islamic Corporation for the Development of the Private Sector (ICD) of the IDB Group, the OPEC Fund for International Development (OFID), Banque Ouest Africaine de Développement (BOAD) and the Emerging Africa Infrastructure Fund (EAIF).

Once operational, the power generated from the project will be sold to Mali's national utility, Énergie du Mali (EDM), through a 20-year power purchase agreement. The project is expected to alleviate the severe electricity shortfall in the country and provide much-needed sustainable energy for citizens. Only 25% of the population in Mali has access to electricity. The new power source will also enable industries to grow. Most of the locally generated electricity is from hydropower plants that are not reliable in times of low rainfall. AEM will be Mali's first independent power producer (IPP) to feed into the national grid.

Helping improve the social space in Cameroon: The Douala-Japoma sports complex project

One of Turkey's leading construction companies, Yenigun Insaat, is building a sports complex in Douala, Cameroon. Cameroon will host the 2019 Africa Cup of Nations. The project, financed by Turk Eximbank, will include a 50,000-seat stadium, a sports hall, an Olympic swimming pool, two training courts and some tennis courts. Once completed, it will be Cameroon's largest sports complex.

ICIEC provided USD 190.4 million cover to Turk Eximbank against the risk of Non-Honouring of Sovereign Financial Obligations (NHSO) related to their financing of the Douala-Japoma project in Cameroon for a tenure of 12 years.

Besides the 2019 Africa Cup of Nations, the sports complex will be used for future sports events, and will be accessible to the country's athletes. This should contribute to the early development of children and youth. Cameroon has a deep-seated sports culture and a number of its prominent soccer players are members of major European teams. The Complex will also guarantee a stream of revenue for the country.

The project will create jobs for Cameroonian citizens, with at least 30% of the workforce being local. The local workers will benefit from the transfer of technology and know-how.





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ICIEC'S BUSINESS AND
DEVELOPMENT PARTNERS

ICIEC'S BUSINESS AND DEVELOPMENT PARTNERS

PARTNERSHIPS & ACTIVITIES IN MEMBER COUNTRIES

Partnership with MDBS in our Member Countries

IDB Group's Synergy: The ICIEC – ITFC Success Story



In 2017, ICIEC further bolstered its strong relationship with the International Islamic Trade Finance Corporation (ITFC), a sister entity of the IDB Group, capitalizing on the synergy between the two entities in providing credit insurance and trade finance to eligible clients in OIC Member Countries. In this regard, during 2017, ICIEC has provided insurance support to ITFC's import and export trade finance transactions in favor of clients located in a number of Member Countries, including Egypt and Indonesia.

Furthermore, ICIEC provided support to the Arab Africa Trade Bridge Program, an ITFC-led initiative, launched in March 2017 in Morocco. The objective of the Program is to support the efforts of the Arab and African Member Countries in setting up bilateral and regional trade and economic partnerships. The Program also seeks to support the capabilities and institutional capacities required by these countries for the success of trade and investment collaboration efforts.

The cooperation between ITFC and ICIEC in the Program will create trade and investment opportunities between the Arab and African countries and will encourage regional social and economic development projects. This Program is expected to strengthen the ability of beneficiaries to take advantage of the available and untapped trade opportunities in the two regions. It will also help develop fruitful economic and trade partnerships, create well-structured and fundable projects by the Program's partner institutions, and underline the importance of supporting trade logistics and infrastructure between Arab and African countries, including the trade and credit insurance products.

In 2017, ICIEC and ITFC demonstrated how the synergy between the IDB Group entities resulted in a full-fledged Islamic finance package to entities from our Member Countries. This synergy is expected to grow more in the future given that each entity is trying as much as possible to involve the other entity in its initiatives. The two corporations are working together to capitalize on their respective field presences in Member Countries to provide tailored and comprehensive services to the Member Countries in MENA, Asia and Africa.

ICIEC – African Export-Import Bank (Afreximbank)

For Egypt, the financing of small and medium-sized enterprises (SMEs) is one of the most important priorities. SMEs are at the heart of the government’s strategy to boost the economy given their importance in job creation and contribution to GDP growth. In this regard, the Central Bank of Egypt amended the definition of SMEs in February 2017. That triggered a new wave of financial support for Egyptian SMEs, mainly in the industrial sector.



To that end, the African Export-Import Bank (Afreximbank), the Cairo-based pan-African institution, provided a financing facility to the National Bank of Egypt (NBE) in mid-2017 to support Egyptian SMEs operating in the field of light manufacturing.

ICIEC’s political risk insurance helped support the Egyptian SMEs to strengthen their financial position and create more jobs and business opportunities in the country. This comes at a time of strong economic challenges, resulting from the set of reform measures being undertaken in the country.

The collaboration is not new – for instance, in 2016, ICIEC covered a transaction where Afreximbank provided financing to the Egyptian Electricity Holding Company for a power project in Egypt.

Developing the Credit Insurance Industry in Member Countries through the Aman Union



The Aman Union is a professional forum bringing together commercial and non-commercial risk insurers and reinsurers in the Member Countries of the Organization of the Islamic Cooperation (OIC) and those of the Arab League. The Aman Union was launched on 28 October 2009, following an agreement between the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the Arab Investment and Export Credit Guarantee Corporation (DHAMAN) to join their efforts to establish a union for credit and political risk insurers and reinsurers in their respective Member Countries.

The Union serves as a forum for exchanging critical industry information. It also enables members to collaborate on a range of topics including credit information, the creation of databases and providing training programs to their staff members.

In March 2017, the Secretariat General of the Aman Union hosted a technical training in Khartoum, Sudan, in coordination with Shiekan and NAIFE — two export credit entities in Sudan, for the benefit of Aman Union members. More than 30 participants from Aman Union members, local banks, exporters and general insurance companies attended the technical training. The bringing together of member country ECAs, exporters, Islamic insurance companies and the Central Bank of Sudan goes a long way in building better understanding of export credit insurance. It should also lead to a stronger networking opportunities and more effective collaboration among those entities in supporting member countries’ exports and investments.

A new approach was adopted this year in conducting the technical training, which was to use instructors from our member countries (i.e. ICIEC and DHAMAN) to develop and deliver the course. This is the result of the experience gained by member ECAs in the industry over the years. This is also in line with Aman Union's ambitions to launch a professional certification in credit insurance.

On a different note, the 8th annual meeting of the Aman Union took place this year in Istanbul, Turkey, from 31 October to 2 November 2017. The meeting was organized by the Aman Union Secretariat (managed by ICIEC) in coordination with Turk Eximbank, the ECA of Turkey. The meeting brought together the Aman Union members as well as prominent guests from the industry to discuss issues of importance to the insurance and reinsurance sector, export credit and trade finance and to tackle the challenges faced in these areas.



During the annual meeting, the Secretariat General of Aman Union organized the 8th technical training about Claims and Recovery in coordination with Recovery Advisors of the UAE. The course was hosted by Turk Eximbank on 1-2 November 2017.

Finally, during the annual meeting, the Secretary General of Aman Union signed a MOU with the Secretary General of the Berne Union that aims at increasing the cooperation between the two entities through capacity building of the staff of the common members. The MOU also seeks to further the co-organization of workshops and joint activities aimed at increasing the awareness about credit and political risk insurance.

Strengthening the relationship with Member Countries' ECAs

One of the key planks of ICIEC's mandate is to build the capacity of Member Country Export Credit Agencies (ECAs). During 2017, the Corporation strengthened its business relationship with the following ECAs from our Member Countries:

Credit Oman (Sultanate of Oman)

كريدت عمان
Credit Oman

A Local Agency Agreement (LAA) was signed with Credit Oman in the first half of 2017. A workshop was later organized by Credit Oman in Muscat on Investment Insurance, where a number of ICIEC technical staff shared the Corporation's experience in investment insurance and offered ICIEC services and solutions to Omani investors and international investors seeking business opportunities in Oman.



Turk Eximbank (Republic of Turkey)



ICIEC increased its participation in Turk Eximbank's treaty bouquet in 2017. This was the result of strong coordination between the top managements and technical teams of the two institutions. Furthermore, Turk Eximbank is actively coordinating with ICIEC's office in Istanbul in providing solutions to Turkish contractors that are awarded projects in other member countries, particularly in the CIS countries and Sub-Saharan African countries.

ICIEC and Turk Eximbank are closely coordinating their efforts in the management of Aman Union Secretariat General affairs. In this regard, Turk Eximbank hosted the Aman Union 8th annual meeting in Istanbul organized by ICIEC, in its capacity as in charge of the Aman Union Secretariat General. Furthermore, the Secretariat General was transferred by the end of 2017 from ICIEC to Turk Eximbank.

Reinsurance agreement with CAGEX (People's Democratic Republic of Algeria)



A reinsurance agreement was signed in Jeddah during the first half of 2017 to enhance the ongoing business cooperation with the national ECA of Algeria, CAGEX. The agreement intends to increase international exports from ICIEC Member Countries to Algeria, especially strategic goods such as pharmaceutical products. ICIEC — in its role as the Secretariat General of Aman Union — organized the 14th Executive Council Meeting of the Aman Union in Algiers in coordination with CAGEX.



NAIFE (Republic of the Sudan)



ICIEC and NAIFE agreed to increase the scope of the Reinsurance treaty to cover business underwritten by Sudanese Takaful companies. This is expected to enhance the partnership with the Sudanese Takaful operators. ICIEC, in its capacity as the Secretariat General of Aman Union, organized a technical training in Sudan hosted by NAIFE during the first half of 2017.

PARTNERSHIPS AND ACTIVITIES IN NON-MEMBER COUNTRIES

The Berne Union

ICIEC continued to leverage on its membership of the Berne Union — the largest association of export credit agencies in the world. It also serves as an opportunity to get up-to-date on the latest developments in the credit and political risk insurance industry. The Union provides an opportunity to enhance cooperation among its members, which includes national export credit agencies, multilateral credit and political risk insurers as well as private credit and political risk insurers.

ICIEC attended the Annual General Meeting of the Berne Union which took place in Belgrade, Serbia, where ICIEC participated in the Investment Committee, the Short Term Committee and the Prague Club Meetings. Based on the request of the Berne Union Secretariat, ICIEC also made a presentation to the Union members on Islamic Finance and Insurance.

ICIEC was accepted in 2017 as a new member of the Investment Technical Panel of the Berne Union and participated in its annual meeting which took place in Washington, DC, in September 2017. This is an important forum where technical matters related to the investment insurance are discussed.

Cooperation with ECAs in Non-Member Countries

ICIEC has an ongoing cooperation with many non-member country export credit agencies, multilaterals and private insurers. This includes companies such as Atradius (Netherlands), Euler Hermes (Germany), Sovereign (private insurer) amongst others. Projects are jointly supported in many member countries such as Oman, Mali, Benin and Niger.



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**ICIEC'S 2017
PERFORMANCE HIGHLIGHTS**

ICIEC'S 2017 PERFORMANCE HIGHLIGHTS

SUMMARY OF OPERATIONS RESULTS 2017

The year 2017 witnessed a change in the portfolio composition of the Corporation, which led to a slight reduction in both Business Insured and Exposure (-6% and -4%, respectively). The Business Insured declined in the Short Term and Medium Term lines of business (-12% and -17%, respectively), but it increased in the Foreign Investment Insurance (FII) by 28%. With respect to the Exposure, there has been a 19% decline in the Short Term and an increase of 19% and 62% in the Medium Term and FII, respectively. The Total Premium declined for the Short Term and Medium Term and FII by 16%, 46% and 20% compared to 2016.

Table 1: 2017 Operations Performance Indicators (USD M)

Indicators	Results 2016G	Results 2017G	Change%
New Commitments	4,828	3,472	-28%
Total Business Insured	8,018	7,527	-6%
Short Term	6,363	5,593	-12%
Medium Term	413	341	-17%
Investments	1242	1593	28%
Total Exposure	4,857	4,659	-4%
Short Term	3,629	2,934	-19%
Medium Term	616	734	19%
Investments	612	991	62%
Total Premium Issued	46.90	35.39	-25%
Short Term	14.89	12.58	-16%
Medium Term	10.80	5.87	-46%
Investments	21.21	16.94	-20%
Outstanding NPLs	59.66	56.67	-5%
Claims Paid	9.63	10.02	4%
Recoveries	0.02	1.88	9300%
Loss Ratio	23.55%	28.31%	20%

The above changes can partly be explained by the difficult economic conditions prevailing in many member countries. According to the IMF's World Economic Outlook in October 2017¹, the economies of the Middle East, North Africa, Afghanistan and Pakistan grew, as a bloc, by 2.6%, which compares poorly with their 5% growth in 2016. Sub-Saharan Africa's growth was similarly subdued at 2.6%, though it was markedly better than the 1.4% growth rate in 2016.

Commodity prices declined across the board in 2017 due to the sluggish economic performance globally but more so in emerging economies, especially countries whose economies are commodity-based. Oil prices, for instance, fell by 8%, natural gas by 9.6% and coal prices by 16.5% on an annualized basis by the end of the third quarter in 2017.

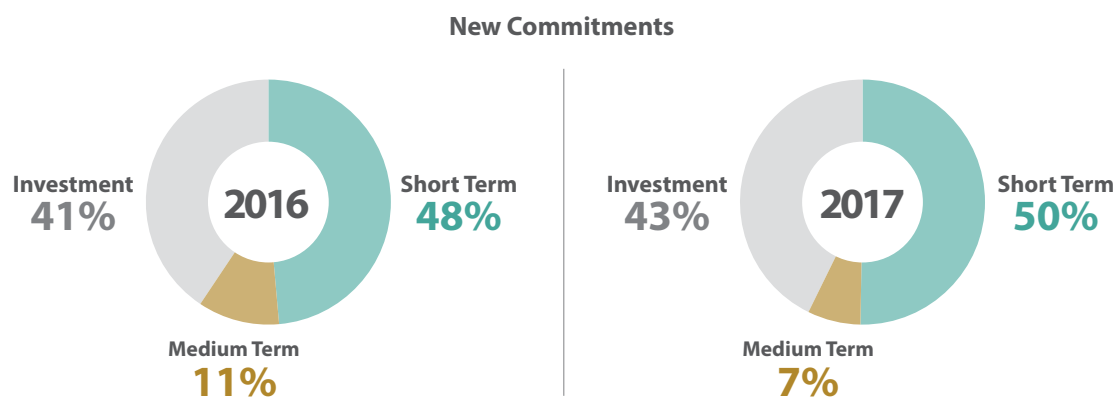
In the following sections, we will look at the key operational parameters of ICIEC in 2017 in more detail. The analysis uses last year's results as a benchmark for assessing the Corporation's performance in 2017.

¹ The International Monetary Fund (IMF), World Economic Outlook: Seeking Sustainable Growth, Short-Term Recovery, Long-Term Challenges, October 2017.

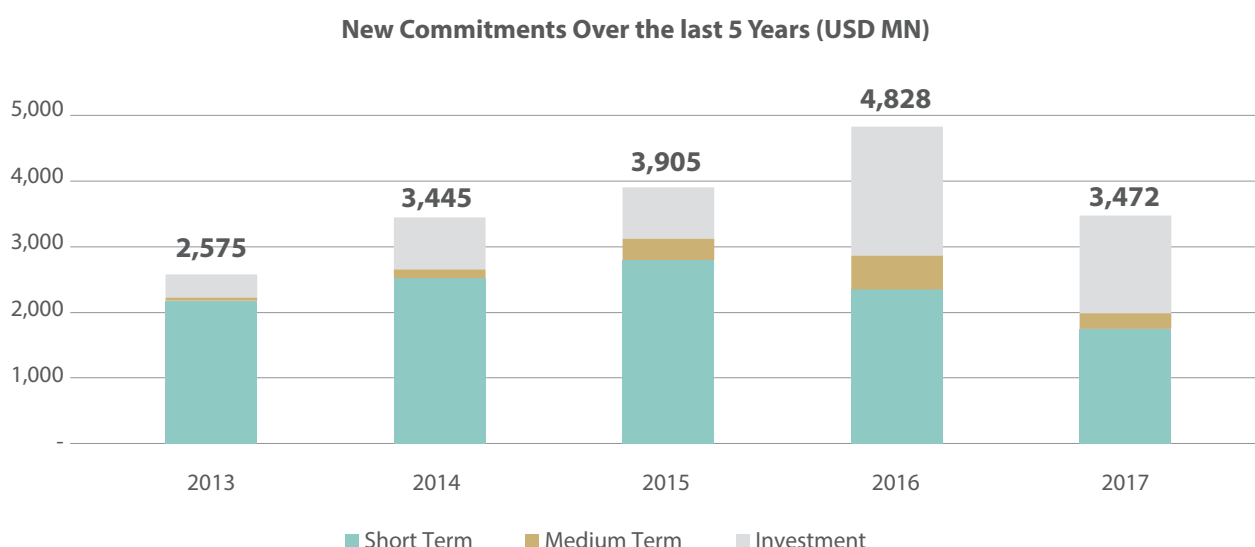
NEW INSURANCE COMMITMENTS

New commitments (which are equivalent to new insurance approvals) witnessed a decrease of 28% during 2017. The new commitments across all the lines of business totaled USD 3.472 billion in 2017, compared to USD 4.828 billion last year. The decrease reflects the tightening of the trade and investment flows in our Member Countries, mainly as a result of declining commodity prices and sluggish economic growth.

The new commitments are distributed among the various lines of business of the Corporation as follows: Short Term represents 50% or USD 1.746 billion; Medium Term 7% or USD 243 million and Foreign Investment Insurance 43% or USD 1.484 billion.



As the chart below illustrates, the trend of ICIEC's New Commitments figures over the last five years shows a steady growth during the period 2013 -2016. The commitments increased from USD 2.575 billion in 2013 to 4.827 billion in 2016, reflecting an average annual growth of 17.5% per annum. However, 2017 bucked the trend for the reasons explained above.



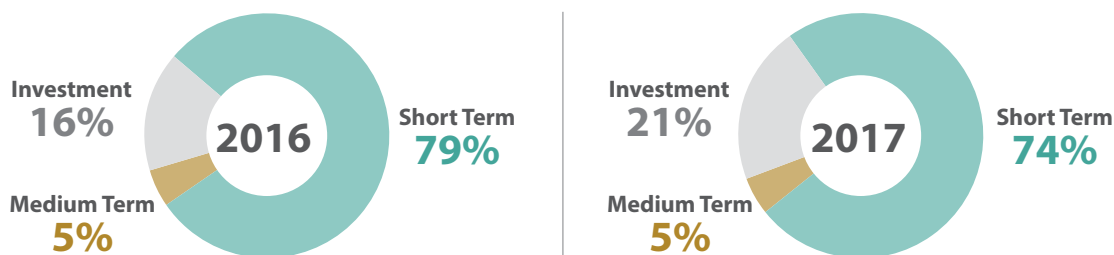
BUSINESS INSURED

In 2017, ICIEC supported total business insured (which means the actual utilization of insurance commitments) of USD 7.527 billion compared with USD 8.018 billion in 2016. This constitutes a decrease of 6%.

In terms of the individual business lines, the business insured under the short term business decreased in 2017 by 12% to USD 5.593 billion from USD 6.363 billion in 2016. Business insured under Medium Term Export Credit declined by 17% from USD 413 million to USD 341 million. This was mainly due to a tightening risk appetite in the Corporation in 2017 as a result of rising trend of claims in the Medium Term Export Credit. Finally, business insured from the Investment Insurance line of business increased by 28% from USD 1.242 billion to USD 1.593 billion.

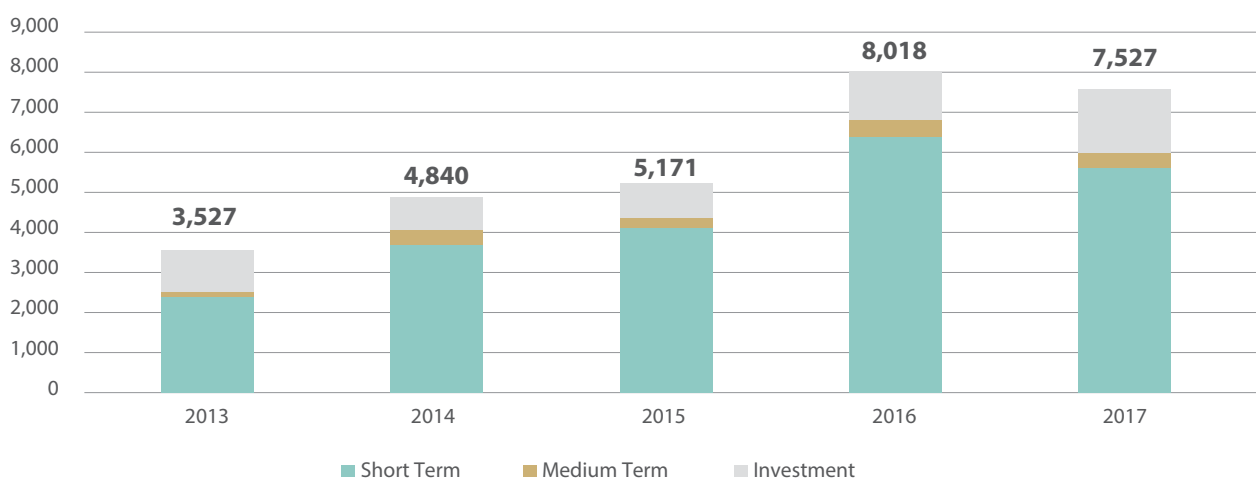
The portfolio mix has changed in 2017, where the share of the Short Term Export Credit decreased from 79% in 2016 to 74% in 2017. The entire slack has been taken up by the Foreign Investment Insurance (FII) — increasing from 16% in 2016 to 21% in 2017 — as the proportion of the Medium Term Export Credit has remained the same at 5%.

Business Insured



The trend of ICIEC’s business insured figures over the last five years has been on an upward trajectory, witnessing a steady growth during the period 2013–2016. Total business insured increased from USD 3.527 billion in 2013 to 8.018 billion, constituting an average annual growth of 25.5% per annum. However, it declined in 2017 to USD 7.527 billion for the reasons stated earlier.

Business Insured Over the last 5 Years (USD MN)

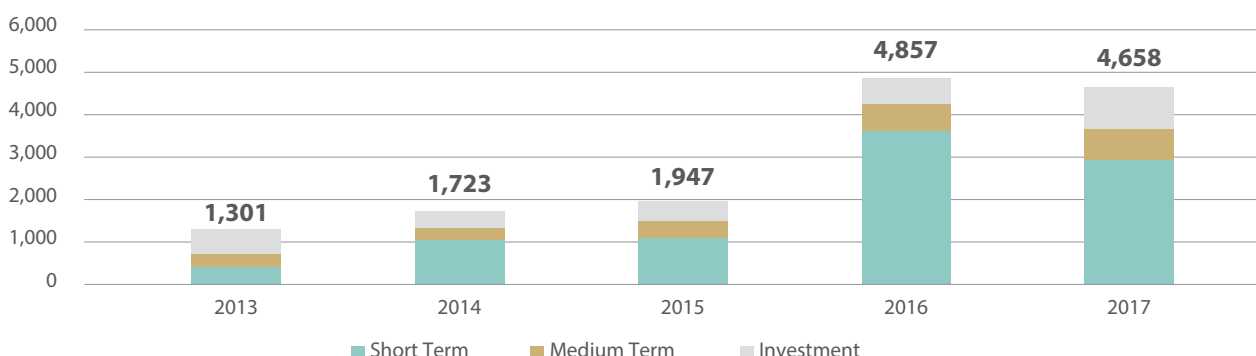


EXPOSURE

The Total Exposure is an aggregate measure or stock of outstanding business insured, arrears and outstanding claims. It serves as an indicator of the Corporation’s portfolio at risk, at any given point in time. The Exposure at the end of 2017 registered a decrease of 4% in 2017, reaching USD 4.658 billion compared to USD 4.857 billion at the end of 2016. The breakdown of the 2017 Exposure to the Short Term, Medium Term, and FII business lines is USD 2.935 billion, 733 million and 990 million respectively, translating to 63%, 16% and 21% of the Total Exposure respectively as at the end of December 2017.

As in the other key performance indicators, ICIEC’s Total Exposure has witnessed a steady increase over the past five years. The below chart depicts the Corporation’s Gross Exposure over the last 5 years which has increased from USD 1.301 billion in 2013 to USD 4.658 billion at end of 2017. This represents an average annual growth of 55% per annum. However, there was a decline in exposure in 2017 which was a reflection of the corresponding decline in the Business Insured.

Exposure (USD MN)



For the purpose of managing the risk on the Corporation's books as well as for capacity optimization, ICIEC cedes part of its exposure to the international reinsurance market.

In 2017, the net exposure stood at USD 1.644 billion, representing 35% of the total exposure and reflecting a reinsurance cession (transfer to International Reinsurers) of USD 3.015 billion or 65% of the total exposure. This leaves a net exposure on ICIEC's books of USD 1.65 billion on December 31, 2017. The below table highlights the distribution of ICIEC's Gross and Net Exposure among the three business lines.

ICIEC'S GROSS AND NET EXPOSURE BY BUSINESS LINE AT THE END OF 2017

USD

	Gross Exposure	Reinsurers Exposure	ICIEC Net Exposure	% Net/Gross
Short Term	2,935	2,077	858	29%
Medium Term	733	330	403	55%
Investments	990	608	382	39%
Total	4,658	3,015	1,643	35%

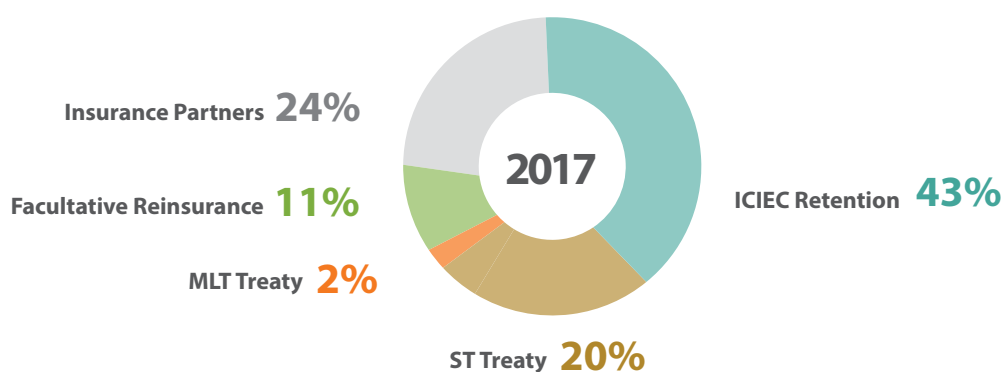
The percentage of ICIEC's risk retention has increased from 33% to 35% in 2017 compared to previous year. This slight increase in the risk retention is as a result of movement in ICIEC's portfolio composition.

Mobilization of Insurance Capacity

To overcome the limitation of its relatively low insurance capacity, ICIEC has used reinsurance to mobilize additional capacity from the international reinsurance market. This enables ICIEC to avoid calling for additional capital from the Corporation's member countries, while at the same time continuing to serve the trade and investment needs of the Corporation's clients. Currently, ICIEC has an Outward Quota Share Reinsurance Treaty with Munich Re, Hannover Re, XL Catlin Switzerland and Atradius Re. The Treaty went into effect from 1 July 2017 and will remain valid till 30 June 2018. It provides automatic reinsurance support to export and domestic credit insurance policies that are short term (not exceeding 720 days). Moreover, ICIEC successfully concluded in 2017 a Treaty Program for its Medium Term (MT) and Foreign Investment Insurance (FII) policies with a panel of reinsurers (Munich Re, Swiss Re, Hannover Re, Partner Re and XL Catlin Re), with effect from 1 July 2017 to 31 December 2018. In addition to those two Outward Quota Share Treaties for Short Term and Medium Term and Investment Insurance policies, ICIEC has other specialized outward Quota Share Treaties with Coface and Credimundi. Finally, ICIEC seeks actively Outward Facultative Reinsurance arrangements whenever required.

During 2017, ICIEC mobilized actual insurance capacity amounting to USD 4.29 billion, which is more than 10 times the subscribed capital of the Corporation. The breakdown of that reinsurance capacity is as follows: USD 1.53 billion is under short term reinsurance treaty, USD 139 million under the MLT reinsurance treaty, USD 1.25 billion under Coface fronting arrangement, USD 578 million under Credimundi Fronting Agreement and USD 804 million was ceded under facultative arrangements. For more, please see the chart below.

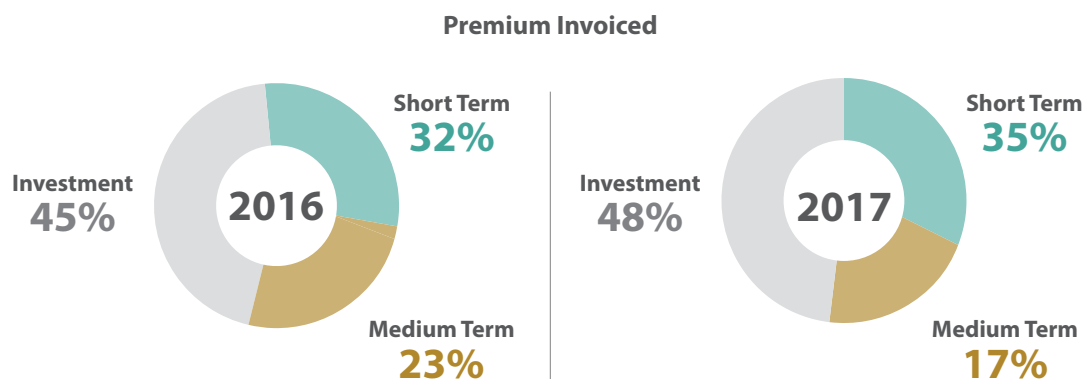
Source of Insurance Capacity - Business Insured 2017G



PREMIUM INCOME

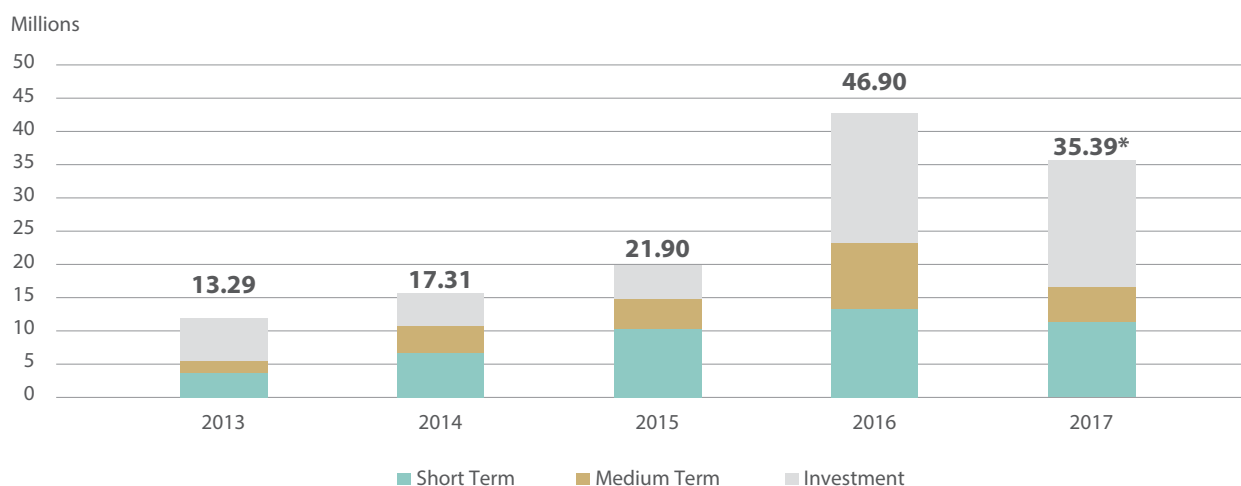
At USD 35.39 million, the gross premium invoiced during the year 2017 declined by 25% compared to the restated figure of USD 49.9 million in 2016. Of this, the Foreign Investment Insurance (FII) contributed 48%, followed by the Short Term and the Medium Term which accounted for 35% and 17% respectively. The premium generated from the Short Term, Medium Term and Investment Insurance amounted to USD 12.58 million, USD 5.87 million and USD 16.94 million, respectively.

It is to be noted that the sharp increase in the premium figure for 2016 (and hence the reduction in that of 2017) is the result of a restatement of the 2016 financial statement of the Corporation by the auditors.



Over the last five years, ICIEC's Gross Premium income enjoyed a steady growth from USD 13.35 million in 2013 to USD 49.9 million in 2016, and then down to USD 35.39 million in 2017. The major source of Premium Income growth has been the Investment Insurance line of business. Premium income from the Short Term has been more or less stable, whereas, the Medium Term has been fluctuating sharply over time.

Premium Invoiced Over the last Five Years (USD MN)



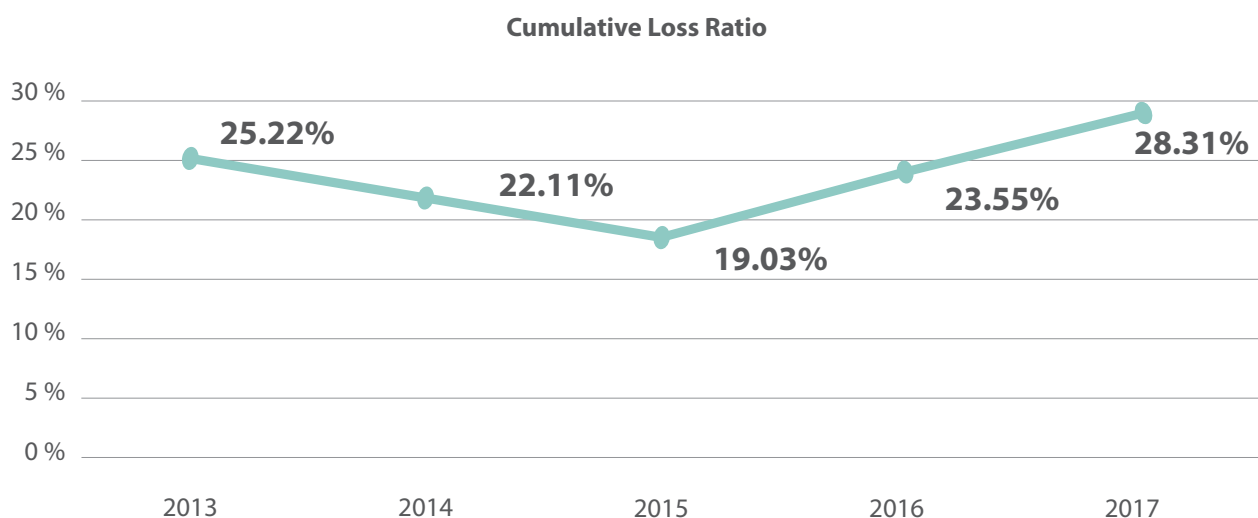
*There has been a restatement of financial statement figures which led to the numbers of 2016 increasing significantly and those of 2017 declining. For more please see the notes accompanying the 2017 Financial Statement.

CLAIMS PAID AND RECOVERIES

Claims Received and Paid

In 2017, the Corporation paid four claims for a total amount of USD 10.02 million (Net Amount USD 5.41 million). The Net Loss is higher than that incurred in 2016 when the amount of gross paid claims was USD 9.63 Million (Net Amount USD 3.85 Million). One of the claims paid during this period was in the Power Sector and under the Inward Facultative Reinsurance Policy, for an amount of USD 2.78 million (Net Amount USD 1.3 million) and EUR 1.6 million (Net Amount EUR 0.73 million). The two claims were paid to one Policyholder in Bahrain and one in Turkey for an amount of USD 5.2 million (Net Amount USD 3.11 million) due to the non-payment of a Spanish importer which has

gone into restructuring. These claims were part of projected claims during 2016. Another claim was paid in the real estate sector in Libya for an amount of USD 0.13 million. This was also an inward reinsurance policy.



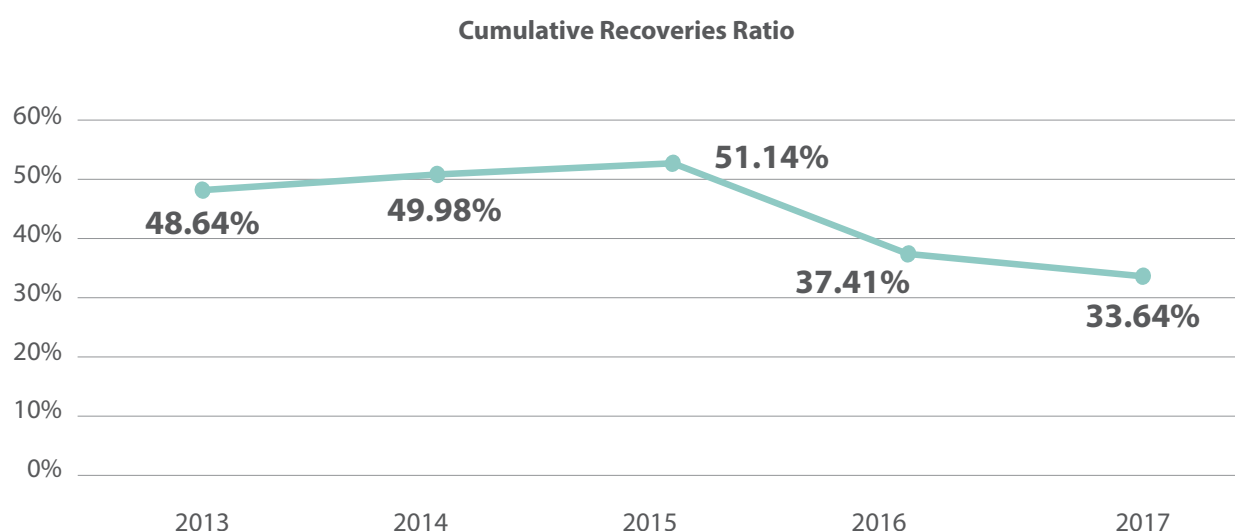
The loss ratio (which is equal to the total claims paid during a period over the total premium invoiced during the same period) for the year 2017 is 28.31%, compared with 23.55% for 2016. The cumulative loss ratio of the Corporation (since inception) is 21.76%. This is far below the loss ratio of the industry, which has been more than 50%. This is partly an indication of the good quality of ICIEC's portfolio and the conservative underwriting approach followed in assessing risks.

Recoveries

During 2017, ICIEC recovered a gross amount of USD 1.88 million. This amount represents part of the claim filed by the Bahraini Policyholder mentioned above due to non-payment of the Spanish importer. The other recovery cases are pending adjudication, which are yet to be finalized. There is, however, a positive development in one of the big recovery cases in which ICIEC's debtor was able to secure a favorable judgement in an appeal against the arbitration award passed against the obligor, a government-owned entity.

In order to maximize recoveries, ICIEC hired an international debt collection agency, Omni Bridgeway. Omni Bridgeway will assist ICIEC to recover, on a "no-success-no-fee" basis. This essentially means that Omni Bridgeway will not charge ICIEC anything until there is an actual recovery. ICIEC has already started transferring the recovery cases to Omni Bridgeway.

The Corporation's cumulative recoveries ratio (cumulative recoveries made over cumulative claims paid) at end of 2017 reached 33.64%.





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2017 AUDITED
FINANCIAL STATEMENTS

2017 AUDITED FINANCIAL STATEMENTS

INVESTMENT PORTFOLIO

For the year end 2017, ICIEC's total investment size decreased by 31% over the previous year as a result of the Corporation having difficulties in deploying EUR and JPY currencies for investment purposes. The reason for the said difficulties was the negative LIBOR rates these currencies were generating. Consequently, limited investment opportunities were available; and so the Corporation was forced to hold large EUR and JPY cash balances in its call accounts. However, ICIEC continued to seek avenues for deployment and was able to successfully approve EUR 16 million in medium term investment projects towards the end of 2017. Documentation and implementation matters were not finalized in time for disbursements to commence prior to the end of the year. It should also be noted that some money market placements in USD currency matured prior to the end of the year, thus further reducing the total investment amount at the balance sheet date.

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

ICIEC Investments – Five Year Summary

Year	2013	2014	2015	2016*	2017
Exchange Rate ID - USD**	1.53	1.48	1.41	1.34	1.41
All figures in ID Currency					
Total Assets (m)	157.50	172.32	179.82	242.70	262.08
Total Investments (m)	135.79	146.64	157.00	184.41	126.18
Investment Income (m)	2.76	2.38	2.83	3.58	2.83
Investment Return %	2.01%	1.69%	1.86%	2.10%	1.82%

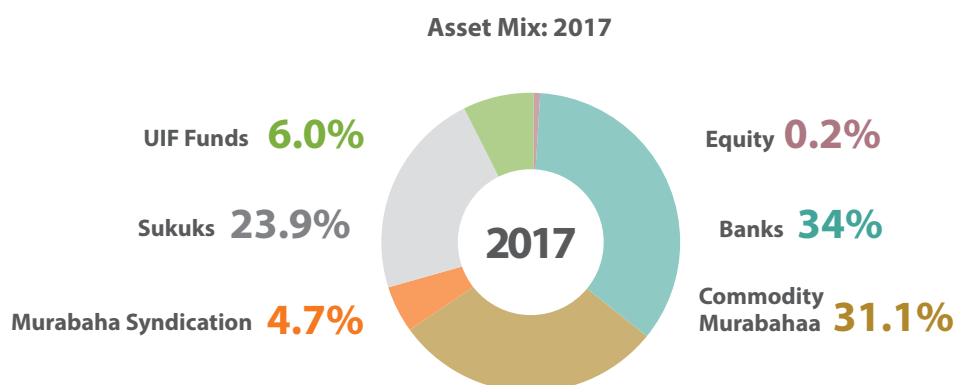
*2016 figures represent a 15 month period due to the change from Hijri calendar to Lunar, all other periods represent a 12 month period.

**Exchange rates are sourced from the International Monetary Fund (IMF) under Special Drawing Rights (SDR) rates.

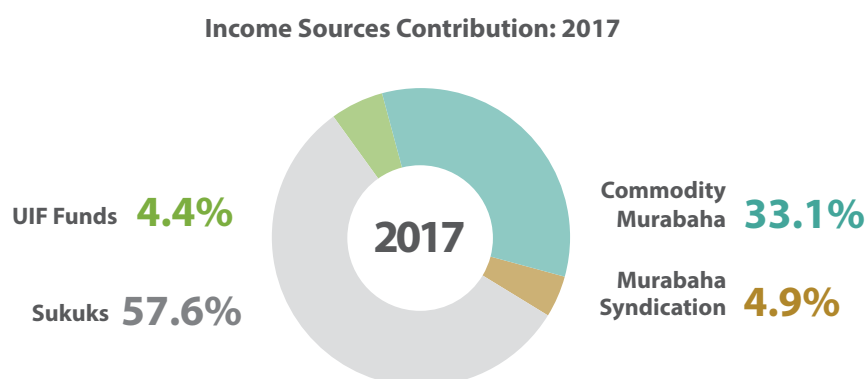
As the table shows, total assets have grown consistently throughout the review period, with total investments growing in a similar trend (with the exception of 2017 as explained in the previous paragraph). During 2017, ICIEC actively sought to further diversify its investment portfolio with the aim of improving performance returns. This included participating in a number of sovereign backed trade finance projects which allowed the Corporation to move its liquid funds towards more performing assets, namely in USD currency. As a result, the Corporation's investment income reached ID 2.83 million for the year and achieved comparable returns to the previous 12 month period (of 2015).

As the diagram below shows, Commodity Murabaha, Sukuks, and UIF Funds make up the majority of the investment portfolio, however Banks have increased to 40% due to (as explained earlier) the EUR and JPY currencies generating negative LIBOR during the year and subsequently having limited investment opportunities available for deployment.

Commodity Murabahas decreased by over 31% over the previous year as limited EUR and JPY Money Market opportunities existed and hence the Corporation was forced to hold large sums of cash in its call accounts. Sukuk assets decreased by 2% over the previous year as a few holdings reached their maturity prior to the balance sheet date. It is expected that the Corporation will continue to invest in Sukuk assets during the upcoming year to replace matured holdings and hence this asset class's contribution to the total portfolio will increase steadily as the year progresses. Murabaha Syndication saw an increase from 0.4% in 2016 to 4.7% in 2017, as ICIEC participated in a number of sovereign backed trade finance projects that fit within the Corporation's investment guidelines.

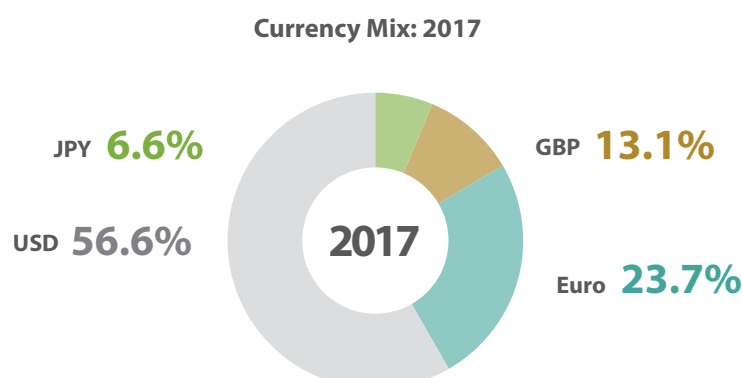


The pie chart below summarizes the major contributors to ICIEC's investment portfolio income during the year 2017.



As seen from the diagram above, Sukuk assets continued to generate the majority of the investment income for the portfolio during the year, followed by Commodity Murabaha, Murabaha Syndications and UIF Funds.

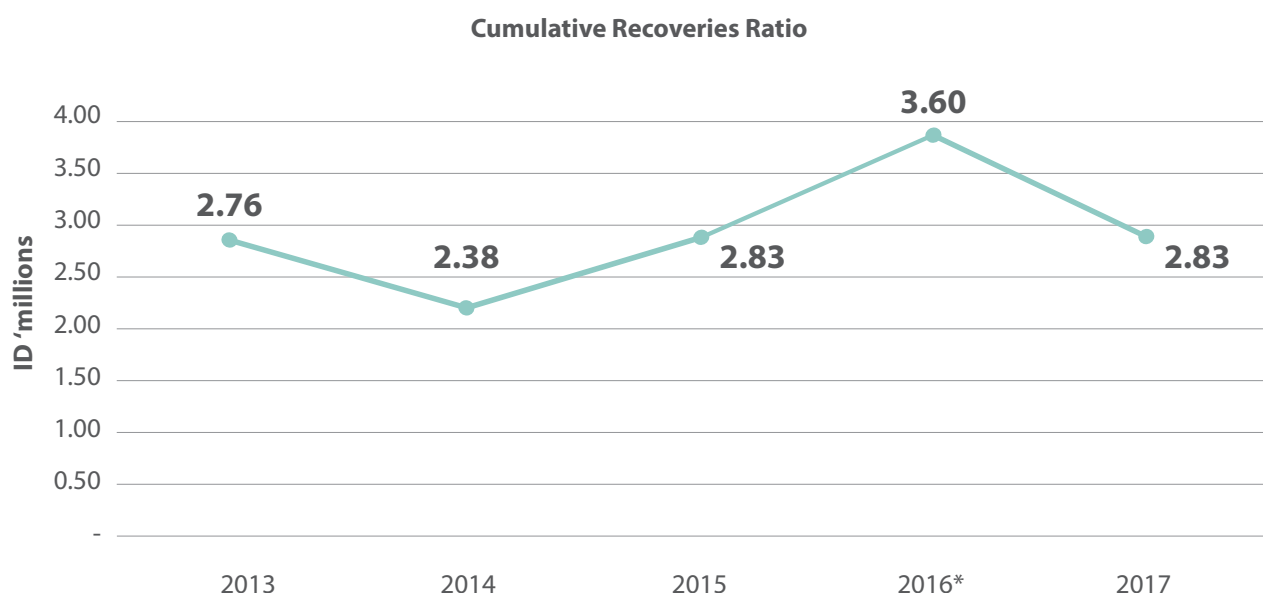
The currency mix of ICIEC's investment portfolio for the year 2017 is shown in the chart below.



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 USD currency. On the other hand, the Corporation's investment exposure to Euro denominated transactions reduced to 24% from 34% the previous year due to negative EUR LIBOR limiting the number of available investment opportunities.

In addition, the approved EUR Murabaha Syndicated operations did not become effective prior to the balance sheet date and hence the Corporation held large EUR balances in its call account. Whilst the GBP and JPY currency mix remains consistent with previous years, the Corporation continued its efforts to shift its liquid funds towards medium term and more profitable opportunities, most recently via investment in a EUR denominated inter-fund placement.

By following a focused investment strategy aimed at decreasing exposure to financial instruments directly impacted by the volatility of LIBOR, coupled with maintaining a pro-active approach towards its in-house investments and greater concentration on performing assets, ICIEC's investments in 2017 provided an income of ID 2.83 million, producing comparable returns to the annualized return of the 15 month financial period of 2016.



*2016 figures represent a 15-month period due to change from Hijri calendar to Lunar, all other periods represent a 12-month period.

FINANCIAL PERFORMANCE

Change in fiscal period of the corresponding period:

The Board of Executive Directors (BED) of IDB, recommended to the Board of Governors of IDB for reporting purposes only, to change the start and end of the financial year using the Solar Hijri calendar, whilst maintaining the Lunar Hijri as the official calendar of the Bank. The Board of Governors of IDB passed a resolution BG/4-436 approving the recommendation of the BED.

This change to the start and end of the IDB's financial year has necessitated the Corporation to adopt the same financial year in order to be consistent with the IDB Group's financial year.

The above change has resulted in the corresponding financial year 2016 (1437/1438) of the Corporation being different from the current reporting period 2017 (1438/1439) thus making the two periods incomparable as is presented below:

Reporting period	Period (from/to)	Number of days
Comparative reporting period under Lunar Hijri	14 October 2015 31 December 2016	444 days
	Corresponding to 1 Muharram 1437H 1 Rabi Al Akhir 1438H	
Current reporting period under Solar Hijri	1 January 2017 31 December 2017	365 days
	Corresponding to 2 Rabi Al Akhir 1438H 12 Rabi Al Akhir 1439H	

POLICYHOLDERS' FUND

The 2017 (1438-1439) gross premium decreased by 24% to ID 25.3 million, compared with ID 33.5 million for the 2016 (1437-1438), considering the differences in the two reporting periods.

However, as a way of managing ICIEC's insurance capacity, and the insurance risk, the reinsurance cession for 2017 (1438-1439) remain on the same level of last year 2016 (1437-1438) at ID 15.6 million. As a result, the net earned premium for the year 2017 (1438-1439) has increased by 3%, amounting to ID 12.2 million compared to the earned premium of ID 11.9 million reported for the year 2016 (1437-1438) due to the accrued earning of the previous years' written insurance contacts.

Net claims, reflecting the claims paid and IBNR provision net of claims recoveries, favorably declined by 71% in 2017 (1438-1439) and amounted to ID 3.8 million compared with ID 12.9 million reported in 2016 (1437-1438). This was due to a big claim forming 67% of the claims expenses charged in 2016 (1437-1438).

Operating expenses declined by 7% from ID 13.8 million for 2016 (1437-1438) to ID 12,8 million for 2017 (1438-1439), although the corresponding year was for a longer period, due to better management of staff and acquisition costs.

The net result from Policyholders' Fund (insurance business performance) before FX results for 2017 (1438-1439) was a deficit of ID 0.7 million and a surplus of ID 1 million reported after FX gains, compared with a deficit of ID 11.7 million reported last year 2016 (1437-1438) before FX results, and a deficit of 12.5 million after FX results.

SHAREHOLDERS' FUND

Income from investments in 2017 (1438-1439) decreased by 21%, amounting to ID 2.8 million compared with ID 3.6 million reported in 2016 (1437-1438). This primarily emanated from the impact of the longer period used in the comparable reporting period in 2016.

Management fees and administrative expenses increased by 42% to ID 0.6 million for 2017 (1438-1439), compared to ID 0.4 million for 2016 (1437-1438). This was negatively affected by the impairment of ID 0.1 million on some old investment position.

The foreign exchange revaluations results reported a big loss in 2017 (1438-1439) of ID 2 million, compared with a gain of the same amount (ID 2 million) in 2016 (1437-1438), due to the fluctuation in the foreign exchange rates of the currencies underlying ICIEC's functional currency, the ID.

The net result of the Shareholders' Fund before FX results for 2017 (1438-1439) is a surplus of ID 2.2 million and a surplus of ID 0.3 million after FX gain, compared with a surplus of ID 3.2 million reported last year 2016 (1437-1438) before FX results, and a surplus of 5.2 million after FX results.

CORPORATE NET RESULTS

The net result at the corporate level for 2017 (1438-1439) is a surplus of ID 1.2 million, compared with a deficit of ID 7.4 million in 2016 (1437-1438).



The background of the page is a complex, repeating geometric pattern of overlapping triangles and polygons in various shades of teal and light green. The pattern is centered and fills the entire page. The word "APPENDICES" is centered in the middle of the page in a bold, dark teal font.

APPENDICES

APPENDICES

FACTS ABOUT ICIEC

AUTHORIZED CAPITAL

ID **400** million

(Equivalent To Usd 568 Million) (1 Id=Usd1.42). (As Of End Of December 2017)

SUBSCRIBED CAPITAL

ID **288** million

(Equivalent to US\$ 409million) (1 ID=US\$1.42). (As of end of December 2017)

BUSINESS INSURED

Cumulative since Inception

Over US\$ **43.76** billion

Scope of Cover

- Commercial risks such as insolvency, buyer failure to pay, refusal of the buyer to accept goods after shipment.
- Political risks such as war and civil disturbance, expropriation, currency transfer and convertibility restrictions, breach of contract.
- Contract Frustration (Pre-shipment risk).
- Non-honoring of sovereign financial obligations.

Strategic Objectives

- Enhanced economic development in Member Countries and to ensure financial sustainability.
- To be the preferred enabler of economic and social development in member countries, using trade credit and investment insurance solutions as a tool.

Affiliations

Berne Union and Co-founder of Aman Union.

MEMBERSHIP AND CAPITAL SUBSCRIPTIONS

Membership in ICIEC

The basic condition for membership in ICIEC is that the prospective Member Country should be a member of the Organization of Islamic Cooperation (OIC). At the end of 1437-1438 (2016), there were 45 shareholders of ICIEC, comprising IDB and 44 countries, including 19 Arab countries, 16 African countries, and nine Asian and other countries.

Subscription to the Capital Increase of ICIEC

The total subscriptions to the general increase reached 32,500 shares out of 50,000 (about 65% of the offered shares), while the total subscription to the optional increase has reached 55,445 shares out of 150,000 shares (about 37% of the offered shares). The subscriptions to the optional increase were made by ten Member Countries out of 44 existing member countries.



SUMMARY OF ICIEC SHARE CAPITAL

As of end of December 2017

(Figures in Islamic Dinar)

 IDB Subscribed Shares 150,000,000 % of Subscribed 52.10%	 PAKISTAN Subscribed Shares 2,500,000 % of Subscribed 0.87%	 JORDAN Subscribed Shares 500,000 % of Subscribed 0.17%	 GABON Subscribed Shares 250,000 % of Subscribed 0.09%
 SAUDI ARABIA Subscribed Shares 60,000,000 % of Subscribed 20.84%	 NIGERIA Subscribed Shares 2,187,000 % of Subscribed 0.76%	 LEBANON Subscribed Shares 500,000 % of Subscribed 0.17%	 GUINEA Subscribed Shares 250,000 % of Subscribed 0.09%
 IRAN Subscribed Shares 10,000,000 % of Subscribed 3.47%	 LIBYA Subscribed Shares 1,500,000 % of Subscribed 0.52%	 OMAN Subscribed Shares 500,000 % of Subscribed 0.17%	 IRAQ Subscribed Shares 250,000 % of Subscribed 0.09%
 KUWAIT Subscribed Shares 7,500,000 % of Subscribed 2.60%	 ALGERIA Subscribed Shares 1,000,000 % of Subscribed 0.35%	 ALBANIA Subscribed Shares 250,000 % of Subscribed 0.09%	 MALI Subscribed Shares 250,000 % of Subscribed 0.09%
 U.A. EMIRATES Subscribed Shares 7,500,000 % of Subscribed 2.60%	 TUNISIA Subscribed Shares 1,000,000 % of Subscribed 0.35%	 BENIN Subscribed Shares 250,000 % of Subscribed 0.09%	 MAURITANIA Subscribed Shares 250,000 % of Subscribed 0.09%
 EGYPT Subscribed Shares 6,703,000 % of Subscribed 2.33%	 YEMEN Subscribed Shares 1,000,000 % of Subscribed 0.35%	 BRUNEI Subscribed Shares 250,000 % of Subscribed 0.09%	 MOZAMBIQUE Subscribed Shares 250,000 % of Subscribed 0.09%
 KAZAKHSTAN Subscribed Shares 6,500,000 % of Subscribed 2.26%	 SUDAN Subscribed Shares 750,000 % of Subscribed 0.26%	 CAMEROON Subscribed Shares 250,000 % of Subscribed 0.09%	 NIGER Subscribed Shares 250,000 % of Subscribed 0.09%
 MOROCCO Subscribed Shares 5,000,000 % of Subscribed 1.74%	 BURKINA FASO Subscribed Shares 680,000 % of Subscribed 0.24%	 CHAD Subscribed Shares 250,000 % of Subscribed 0.09%	 PALESTINE Subscribed Shares 250,000 % of Subscribed 0.09%
 QATAR Subscribed Shares 5,000,000 % of Subscribed 1.74%	 BANGLADESH Subscribed Shares 500,000 % of Subscribed 0.17%	 COMOROS Subscribed Shares 250,000 % of Subscribed 0.09%	 SENEGAL Subscribed Shares 250,000 % of Subscribed 0.09%
 TYRKEY Subscribed Shares 5,000,000 % of Subscribed 1.74%	 GAMBIA Subscribed Shares 500,000 % of Subscribed 0.17%	 COTE D'IVOIRE Subscribed Shares 250,000 % of Subscribed 0.09%	 SYRIA Subscribed Shares 250,000 % of Subscribed 0.09%
 BAHRAIN Subscribed Shares 3,625,000 % of Subscribed 1.26%	 INDONESIA Subscribed Shares 500,000 % of Subscribed 0.17%	 DJIBOUTI Subscribed Shares 250,000 % of Subscribed 0.09%	 UGANDA Subscribed Shares 250,000 % of Subscribed 0.09%
 MALAYSIA Subscribed Shares 2,740,000 % of Subscribed 0.95%			

TOTAL

ID **287,935,000**

THE INSTITUTIONS OF THE IDB GROUP

THE ISLAMIC DEVELOPMENT BANK



Establishment

The Islamic Development Bank is an international Islamic financial institution, established in accordance with Articles of Agreement done at the City of Jeddah, Kingdom of Saudi Arabia, on 24/7/1394H (12/8/1974G), signed and ratified by all Member Countries. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H, corresponding to July 1975, and the Bank was formally opened on 15 Shawwal 1395H, corresponding to 20 October 1975.

Vision

“To 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

“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

As per the decision of the 38th Annual Meeting of the Board of Governors, the authorized capital of the IDB was raised to ID 100 billion and its subscribed capital to ID 50 billion.

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

The Bank's principal office is in Jeddah in the Kingdom of Saudi Arabia. Four regional offices were opened in Rabat, Morocco (1994), Kuala Lumpur, Malaysia (1994), Almaty, Kazakhstan (1997), and Dakar, Senegal (2008). It also has two country gateway offices in Ankara, Turkey and Jakarta (Indonesia) and field representatives in 14 Member Countries (Afghanistan, Azerbaijan, Bangladesh, Burkina Faso, Guinea, Iran, Mali, Pakistan, Sudan, Turkmenistan, Uzbekistan, Yemen, Mauritania and Libya).

www.isdb.org



ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

IRTI was established in 1401^H (1981^G) to help the Bank in discharging its functions in the fields of research and training assigned to it by its Articles of Agreements. IRTI's objectives are: to undertake research and provide training and information services in member countries and Muslim communities in non-member countries to help bring their economic, financial and banking activities into conformity with Shariah and to further accelerate economic development and enhance cooperation amongst them. www.irti.org



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

ICD was established in Rajab 1420^H (November 1999^G) as an independent entity within the IDB Group. The mission of the ICD is to complement IDB through the development and promotion of the private sector, as a vehicle for economic growth and development in member countries. The main objectives of the ICD are: to identify investment opportunities in the private sector in the member countries so as to accelerate economic growth, to provide a wide range of Shari'ah compatible financial products and services and to expand access to Islamic capital markets by private companies in member countries. www.icd-idb.org



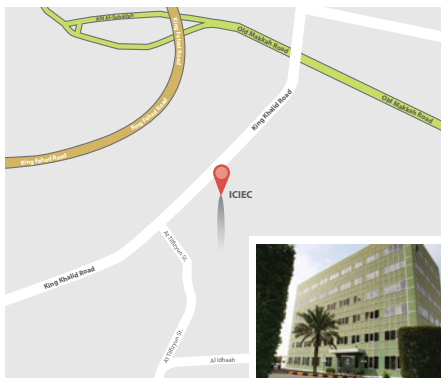
INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)

The IDB Board of Governors approved the establishment of the International Islamic Trade Finance Corporation (ITFC) in its meeting held in Jumad Awwal 1426^H (June 2005^G). The ITFC Articles of Agreement were cleared during the Annual Meeting of the IDB held in 1427^H (2006^G) in Kuwait. The purpose of the Corporation is to promote trade of the member countries of the Islamic Development Bank through providing trade finance and engaging in activities that facilitate intra-trade and international trade. www.itfc-idb.org

CONTACT INFORMATION

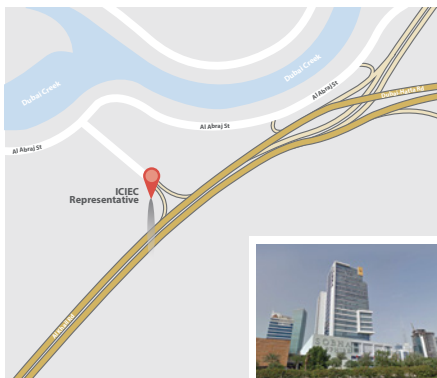
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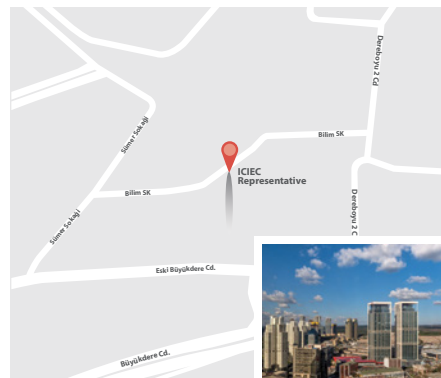
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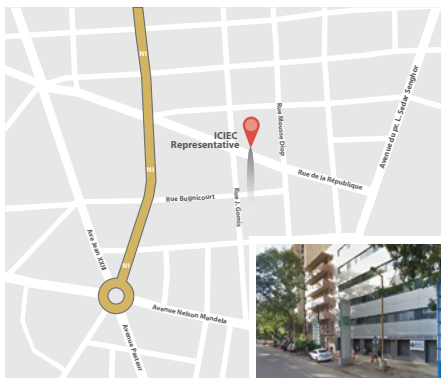
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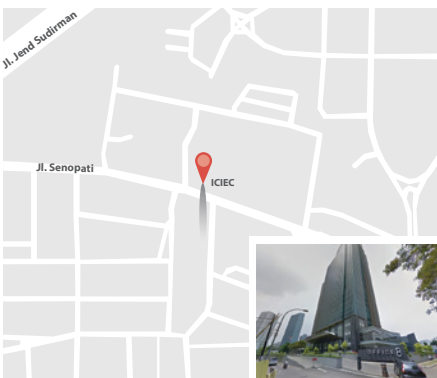
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