Annual Report
1430H (2009G)

"Globally Secure"

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

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."

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Business and Financial Results Highlights 1430H

In USD millions

Business Highlights	1429H	1430H	Change
New Insurance Commitments	1,706	2,134	25%
Business Insured	1,444	1,029	-29%
Current Exposure	559	743	33%
Premium and Fees	13.2	12.5	-5%
Claims Paid	0.65	1.60	146%
Recoveries	0.10	1.91	1810%
Admin. Expenses	6.60	7.49	13%
Reinsurance Cession	6.40	5.06	-20%
Technical Result	(0.35)	0.26	NA

In Islamic Dinar (ID)[1] millions

Financial Highlights	1429H	1430H	Change
Total Assets	108.43	114.88	6%
Total Shareholders' Equity	100.55	101.99	1%
Paid-up Capital	73.06	73.25	0%
Net Reserves	22.78	25.57	12%
Investment Income	3.69	2.09	-43%
Earned Premium and Fees	1.95	4.12	111%
Net Claims Incurred	0.51	0.19	-63%
Net Corporate Result	0.46	1.09	137%

Transmittal Letter

"Globally Secure"

In the Name of Allah, the Beneficent, the Merciful

Date: 26 / 05 / 1431H
10 / 05 / 2010G

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

Dear Brothers and Sisters,

Assalamu-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I have the honor to submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1430H (2009), including audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,

Dr. Ahmad Mohamed Ali
President of ICIEC

Making business transactions less risky and more competitive.

For over 15 years

1994
- Establishment of ICIEC as a multilateral export credit and investment insurance entity

1995
- Commencement of ICIEC operations

1998
- Increased membership by OIC Countries.
- Investment Insurance services commence

2000
- ICIEC joins COFACE Credit Alliance
- Amendment to ICIEC Articles of Agreement to allow cover of exports to the world

2005
- Amendment to ICIEC Articles of Agreement to allow cover of investments from anywhere in the world

2007
- Accepted as an observer in Berne Union

2008
- Increased capital to ID 150 million
- Assigned first time rating of Aa3 by Moody's.

2009
- Attained full membership in Berne Union
- Establishment of Aman Union
- Country membership reaches 38 countries
- Maintains Moody's IFSR during global financial crisis

Message from the President

The year 1430H (2009) was a challenging period for the financial services industry in general, owing to the continued negative impact of the economic downturn on the demand for financial services. Accordingly, the performances of all sectors of the industry were affected. The credit and political risk insurance sector was especially badly hit as the worldwide trade and investment flows declined significantly during 1429H-1430H (2008G-2009G) and business failures increased worldwide, resulting in a substantial increase in the number of claims. Accordingly, the loss ratio (percentage premium used to pay claims) of major insurers and reinsurers of credit and political risk deteriorated manifold.

I am pleased to report that despite all these challenges during 1430H, the Corporation provided insurance commitments worth USD 2.13 billion to exporters, banks and other commercial and governmental institutions in 22 Member Countries and 3 non-member countries. This amount was 25% more than USD 1.71 billion provided the year before. However, the Corporation was not completely unscathed by the impact of the global economic recession as Insured Business (the actual execution of Insurance Commitments) experienced a drop of 29%, declining from USD 1.44 billion in 1429H (2008) to USD 1.03 billion in 1430H. Fortunately, the decline in underwritten premium was only 5%, dropping from USD 13.2 million in 1429H to USD 12.5 million in 1430H as the overall pricing of risk escalated and the share of medium and long term-business increased in the Corporation's insured business portfolio.

The period under review witnessed USD 1.91 million in recoveries, compared to only USD 0.10 million in the preceding year. Meanwhile, paid claims increased to USD 1.60 million as compared to USD 0.65 million the year prior, resulting in a very low loss ratio of 13% when compared to the industry average of 83%. This can be attributed to ICIEC's timely review of all existing exposures, and prudent underwriting of new insurance business in the wake of the global financial crisis. The Corporation also reviewed its operating procedures to bring about further efficiency, deferred certain planned expenditures and rationalized its reliance on outward reinsurance. These measures helped to bring ICIEC's technical result to a surplus of USD 0.26 million for the year, in contrast to the preceding year's deficit of USD 0.35 million. Moreover, the investment results for ICIEC (USD 3.29 million) remained lower for 1430H than those achieved in 1429H (USD 5.80 million). This can be attributed to the consistently low rates of return prevailing in the market.

It is with much pleasure that I report the overall financial result for the year 1430H, which shows a significant improvement from the preceding year, reaching ID 1.09 million (USD 1.71 million) as compared to ID 0.46 million (USD 0.71 million) reported in 1429H. This is a significant achievement when viewed against the backdrop of the global financial crisis and the generally dismal performance of the credit and political risk insurance sector for this year.

The year also witnessed a reaffirmation of the Aa3 rating of ICIEC by Moody's, the rating agency, confirming its confidence in the Corporation's business model, its insurance financial strengths, and its performance. The acceptance of ICIEC as a permanent member of the Berne Union, elite club of the 50 largest credit and political risk insurers of the world, also signifies the industry's confidence in the Corporation's mandate and its performance.

The mandate of ICIEC requires it to support the development of Export Credit Agencies (ECAs) in its Member Countries. Towards that end, ICIEC was instrumental in bringing together 14 national ECAs and the Arab Investment Guarantee Corporation under the umbrella of Aman Union. This 16-member Union was launched during 1430H in Beirut, Lebanon, to develop the commercial and non-commercial risks' insurance industry in the OIC Member Countries.

ICIEC was also actively engaged in providing technical assistance to the IDB Member Countries, through the IDB Group Investment Technical Assistance Program (ITAP), in order to help promote the flow of foreign direct investment into those countries. During 1430H, ITAP was active in 8 Member Countries. ITAP also conducted training programs in collaboration with both national and international partners from more developed Member Countries, thus benefiting investment promotion agencies in all Member Countries.

Looking ahead, ICIEC expects a robust business year during 1431H (2010), resulting from the expected return of trade and investment flows to their normal levels. In addition, it is expected that the amendments that ICIEC is introducing to its Articles of Agreement and Operational Regulations will introduce more flexibility and efficiency in the conduct of its operations, thus helping to increase business volume and profitability.

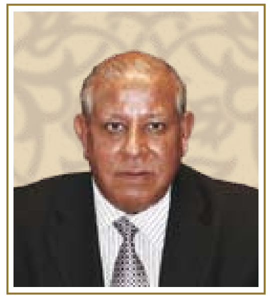
Dr. Ahmad Mohamed Ali
President of ICIEC

ICIEC Board of Executive Directors

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

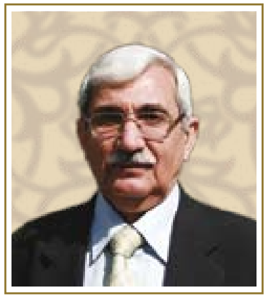
Ibrahim Mohamed Al-Mofleh
(Saudi Arabia)

Ismail Omar Al Dafa
(Qatar)



Bader Abdullah S Abuaziza
(Libya)

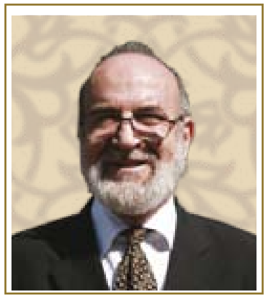
Khamdan H. Tagaimurodov
(Albania, Azerbaijan, Kazakhstan,Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan)



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

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

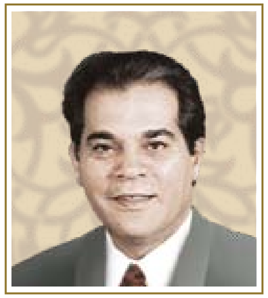
Syed Hamid Pour Mohammadi
(Iran)



Selim Cafer Karatas
(Turkey)

Abdul Aziz Abdullah Al-Zaabi
(United Arab Emirates)

Junaidi Hashim
(Brunei, Indonesia, Malaysia & Suriname)



Zeinhom Zahran
(Egypt)

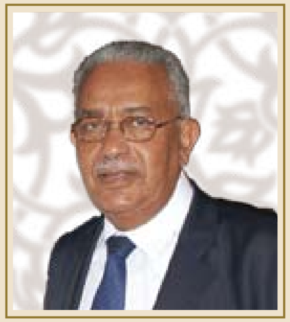
Nailane Mhadji
(Comoros, Cote d'Ivoire, Guinea, Guinea Bissau, Morocco, Nigeria, Sierra Leone, Somalia, Sudan, Tunisia and Uganda)

Sibtain Fazal Halim
(Afghanistan, Bangladesh and Pakistan)

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

Faisal Abdul Aziz Al-Zamil
(Kuwait)

ICIEC Management

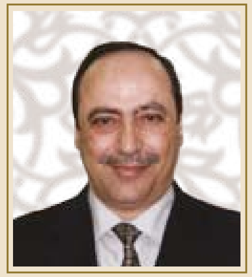


Dr. Abdel Rahman Eltayeb Taha
General Manager

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

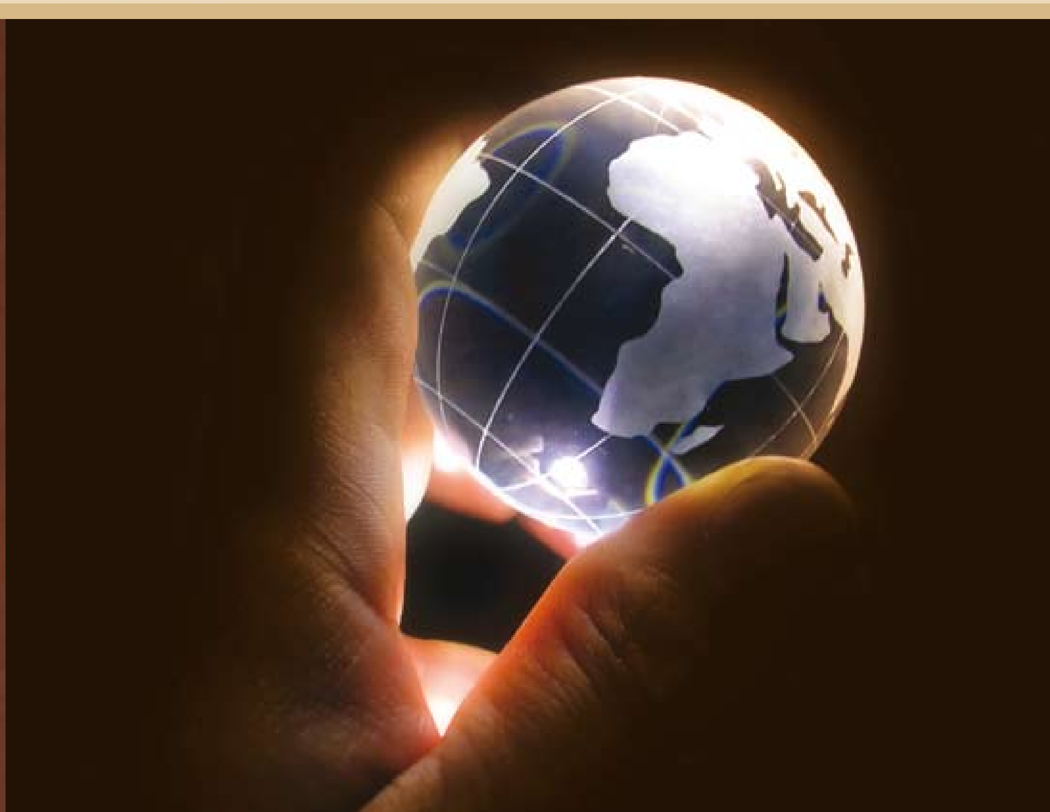
Muhammad Azam
Director , Accounting & Finance

Adil A. Babikr
Director, Legal Affairs



Bassam Dawoud
Acting Director, HR & Corporate Service

Global Picture 1430H (2009)



> *"In the advanced economies, unprecedented public intervention has stabilized economic activity and has even fostered a return to modest growth in several economies during 1430H (2009)."*

1 Macroeconomic Review

Against a backdrop of wide-ranging public sector intervention measures aimed at supporting demand and lowering uncertainty and systemic risk in financial markets, economic growth has turned positive after the deep economic recession in 2009 (1430H). The recovery is expected to be nascent, though, as financial systems remain impaired, support from public policies will have to be gradually withdrawn. Households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment.

Key challenges remained working towards restoring financial sector health while maintaining supportive macroeconomic policies until recovery gains a firm footing. However, the need for an orderly unwinding of extraordinary levels of public intervention was treated with caution. The global economy appears to be expanding again, pulled up by the strong performance of Asian economies (led by China and India) and stabilization or modest recovery elsewhere. In advanced economies, unprecedented public intervention has stabilized economic activity and has even fostered a return to modest growth.

Thus, after contracting by about 1% in 2009, global GDP is forecast to expand by about 3% in 2010; this is still well below the rates achieved before the crisis. Emerging and developing economies are generally further ahead on the road to recovery, led by resurgence in Asia. A rebound in commodity prices and supportive policies are helping many of these economies. The rebound is driven by China, India, and a number of other emerging Asian economies. On the other hand, many countries in emerging Europe and the Commonwealth of Independent States (CIS) have been hit particularly hard by the crisis, and developments in these economies are generally lagging behind those elsewhere. The pace of recovery is slow, and activity remains far below pre-crisis levels. In emerging economies, real GDP growth is forecast to reach almost 5% in 2010, up from 1.75% in 2009.

The economic fallout of the global crisis on the CIS has been intense and is weighing heavily on the region's economic outlook. A sharp contraction in Russia, along with the effects of the global recession and financial crisis, has led to painful adjustments for the lower-income net energy importers in the region. As many of these economies are still dependent on Russia for remittances and export earnings, the crisis depressed domestic demand, upended credit booms, and in some cases, shut down access to foreign capital markets. Most of the energy-exporting countries are weathering the financial turmoil and the drop in energy prices comparatively well since they are less dependent on developments in Russia and were also able to make independent policies with regards to resources flows.

Although Asia's export-oriented economies were battered by the abrupt global downturn, the economic outlook for the region improved markedly during the first half of 2009. Recent developments point to a strengthening of domestic demand and exports, but questions remain about whether the rebound can become a self-sustaining recovery ahead of a stronger growth pickup in the rest of the world.

Emerging Europe has been hit particularly hard by the drop in capital inflows. There have been major contractions in the Baltic economies of Bulgaria and Romania, although exchange rates acted as a shock absorber in economies with flexible regimes. Bosnia, Hungary, Latvia, Romania, and Serbia are currently receiving IMF balance of payments support, whereas Poland has access to the IMF Flexible Credit Line in order to safeguard market confidence. Recently, the pace of contraction has slowed dramatically in much of the region, with risk appetite returning, exports accelerating, and the inventory draw down moderating. However, private credit continues to be sluggish and unemployment remains on the rise.

The Latin American and Caribbean region is showing signs of stabilization and recovery. These economies are helped by improving conditions in global financial and commodity markets and stronger policy frameworks that promoted resilience and allowed timely policy responses to support economic activity.

Global Picture 1430H (2009)

The outlook for the Middle East has improved recently, with the global economy stabilizing and oil prices rebounding. These economies have been hit hard by the global recession and, as a result, growth has decelerated sharply. In particular, the collapse in oil prices and a sharp contraction in worker remittances and foreign direct investment have weighed on the economies in the region. A recent improvement in global financial conditions and rise in commodity prices, however, are helping restore the pace of economic activity. Nonetheless, the aftermath of the regional asset price collapse and the debt situation in some large government-owned enterprises continued to weigh down on prospects.

Growth in Africa has slowed significantly because of the collapse of global trade and disruptions in global financial markets, however it is expected to regain momentum as a global recovery gets under way. The effect of the global recession was initially felt most strongly in those economies more highly integrated into the global financial markets, including South Africa. Subsequently, the impact of the fall in financial flows propagated to oil exporters (including Algeria, Angola, Libya, and Nigeria), manufacturing exporters (Morocco and Tunisia), and commodity exporters (Botswana), as global trade collapsed. A recent improvement in financial conditions and commodity prices, however, is helping these economies recover from this damage. Real GDP growth in Africa is projected to decline from an average of 6% in 2004-08 to 1.75% in 2009, before accelerating to 4% in 2010. Given the severity of external shocks, this growth performance, while disappointing in light of the experience of the mid-2000s, is still encouraging. An important factor behind this outcome has been that many governments in the region have been able to use fiscal balances as shock absorbers, hence sustaining domestic demand and helping contain employment losses. Relative to their 2004-08 performance, oil exporters (Angola, Equatorial Guinea, and Nigeria) experienced the sharpest growth slowdowns in 2009 as a result of oil revenues which have fallen sharply. As their exports contracted, GDP growth in countries importing oil also decelerated from an average of 5% in 2004-08 to 1.5% in 2009,

Advanced economies are projected to expand sluggishly through much of 2010, with unemployment continuing to rise until later in the year. Annual growth in 2010 is projected to be about 1.25%, following a contraction of 3.5% in 2009. The U.S. economy is showing increasing signs of stabilization and recovery. Output declined substantially during the first half of 2009, and the unemployment rate rose to a level not seen since the early 1980s. Nevertheless, unprecedented monetary, financial, and fiscal policy interventions have helped stabilize consumer spending, housing, and financial markets, which led to renewed moderate growth in the second half of 2009.

After experiencing severe recessions, Australia, Canada, and New Zealand are transitioning to recovery. Real GDP growth in the first quarter of 2009 was negative for Canada and New Zealand and slightly positive for Australia. However, the recent evolution of industrial production, retail sales, and confidence indicators suggests that Australia is on its way to recovery and that the Canadian and New Zealand economies are stabilizing.

2 The Financial Crisis and the Credit Insurance Industry

The financial crisis and its negative consequences have put strains not only on financial institutions, but also on credit insurance companies worldwide. Rated insurers were under a constant threat of being downgraded as the deterioration in the credit quality of buyers and banks continued. As a result, insurers are now placing greater emphasis on their underwriting procedures and checks, as well as continuously monitoring their risk management practices to maintain best practices.

Insurance firms have stepped up their information sharing protocols due to concerns that a higher probability of claims could be lodged on existing commitments, and as such credit limit advice and file sharing on payment delays by buyers were given the greatest weightage. Insurers and re-insurers have had to boost due diligence practices, add stricter screening, and review underwriting protocols and methodologies more consistently. Large international credit insurers started aggressively cutting credit limits on businesses because of the increased macroeconomic risks. This led to suppliers asking buyers for cash payments or reduced credit terms at the very time when credit was needed the most.

The most immediate and measurable impact of this situation was the increase in business bankruptcies worldwide. As a result, credit insurance agencies around the world were forced to pay massive claims. The impact was felt most by the largest credit insurers, with portfolios heavily weighted in European and North American countries, as these experienced the full force of the recession. In 2008, claims paid by Berne Union members increased by 12% to reach USD 1.1 billion. Such figures are expected to be much more for the fiscal year 2009.

With the financial crisis and the ensuing recession having already made its mark on the world, the role of credit insurance has become ever more evident in ensuring the smooth flow of trade and services between international economies.

3 ICIEC's Response to the Crisis

Understanding the importance of a quick response to the financial crisis, ICIEC conducted an extensive review of its processes and working methods to mitigate the increased risks engendered by the crisis and the ensuing recession. This included:

Working closely with policyholders: ICIEC maintained close association with its policyholders to ensure that any delays in payments were promptly reported in order to take timely measures to settle the over dues. Policyholders were also informed that corrective actions, such as limit cancellation or reductions, would be undertaken wherever appropriate.

Revamping of Credit Information Sources: To help the underwriters better review the buyer portfolio, obtain adequate credit information, and have a better insight of buyers' financial conditions, credit information agencies providing the information were scrutinized. This resulted in adding 14 new sources to the list of providers in addition to the leading information providers, namely Coface, and Atradius, to whom ICIEC has on-line access.

Review of Buyers and Banks: Underwriters worked hard to maintain their prudent underwriting procedures and targeted a reduction in the incidence of claims as well as maintenance of a low loss ratio. The review of large limits was given high priority to countries facing economic distress in ICIEC's portfolio, with special attention given to review and adjust buyer credit limits. Similarly, certain vulnerable sectors such as textiles, retail and construction, which faced recessionary pressures, were reviewed on a priority basis. For assessment of bank limits, special attention was paid to the banks' funding model, the capitalization ratios, the loans to deposits ratios, and off balance sheet and contingent liabilities.

Controls placed in the IIMS: The underwriters of the Corporation are well supported by the Integrated Insurance Management System (IIMS) built in-house, which oversees processes and keeps a tight control on the operations for not breaching the Corporation's set limits. New tools were added to the IIMS, such as claim and NPL history and business insured to assist the underwriters in better underwriting the risks. Black-listing of buyers based on adverse reports received from other ECAs and policyholders continued to be recorded in the IIMS. The system also helped the underwriters in reviewing the available information quickly and set the limits, thereby considerably reducing the response time compared to the preceding year. Most policyholders now get an e-approval of buyer limits.

Understanding the importance of a quick response to the financial crisis, ICIEC conducted an extensive review of its processes and working methods to mitigate the increased risks engendered by the crisis and the ensuing recession

ICIEC at a Glance

> *ICIEC is the only multilateral export credit and investment insurance Corporation in the world that provides Shariah compliant insurance and reinsurance products.*

1 Objectives

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

2 Membership and Share Capital

Membership in ICIEC is open to the Islamic Development Bank and countries that are members of the Organization of the Islamic Conference (OIC). At the end of 1430H, there were 39 shareholders of ICIEC, comprising IDB and 38 countries, including 17 Arab countries, 13 African countries, 8 Asian and other countries.

The authorized share capital of ICIEC is ID 150 million (USD 225 million), made up of 150,000 shares of ID 1,000 each. IDB has subscribed to 100,000 shares of the authorized capital through the Waqf Fund, while the remaining 50,000 shares are left for subscription by the Member Countries of the Organization of the Islamic Conference (OIC).

3 ICIEC Takaful Model:

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

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

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

Moody's confirms Aa3 rating

In November 2009, Moody's Investors Service, one of the leading rating agencies in the world, confirmed the Aa3 rating of ICIEC. Moody's noted that ICIEC's rating reflects both the stand-alone fundamentals as well as potential support from its shareholders/IDB Group Member Countries. Thus, despite the absence of explicit guarantees, in the context of its key role as facilitator of trade among Islamic Countries, ICIEC's rating reflects the strong ability and potentially high willingness of ICIEC's main ultimate shareholders. Furthermore, Moody's noted that the rating reflects ICIEC's legal structure and business nature, as the only multilateral export credit and investment insurance corporation in the world that provides Shariah-compatible insurance and reinsurance products, as well as its enhanced regional knowledge based on its experience by operating in the region.

4 Corporate Governance

4.1 Structure

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

Board of Governors (BOG): The BOG is composed of Governors representing the Member Countries of the IDB and ICIEC. All powers of the Corporation are vested in the BOG. However, BOG may delegate its powers to the Board of Directors of the Corporation (BOD).

Board of Directors (BOD): The BOD is responsible for the general direction of the operations of ICIEC.

The President*: The President of the Islamic Development Bank is ex-officio; the President of ICIEC and the Chief Executive of the Corporation and is responsible for conducting its affairs under the direction of the BOD. The President is the legal representative of ICIEC and has the power to approve its operations and contracts, and may delegate any of his powers to ICIEC's General Manager.

The General Manager*: The General Manager is responsible for conducting the day-to-day business of the Corporation in the context of the authority delegated to him by the President.

ICIEC Board of Directors

* *The Board of Governors of ICIEC resolved, in its 16th Annual Meeting held in Ashgabat – Turkmenistan on 10th Jumada II 1430H (3rd June 2009), the amendments to the Articles of Agreement of ICIEC to change the structure of ICIEC's Senior Executive Management. The resolution states that ICIEC will have a Chief Executive Officer in place of the General Manager, and the President of Islamic Development Bank will be ex-officio Chairman of the Board of Directors of ICIEC. This will be effective 1431H (2010).*

4.2 ICIEC Medium Term Strategy

ICIEC's mandate of helping its Member Countries increase their exports and attract foreign investments emanates directly from the IDB Group's mission of assisting Member Countries achieve development and prosperity for their people. Hence, ICIEC's strategic objectives aim at fulfilling ICIEC's charter, whilst providing a meaningful contribution towards the IDB Group's developmental goals.

1. Increase Business Volume: Although the Corporation has posted high rates of growth during the last few years, sustaining this level of growth will be a challenge due to increasing international competition. Growth in business volumes, by way of a diversified client base and risk portfolio, will ensure that ICIEC's growth rate is not dependent on a few clients, and will ensure long-term business viability and financial stability for the Corporation. In addition, increased business volumes will also contribute directly and meaningfully to ICIEC's mandate of increasing exports from the Member Countries as well as investment flows to these Member Countries. It should be noted, however, that increase in business volumes will not take place at the expense of prudent risk management practices, which form a core principle of ICIEC's risk underwriting.

Increase in business volume will also directly contribute to the following IDB Group strategic focus areas:

Infrastructure Development: Through facilitating investment flows to ICIEC Member Countries

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

ICIEC Strategic Objectives

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

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

ICIEC's 16th BOG Annual Meeting in Ashgabat, Turkmenistan – 3rd June 2009

2. Maintain Financial Health of the Corporation: Maintaining and improving the financial health of the Corporation is crucial, keeping in mind the expectations of ICIEC's stakeholders (Board, IDB Group Management, Member Countries). Improvement of the financial health of the Corporation also ensures that ICIEC is better able to engage in meaningful development related work, which is also part of ICIEC's mandate. This objective is contingent on an increase in business volume, coupled with prudent risk management and reduced administrative costs. This will also help maintain the Corporation's Aa3 rating.

3. Increase the Developmental Impact: The Corporation's mandate also includes playing an important role in the development of the Member Countries' economies. The last five-year Strategic Plan, due to the Management's focus on achieving break-even in the technical result, could not provide much focus on this area. However, the new three-year rolling Business Plan (under the approved Reform initiative) attaches much importance to the developmental impact of the Corporation's activities. Hence, ICIEC is aiming to increase its share of medium-term export credit and foreign investment insurance in the risk portfolio, compared to the previous predominantly short-term export credit insurance portfolio.

Institutional Development

"ICIEC maintained an IFSR of Aa3 for 1430H (2009) 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, hence consolidating the Corporation's strategies and initiatives since its inception."

1 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 avail them with the best possible training facilities in a supportive and professional work environment. At the same time, ICIEC continues to develop its IT systems in the human resource management area in order to improve the efficiency of personnel and services management.

2 Risk Management

Risk management lies at the heart of ICIEC's operations. Mindful of the importance of risk management for ICIEC's long-term sustainability, the Corporation's management implemented a risk management regime. Under this effort and in line with the IDB Group risk management initiatives, a comprehensive in-house Risk Management Framework (RMF) was developed. It would provide the guidelines on managing technical, investment, and operational risks faced by the Corporation by setting up a Risk Management Department (RMD). The RMD not only sets risk management standards and monitors and controls their application, but also consolidates all risk-related activities such as country analysis and reinsurance. Furthermore, the Department would keep a close liaison with the IDB Group Risk Management Department to ensure synchronization of its goals with Group-wide objectives.

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

3 Credit Rating

In the wake of the worldwide financial crisis, credit ratings of all institutions in general and financial institutions in particular were reviewed. However, the Corporation's rating was maintained, reflecting both the stand-alone fundamentals as well as potential support from its shareholders/IDB Group Member Countries. With a strong international network of alliances with leading companies in the industry, in addition to low market penetration of credit insurance in its Member Countries, Moody's expects ICIEC's growth to be a strengthening feature in its rating.

4 Integrated Insurance Management System (IIMS)

During 1430H, Phase I of the Integrated Insurance Management System was completed. The development and implementation of IIMS Modules comprising Policies (CSTP, BMP, STP, IFRP, DCIP, GAP and FIP), Policy Applications, Outward Reinsurance, Invoicing & Declaration, and Claims & Recoveries were completed. New Modules such as the Country Risk, Reinsurance Quota Share, and Rating modules will be completed during 1431H. The IT Team also started Phase II of the project in 1430H, which entails the development of IIMS Remote Access, Insurance Statistics and Risk Management. The IIMS Remote Access Module Approvals, Declarations, NPLs and Statement of Accounts were successfully tested and implemented during the year.

Business Development

"*ICIEC is continuously conducting product development exercises to enrich the range of services it offers in favour of its Member Countries.*"

1 Products and Services

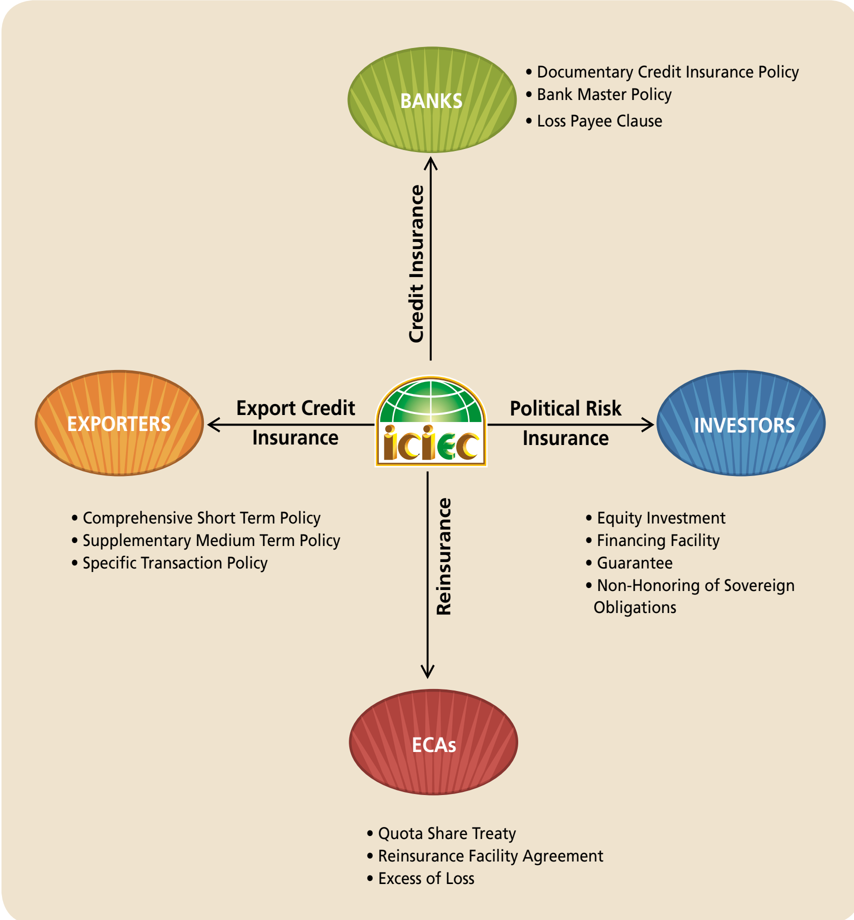
Given its challenging mandate and related strategic objectives, ICIEC is continuously conducting product development exercises to enrich the range of services it offers its Member Countries. Product development may take place through the enhancement of existing products, or through the designing of new products. Here, design and structure are based on a customer-oriented approach that follows the requirements made by the relevant economic players and is in full compliance with the principles of Islamic Shariah.

- In attending to the security needs of investors engaged in projects that benefit from financial commitments or guarantees from host governments, the Corporation released a new product to cover the risk of Non-Honouring of Sovereign Financial Obligation (NHSO). This new product will allow ICIEC to expand its contribution as a facilitator to the development of the financing needs of its Member Countries.

- In response to the observations made by a number of banking institutions, the Bank Master Policy is being restructured to be split in two separate products: Import Finance Policy and Export Finance Policy. The new structure is expected to translate into higher volume of insurance business for Islamic financing transactions, which reflects ICIEC's continuous support to the Islamic Finance Industry.

- A proposal to introduce flexibility in the eligibility criteria governing ICIEC services is under process. The proposed amendments aim to allow the Corporation to cover the import of capital goods and strategic commodities originating from non-member countries, to allow the covering of domestic sales of exporters, and to allow 100% cover in case of sovereign or acceptable bank guarantees. This new flexibility will enable ICIEC to be more responsive to the developmental needs of its Member Countries.

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



2 Marketing and Sales Strategy

A paradigm shift was seen in the policyholders' portfolio, which now shows more diversification of risk exposure and less dependency on a limited number of clients. By using a direct sales approach and the financial crisis impact as catalysts to emphasize the role of export credit insurance, the sales team has been able to enhance the quality of the ICIEC portfolio in terms of volume, sector and market diversification.

The Corporation's medium-term business development strategy was to increase business from existing clients, as well as to concentrate on a smaller number of target countries, in order to utilize available resources most effectively. Additionally, a lot of effort was spent on increasing awareness about ICIEC's products and services amongst brokers, local agents, ECAs, banks and the exporter community in the targeted Member Countries. The increased marketing efforts have led to several enquiries materializing, and this is expected to have a positive impact on business volume in the coming year.

3 Distribution Channels

Local agents:

Due to the limited awareness of ICIEC products and services in Member Countries, it was planned that a network of Local Agents would be established in these countries in order to achieve a sustained level of business. This would promote ICIEC's services to a larger number of potential clients, including banks, exporters and investors. Focusing especially on medium-term business, the Corporation identified Aktif Bank in Turkey and Bank Ijara in Malaysia to be its Local Agents in these target countries.

Local Agents for other target markets would also be sought. Local Agents will be especially encouraged to assist in (a) selling DCIP, (b) selling FII, (c) enhancing the utilization rates of existing customers, and (d) introducing new quality customers to ICIEC.

Dr. Abdel Rahman Taha and Dr. Önder Halisdemir sign the Local Agency Agreement

ICIEC Representative Office in Dubai:

The proposed ICIEC Representative Office in Dubai is expected to play the role of a regional business development center for the Corporation. It is meant to be especially instrumental in sourcing medium-term and foreign investment business. The Office, which has been registered with the Dubai International Financial Center (DIFC), will enjoy diplomatic immunity as a representative of a multilateral organization. It is expected that the Office will be launched during the second quarter of 2010.

Brokers:

The Corporation has established good contacts with major international and local brokers in the UK, the USA, France, Turkey, Malaysia and Singapore. This proved to be an excellent channel especially for medium-term insurance businerss. The brokers are already well established in these markets and have a large database of customers. They are not only active in arranging credit insurance services but also all other kinds of insurance products. Hence, they are most aware of any new or potential business opportunities stemming from their clients.

4 Promotion

Conferences, Forums, and Promotional Seminars

During the year, the Corporation sponsored and participated in several seminars and conferences and utilized various media outlets to promote its services. ICIEC co-sponsored the 6th Middle East Trade Finance Conference in Dubai, UAE and the 6th Annual Emerging Markets Trade and Political Risk Conference in London, UK. Moreover, ICIEC coordinated with Compagnie Tunisienne pour l'Assurance du Commerce Extérieure (COTUNACE) to co-organize two technical workshops for banks in Tunisia.

ICIEC also participated in various activities under the umbrella of the IDB Group. These included the 5th World Islamic Economic Forum (WIEF) and the 25th Anniversary of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC) held in Turkey.

ICIEC also concentrated on participating and organizing events related to the banking Industry in its Member Countries. During the year, ICIEC organized two promotional seminars for banks. The first seminar was held at the Institute of Banking in Riyadh, Kingdom of Saudi Arabia under the title "The Relation between Export Credit Insurance and Finance in relation to Basel II Requirements." The second event was jointly organized with Dhaman and held in Lebanon where participants represented banks from Lebanon, Syria and Jordan.

During the year, ICIEC participated in the exhibition organized in parallel with the 5th WIEF, the 34th IDB Group Annual Meeting in Ashgabat, Turkmenistan, and MUSIAD in Turkey.

During the year, ICIEC participated in various activities organized by its business partners. The Corporation participated in a seminar on "Financing for Trade in OIC Markets" which was held in Kuala Lumpur, by the Malaysian EXIM Bank and ITFC of the IDB Group. ICIEC also participated in the Al Baraka Banking Group's (ABG) 30th Symposium on Islamic Economics held in Jeddah.

Publications:

ICIEC published four issues of its quarterly newsletter, which covered the activities and main achievements of the Corporation. To keep the public closely updated, ICIEC also issued various press releases pertaining to its main activities.

From left to right : Dr. Abdel Rahman Taha, ICIEC's GM, Dr. Ahmad Mohamed Ali, IDB Group President, Dr. Mohamed Al-Jasser, SAMA Governor and Alternative Governor of IDB Group for KSA,

Business Development

5 Industry Relations

Relationship with ECAs in Member Countries: Under the leadership of ICIEC and the Arab Investment & Export Credit Guarantee Corporation, Dhaman, Arab and Islamic export credit insurance agencies (ECAs) succeeded in launching a professional association named Aman Union. The Aman Union was born on October 28th, 2009 in Beirut, Lebanon, during a conference organized jointly by ICIEC and Dhaman in cooperation with the Lebanese Credit Insurer Sal (LCI). The Aman Union is the first organization gathering investment and export credit agencies in the Arab and Islamic World under one umbrella. It aims at enhancing cooperation among Arab and Islamic export credit institutions and encouraging the development of investment and export credit insurance industry in its Member Countries. It will also offer technical assistance to establish new agencies and to enhance the insurance capacity of existing agencies.

International Associations: As a member of the Berne Union, ICIEC attended the Annual Spring Meeting in Istanbul, hosted by Turk Exim Bank during May, 2009, and the Annual General Meeting in Seoul, South Korea during August, 2009. ICIEC also participated in the Annual Meeting of the Credit Alliance led by COFACE and the Regional Meeting hosted by the Export Credit Insurance Company of the Emirates (ECIE).

Central Banks: ICIEC management realizes the importance of the role that banks play in supporting the credit insurance industry. Thus, a program was initiated to increase the awareness of banks regarding the benefits of export credit insurance as a risk management tool. ICIEC has hired an external consultant to deliver technical presentations on how banks can use credit insurance as a risk mitigation mechanism in line with Basel II regulations. The program aims at conducting four regional seminars in cooperation with Central Banks in the proposed regions. To date two seminars have been organized in Saudi Arabia and Lebanon; the latter included banks from three countries in the region. The result was positive as the targeted banks have become more comfortable in dealing with credit insurance scheme after the seminars.

Group photo of the participants in the 1st Joint Islamic and Arab ECAs meeting, Beirut - October 2009

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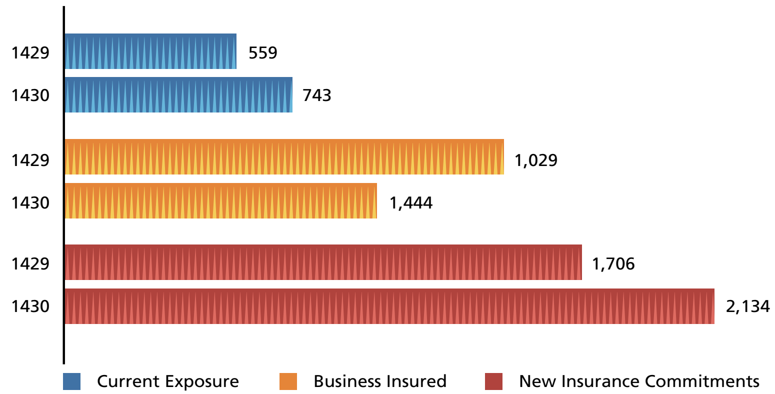
Insurance Operations

"The Corporation achieved a positive technical result of USD 0.26 million in 1430H (2009), despite the adverse effect of the global economic turmoil and resulting shrinkage in the flow of international trade and investments."

Insurance Operations

1 Summary Results

ICIEC Operations Summary 1429 - 1430



The global economic turmoil and resulting shrinkage in the flow of international trade and investments adversely affected ICIEC's volume of business insured for the year 1430H. It contracted significantly by 29%, leading to a decrease of 5% in the premium and fees received. However, new insurance commitments increased from USD 1.70 billion in 1429H to USD 2.13 billion in 1430H, in tandem with the greater demand of credit facilities and higher limits due to liquidity shortages.

Declining business performances led to an increased rate in buyers' insolvency all over the world, with ICIEC paying claims amounting to USD 1.6 million (a 146% increase over last year). Nevertheless despite these unfavorable developments, the Corporation succeeded in generating a positive technical result of USD 0.26 million for the year 1430H versus a negative result of USD 0.35 million for 1429H.

Technical Results

(USD millions)

	1429H	1430H	Change %
Premium and Fees	13.2	12.5	-5%
Net Claims Paid	(0.55)	0.31	NA
Admin. Expenses	(6.6)	(7.49)	13%
Reinsurance Cession	(6.4)	(5.06)	-20%
Technical Result	(0.35)	0.26	NA

2 New Business Commitments

Insurance commitment, or contingent liability, in the credit insurance business is the firm obligation of an export credit agency which will insure a credit transaction according to specified terms, conditions and purposes, in favor of its policyholders and for the benefit of a specific importer.

The new commitments issued during the year 1430H reached USD 2.13 billion compared to USD 1.70 billion, an increase of 25% by comparison to the last year. This indicates a high demand, which could convert into real business in the following year. The bulk of new commitments were short-term credit insurance with USD 1.18 billion registering a decrease of 15% from the preceding year. At the same time new commitments for medium and long-term business reached USD 0.96 billion compared to USD 423 million in the year earlier, indicating an impressive growth of around 148% which is in line with the business strategy to support medium and long-term business. Most of this was under the Investment Insurance Policy, which directly supports the development of Member Countries.

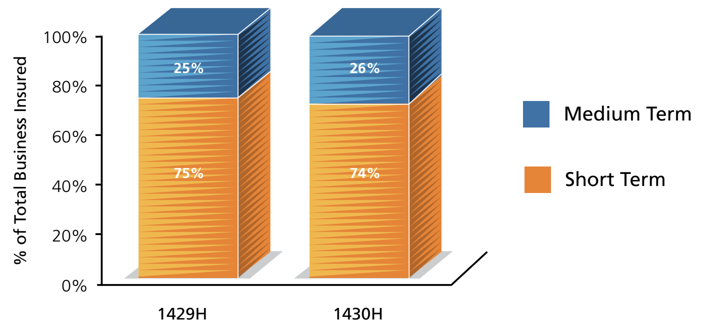
3 Business Insured

With limited economic recovery realized since the financial crisis, ICIEC's operations were adversely affected for the fiscal year 1430H. Business insured declined from USD1.44 billion in 1429H to USD 1.03 billion in 1430H, a decrease of 29% (a direct outcome of the shrinkage in global trade and investment flows).

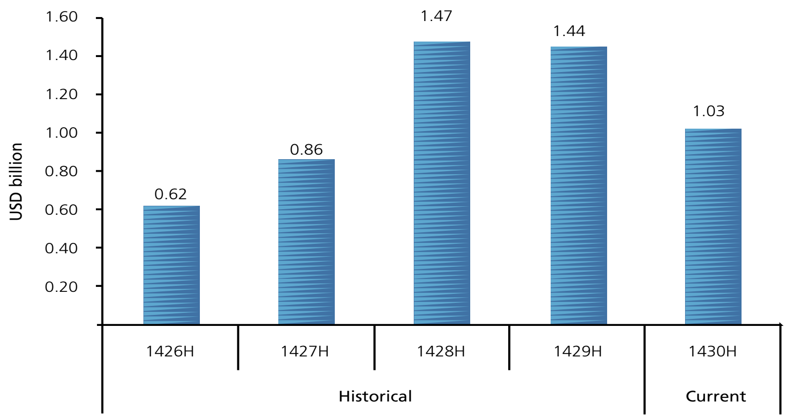
In continuity to previous years, short-term operations maintained the bulk of the business with a 74% share, whilst the remaining portion was attributable to medium-term and investment insurance operations.

The chart below outlines a five-year trend in ICIEC's operations and the change in service line contributions:

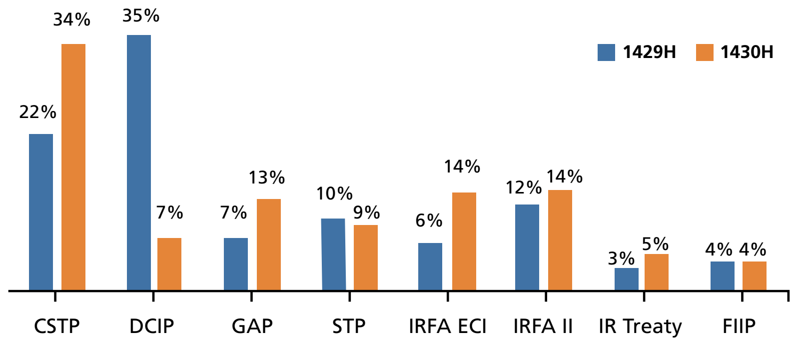
Business Insured by Class of Business 1429H - 1430H



Business Insured: Historical vs Current



Distribution of Business Insured by Product 1429H-1430 (2008-2009)

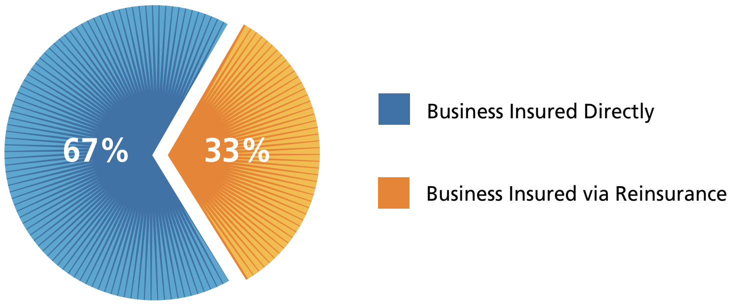


ICIEC's Comprehensive Short Term Policy (CSTP), which covers consumable goods exported from Member Countries on a whole-turnover basis, has witnessed a significant rise in usage by policyholders during 1430H, reaching 34% of total business insured for the period.

Insurance Operations

Inward re-insurance experienced growth in its usage during 1430H, and has increasingly become a core product due to its relevance to ICIEC's mandate of supporting Member Countries and their ECAs via capacity enhancements. It reached USD 337 million (33% of total business insured during 1430H). Furthermore, through this product, ICIEC shares risk with private and public insurers from non-member countries who insure investments going to Member Countries.

Business Insured 1430H

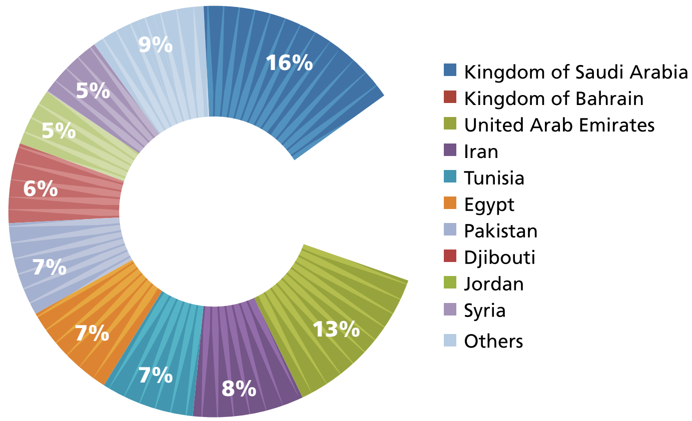


Documentary Credit Insurance Policy (DCIP), a product exclusively developed for banks to cover confirming Letter of Credits (LC), has declined substantially from 35% in 1430H to contribute only 7% to ICIEC's business insured. This decline was attributable to a general drop in demand for oil Letter of Credit (LC) confirmation business. The LC confirming bank(s)/policyholder(s) had sufficient internal lines to accommodate oil-related transactions on their own books, as the oil prices declined significantly in 1430H from its peak of USD 144 a barrel in the year preceding.

Specific Transaction Policy (STP), which covers specific transactions relating to exports under the medium-term business, declined in its contribution to total business insured from 10% in 1429H to 9% in 1430H. Although it witnessed a number of new enquires during the year, due to the high risk contained in the transactions, the Corporation was unable to partake in deals and this attributed to an overall decline in the usage of STP for 1430H.

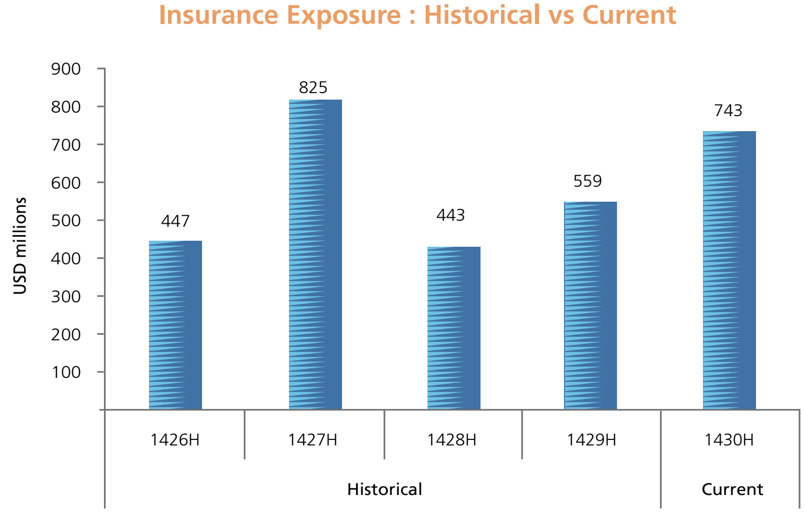
The pie chart below shows how ICIEC Member Countries have benefitted from its services. Business insured for a country includes exports from the country and imports by buyers located in the country, in addition to investments from and to the country. The country which benefitted the most from ICIEC's services in 1430H was Saudi Arabia with 16%, closely followed by Bahrain with 15%, UAE 13%, Iran 8%, Tunisia, and Pakistan and Egypt with 7% each.

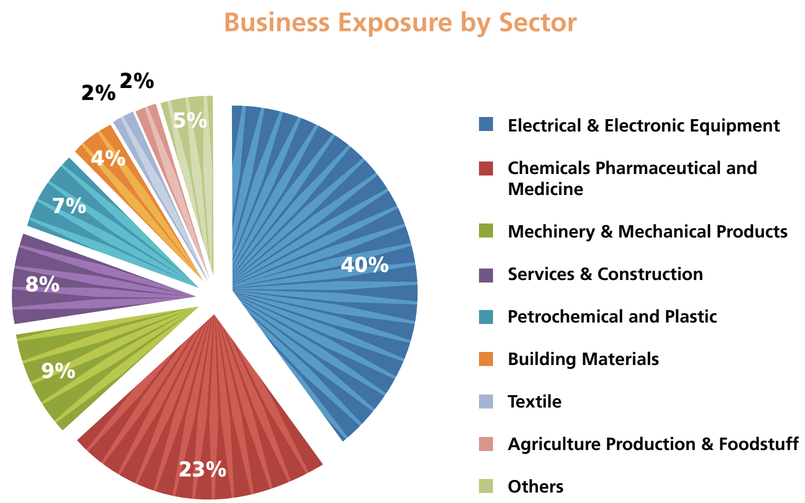
Business Insured 1430H: Member Country Distribution



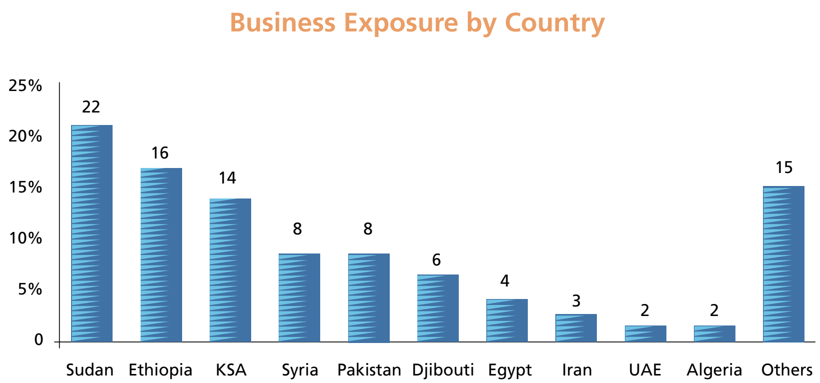
4 Exposure

The total insurance risk exposure of the Corporation, which is composed primarily of outstanding commitments, arrears, and outstanding claims, reached USD 743 million in 1430H, an increase of 33% over the preceding fiscal year, 1429H. This is due to the increase in medium-term business in ICIEC's portfolio through the closing of a large deal in Ethiopia, which was fully utilized during the year.





In 1430H, ICIEC's exposure to Sudan was highest at 22% followed by Ethiopia at 16% and Saudi Arabia at 14%. Sector-wise, the highest exposure was in electrical equipment & electronics at 40%, chemicals and petrochemicals at 23%, machineries and mechanical products and services at 9% each.



H.E. Dr. Ahmad Mohamed Ali, ICIEC President witnesses the signing of the ICIEC policy with El-Sewedy

Insurance Operations

5 Premium and Fee Income

The premium and fee income reached USD 12.5 million, registering a nominal decrease of 5% over the year before, which is much less than the decrease in business insured. In 1430H, 69% of the total premium income was contributed by ICIEC's medium-term and long-term business.

ICIEC supports exports of telecom equipment to Pakistan

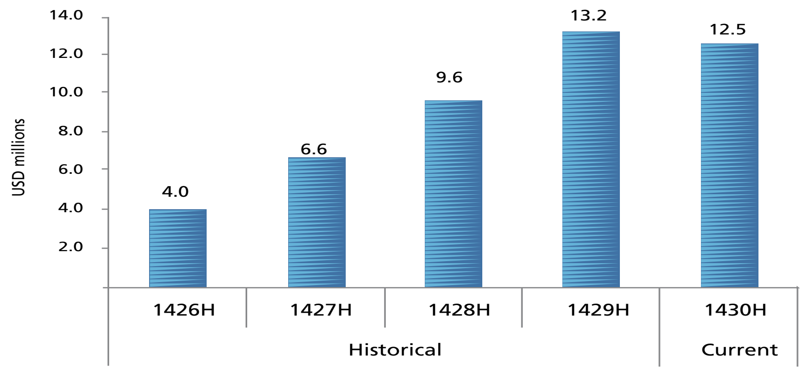
During 1430H, ICIEC supported a transaction involving sale of telecom and internet access equipment from Malaysia to Pakistan. The transaction involved the buyer installing a telecom and internet network, enabling high speed voice and data services to its customers throughout Pakistan. The exporter is a Malaysian subsidiary of a global telecom equipment provider.

ICIEC's involvement allowed the Malaysian exporter to provide long-term credit terms to the buyer. The buyer is a new company, supported by overseas shareholders. Access to long-term credit, as provided by the exporter, is a critical component in the success of its operations.

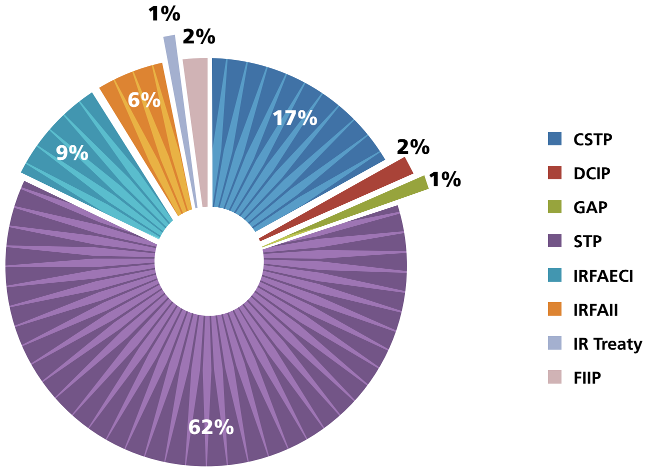
ICIEC's involvement in projects of this nature is in line with the developmental mandate of the Corporation. Access to telecom and internet services is a key precursor to economic development of a country. These services have a direct, measurable impact on a number of human development indicators, including literacy, health, and productivity.

The chart below summarizes the premium and fees generated by ICIEC operations, over a five-year period:

Premium and fees: Historical vs Current



Premium Distribution by Product



6 Claims & Recovery

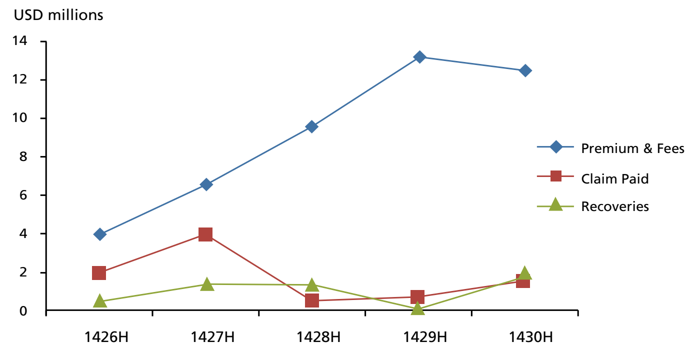
Claims & Loss Ratio

During 1430H, the Corporation paid 3 claims worth a total amount of USD 1.6 million, compared to 4 claims amounting to USD 0.65 million in the preceding year, representing an increase of 146%. Nonetheless, this is a very good result when compared to the industry as a whole, which witnessed a very bad year with the claims paid by the big players tripling in 2009 as compared to 2008. The claims paid by the Corporation relate to 3 policyholders from Lebanon, Syria and Pakistan who were compensated for the default of buyers from Egypt, Italy and the USA respectively. The business sectors involved were Textile and Aluminum Coil. On a cumulative basis, since its inception in 1994, ICIEC has compensated, 35 policyholders for a total of USD 24 million. The resulting loss ratio* for the year 1430H is calculated at 13% which is among the best within the international credit insurance industry. This is due to the fact that ICIEC has been able to persistently maintain a balanced risk exposed portfolio, and it remains vigilant and quick to adapt to changing economic environment.

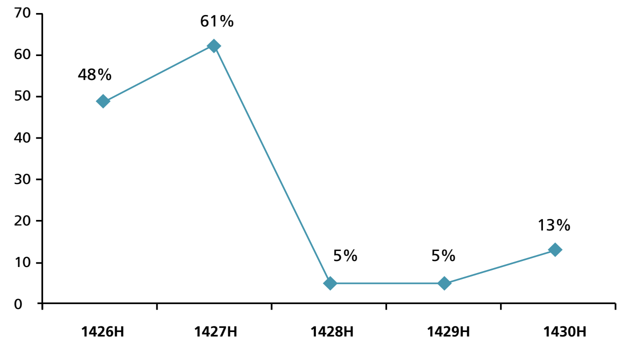
Recoveries

Recoveries affected during 1430H amounted to USD 1.91 million as compared to USD 0.1 million the previous year. This was mainly as a result of the Corporation's consistent and diligent effort to fully recover a claim paid back in 2000. The overall claims recovered since the Corporation's inception are USD 12 million, representing a cumulative recovery ratio of 50% of the total claims paid by ICIEC since its inception.

Comparsion of Premium Invoiced, Claims Paid & Recoveries



Loss Ratio



** Loss ratio is the total claims paid out by the Corporation in proportion to premiums invoiced during the year.*

IDB Group Investment Promotion Technical Assistance Program

ITAP objective is to help unlock the developmental potential of the IDB 56 Member Countries through a comprehensive and integrated program of foreign investment promotion technical assistance. Its focus areas include institutional development, sharing best practices, and information dissemination on investment opportunities in Member Countries.

1 Background

The IDB Group Investment Promotion Technical Assistance Program (ITAP) is a program of the IDB Group established in 1425H (2005) and managed by ICIEC. It is collectively funded by IDB, ICD and ICIEC. Its objective is to help unlock the developmental potential of its 56 Member Countries through a comprehensive and integrated program of foreign investment promotion technical assistance. Its focus areas include institutional development, sharing best practices, and information dissemination on investment opportunities in Member Countries.

2 Strategic Partners

ITAP identifies the specific needs of individual Member Countries in order to improve and invigorate the flow of foreign direct investment into them. ITAP has established partnerships with sister 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 the Economic Development in Africa (BADEA), the Foreign Investment Advisory Service (FIAS), and the World Association of Investment Promotion Agencies (WAIPA). ITAP matches technical assistance needs with know-how transfer from its partner institutions as well as from Member Countries that have excelled in the investment promotion arena.

The types of technical assistance provided by the program include:

- Needs Assessment studies on specific sectors needing intervention.
- Capacity Building of Investment Promotion Agencies and relevant government institutions.
- Identification of Investment opportunities.
- Country Promotion events, including seminars and conferences.
- Policy Advice to improve the investment environment.
- Development of Investment Information Networks on the internet, as well as common software platforms that help in matching investors with projects in Member Countries.

H.E Welshman Ncube, Minister of Industry and Commerce of Zimbabwe presents COMESARIA Shield to Dr. Ahamd Mohamed Ali, President of IDB Group

3 ITAP Programs

ITAP – TOBB Capacity Building Program on Private Sector Operated Industrial Zones

ITAP and the Union of Chambers & Commodity Exchanges of Turkey (TOBB), organized a program on Private Sector Operated Industrial Zones, which took place in Istanbul, Turkey. 32 participants from over 29 Islamic countries and representatives of ICD and ITFC attended the one week Capacity Building Program. The Program was designed to introduce participants to the Turkish experience on how the private sector can own, operate and manage industrial zones, and learn the role of Private Sector Operated Industrial Zones in attracting Local and Foreign Direct Investment (FDI).

ITAP – MIDA Capacity Building Program for Investment Promotion Officials of IDB Member Countries: Investor's Aftercare – Post Approval Facilitation of Project Implementation

ITAP, in cooperation with the Malaysian Industrial Development Authority (MIDA), held its 4th training program for officials of the IDB Member Countries.

25 IDB Member Countries participated in the Program, which focused on Investor's Aftercare – Post Approval Facilitation of Project Implementation as one of the development tools to enhance investment promotion capacities. Topics covered by the Program included recent global regional trends in FDI, and investment aftercare practices and techniques. The Program paid particular attention to the specific challenges and constraints faced by the IDB Member Countries.

The Program was designed to enable participants to interact with experts in Investor's Aftercare and to provide the IPAs in Member Countries with the best practices in investment aftercare techniques; help IPAs in Member Countries to promote economic growth by creating a better environment for foreign investment and business development; help IPAs in Member Countries to work for increasing the quality of investment; and finally, to teach IPAs in Member Countries the importance of aftercare in anchoring FDI.

A Training Program on International Investment Agreement:

ITAP, in association with the United Nations Conference on Trade and Development (UNCTAD) and Investir au Maroc (The Moroccan Investment Promotion Agency), organized a five-day training program on International Investment Agreements in Casablanca, Morocco for the IDB French-speaking Member Countries.

The Program was attended by 23 officials from 16 IDB Member Countries with sufficient legal background and expertise. The focus was on deepening policy-makers' and negotiators' understanding of the key issues and concepts involved, analyzing trends and emerging issues, ensuring policy coherence between national development policies and International Investment Agreements (IIAs), assisting in the implementation of treaty commitments, especially in relation to investment dispute settlement, and finally providing a consensus-building forum on investment rule-making.

Participants in the training program in Morocco, March 2009

4 Country Programs

Sudan : The technical assistance being extended to the Ministry of Investment through the ITAP program is designed to strengthen the Ministry in all aspects of investment promotion, particularly to help develop it as a pro-active investment promotion agency. As a result of the ITAP/UNIDO Program, a new organizational structure now includes a Domestic Investment Promotion Unit that has been approved and implemented by the Ministry. This has enhanced the capacity of the Ministry of Investment for the promotion of investments (FDI and domestic), including technology transfer. In this context, a training workshop on Project Identification and Formulation was organized within the Ministry. On the

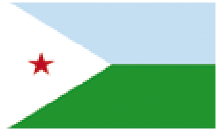
2nd of August, 2009, and under the patronage of the Minister of Investment, the inauguration ceremony for the Domestic Investment Unit took place, together with the graduation of the participants of the training workshop.

Uganda: The Program aims at assisting the Uganda Investment Authority (UIA) to attract greater flows of investments into Uganda, particularly investment flows from the GCC countries. The ITAP Uganda Project commenced its activities in February, 2008, with the initiation of the preliminary assessment and sector analysis study. In April, 2008, ITAP signed a financing agreement with the Arab Bank for the Economic Development of Africa (BADEA) for the ITAP Uganda Project. The project succeeded in indentifying at least 50 investment opportunities in Uganda. Project profiles were also prepared and promotional materials were produced to be used by UIA for promoting Uganda's investment opportunities.

ITAP is currently working on developing investment project profiles that can be used for subsequent promotion activities during the second phase of the Project.

Syria: ITAP supported the capacity building of the newly established Syrian Investment Agency (SIA) by training its staff, familiarizing/linking it with one of the best performing Investment Promotion Agencies (IPAs) in the IDB Member Countries. It is envisaged that the Project would help SIA in the promotion of inward FDI and domestic investments in addition to increasing employment opportunities, generating income and alleviating poverty.

The first activity in the Project document involved a study tour and a familiarization program for SIA staff in cooperation with the Union of Chambers and Commodity Exchanges of Turkey (TOBB). This familiarization program achieved its first component by introducing SIA to Turkey's model of investment promotion and best practices to attract FDI. The other components of the Project include comprehensive training courses to SIA staff based on their actual needs and requirements as well as a component on reviewing the Syrian investment climate. This component will be implemented in collaboration with the Foreign Investment Advisory Services Program (FIAS) of the World Bank and The Economic Research Foundation of Turkey (TEPAV).



Djibouti : As part of a country program that had been developed for Djibouti this year, ITAP provided technical assistance to Djibouti's investment promotion agency (NIPA/ANPI) in the areas of project identification, project profiling and institutional capacity building in order to evolve a strong investment promotion office. The project has been completed successfully, resulting in building the capacity of NIPA/ANPI through training and application of best practices in the development of a new institutional structure for their agency. NIPA was also able to identify 8 to 10 significant investment projects in 4 to 5 different sectors. This allowed the Agency to prepare for the next stage of the business that will include match-making activities.

ITAP - COMESA RIA GCC Investment Road Show

ITAP co-organized an investment road show in Jeddah, Manama and Abu Dhabi together with the Common Market for Eastern and Southern Africa's Regional Investment Agency (COMESARIA). The Road Show provided a platform for a select group of Investment Promotion Agencies (IPAs) from both IDB and COMESA Member Countries to meet GCC investors, and promote their countries and specific investment opportunities in the priority sectors of the region and present project profiles that would attract the investors to their countries. 37 IDB and COMESA Member Countries participated in the Road Show.

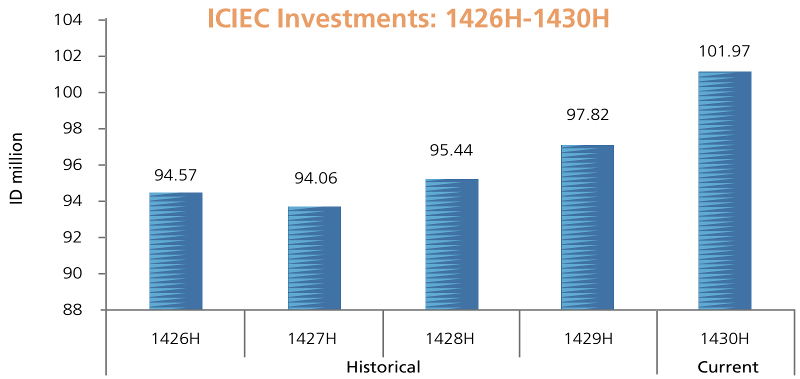
In addition to presenting investment opportunities in these IDB and COMESA Member Countries (Comoros, Djibouti, Egypt and Sudan) to GCC investors, the Road Show also served as a match-making event for investors to further explore some of the potential opportunities in the COMESA Member Countries.

Investment Operations

The Corporation's investment strategy is based on the principle of capital preservation while enhancing investment returns through a well diversified investment portfolio.

1 Investment Portfolio

ICIEC's financial performance, in terms of growth in assets and investments, over the past fiscal year (1430H) remained steady. In ID terms, total investments grew by 4.2% over the preceding year. This increase is attributable to the maximum utilization of the liquidity in profitable investments:



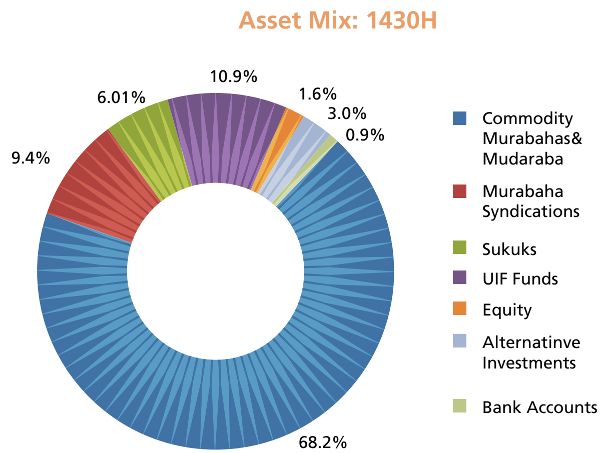
Over the last five-year period, assets and investments have grown consistently, whilst investment income has declined during the past two years as a direct consequence of the global financial crisis.

Investment Portfolio - 5 Year Trend

Summary	1426H	1427H	1428H	1429H	1430H
Exchange Rate ID - USD$	1.44	1.49	1.58	1.54	1.57
All figures in ID' million					
Total Assets	97.82	99.38	103.82	108.43	114.88
Total Investments	94.57	94.06	95.43	97.83	101.97
Investment Income	3.30	3.60	4.50	3.77	2.09
Investment Return* (a)	3.55%	3.81%	4.75%	3.90%	2.09%
SDR LIBOR (b)	2.51%	3.47%	4.41%	4.20%	2.72 %
SDR & Return (a-b)	1.04%	0.34%	0.34%	-0.30%	-0.63%

** Based on average Total Investments*

In line with its investment strategy, highly liquid Commodity Murabaha and Mudaraba placements continue to be the main contributor to ICIEC's investment portfolio. Historically, the Corporation has been holding the majority of its investments in a highly liquid form.

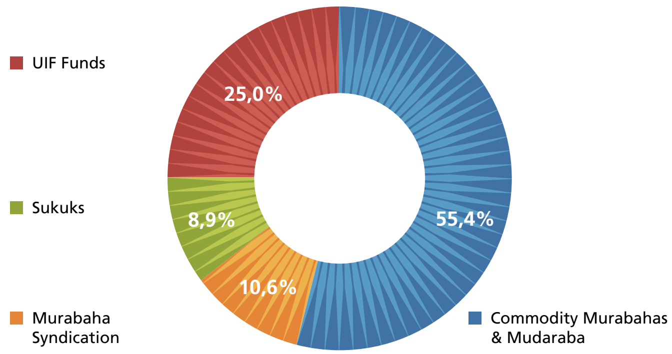


Murabaha Syndications, which were 7% of ICIEC's total investment portfolio in 1429H, increased to more than 9% in 1430H. As these transactions are structured through government guarantees and collateralization, ICIEC pursued these opportunities more aggressively. Additionally, as the economic turmoil limited overall investment opportunities, this asset class proved optimal in meeting the Corporation's risk-return parameters. Investments in the IDB Unit Investment Fund (UIF), Equities, and Alternative Investments (comprising of CROCI investments) have remained stable in comparison to 1429H, whilst Sukuk have increased to 6.1%.

Bank accounts portfolio contribution declined to 0.9% in 1430H, primarily because the Corporation was able to reinvest matured investments prior to the close of the fiscal year.

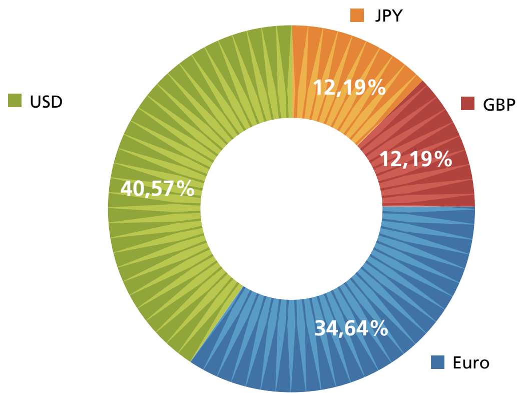
Investment Operations

Income Sources Contribution: 1430H



The UIF Funds contributed 25% of the investment income, while representing only 11% of the investment portfolio, showing an impressive rate of return. In contrast, commodity Murabaha contributed 55% of the investment income, despite being repesented at 68% in the investment portfolio, due to their highly liquid nature.

Currency Mix: 1430H



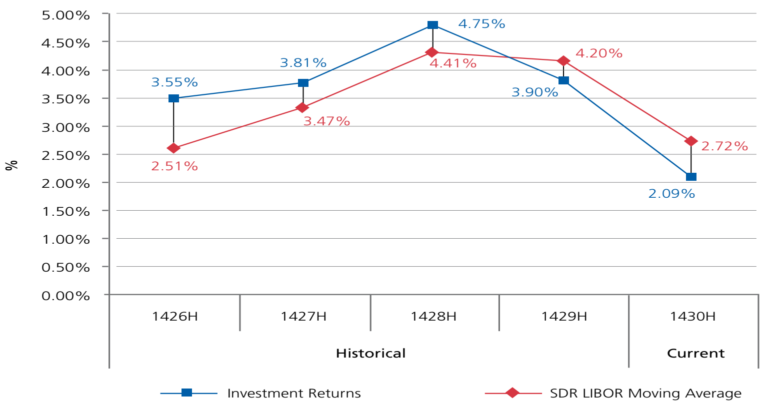
The currency mix of ICIEC's investment portfolio for the year 1430H showed a reduction in both Yen and Euro currency weights compared to the previous year, while transactions conducted in the USD took up a major share of the total investment portfolio during the year.

2 Investment Returns

ICIEC's investments in 1430H provided an income of ID 2.09 million compared to the preceding year's income of ID 3.77 million, a decrease of 45%, resulting from the continued sharp decline in the LIBOR rates. Thus, ICIEC's investments performed lower against the benchmark of SDR-LIBOR by 63 basis points. At the same time, due to its cautions investment approach, the Corporation was able to avoid any investment losses.

With limited investment opportunities resulting from the international financial crisis, ICIEC was unable to generate higher earnings from its portfolio, and hence was unable to beat its SDR-LIBOR benchmark for the year. The Corporation is seeking various new means of diversifying its asset classes that are less dependent on LIBOR movements and allocations to these types of asset classes is expected to increase in the coming years.

Investment Return vs. SDR - LIBOR



Financial Results

The financial results of the Corporation were remarkably better than the preceding year, despite the negative impact of the financial crisis that affected the financial services industry.

Financial Results

1 Summary

The continuation of the after-shock implications of the global economic crisis made the objective of capital preservation a sustained challenge for ICIEC during the year 1430H. The Corporation continued to adopt prudent underwriting and claims procedures, in addition to pursuing a highly scrutinized investment strategy.

The overall financial results of ICIEC confirm its capacity to weather the negative implications of such unprecedented world financial and economic crises. The Corporation realized a net surplus of ID 1.09 million, marking a considerable increase of 137% compared to ID 0.46 million surplus reported the preceding year. The Policyholders' Fund experienced a net deficit of ID 0.73 million compared to ID 2.88 million deficit the year prior, whilst the Shareholders' Fund had a net surplus of ID 1.82 million, compared to ID 3.34 million surplus reported the previous year. The improvement in the Policyholders' Fund is attributed to the growth in the premiums earned and to the decrease in claims incurred. However, the shrinkage in the surplus of the Shareholders' Fund, as seen earlier, was due to the decline in the investment income.

The investments made by the Corporation were mainly in highly liquid assets and represented the major part of total investments, reaching around 68% in 1430H. This prudent investment approach was guided by the overall objective of safeguarding ICIEC assets and preserving its capital base, especially during the prevailing financial crisis.

Given the negative impact of the economic crisis, 1430H was again marked by an unfavorable investment climate and limited investment opportunities. The Corporation's gross investment income declined by 45%, reaching ID 2.09 million in 1430H compared to ID 3.77 million in 1429H. In addition, due to the continuous decline in the LIBOR rates which is the main basis of the income generated by ICIEC's liquid asset classes, the investment return decreased from 3.90% in 1429H to only 2.09% in 1430H. The net investment income, after taking into account investment management fees, and other expenses, declined by 45% over the previous year to stand at ID 1.82 million.

The authorized capital of the Corporation during 1430H remained unchanged at ID 150 million, after the increase by 50% made during 1429H. The additional subscription of ID 50 million was contributed entirely by the Islamic Development Bank (IDB) through its Waqf Fund, bringing its total shareholding to ID 100 million, which represents 67% of the Corporation's capital. The total paid-in subscribed capital stood at ID 73.25 million, of which ID 50.00 million was contributed by the IDB Waqf Fund, and the remainder was contributed by ICIEC's 38 Member Countries.

2 Policyholders' Fund

The gross premiums realized a slight decrease of 2.1%, amounting to ID 7.93 million in 1430H as compared to ID 8.10 million in 1429H. The net premiums and fees earned during the year amounted to ID 4.12 million, marking an increase of 113% on the net premiums totaling ID 1.95 million achieved during the previous fiscal year. Net claims incurred stood at ID 0.19 million, whilst operating expenses reached ID 4.66 million during 1430H. This resulted in the Policyholders' Fund realizing a net deficit of only ID 0.73 million during the year 1430H, as compared to a net deficit of ID 2.88 million during 1429H.

3 Shareholders' Fund

The capital contributed by the IDB Waqf Fund and ICIEC's Member Countries has been invested mainly in various Shariah compliant investments. Due to the impact of the ongoing financial crisis in 1430H, ICIEC reported lower investment income as well as lower net surplus for the Shareholders' Fund. The gross income generated from the investment activities carried out during 1430H declined to ID 2.09 million, from ID 3.77 million realized in 1429H. The small exchange loss of ID 0.07 million suffered in 1429H was offset during 1430H. After taking into account the fees and expenses incurred, the Shareholders' Fund generated a net surplus of ID 1.82 million, compared to ID 3.34 million the previous year.

4 Corporate Result

The overall corporate result of ICIEC for 1430H was more than double the result of 1429H, reaching ID 1.09 million against ID 0.46 million in 1429H. This positive result is attributed to a larger shrinkage (by 75%) in the deficit of the Policyholders' Fund, compared to the shrinkage observed (by 45%) in the surplus of the Shareholders' Fund.

MEMBERSHIP AND CAPITAL SUBSCRIPTIONS STATUS AS AT END OF 1430H (17h December 2009)

Members	Number of Shares Subscribed	Value of Shares (ID)
1. Algeria	1,000	1,000,000
2. Bahrain	250	250,000
3. Bangladesh	250	250,000
4. Benin	250	250,000
5. Brunei	250	250,000
6. Burkina-Faso	250	250,000
7. Cameroon	250	250,000
8. Chad	250	250,000
9. Djibouti	250	250,000
10. Egypt	2,500	2,500,000
11.Gabon	250	250,000
12. Gambia	250	250,000
13. Guinea	250	250,000
14. Indonesia	250	250,000
15. Iran	5,000	5,000,000
16. Jordan	250	250,000
17. Kazakhstan	250	250,000
18. Kuwait	2,500	2,500,000
19. Lebanon	250	250,000
20. Libya	1,500	1,500,000

Members	Number of Shares Subscribed	Value of Shares (ID)
21. Malaysia	2,740	2,740,000
22. Mali	250	250,000
23. Mauritania	250	250,000
24. Morocco	5,000	5,000,000
25. Niger	250	250,000
26. Nigeria	250	250,000
27. Oman	250	250,000
28. Pakistan	2,500	2,500,000
29. Qatar	250	250,000
30. Saudi Arabia	13,500	13,500,000
31. Senegal	250	250,000
32. Sudan	250	250,000
33. Syria	250	250.000
34. Tunisia	500	500,000
35. Turkey	2,500	2,500,000
36. Uganda	250	250,000
37. UAE	2,500	2,500,000
38. Yemen	500	500,000
39. IDB (Waqf Fund)	100,000	100,000,000
TOTAL	**148,490**	**148,490.000**

Auditors Report and Financial Statements

YEAR ENDED **30 DHUL HIJJAH 1430H**
(DECEMBER 17, 2009)

Deloitte.

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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 30 Dhul Hijjah, 1430 (December 17, 2009), which comprise the statement of financial position, statement of income, statement of comprehensive income, statement of changes in shareholders' and policyholders' fund and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

The financial statements of the Corporation for the year ended 30 Dhul Hijjah, 1429 H (December 28, 2008) were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2009.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement; whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 The Islamic Corporation for the Insurance of Investment and Export Credit as at 30 Dhul Hijjah, 1430H (December 17, 2009) and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Other Regulatory Matters

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

Deloitte & Touche
Bakr Abulkhair & Co.

Al Mutahhar Y. Hamiduddin
Registration No. 296
26 / 05 / 1431H
10 / 05 / 2010G

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STATEMENT OF FINANCIAL POSITION

AS OF 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

(In Islamic Dinars)

	Notes	1430H	1429H
ASSETS			
Bank balances	5	**1,656,794**	3,936,520
Murabaha financing,net	6	**79,716,593**	75,604,308
Accounts receivable, net	7	**1,056,227**	863,517
Mudarabah receivables, net		**-**	2,708,586
Claims recoverable, net	8	**2,655,496**	933,516
Prepaid expenses and other receivables	9	**6,544,661**	4,742,042
Available-for-sale investments	11	**22,251,832**	19,512,395
Property and equipment	12	**155,767**	125,161
Amounts due from Islamic Development Bank	10	**845,797**	-
Total Assets		114,883,167	108,426,045

	Notes	1430H	1429H
LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS			
LIABILITIES			
Accounts payable and accruals	13	**1,936,051**	1,935,347
Claims payable	14	**424,970**	113,702
Amounts due to Islamic Development Bank	10	**-**	222,956
Unearned premiums	15	**11,277,606**	8,510,586
Provision for unreported claims	16	**2,425,438**	1,809,928
Total Liabilities		16,064,065	12,592,519
SHAREHOLDERS' FUND			
Share capital	17	**73,245,000**	73,057,500
Reserve	18	**50,158,162**	48,332,741
Fair value reserve		**(1,280,367)**	(2,987,911)
Loan to policyholders' fund	19	**(20,135,432)**	(17,852,925)
Total shareholders' fund		101,987,363	100,549,405
POLICYHOLDERS' FUND			
Accumulated losses	18	**(23,303,693)**	(22,568,804)
Loan from shareholders' fund	19	**20,135,432**	17,852,925
Total policyholders' fund		(3,168,261)	(4,715,879)
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		114,883,167	108,426,045

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 26 Jumada I 1431H (10 May 2010).

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME

AS OF 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

	Note	1430H	1429H
SHAREHOLDERS' FUND			
Investment income		2,091,188	3,767,763
Gain/(loss) on foreign exchange		3,340	(74,617)
		2,094,528	3,693,146
Investment management fees paid to Islamic Development Bank	10,23	(120,000)	(126,802)
General and administrative expenses	10	(127,707)	(120,123)
Non temporary impairment in investment value		(21,400)	(106,841)
		(269,107)	(353,766)
Net income		1,825,421	3,339,380
POLICYHOLDERS' FUND			
Premiums earned	20	4,003,067	1,893,817
Policy fees earned		112,092	52,974
		4,115,159	1,946,791
Claims incurred	21	(187,294)	(505,002)
Employees' cost		(3,435,952)	(3,088,656)
General and administrative expenses		(1,118,322)	(1,126,551)
Fees paid to Islamic Development Bank	10,23	(108,480)	(105,880)
		(4,850,048)	(4,826,089)
Net loss		(734,889)	(2,879,298)
NET CORPORATE INCOME		1,090,532	460,082

STATEMENT OF COMPREHENSIVE INCOME

AS OF 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

(In Islamic Dinars)

	Note	1430H	1429H
Net income from shareholdres' fund		1,825,421	3,339,380
Unrealized gain/(loss) on available for sale investments		1,707,544	(1,248,152)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,532,965	2,091,228

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS

AS OF 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

(In Islamic Dinars)

	Capital	Reserve	Fair value reserve	Loan to Policyholders' fund	Total
SHAREHOLDERS' FUND					
Balance at 30 Dhul-Hijjah 1429H	72,995,000	44,993,361	(1,739,759)	(19,126,425)	97,122,177
Subscription paid	62,500	-	-	-	62,500
Total comprehensive income for the year		3,339,380	(1,248,152)	-	2,091,228
Net movement during the year (note 19)	-	-	-	1,273,500	1,273,500
Balance at 30 Dhul Hijjah 1429H	**73,057,500**	**48,332,741**	**(2,987,911)**	**(17,852,925)**	**100,549,405**
Subscription paid	**187,500**	**-**	**-**	**-**	**187,500**
Total comprehensive income for the year	**-**	**1,825,421**	**1,707,544**	**-**	**3,532,965**
Net movement during the year (note 19)	**-**	**-**	**-**	**(2,282,507)**	**(2,282,507)**
Balance at 30 Dhul Hijjah 1430H	**73,245,000**	**50,158,162**	**(1,280,367)**	**(20,135,432)**	**101,987,363**

POLICYHOLDERS' FUND	Accumulated Losses	Loan from shareholders' fund	Total
Balance at 30 Dhul-Hijjah 1429H	(19,689,506)	19,126,425	(563,081)
Net loss for the year	(2,879,298)	-	(2,879,298)
Net movement during the year (note 19)	-	(1,273,500)	(1,273,500)
Balance at 30 Dhul Hijjah 1429H	**(22,568,804)**	**17,852,925**	**(4,715,879)**
Net loss for the year	**(734,889)**	**-**	**(734,889)**
Net movement during the year (note 19)	**-**	**2,282,507**	**2,282,507**
Balance at 30 Dhul Hijjah 1430H	**(23,303,693)**	**20,135,432**	**(3,168,261)**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

AS OF 30 DHUL HIJJAH 1430H (DECEMBER 17, 2009)

(In Islamic Dinars)

	Note	1430H	1429H
OPERATING ACTIVITIES			
Net income for the year		1,090,532	460,082
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		44,376	46,496
Provision		(739,206)	269,390
Loss on foreign exchange		-	74,617
Non temporary decline in available-for-sale investments		(21,400)	(106,842)
Changes in operating assets and liabilities:			
Accounts receivable		(190,734)	1,217,530
Claims recoverable		(984,750)	(288,109)
Mudarabah receivables, net		2,708,586	(2,708,586)
Prepaid expenses and other receivable		(1,802,619)	(2,354,768)
Accounts payable and accrual		704	(82,261)
Claims payable		311,268	(272,591)
Amounts due to/from Islamic Development Bank		(1,068,753)	585,777
Unearned premium		2,767,020	5,052,733
Provision for unreported claims		615,510	408,455
Net cash from operating activities		2,730,534	2,301,923

	Note	1430H	1429H
INVESTING ACTIVITY			
Available-for-sale investments		(1,010,493)	1,243,930
Murabaha financing		5,848,896	(33,736,903)
Purchase of property and equipment		(74,982)	(41,197)
Net cash from / (used in) investing activity		4,763,421	(32,534,170)
FINANCING ACTIVITY			
Subscriptions received		187,500	62,500
Net cash from financing activity		187,500	62,500
Net change in cash and cash equivalents		7,681,455	(30,169,747)
Cash and cash equivalents at the beginning of year		34,845,190	65,014,937
Cash and Cash equivalents at the end of year	22	42,526,645	34,845,190
SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTION			
Other receivable transferred to available-for-sale investments		-	72,787

The accompanying notes form an integral part of these financial statements

1. ACTIVITIES

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

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

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

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

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

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

The accompanying financial statements are denominated in Islamic Dinars (ID). The value of one Islamic Dinar, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund, was equal to U.S. $ 1.5709 as at 30 Dhul Hijjah, 1430H (1429H: U.S. $ 1.544).

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

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no significant effect on the financial statements are set out in section 2.2.

• IAS 1 (as revised in 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
• Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Corporation has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

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

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

- IFRS 8 *Operating Segments*
- IFRS for SMEs Small and Medium-sized Entities
- Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*

- IAS 23 (as revised in 2007) *Borrowing Costs*
- Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 18 *Transfers of Assets from Customers (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)*
- Improvements to IFRSs (2008) Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009

2.3 Standards and Interpretations in issue not yet effective

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

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IAS 32 (revised) Financial Instruments:	1 February 2010
• IAS 24 Related Party Disclosures	1 January 2011
• IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after 1 January 2010

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

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are prepared under the historical cost convention as modified by the measurement at fair value of available-for-sale investments.

The accounting policies are consistent with those used in the previous year.

Premiums earned

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

Mudarabah income

Mudarabah income is accrued on a time apportionment basis over the period of Mudarabah.

Investments income

Investments income is recognized when dividends are declared.

(In Islamic Dinars)

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 statement of financial position date, whether reported or not. Provisions for reported claims not paid as at the statement of financial position 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 statement of financial position date.

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

Murabaha financing

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

Mudarabah receivables

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

Available-for-sale investments

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

Property and equipment

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

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

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

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

Fair vales

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

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

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

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

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

Translation of foreign currencies

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

Cash and cash equivalents

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

Employees' retirement benefits

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

4. 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 statement of financial position 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.

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 needs 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 statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is based on historical experience of management.

(In Islamic Dinars)

Impairment of accounts receivable

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

5. BANK BALANCES

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

	1430H	1429H
Shareholders' fund	**956,293**	3,181,371
Policyholders' fund	**700,501**	755,149
Total	**1,656,794**	3,936,520

6. MURABAHA FINANCING

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

	1430H	1429H
Shareholders' fund:		
Gross Murabaha commodity placements	69,989,401	68,892,313
Deferred profit	(127,302)	(323,868)
	69,862,099	68,568,445
Other murabaha financing	9,854,494	7,035,863
	79,716,593	75,604,308
Murabaha commodity placements:		
With original maturity period of three months or less (note 22)	40,869,851	30,908,670

7. ACCOUNTS RECEIVABLE, NET

Account receivables are comprised of the following as at end of Dhul Hijjah:

	1430H	1429H
Policyholders' fund:		
Trade accounts receivable	1,170,943	980,209
Provision for doubtful debts	(114,716)	(116,692)
	1,056,227	863,517

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

	Total	Neither past due nor impaired	31-60 days	61-90 days	91-120 Days	>120 Days
1430H	**1,170,943**	**782,600**	**225,804**	**13,853**	**54,540**	**94,146**
1429H	980,209	663,182	114,821	25,725	2,920	173,561

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

(In Islamic Dinars)

8. CLAIMS RECOVERABLE, NET

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

	1430H	1429H
Policyholders' fund:		
Claims recoverable	9,723,327	8,738,577
Provision for doubtful debts	(7,067,831)	(7,805,061)
	2,655,496	933,516

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

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

	Total	Within 1 Year	1-2 years	3-5 years	Over 5 years
1430H	**9,723,327**	**1,132,669**	**655,053**	**2,966,721**	**4,968,884**
1429H	8,738,577	120,156	3,425,695	371,053	4,821,673

9. PREPAID EXPENSES AND OTHER RECEIVABLES

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

	1430H	1429H
Shareholders' fund	142,904	235,002
Policyholders' fund	6,401,757	4,507,040
	6,544,661	4,742,042

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

	1430H	1429H
Policyholders' fund	**845,797**	(222,956)

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

11. AVAILABLE-FOR-SALE INVESTMENTS

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

	1430H	1429H
Shareholders' fund		
Quoted investments:		
Share in CROCI Islamic Global Index	**3,103,449**	2,733,859
Islamic Sukuk	**6,427,650**	4,006,076
	9,531,099	6,739,935
Unquoted investments:		
Share in Takaful Re.	**1,591,495**	1,618,898
Units in IDB – Unit Investments Fund	**11,129,238**	11,153,562
	12,720,733	12,772,460
	22,251,832	19,512,395

(In Islamic Dinars)

12. PROPERTY AND EQUIPMENTS

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

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

	1 Muharram 1429H	Additions	30 Dhul Hijjah 1429H
Cost:			
Vehicles	76,268	20,187	96,455
Furniture and fixtures	107,542	4,672	112,214
Office equipment	31,144	5,670	36,814
Computer equipment	239,331	10,668	249,999
Total Cost	454,285	41,197	495,482
Depreciation:			
Vehicles	42,816	12,163	54,979
Furniture and fixtures	57,950	11,062	69,012
Office equipment	22,421	4,305	26,726
Computer equipment	200,636	18,967	219,603
Total depreciation	323,823	46,497	370,320
Net Book Value at Muharram 1	130,462		
Net Book Value at Dhul Hijjah 30			125,162

(In Islamic Dinars)

13. ACCOUNTS PAYABLE AND ACCRUALS

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

	1430H	1429H
Shareholders' liabilities		
Bank commission	607,214	524,817
Other payables	473,046	167,440
	1,080,260	692,257
Policyholders' liabilities		
Other payables	416,031	842,608
Accrued payables	439,760	400,482
	855,791	1,243,090
	1,936,051	1,935,347

14. CLAIMS PAYABLE

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

	1430H	1429H
Opening balance	113,702	386,293
Addition during the year	1,243,791	6,812
Payment made during the year	(932,523)	(279,403)
	424,970	113,702

15. UNEARNED PREMIUMS

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

16. PROVISION FOR UNREPORTED CLAIMS

Provision for claims estimated as incurred but not reported (IBNR) relates to the policyholders' fund and represents 0.5% of the outstanding exposure at year end.

	1430H	1429H
Opening balance	1,809,928	1,401,473
Addition during the year	615,510	408,455
	2,425,438	1,809,928

17. SHARE CAPITAL

	1430H	1429H
Authorized capital		
150,000 shares (1429H: 150,000) of ID 1,000 each	150,000,000	150,000,000
IDB – ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
100,000 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	50,000,000	50,000,000
50,000 shares of ID 1,000 not called	-	-
Member countries		
48,490 shares (1429H: 48,240) of ID 1,000 each, of which		
ID 500 has been called up	24,182,500	24,120,000
Less: Subscriptions receivable	(937,500)	(1,062,500)
	73,245,000	73,057,500

(In Islamic Dinars)

During 1429H, the authorized capital was increased by 50,000 shares of ID 1,000 each subscribed to by IDB in accordance with Board of Governors Resolution No. BG/IC/(4)15/429 dated 30 Jumada'I, 1429H corresponding to June 4, 2008.

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

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

18. RESERVE

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

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

19. LOAN TO POLICYHOLDRS' FUND FROM SHAREHOLDERS' FUND

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

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

	1430H	1429H
Policyholders' fund		
Total assets	**11,815,545**	7,184,383
Total liabilities	**(14,983,806)**	(11,900,262)
Accumulated losses	**23,303,693**	22,568,804
Net deficit in policyholders' fund	**20,135,432**	17,852,925

20. PREMIUMS EARNED

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

	1430H	1429H
Gross premiums	**7,928,324**	8,100,158
Unearned premiums at the beginning of the year	**8,510,586**	3,457,853
Unearned premiums at the end of the year	**(11,277,606)**	(8,510,586)
	5,161,304	3,047,425
Less: Reinsurance premiums	**(1,158,237)**	(1,153,608)
Net premiums	**4,003,067**	1,893,817

(In Islamic Dinars)

21. CLAIMS INCURRED

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

	1430H	1429H
Gross claims paid	**929,873**	133,360
Recoveries (note 21.1)	**(1,217,609)**	(57,875)
Net claims	**(287,736)**	75,485
Claim related expenses	**285,482**	26,937
Outstanding claims:		
Movement in provision for unreported claims	**615,510**	408,455
Movement in provision for doubtful claims	**(737,230)**	266,716
Movement in claims payable (note 14)	**311,268**	(272,591)
	187,294	505,002

21.1 Recoveries represent amounts collected or collectible by the Corporation in respect of debts which were the subject of insurance claims during the year, net of the corresponding reinsurers' share which was ID 0.6 million in 1430H and Nil in 1429H. Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

22. CASH AND CASH EQUIVALENTS

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

	1430H	1429H
Bank balances	**1,656,794**	3,936,520
Murabaha commodity placements having a maturity of three months or less at the date of acquisition (note 6)	**40,869,851**	30,908,670
	42,526,645	34,845,190

23. RELATED PARTY TRANSACTIONS

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

Transactions with Islamic Development Bank included in the income statement are as follows for the year ended at end of Dhul Hijjah:

	1430H	1429H
Investment management fees	**120,000**	126,802
Administration fee	**108,480**	105,880
Expenses paid by IDB on behalf of the Corporation	**2,688,857**	2,818,442

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

	1430H	1429H
Amount due from Islamic Development Bank	**845,797**	-
Amount due to Islamic Development Bank	-	222,956
Claims payable	**194,878**	76,329

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24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Level 1	Level 2	Level 3
Share in CROCI Islamic Global Index	3,103,449	-	-
Islamic Sukuk	6,427,650	-	-
Unit in IDB - Unit Investment Fund	11,129,238	-	-
Share in Takaful Re.	-	-	1,591,495

25. RISK MANAGEMENT

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

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

a) Insurance Risk

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

b) Credit risk

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

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

The Corporation is also exposed to credit risk in its investment portfolio. 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, Mudarabah receivables, available-for-sale investments and claims recoverable. The Corporation seeks to limit its credit risk with respect to customers by setting credit limit for individual customers and monitoring outstanding receivables.

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

The Corporation is exposed to credit on the following balances:

	1430H	1429H
Murabaha receivables	**79,716,593**	75,604,308
Accounts receivable, net	**1,056,227**	863,517
Claims receivable, net	**2,655,496**	933,516
Mudarabah receivables	-	2,708,586
Available-for-sale investment	**22,251,832**	19,512,395
Other receivables	**88,071**	28,221
	105,768,219	99,650,543

c) Market risk

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

d) Currency risk

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

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

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

e) Liquidity risk

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

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

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

	Less than 3 months	3 to 12 months	1 to 5 years	Total
1430H	**879,394**	**404,856**	**651,801**	**1,936,051**
1429H	1,114,457	167,440	653,450	1,935,347

f) Mark-up risk

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

(In Islamic Dinars)

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

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

g) Operational risk

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

The Corporation works very closely with the IDB Group Internal Audit (GIAD) and Risk Management Departments (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 attempting to build the risk management modules. It also works with the IDB Group IT initiatives and is a client in many Group-wide IT solutions.

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

h) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk based on the outstanding exposure at the year end amounts to ID 485 million (1429H: ID 362 million). The Corporation minimizes any detrimental impact on its assets, due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (notes 16 and 18).

26. CAPITAL MANAGEMENT

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

As the corporation is a multilateral organization, the capital of the corporation is not subject to external regulations.

27. ZAKAT AND TAX TREATMENT

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

28. RECLASSIFICATION OF COMPARATIVE INFORMATION

Certain reclassification has been made to the comparative figures presented in these financial statements in order to be in conformity with current year classification and presentation.

Description	Current Classification	Previous Classification	Amount
Reclassification of cash and cash equivalents	Murabaha financing	Cash and cash equivalents	31,668,872

Certain captions in the current year financial statements have been changed from the last year financial statements.

Captions in Current financial statements	Captions in Previous financial statements
Murabaha financing, net	Murabaha receivable, net
Property and equipments	Fixed assets

Islamic Development Bank (IDB)

The 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 1395 (July 1975) and the IDB formally Commenced operations on 15 Shawwal 1395H (20 October 1975).

Purpose

The purpose of the IDB is to foster the economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah (Islamic Law)

Functions

The functions of the IDB are to provide various forms of development assistance for poverty alleviation through human development, forging economic cooperation through of trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. The IDB is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, addition to setting up trust funds.

The IDB is mandated to mobilize financial resources through Shari'ah-compliant modes. It is also charged with the responsibility of providing technical assistance to member countries, and extending training facilitates for personnel encaged in development activities in member countries.

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Brief Corporate Profile of other IDB Group Members

Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981). IRTI is now entrusted with the key role of transforming the IDB 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 Services Industry, which supports socio economic development in member countries. Under the Vision 1440H, IRTI is envisioned to be a center of excellence, serving as a focal point for all capacity building and advisory services in basic and applied Islamic economics and finance that support member country governments and their agencies. For that, IRTI will gradually strengthen its core business activities in knowledge services through research, policy dialogue and Shariah advisory services, with the aim of eventually providing full consulting assistance to its stakeholders. www.irti.org

Islamic Corporation for the Development of the Private Sector (ICD)

ICD was established in 1420H (1999) as an independent entity within IDB Group. The mission of ICD is to promote the private sector as a vehicle for economic growth and evelopment in member countries. The Authorized Capital of ICD is $2 billion, of which $1 billion is available for subscription. IDB has subscribed 50 percent of its capital, while member countries and public financial institutions in member countries have subscribed up to 30 and 20 percent, respectively. As of end-1430H, the total Paid-up Capital of ICD stood at $401,637,526 million. www.icd-idb.org

International Islamic Trade Finance Corporation (ITFC)

ITFC was established in Jumad Awwal 1426H (June 2005) and commenced business operations in Muharram 1429H (January 2008) as the autonomous and dedicated trade finance entity of the IDB Group. Prior to this, trade finance business was undertaken by various entities under different programmes in the IDB Group. The main objective leading to the establishment of ITFC is to help promote and facilitate intra-trade between OIC member countries using Shariah compliant financing instruments and also provide support towards achievement of the 20 percent intra-OIC trade volume targets by 2015 contained in the Makkah Declaration, 2005. In addition to trade finance, the ITFC mandate also includes support for trade promotion activities and programmes in member countries. The Authorized and Subscribed Capital of ITFC are $3 billion and $750 million respectively and has its headquarters in Jeddah, Saudi Arabia. www.itfc-idb.org.

"Globally Secure"

The Islamic Corporation for the Insurance of Investment and Export Credit

(Member of the Islamic Development Bank Group - Jeddah)

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