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The Islamic Corporation for the Insurance of Investment and Export Credit

Annual Report
1434H/2013G

Member of the Islamic Development Bank Group

بسم الله الرحمن الرحيم

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OUR VISION

“To be the internationally recognized leader in Shariah 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 Shariah compatible export credit and investment insurance as credit and political risk mitigation instruments.”

SINCE 1994, MAKING BUSINESS TRANSACTIONS LESS RISKY AND MORE COMPETITIVE

1994

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

2000

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

2005

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

2008

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

2009

- Membership in Berne Union
- Establishment of Aman Union

2010

- Appointment of the Chief Executive Officer.
- Inauguration of the 1st Representative Office (DIFC/ Dubai)

2011

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

2012

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

2013

- Launch of Sukuk Insurance Product
- Country membership reaches 41.

TRANSMITTAL LETTER

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

Date: 24 / 03 / 2014G
23 / 05 / 1435H

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

Dear Brothers and Sisters

Assalamo-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement, establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit, on behalf of the Board of Directors, for the kind attention of the esteemed Board of Governors, the Annual Report and the audited financial statements of the Corporation for the year 1434H (2012-2013G).

Please accept the assurances of my highest consideration.

Yours sincerely,

Dr. Ahmad Mohamed Ali
Chairman of the Board, ICIEC

HIGHLIGHTS

BUSINESS & FINANCIAL RESULTS

In USD Millions

	1433H	1434H	Change
New Insurance Commitments	2,314	2,249	-3%
Business Insured	3,074	3,362	9%
Current Exposure	1,254	1,358	8%
Premium and Fees	13.86	13.18	-5%
Claims Paid	2.11	2.31	9%
Recoveries	0.04	0.48	1100%

In Islamic Dinar (ID)* Millions

	1433H	1434H	Change
Total Assets	155.86	157.51	1%
Total Shareholders' Equity	142.73	144.85	1%
Paid-Up Capital	101.00	110.25	9%
Net Reserves	28.35	26.83	-5%
Investment Income	2.41	2.76	15%
Earned Premium and Fees	6.49	8.29	28%
Net Claims Paid /(Recovered)	0.75	1.91	155%
Net Corporate Result	**(0.41)**	**0.31**	**176%**

* Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to the Special Drawing Rights (SDR) of the International Monetary Fund (ID 1.00 = USD 1.53 as at the end of 1434H).

BOARD OF DIRECTORS

First row (from left to right): Hon. Md. Abul Kalam Azad, Hon. António Fernando Laice, Hon. Mohamed Ahmed Abu Awad, H.E. Dr. Ahmad Mohamed Ali, Hon. Ismail Omar Al-Dafa, Hon. Mohammed Jawad Bin Hassan Suleman, Hon. Zeinhom Zahran, Hon. Mohammed Gambo Shuaibu, Hon. Noureddine Kaabi

Second row (from left to right): Hon. Sékou Ba, Hon. Bader Mishari Al-Hammad, Hon. Ali Hamdan Ahmed, Hon. Ibrahim Halil Çanakci, Hon. Hamad Bin Suleiman Al-Bazai, Hon. Yerlan Alimzhanuly Baidaulet, Hon. Mohammad Parizi, Hon. Tan Sri Dr. Mohd Irwan Serigar Bin Abdullah, Hon. Bader Abdullah Abuaziza, Hon. Diomande Kanvaly

MANAGEMENT TEAM

Dr. Abdel Rahman Eltayeb Taha
Chief Executive Officer

Khemais El-Gazzah
Chief Operating Officer

Muhammed Azam
Director, Accounting and Finance

Adil A. Babikr
Director, Legal Affairs

Bassam Dawoud
Acting Director, HRM and Corporate Services

CORPORATE GOVERNANCE

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

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present to ICIEC's stakeholders its Annual Report for the year 1434H. Against a backdrop of continued political and macro-economic headwinds, the Corporation continues to grow its business volumes, in pursuance of its critical mandate of supporting trade and investments for Member Countries.

1434H witnessed the Corporation providing USD 3.3 billion worth of credit and political risk insurance in supporting trade and investments, a growth of 9% over last year's achievement. ICIEC's invoiced premiums for the year, however, fell by 5% to USD 13.18 million as compared to USD 13.86 million last year. These figures are a clear indication that the price competition the Corporation is facing from international private sector insurers has driven premium rates to unsustainable low levels. This trend, which is expected to continue for the foreseeable future, is forcing the Corporation to lessen its dependence on the short term whole-turnover trade credit insurance business, and to focus on short term products in which it has a competitive advantage, such as the documentary credit insurance policy.

Political risk insurance, which can arguably be said to have the biggest developmental impact for Member Countries, continues to become a larger and more important part of ICIEC's portfolio. This is driven not just by demand being experienced in this line of business, but at the same time, a conscious effort on the part of the Corporation to focus on this important part of its mandate, partnering with strong institutions like the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and National ECAs, in key world economies, is part of this strategic focus.

In spite of the challenging operating conditions being encountered, the Corporation has again succeeded in maintaining its Insurer Financial Strength Rating of Aa3 from Moody's, with a stable outlook. In other institutional developments, I am pleased to report that Mozambique has become the 41st Member Country of ICIEC. It is my fervent hope that those Member Countries of the Organization of the Islamic Cooperation who are not yet members of ICIEC will seek to join the Corporation.

I would like to take this opportunity to again emphasize the importance of Member Countries subscribing to the optional capital increase of the Corporation. A review of the Corporation's operating statistics makes it clear that dollar for dollar, an investment into the capital of ICIEC is one of the most effective, targeted, and capital-efficient way of supporting trade and investments for Member Countries which need the most assistance. With the authorized capital of the Corporation at 400 million Islamic Dinars, and the subscribed capital being 231 million Islamic Dinars, it is amply clear that there is significant room for intervention in this regard by Member Countries.

It is worth mentioning that ICIEC celebrates its 20 years Anniversary which will coincide with the 40th Anniversary of its parent; the Islamic Development Bank (IDB), during 1435H. ICIEC was established on 1st August 1994 (1415H) following the resolution of the Committee for Economic and Commercial Cooperation (COMCEC) of the Organization of Islamic Cooperation (OIC), with the mandate to help increase the scope of trade transactions among the Member Countries of the OIC, and facilitate intra-investments among them. During the two decades of its existence, ICIEC succeeded in becoming one of the main players in credit insurance industry in the Member Countries. Today, ICIEC is recognized as the leading insurer of credit and political risk for OIC Member Countries. Thanks to our shareholders for their continuous support in facing all the challenges that ICIEC has met during its 20 year journey.

Looking ahead and not withstanding a continuing unstable global economic and business environment, the Corporation is mindful of the fact that its role becomes more crucial in times of economic difficulty. With the support of its stakeholders, we are confident that the Corporation can rise to the challenge of becoming an increasingly important contributor in the economic development of Member Countries, supporting their exports and helping them to attract foreign financing and investments.

Yours sincerely,

Dr. Abdel-Rahman Eltayeb Taha

1 ICIEC IN BRIEF

OBJECTIVES

ICIEC was established in 1994 (1415H) as an autonomous multilateral export credit insurance agency, member of the Islamic Development Bank (IDB) Group.

ICIEC is mandated to help expand the export of its Member Countries (MC) worldwide and to encourage flows of Foreign Direct Investments (FDI) to its MCs by providing credit and political risk insurance tools.

The eligible exports originating from MC, are insurable against both commercial and political risks, while inward foreign investments are insurable against political risks only.

ICIEC mandate was expanded to enhance its outreach to the market, during the past 20 years. Thus, ICIEC is now able to provide export credit insurance services to exporters from non-Member Countries, supplying capital equipments, infrastructure related projects, and food security related items to its Member Countries on selective basis. Also, ICIEC may insure domestic sales of exporters in Member Countries.

MEMBERSHIP AND SHARE CAPITAL

Membership in ICIEC is open to the Islamic Development Bank (IDB) and countries that are members of the Organization of the Islamic Cooperation (OIC). At the end of 1434H, there were 42 shareholders of ICIEC, comprising IDB and 41 countries, including 17 Arab countries, 15 African countries, and 9 Asian and other countries.

Currently, the authorized share capital of ICIEC is ID 400 (USD 613) million, made up of 400,000 shares of ID 1,000 each. IDB subscribed to 100,000 shares of the authorized capital, through its Waqf Fund, while the Member Countries subscribed to 131,498 shares, out of 250,000 shares allocated for subscription by Member Countries, bringing the total subscribed capital to ID 231.50 (USD 354.60) million of which ID 110.86 (USD 169.81) million was paid up. The remaining 50,000 shares of the authorized capital of ICIEC are designated for subscription by IDB Group entities, development finance institutions, commercial, banks, and enterprises in the Member Countries of the Corporation.

ICIEC TAKAFUL MODEL

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

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

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

All operations of ICIEC are in accordance with Islamic Shariah

Twenty Years of Service to its Member Countries

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established following a resolution of the Committee for Economic and Commercial Cooperation (COMCEC) of the Organization of Islamic Cooperation (OIC) to establish a multilateral export and investment insurance institution. ICIEC was formally established in 1994 and started operation in 1995 – it thus completes 20 years of existence this year. The mandate ICIEC was assigned was to increase the scope of trade transactions among the Member Countries (MCs) of the OIC, facilitate intra-investments among them, and support Export Credit Agencies (ECAs) in MCs.

The business of the Corporation at the time of formation was limited to support intra-trade and investments among the OIC MCs, as mandated by its Articles of Agreement. Early on, the management of ICIEC realized that this limited mandate was not in line with the requirements of MCs stakeholders. Consequently, several amendments to the Articles of Agreement were introduced to enable the Corporation to expand its market by insuring exports from MCs worldwide, and insuring investments from anywhere to MCs. Also, with more competition coming from major international credit insurance providers, other changes in the Articles were made so that ICIEC could cover domestic and international sales under one policy; and cover was allowed for capital equipment, strategic goods, and essential commodities from non-Member Counties. All these changes, which were necessitated by the Corporation's experience, resulted in a large increase in business volumes both from exports as well as investment inflows to MCs.

Initially, ICIEC started with an authorized capital of ID100 million (USD140 million), of which IDB subscribed to 50% and MCs to the balance 50%. In 2008, the Board of Governors of the Corporation raised the authorized capital to ID150 million (USD 240 million). This increase was fully subscribed to by the IDB. In 2012, the authorized capital of the Corporation was again raised to ID400 million (USD 613 million) in order to meet the accelerating demand for the services of the Corporation. Currently, ICIEC's subscribed capital is about USD 355 million, of which about USD 170 million is paid up.

Starting with 15 MCs, the Corporation's membership now has a total of 41 countries. Of these, 17 are Arab countries, 15 African, and nine Asian/other countries. ICIEC's possible maximum membership is 57 countries – the membership of the OIC.

In terms of product mix, the Corporation started operations with only three products, the Comprehensive Short Term Policy (CSTP), Bank Master Policy (BMP), and Supplemental Medium Term Policy (SMTP).

In 1998, a fourth product for Foreign Investment Insurance (FII) was added to the list. The first product was designed for short term export operations while the second for Islamic banks, the third for project finance related transactions, and the fourth for investment inflows to MCs (covering equity investments, financing facilities, guarantees, and non-honouring of sovereign obligations).

During the period 2000-2005, the Corporation added the Documentary Credit insurance policy (DCIP), and the Specific Transaction Policy (STP). Both products would go on to become the mainstays of the ICIEC's business volumes and premium income. Commercial banks in the GCC and Turkey and top companies like APICORP and Saudi Export Program have utilized these products with great success.

As a part of the development of the export credit insurance industry in MCs, ICIEC also started offering reinsurance services on both Political Risk and Export Credit Insurance (facultative, i.e. one off basis as well as on treaty basis). ICIEC has similar outward reinsurance arrangements with major international reinsurance companies. ICIEC cedes a significant part of both its short term as well as medium term risk exposure to reinsurance.

Since the beginning of the current decade, ICIEC has launched four new products, including the Specific Transaction Policy, the Contract Frustration Policy, the Ducroire Reinsurance Policy, and the Sukuk Insurance Policy. The Sukuk insurance policy is a singular achievement for the Corporation, since it is the first time an Islamic insurer is offering a risk mitigation instrument for Sukuk. The product has been launched in 2014, and already a number of customers have shown interest in the product.

"The strategic objectives of ICIEC have evolved over the years from the original limited role of supporting intra-OIC trade and investments, to the wider role of supporting the exports of the Member Countries worldwide and to encourage the flow of direct investments and project finance to them from anywhere in the world".

Dr. Ahmad Mohamed Ali,
Chairman of the Board of Directors, ICIEC

The Corporation's business was limited in the first 5 years or so; that is before it started to cover exports from member to non-Member Countries. This period also marked the start of FII activity. From 2004 onwards, the Corporation's growth in business has been steady. Even though 2005-2006 was a tough time for the Corporation with increasingly tough competition from the private Export Credit Agencies (ECAs), the Corporation witnessed a growth in its portfolio. In 2007, the Corporation exceeded USD 1bn in business insured for the first time. A drop in business was experienced in 2009, which was a direct result of the global financial crisis. However, volumes started increasing again from 2010 onwards, with annual business insured being above USD 3 billion during the last three years. Overall, the Corporation has reached USD 18 billion of business in the last 20 years, 78% of which has been for short term trade credit and the rest from medium term and investment insurance.

With these achievements, ICIEC's name has become known in the industry. In 2008, ICIEC joined the Berne Union, the association of major ECAs, most of which are from OECD countries. For an ECA to become a member of the BU, it has to meet certain minimum standards such as business volume, as well as product standards. The Berne Union meets twice annually to share knowledge, discuss issues affecting the industry, and provide advocacy for the credit insurance industry with respect to global regulations. ICIEC is also a member of the Prague Club, which is associated with the Berne Union and derives its membership from developing countries. Both the Berne Union and Prague Club serve as excellent information and knowledge sharing platforms for technical aspects of the business.

ICIEC has close working relations with the other three multilateral credit and investment insurance institutions; the Arab Investment Guarantee Corporation (Dhaman), the World Bank's Multilateral Insurance Guarantee Agency (MIGA), and African Trade Insurance Agency (ATI). Moreover, ICIEC is not only a founding member of AMAN Union (AU), which is an umbrella for the ECAs from MCs, but also shares its Secretariat with Dhaman.

ICIEC's business standing and strength was confirmed in 2007 when Moody's awarded the Corporation with an Aa3 rating, on a standalone basis. The Corporation has succeeded in maintaining this rating for seven consecutive years – a period during which the global financial crisis battered all economic sectors and ECAs were no exception.

ICIEC, with the support of its Board of Directors, Board of Governors, and the leadership of its parent organization the Islamic Development Bank, has evolved as a strong business institution over the years. Its Articles of Agreement, Operations Regulations, Risk Management Guidelines and Operating Procedures have continuously evolved in order to facilitate its business needs. Its organization structure has transformed over time also to remove operational bottle-necks and facilitate the implementation of its business strategy. The current governance structure which makes the President of IDB as ex-officio Board Chairman, and assigns the Chief Executive Officer the day to day running of the Corporation augured well for the decision-making of the Corporation. With a total of 64 staff, of which 86% are qualified professionals and semi-professionals, ICIEC is well positioned to further support its challenging mandate.

The Corporation was became a mature organization, but is struggling with the dilemma of either looking out for its bottom-line and focusing on commercial approach or targeting relatively high risk transactions with developmental impact. A consensus has evolved that a balanced approach – with equal importance being placed on both options – is the most appropriate course to pursue.

Going forward, ICIEC plans to balance its business portfolio by concentrating more on investment insurance and project finance business and at the same time continuing with current volume short term trade credit business. This deemed to be the best medium term strategy for achieving its objectives and help contribute to the realization of the IDB Group Vision.

In the final analysis, ICIEC has succeeded in building the critical core operating functions of a credit and political risk insurance institution capable of sustaining its business in the market, and of providing impactful services to its member country clients. With its two decades of experience, ICIEC is perfectly positioned to further enhance the support it provides toward the development of its MCs.

"When ICIEC was starting out, trade finance in the region was quite traditional"

Dr. Abdel-Rahman Taha, ICIEC's CEO

Utilization of ICIEC's Services by Member Countries

(Since Inception Up-to End of 1434H)

Country	Imports	Exports	Outward Investments	Inward Investments	Total	%
ALGERIA	333,692,386	66,848,184	-	496,495,000	897,035,570	3.68%
EGYPT	833,383,030	1,213,923,978	-	44,134,035	2,091,441,043	8.58%
KUWAIT	214,200,819	64,303,002	43,309,731	-	321,813,552	1.32%
MOZAMBIQUE	119,340	-	-	-	119,340	0.00%
SENEGAL	161,073,235	-	-	332,517,883	493,591,118	2.03%
TURKEY	313,223,720	465,235,719	345,395,000	21,495,000	1,145,349,439	4.70%
BAHRAIN	65,258,855	2,577,091,352	-	248,902,575	2,891,252,782	11.86%
GABON	8,745,437	-	-	-	8,745,437	0.04%
LEBANON	214,709,386	37,070,591	-	50,000,000	301,779,977	1.24%
NIGERIA	1,681,905	-	-	-	1,681,905	0.01%
SUDAN	345,427,255	188,091,841	-	111,787,268	645,306,364	2.65%
UNITED ARAB EMIRATES	720,984,631	1,372,816,481	402,848,788	182,666,660	2,679,316,560	10.99%
BANGLADESH	797,199,444	-	-	-	797,199,444	3.27%
GAMBIA	14,385,383	-	-	-	14,385,383	0.06%
LIBYA	65,659,786	-	-	8,000,000	73,659,786	0.30%
OMAN	56,547,801	-	-	-	56,547,801	0.23%
SYRIA	91,312,973	154,868,956	-	35,309,731	281,491,660	1.15%
UGANDA	1,220,497	-	-	-	1,220,497	0.01%
BENIN	1,000,000	-	-	-	1,000,000	0.00%
GUINEA	7,500,000	-	-	-	7,500,000	0.03%
MALAYSIA	24,476,635	36,202,837	-	-	60,679,472	0.25%
PAKISTAN	1,044,374,418	412,371,941	-	246,696,108	1,703,442,467	6.99%
TUNISIA	152,948,793	607,076,917	-	-	760,025,710	3.12%
YEMEN	47,805,249	15,474,092	-	-	63,279,341	0.26%
CAMEROON	9,608,190	-	-	-	9,608,190	0.04%
INDONESIA	58,711,691	-	-	262,798,035	321,509,726	1.32%
MALI	2,223,566	-	-	-	2,223,566	0.01%
QATAR	96,459,952	-	-	-	96,459,952	0.40%
COTE D'IVOIRE	-	-	-	253,390,342	253,390,342	1.04%
IRAN	254,094,303	29,760,612	-	202,121,572	485,976,487	1.99%
MAURITANIA	100,347,658	-	-	-	100,347,658	0.41%
SAUDI ARABIA	1,535,566,869	4,628,354,788	99,051,479	-	6,262,973,136	25.70%
DJIBOUTI	-	-	-	420,360,033	420,360,033	1.72%
JORDAN	191,251,795	489,232,711	201,100,000	-	881,584,506	3.62%
MOROCCO	181,899,983	57,639,061	-	-	239,539,044	0.98%

Total Operations

Imports	7.947
Exports	12.416
Outward Investments	1.092
Inward Investments	2.917
Total	24.372

In Million USD

* No transactions were reported until the end of 1434H for Albania, Burkina-Faso, Brunei, Chad, Kazakhstan, and Niger.

2 Global Picture 1434H

Global growth which is estimated to remain at 3% in 2013, is picking up to 3.5% in 2014, and the growth momentum is shifting from the emerging markets to the advanced economies. The latter have recently gained some speed, while the emerging market economies slowed a departure from previous developments since the Great Recession. The emerging market economies, however, continue to account for the bulk of global growth.

The impetus to global growth is expected to come mainly from the United States, where activity will move into higher gear as fiscal consolidation eases and monetary conditions stay supportive. Following a sharp fiscal tightening earlier in 2013, Economic activity in the United States is already regaining speed, helped by a recovering real estate sector, higher household wealth, easier bank lending conditions, and more borrowing.

The Euro area returned to growth in the second quarter of 2013 after six quarters of recession. Thus, economic growth is estimated at only 1% in 2013, after contracting by about 0.5% in 2012. Euro depreciation is partly based on major structural euro-zone problems despite US economic policy weakness. As a result, the Euro volatility will remain elevated until EU moves towards greater fiscal integration and joint banking sector regulation. Business confidence indicators suggest that activity is close to stabilizing in the periphery and already recovering in the core economies. In 2014 a major reduction in the pace of fiscal tightening, to less than 0.5% of GDP from about 1% of GDP in 2013, is in the offing. However, the support for activity from the reduction in the pace of fiscal tightening is dampened by tight credit conditions.

In emerging market and developing economies, exports driven by stronger advanced economy growth and solid consumption encouraged by low levels of unemployment are expected to support activity. Many large developing countries, including the BRICS (Brazil, the Russian Federation, India, China and South Africa), experienced considerably weaker economic growth over the past two years. For 2013, average gross domestic product (GDP) growth in the BRICS is projected at 5.6%, down from an annual average of about 8% during the period 2000-2008. Fiscal policies are projected to be broadly neutral, and real interest rates are still low in many economies, which should foster investment. In many of these countries GDP is still well below the pre-crisis level. External funding conditions have tightened and there is increasing evidence for supply-side constraints. However, for many of these economies, the risks to growth are on the downside.

GDP growth in sub-Saharan Africa (SSA) is estimated to average 6% in 2013. Growth in SSA is still strong, driven by domestic demand, although at a slower pace than previously anticipated. Commodity-related projects are expected to support higher growth in 2014. Exchange rates adjusted sharply, but external financing has resumed and this is expected to continue.

Political, social, and economic transition is proving difficult two years after the beginning of the “Arab Spring” in the Middle East and North Africa (MENA). Activity in the region has been mainly held back by ongoing difficult political transitions in many countries. In addition to the fallout from political instability, a more hostile external environment weighed negatively on growth across the region. Many countries face the immediate challenge of re-establishing or maintaining macroeconomic stability amid political uncertainty and social unrest.

Economic performance was mixed in 2013: although most of the region’s oil-exporting countries grew at healthy rates, economic growth remained sluggish in the oil importers. Average GDP growth in the MENA region was estimated at 4% in 2013. The region must henceforth address medium-term challenges of diversifying its economies, creating more jobs, and generating/encouraging more inclusive growth.

Uncertainties arising from prolonged political transitions, and weak external environment, weigh on confidence in the MENA oil importing countries. A challenging external environment continues to exert pressure on foreign currency reserves in many oil-importing countries.

Sluggish economic activity in trading partners, particularly in the Euro area, is holding back a quicker recovery of exports, while elevated commodity prices continue to weigh on external balances in countries that depend on food and energy imports. Tourist arrivals are gradually rebounding, but remain well below pre-2011 levels.

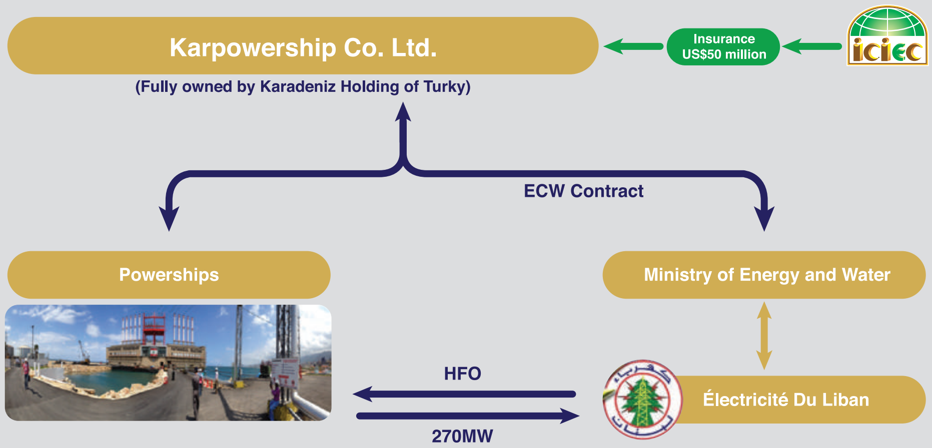
Foreign direct investment and remittance flows are expected to remain subdued, while portfolio flows will remain lower than in other emerging markets and developing countries. Growing regional economic and social spillovers from the conflict in Syria add to the complexity of the economic environment. Many oil-importing economies continue to struggle with difficult sociopolitical and security conditions.

However, strong positive developments could be achieved by one of the “Arab Spring” countries on the political area, in early 2014. If sustained, macroeconomic outlook by the World Bank and other multilaterals as well as by Standard & Poors and other rating agencies, is expected to follow with a dramatic shift, lifting most of the previous skepticism about the country, and perhaps relatively reconsidering the outlook about Arab Spring.

ICIEC backs Energy Sector in Lebanon

ICIEC provided USD50 million insurance cover to Karpowership Company Ltd. a subsidiary of Karadeniz Holding A.S. of Turkey covering their two powerships to be used in 270MW Energy Conversion Works (ECW) for the Lebanese Ministry of Energy and Water against the risk of expropriation for 3 years.

The ECW contract was designed by the Government of Lebanon to close the power supply gap when both Zouk and Jieh power plants will shut down for rehabilitation and construction of new facilities. By using its powerships with advance power generation technology, Karpowership Company will produce 270MW of electricity needed to close the power supply gap in Lebanon, by providing one of the lowest cost of electricity provided to the Lebanese grid.



3 Business Development

Products and Services

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

During the year, the business development efforts were more focused on financial institutions to offer them the Documentary Credit Insurance Policy (DCIP). In addition, considerable efforts were exerted on marketing and selling the new product, Contract Frustration Policy, which was launched last year to respond to the needs of contractors who compose a large segment in Member Countries. This product covers the commercial and non-commercial risks of single contracts and minimizes the risks contractors are exposed to in case of contract frustration by the sponsors.

Distribution Channels

ICIEC exerts considerable efforts to enhance its outreach to provide its clients with the best service possible and to approach potential customers wherever they are. For this purpose, ICIEC has developed the following distribution network:

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

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

IDB Group Regional Offices: The Corporation utilizes the IDB Group's four Regional Offices located in Almaty, Dakar, Kuala Lumpur, and Rabat, to provide easy access to stakeholders from all Member Countries. As a first step, with an objective to discover and unleash the potential in Africa, ICIEC has recently appointed a Business Development Representative in the Regional Office Senegal, to cover West African Member Countries.

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

In this regard, many agreements have been signed during last few years and few more Member Countries have been already approached and collaboration discussions are at an advanced stage. In addition, ICIEC signed reinsurance agreement with Malaysia Eximbank, and agency agreements with ASEI of Indonesia, Tasdeer (Qatar) and JLGC (Jordan). Other agreements are being finalized like the reinsurance agreement with SEP (Saudi Arabia).

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

AMAN UNION 4th Annual General Meeting

The International Union of Export Credit Insurers – "AMAN UNION" – in the OIC Member Countries, from Arab and Islamic countries, held its 4th Annual General Meeting in Doha, Qatar from 9 to 11 December 2013. This event was co-organized by the Secretariat General, managed by ICIEC and Tasdeer (The ECA of Qatar managed by the Qatar Development Bank). More than 80 participants from over 30 organizations, representing national ECAs, international reinsurers, credit information agencies and debt collection companies, actively interacted on the different topics of the program presented by credit insurance experts from the industry.

The meeting also discussed the latest development and updates in the industry, members' expectations for the year 2013, impact of the recent political events on AMAN UNION members, claim experience of AMAN UNION members, credit information industry and country focus on MENA region.

Two new members were accepted during the meeting, namely Munich Re and Export Development Bank (Iran) and a member was upgraded to full member status (Tasdeer), bringing the total number of AMAN UNION members to 18 Full Members, 1 Associate Member and 12 Observers.

The performance report of AMAN UNION members during 2012 shows an increase of 11.5% in new business insured compared with 2011 (from USD 17.4 billion to USD 19.4 billion), an increase in premium written by 26% (from USD 88.5 million to USD 111.5 million), an increase in claims paid by 22% (from USD 35.3 million to USD 43.2 million) and a high increase in recoveries by 235% (from USD 6.8 million to USD 22.8 million).

The Database Center

The 4th Annual General Meeting of the AMAN UNION witnessed also the official launching of the Database Center "DBC" by ten subscribers; namely ICIEC, Dhaman, ASEI of Indonesia, ECGA of Oman, ECGE of Egypt, NAIFE of Sudan, Shiekan of Sudan, EGFI of Iran, Turk Eximbank of Turkey and ECIE of UAE. This project consists of a data pool to share black-listed buyers, access existing credit reports in the database, order and purchase credit reports and opinions on new buyers located anywhere in the world from 18 international sources. The subscribers will also be able to order updates on existing buyers in the database, and share credit limit approvals and underwriting experience of other members of the UNION.

4 Insurance Operations

Summary of Operations Results 1434H

(USD million)

Indicators	Results 1433H	Results 1434H	Change %
New Commitments	2,314	2,249	-3%
Current Commitments	2,859	3,407	19%
Business Insured	3,074	3,362	9%
Exposure	1,254	1,358	8%
Premium Issued	13.86	13.18	-5%
Outstanding NPLs	16.29	12.80	-21%
Claims Paid	2.11	2.31	9%
Recoveries	0.04	0.48	1100%

New Insurance Commitments during 1434H reached USD 2,249 million registering a decline of 3% as compared to last year. This decline is due mainly to reduced business under the Specific Transaction Policy (STP) used mainly for medium term project finance. Although the new commitments show a drop, the current (outstanding) commitments, which is a cumulative figure, indicate an increase of 19% compared to last year.

Business Insured or actual utilization of commitments in 1434H reached USD 3,362 million compared to USD 3,074 million during 1433H, indicating an overall increase of 9%. It was mainly due to an increase in business insured under the facultative reinsurance of the inward investment insurance product (RFA-II) which registered USD 341 million compared to USD 217 million last year, reflecting an increase of 57%; and the whole turnover insurance product the Comprehensive Short Term Policy which fetched USD 1,247 million compared to USD 1,011 million last year, reflecting a 22% increase.

Total Gross Exposure reached USD 1,358 million compared to USD 1,254 million in the year 1433H, an increase of 8% which is due to increase in business under the direct investment insurance and facultative reinsurance support.

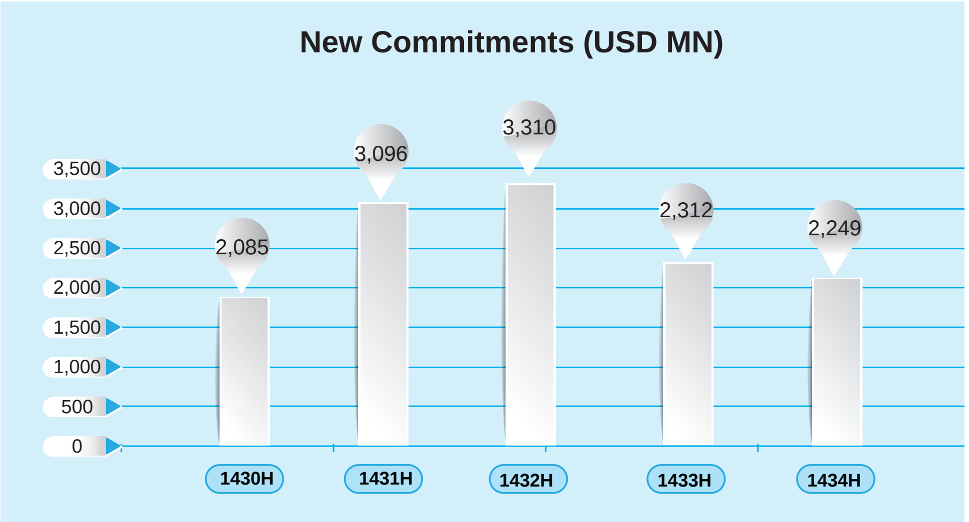
The Total Insurance Premium invoiced reached USD 13.18 million during the year 1434H compared to USD 13.86 million during last year, showing a decrease of 5%.

The Total outstanding Notifications of Probable Loss (NPLs) at the end of the year 1434H reached USD 12.80 million compared to USD 16.29 million at the end of last year. The total claims paid during 1434H were USD 2.31 million which resulted from the short term export credit insurance line of business, compared to USD 2.11 million last year, reflecting the deterioration in the global credit risk environment.

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

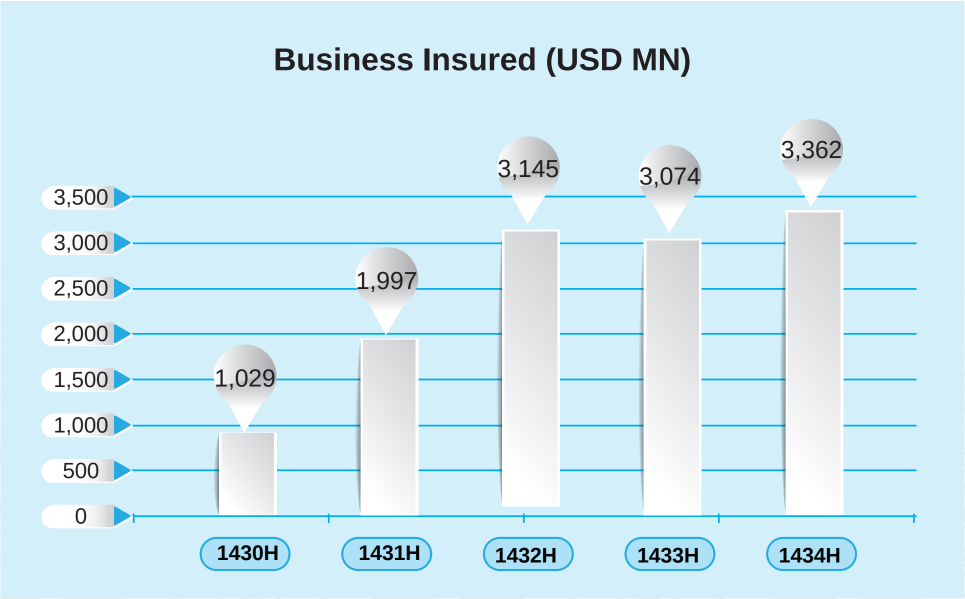
New Insurance Commitments

New insurance commitments are the new insurance approvals issued during a year. These reached USD 2,249 million in 1434H compared to USD 2,314 million last year, registering a small decrease of 3%. The Corporation witnessed an increase in demand in most of its products with the exception of STP which has decreased in volume. The Corporation maintained its approach of having a tight hold on the risks it is underwriting due to the ongoing political instability prevailing in some of its Member Countries and the economic difficulties prevailing world-wide.



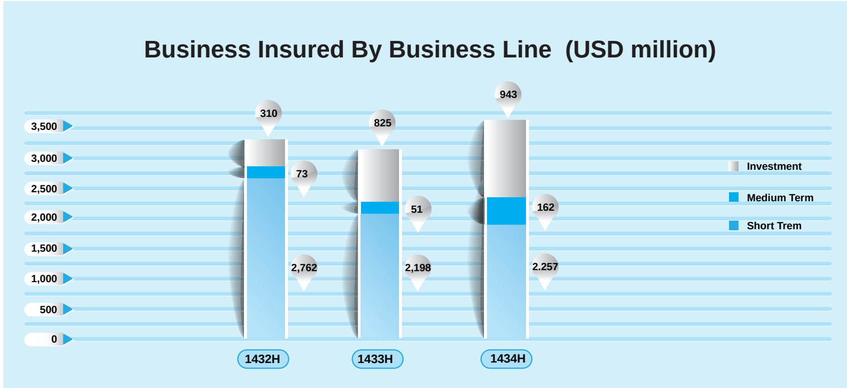
Business Insured

ICIEC's actual business insured during the year 1434H reached a new record at USD 3,362 million compared to USD 3,074 million during 1433H, showing an increase of 9%. The increase is mainly due to business increase under the Documentary Credit Insurance Policy (DCIP) and Comprehensive Short Term Insurance Policy (CSTP) for the short term business line and business increase under the Specific Transaction Policy (STP) and Foreign Investment Insurance Policy (FIIP) for the medium and long term business line.



Business Insured by Line of Business

The business insured under short term export credit insurance for 1434H was USD 2,257 million representing 67% of total business insured, while business insured under medium term structured finance and foreign investment represented 5% (USD 162 million) and 28% (USD 943 million) respectively. All lines of business reflect respectable growth during 1434H.

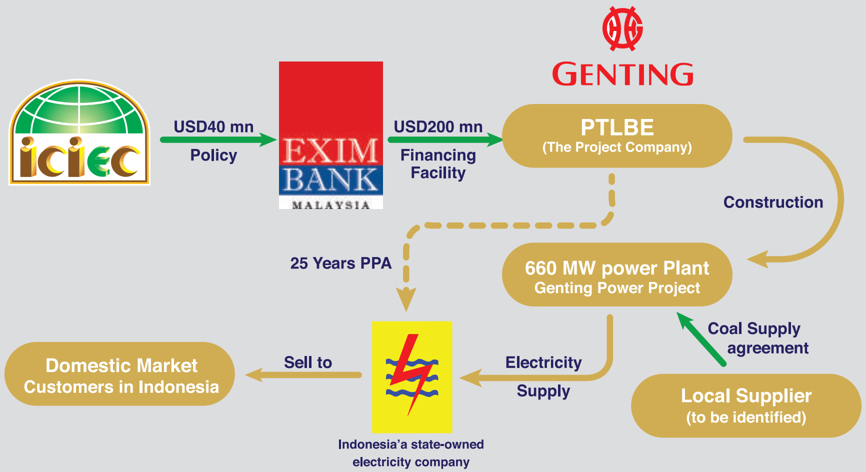


ICIEC backs Energy Sector in Indonesia

ICIEC provided USD40 million insurance cover to Export-Import Bank of Malaysia Berhad (EXIM Bank) covering 20% of their USD200 million loan facility provided to PT Lestari Banten Energi (PTLBE), a subsidiary of Malaysia's Genting Group, to be used in its USD990 million coal-fired power plant in Banten Province, Indonesia. ICIEC's insurance covers the risk of Breach of Contract relating to the Power Purchase Agreement (PPA) signed between PTLBE and PT Perusahaan Listrik Negara (Persero) (PLN), Indonesia's state-owned electricity company. The cover will be for 12.5 years.

The PPA was designed by the Government of Indonesia to meet the Electrical Power Supply Business Plan (Rencana Usaha Penyediaan Tenaga Listrik) by supplying 660 MW to reduce the electricity shortage in the country. The project involves the design, procurement, construction, installation, operation and maintenance of the 660 MW coal-fired power plant located in Suralaya, Banten province in the northwest of Java Island. The project will be developed and operated on a build, own, operate and transfer basis for a period of 25 years and the plant is expected to commence commercial operations in April 201 7.

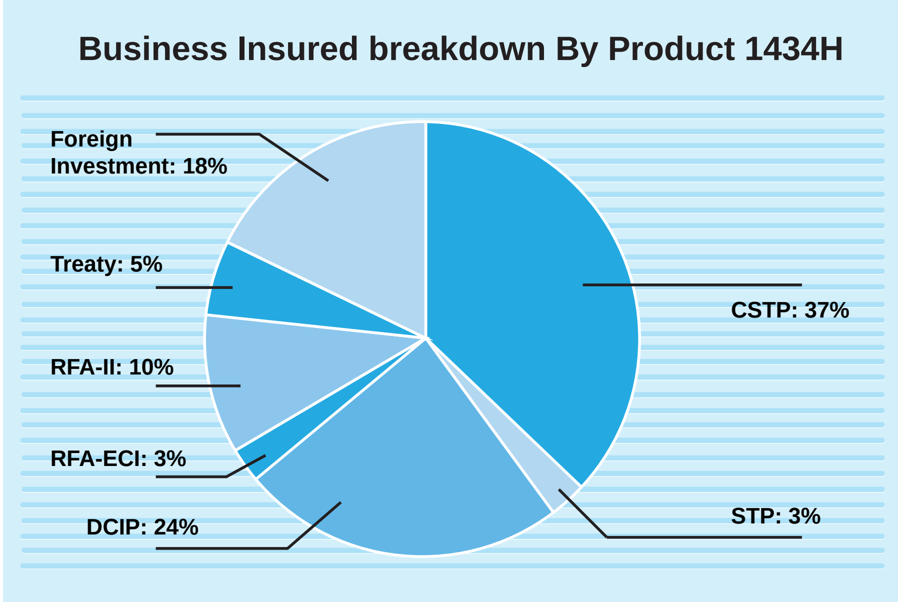
This project will assist Indonesia to improve its electrification ratios and at the same time will utilize the huge reserves of coal in Sumatra and Kalimantan which would contribute towards Indonesia's long-term growth and development ambitions. ICIEC's support to the transaction is in line with its strategy of supporting Member Countries' infrastructure development and economic integration.



Business Insured by Products

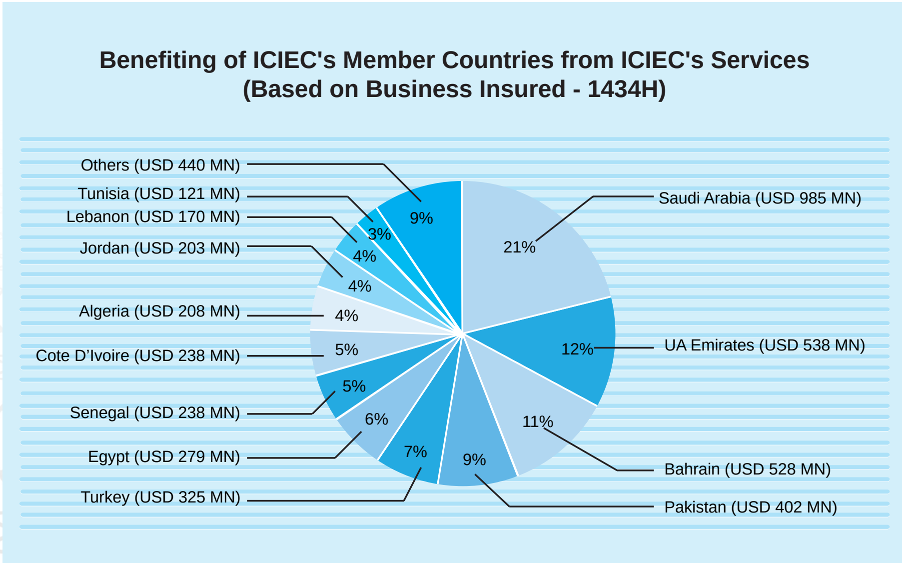
The Comprehensive Short Term Policy (CSTP), which provides whole-turnover export credit insurance solution to policyholders, continued to dominate business insured and accounted for 37% of total business insured as compared to 31% registered last year. The Documentary Credit Insurance Policy (DCIP) was second registering a business insured of 24%, and with an increase of 7% from last year's business insured. The Foreign Investment Insurance Policy (FIIP) was third, representing 18%, down from 20% from last year.

The contribution to the total business insured of ICIEC's Specific Transaction Policy (STP), which covers single buyer risk witnessed only 3% business insured share compared to last year's 10%; while the Inward Reinsurance Facultative Agreement (IRFA) and Inward Reinsurance Treaty shares accounted for 13% and 5% respectively.



Benefiting ICIEC Member Countries

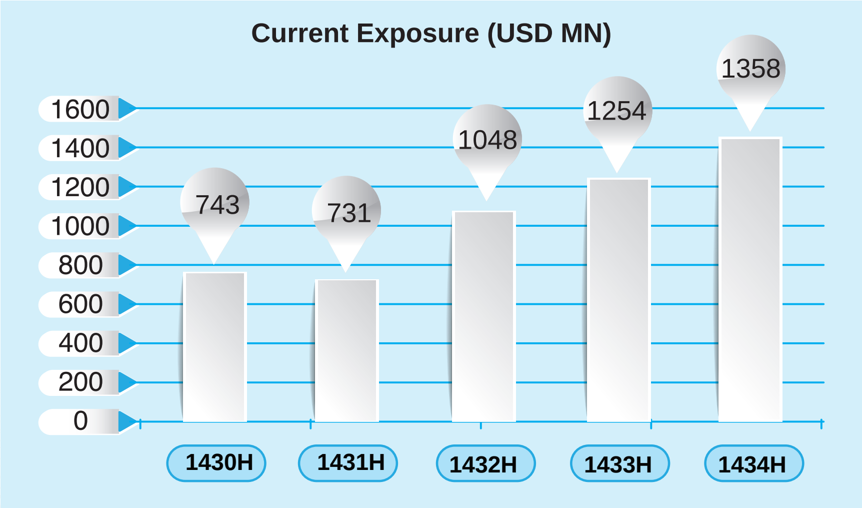
ICIEC Member Countries benefitted from its services under the various lines of business, including credit insurance in support of their exports and imports, in addition to investments from and to the Member Countries. The countries benefitting remained almost the same as last year.



Exposure

Total exposure is an aggregate measure of outstanding business insured, arrears and outstanding claims. It serves as an indicator of the Corporation's portfolio at risk, at any given time. The exposure at the end of 1434H reached USD 1,358 million compared to USD 1,254 million last year, registering an increase of 8%. The break-up of exposure related to short-term, medium term and FII business was USD 460 million, USD 299 million and USD 599 million respectively, or 34%, 22% and 44% respectively.

However, the net outstanding exposure stood at only USD 853 million or 63%, net of reinsurance cession to international reinsurers of USD 505 million. The following table highlights the distribution of ICIEC Gross and Net exposure among various lines of business:



ICIEC Exposure in 1434H by line of Business in USD MN

	Gross Exposure	Net Exposure	Net Exposure %
Short Term	460	234	51%
Medium Term	299	165	55%
Investment	599	454	76%
Total:	1,358	853	63%

ICIEC Supports the Transportation of Female Students and Hajj and Umra Passengers in Saudi Arabia

ICIEC has signed a reinsurance agreement with China Export & Credit Insurance Corporation to cover exports of passenger buses from Anhui Ankai Automobile Co., Ltd – China (the exporter) to Hafil Hajj Transportation Establishment – Saudi Arabia.

The transaction involves buyer finance facility provided by China Development Bank Co. Ltd – China that will enable Hafil to import 3,000 buses in 5 batches with total value of USD 158 million. In addition to the crucial importance of Hajj and Umrah transportation for the tourism sector in the Kingdom, Hafil also has a contract with the Ministry of Education to provide bus services for girls' schools & colleges in various regions throughout the Kingdom.

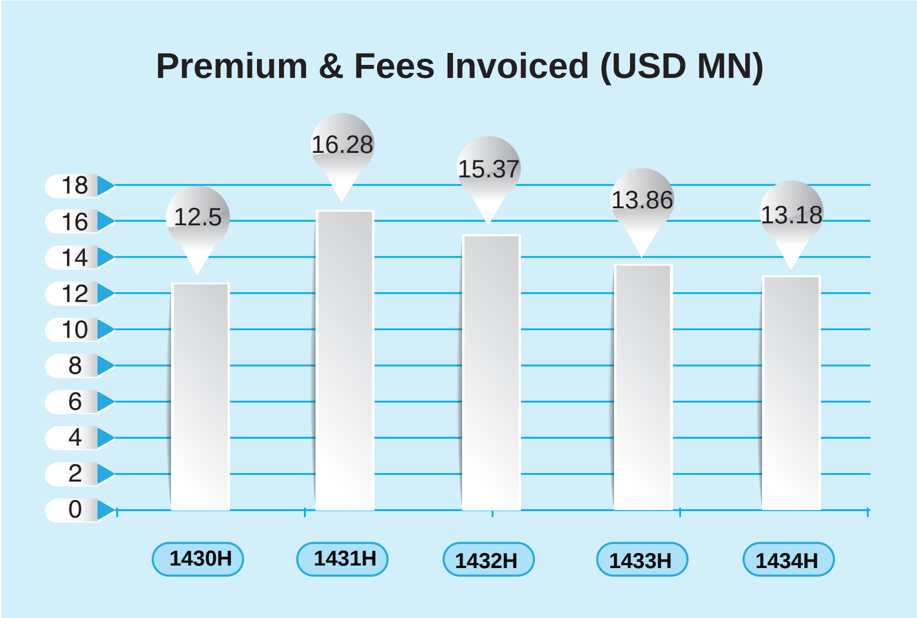
Hafil transports over 500,000 women students daily to and from schools. The company is responsible for transporting 34 percent of Haj pilgrims and 25 percent of Umrah visitors annually.

Women transportation has been one of the major obstacles that have been hindering women education in the vast Kingdom especially in rural areas.

Gross Premium Issued

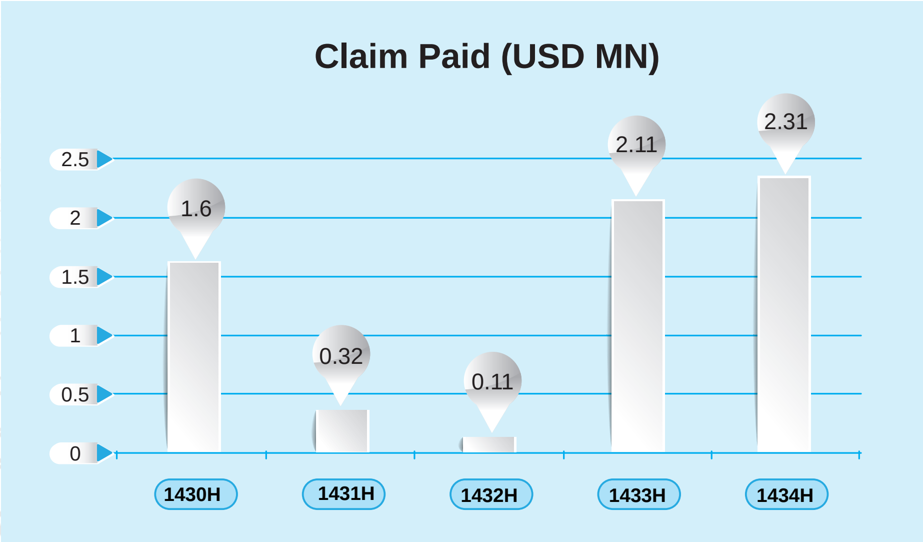
The gross premium invoiced during the year 1434H reached USD 13.18 million compared to USD 13.85 million last year, indicating a decrease of 5%. The premium for the year 1434H under the Short-Term, Medium Term and FII amounted to USD 4.33 million, USD 2.04 million, and USD 6.80 million respectively.

Premium under Short Term decreased to USD 4.33 million, down by 30% compared to last year. Basically this is due to the low premium rates for the high volume of business under the DCIP. Premium rates continued to drop for other Short Term products because of severe competition in the market. Premium generated from Medium Term business was USD 2.05 million, up from USD 1.90 million last year, an increase of 8%. Finally, the premium invoiced under Foreign Investment Insurance was USD 6.80 million up from USD 5.75 million last year, an increase of 18%. Thus while the Medium Term and Investment Insurance lines of business make the least contribution to insured business, they make the most to premium income.



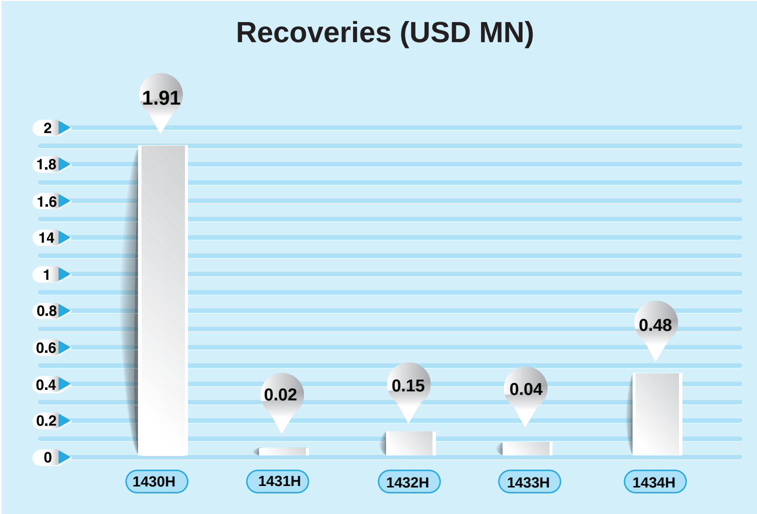
Claims Paid

The total claims paid in 1434H were USD 2.31 million compared to USD 2.11 million during last year. The claims paid were all under the short term line of business and were paid for policyholders in Saudi Arabia and Pakistan against buyers in Canada, Italy, South Africa and UK.



Recoveries

Some amounts against 3 paid claims were recovered totaling USD 0.48 million in 1434H from buyers in Iran, South Africa and Qatar compared to USD 0.04 million during last year registering a positive trend in the recovery results. The Corporation continues to closely follow-up on a number of legal cases in several Member Countries, in addition to cases assigned to international debt recovery agencies.

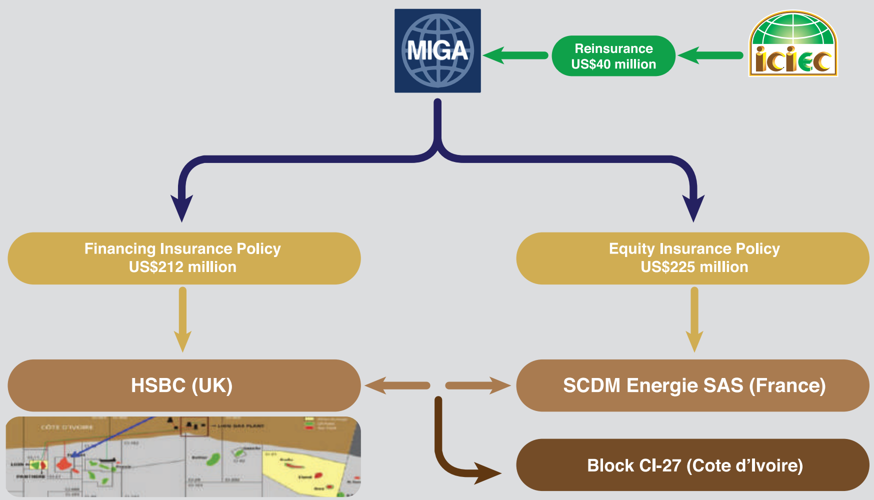


ICIEC Supports Expansion of an Offshore Oil & Gas Project in Côte d'Ivoire

ICIEC provided USD40 million reinsurance support to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank for its USD437 million policy covering an equity investment by SCDM Energie SAS of France and a financing facility from HSBC of the United Kingdom, along with a syndicate of commercial banks, for the expansion of Block CI-27 gas field production in Côte d'Ivoire. The cover is provided against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract for a period of eight years.

The project consists of the construction and operation of the offshore Block CI-27 oil and gas facilities including an existing production platform (Foxtrot), gas transportation and onshore facilities, and a greenfield platform (Marlin).

The Block CI-27 expansion project aims to meet the country's growing energy demand by making low cost gas available for power generation. As such, the project will support economic activity and contribute to lowering electricity production costs. This is in line with ICIEC's strategy of supporting Member Countries' economic development.



5 The IDB Group Investment Promotion Technical Assistantce Program (ITAP)

Background

The IDB Group Investment Promotion Technical Assistance Program (ITAP), which is managed by ICIEC, was launched in 2005. The main objectives of ITAP are to assist Member Countries in improving their investment climate, and identifying and promoting promising investment opportunities in these countries. The focus areas of this Program include institutional development, sharing best practices, and information dissemination on investment opportunities in Member Countries. The types of technical assistance provided by the Program include: needs assessment studies and sector studies; capacity building of Investment Promotion Agencies (IPAs) and relevant government institutions; identification of investment opportunities; country promotion events, including seminars and conferences; policy advice to improve 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.

Strategic Partners

ITAP identifies the specific needs of individual Member Countries in order to improve and invigorate the inflow of foreign direct investments. To implement its programs, ITAP has established a network of partners including both specialized international organizations and relevant entities from Member Countries. The former include the Multilateral Investment Guarantee Agency (MIGA), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the Arab Bank for the Economic Development of Africa (BADEA), the Foreign Investment Advisory Service (FIAS) of the World Bank and the World Association of Investment Promotion Agencies (WAIPA).

Member Countries' institutions include the Malaysian Investment Development Agency (MIDA), the Union of Chambers & Commodity Exchange of Turkey (TOBB), Jordan Investment Board (JIB), the Economic Policy Research Foundation of Turkey (TEPAV), the Investment Support & Promotion Agency of Turkey (ISPAT), Ministry of Economy of Turkey and the Arab Regional Centre for Entrepreneurship & Investment Training (ARCEIT). ITAP matches technical assistance needs with transfer of know-how from its partner institutions as well as from Member Countries which have excelled in the investment promotion arena.

Technical Assistance Programs

In addition to the above, ITAP also continued with the implementation of its on-going country specific technical assistance for Sierra Leone and Gambia, both of which are briefly described below:

ITAP and the Arab Bank for Economic Development in Africa (BADEA) Technical Assistance to Sierra Leone: The project started on 28 June 2011 and is expected to be completed by the 1st Quarter of 2014. The beneficiary is Sierra Leone Investment and Export Promotion Agency (SLIEPA). It includes the following components (1) Sector identification (2) Marketing and promotion campaign (3) Facilitation and investor servicing (4) Training and capacity building. The following activities were completed during 1434H:

- The sector identification has been completed, while the project profiles were completed in June 2013.
- In June 2013, an investors' intelligence software known as " FDI Markets" was procured for SLIEPA. The staff were trained on how to use the software;
- On 19 June 2013, a Service Agreement was signed with ST Charter for editing, designing and printing of SLIEPA's promotional material.
- The printing of the promotional material was completed by ST Charter in December 2013.

ITAP Technical Assistance to Gambia: The project started on 14 March 2012 and declared effective on 5th May 2012. The beneficiary is the Gambia Investment and Export Promotion Agency (GIEPA). It includes the following components: (1) Sector and Project Identification and (2) capacity building and familiarization programs. The following activities were carried out during 1434H:

- During the period 13 – 15 November 2012 (2013?) an in-country training on aftercare was undertaken for GIEPA and stakeholders. The training was conducted by a Consultant from the United Kingdom.
- Sector Validation and Project Profiling was conducted by OCO Global of Ireland. The consultant submitted drafts and templates which were reviewed by GIEPA, ITAP and other stakeholders in Gambia. The final 34 profiles were submitted to GIEPA/ ITAP on 22nd April 2013.
- During the period 15 - 16 May 2013, in Banjul, a consultant from OCO Global delivered a knowledge transfer training workshop on preparations of project profiles. The training was attended by 14 participants from GIEPA, the Gambia Chamber of Commerce and Industry, the Gambia Tourism Board and the Ministry of Trade, Industry, Regional Integration and Employment.
- Study Tour: Four GIEPA staff participated in the ITAP/ISPAT familiarization visit to Turkey from the 1st to 5th July 2013.

"Prompting promising investment opportunities which would encourage FDI flows into Member Countries"

Capacity Building Programs in 1434H

A capacity building and reverse linkage program entitled “Turkey’s Experience Sharing in Investment Climate Reforms and Attracting FDI" was organized in collaboration with the Ministry of Economy of Turkey, the Investment Support and Promotion of Turkey (ISPAT), the Economic Policy Research Foundation of Turkey (TEPAV), the Union of Chambers and Commodity Exchange of Turkey and the International Cooperation and Development Agency of Turkey (TIKA). The program took place in Ankara, Balikesir, South Marmara and Canakkale in Turkey, from 23 to 27 September 2013.

A training course for economies in transition on “ A New Generation of International Investment Policies in Sarajevo, Bosnia and Herzegovina (1- 4 October 2013). The Program was organized in collaboration with UNCTAD.

A capacity building and reverse linkage program entitled “Investment Promotion Strategies and Sector Competitiveness for the Growth of the country” was organized in collaboration with the Malaysian Investment Development Authority (MIDA) and the Organization of Economic Cooperation and Development (OECD). The program took place in Kuala Lumpur, Malaysia 10-15 November 2013.

A training course on “Investment Policies towards Sustainable Development and Inclusive Growth” was organized in collaboration with the Secretariat of the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Economic and Social Commission for Western Asia (ESCWA). The program took place in Rabat, Morocco 10 – 13 December 2013.

From 1 to 5 July 2013, a familiarization program for experts from the Tunisian Foreign Investment Agency (FIPA – Tunisia) and the Ministry of Development and International Cooperation was conducted in Ankara in collaboration with the Investment Support and Promotion of Turkey (ISPAT). Another familiarization program was conducted for officials of Ministry of Development in Malaysia 10 – 15 November 2013.

6 Institutional Development

Human Resources Management

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

The Corporation is also engaged in two major projects with reputable consultants. The first aims at enhancing the various HR functions to be in line with best practices, while the other aims at automating certain HR functions. The two projects are expected to be completed during 1435H.

Risk Management

The Risk Management Department (RMD) has been formally established and became fully operational in mid-1434H. RMD is structured in two divisions, consisting of the Country Risk Analysis Division and the Regulation & Monitoring Division, with the responsibility to help the Corporation accomplish its risk-related mandate, and overcome all challenges emanating from the ever-changing business environment. The main objectives of RMD are to:

(i) Create a safe and prudent environment for the development and growth of the Corporation's business in the domains of Credit and Political Risk Insurance, Reinsurance, and Investment, and

(ii) Develop an appropriate Risk Management Framework and Guidelines and define the right mainframe for its regulation, risk capital, risk appetite, risk indicators and risk controls.

For the sake of ensuring the realization of the above objectives, the RMD endeavors to promote a risk management culture and awareness in the Corporation, through active, informative and independent participation in the decision making process. In this context, RMD is providing risk views on the transactions to be insured and on the investments to be made. In addition, RMD is reviewing the policies, monitoring the operations and gradually insisting on checks and balances mechanism to ensure that insurance and investment decisions are taken and operations are executed with prudence, utmost care, and operational controls.

RMD produces "ICIEC Risk Report" focusing on the areas of governance, portfolio exposures and performance analysis in insurance as well as in investment operations.

Beyond the strict borders of the Corporation, RMD is involved at the IDB Group level. Indeed, RMD has actively participated in the Group Risk Management Committee (GRMC) meetings and has provided its views on risk issues concerning ICIEC and the other entities if the Group, in addition to Group risks management policy matters. In the same context, it is also a member of the Group Risk Network, a forum for coordination of efforts and exchange of knowledge and information among the risk management departments of IDB Group entities.

GRMC approved the request of ICIEC to develop its own credit risk assessment guidelines. This was based on the acknowledgement of the specific nature of ICIEC core business, being credit and political risk insurance, fundamentally different from IDB and the other Group entities, being investment and financing. Different business line, risk appetite and eligibility criteria will definitely require different set of guidelines.

Credit Rating

Despite the challenging business environment for the commercial and political risk insurers, ICIEC continued to maintain its high quality credit rating of **Aa3** assigned by **Moody's** under the **Insurance Financial Strength** with **Stable** outlook. The latest rating announcement was made on 23 July 2013.

The stand-alone fundamentals of the Corporation as well as the potential support from its shareholders/IDB Group Member Countries were amongst the main factors considered for the Aa3 rating of ICIEC. It has also been acknowledged that ICIEC is the only multilateral export credit and investment insurance operator globally which provides Shariah-compatible insurance and reinsurance products, as well as its unique regional knowledge gained by operating in the region. ICIEC's full membership in Berne Union (BU), the largest association for export credit and investment insurance organizations worldwide, has been considered as an indication of the Corporation's commitment for maintaining the membership requirement of the BU in terms of compliance with industry best practices, and exchange of technical knowledge and expertise.

Integrated Insurance Management System (IIMS)

ICIEC, like all leading ECAs has the vision to fully automate its insurance operation system. The Corporation has successfully developed the Integrated Insurance Management System (IIMS). This year ICIEC IT team completed IIMS remote access, allowing its staff, clients and the public, access to operations information via IMS and web portal. Most of ICIEC clients now manage their policies and portfolio online. The project is fully integrated with the SAP system recently implemented by the IDB Group. The IT team is continuing its work to develop new modules and management reports and to further simplify the use of the system.

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

7 Investment Operations

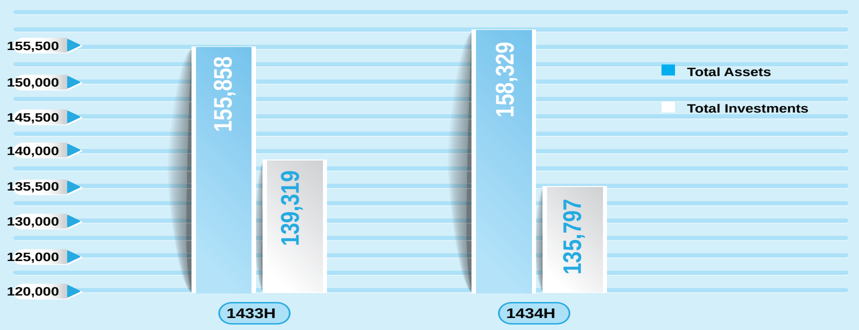
Investment Portfolio

For the year ending 1434H, ICIEC's total investments declined slightly by 2.5% over the previous year. The decline in total investments is attributable to an increase in cash balances, as numerous transactions reached their maturity prior to the balance sheet date. This is evident by ICIEC investments reaching only 85.7% of total assets as compared to the level of last year (89.4%).

ICIEC cash balances increased to ID 10.51 million in 1434H as compared to lower levels realized last year (ID 4.78 million). This increased cash balance for 1434H can also be linked to dividend payouts and coupon payments received for the Corporation's holding in equity and Sukuk assets, as well as injection in the Corporation's paid-up capital during the year (in continuation of the Board of Governors' approval during the 1432H annual meeting to boost ICIEC's overall capital to improve its insurance capacity).

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

ICIEC Asset and Investments: 1433H-1434H
(amounts in ID '000)



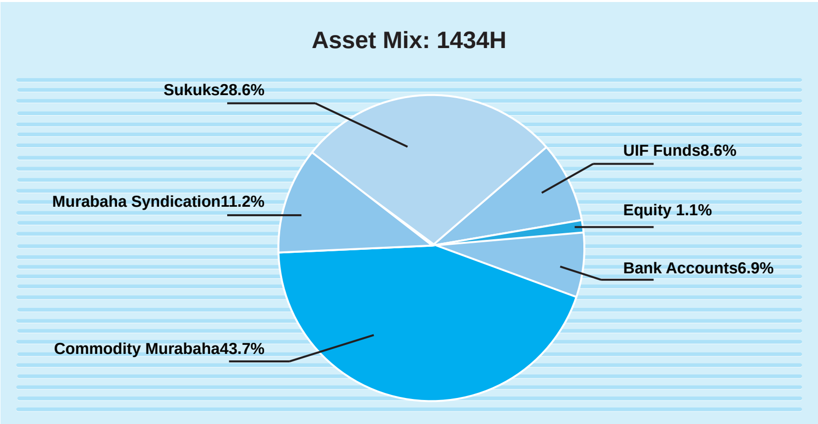
The following table presents a summary of ICIEC assets, investments, and investment income for the last five-year period. As can be seen from the table, assets as well as investments have grown consistently during the period under review (albeit for 1431H and 1434H when investments minimally declined). Total assets grew marginally by 1.6% in 1434H, primarily as a result of increase in trade receivables. The decrease in investments during 1434H was attributed to various investment transactions (namely Murabaha Syndicates) maturing prior to year end. The Corporation had approved various new investment transactions that were earlier expected to become effective by the last quarter of 1434H, but are now expected to commence during the first quarter of 1435H.

With the Corporation continuing to maintain a growth focused investment portfolio as well as following a proactive approach towards management of in-house investments, ICIEC was able to boost its investment income results for the year 1434H, increasing by 15.0% over the previous year and surpassing the SDR benchmark by 133 bps.

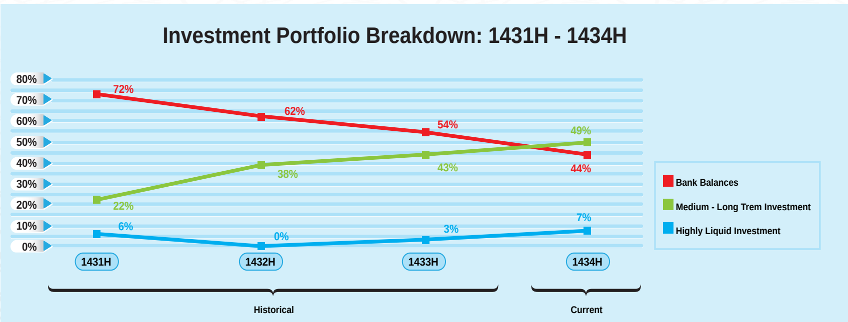
Investment Performance Trend

Summary	1430H	1431H	1432H	1433H	1434H
Exchange Rate ID - USD	1.57	1.54	1.56	1.53	1.53
All figures in ID' million					
Total Assets	114.18	120.53	125.32	155.86	158.33
Total Investments	101.33	100.77	111.76	139.32	135.79
Investment Income	2.09	1.74	1.88	2.41	2.76
Investment Return % (a)	2.10%	1.72%	1.77%	1.92%	2.01%
SDR LIBOR % (b)	2.72 %	1.04%	0.99%	1.03%	0.68%
SDR & Return % (a-b)	-0.62%	0.68%	0.78%	0.89%	1.33%

As the diagram below depicts, highly liquid commodity Murabaha placements continue to be the main contributor to ICIEC's investment portfolio. However, ICIEC has been successful in decreasing this portion significantly over the previous year by more than 10% reaching now only 43.7% of the total investment portfolio (54.0% in 1433H). This is in-line with ICIEC's investment plan, implemented back in 1432H, whereby the Corporation will realign the investment portfolio with lesser reliance on liquid placements and greater exposure to higher performing assets.



The chart below summarizes the outcome of the portfolio realignment strategy over the recent period:

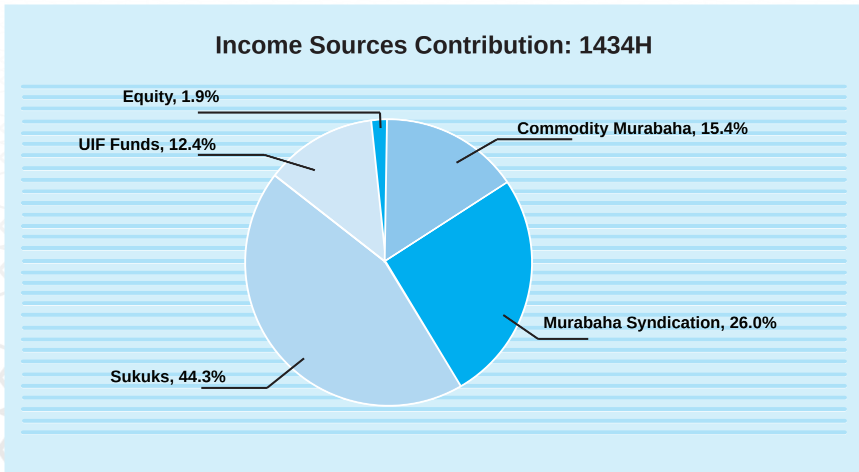


*Consist of Commodity Murabaha Placements only.
*Consists of Murabaha Syndications, Sukuk, UIF Fund, Equity Investments, Alternative Investments.

As can be concluded from the chart above, the Corporation has succeeded in shifting its exposure in Commodity Murabahas towards asset classes less susceptible to LIBOR movements that offer higher returns.

Murabaha Syndications, which contributed 18% to ICIEC's total investment portfolio in 1433H, reduced its contribution to under 12% in 1434H. This was primarily due to, as mentioned earlier, transactions that matured prior to year end. The Corporation had approved various transactions that were expected to become effective by the end of 1434H, but are now expected to commence during the early part of 1435H. Sukuk investments, on the other hand, increased from 15% in 1433H to 29% in 1434H. The Corporation, applying a proactive approach, was able to participate in majority of Sukuk offerings (corporate and sovereign) that became available in the market and increase exposure in this asset class whilst improving overall asset quality of the portfolio. With limited opportunities in other asset classes that would meet the Corporation's specific risk appetite; investment in IDB Unit Investment Fund (UIF) and equity investments have remained stable.

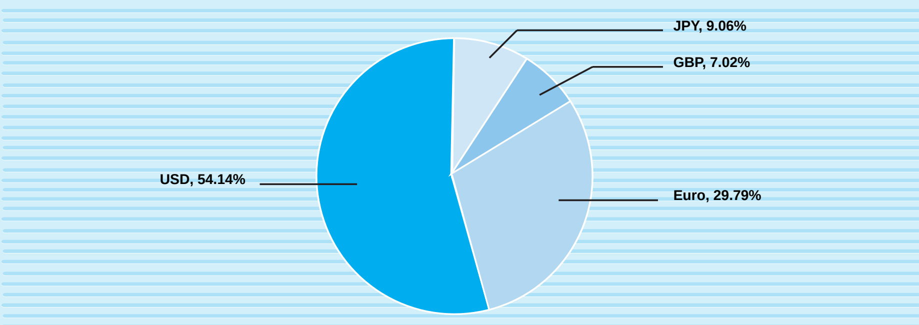
The pie chart below summarizes the major contributors to ICIEC's investment portfolio income during the year 1434H.



As seen from the diagram above, ICIEC's investment income is being generated on a more balanced level, with all major asset classes within the portfolio contributing to overall returns. There was a noticeable shift in income generation from Commodity Murabaha assets to Sukuk assets. The larger exposure to Sukuk instruments in 1434H resulted in this asset class increasing its contribution to income by 17.6% over the previous year (26.7% in 1433H), whilst the commodity placements asset class reduced its contribution by 9.6% over the previous year (25.0% in 1433H).

The currency mix of ICIEC's investment portfolio for the year 1434H is outlined below. USD denominated transactions continued to take a major share of the total investment portfolio during the year, primarily as all major Sukuk offerings were denominated in USD currency. On the other hand, the Corporation's exposure to Euro denominated transactions remained relatively stable at 29.8% in comparison to the previous year. The Corporation also continued with its efforts to shift its Yen commodity portfolio (generating very little income) towards medium and more profitable opportunities. However, very limited offerings were available for utilization that would meet ICIEC's conservative investment appetite. The Corporation's ability to maintain a balanced SDR currency mix is being limited, given that majority of the offerings available by investment arrangers are denominated in USD currency. The Corporation, as a result, is restricted in its attempts to diversify itself against single currency LIBOR rates whilst in tandem improving overall asset quality and boosting returns.

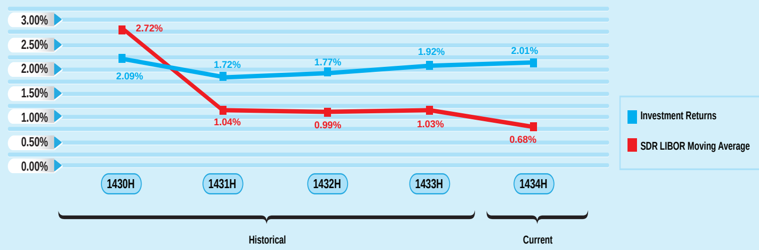
Currency Mix: 1434H



Investment Returns

ICIEC's investments in 1434H provided an income of ID 2.76 million compared to ID 2.41 million the previous year, an increase of 15.0% resulting from a focused investment strategy aimed at decreasing exposure in instruments directly impacted by volatility of LIBOR movements. Moreover, by maintaining a proactive approach towards its in-house investments and greater concentration on other performing assets (namely Sukuk), the Corporation was able to perform higher than the previous year (as shown in the chart below).

Investment Return vs. SDR-LIBOR Benchmark

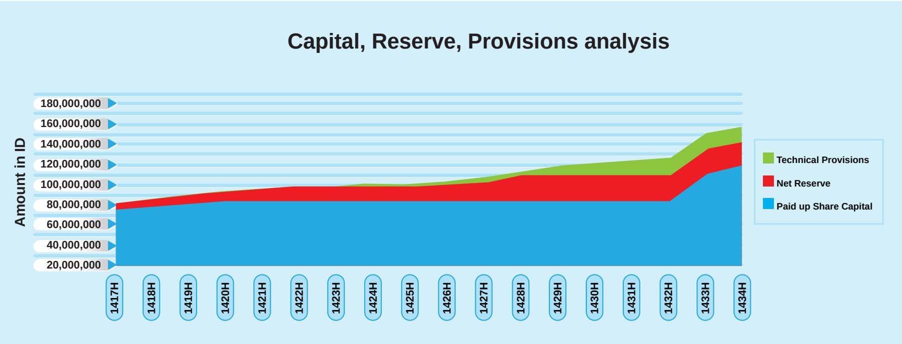


Despite the limited opportunities fitting ICIEC's risk profile, and the Corporation's strategy of maintaining high quality assets in its portfolio, the Corporation was able to generate higher rates of return from its portfolio; beating its benchmark by the largest margin ever achieved over the past 10 years, by 133 bps. The Corporation continues to seek various new means of diversifying its asset classes that are less dependent on LIBOR movements and the allocation to these types of asset classes are expected to continue in the coming years (in-line with the adopted portfolio realignment strategy) .

8 Financial Results

Summary

The balance sheet of the year 1434H shows a strong financial position as the total assets stand at ID* 157.5 million (1433H: ID 155.9 million), the subscribed capital stands at ID 231.5 million (1433H: ID 230 million) and the paid up capital has increased by 9% as of the end 1434H to ID 110.25 million (1433H: ID 101 million).



The overall financial results of the Corporation reflect a net surplus of ID 0.31 million for the year 1434H compared to a net loss of ID 0.41 million. This net corporate surplus is composed of a net surplus of ID 1.81 million in the Shareholders' Fund and a net deficit of ID 1.50 million in the Policyholders' Fund. According to the Articles of Agreement, the net results of the Corporation are transferred to the Reserves. The Net Reserves were ID 26.83 million, compared to ID 28.35 million of the last year, due to a swing in the fair value reserve from positive to negative.

* Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to Special Drawing Rights (SDR) of the International Monetary Fund (ID 1.00=USD 1.53 as at the end of 1434H).

Share Capital

In recognition of the sustained high growth in demand for the Corporation's insurance services in its Member Countries, the Board of Governors resolved during 1432H to more than double ICIEC's authorized capital. Therefore, the authorized share capital of the Corporation was increased from ID 150 million to ID 400 million, comprising of 400,000 shares of ID 1,000 each. IDB has subscribed to ID 100 million (25% of the authorized capital) through its Waqf Fund, while ID 250 million is available for subscription by the Member Countries of the Organization of the Islamic Cooperation (OIC) and ID 50 million for eligible financial institutions and commercial enterprises. As at year-end 1434H, IDB and 41 Member Countries had subscribed to a total of 231,498 shares - equivalent to ID 231.50 million. The called-up installments amounted to ID 115.75 million, out of which ID 110.25 million have so far been paid-up. The net balance of ID 5.50 million, comprising of mostly second installments due, is receivable from some Member Countries.

Policyholders' Fund

The 1434H gross premium amounted to ID 8.90 million, compared to ID 8.68 million in 1433H, slightly increasing by 3% due to the net impact of the re-insurance activities. The net premium and fees earned during the year amounted to ID 8.29 million, with an increase of 28% from ID 6.49 million reported last year. This increase in earned premium is due to the earned premium added from the previous years' invoiced premium.

Due to higher actual claims paid, higher provisioning for the Incurred But Not Reported (IBNR) claims, and lower recoveries, the net claims incurred showed an expense of ID 1.91 million compared to ID 0.75 million for the previous year.

The operating expenses reached ID 7.88 million for 1434H, up by 6% from ID 7.43 million last year. This increase was primarily due to the increase in staff strength and expansion in sales and marketing activities, as per the annual approved budget. The 1434H overall Policyholders' Fund result showed a net deficit of ID 1.50 million, less by 11% from the last year deficit of ID 1.69 million.

Shareholders' Fund

The income from invested funds showed an increase of 15% over the level achieved last year (1434H: ID 2.76 million, 1433H: ID 2.41 million), as a result of investing the funds received from the capital increase and due to the increased reliance on investment assets other than the commodity placements as more Sukuk and Murabaha syndications were added during the year. ICIEC follows a prudent investment approach and attempts to minimize risk and maximize return on its investments. Hence, the investment returns closely follow the SDR-LIBOR benchmark.

The foreign exchange translation loss was at ID 0.65 million (1433H: ID 0.83 million). The management fees and admin expenses at ID 0.29 million were at the same level of 1433H expenses. After deducting investment management fees paid to the IDB Treasury, and other expenses relating to the Shareholders' Fund, the net surplus was ID 1.81 million. This shows an increase of 41% from ID 1.28 million reported last year.

"ICIEC, with the support of its Boards of Governors and Board of Directors, has evolved into recognized credit and political risk insurer, after two decades of impressive achievements"

ICIEC Supports Power Generation In Senegal

ICIEC provided Euro 35 million insurance cover to of FMO of The Netherlands covering their part-financing of the construction of a 125 MW coal-fired power plant in Sendou, Senegal against the risk of Non-Honoring of Sovereign Financial Obligation (NHSO) for a tenor of 12 years.

The Sendou power project includes design, development, procurement, construction, operation and maintenance of a 125 MW coal-fired power plant in Bargny, 32 km from Dakar. The power generated by the project will be sold to Senelec, the State Electricity Company of Senegal, under a 25-year power purchase agreement, in which Senelec's obligation is guaranteed by the Government of Senegal.

By adding a net capacity of 125MW and being the largest Independent Power producer in Senegal, Sendou Power project will stabilize the Senegalese grid and secure its base load. This grid stabilization will contribute to the local economy and support private sector development, and specifically to large industries consuming high voltage electricity. Thus, Sendou Power project will boost Senegal's competitiveness and allow development of industries involving production lines that need continuous power.

ICIEC's support to Sendou power project is line its strategy of supporting Member Countries' infrastructure development.

Membership and Capital Subscriptions Status

(At the end of 1434H)

IDB:
No. of Shares: 100,000
Value of Shares: ID 100,000,000

SAUDI ARABIA:
No. of Shares: 60,000
Value of Shares: ID 60,000,000
Date of Join: 03-Dec-92

IRAN:
No. of Shares: 10,000
Value of Shares: ID 10,000,000
Date of Join: 19-Dec-96

KUWAIT:
No. of Shares: 7,500
Value of Shares: ID 7,500,000
Date of Join: 13-Jul-94

U.A.EMIRATES:
No. of Shares: 7,500
Value of Shares: ID 7,500,000
Date of Join: 11-Jul-00

EGYPT:
No. of Shares: 6,703
Value of Shares: ID 6,703,000
Date of Join: 30-Dec-92

KAZAKHSTAN:
No. of Shares: 6,500
Value of Shares: ID 6,5000,000
Date of Join: 02-Jan-03

MOROCCO:
No. of Shares: 5,000
Value of Shares: ID 5,000,000
Date of Join: 08-Feb-97

TURKEY:
No. of Shares: 5,000
Value of Shares: ID 5,000,000
Date of Join: 30-Jul-97

BAHRAIN:
No. of Shares: 3,625
Value of Shares: ID 3,625,000
Date of Join: 06-Mar-99

MALAYSIA:
No. of Shares: 2,740
Value of Shares: ID 2,740,000
Date of Join: 01-Aug-94

PAKISTAN:
No. of Shares: 2,500
Value of Shares: ID 2,500,000
Date of Join: 08-May-93

LIBYA:
No. of Shares: 1,500
Value of Shares: ID 1,500,000
Date of Join: 06-Feb-93

NIGERIA:
No. of Shares: 1,250
Value of Shares: ID 1,250,000
Date of Join: 05-Jun-06

ALGERIA:
No. of Shares: 1,000
Value of Shares: ID 1,000,000
Date of Join: 23-Apr-96

TUNISIA:
No. of Shares: 1,000
Value of Shares: ID 1,000,000
Date of Join: 22-Feb-93

YEMEN:
No. of Shares: 1,000
Value of Shares: ID 1,000,000
Date of Join: 30-Dec-96

SUDAN:
No. of Shares: 750
Value of Shares: ID 750,000
Date of Join: 10-Jul-95

BURKINA FASO:
No. of Shares: 680
Value of Shares: ID 680,000
Date of Join: 26-Mar-02

BANGLADESH:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 11-May-93

GAMBIA:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 01-Mar-96

INDONESIA:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 24-Apr-93

JORDAN:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 21-Apr-93

LEBANON:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 17-Aug-95

OMAN:
No. of Shares: 500
Value of Shares: ID 500,000
Date of Join: 02-Sep-09

ALBANIA:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 30-Dec-09

BENIN:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 08-Aug-01

BRUNEI:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 24-Mar-98

CAMEROON:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 04-Jul-92

CHAD:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 19-Feb-93

COTE D'IVOIRE:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 29-Oct-09

DJIBOUTI:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 08-Aug-04

GABON:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 13-Jul-05

GUINEA:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 22-Jul-97

MALI:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 04-Sep-93

MAURITANIA:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 18-Jul-95

MOZAMBIQUE:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 16-Aug-13

NIGER:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 04-Mar-03

QATAR:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 11-Jul-00

SENEGAL:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 19-Sep-95

SYRIA:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 01-Feb-98

UGANDA:
No. of Shares: 250
Value of Shares: ID 250,000
Date of Join: 04-Feb-99

Deloitte.

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Head Office: Riyadh

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED 29 DHUL HIJJAH, 1434H (NOVEMBER 3, 2013)

AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit (the "Corporation") as of 29 Dhul Hijjah, 1434 (November 3, 2013), which comprise the statements of financial position, income, comprehensive income, changes in shareholders' and policyholders' fund and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 29 Dhul Hijjah, 1434 (November 3, 2013), and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the accompanying financial statements comply with the financial statement preparation and presentation requirement of the Corporation's Articles of Agreement.

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
23 / 05 / 1435
24 / 03 / 2014

STATEMENT OF FINANCIAL POSITION
AS OF 29 DHUL HIJJAH 1434H (NOVEMBER 3, 2013)
(Expressed in Islamic Dinars)

	Notes	1434H	1433H
ASSETS			
Bank balances	5	**10,512,685**	4,778,257
Murabaha financing, net	6	**80,037,367**	103,655,324
Accounts receivable, net	7	**1,231,890**	811,198
Claims recoverable, net	8	**1,478,279**	1,831,172
Due from Islamic Corporation for the Development of Private Sector	21	**206,184**	242,902
Available-for-sale investments	10	**55,759,640**	35,635,313
Prepaid expenses and other assets	9	**8,061,842**	8,696,925
Property and equipment	11	**220,782**	207,295
TOTAL ASSETS		**157,508,669**	155,858,386

LIABILITIES, SHAREHOLDERS' AND POLICYHOLDERS' FUNDS

	Notes	1434H	1433H
LIABILITIES			
Accounts payable and accruals	12	**4,479,367**	3,127,065
Claims payable	13	**232,241**	296,951
Unearned premiums	14	**12,804,682**	15,284,370
Due to Islamic Development Bank (IDB)	21	**126,353**	5,167,796
Provision for unreported claims	15	**2,784,639**	2,633,348
TOTAL LIABILITIES		**20,427,282**	26,509,530

	Notes	1434H	1433H
SHAREHOLDERS' FUND			
Share capital	16	**110,249,000**	100,997,000
Reserve	17	**56,917,145**	55,104,312
Fair value reserve		**(317,213)**	1,511,964
Loan to policyholders' fund	18	**(21,994,124)**	(14,887,001)
Total shareholders' fund		**144,854,808**	142,726,275
POLICYHOLDERS' FUND			
Accumulated deficits	17	**(29,767,545)**	(28,264,420)
Loan from shareholders' fund	18	**21,994,124**	14,887,001
Total policyholders' fund		**(7,773,421)**	(13,377,419)
TOTAL LIABILITIES AND EQUITY		**157,508,669**	155,858,386

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 23rd Jamadi Al Awal, 1435H (March 24th, 2014).

The accompanying notes form an integral part of these financial statements.

STATEMENT OF INCOME
YEAR ENDED 29 DHUL HIJJAH, 1434H (NOVEMBER 3, 2013)
(Expressed in Islamic Dinars)

	Notes	1434H	1433H
SHAREHOLDERS' FUND			
Investment income		**2,759,248**	2,408,554
Loss on foreign exchange translation		**(654,822)**	(834,710)
		2,104,426	1,573,844
Investment management fees paid to Islamic			
Development Bank (IDB)	21	**(209,774)**	(163,191)
General and administrative expenses		**(81,819)**	(131,360)
		(291,593)	(294,551)
Net income		**1,812,833**	1,279,293
POLICYHOLDERS' FUND			
Gross premiums		**8,900,764**	8,684,771
Unearned premiums at the beginning of the year		**15,284,370**	16,223,771
Unearned premiums at the end of the year		**(12,804,682)**	(15,479,378)
		11,380,452	9,429,164
Less: Reinsurance premiums		**(3,215,256)**	(3,211,303)
Net premiums earned		**8,165,196**	6,217,861
Policy fees earned		**128,628**	272,039
		8,293,824	6,489,900
Net claims incurred	19	**(1,912,442)**	(747,200)
Employees' related costs		**(5,994,762)**	(5,584,129)
Sales and marketing expenses		**(965,244)**	(727,131)
General and administrative expenses		**(1,191,793)**	(1,320,084)
Gain on foreign exchange		**267,292**	196,443
		(9,796,949)	(8,182,101)
Net deficit		**(1,503,125)**	(1,692,201)
NET CORPORATE INCOME/(LOSS)		**309,708**	(412,908)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 29 DHUL HIJJAH, 1434H (NOVEMBER 3, 2013)
(Expressed in Islamic Dinars)

	Notes	1434H	1433H
Net income from shareholders' fund		**1,812,833**	1,279,293
Unrealized (loss)/gain on available for sale investments		**(1,829,177)**	2,504,109
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(16,344)**	3,783,402

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' AND POLICYHOLDERS' FUNDS
YEAR ENDED 29 DHUL HIJJAH, 1434H (NOVEMBER 3, 2013)
(Expressed in Islamic Dinars)

	Share Capital	Reserve	Fair value reserve	Loan to policyholders' fund	Total
SHAREHOLDERS' FUND					
Balance at 29 Dhul Hijjah 1432H	73,495,000	53,825,019	(992,145)	(17,996,846)	108,331,028
Subscription received	27,502,000	-	-	-	27,502,000
Total comprehensive income for the year	-	1,279,293	2,504,109	-	3,783,402
Net movement during the year (note 18)	-	-	-	3,109,845	3,109,845
Balance at 29 Dhul Hijjah 1433H	**100,997,000**	**55,104,312**	**1,511,964**	**(14,887,001)**	**142,726,275**
Subscription received (note 17)	9,252,000	-	-	-	9,252,000
Total comprehensive income for the year	-	1,812,833	(1,829,177)	-	(16,344)
Net movement during the year (note 18)	-	-	-	(7,107,123)	(7,107,123)
Balance at 29 Dhul Hijjah 1434H	**110,249,000**	**56,917,145**	**(317,213)**	**(21,994,124)**	**144,854,808**

	Accumulated Deficits	**Loan from shareholders' fund**	Total
POLICYHOLDERS' FUND			
Balance at 29 Dhul Hijjah 1432H	(26,572,219)	17,996,846	(8,575,373)
Net deficit for the year	(1,692,201)	-	(1,692,201)
Net movement during the year (note 18)	-	(3,109,845)	(3,109,845)
Balance at 29 Dhul Hijjah 1433H	**(28,264,420)**	**14,887,001**	**(13,377,419)**
Net deficit for the year	(1,503,125)		(1,503,125)
Net movement during the year (note 18)		7,107,123	7,107,123
Balance at 29 Dhul Hijjah 1434H	**(29,767,545)**	**21,994,124**	**(7,773,421)**

STATEMENT OF CASH FLOWS
YEAR ENDED 29 DHUL HIJJAH, 1434H (NOVEMBER 3, 2013
(Expressed in Islamic Dinars)

	Notes	1434H	1433H
OPERATING ACTIVITIES			
Net income/(loss) for the year		**309,708**	(412,908)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		**82,939**	82,839
Allowance for doubtful debts		**(426)**	2,275
Loss/(gain) on property & equipment disposal		**307**	(2,068)
Provision for unreported claims		**151,291**	376,073
Changes in operating assets and liabilities:			
Accounts receivable		**(420,266)**	358,983
Claims recoverable		**352,893**	(451,495)
Prepaid expenses and other receivable		**635,082**	1,078,130
Accounts payable and accrual		**1,352,301**	428,457
Claims payable		**(64,710)**	2,527
Due from/(to) affiliates/IDB		**36,718**	(242,902)
Unearned premium		**(2,479,688)**	(939,401)
Due (to)/from IDB		**(5,041,443)**	1,076,624
Net cash from operating activities		**(5,085,294)**	1,357,134
INVESTING ACTIVITY			
Available-for-sale investments		**(21,953,504)**	(8,109,335)
Murabaha financing		**39,894,231**	(44,353,708)
Purchase of property and equipment		**(97,169)**	(92,582)
Proceeds from sale of property & equipment		**438**	2,522
Net cash used in investing activity		**17,843,996**	(52,553,103)
FINANCING ACTIVITY			
Share subscriptions received		**9,252,000**	27,502,000
Net cash from financing activity		**9,252,000**	27,502,000
Net change in cash and cash equivalents		**22,010,702**	(23,693,969)
Cash and cash equivalents at the beginning of year		**14,446,776**	38,140,745
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	20	**36,457,478**	14,446,776

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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1. ACTIVITIES

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

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

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

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

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

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

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. $ 1.53175 as at 29 Dhul Hijjah,1434H (1433H: U.S. $ 1.52623).

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

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

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

Standard/ Interpretation	Description	Effective date
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurements	January 1, 2013
IFRS 7	Amendments to IFRS 7	January 1, 2013
IAS 19	Amendments to IAS 19 Employee benefits	January 1, 2013
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	July 1, 2012
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Associates and joint ventures	January 1, 2013

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2.2 New and amended standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments	January 1, 2015
IAS 32	Amendments to IAS 32	January 1, 2014

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

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

Premiums earned

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

During the year, the management appreciated that the premium should be recognized over the unexpired declaration period instead of policy coverage period as it was recognized in the prior years. Since the effect of rectification of such error was not material to restate the comparative figures in these financial statements therefore, all the impact related to current and prior years have been taken to the statement of income for the year.

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.

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Investments income

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

Bank commission income

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

Outstanding claims

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

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

Murabaha financing

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

Available-for-sale investments

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

Property and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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Vehicles	5 years
Furniture and fixtures	10 years
Office equipment	5 years
Computer equipment	4 years

Fair values

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

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

If there is objective evidence that an impairment loss has occurred, the carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognized in the determination of profit or loss.

Translation of foreign currencies

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

Provision

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

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

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

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

Employees' retirement benefits
The Corporation subscribes to the staff retirement benefit plans of IDB Group. The contributions under these plans are paid to IDB and charged to the statement of income, 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 reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

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

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

5. BANK BALANCES

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

	1434H	1433H
Shareholders' fund	**10,040,392**	4,111,294
Policyholder's fund	**472,293**	666,963
	10,512,685	4,778,257

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6. MURABAHA FINANCING, NET

	1434H	1433H
Shareholders' fund:		
Gross Murabaha commodity placements	**63,942,114**	77,608,509
Deferred profit	**(167,455)**	(150,435
	63,774,659	77,458,074
Other murabaha financing	**16,262,708**	26,197,250
	80,037,367	103,655,324
Murabaha commodity placements as at end of Dhul Hijjah		
With original maturities of three months or less (note 20)	**25,944,793**	9,668,519

7. ACCOUNTS RECEIVABLE, NET

	1434H	1433H
Policyholders' fund:		
Trade accounts receivable	**1,349,535**	929,269
Allowance for doubtful debts	**(117,645)**	(118,071)
	1,231,890	811,198

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

	Total	Current	31-60 Days	61-90 Days	91-120 Days	>120 Days
1434H	**1,349,535**	**576,064**	**112,492**	**86,083**	**98,639**	**476,257**
1433H	929,269	104,778	116,675	111,054	368,305	228,457

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

The movement in allowance for doubtful debts account is as follows:

	1434H	1433H
Balance at the beginning of the year	**118,071**	115,796
Impairment losses recognized during the year	**-**	-
Foreign currency translation adjustment	**(426)**	(2,275)
Balance at the end of the year	**117,645**	118,071

8. CLAIMS RECOVERABLE, NET

	1434H	1433H
Policyholders' fund:		
Claims recoverable	**11,173,570**	9,543,920
Allowance for doubtful claims	**(9,695,291)**	(7,712,748)
	1,478,279	1,831,172

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

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

	Total	Within 1 Year	1-2 Year	3-5 Year	Over 5 Year
1434H	**11,173,570**	**1,808,456**	**849,916**	**1,449,791**	**7,065,407**
1433H	9,543,920	852,990	140,626	1,670,472	6,879,832

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The movement in allowance for doubtful claims is as follows:

	1434H	1433H
Balance at the beginning of the year	**7,712,748**	7,170,837
Impairment losses recognized during the year	**2,010,338**	401,053
Foreign currency translation adjustment	**(27,795)**	140,858
Balance at the end of the year	**9,695,291**	7,712,748

9. PREPAID EXPENSES AND OTHER ASSETS

	1434H	1433H
Shareholders' fund		
Accrued income	**364,541**	259,288
	364,541	259,288
Policyholders' fund		
Prepaid re-insurance	**5,275,188**	6,459,764
Advance against housing	**2,339,699**	1,895,727
Other receivables	**82,414**	82,146
	7,697,301	8,437,637
	8,061,842	8,696,925

10. AVAILABLE-FOR-SALE INVESTMENTS

	1434H	1433H
Shareholders' fund		
Quoted investments (carried at fair value through other comprehensive income):		
Units in IDB – Unit Investments Fund	12,481,566	12,639,281
Islamic Sukuk	41,645,954	21,358,009
	54,127,520	33,997,290
Unquoted investments * (carried at cost):		
Share in Takaful Re.	1,632,120	1,638,023
	55,759,640	35,635,313

* The fair value of the unquoted investment is not readily available, however the management believes that cost is not significantly different then the fair value therefore the investment is recorded at cost in these financial statements.

11. PROPERTY AND EQUIPMENT

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

	1 Muharram, 1434	Additions	Disposal	29 Dhul Hijjah, 1434
Cost:				
Vehicles	110,263	-	-	110,263
Furniture and fixtures	154,334	761	-	155,095
Office equipment	93,642	56,010	(868)	148,784
Computer equipment	420,299	40,398	-	460,697
Total Cost	778,538	97,169	(868)	874,839
Depreciation:				
Vehicles	70,025	25,437	-	95,462
Furniture and fixtures	136,703	11,533	-	148,236
Office equipment	32,144	10,015	(126)	42,032
Computer equipment	332,371	35,955	-	368,326
Total depreciation	571,243	82,940	(126)	654,057
Net Book Value at 1 Muharram	207,295			
Net Book Value at 29 Dhul Hijjah				220,782

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

12. ACCOUNTS PAYABLE AND ACCRUALS

	1434H	1433H
Shareholders' liabilities		
Bank commission (12.1)	**392,133**	459,146
Other payables	**954,997**	475,797
	1,347,130	934,943
Policyholders' liabilities		
Other payables	**1,036,712**	198,364
Accrued payables	**2,095,525**	1,993,758
	3,132,237	2,192,122
	4,479,367	3,127,065

12.1 This represents net accumulated income up to Dhul Hijjah 29, 1434H generated from placements with certain conventional banks and financial institutions which were not considered in compliance with Sharia principles. This amount will be used for donation or charitable purposes.

13. CLAIMS PAYABLE

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

	1434H	1433H
Opening balance	**296,951**	294,424
Addition during the year	**1,937,864**	866,860
Payment made during the year	**(2,002,574)**	(864,333)
	232,241	296,951

14. UNEARNED PREMIUMS

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

During the year, the management appreciated that the premium should be recognized over the unexpired declaration period instead of policy coverage period as it was recognized in the prior years. Since the effect of rectification of such error was not material to restate the comparative figures in these financial statements therefore, all the impact related to current and prior years have been taken to the statement of income for the year.

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15. PROVISION FOR UNREPORTED CLAIMS

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

	1434H	1433H
Total underwritten exposure at year end, net	**556,927,867**	526,669,513
IBNR provision @ 0.5%	**2,784,639**	2,633,348

	Gross exposure	Reinsured exposure	Net exposure
Total underwritten exposure at year end, net	886,740,973	329,813,105	556,927,868
IBNR Provision @ 0.5%	4,433,705	1,649,066	2,784,639

16. SHARE CAPITAL

	1434H	1433H
Authorized capital		
400,000 shares (1433H: 400,000) of ID 1,000 each	**400,000,000**	400,000,000
IDB - ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
100,000 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	**50,000,000**	50,000,000
50,000 shares of ID 1,000 not called		
Member countries		
131,498 shares (1433H: 129,998) of ID 1,000 each, of which		
ID 500 has been called	**65,749,000**	64,999,000
Less: Subscriptions receivable	**(5,500,000)**	(14,002,000)
	110,249,000	100,997,000

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

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

17. RESERVE

In accordance with Article 29 of Chapter IV of the Corporation's Articles of Agreement, all profits accruing to the shareholders' fund as well as the surplus accruing to the policyholders' fund shall be allocated to 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.

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18. LOAN TO POLICYHOLDRS' FUND FROM SHAREHOLDERS' FUND

In accordance with clause 13(3) of the Articles of Agreement, the net deficit in the policyholders' fund should be covered by a loan from the shareholders' fund. The loan is recoverable only from the future surplus accruing to the policyholders' fund. The net deficit is interpreted as the shortfall of assets to meet any liabilities of the policyholders' fund.

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

	1434H	1433H
Policyholders' fund		
Total assets	**11,306,731**	12,197,168
Total liabilities	**(19,080,152)**	(25,574,587)
Accumulated deficits	**29,767,545**	28,264,420
Net deficit in policyholders' fund	**21,994,124**	14,887,001
Loan to Policyholders' Fund from Shareholders' Fund		
	(21,994,124)	(14,887,001)

19. NET CLAIMS INCURRED

	1434H	1433H
Claims surrendered	**(2,063,251)**	(697,465)
Claims related expenses	**(12,294)**	(220,155)
Movement in provision for unreported claims	**(151,291)**	(376,073)
Recoveries	**314,394**	546,493
	(1,912,442)	(747,200)

19.1 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 Nil ID in 1434H and Nil ID in 1433H. Any revisions to previous estimates of amounts considered to be collectible are adjusted in the year in which such estimates are revised.

20. CASH AND CASH EQUIVALENTS

	1434H	1433H
Bank balances	**10,512,685**	4,778,257
Murabaha commodity placements with original maturities of three months or less (note 6)	**25,944,793**	9,668,519
	36,457,478	14,446,776

21.RELATED PARTY TRANSACTIONS

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

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

	1434H	1433H
Investment management fees	**209,774**	163,191
Charges for office space	**243,727**	227,000
Expenses paid by IDB on behalf of the Corporation	**6,477,937**	4,494,375
Claims paid	**195,635**	198,162

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

	1434H	1433H
Amount due from Islamic Corporation for the Development of the Private Sector	**206,184**	242,902
Claims payable – International Islamic Trade Finance Corporation	**195,635**	198,162
Amount due to IDB	**126,353**	5,167,796

22. DISCLOSURE RELATED TO KEY MANAGEMENT PERSONAL

The compensation paid or payable to key management personnel is shown below:

	1434H	1433H
Salaries and other short term benefits	**259,337**	256,156
Post-employment benefits	**460,564**	437,684

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Level 1	Level 2	Level 3
Islamic Sukuk	41,645,954	-	-
Unit in IDB - Unit Investment Fund	-	12,481,566	-
Share in Takaful Re.	-	-	1,632,120

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24. RISK MANAGEMENT

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

a) Insurance Risk

As a multilateral institution, the Corporation provides two distinct services; credit insurance and political risk insurance to its policyholders. Both of these products require the Corporation to carry out buyer/project and country risk assessment 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 of listed debt securities. In this regard, for all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the statement of financial position.

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

The Corporation's investment portfolio is primarily managed by 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 from the reporting date.

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

	1434H	1433H
Murabaha receivables	**80,037,367**	103,655,324
Accounts receivable, net	**1,231,890**	811,198
Claims recoverable, net	**1,478,279**	1,831,172
Available-for-sale investments	**41,645,954**	21,358,009
	124,213,490	127,655,703

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 the Corporation's investments are managed by the IDB Treasury, which follows the IDB Group risk policies on market risk management.

d) Currency risk

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

The Corporation's investment portfolio is held in major currencies in line with the composition of the Islamic Dinar basket, namely 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.

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

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its commitments associated with financial liabilities when they fall due. There are two aspects to the liquidity risk; the funding liquidity and the market liquidity risk. In 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 assets and financial liabilities at the end of Dhul Hijjah:

1434H

	Less than 3 months	**3 to 12 Months**	**1 to 5 years**	**Total**
Financial assets	**37,146,034**	**54,483,480**	**57,596,531**	**149,226,045**
Financial liabilities	**(1,036,712)**	**(2,629,725)**	**(1,004,499)**	**(4,670,936)**

1433H

	Less than 3 months	3 to 12 Months	1 to 5 years	Total
Financial assets	14,668,229	94,709,066	37,576,871	146,954,166
Financial liabilities	(1,478,424)	(333,334)	(756,096)	(2,567,864)

NOTES TO THE FINANCIAL STATEMENTS
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f) Mark-up risk

Mark-up risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to mark-up risk on its investments in cash and cash equivalents, Murabaha financing and investments in Sukuk. In respect of the financial assets, the Corporation's returns are based on a benchmark and hence vary according to the market conditions. 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 operational risk is defined as the risk of loss faced by a financial institution arising from failed processes, people and/or systems.
The Corporation has a full-fledged Risk Management function in place, which regularly monitors all operational risk aspects related to insurance as well as investment operations. In addition, it works very closely with the IDB Group Risk Management Department (GRMD) to ensure presence of an effective internal control system through which it attempts to manage its operational risk. Furthermore, the IDB Group Internal Audit Department (GIAD) regularly audits the Corporation's internal controls and recommends improvements under the risk based internal audit approach.
In the mean-time, the Corporation continues to follow IDB Group 'Best Practices and Customer Due Diligence Standards' and internal operational regulations when dealing with clients.

h) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk based on the outstanding net exposure at the year-end amounts to ID 557 million (1433H: ID 527 million). The Corporation minimizes any detrimental impact on its assets, due to the realization of such risks, by setting exposure limits for each country and monitoring outstanding exposures in addition to maintaining reserves (notes 16 and 18).

i) Reinsurance risk

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

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

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

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Country	1434H
Algeria	84,787,892
Bahrain	74,220,025
Bangladesh	16,755,194
Canada	12,059,138
Cote Di Voire	57,840,099
Dijibouti	11,172,638
Ethiopia	108,977,161
Indonesia	19,218,984
Lebanon	56,917,039
Pakistan	91,938,908
Saudi Arabia	83,333,929
Senegal	54,884,272
Turkey	17,516,005
United Arab Emirates	50,191,243
United Kingdom	24,113,497
Other	122,814,948
Gross Exposure	886,740,973
Ceded Exposure to Reinsurers	(329,813,105)
Net Exposure	556,927,868

25. CAPITAL MANAGEMENT

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

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

26. ZAKAT AND TAX TREATMENT

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

27. COMPARATIVE FIGURE

In order to confirm with current year presentation, following amount has been reclassified.

Line item	From	To	Amount
Administration fee	Administration fee	General and administrative expenses	227,000