

GLOBALLY SECURE



GENERAL	1421H (2000/2001)	1420H (1999/2000)	1419H (1998/1999)
<i>Commencement of Operations - 1416H (1995G)</i>			
Member Countries	29	27	23
Staff Members	29	23	18
TECHNICAL			
Policies in Force	66	38	25
Outstanding Insurance Commitments (USD million)	184.0	158.0	107.0
Commitments Utilization (USD million)	49.0	59.0	21.0
Premium Income (USD million)	0.69	0.94	0.75
Claims Paid (USD million)	5.86	0.89	-
Recoveries (USD million)	2.24	0.61	-
FINANCIAL			
<i>Policyholder's Fund (USD million)</i>			
Net revenues	0.80	0.57	0.33
Profit/(Deficit)	(3.92)	(3.21)	(1.74)
Accumulated Deficit	(11.82)	(8.40)	(3.17)
<i>Shareholder's Fund (USD million)</i>			
Net revenues	7.00	5.40	4.56
Profit/(Deficit)	7.00	5.40	4.56
Reserves	30.29	24.74	17.41





In the Name of Allah, the Beneficent, the Merciful

Date: Rabia II 1422H, July 2001G

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

Dear Brothers,

Assalam-O-Alaikum Warahmatullah Wabarakatuh

In accordance with Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1421H, including audited financial statements.

Please accept the assurances of my highest consideration.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Dr. Ahmad Mohamed Ali". The signature is fluid and cursive, with a prominent initial "A" and "M".

Dr. Ahmad Mohamed Ali
President of ICIEC

*The Islamic Corporation for the
Insurance of Investment and Export Credit (ICIEC)*

ICIEC is a subsidiary corporation of the Islamic Development Bank (IDB), established on 1st August 1994G as an international institution with full juridical personality and with an authorized capital of 100 million Islamic Dinars. ICIEC commenced operations in July 1995G.

The objective of iCIEC is to enlarge the scope of trade transactions and the flow of investments among Member States of the Organization of the Islamic Conference (OIC). In fulfillment of this objective, the Corporation provides the following Shariah compatible facilities to exporters and investors from Member States:

- a) export credit insurance and reinsurance to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks; and*
- b) investment insurance and reinsurance against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.*



ICIEC has become a global company.

Board of Directors

Chairman

Dr. Ahmad Mohamed Ali

Members ():*

- Hon. Mutahar Abdul Aziz Al-Abbasi
- Hon. Faisal Abdul Aziz Al-Zamil
- Hon. Zoumana Camara
- Hon. Mamadou Cherif Diallo
- Hon. Dr. Abdullah Bin Ibrahim El-Kuwaiz
- Hon. Dr. Morteza Gharehbaghian
- Hon. Haji Khalid Bin Haji Ghazali
- Hon. Ilgar Veysal Oglu Isayev
- Hon. Tarik Kivanc
- Hon. Jamal Nasser Rashid Lootah
- Hon. Mohamed Azzaroog Rajab
- Hon. MD Sayef Uddin
- Hon. Ismail Zaghloul
- Hon. Zeinhom Zahran

() In Alphabetical Order (Arabic)*



Consultative Committee

Chairman

Dr. Fuad Abdullah Al-Omar

Members

- Dr. Abdel-Rahman Al-Zamil
- Mr. Dato Mohd Fadzli Yusof
- Mr. Iqbal Ahmed Khan
- Dr. Tarek El-Mamoun
- Dr. Abdel Rahman Eltayeb Taha
- Dr. Mohammed El Fatih Hamid

Officers of the Corporation

Dr. Ahmed Mohamed Ali
(President)

Dr. Abdel-Rahman Eltayeb Taha
(Manager)

Dr. Mohammad El Fatih Hamid
(Legal Adviser)

Message from the President

During the year 1421H, ICIEC witnessed two major developments. First, an expansion in the mandate of ICIEC, allowing it to cover exports to countries other than its Member Countries and to cover exports of services. Second, the start of the utilization of the investment insurance facility, allowing ICIEC to contain its exposure in the commercial risk area.

Two more OIC Member Countries became shareholders of ICIEC during the year, bringing total membership to 30.

An intensive marketing program continued to be the focus of ICIEC's business operations during 1421H, spearheaded by a professionally designed advertising campaign and complemented by seminars and follow-up missions in the Member Countries. Consequently, business enquiries and insurance proposals increased significantly during the year.

The export credit insurance operations registered a significant growth in the short-term business, improving the risk portfolio of ICIEC. A broad based portfolio was achieved, as the number of policies in force increased to 65 (38 in 1420H) and the number of approved credit limits reached 149 (83 in 1420H). Reliance on IDB Group business reduced, resulting in a decline in the premium income to USD 0.53 million compared to USD 0.94 million during 1420H. The current insurance commitments increased to USD 174 million, compared to USD 158 million in 1420H.

The investment insurance business attracted two applications, of which one was converted into a policy with a limit of USD13 million. The current commitments were USD 10 million and the premium income was USD 0.16 million for 1421H.

A total of seven claims were received during 1421H, all pertaining to commercial risks. Three of these claims

were paid under the Bank Master Policy (BMP). Disbursements for claims amounted to USD 5.86 million, while recoveries of USD 2.24 million were recorded during 1421H.

ICIEC is pursuing a reinsurance treaty through a reputable insurance broker. Some progress was made during 1421H, and it is expected that 1422H will witness the finalization of this effort. The facility to offer reinsurance to National Export Credit Agencies in Member Countries (ECAs), which will be offered to the National ECAs during 1422H, was approved by the Board of Directors.

The ICIEC financial statements for 1421H show that IDB and 29 Member Countries subscribed ID 94.99 (USD 120.54) million to the share capital of the Corporation. From this amount, ID 72.50 (USD 92.08) million was called up and ID 70.94 (USD 90.09) million was paid up by the shareholders. The Corporation earned a net profit of ID 2.43 (USD 3.09) million for the year. At the year-end, total assets of ICIEC stood at ID 93.08 (USD 118.21) million.

We anticipate a higher level of business activity during 1422H, owing to the combined effect of the expanded mandate of ICIEC and the expected growth in the newly tapped market of investment insurance. For 1422H, the strategy of ICIEC is to put in place the necessary operational, administrative and strategic initiatives in order to fully exploit and maximize the benefits of the expansion in its mandate. This is expected to result in a substantial boost in the volume of insurance business, enhance premium income and improve the spread of risks covered.



Dr. Ahmad Mohamed Ali
President of ICIEC

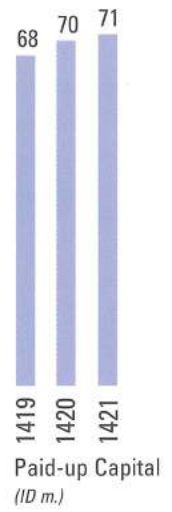


CORPORATE STRUCTURE AND FACILITIES OFFERED

The objective of the Corporation shall be to enlarge the scope of trade transactions and the flow of investments among Member States.

To serve its objectives the Corporation shall provide, in accordance with the principles of Shariah, export credit insurance or reinsurance in respect of the goods by paying the policyholder a reasonable indemnity in respect of losses resulting from the risks.

(Article 5 of the Corporation's Articles of Agreement)



Legal Structure

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established on 24 Safar 1415H (1st August 1994G) as a subsidiary Corporation of the Islamic Development Bank (IDB). Its Articles of Agreement stipulated that the Corporation shall be an international institution with full juridical personality, to be situated in Jeddah, in the Kingdom of Saudi Arabia. ICIEC commenced operations in Safar 1416H (July 1995G).

Objective

The objective of ICIEC, as defined in the Articles of Agreement, is to enlarge the scope of trade transactions and the flow of investments among Member States. In fulfillment of this objective, ICIEC provides, in accordance with the principles of Shariah;

- (a) Export credit insurance and reinsurance to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks; and
- (b) Investment insurance and reinsurance against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.

Membership and Capital Subscription

In accordance with the Articles of Agreement, membership in ICIEC is open to the Islamic Development Bank and countries which are members of the Organization of the Islamic Conference (OIC). At the end of 1421H, there were 30 shareholders of ICIEC, comprising IDB and 29 countries. Several other countries are in the process of completing the membership requirements.

The authorized capital of ICIEC is ID 100 million. The Islamic Development Bank and 29 Member Countries subscribed to shares in the capital of the Corporation having a face value of ID 94.99 million. IDB contributed ID 50 million which makes 50% of authorized capital. Member Countries subscribed ID 44.99 million. The remainder of authorized capital, ID 5.01 million, is available for subscription by new members (see Table 1).

Management

In accordance with the Articles of Agreement, the ultimate responsibility for the management of ICIEC rests with the Board of Governors (BOG), which is composed of Governors representing the Member Countries of the IDB. All powers of the Corporation are vested in the BOG, however, it may delegate any or all of its powers to the Board of Directors of the Corporation (BOD). The BOD is responsible for the direction of the general operations of ICIEC.

The President is the Chief Executive of the Corporation, responsible for conducting its affairs under the direction of the BOD. The President is the legal representative of ICIEC and has the power to approve its operations and the conclusion of contracts pertaining thereto. This position is held, ex-officio, by the President of the IDB. The President may delegate any of his powers to the Manager of the Corporation who is responsible for conducting the day-to-day business of the Corporation.



The Management of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) during a meeting.

In order to advise the President on the overall management of the Corporation, a Consultative Committee was established. The members of the Consultative Committee are prominent personalities from Member Countries who are well-versed in matters relating to export credit and investment insurance, international trade and banking. The committee meets periodically to discuss and advise the President on relevant issues.

The Corporation is organized into three main

Departments reporting to the Manager of the Corporation: Underwriting, Marketing, and Finance and Accounting. Three ancillary units; Administrative Affairs, Information Technology, and Country Risk Analysis provide technical and administrative support to the main Departments. Legal, Internal Audit, Investment services and some administrative services are currently provided by the IDB for a fee in accordance with a memorandum of understanding signed between IDB and ICIEC.

Corporate Mission

The Corporation's existing mission statement, adjusted to reflect the expansion in the mandate, serves as a means of highlighting ICIEC's overriding focus. The mission statement is provided below:

"To be the insurance provider/partner of choice for exporters and investors, and export credit / investment insurance agencies in member countries, offering

Table 1: Membership and Capital Subscriptions Status as at end of 1421 (March 2001)

Members	Date of Articles Ratification	Number of Shares Subscribed	Value of Shares (ID)
1. Algeria	23.04.96	1,000	1,000,000
2. Bahrain	06.03.99	250	250,000
3. Bangladesh	11.05.93	250	250,000
4. Brunei	24.03.98	250	250,000
5. Cameroon	04.07.92	250	250,000
6. Chad	19.02.93	250	250,000
7. Egypt	30.12.92	2,500	2,500,000
8. Gambia	01.03.96	250	250,000
9. Guinea	22.07.97	250	250,000
10. Indonesia	24.04.93	250	250,000
11. Iran	19.12.96	5,000	5,000,000
12. Jordan	21.04.93	250	250,000
13. Kuwait	13.07.94	2,500	2,500,000
14. Lebanon	17.08.95	250	250,000
15. Malaysia	01.08.94	2,740	2,740,000
16. Mali	04.09.93	250	250,000
17. Mauritania	18.07.95	250	250,000
18. Morocco	08.02.97	5,000	5,000,000
19. Pakistan	08.05.93	2,500	2,500,000
20. Qatar	11.07.00	250	250,000
21. Saudi Arabia	03.12.92	13,500	13,500,000
22. Senegal	19.09.95	250	250,000
23. Sudan	10.07.95	250	250,000
24. Syria	01.02.98	250	250,000
25. Tunisia	22.02.93	500	500,000
26. Turkey	30.07.97	2,500	2,500,000
27. Uganda	04.02.99	250	250,000
28. UAE	11.07.00	2,500	2,500,000
29. Yemen	30.12.96	500	500,000
30. Islamic Development Bank		50,000	50,000,000
TOTAL		94,990	94,990,000

* ID 1.00 = USD 1.269

competitively priced, comprehensive, and innovative Shariah-compatible export credit and investment insurance and reinsurance products to beneficiaries”.

Strategy and Objectives for 1422H

The main objective of ICIEC for 1422H is to put in place the necessary operational (staffing, planning, procedural adjustments, etc.), administrative (MIS, etc.), and strategic initiatives in order to fully exploit and maximize the benefits of the expansion in its mandate.

The stated objective of the Corporation is to be accomplished by means of a “multi-pronged” approach believed to effect the realization of the aforementioned focus. The crux of the approach is:

1. The completion of the review process of the Operational Regulations, the Operating Procedures and the Policy documents, as a means of bringing about the necessary changes to the Corporation’s structure that would permit the effective execution of its expanded mandate.
2. The implementation of the amendments made to the Articles of Agreement, to benefit from the broadened service mandate. In this regard, marketing research will be given a special consideration so as to introduce new products tailored to the needs of the market, with continued

focus on its investment insurance services. This will also entail review and assessment of the marketing approach currently employed by the Corporation. The ultimate aim of such an exercise being identification of and focusing on marketing initiatives that have yielded tangible benefits to the Corporation, and discarding or discontinuation of initiatives that have yielded little results, or benefits.

3. The continuation of the development of the necessary operational, technical, administrative, and financial systems necessary to meet the anticipated expansion in business activities. These may include, but are not limited to, the development of a computerized Management Information System (MIS), the continuous training and development of technical staff, and the establishment of a comprehensive network of agents in member countries.
4. The initiation of a review and assessment of the underwriting process currently employed by the Corporation. The objective of this exercise being the identification of ways and means to streamline the underwriting procedures for minimizing the loss ratio, particularly in the area of commercial risk. It will also focus on the establishment of effective recovery procedures, with an objective to maximize recoveries of paid claims in an efficient manner.



The objective of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is to develop the export credit insurance in Member Countries. These are participants in one of ICIEC’s recently-held workshop in Jeddah for underwriters from Member Countries’ ECAs.

5. The acquisition of a reinsurance program to meet the expanding exposure needs of the Corporation, as well as completion of the five-year strategic planning exercise being conducted by a consultant, to provide the Corporation with the required long-term strategy.
6. The introduction and implementation of the Export Credit Facultative Reinsurance Facility (ECFRF) for Export Credit Agencies in Member Countries. This would be the first step toward establishing ICIEC as a wholesaler of export credit insurance business.
7. The reorganization of functions within ICIEC, to promote the efficiency of its operations in order to meet the expected increase in business activity.

Insurance Facilities

(1) Export Credit Insurance Services

Since ICIEC commenced business in 1416H (1995G), it has been offering three types of insurance policies:

- (a) Comprehensive Short-Term Policy
- (b) Supplemental Medium-Term Policy
- (c) Bank Master Policy

These policies provide insurance cover for up to 90% of exporters' banks' loss due to the non-payment of export credits resulting from commercial risks such as buyer's insolvency or non-commercial risks including restrictions on the transfer of foreign exchange, the imposition of import restrictions and war and civil disturbances.

(2) Investment Insurance Services

In the beginning of 1419H (May 1998G), ICIEC introduced the Investment Insurance Policy which provides insurance cover to investors from Member Countries who intend to invest in other Member Countries against country risks. Such risks include foreign exchange transfer restrictions, nationalization and other forms of host country government interference which may deny the investor his rights to control his investment, war and civil disturbances.

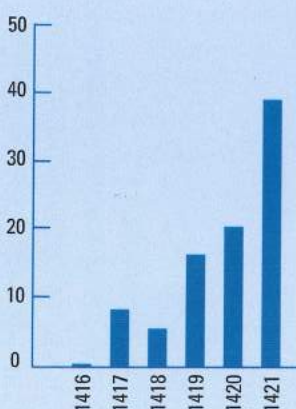


The Islamic Corporation for the Insurance of Export Credit (ICIEC)'s manager distributing certificates to participants at a workshop held in Jeddah.

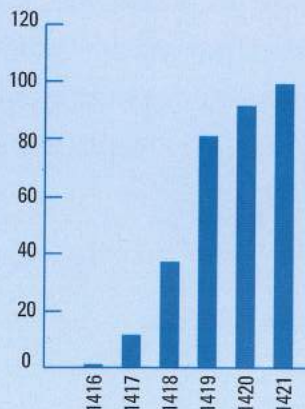
(3) Inward Reinsurance

In its 25th meeting held on 11.10.1421H (06.01.2001G), the Corporation Board of Directors approved the Export Credit Facultative Reinsurance Facility (ECFRF), designed to structure formal insurance arrangements between ICIEC and ECAs in Member Countries. The Corporation is in the process of formulating guidelines, criteria and procedures for the implementation of this new Facility.

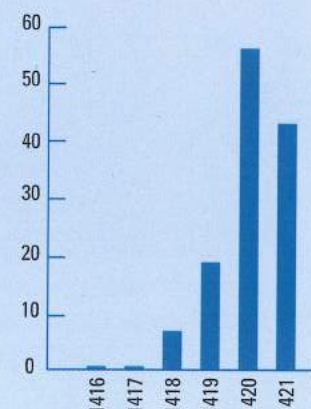
Total New Policies
(Number)



Total New Commitments
(USD million)



Total Declaration
(USD million)





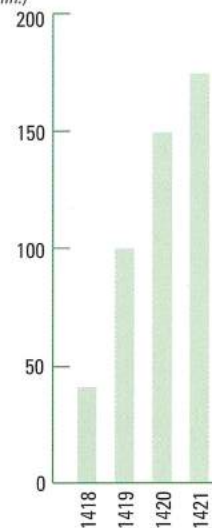
OPERATIONS RESULTS

The number of policyholders who benefitted from ICIEC's services, increased by 100 per cent during the last five years.

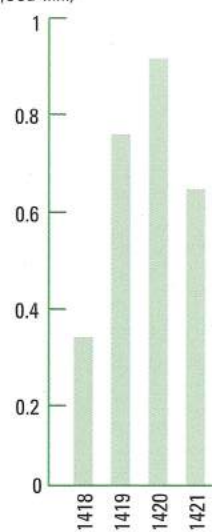
ICIEC had 66 policyholders from 16 countries by the end of 1421H, with a total coverage in the amount of USD 184 million.

During the forthcoming years, the Corporation's volume of operations is expected to increase following the amendment of its Articles of Agreement which allows ICIEC to expand its services to cover exports from Member Countries to such non-Member Countries which are approved by the Board of Governors.

Total Current Commitments
(USD mn.)



Total Premium Income
(USD mn.)



MARKETING ACTIVITIES

Promotional Seminars and Conferences : In accordance with its business strategy, the Corporation continued in 1421H to focus on marketing with a particular stress on marketing investment insurance. The Corporation co-organized and/or co-sponsored eight major events related to investment and trade promotion in member countries namely:

- * The Round Table Meeting on “Promoting Investment and Technology in Selected Islamic / Arab Countries” (Manama, Bahrain), co-organized with UNIDO.
- * The Symposium on “Promoting Gulf Council Countries’ Exports” (Manama, Bahrain), organized by the General Secretariat of the Gulf Council Countries.
- * The Arab Capital Markets and Investment Forum (Beirut, Lebanon), organized by the Lebanese Group Al Iktissad Wal Aamal.
- * The International Forum on Investment in Algeria (Algiers, Algeria), organized by the Government of Algeria and the Lebanese Group Al Iktissad Wal Aamal.
- * The 7th Private Sector Meeting in OIC Member States (Doha, Qatar), organized by the Islamic Chamber of Commerce and Industry.
- * The 8th Islamic Trade Fair (Doha, Qatar), organized by the Islamic Chamber of Commerce and Industry.
- * The Conference on BOT (Cairo, Egypt), organized by the Islamic Development Bank.
- * The Arab and Islamic Financial Institutions Meeting with Saudi Exporters (Jeddah, Saudi Arabia), organized by the Saudi Export Development Center.



ICIEC implemented an aggressive advertising campaign to promote the investment insurance service during the year 1421 H.

ICIEC delivered presentations and participated in the following high level meetings and conferences:

- * The Annual Conference of Export Credit and Political Risk Insurance (London, UK).
- * The Conference on Developing Export Credit Insurance in Africa (Tunis, Tunisia), organized by UNCTAD/ITC/COTUNACE.
- * The Arab Exporters and Importers (Leather and Textiles) Meeting (Casablanca, Morocco), organized by the Arab Trade Financing Program.
- * The Arab Exporters and Importers (Petrochemicals) Meeting (Manama, Bahrain), organized by the Arab Trade Financing Program.

In addition, ICIEC organized four Country Promotional seminars for exporters, banks and investors in Brunei, Cameroon, Qatar, and Mauritania. ICIEC also participated in joint seminars with IDB in CIS countries (Azerbaijan, Kazakhstan), Oman and Turkey.

Direct Selling: Three follow-up missions were mounted directly by ICIEC staff to meet the business community in Egypt, Jordan and Sudan. ICIEC staff conducted a total of 327 meetings with exporters and financial institutions and two-thirds of these meetings were conducted in the Member Countries.

ICIEC Media Campaign: As part of its marketing efforts to promote its activities and services, ICIEC signed a contract with an international advertising agency to be the Corporation's consultant and advertising agent in Member Countries. The first media campaign was launched with 51 insertions in national and regional newspapers and magazines in various Member Countries. The second media campaign was launched in September 2000 with a special focus on



Table 2: Marketing Activities 1421H (2000-2001G)

	1420H	1421H
MARKETING ACTIVITIES		
a. Visits and Meetings	573	327
b. Country Promotional Seminars	9	4
c. Other Presentations	13	12
d. Follow - up Visits	10	3
e. Trade Fairs	1	1
MARKETING RESULTS		
a. Enquiries	479	752
b. Policy Applications		
- Export Credit	32	45
- Investment	2	-
* Preliminary Application	-	12
* Main Application	-	2
c. Memorandum of Understanding (cumulative)	14	15
d. Local agents	-	13

Investment Insurance. The media campaign created a great deal of interest in ICIEC's services in general and its investment insurance scheme in particular.

ICIEC Website (www.iciec.org): The Corporation's website aims at providing updated and basic information about ICIEC's activities and services to internal and external users and facilitating operations for the Corporation's clients. During 1421H, the Corporation prepared and developed an interactive website to allow users to send enquiries and applications directly through the Net. The Corporation is now finalizing the new design of this website.

Local Agents' Network: Following the completion of the relevant legal documents and technical procedures approved by the management, ICIEC started the process of setting up its Local Agents' Network in Member Countries. During the year 1421H ICIEC signed thirteen (13) Local Agency Agreements with agents in Algeria, Bahrain, Cameroon, Egypt, Iran, Jordan, Kuwait, Lebanon, Mauritania, Saudi Arabia, Tunisia, Uganda and Yemen. Such Agency Agreements are meant to widen the marketing efforts of the Corporation in Member Countries and to ensure its presence in key markets at a low cost. A training program has been prepared for the newly appointed local agents and is being implemented. Already, Local Agents from Saudi

Arabia, Bahrain, Egypt, Jordan, Lebanon, Tunisia and Yemen took part in the said training program.

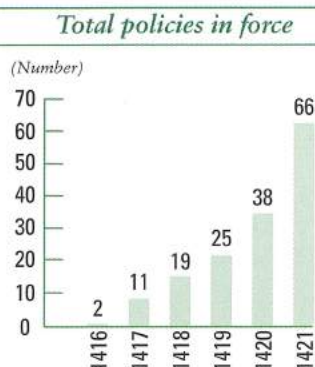
Enquiries and Policy Applications: Resulting from the above activities, the Corporation received 752 enquiries from prospective customers. 93% of these enquiries came from Member Countries, 1% from potential Member Countries and the balance (6%) from Non-Member Countries. These enquiries generated 45 policy applications from 41 exporters and 4 banks, 12 preliminary applications from investors and 2 main applications for investment insurance policies. 37 applications for renewal of policies were received from 24 exporters and 13 banks. The new export credit insurance policy applications came from 16 Member Countries and one Non-Member Country, while the preliminary applications for investment insurance came from 5 Member Countries and one Non-Member Country. (For more details see Table 2).

Memorandum of Understanding (MOU) between ICIEC and MIGA: In order to develop its investment insurance system and to benefit from MIGA's reinsurance facility, ICIEC signed a Memorandum of Understanding with the Multilateral Investment Guarantee Corporation (MIGA), whereby the two institutions set the general framework for their future cooperation. The areas of cooperation identified encompass re-insurance, co-insurance, investment promotion and exchange of experience.

UNDERWRITING ACTIVITIES

SUMMARY

ICIEC witnessed a steady growth in number of new policies issued during the last five years as shown in the graph below. During 1421H, new policies issued were 41 compared to 22 during the year 1420H. As a result, the Corporation's total number of policies in force reached 66 as at end of 1421H, compared to 38 as at end of 1420H, representing an increase of 74%.



New insurance commitments approved by the Corporation during 1421H were USD 104 million compared to USD 96 million in 1420H. As a result, the Corporation's total current commitments stood at USD 184 million compared to USD 158 million as at end of 1420H representing an increase of 17%.

The total utilization of the commitments in 1421H was USD 46 million, compared to USD 59 million for 1420H, while premium income were USD 0.69 million and USD 0.94 million for these periods respectively.

EXPORT CREDIT INSURANCE

1. Policies

During 1421H, the Corporation issued 40 new export credit policies and renewed 25 policies compared to 22 new policies issued and 17 renewed in the year 1420H. As a result, the total number of policies in force as at end of 1421H reached 65 as compared to 38 policies as at end of 1420H for an increase of 71%.

Policies in Force - Export credit		
Year	Number	Change
1416	2	—
1417	11	450%
1418	19	73%
1419	25	32%
1420	38	52%
1421	65	71%

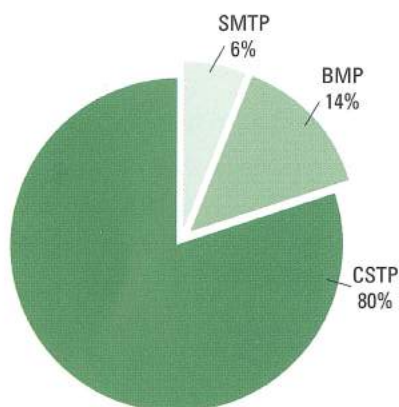
With 52 policies out of 65, the Comprehensive Short Term Policy (CSTP) contributed the highest number of policies in force to the portfolio of the Corporation. It represented 80% of the total policies in force, followed by the Bank Master Policy (BMP), which represents 14%, and the Supplemental Medium-Term Policy (SMTP) which represents 6%.

Table 3: Underwriting Operations 1421H (2000-2001G)

	1420H (1999-00)	1421H (2000-01)	Change
POLICIES			
- Number of New Policies	22	41	86%
- Number of Policies in Force	38	66	74%
COMMITMENTS			
- Current Commitments (USD mn.)	158	184	17%
- Commitments During the Year (USD mn.)	96	104	8%
DECLARATIONS (USD mn.)	59	46	-22%
PREMIUM INCOME			
- Premium (USD' 000)	937	688	-27%
- Fee (USD' 000)	16	37	131%
- Total (USD' 000)	953	725	-24%

Policies by Type 1421H

Type of Policy	Number	%
BMP	9	14%
CSTP	52	80%
SMTP	4	6%
Total	65	100%



Promotional seminars are considered by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) as an important marketing tool. This seminar was recently organized in Abu Dhabi.

Policies were issued to exporters and banks located in different geographical regions, 60% were from Arab Gulf Countries, 32% from Other Arab Countries, 5% from European Countries, and 3% from Asian Countries.

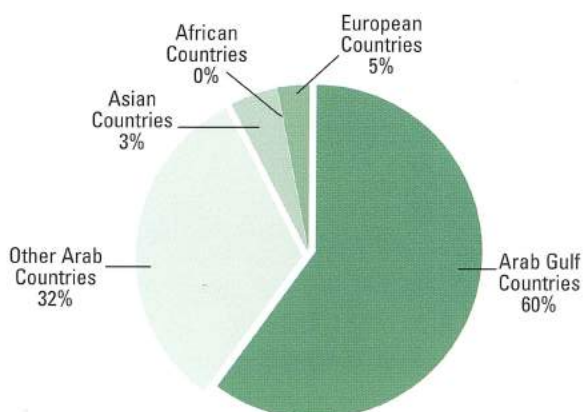
On a sectoral basis, the majority of policies in force were issued to Industrial Companies with 51%, followed by Trading Companies with 35% and by Banks with 14%.

Table 4: Export Credit Insurance Operations 1421H (2000-2001G)

	1420H (1999-00)	1421H (2000-01)	Change
POLICIES			
- Number of New Policies	22	40	82%
- Number of Policies Renewed	17	25	47%
- Number of Policies in Force	38	65	71%
COMMITMENTS			
- Number of Applications Received	152	212	39%
- Amount Applied (USD mn.)	471	329	-30%
- Number of Applications Approved	83	149	80%
- Amount Approved (USD mn.)	96	94	-2%
- Approvals Cancelled and Expired (USD mn.)	45	78	73%
- Current Commitments (USD mn.)	158	174	10%
DECLARATIONS (USD mn.)	59	33	-44%
PREMIUM INCOME			
- Premium (USD' 000)	937	525	-44%
- Fees (USD' 000)	16	26	63%
- Total (USD' 000)	953	551	-42%

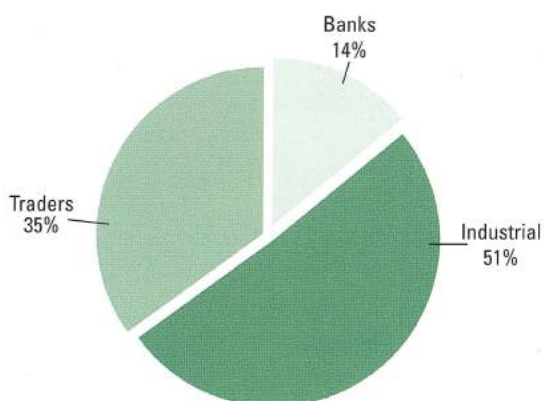
Policies by Region 1421H

Region	Number	%
Arab Gulf Countries	39	60%
Other Arab Countries	21	32%
Asian Countries	2	3%
African Countries	0	0%
European Countries	3	5%
Total	65	100%



Policies by Sector in 1421H

Sector	Number	%
Banks	9	14%
Industrial	33	51%
Traders	23	35%
Total	65	100%



2. Commitments

During the year under review ICIEC approved a total amount of new credit limits of USD 94 million to cover exports and financing operations on individual buyers, compared to USD 96 million as at end of 1420H. As a result, the total current commitments as at end of 1421H reached USD 174 million compared to USD 158 million as at end of 1420H, for an increase of 10%.

Current Commitments

Year	Amount (in USDmn.)	Change
1416	0	—
1417	17	—
1418	42	147%
1419	107	156%
1420	158	48%
1421	174	10%

Export credit insurance commitments were made to exporters and banks located in 16 Member Countries, with 68% of the total current commitments going to exporters and banks located in Saudi Arabia, Sudan, Malaysia, Turkey, UAE, and Egypt.

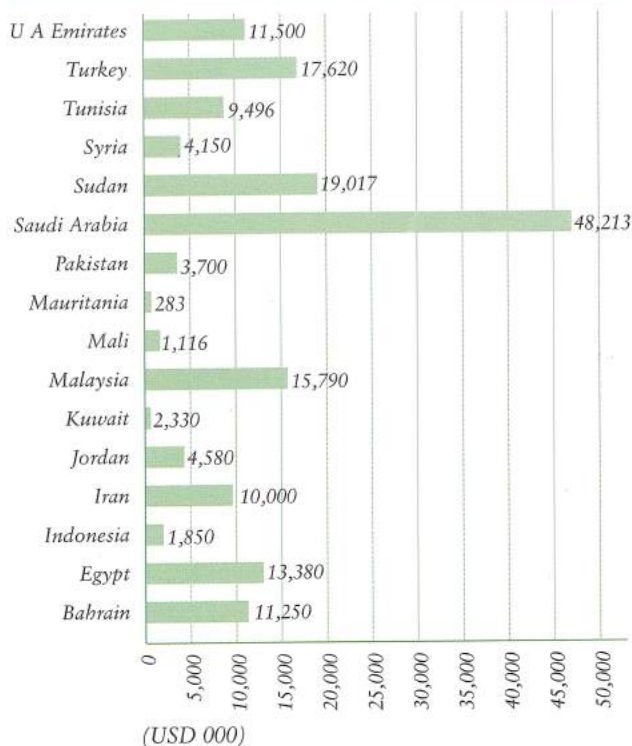


The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) conducted a successful promotional seminar in Dubai, which was attended by many banks, exporters, government institutions and other commercial organizations



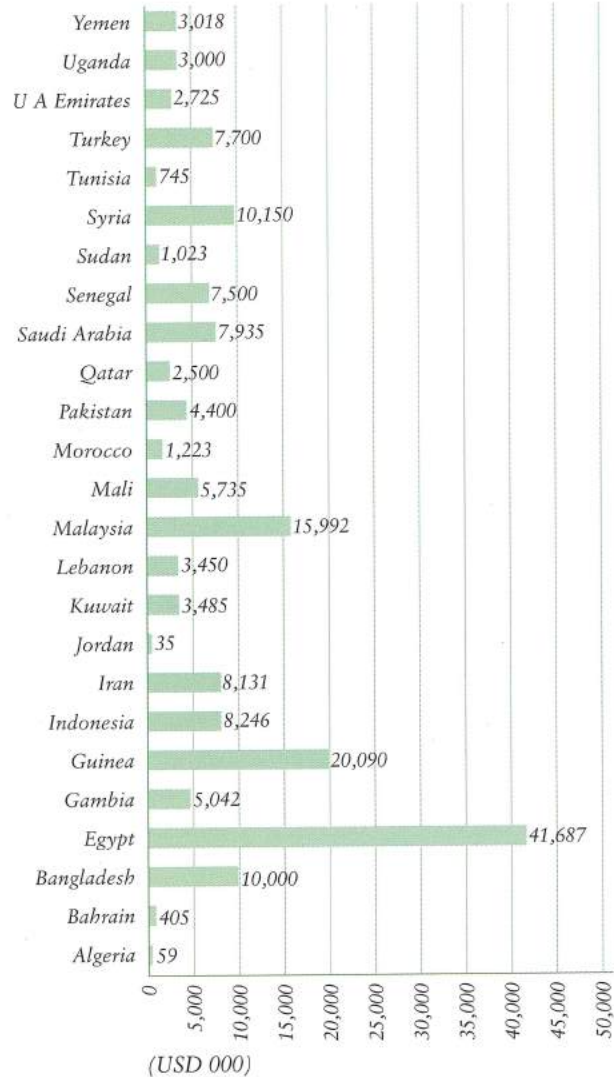
To bring its services closer to the potential customers, ICIEC participates in exhibitions, trade fairs and seminars with its corporate pavilion.

Current Commitment by Exporter Country



The commitments were to cover the payment risk of buyers located in 25 Member Countries. 65% of these commitments were approved on buyers located in Saudi Arabia, Egypt, Bangladesh, Mali, Malaysia, Jordan and Morocco.

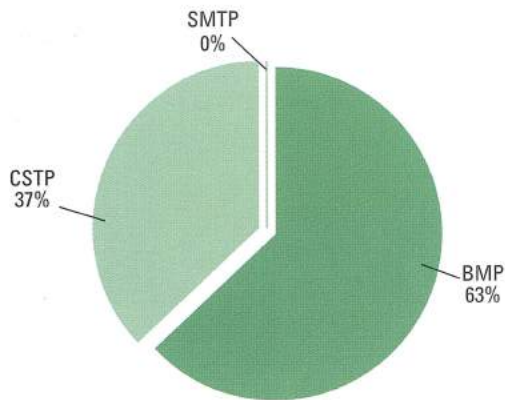
Current Commitment by Importing Countries



While the Comprehensive Short-Term Policy (CSTP) represented the highest number of policies issued by the Corporation, the commitments under the Bank Master Policy (BMP) represented 63% (USD 109 million) of the total current commitments, bearing the CSTP with 37% (USD 64 million) of the total, the Supplemental Medium-Term Policy (SMTP) with 0%.

Current Commitment by Type of Policy

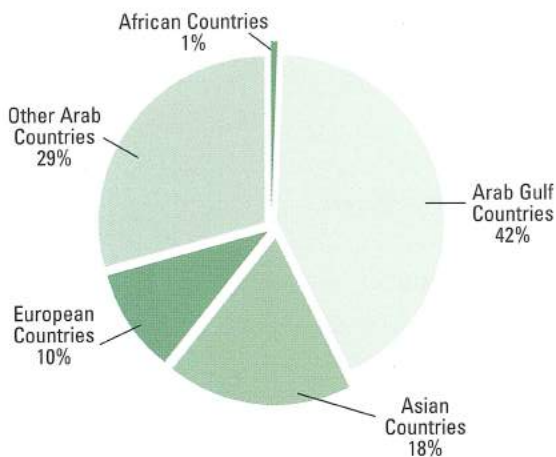
Type of Policy	Amount (in USD 000)	%
BMP	109,828	63%
CSTP	64,448	37%
SMTP	0	0%
Total	174,276	100%



The regional distribution of ICIEC's commitments for exporting countries shows Arab Gulf Countries with 42%, Other Arab Countries with 29%, Asian Countries with 18%, European Countries with 10% and African Countries with 1%.

Current Commitment by Exporter's Regions

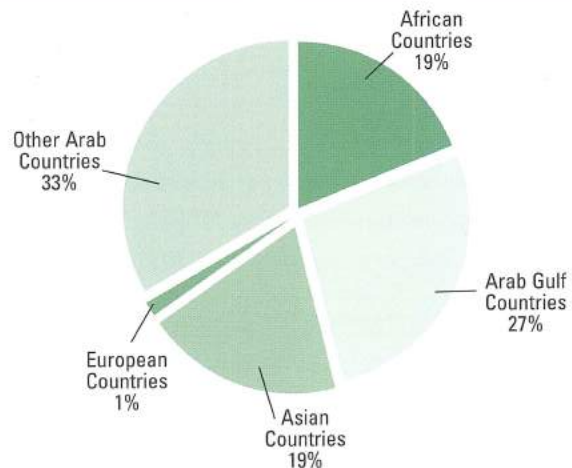
Exporter's Region	Amount (in USD 000)	%
African Countries	1,116	1%
Arab Gulf Countries	73,293	42%
Asian Countries	31,340	18%
European Countries	17,620	10%
Other Arab Countries	50,907	29%
Total	174,276	100%



In terms of the regional distribution according to buyers, 33% of the commitments went to buyers in other Arab Countries, 27% went to buyers in Arab Gulf Countries, 19% went to Asian Countries, 19% went to African Countries and 2% went to European Countries.

Current Commitment by Buyer's Regions

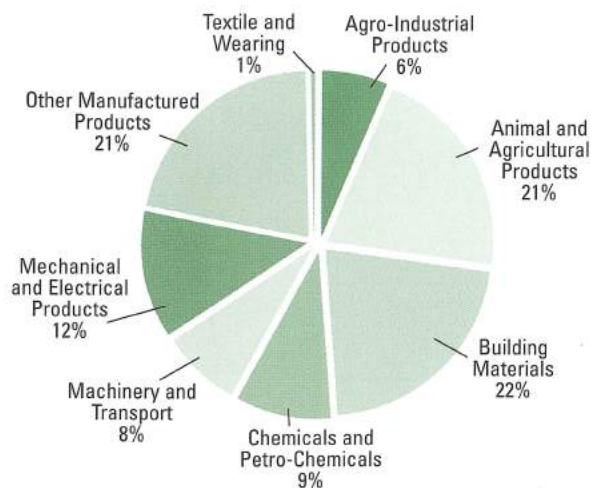
Buyer's Region	Amount (in USD 000)	%
African Countries	32,985	19%
Arab Gulf Countries	47,228	27%
Asian Countries	33,495	19%
European Countries	2,500	1%
Other Arab Countries	58,068	33%
Total	174,276	100%



65% of ICIEC's commitments were concentrated in 3 sectors: Building Materials with 22%, other Manufactured Goods with 22% and Animal and Agricultural Products with 21%. Other sectors such as Mechanical and Electrical Products, Chemicals and Petro-chemicals, Machinery and Transport, Agro-Industrial Products, and Textile and Wearing represented 35%.

Current Commitment by Sectors

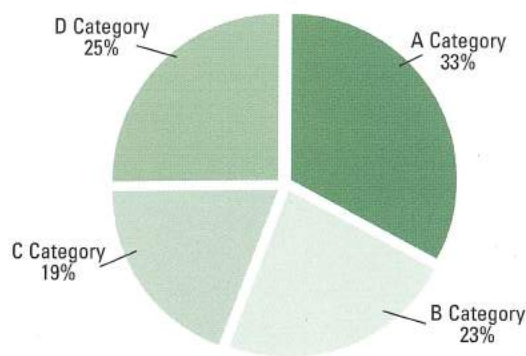
Sector	Amount (in USD 000)	%
Agro-Industrial Products	11,143	6%
Animal and Agricultural Products	36,244	21%
Building Materials	37,635	22%
Chemicals and Petro-chemicals	16,146	9%
Machinery and Transport	13,335	8%
Mechanical and Electrical Products	21,526	12%
Other Manufactured Products	37,467	22%
Textile and Wearing	780	1%
Total	174,276	100%



Commitments according to buyer's country grading shows distribution to 'A' category countries with 33%, 'D' category countries with 25%, 'B' category countries 23% and 'C' category countries with 19%.

Current Commitment by Category of Country Risk

Category of Country	Amount (in USD 000)	%
A Category	57,193	33%
B Category	39,988	23%
C Category	33,300	19%
D Category	43,795	25%
Total	174,276	100%



3. Declarations

The total amount declared by policyholders for the exports made and the financing extended was USD 33 million during 1421H, compared to USD 59 million in 1420H, for a decline of 45%.

This decline in declarations during 1420H, resulted from the cancellation of some transactions approved during 1420H. This is in addition to the non-implementation of many transactions approved by the Corporation

Declarations - Export credit

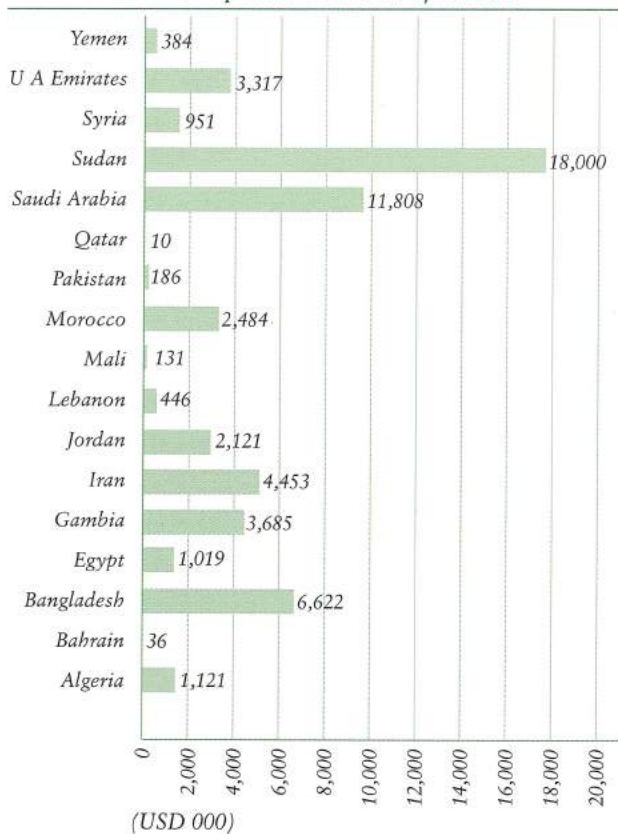
Year	Amount (in USD mn.)	Change
1416	0	—
1417	0	—
1418	8	—
1419	21	150%
1420	59	181%
1421	33	-44%

4. Exposure

Exposure is the total utilized commitments of the Corporation, including overdue payments, unrecovered paid claims, and rescheduled debts including debt-service payments not yet due.

The total exposure of the Corporation as at the end of 1421H reached USD 56.8 million. This exposure was on buyers and banks located in 17 Member Countries, with 92% of the total exposure on buyers and banks located in Sudan, Saudi Arabia, Bangladesh, Iran, Gambia, United Arab Emirates, Morocco and Jordan.

ICIEC Exposure as at end of 1421H



5. Premium Income

Premium and fees income generated from the declarations received during 1421H was USD 525,000 compared to USD 937,000 in 1420H for a decline of 41%.

This decline in premium income was due mainly to shifting of the Corporation's portfolio from long and medium terms to short term. This is in addition to cancellation of some transactions approved during the year 1420H, and the non-implementation of many transactions approved by the Corporation.

Premium Income - Export Credit

Year	Amount (in USD mm.)	Change
1416	0	—
1417	0	—
1418	0.353	—
1419	0.79	124%
1420	0.937	19%
1421	0.525	-44%

INVESTMENT INSURANCE

During 1421H, the Corporation processed 2 Preliminary Applications for proposed investments from IDB to Sudan and from the United Arab Emirates to Bangladesh, for a total provisional investment amount of USD 39 million. The first Preliminary Application has resulted in a policy, while a Main Application was received for the second one, which is under process.

The Policy issued during 1421H was for a policy limit of USD 13.4 million (insured amount USD 7.1 million and a stand-by amount USD 6.3 million). The total premium and fees income generated from the issuance of this Policy was USD 169,000. The investment covered by the Corporation under the policy relates to equipment lease finance for an expansion project of a major sugar factory in a Member Country. The Corporation is covering the transfer restriction, expropriation, war and civil disturbance risks associated with the host country.



During 1421 H, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) increased its focus on the investment insurance activities, to promote investment flows among its Member Countries. In this regard, one of the events sponsored by the Corporation was the Annual Arab Investment and Capital Markets Conference in Beirut, Lebanon.

CLAIMS AND RECOVERY

1. Claims

Three claims were submitted under the Bank Master Policy (BMP) for a total loss of USD 3.85 million in 1421H. ICIEC paid these three claims amounting to USD 3.46 million, which represents 90% of the total loss. All three claims were lodged by a policyholder from Saudi Arabia. The claims involved various sectors such as livestock, tires and unfinished goods. The defaulted parties were from Morocco and Saudi Arabia.

The Corporation paid an amount of USD 2.39 million representing the remainder of a claim, which arose as a result of default from a beneficiary from Jordan. This claim was originally approved for the amount of USD 3.28 million, and only USD 0.89 million was paid in 1420 H.

Hence the total amount of claims, that ICIEC paid in 1421H, is USD 5.86 million.

2. Recoveries

ICIEC has recovered a gross amount of USD 2.24 million during 1421H. The bulk of this recovery (USD 2.22 million) emanates from a debtor from Jordan for which ICIEC previously paid a claim for the amount of USD 3.20 million. Nearly 70% of the total debt has been recovered and the debtor has provided commitments to eliminate almost the entire debt by mid 1422H. The remaining balance of the recovery (USD 0.02 million)

comes from a Moroccan debtor who signed an agreement rescheduling its debt.

Since 1418H the Corporation has paid 5 claims for a total of USD 6.88 million and has recovered a gross amount of USD 2.86 million, a ratio of almost 42%.

Claims & Recovery Activities since 1418 H

Year (H)	Claims Processed		Claims Paid	Recoveries
	No.	Amount of Loss USD (Million)	Amount USD (Million)	Amount USD (Million)
1418	1	0.14	0.13	0.01
1419	--	--	--	--
1420	1	3.65	0.89	0.61
1421	3	3.85	5.86	2.24
Total	5	7.64	6.88	2.86*

*Gross recoveries

REINSURANCE

1. Outwards reinsurance treaty

Towards enhancing the prospects of securing an export credit reinsurance treaty tailored to the Corporation's requirements, a Service Contract was concluded with a reputable London reinsurance broker in Muharram 1421H, under which the broker will structure the

reinsurance cover for the Corporation and place it with reinsurers which are rated as first class securities. The Corporation has provided the broker with all pertinent documents/information to enable him to prepare the presentation package (comprehensive details regarding the Corporation) to be submitted for potential lead underwriters' (reinsurers') consideration. However, a delay in the finalization of the presentation package has occurred since the likely effects of the recent decision to permit the Corporation to insure exports to non-Member Countries have to be incorporated.

The final presentation package is expected to be ready in 1422H and the broker would then make the necessary arrangements for meetings with potential reinsurers to confirm their interest to reinsure the Corporation and negotiate the terms and conditions of the reinsurance treaty or treaties.

2. Inward reinsurance facility for ECAs in Member Countries

During the First Meeting of ECAs in Member Countries held in Jeddah on 8-9/03/1420H, many ECAs stated their desire to pass to the Corporation some of the business which they intend to underwrite because of their limited

Table 5: Investment Insurance Operations 1421H (2000-2001G)

	1420H (1999-00)	1421H (2000-01)
1. Preliminary Application		
- Number	—	2
- Amount (USD mn.)	—	39
2. Main Application		
- Number	—	2
- Amount (USD mn.)	—	39
3. Policies		
- Number New Policies Issued	—	1
- Number Policies Renewed	—	—
- Number Policies in Force	—	1
- Insured Amount (USD mn.)	—	7.1
- Stand-by Amount (USD mn.)	—	6.3
- Policy Limit (USD mn.)	—	13.4
4. Current Commitment (USD mn.)	—	10.3
5. Declarations (USD mn.)	—	13.4
6. Premium Income		
- Insured Amount (USD' 000)	—	133
- Stand-by Amount (USD' 000)	—	30
- Fees (USD' 000)	—	11
- Total (USD' 000)	—	174

underwriting capacity and encouraged the Corporation to start providing reinsurance support as soon as practicable. In view of the apparent demand for its services as a provider of reinsurance to ECAs in Member Countries, the Corporation designed a suitable facility called the Export Credit Facultative Reinsurance Facility (ECFRF) to meet this requirement.

The Board of Directors of the Corporation, at its 25th Meeting held on 11/10/1421H, approved the introduction of the ECFRE. However, as directed by the Board, the Corporation is in the process of formulating the relevant guidelines, criteria and procedures in detail before implementing this new facility.

HUMAN RESOURCES AND INFORMATION TECHNOLOGY MANAGEMENT

1. Human resources development:

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. Hence, it continued efforts to recruit high caliber staff from Member Countries and to avail them of the best available training facilities.

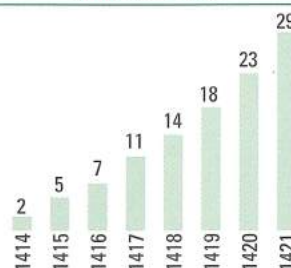
At the same time, ICIEC is rapidly developing its information technology resources, to keep in stride with developments in the information and communication fields.

2. Staffing:

During the year under review, the Corporation recruited new staff in the fields of country risk analysis, underwriting, finance and accounting, law and administration. At the end of 1421H, the total number of staff in ICIEC increased to 29 against 23 in 1420H, thus achieving a utilization rate of 83% of the approved positions.

Description	1421	1420
Approved Positions	35	30
Filled Positions	29	23
Utilization (%)	83	77

Staff Strength



3. Training:

During the year under review, training focused on benefiting from IDB's in-house training facilities to cover three broad areas: technical (relating to the specialization of the staff member), computer, and languages.

Eleven staff members attended IDB in-house training courses, 6 staff members attended training courses abroad, and 6 staff members attended local training courses.

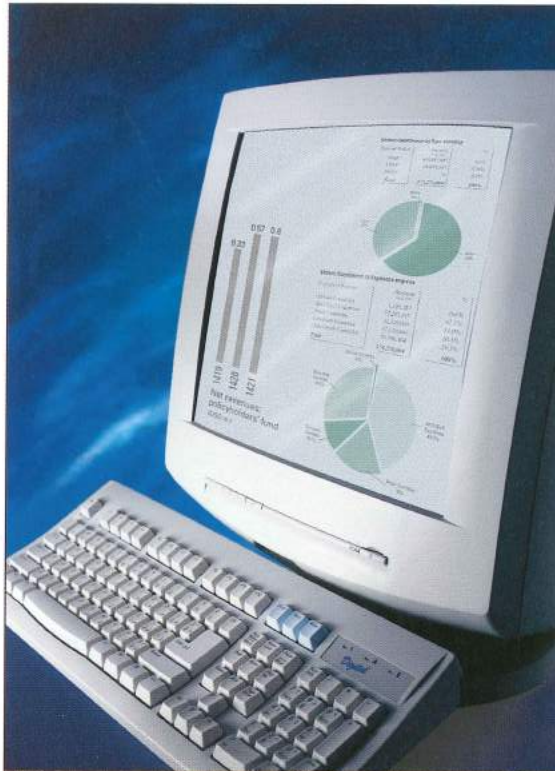
Number of Staff	Training Courses Attended			Total
	IDB In-house	Local	Abroad	
17	11	6	6	23

4. Management Information System:

The Corporation is developing in-house a fully integrated computerized management information system to meet its information and communication requirements. The system is under implementation and is expected to be operative during the second quarter of 1422H. Meanwhile, ICIEC is utilizing various systems, including accounting and human resources, available with the Islamic Development Bank. The Corporation is expected to benefit from the systems upgrading project, currently under implementation by IDB. The project started during 1421H, and involves the introduction of Oracle Financials and other ancillary systems.



Net revenues:
Policyholders' fund
(USD m.)



Finance and Investment Summary



Net revenues:
Shareholders' fund
(USD m.)

In conformity with its Articles of Agreement, which require ICIEC to maintain a sound financial position, ICIEC is pursuing a medium-term strategy aiming at achieving financial balance in the Policyholder's Fund.

Introduction: Two more OIC Member Countries joined the ICIEC membership during 1421H. While the premium income remained below the last year's level, the claims increased during the year. Return on invested funds remained in line with that achieved last year. The following paragraphs provide a summary of the accounts, and highlights of the performance and structure of invested funds. The details are provided in the attached Financial Statements.

Unit of Account: Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to the Special Drawing Right (SDR) of the International Monetary Fund (ID 1.00 = USD 1.269 as at end of 1421H).

Share Capital: The authorized share capital of the Corporation is ID 100 million, made up of 100,000 shares of ID 1,000 each. IDB has subscribed to half of the authorized capital, while the other half was left for the subscription of the Member Countries of the Organization of the Islamic Conference (OIC). Each Member Country may subscribe to a minimum of 250 shares in the Corporation.

As of 30 Dhul Hijja 1421H, IDB and twenty-nine Member Countries had subscribed to a total of 94,990 shares for a nominal value of ID 1,000 per share; equivalent of ID 94.99 million. The called-up installments amounted to ID 72.50 million, out of which ID 70.94 million has so far been paid-up. The balance of ID 1.56 million is receivable from the subscribing Member Countries.

Separation of Shareholders' and Policyholders' Funds: In conformity with Shariah rules governing Takaful (cooperative) insurance, the Articles of Agreement of the Corporation (Article 28) require that the Corporation maintains two separate funds:

- a) Policyholders' Fund which contains mainly the insurance contributions and fees.
- b) Shareholders' Fund which contains the paid-up capital and the reserves.

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

Policyholders' Fund: ICIEC aims at providing timely information on its underwriting operations, to both the shareholders and the policyholders of the Corporation. Hence, it has adopted the "annual accounting" basis to report the results of the underwriting operations at the financial year-end. In arriving at reasonable estimates of the underwriting operations, the following accounting policies are used:

- a) Unearned premiums are calculated on the basis of 50% of the premiums recorded during the year.
- b) Claims incurred but not reported are calculated at 1.0% of the outstanding exposure.

The 1421H gross premium and fees amounted to ID 0.53 million, compared to 1420H amount of ID 0.68 million.

The net premium and fees earned during the year amounted to ID 0.63 million, while the operating expenses were ID 2.03 million. A loss of ID 3.09 million during 1421H brought the accumulated losses in the Fund to ID 9.32 million at the year-end. The large loss reported for the year is mainly attributable to the net claims, ID 4.31 million, which were incurred during 1421H. However the recovery process was immediately started and an amount of ID 2.62 million is considered recoverable at the year-end, based on rescheduling agreements concluded and legal actions taken.

Shareholders' Fund: The capital generated by the Member Countries of the Corporation is mainly



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) conducted a promotional seminar in Gambia, in cooperation with the Gambian Ministry of Commerce

invested in various Shariah compatible investment instruments through the IDB Treasury Department, acting as the Corporation's Fund Manager. One long-term investment has been carried out directly by the Corporation, in the shares of IDB's Unit Investment Fund. The Shareholders' Fund generated a net profit of ID 5.52 million for the year 1421H. An income of ID 3.78 million was generated from the investments, while ID 1.74 million was reported as gain on exchange. There were no operating expenses associated with the investment activity in the Shareholders' Fund. The net income has been transferred to the statutory reserve, as mandated under the Articles of Agreement.

The Corporation's paid-up share capital increased from ID 70.24 million last year, to ID 70.94 million at the end of 1421H. During the year, two new Member Countries were admitted to ICIEC. The balance of subscriptions receivable increased from ID 0.88 million last year to ID 1.56 million at the end of 1421H.

Net Corporate Financial Result: The overall results of the Corporation reflect a net profit of ID 2.43 million for the year 1421H. This was achieved with a net profit of ID 5.52 million in the Shareholders' Fund and a loss of ID 3.09 million in the Policyholders' Fund. At the end of 1421H, the total assets of the Corporation were ID 93.08 million compared to ID 86.79 million last year. These assets primarily relate to the Shareholders' Fund.

Liquid Funds' Investment Portfolio: Historically, all the liquid funds of ICIEC have been placed with Islamic banks or Islamic windows of conventional banks, in Shariah compatible short-term commodity placements. The IDB Treasury Department is responsible for managing these funds, as the Corporation's Fund Manager. Due to relatively low yields provided by these investments, steps have been undertaken to diversify this portfolio to include medium-term and long-term investments. These include participation in a syndicated Murabaha transaction with IDB, and provision of specific investment guidelines to the IDB Treasury Department along with appropriate fees and incentive plans, in the context of a fund management agreement signed between ICIEC and IDB.

The total amount of the liquid funds' portfolio, managed by the IDB Treasury Department, increased

from ID 52.79 million last year to ID 58.62 million at the end of 1421H. The portfolio income also increased from ID 2.72 million last year to ID 3.29 million this year. The major portion of these investments (ID 33.87 million) is put in commodity placements due to mature between six months to one year from the date of acquisition. The balance (ID 24.75 million) reflects commodity placements due to mature in less than six months. The funds are placed with 11 banks in 4 countries (Bahrain, France, Saudi Arabia and United Kingdom).

Another ID 2.17 million have been invested in a syndicated Murabaha deal with IDB, maturing within six months. The income generated from this investment was ID 0.05 million during 1421H.

Investment in IDB's Unit Investment Fund (UIF): The Islamic Development Bank manages the IDB Unit Investment Fund, a Trust Fund in accordance with the Islamic concept of Mudarabah. The Fund invests in public and private sector ventures, primarily in the member countries of the IDB, in line with the principles of Shariah. The value of the Corporation's investment in this Fund was ID 13.79 million as at the end of 1421H. An amount of ID 0.44 million was received as an interim dividend from UIF, during 1421H.

The investment portfolio of the Fund is guaranteed by IDB. The portfolio predominantly consists of leases and installment sales, followed by commodity financed deposits and Murabaha syndications. Units of the Fund are traded on the Bahrain Stock Exchange.



The promotional seminar of The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) in Uganda received full support from the Ugandan Private Sector Foundation

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ISLAMIC CORPORATION
FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

We have audited the accompanying balance sheet of the Islamic Corporation for the Insurance of Investment and Export Credit as of 30 Dhul Hijjah 1421 H and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all materials respects, the financial position of the Corporation as of 30 Dhul Hijjah 1421 H, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.
- ii) comply with the requirements of the Corporation's Articles of Agreement in so far as they affect the preparation and presentation of the financial statements.

for Whinney Murray & Co.



Dr. Abdullah A. Baeshen
Registration No. 66

7 Rabi Awal 1422 H
30 May 2001
Jeddah

BALANCE SHEET
As at 30 Dhul Hijjah 1421 H

	Note	1421 H ID (1ID=US\$1.269)	1420 H ID (1ID=US\$1.348)
ASSETS			
RELATING TO SHAREHOLDERS' FUND			
Bank balances		62,302	2,256,088
Other assets		167,569	557,687
Investments	3	74,575,888	65,774,890
Amounts due from Islamic Development Bank	4	14,779,107	15,818,987
		<u>89,584,866</u>	<u>84,407,652</u>
RELATING TO POLICYHOLDERS' FUND			
Bank balances		734,782	812,694
Prepaid expenses		6,208	9,356
Claims recoverable		2,545,311	1,373,248
Fees receivable		106,649	106,072
Fixed assets		97,855	78,647
		<u>3,490,805</u>	<u>2,380,017</u>
TOTAL ASSETS		<u>93,075,671</u>	<u>86,787,669</u>
LIABILITIES AND SHAREHOLDERS' AND POLICYHOLDERS' FUND			
SHAREHOLDERS' LIABILITIES			
Unearned income		1,834,089	284,170
Accounts payable and accruals	5	156,772	135,649
		<u>1,990,861</u>	<u>419,819</u>
POLICYHOLDERS' LIABILITIES			
Accounts payable and accruals	5	356,638	222,380
Advance billings	6	326,186	464,402
Claims payable		2,207,098	1,775,531
Unearned premiums		333,578	272,462
Provision for unreported claims		447,000	950,207
Amounts due to Islamic Development Bank		1,929,325	313,922
		<u>5,599,825</u>	<u>3,998,904</u>
TOTAL LIABILITIES		<u>7,590,686</u>	<u>4,418,723</u>
SHAREHOLDERS' FUND			
Share capital	8	70,932,500	70,245,000
Statutory reserve	9	23,870,763	18,356,072
		<u>94,803,763</u>	<u>88,601,072</u>
Loan to policyholders' fund	10	(7,209,516)	(4,613,239)
POLICYHOLDERS' FUND			
Accumulated losses		(9,318,278)	(6,232,126)
Loan from shareholders' fund	10	7,209,516	4,613,239
TOTAL SHAREHOLDERS' AND POLICYHOLDERS' FUND		<u>85,484,985</u>	<u>82,368,946</u>
TOTAL LIABILITIES AND SHAREHOLDERS' AND POLICYHOLDERS' FUND		<u>93,075,671</u>	<u>86,787,669</u>

The attached notes 1 to 13 form part of these financial statements.

**STATEMENT OF INCOME AND RETAINED EARNINGS/
(ACCUMULATED LOSSES)**

Year Ended 30 Dhul Hijjah 1421 H

	Note	1421 H ID (1ID=US\$1.269)	1420 H ID (1ID=US\$1.348)
POLICYHOLDERS' FUND			
Gross premiums		528,940	681,841
Premiums earned	6	606,040	414,345
Policy fees earned		24,023	11,702
Total revenue		630,063	426,047
Claims incurred	7	1,685,619	1,256,939
Employees' cost	4	1,322,727	972,945
General and administration expenses	4	645,424	523,049
Fees paid to Islamic Development Bank	4	62,445	52,003
		3,716,215	2,804,936
LOSS FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENT		(3,086,152)	(2,378,889)
Prior period adjustment		-	(1,517,310)
LOSS FOR THE YEAR		(3,086,152)	(3,896,199)
Accumulated losses at beginning of the year		(6,232,126)	(2,335,927)
ACCUMULATED LOSSES AT END OF THE YEAR		(9,318,278)	(6,232,126)
SHAREHOLDERS' FUND			
INCOME			
Investments income		3,780,025	3,274,669
Gain on exchange		1,734,666	729,276
NET PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENT		5,514,691	4,003,945
Prior period adjustment		-	1,517,310
NET PROFIT FOR THE YEAR TRANSFERRED TO STATUTORY RESERVE		5,514,691	5,521,255
NET PROFIT FOR THE CORPORATION FOR THE YEAR			
Policyholders' fund - loss		(3,086,152)	(3,896,199)
Shareholders' fund - profit		5,514,691	5,521,255
NET PROFIT		2,428,539	1,625,056

The attached notes 1 to 13 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended 30 Dhul Hijjah 1421 H

	1421 H ID (1ID=US\$1.269)	1420 H ID (1ID=US\$1.348)
OPERATING ACTIVITIES		
Net profit for the year	2,428,539	1,625,056
Adjustment for:		
Investment income	(3,780,025)	(3,274,669)
Gain on exchange	(1,734,666)	(729,276)
Depreciation	31,095	20,787
Changes in operating assets and liabilities:		
Islamic Development Bank	2,655,283	(13,087,520)
Other assets	(779,374)	(1,705,644)
Liabilities	448,732	1,905,008
Insurance Fund	(442,091)	787,049
Net cash used in operating activities	<u>(1,172,507)</u>	<u>(14,459,209)</u>
INVESTING ACTIVITIES		
Investment in IDB Unit Investment Fund	(807,085)	(7,454,479)
(Increase)/decrease in investment in Murabaha deals (net)	(40,147,140)	60,037,972
Purchase of fixed assets	(50,302)	(99,434)
Net cash (used in)/from investing activities	<u>(41,004,527)</u>	<u>52,484,059</u>
FINANCING ACTIVITIES		
Proceeds from issue of share capital	687,500	1,875,000
Net cash from financing activities	<u>687,500</u>	<u>1,875,000</u>
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	<u>(41,489,534)</u>	<u>39,899,850</u>
Cash and cash equivalents at beginning of the year	42,286,618	2,386,768
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>797,084</u>	<u>42,286,618</u>
Cash and cash equivalents comprise the following:		
Investments maturing within three months from the date of acquisition	-	39,217,836
Bank balances	797,084	3,068,782
	<u>797,084</u>	<u>42,286,618</u>

The attached notes 1 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 Dhul Hijjah 1421 H

1- ACTIVITIES

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

The objectives of the Corporation as defined in its Articles of Agreement are to enlarge the scope of trade transactions and the flow of investments among member states. In fulfilment of this objective, the Corporation shall provide in accordance with the principles of Shariah, the following:

- (a) export credit insurance and reinsurance; and
- (b) investment insurance and reinsurance.

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

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

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

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

2-SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with International Accounting Standards. The significant accounting policies adopted are as follows:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Foreign currencies

The records of the Corporation are maintained in Islamic Dinars (ID). The value of the Islamic Dinar is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund. Foreign currency transactions are recorded in Islamic Dinars at the approximate rates of exchange prevailing at the time of transactions. Monetary Assets and liabilities in foreign currencies at the balance sheet date are retranslated at the year end rates of exchange. Exchange differences are reported as part of the results for the year.

c) Investments and investment income

Amounts advanced for financing trade on a Murabaha basis are stated at total amounts due including mark-up at maturity date. The portion of mark-up which has not been accrued to income is included under liabilities as unearned income.

The investment in IDB's Unit Investment Fund is recorded at cost with provision for any permanent decline in value, if considered necessary.

Income from Murabaha investments and short-term commodity transactions is accrued evenly over the period from actual disbursement of funds to the repayment date. Once a payment is overdue, no additional charge is made or income is accrued. Income from the IDB Unit Investment Fund is recognised when a dividend is declared.

FINANCIAL STATEMENTS

d) Premiums earned

Premiums in respect of policies issued are recognised as income in the year in which the declaration of the gross invoice value of goods by the policyholders is accepted. Unearned premiums are calculated on the basis of 50% of the premiums recorded during the year.

e) Outstanding claims

The liability for outstanding claims is based on an estimate of total claims reported up to the close of the accounting period. Estimated amounts considered recoverable are recognised as assets. These estimates are based on a case by case evaluation.

In addition, a provision based on management's judgement and the company's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date. In the absence of adequate actual loss experience and industry benchmarks, these estimates are necessarily subject to the impact of changes in such factors as claim severity and frequency.

f) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and investments having a maturity of three months or less at date of acquisition.

3- INVESTMENTS

	1421H ID	1420 H ID
Murabaha investments:		
- with original maturity date of less than 90 days	-	39,217,836
- Others	60,786,286	13,574,537
Investment in IDB, Unit Investment Fund	13,789,602	12,982,517
	<u>74,575,888</u>	<u>65,774,890</u>

The Murabaha investment portfolio at 30 Dhul Hijjah 1421 H comprises trading contracts in the following commodities:

	Cost ID	Maturity value ID
Copper	1,250,715	1,321,437
Aluminium	2,419,725	2,487,124
Platinum	16,877,898	17,674,140
Palladium	6,422,243	6,696,421
Zinc	3,406,085	3,564,110
Petroleum products	2,082,358	2,168,678
Others	26,038,408	26,874,376
Total at 30 Dhul Hijjah 1421 H	58,497,432	60,786,286
Total at 30 Dhul Hijjah 1420 H	<u>52,136,474</u>	<u>52,792,373</u>

4- RELATED PARTY TRANSACTIONS

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

5- ACCOUNTS PAYABLE AND ACCRUALS

	1421H ID	1420 H ID
SHAREHOLDERS' LIABILITIES		
Bank commission income (see note below)	156,772	135,649
POLICYHOLDERS' LIABILITIES		
Other payables	149,353	33,494
Accrued expenses	207,285	188,886
	<u>356,638</u>	<u>222,380</u>

As the Corporation is operating under Shariah laws, bank commission income received is not taken to the statement of income but kept in a liability account. These amounts will be dispensed, as considered appropriate, in accordance with Shariah laws.

6- PREMIUMS EARNED

	1421H ID	1420 H ID
Gross premiums	528,940	681,841
Less: advance billings at end of the year	(326,186)	(464,402)
Add: advance billings at the beginning of the year	464,402	327,486
	<u>667,156</u>	<u>544,925</u>
Unearned premiums at beginning of the year	272,463	141,883
Unearned premiums at end of the year	(333,579)	(272,463)
Premiums earned	<u>606,040</u>	<u>414,345</u>

7- CLAIMS INCURRED

	1421H ID	1420 H ID
Gross claims	4,813,359	2,431,821
Recoveries	(2,624,533)	(1,831,352)
Net claims	2,188,826	600,469
Provision for unreported claims at beginning of the year	(950,207)	(293,737)
Provision for unreported claims at end of the year	447,000	950,207
	<u>1,685,619</u>	<u>1,256,939</u>

Upto the year 1420 H, the provision for claims incurred but not reported (IBNR) was calculated by adding 1.5% of the export declarations during the year to the previous years' provision. Based on the past experience, the management has decided to change the basis for IBNR provision to 1% of the outstanding exposures at the end of the year. Had there been no change in the basis for the IBNR provision, the loss for the policyholders would have been higher by ID 893,000.

8- SHARE CAPITAL

	1421H ID	1420 H ID
Authorised capital 100,000 shares of ID 1,000 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and subscribed capital 50,000 shares of ID 1,000 each fully paid 44,990 (1420 H - 42,240) shares of ID 1,000 each, of which ID 500 has been called up	50,000,000	50,000,000
Less: subscriptions receivable	22,495,000	21,120,000
	(1,562,500)	(875,000)
	<u>70,932,500</u>	<u>70,245,000</u>

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

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

9- STATUTORY RESERVE

	1421H ID	1420 H ID
Balance at beginning of the year	18,356,072	12,834,817
Transfer for the year	5,514,691	5,521,255
Balance at end of the year	<u>23,870,763</u>	<u>18,356,072</u>

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 a statutory reserve, until such reserve equals five times the subscribed capital of the Corporation.

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

10- LOAN TO POLICYHOLDERS' FUND

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

11- NUMBER OF EMPLOYEES

At 30 Dhul Hijjah 1421 H the Corporation had 29 (1420H - 23) employees.

12- FINANCIAL INSTRUMENTS

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

a) Credit risk

The financial instruments which subject the Corporation to credit risk principally consist of bank balances and investments.

The Corporation's investment portfolio is managed by IDB and comprises Murabaha 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 one year of the balance sheet date.

b) Fair value of financial assets and liabilities

The book values of all classes of financial assets and financial liabilities, as recorded in the balance sheet, approximate the fair value of those assets and liabilities.

c) Currency risk

The Corporation's investment portfolio is denominated in Islamic Dinars and is held in major stable currencies, which match the composition of the Islamic Dinars basket, namely United States Dollars, Deutsche Marks,

Pounds Sterling, French Francs and Japanese Yen. As such, the Corporation is not exposed to any material currency risk.

d) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk, based on the declarations made by exporters during 1421 H amount to ID 56.8 million (1420 H - ID 44 million). The Corporation minimises any detrimental impact on its assets, due to the realization of such risks, by maintaining reserves (See notes 2 (e) and 9), and resorting to re-insurance.

13- COMPARATIVE FIGURES

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

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