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THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

IsDB

مجموعة البنك الإسلامي للتنمية

Islamic Development Bank Group

GROWTH AND REGENERATION IN THE NEW PARADIGM

2022 FINANCIAL STATEMENTS

ANNUAL REPORT VOLUME-2

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021
(27 JUMAD AL AWWAL 1443H)

Audited Financial Statements

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

Your Excellencies, The Chairman and Members of the Board of Governors
The Islamic Corporation for the Insurance of Investment and Export Credit
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit ("the Corporation"), which comprise the statement of financial position as of December 31, 2022 (7 Jumada-II 1444H), and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and supplementary financial information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISA'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Corporation's 2022 Annual Report

Other information consists of the information included in the Corporation's 2022 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read other information, if we conslude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, and the Corporation's Articles of Agreement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e. Board of Directors are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378

25 Ramadan 1444
April 16, 2023

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)

(Expressed in thousands of Islamic Dinars unless otherwise stated)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	5	**83,647**	58,602
Murabaha investments, net	6	**30,648**	51,255
Held to maturity investments	7	**130,347**	111,465
Available for sale investments	8	**24,808**	26,241
Premium receivable, net	9	**22,220**	6,982
Advances, prepaid expenses and other assets	10	**4,975**	4,070
Due from affiliates	11	**436**	238
Reinsurance share of outstanding claims reserves	12	**41,930**	23,631
Reinsurance share of unearned premiums	13	**69,426**	59,916
Property and equipment	14	**1,605**	1,511
TOTAL ASSETS		**410,042**	343,911
LIABILITIES AND EQUITY			
Equity			
Share capital	18	**147,442**	147,519
General reserve	19	**84,012**	78,380
Fair value reserve		**(1,371)**	1,386
Foreign exchange reserve		**6,974**	(4,689)
		237,057	222,596
Accumulated deficit in policyholder's fund		**(36,738)**	(39,302)
Pension liability actuarial losses		**(167)**	(8,196)
Foreign exchange reserve		**(1,323)**	1,132
		(38,228)	(46,366)
Total equity		**198,829**	176,230
Liabilities			
Unearned premiums	13	**87,918**	74,410
Unearned reinsurance commission	13	**17,956**	15,399
Outstanding claims reserves	12	**61,809**	38,364
Accounts payable and accruals	15	**37,359**	24,921
Due to affiliates	11	**1,152**	2,056
Claims payable	16	**270**	257
Employee benefits liabilities	17	**4,749**	12,274
Total liabilities		**211,213**	167,681
TOTAL LIABILITIES AND EQUITY		**410,042**	343,911

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on April 02, 2023.

The accompanying notes 1 to 23 and supplementary financial information form an integral part of these financial statements

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF PROFIT OR LOSS YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)

(Expressed in thousands of Islamic Dinars unless otherwise stated)

	Notes	2022	2021
Gross written premiums	13	**68,995**	55,420
Premiums ceded to reinsurers	13	**(47,955)**	(44,336)
		21,040	11,084
Net movement in unearned premiums		**(4,055)**	(1,274)
Net earned premiums	13	**16,985**	9,810
Outward reinsurance commission income, earned	13.1	**8,960**	7,554
Recoveries of previously settled claims, net		**89**	3,829
Policy fees earned & Others		**124**	581
Total underwriting revenue		**26,158**	21,774
Gross claims paid	16	**(2,952)**	(2,712)
Reinsurance share of claims paid	12	**1,065**	1,240
Net claim paid		**(1,887)**	(1,472)
Change in net outstanding claims and other reserves	12	**(4,506)**	(445)
Net claim expense		**(6,393)**	(1,917)
Policy acquisition costs		**(2,480)**	(2,676)
Employees' related costs		**(11,597)**	(11,806)
Sales and marketing expenses		**(731)**	(390)
General and administrative expenses		**(2,489)**	(2,069)
Loss on foreign exchange translation		**(63)**	(314)
Total underwriting expense		**(23,753)**	(19,172)
Net underwriting gain		**2,405**	2,602
Investment income		**6,323**	4,001
Investment management fees	11	**(306)**	(178)
Impairment on available for sale investments	8	**-**	140
General and administrative expenses		**(222)**	(77)
(Loss)/income on foreign exchange translation		**(4)**	8
Net investment gain		**5,791**	3,894
NET CORPORATE GAIN		**8,196**	6,496

The accompanying notes 1 to 23 and supplementary financial information form an integral part of these financial statements

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022 (27 JUMAD AL-AWWAL 1444H)

(Expressed in thousands of Islamic Dinars unless otherwise stated)

	Notes	**2022**	2021
NET CORPORATE GAIN		**8,196**	6,496
Other comprehensive income to be reclassified to statement of income in subsequent periods:			
Unrealized (loss)/gain on investments measured at fair value	8	**(2,757)**	691
Other comprehensive income not to be reclassified to statement of income in subsequent periods:			
Remeasurement gain on employee benefits liabilities related to policyholders	17	**8,029**	4,835
Changes in foreign exchange reserves relating to:			
Shareholder’s funds		**11,663**	6,079
Policyholder's funds		**(2,455)**	(1,511)
TOTAL COMPREHENSIVE INCOME		**22,676**	16,590

The accompanying notes 1 to 23 and supplementary financial information form an integral part of these financial statements

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022 (27 JUMAD AL-AWWAL 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

	Share capital	General reserves	Fair value reserve	Foreign exchange reserve		Accumulated deficit in policyholder fund	Foreign exchange reserve	Actuarial loss on employee benefits liability		Total Equity
As of January 1, 2021	146,917	74,574	695	(10,768)	211,418	(41,992)	2,643	(13,031)	(52,380)	159,038
Subscriptions received	602	-	-	-	602	-	-	-	-	602
Net underwriting gain	-	-	-	-		2,602	-	-	2,602	2,602
Net investment gain	-	3,806	-	-	3,806	88	-	-	88	3,894
Other comprehensive loss for the period	-	-	691	6,079	6,770		(1,511)	4,835	3,324	10,094
	-	3,806	691	6,079	10,576	2,690	(1,511)	4,835	6,014	16,590
As of December 31,2021	**147,519**	**78,380**	**1,386**	**(4,689)**	**222,596**	**(39,302)**	**1,132**	**(8,196)**	**(46,366)**	**176,230**
Adjustment	**(77)**	-	-	-	**(77)**	-	-	-	-	**(77)**
Net underwriting gain	-	-	-	-	-	**2,405**	-	-	**2,405**	**2,405**
Net investment gain	-	**5,632**	-	-	**5,632**	**159**	-	-	**159**	**5,791**
Other comprehensive (loss)/income for the year	-	-	**(2,757)**	**11,663**	**8,906**	-	**(2,455)**	**8,029**	**5,574**	**14,480**
	-	**5,632**	**(2,757)**	**11,663**	**14,538**	**2,564**	**(2,455)**	**8,029**	**8,138**	**22,676**
As of December 31, 2022	**147,442**	**84,012**	**(1,371)**	**6,974**	**237,057**	**(36,738)**	**(1,323)**	**(167)**	**(38,228)**	**198,829**

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 (27 JUMAD AL-AWWAL 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

	2022	2021
OPERATING ACTIVITIES		
Net Corporate Gain for the year	**8,196**	6,496
:Adjustments for		
Depreciation	**74**	75
Loss on disposal of property and equipment	**-**	8
Allowance for doubtful claims	**113**	17
Impairment on investments measured at fair value	**-**	(140)
Service cost on employee benefits liability	**3,051**	1,745
Accrued income from investments	**494**	249
Net foreign exchange translation gain	**9,208**	4,568
	21,136	13,018
:Changes in operating assets and liabilities		
Premiums receivable	**(15,351)**	(2,437)
Claims recoverable	**-**	-
Prepaid expenses and other assets	**(905)**	(316)
Accounts payable and accruals	**11,061**	10,823
Unearned premiums	**13,508**	7,502
Unearned commission income	**2,557**	2,805
Reinsurers' share of unearned premiums	**(9,510)**	(7,694)
Claims payable	**13**	(45)
Reinsurers' share of outstanding claim	**(18,299)**	(4,741)
Outstanding claims reserve	**23,445**	5,598
Due from affiliates	**(198)**	(7)
Due to affiliates	**(904)**	1,693
Cash generated from operations	**26,553**	26,199
Employee benefits liabilities paid	**(1,247)**	(1,149)
Net cash from operating activities	**25,306**	25,050

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 (27 JUMAD AL-AWWAL 1444H)

(Expressed in thousands of Islamic Dinars unless otherwise stated)

INVESTING ACTIVITIES		
Available for sale investments	**(1,324)**	(10,249)
Held to maturity investments	**(19,376)**	(21,881)
Purchase of Real Estate Funds	**-**	-
Murabaha investments	**20,607**	(11,785)
Purchase of property and equipment, net	**(168)**	(363)
Net cash (used in)/from investing activities	**(261)**	(44,278)
FINANCING ACTIVITY		
Share subscriptions received	**-**	602
Net cash from financing activity	**-**	602
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**25,045**	(18,626
Cash and cash equivalents at beginning of the year	**58,602**	77,228
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**83,647**	58,602
NON-CASH TRANSACTION		
Fair value adjustment on available for sale investments	**(2,757**	691
Remeasurement (loss)/gain on employee benefits liability related to policyholders	**8,029**	4,835
Share capital adjustments	**(77**	-

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

1. ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit ("the Corporation") was formed as an autonomous affiliate of Islamic Development Bank (IsDB) with full juristic personality under the terms of its Articles of Agreement, signed by IsDB and Member countries (refer note 1(a)). The principal office of the Corporation is in Jeddah, Saudi Arabia.

The objectives of the Corporation are to expand the scope of trade transactions and flow of investments among member countries by providing export credit Islamic insurance and Islamic reinsurance; as well as Islamic insurance and Islamic reinsurance of investments in accordance with Shari'ah Principles. The Corporation carries out its activities in accordance with its Articles of Agreement, Operating Regulations and the principles of Islamic Shari'ah as supervised by the IsDB Group Shari'ah Board whose functions are set out in Note 2.

As a supranational institution, the Corporation is not subject to any national regulation, is neither supervised by any external regulatory authority and is not subject to any taxes or tariffs.

The Articles of Agreement of the Corporation came into effect on August 2nd, 1994 (corresponding to 24 Safar 1415H) and the Corporation commenced operations on July 1st,1995 (corresponding to 4 Safar 1416H). In accordance with the Articles of Agreement, the Corporation is required to maintain and administer two separate funds:

i A Policyholders' fund
ii A Shareholders' fund

As an Islamic Insurance entity, the Corporation manages the Policyholders' fund according to the Islamic model of Wakala, whereby the Corporation acts as an agent for managing the technical insurance accounts on behalf of the Policyholders', and invests income from insurance operations according to Mudaraba model. No wakala fee is charged to the Policyholders' fund by the Shareholders' fund.

All expenses to run the Islamic insurance business are charged to the Policyholders' fund at cost, without any administration fee levied by the Shareholders' fund. The Shareholders' fund is not entitled to a share in any surplus accruing to the Policyholders' fund; any deficit in the Policyholders' fund is covered from the Shareholders' fund capital by way of a qard (loan) without any cost or charges. The qard (loan) is akin to a revolving current account to be repaid from cash sweeps of cash surplus accruing to the Policyholders' fund on a periodic basis.

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

The accompanying financial statements are presented 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 USD 1.3308 as of December 31, 2022 (2021: USD 1.3996).

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

a) **The following are the Shareholders of the Corporation as of December 31, 2022 (2021: 49 shareholders):**

No.	*Name of Shareholder*	*No.*	*Name of Shareholder*
1	IsDB -Special Account Resources Waqf Fund	26	Malaysia
2	Albania	27	Maldives
3	Algeria	28	Mali
4	Bahrain	29	Mauritania
5	Bangladesh	30	Morocco
6	Benin	31	Mozambique
7	Brunei	32	Niger
8	Burkina Faso	33	Nigeria
9	Cameroon	34	Oman
10	Chad	35	Pakistan
11	Comoros	36	Palestine
12	Cote d'Ivoire	37	Qatar
13	Djibouti	38	Saudi Arabia
14	Egypt	39	Senegal
15	Gabon	40	Sudan
16	Gambia	41	Suriname
17	Guinea	42	Syria
18	Indonesia	43	Tunisia
19	Iran	44	Turkey
20	Iraq	45	Turkmenistan
21	Jordan	46	Uganda
22	Kazakhstan	47	United Arab Emirates
23	Kuwait	48	Uzbekistan
24	Lebanon	49	Yemen
25	Libya		

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

2. IsDB GROUP SHARI'AH BOARD

The Corporation's business activities are subject to the supervision of the IsDB Group Shari'ah Board consisting of members appointed by the Chairman of the IsDB Group in consultation with the Board of Executive Directors of IsDB. The Group Shari'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.

The functions of the Board include the following:

i. To consider transactions and products introduced for the first time by the Corporation and rule on their conformity with principles of Shari'ah, and to lay down principles for drafting of related contracts and other documents.

ii. To give its opinion on Shari'ah alternatives to conventional products which the Corporation intends to use, and to lay down principles for drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Corporation's experience in this regard.

iii. To respond to questions, enquiries and explications referred to it by the Board of Directors or Management.

iv. To contribute to the Corporation's program for enhancing awareness of its Staff Members of Islamic Banking and to deepen their understanding of fundamental principles, rules and values relative to Islamic financial transactions.

v. To submit an annual report to the Board of Directors showing the measure of the Corporation's commitment to principles of Shari'ah in light of the opinions and directions given and transactions reviewed.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the Corporation's Articles of Agreement.
In preparing the Corporations financial statements in accordance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances and transactions, if any, are eliminated in full. The results of operations of policyholders are presented as a separate component within equity in the statement of financial position.

b. Basis of preparation and reporting and functional currency

The financial statements are prepared under the historical cost convention using accrual basis of accounting, except for the following:

Items	**Measurement bases**
Employee Benefit liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method as explained in note 17.
Investment classified as fair value through other comprehensive income' (FVOCI)	Fair value

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Presentation currency
These financial statements are presented in Islamic Dinars which is the presentation currency of the Corporation.

The Corporation adopted the United States Dollars as its functional currency and the results and financial position are translated from the functional currency into the presentation currency as follows:

i. Monetary assets and liabilities are translated at the closing rate at year end;
ii. Non-monetary assets and equity items are translated at historical rates at each transaction date;
iii. Income and expenses are translated at average rates during the year; and
iv. All resulting exchange differences are recognized in other comprehensive income and foreign exchange reserve in the equity section of the statement of financial position.

a. Summary of significant accounting policies

The accounting policies are consistent with those used in the previous year, except for new standards and interpretations disclosed in note 4. The significant accounting policies adopted are as follows:

Cash and cash equivalents
Cash and cash equivalents comprise of Bank balances and Commodity Murabaha placements having an original maturity of three months or less at the date of acquisition.

Commodity Murabaha placements
Commodity Murabaha placements and Murabaha investments, with original maturity of more than three months, are 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.

Income from Commodity Murabaha placements
Commodity Murabaha placements income is recognized on an effective rate of return over the period from actual disbursement of funds to the settlement date. Once a payment is overdue, no additional income is accrued.

Investment income
Income from shares is recognized when the right to receive the dividend is established. Income from investment in sukuk is recognized using the effective rate of return. Income from investment in Funds are recognized when the fund declares its income.

Financial instruments - initial recognition and subsequent measurement
Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, Murabaha investments, available for sale investments, held to maturity investments, premium receivable, due from affiliates and certain other assets .

Financial liabilities consist of claims payable, accounts payable, due to affiliates and certain other liabilities.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Date of recognition
Regular way sale and purchase of financial instruments is recognised on the trade date, i.e., the date that the Corporation becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

Measurement of financial instruments
All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for FVOCI and AFS investments which are carried at fair value.

Available-for-sale investments
Available-for-sale investments include investments in equity and funds those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognised in statement of comprehensive income and credited in the fair value reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the statement of income.

Profit earned whilst holding available-for-sale investments, if any, is reported as investment income using the effective profit rate method for Sukuk or dividend declaration date for investment in funds.

For AFS financial investments, the Corporation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. For investments classified as AFS, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

For further impairments assessment, refer 'impairment for financial assets' accounting policy.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity.

After initial measurement, at fair value including direct and incremental transaction cost held-to maturity investments are measured at amortized cost using the effective markup rates, less impairment.

Income from held-to-maturity investments are recognized on an accrual basis, using the effective profit method and included under investment income in the statement of income.

Derecognition and recognition of financial instrument

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset. In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

Financial Liabilities

A Financial Liability is derecognized when the obligation under liability is discharged, cancelled and expired.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. No offsetting has been made in these financial statements.

Impairment of financial assets

The Corporation assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the statement of income. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of income in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amount is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms. The carrying amount of the receivable 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. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

Impairment of receivables

An estimate of the collectible amounts of accounts receivable and claims recoverable 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 allowance applied according to the length of time past due.

Policy acquisition costs

Commission to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred acquisition costs are subsequently amortized over the terms of the insurance contract as premiums are earned and reported in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year. The Corporation has currently not recorded any deferred acquisition costs considering them to be immaterial.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Insurance contracts

Insurance contracts are those contracts where the Corporation (the insurer) has indemnified another party (the policyholder) from credit default or insurance risk by agreeing to compensate the policyholder if a specified future event (the insured event) adversely affects the policyholder. As a general guideline, the Corporation determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as a credit default or insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Further, all the Insurance policies held by the Corporation during the year are Islamic Insurance policies.

Premiums earned

The Corporation issues insurance contracts relating to export credit insurance and reinsurance; as well as insurance and reinsurance of investments. Gross premium comprises total premium receivables for the whole period of insurance contract entered during the accounting period. Contributions (Gross premiums) are taken to income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage calculated principally on the basis of the actual number of days method. The change in unearned premiums is taken to the statement of income in order that revenue is recognized over the period of risk exposure or coverage of the policy.

Reinsurance premiums (inward)

Reinsurance premiums from inward reinsurance is recognized as income on a time apportionment basis over the period of risk exposure or coverage of the policy.

Reinsurance premiums (outward)

Reinsurance premiums ceded are recognized a when the policy incepts . Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

The Corporation cedes insurance risk in the normal course of business for a portion of its businesses. Reinsurance contract assets represent balance due from reinsurance companies. Recoverable amounts are estimated in manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Corporation may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Corporation will receive from the reinsurer. The impairment loss is immediately recognized in the profit or loss during the relevant period of impairment. Majority of the Corporation's contracts are with highly rated reinsurers, accordingly no impairment loss is recognized.

Ceded reinsurance arrangements do not relieve the Corporation from its immediate obligations to policyholders.

Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance contract liabilities represent balances due to reinsurance companies. Amounts payable are estimated in manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Further, all the Reinsurance policies held by the Corporation during the year are placed in the conventional reinsurance markets based on necessity as guided by the Corporation's Shariah Board.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Commission earned and paid

Commission earned are recognised in to profit or loss during the relevant period over the terms of underlying policies to which they relate similar to premiums. Commission paid for policy placements are recognized immediately in the statement of profit or loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	4 years

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 profit or loss as the expense is incurred.

Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at year end, whether reported or not. Provisions for reported claims not paid at year end and notification of probable claim losses are made on the basis of individual case estimates. In addition, an insurance portfolio general provision for unreported claims based on management's judgement and the Corporation's prior experience is maintained for the cost of settling claims incurred but not reported at year end.

Any difference between the provisions at year end and settlements of provisions in the subsequent year is included in the underwriting account for the subsequent year.

Unallocated loss adjustment expenses

Unallocated loss adjustment expenses represent an estimate of ultimate payment of losses and related settlement expenses from claims that have been reported but not paid. The losses reserve estimates are expectations of what ultimate settlement and administration of claim will cost upon final resolution. These estimates are based on facts and circumstances then known to us, review of historical settlement pattern, estimates of trends in claims frequency and severity, projections of loss costs, expected interpretation of legal theories of liability and other factors. Management believes these to be immaterial and thus has not accounted for them.

Premium deficiency reserves

Premium deficiency reserves (PDR) are recognized when the ultimate expected loss which includes expected claims, claim settlement cost, deferred amortized cost and related expenses exceed unearned premium. No such reserves have been recorded in the current or prior year.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Provisions
A provision is recognized when the Corporation has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits 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 year, 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.

Employee benefits liabilities
The Corporation operates three defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SRPP"), the Staff Retirement Medical Plan ("SRMP") and the Retirement Medical Solidarity Plan ("RMSP"). All of these plans require contributions to be made to separately administered funds. A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the Projected Unit Credit Method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations.

A full actuarial valuation is performed every three years by engaging independent actuaries. For intermediate years, the defined benefit obligation is estimated by the independent actuaries using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial valuation results presented as of December 31, 2022 is based on a roll forward of the data as of 2021 (except for the SRMP plan actives, retirees and beneficiaries, data used to calculate their results are adjusted for the transfers to RMSP). For RMSP, a full valuation was performed based on data at November 30, 2022. Movement during the month of December 2022 is not material to the financial statements.

The present value of the defined benefit obligation due until the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on US AA rated corporate bonds. The bonds have terms to maturity closely matching the terms of the actual defined benefit obligation.

The current service cost of the defined benefit plan recognized in the income statement reflects the increase in the defined benefit obligation resulting from employee service in the current year. The cost on defined benefit obligation represents increase in liability due to passage of time.

Retrospective modifications to benefits or curtailment gain or loss are accounted for as past service costs or income in the statement of income in the period of plan amendment.

Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the statement of financial position. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets.

The pension committee, with advice from the Corporation's actuaries, determines the Corporation's contributions to the defined benefit scheme and the contributions are transferred to the scheme's independent custodians.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Liability adequacy test
At each reporting date, the Corporation assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities are inadequate in light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of income and an unexpired risk provision created.

Lease

The Corporation as a lessee
The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, if any;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.
The right-of-use assets are presented as a separate line in the statement of financial position.

The Corporation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Corporation has not used this practical expedient.

Currently the Corporation is exposed only to short-term leases.

d. Summary accounting judgements, estimates and assumptions

The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that have significant impact on the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Estimates and judgement are continuously estimated and are based on the historical experience and other factors, including expectation of future events that are considered to be normal under circumstances. Actual results may differ from the estimates.

Critical Judgement in applying the Corporation's accounting policies

Going concern

The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Key sources of estimation uncertainty

The ultimate liability arising from claims made under insurance contracts

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Corporation estimates its claims based on its previous experience of its insurance portfolio. During 2021, the Corporation enhanced its methodology and assumptions used for the insurance portfolio general reserving to be more granular and consider country ratings, term of the credit, probability of conversion to claims, etc. The Corporation estimates its claims based on its previous experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that period. The provision for outstanding claims, as of December 31, is also reviewed by an independent actuary.

Fair value of financial instruments

The fair value for financial instruments in active markets at the reporting date is based on their quoted market price. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. For investments where Level 1 inputs are not available , 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 losses on investments

The Corporation determines that available-for-sale and held-for-trading financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Corporation evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Impairment of reinsurance and premium receivables

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

The Corporation is exposed to disputes with, and possibility of default by, its reinsurer. The Corporation monitors on quarterly basis the evolution of disputes with credit rating and solvency strength of its reinsurers. Any significant credit risk increase could result in impairment of reinsurance balances from reinsurers.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

4. ADOPTION OF NEW AND REVISED STANDARDS

4.1 Amended and revised International Financial Reporting Standards ("IFRS") Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 2022, have been adopted in these financial statements.

In the current year, the Corporation has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2022.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Standards 2018–2020	Makes amendments to the following standards: IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial period beginning on or after January 1, 2022 and relevant to the Corporation's operations.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

4.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these financial statements, the Corporation has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023.	January 1, 2023
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2023
Amendments to IAS 8 (Definition of Accounting Estimates) replaces the definition of a change in accounting estimates with a definition of accounting estimates.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management does not expect that the adoption of the Standards listed above, other than IFRS 9 and 17 will have a material impact on the financial statements in future years. A brief on IFRS 17 is provided below.

IFRS 17 - Insurance Contracts

Overview
This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

i) embedded derivatives, if they meet certain specified criteria;
ii) distinct investment components; and
iii) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General model is based on the following "building blocks":

a) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in statement of profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

i) changes in the entity's share of the fair value of underlying items,
ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1st , 2023. Earlier application is permitted if both IFRS 15- Revenue from contracts with customers and IFRS 9 – Financial instruments have also been applied. The Corporation intends to apply the standard on its effective date.

The Corporation has assessed and concluded that its insurance activities are predominantly connected with insurance and accordingly deferred the implementation of IFRS 9 until a later date which will not be later than 1 January 2023.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures
The Corporation expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Corporation is currently assessing the impact of the application and implementation of IFRS 17. The Corporation also does not expect a significant impact on its reinsurance arrangements from adopting the standard, given their immateriality. The Corporation, however, expects that adopting the standard will likely have an impact on IT systems, data requirements and accounting policies to address additional presentation and disclosure requirements.

IFRS 9 - Financial Instruments
This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

Classification and measurement
IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
ii) the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment
The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Hedge accounting
IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date
The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the implementation of IFRS 17 - Insurance Contracts on the effective date of the standard. The Corporation has assessed and concluded that its activities are predominantly connected with Islamic insurance and accordingly deferred the implementation of IFRS 9 until a later date which will not be later than effective date of implementation of IFRS 17 i.e. January 1, 2023.

Impact assessment
As of December 31, 2022, the Corporation is assessing the impact of implementation of IFRS 9.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	2022	2021
Shareholders' fund		
Cash at banks	**19,765**	-
Commodity Murabaha placements (see note (a) and 6 below)	**29,868**	26,181
Policyholders' fund		
Cash at banks	**25,972**	29,909
Commodity Murabaha placements (see note (a) and 6 below)	**8,042**	2,512
	83,647	58,602

a) Commodity Murabaha placements are held with Islamic banks having an original maturity not exceeding three months.

b) Certain bank balances are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these cash and cash equivalents.

6. MURABAHA INVESTMENTS, NET

Details of the Murabaha financing as of December 31 are as follows:

	2022	2021
Commodity Murabaha placements (see note 6.1)	**24,711**	41,535
Murabaha Syndicated Investments (see note 6.2)	**5,937**	9,720
	30,648	51,255

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

6.1 Commodity Murabaha placements

	2022	2021
Shareholders' fund		
Gross Commodity Murabaha placements	**50,419**	61,905
Less: Commodity Murabaha placements with an original maturity of three months or less (see note 5)	**(29,868)**	(26,181)
Policyholders' funds		
Gross Commodity Murabaha placements	**12,202**	8,323
Less: Commodity Murabaha placements with an original maturity of three months or less (see note 5)	**(8,042)**	(2,512)
Commodity Murabaha placements with original maturity of more than three months	**24,711**	41,535

a) All Commodity Murabaha placements are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these Commodity Murabaha placements.

6.2 Murabaha Syndicated Investments

	2022	2021
Shareholders' fund		
Murabaha Syndicated Investments	**2,678**	8,073
Less: Impairment allowance (see note (b))	**(73)**	(70)
Policyholders' funds		
Murabaha Syndicated Investments	**3,332**	1,717
Total Murabaha Syndicated Investments	**5,937**	9,720

a) Murabaha Syndicated Investments are held in the name of International Islamic Trade Finance Corporation (an affiliate) for and on behalf of the Corporation. The Corporation is the beneficial owner of these investments.
b) The movement in the provision for impairment on Murabaha syndicated investments is as follows:

	2022	2021
Balance at beginning of the year	**70**	68
Foreign currency translation adjustment	**3**	2
Balance at end of the year	**73**	70

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

7. HELD TO MATURITY INVESTMENTS, RELATED TO SHAREHOLDERS' FUND

	2022	2021
Sukuk	**130,347**	111,465
The movement in investments in Sukuk is as follows:		
Cost:		
At beginning of the year	**111,465**	89,833
Additions	**39,968**	47,395
Redemption	**(26,793)**	(28,692)
Foreign currency translation adjustment	**5,530**	2,849
Accrued income, net	**305**	91
Amortization	**(128)**	(11)
At end of the year	**130,347**	111,465

All investments in Sukuk are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these investments in Sukuk.

8. AVAILABLE FOR SALE INVESTMENTS, RELATED TO SHAREHOLDERS' FUND

	2022	2021
Carried at fair value through other comprehensive income		
Quoted investments:		
Sukuk	**11,301**	11,559
Unquoted investments:		
Units in Real Estate Investment Fund (a)	**2,808**	3,239
Units in Sukuk Fund (a)	**9,716**	10,606
Units in Equity Fund	**102**	-
	12,626	13,845
Carried at cost less impairment (through profit and loss)		
Unquoted investments:		
Units in ICD - Unit Investment Fund	**7,022**	7,524
Redemption during the year	**-**	(502)
Foreign currency translation adjustment	**584**	210
Less: Impairment allowance	**(6,725)**	(6,395)
	881	837
Shares in Takaful Re.	**901**	1,041
Redemption during the year	**-**	(140)
Foreign currency translation adjustment	**76**	-
Less: Impairment allowance (see note (c) below):	**(977**	(901
	-	-
	24,808	26,241

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

a) Fair values of unquoted investments in Real estate Sukuk funds and Units in ICD-UIF are based on net asset value statements at year end.

b) While the Real Estate Sukuk Investment Funds and Units in ICD-UIF are held in ICIEC name, the Corporation's Euroclear custodian account is held in the name of ITFC an affiliate and all other investments measured at fair value are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of all these investments measured at fair value.

c) Takaful Re is currently under liquidation and management has fully amortized this considering no further cash inflows are expected.

The movement in investments measured at fair value is as follows:

	Quoted	**Unquoted**	**2022**	2021
Cost:				
At beginning of the year	**11,228**	**20,923**	**32,151**	21,722
Additions	**-**	**269**	**269**	10,717
Redemption	**(285)**	**-**	**(285)**	(698)
Foreign currency translation adjustment	**450**	**1,185**	**1,635**	410
At end of the year	**11,393**	**22,377**	**33,770**	32,151
Unrealized (loss)/gains investments measured at fair value	**Quoted**	**Unquoted**	**2022**	2021
At beginning of the year	**331**	**1,055**	**1,386**	695
Charge to OCI	**(566)**	**(2,191)**	**(2,757)**	691
Foreign currency translation Adjustment	**143**	**(32)**	**111**	-
At end of the year	**(92)**	**(1,168)**	**(1,260)**	1,386
Impairment movement:				
At beginning of the year	**-**	**(7,296)**	**(7,296)**	(7,256)
Reversal during the year	**-**	**-**	**-**	140
Foreign currency translation Adjustment	**-**	**(406)**	**(406)**	(180)
At end of the year	**-**	**(7,702)**	**(7,702)**	(7,296)
Net carrying value	**11,301**	**13,507**	**24,808**	26,241

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

9. PREMIUM RECEIVABLE, RELATED TO POLICYHOLDERS' FUND

	2022	2021
Policyholders' fund		
Premium receivable	**15,650**	7,247
Unbilled revenue	**6,963**	-
Allowance for doubtful debts	**(393)**	(265)
	22,220	6,982

Movement in the allowance for doubtful debts during the year was as follows:

	2022	2021
Balance at beginning of the year	**265**	241
Additional charge for the year	**113**	17
Foreign currency translation adjustment	**15**	7
Balance at end of the year	**393**	265

The ageing of premium receivables is as follows:

	2022	2021
Not past due	**359**	2,566
Up to 3 months	**14,818**	4,058
Above 3 and up to 6 months	**150**	276
Above 6 and up to 12 months	**165**	219
Above 12 months	**144**	128
	15,636	7,247

The gross amount of impaired premium receivables amounted to ID 459,000 (2021: ID 623,000) against which an impairment allowance of ID 393,000 has been provided (2021: ID 265,000).

The Corporation's credit period is 30 days after which receivables are considered to be past due. Adequate allowance has been made for doubtful debts and the unimpaired receivables outstanding at year end are, on the basis of past experience, expected to be fully recoverable.

Unbilled revenue represent policy covers in place which are expected to be billed subsequently.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

10. ADVANCES, PREPAID EXPENSES AND OTHER ASSETS

	2022	2021
Shareholders' fund		
Accrued income from investments	**1,635**	1,083
	1,635	1,083
Policyholders' fund		
Staff advances	**2,852**	2,769
Other receivables	**488**	218
	3,340	2,987
	4,975	4,070

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent member of the Board of Governors, member of the Board of Directors and key management personnel of the Corporation, and affiliate entities of IsDB Group. 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.

In addition to investments held in the name of IsDB for and on behalf of the Corporation disclosed in note 7 and note 8(b), transactions with related parties included in the statement of income are as follows:

	2022	2021
Shareholders' fund		
Investment management fees paid to IsDB – OCR	**306**	178
Policyholders' fund		
Charges for office space paid to IsDB – OCR	**1,332**	1,252
Expenses paid by IsDB – OCR on behalf of the Corporation	**1,263**	927
Amounts paid to IsDB - Staff Retirement Medical and Pension Plans	**1,279**	1,950
	3,874	4,129

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

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

	2022	2021
Policyholders' fund		
Due from:		
Islamic Corporation for the Development of the Private Sector (ICD)	**188**	180
Islamic Solidarity Fund for Development (ISFD)	**248**	58
	436	238
Due to:		
Islamic Development Bank Ordinary Capital Resources - (IsDB - OCR)	**820**	1,752
IsDB – Staff Retirement Pension Plan	**280**	231
IsDB – Future Retirees Medical Fund	**2**	1
IsDB – Post-Employment Medical Scheme	**49**	71
The Saudi Project for Utilization of Sacrificial Animals (ADAHI)	**1**	1
	1,152	2,056

Compensation paid or payable to key management personnel are shown below:

	2022	2021
Salaries and other short-term benefits	**489**	459
Post-employment benefits	**515**	403

The amounts disclosed above are the amounts recognized as an expense during the reporting period related to key management personnel. Remuneration and compensation to key management personnel includes salaries and allowances, bonuses, in-kind benefits and contributions to post-employment defined benefit plan.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

12. OUTSTANDING CLAIMS, RELATED TO POLICYHOLDERS' FUND

	2022			2021		
	Gross	**Reinsurance share**	**Net**	Gross	Reinsurance share	Net
Outstanding at beginning of the year	**38,364**	**(23,631)**	**14,733**	32,766	(18,890)	13,876
Transfer to claim payable (Note 16)	**(2,952)**	**1,065**	**(1,887)**	(2,712)	1,240	(1,472)
Charge during the year	**24,437**	**(18,044)**	**6,393**	7,278	(5,361)	1,917
Foreign exchange adjustment	**1,960**	**(1,320)**	**640**	1,032	(620)	412
Outstanding at the end of the year	**61,809**	**(41,930)**	**19,879**	38,364	(23,631)	14,733
Comprise of:						
Insurance Portfolio General Reserve (IPGR) (Note 12.1)	**57,954**	**(41,930)**	**16,024**	35,624	(23,631)	11,993
Reported Claims	**3,855**	**-**	**3,855**	2,740	-	2,740
	61,809	**(41,930)**	**19,879**	38,364	(23,631)	14,733

12.1 The Insurance Portfolio General Reserve (IPGR) represents the estimate of probable unreported claims, which may arise in future, out of exposure that ICIEC holds at year end. The IPGR is calculated based on an actuarial model developed to align the risk with the probable loss at a transaction level. Reported claims, however, is a separate provision based on detailed assessment on an individual claim basis of the maximum amount of potential claim liability.

12.2 ICIEC has not disclosed the claims development table as uncertainty about the amount and timing of claims payments is typically resolved within one year.

12.3 Reinsurance share of outstanding claim reserves reflects the amounts recoverable from reinsurance partners for portfolio gross claim reserves required to be maintained under claim liabilities based on actuarial calculations. The Corporation does not consider any provision against this since counter parties are highly rated entities.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

13. UNEARNED PREMIUMS, RELATED TO POLICYHOLDERS' FUND, NET

Movement in unearned revenue during the year is as follows:

	2022			2021		
	Gross	**Reinsurance share**	**Net**	Gross	Reinsurance share	Net
At beginning of the year	**74,410**	**(59,916)**	**14,494**	66,908	(52,222)	14,686
Gross written/(ceded) premiums during the year (Note 13.3)	**68,995**	**(47,955)**	**21,040**	55,420	(44,336)	11,084
Premiums earned during the year	**(54,908)**	**37,923**	**(16,985)**	(45,185)	35,375	(9,810)
Foreign exchange adjustment	**(579)**	**522**	**(57)**	(2,733)	1,267	(1,466)
Outstanding at the end of the year	**87,918**	**(69,426)**	**18,492**	74,410	(59,916)	14,494

13.1 Movement in unearned reinsurance commission revenue during the year is as follows:

	2022	2021
At beginning of the year	**15,399**	12,594
Commission accrued	**11,567**	9,695
Commission earned	**(8,960)**	(7,554)
Foreign exchange adjustment	**(50)**	664
At the end of the year	**17,956**	15,399

13.2 The Gross Written Premium includes Direct and Reinsurance Inward premium as shown below:

	2022	2021
Direct	**63,675**	47,716
Reinsurance Inward	**5,320**	7,704
	68,995	55,420

13.3 Gross Written Premium and Ceded Premium to Reinsurers includes amount of ID 6.9 million (2021: nil) and ID 5.04 million (2021: nil) respectively, relating premium for which the cover has been provided but has not been billed to the policyholder.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

14. PROPERTY AND EQUIPMENT RELATED TO POLICYHOLDERS' FUND

	Vehicles	Furniture and fixtures	Office equipment	Computer equipment	Capital work in progress	Total
Policyholders' fund						
Cost:						
As of January 1, 2021	176	280	173	655	1,040	2,324
Additions	-	3	2	8	350	363
Disposals	-	(8)	-	-	-	(8)
As of January 1, 2022	**176**	**275**	**175**	**663**	**1,390**	**2,679**
Additions	**-**	**-**	**-**	**21**	**147**	**168**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
As of December 31, 2022	**176**	**275**	**175**	**684**	**1,537**	**2,847**
Accumulated depreciation:						
As of January 1, 2021	136	198	164	595	-	1,093
Charge for the year	14	31	4	26	-	75
As of January 1, 2022	**150**	**229**	**168**	**621**	-	**1,168**
Charge for the year	**12**	**28**	**4**	**30**	**-**	**74**
As of December 31, 2022	**162**	**257**	**172**	**651**	-	**1,242**
Net book value:						
As of December 31, 2022	**14**	**18**	**3**	**33**	**1,537**	**1,605**
As of December 31, 2021	26	46	7	42	1,390	1,511

During 2019, the Corporation embarked on a multi-year information technology implementation project and all costs incurred during the implementation period shall be classified as Assets Under Construction until completion. Amortization will commence after commissioning of the system.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

15. ACCOUNTS PAYABLE AND ACCRUALS

	2022	2021
Shareholders' liabilities		
Earning not approved by Shari'ah board (see note (a) below)	**342**	325
Subscriptions received in advance, net (see note (b) below)	**-**	-
Other payables	**1,388**	1,069
	1,730	1,394
Policyholders' liabilities		
Accrued reinsurance premium	**27,596**	15,839
Accrued administrative expenses	**6,328**	5,172
Other payables	**1,705**	2,516
	35,629	23,527
	37,359	24,921

a) This represents net accumulated income up to December 31st, 2022 which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Board of IsDB, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The sources and uses of Shari'ah non-compliant income during the year ended are as follows:

	2022	2021
Legacy interest from placements with conventional banks	**245**	246
Premium not utilized by policyholder	**80**	80
Balance at beginning of the year	**325**	326
Income during the year	**-**	-
Payments made during the year		
-Technical Advisory Sponsorship expenses	**-**	(10)
Forex valuations gain on accumulated balance	**17**	9
Balance at end of the year	**342**	325

b) This represents share capital subscriptions received in advance from the Member countries.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

16. CLAIMS PAYABLE, RELATED TO POLICYHOLDERS' FUND

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

	2022	2021
Balance at beginning of the year	**257**	302
Additions during the year	**2,952**	2,667
Payments made during the year	**(2,952)**	(2,712)
Foreign exchange adjustment	**13**	-
Balance at end of the year	**270**	257

17. EMPLOYEE BENEFITS LIABILITIES, RELATED TO POLICYHOLDERS' FUND

IsDB Group staff retirement plan comprises of defined benefit and hybrid plan, staff pension plan ("SPP"), staff retirement medical plan (SRMP) and Retirement Medical Solidarity Fund (RMSF) (collectively referred to as staff retirement plans ("SRPs")). Every person employed by the Bank and its Affiliates on a full-time basis, as defined in the Bank and Affiliates employment policies, is eligible to participate in the SRP from the date joining the Bank.

IsDB Group has a multi-employer plan and includes the Corporation, Islamic Development Bank - Ordinary Capital Resources (IsDB-OCR), Special Account Resources Waqf Fund (WAQF), Islamic Corporation for Development (ICD), Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) and Islamic Solidarity Fund for Development (ISFD).

Staff Pension Plan (SPP)
SPP is a combination of both old defined benefit plan (Pillar I) and new hybrid pension plan (Pillar II) became effective on 1st Rajab 1399H (corresponding to May 27, 1979) and 17/05/1442H (01/01/2022G) respectively. Every person employed by the Bank and its Affiliates on a full-time basis except for fixed term employees, as defined in the employment policies of the Bank and its Affiliates, is eligible to participate in the SPP, from the date joining the Bank and its affiliates. Participation in the hybrid pension plan is limited to those who have less than five years of service as of December 31, 2021 on optional basis however, those who joined the Bank from January 1, 2021 are enrolled automatically.

In both Pillars, the employee contributes at a rate of 11.1% (2021-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2021-25.9%).

The main features of the SPP are:

(i) Normal retirement age is the 62nd anniversary of the participant's birth.
(ii) On retirement, the eligible retired employee is entitled to 2.5% under the old staff retirement plan or 1% under the hybrid plan in the Define Benefit ("DB") component, of the Weighted Highest Average Remuneration ("WHAR")(as defined by the pension committee)(for each year of pensionable service and limited to a maximum of 30 hijri years.
(iii) 10% of Bank and its Affiliates contribution of 25.9%, and 5% of employees contribution of 11.1%, are used to fund the Define Cost ("DC") component of the hybrid plan. The accumulated fund and its investment returns will be paid as retirement lump sum benefits to the participants in the hybrid plan.
(iv) Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the Pension Committee.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Staff Retirement Medical Plan (SRMP)
Effective 1st Muharram 1421H (corresponding to April 6, 2000), the Bank established the medical benefit scheme for retired employee via the BED resolution dated 18 Shawwal 1418H (corresponding to February 15, 1998). This was extended to eligible staff members of the Bank's Affiliates i.e. for SPP. The Bank and its Affiliates at rate 1% and the staff at a rate 0.5% of the basic salaries respectively fund the SRMP. The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses.

The entitlements payable for each retired employee under the medical plan is computed according to the following formula:

WHAR (as defined by the pension committee) X contributory period (limited to a maximum of 30 hijri years) X 0.18%

Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the pension committee.

Retirees Medical Solidarity Fund (RMSF)
In February 2019, the BED approved, establishment of the Retirees Medical Solidarity Plan (RMSP) which would provide new medical coverage benefits for IsDB Group staff future retirees. Under the proposal, active staff members who have at least 10 years of service period before their normal retirement age as of January 1, 2019 will automatically fall under RMSF. Those staff members who do not meet the minimum service period threshold will be offered the option to join the new Fund.

Under RMSP, retirees will have their actual medical costs covered as per the minimum guaranteed benefit schedule. This mainly covers hospitalization and emergency care, repatriation and ambulance transport. Overseas specialist hospitalization and outpatient care is also covered but only in specified countries.

Members of RMSP started to receive benefits as from April 1, 2022 (the start date of the Plan).

RMSP contributions are funded on 4/4/4 % basis. Employees contribute 4% of their pensionable salaries and the employer matches it with 4%. Retirees also contribute 4% of their pension (before commutation withdrawals). Both Employer and Employee contributions started to accrue on January 1, 2019 and at August 1, 2021, employees started cash contributions to RMSP. These contributions cumulated before April 1, 2022 have been recognized as part of plan assets during the year.

Retirees didn't contribute up until April 1, 2022 and received benefits under the SRMP up until that point.

Administration of SRPs
The Pension Committee appointed by the President of IsDB Group, administers SRPs as separate funds on behalf of its employees. The Pension Committee is responsible for the oversight of investment and actuarial activities of the SRPs. The SRP's assets are invested in accordance with the policies set out by the Pension Committee. The Bank and its affiliates underwrite the investment and actuarial risk of the SRPs and share the administrative expenses.

Risks

Investment risk
The present value of the SRPs' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on SRPs' asset is below this rate, it will create a plan deficit. Currently the SRPs' have a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the SRPs' liabilities, the administrator of SRPs' consider it appropriate that a reasonable portion of the SRPs' assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Discount rate
A decrease in the bond return rate will increase the SRPs' liability but this will be partially offset by an increase in the return on the SRPs' debt investments.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Longevity risk
The present value of the SRPs' liability is calculated by reference to the best estimate of the mortality of SRPs' participants both during and after their employment. An increase in the life expectancy of the SRPs' participants will increase the SRPs' liability.

Salary risk
The present value of the SRPs' liability is calculated by reference to the future salaries of SRPs' participants. As such, an increase in the salary of the SRPs' participants will increase the SRPS' liability.

(a) The movement on plan assets and liabilities as follows:

	SRPP 2022	**SRMP 2022**	**RMSF 2022**	**Total 2022**	Total 2021
Fair value of plan assets as of January 1	**17,564**	**1,006**	**-**	**18,570**	15,454
Adjustment of fair value at beginning of the year	**(1,130)**	**(123)**	**775**	**(478)**	263
Income on Plan Assets	**483**	**16**	**-**	**499**	754
Return on Plan Assets less than discount rate	**(1,938)**	**(251)**	**-**	**(2,189)**	42
Plan participants contribution	**472**	**6**	**131**	**609**	405
Employer contribution	**1,106**	**14**	**127**	**1,247**	1,149
Disbursements from Plan Assets	**(664)**	**(35)**	**-**	**(699)**	(442)
(Decrease)/increase due to plan combination	**-**	**(447)**	**447**	**-**	-
Currency translation adjustment	**2,323**	**30**	**212**	**2,565**	945
Fair value of plan assets as of December 31	**18,216**	**216**	**1,692**	**20,124**	18,570

	SRPP 2022	**SRMP 2022**	**RMSF 2022**	**Total 2022**	Total 2021
Benefit obligation as of January 1	**28,373**	**2,471**	**-**	**30,844**	31,194
Current Service costs	**1,505**	**24**	**154**	**1,683**	1,632
Past service cost	**-**	**-**	**(967)**	**(967)**	-
Cost on Defined Benefit Obligation ("DBO")	**829**	**22**	**49**	**900**	821
Plan participants contributions	**472**	**6**	**131**	**609**	498
Disbursements from Plan Assets	**(664)**	**(35)**	**-**	**(699)**	(442)
Net actuarial gain	**(9,809)**	**(196)**	**(732)**	**(10,737)**	(4,530)
(Decrease)/increase due to plan combination	**-**	**(1,727)**	**1,727**	**-**	-
Currency translation adjustment	**3,099**	**89**	**52**	**3,240**	1,671
Benefit obligation as of December 31	**23,805**	**654**	**414**	**24,873**	30,844
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	**(5,589)**	**(438)**	**1,278**	**(4,749)**	(12,274

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

The above net liability mainly represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability, which is recognized by the Corporation in the members' equity immediately in the year, it arises, if material.

(b) Based on the actuarial valuations, the pension and medical benefit expenses for the year 2022 comprised the following:

	SRPP 2022	**SRMP 2022**	**RMSF 2022**	**Total 2022**	Total 2021
Gross current service costs	**(1,505)**	**(24)**	**(154)**	**(1,683)**	(1,632)
Cost on DBO	**-**	**-**	**(967)**	**(967)**	-
Past service cost	**(829)**	**(22)**	**(49)**	**(900)**	(821)
Income on assets	**483**	**16**	**-**	**499**	754
Cost recognized in statement of income	**(1,851)**	**(30)**	**(1,170)**	**(3,051)**	(1,699)
Effect of changes in demographic assumptions	**-**	**-**	**-**	**-**	461
Effect of changes in financial assumptions	**10,165**	**202**	**577**	**10,944**	1,206
Effect of experience adjustments	**(397)**	**(6)**	**155**	**(248)**	2,863
Return on plan assets greater than discount rate	**(1,938)**	**(251)**	**-**	**(2,189)**	42
Other adjustments	**(1,130)**	**(123)**	**775**	**(478)**	263
Gain recognized in statement of changes in equity	**6,700**	**(178)**	**1,507**	**8,029**	4,835

(c) Principal assumptions used in the actuarial valuations dated 31 December 2022 and extended as at end of the reporting period are as follows:

	SRPP 2022	**SRMP 2022**	**RMSF 2022**	SRPP 2021	SRMP 2021
Discount rate	**5.1%**	**5.1%**	**5.1%**	2.85%	2.85%
Rate of expected salary increase	**6.5% - 4.5%**	**6.5% - 4.5%**	**6.5% - 4.5%**	6.5% - 4.5%	6.5% - 4.5%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA rated Corporate Bonds. Rate of expected salaries increase for 2022 was based on age i.e., 20-35 years – 6.5%, 35-50 years – 5.0% and above 50 years – 4.5%.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is as follows:

2022:		**SRPP**		**SRMP**		**RMSF**
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**	**-0.5%**
Discount rate	**(1,585)**	**1,790**	**(34)**	**37**	**74**	**(91)**
Rate of expected salary increase	**868**	**(813)**	**3**	**(2)**	**-**	**-**

2021:		SRPP		SRMP		RMSF
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(2,529)	2,915	284	(245)	-	-
Rate of expected salary increase	(1,196)	1,210	(97)	104	-	-

The following table presents the plan assets by major category:

	SRPP 2022	**SRMP 2022**	**RMSF 2022**	**Total 2022**	Total 2021
Cash and cash equivalent and commodity placements	**6,221**	**410**	**232**	**6,863**	8,333
Syndicated Murabaha	**-**	**-**	**578**	**578**	-
Managed funds and instalment sales	**3,878**	**-**	**-**	**3,878**	2,157
Investments in Sukuk	**4,576**	**35**	**291**	**4,902**	4,904
Land	**1,458**	**-**	**-**	**1,458**	1,289
Other (net)	**81**	**(112)**	**387**	**356**	266
Plan assets	**16,214**	**333**	**1,488**	**18,035**	16,949

The following table summarizes the expected funding status for the next year:

	SRPP	**SRMP**	**RMSF**	**Total**
Present value of defined benefit obligation	**(23,530)**	**(648)**	**(633)**	**(24,811)**
Fair value of plan assets	**17,569**	**331**	**1,886**	**19,786**
Plan deficit	**(5,961)**	**(317)**	**1,253**	**(5,025)**

SRPP

The expected employer contribution for year ended 31 December 2023 is ID 1.1 million and expected costs to be recognized in profit or loss is ID 1.5 million.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

SRMP
The expected employer contribution for year ended 31 December 2023 is ID 7,000 and expected costs to be recognized in profit or loss is ID 31,000.

RMSF
The expected employer contribution for year ended 31 December 2023 is ID 155,000 and expected costs to be recognized in profit or loss is ID 26,000.

The expected maturity analysis is below:

	SRPP	SRMP	RMSF
	2022	2022	2022
Year 1	**1,060**	**28**	**(6)**
Year 2	**613**	**32**	**(6)**
Year 3	**524**	**34**	**(6)**
Year 4	**846**	**40**	**(5)**
Year 5	**394**	**40**	**(5)**
Next five years	**4,848**	**195**	**132**

18. SHARE CAPITAL RELATED TO SHAREHOLDERS' FUND

	2022	2021
Authorized capital		
400,000 shares (2021: 400,000) of ID 1,000 each	**400,000**	400,000
IsDB ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
150,004 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	**50,000**	50,000
50,004 shares of ID 1,000 each, of which ID 500 has been called	**25,002**	25,002
Member countries		
146,910 shares (2021: 146,910) of ID 1,000 each, of which ID 500 has been called	**73,455**	73,455
Less: Subscriptions receivable / adjustments	**(1,015)**	(938)
	147,442	147,519

Uncalled issued capital subscriptions are subject to call by the Corporation as and when required to meet its obligations. These may be refunded in whole or in part and amounts refunded shall form part of callable capital obligation of shareholders.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Shareholders may withdraw from the Corporation after the expiry of a period of five years from the date of their membership. In such an event, the Corporation shall arrange to repurchase shares of a withdrawing shareholder at a price equal to the net book value of such shares on the date shareholder ceases to be a member (adjusted for its share of liabilities). No member state has withdrawn since inception and Management believes that the likelihood of any member state withdrawing their capital is remote.

a) Subscriptions received during the year from Member countries are as follows:

Shareholder	**2022**	2021
Indonesia	-	122
Maldives	-	125
Burkina Faso	-	138
Kazakhstan	-	137
Bahrain	-	80
	-	602

b) Breakdown of Subscriptions receivable

	2022	2021
Not yet due	-	-
Overdue	**1,015**	938
	1,015	938

19. RESERVE

In accordance with Article 29 of Chapter IV of the Corporation's Articles of Agreement, profits accumulating in the Shareholders' fund as well as any surplus accumulating in the Policyholders' fund shall be allocated to reserves, 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 the surplus accruing to the Policyholders' fund and the net income accruing to the Shareholders' fund may be distributed or allocated to special reserves.

20. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)

(Expressed in thousands of Islamic Dinars unless otherwise stated)

The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or liability is measured using he assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides an analysis of available-for-sale financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on degree to which the fair value is observable:

	Level 1	Level 2	Level 3
As of December 31, 2022			
Sukuk	**11,301**	-	-
Real Estate Investment Fund	-	-	**2,808**
Units in Sukuk Funds	-	-	**9,716**
Unit in ICD - Unit Investment Fund	-	-	**881**
Shares in Takaful Re.	-	-	-
As of December 31, 2021			
Sukuk	11,559	-	-
Real Estate Investment Fund	-	-	3,239
Units in Sukuk Funds	-	-	10,606
Unit in ICD - Unit Investment Fund	-	-	837
Shares in Takaful Re.	-	-	-

There were no transfers between levels during the years ended December 31, 2022 and December 31, 2021.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

21. 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 Executive Directors. The Corporation shares the same Board of Executive Directors, Shari'ah Board and Audit Committee as that of IsDB.

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

Insurance Risk

As a multilateral institution, the Corporation provides two distinct services; credit insurance and Investment risk insurance to its policyholders, as well as reinsurance services for both. 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.

Reinsurance risk

In order to minimize its financial exposure arising from large claims, 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:

- Minimum acceptable credit rating by recognized rating agencies (S&P, Moody's, A.M. Best, or Fitch)
- Financial strength, managerial and technical expertise, and historical performance
- Market reputation; and
- Existing or past business relationship/experience with the reinsurer.

Although the Corporation has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

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.

For all classes of financial assets held by the Corporation, other than those relating to reinsurance contracts as described in reinsurance risk above, the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the financial statements at the statement of financial position date.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

The Corporation seeks to limit its credit risk with respect to customers by following its credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Corporation's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Corporation also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Corporation seeks to limit its credit risk with respect to other counterparties by placing murabaha commodity placements with reputable banks. The Corporation's investment portfolio is primarily managed by IsDB and therefore, it is of the opinion that no credit loss is likely to occur.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2022	2021
Cash and cash equivalents	**83,647**	58,602
Murabaha investments, net	**30,648**	51,255
Premium receivable, net	**22,206**	6,982
Sukuk	**130,347**	111,465
	266,848	228,304

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Corporation is exposed to limited market risk due to majority of its investments being denominated in its functional currency and on a held-to-maturity basis. While the Corporation does not trade in equity instruments or speculate in foreign currencies or derivatives, a limited amount of its investments in Sukuk are classified as available for sale (mark-to-market) and measured on a fair value through other comprehensive income.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Currency risk

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

With the change of functional currency in October 2019 to United States Dollars (USD), the Corporation's investment portfolio of the Shareholders fund is entirely held in US Dollars. The Corporation continues to offer Euro denominated insurance policies and has a policy to minimize the net open position in Euro through undertaking spot conversion transactions to align Euro insurance assets and liabilities.

The 5% movement in the exchange rate for the following currencies against the US Dollar functional currency would impact the statement of income as follows:

	2022		2021	
	+5%	**-5%**	+5%	-5%
Euro	**(148)**	**164**	(56)	62

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.

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:

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Total***
December 31, 2022				
Financial assets	**83,649**	**62,885**	**145,566**	**292,100**
Financial liabilities	**270**	**38,511**	**4,749**	**43,530**
December 31, 2021				
Financial assets	87,630	43,605	123,549	254,784
Financial liabilities	257	26,977	12,274	39,508

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 Commodity Murabaha placements 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 ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

The sensitivity analysis has been determined based on the exposure to mark-up 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.

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 coordinates with IsDB Risk Management Department (RMD) to ensure presence of an effective internal control system through which it attempts to manage its operational risk. Furthermore, the Corporation has an internal audit function that audits internal controls and recommends improvements under a risk-based internal audit approach and also coordinates with IsDB Internal Audit Department ('IAD').

The Corporation's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

The Corporation continues to follow IsDB Group 'Best Practices and Customer Due Diligence Standards' and internal operational regulations when dealing with clients.

The ultimate liability arising from claims made under insurance contracts

Claims reserves which are key components of the Corporation's ultimate liability are estimated amounts of the outstanding claims, insurance portfolio general claim reserve ("IPGR") and claims handling provisions. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, geo-political risks and other factors. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

Process used to decide on assumptions

The pricing team follows the Corporation's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

Assumptions used in determining claims reserves are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Corporation may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.

The estimation of IPGR is generally subject to a greater degree of uncertainty than the estimation of the outstanding claims which are received but not yet settled with the providers. For the case of outstanding claims, the Corporation uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate IBNR. The Corporation seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.
The premium liabilities have been determined as such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies. The expected future liability is determined using the Corporation's loss ratio adjusted for seasonality and portfolio mix for the remaining unearned period.

Sensitivity analysis

The Corporation believes that the claim liabilities under insurance contracts outstanding at year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

An assumed 5% change in the claims' ratio, net of reinsurance, would impact net underwriting income as follows:

	Change in assumption	Impact on liabilities	Impact on net profit
December 31, 2022			
Claim Cost	**+5%**	**148**	**320**
Claim Cost	**-5%**	**(148)**	**(320)**
December 31, 2021			
Claim Cost	+5%	**136**	**96**
Claim Cost	-5%	**(136)**	**(96)**

Shari'ah non-compliance risk (SNCR)

The Corporation defines Shari'ah non-compliance risk as the risk of losses resulting from non-adherence to Shari'ah rules and principles as determined by the IDB Group Shari'ah Board. The Corporation attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR). Shari'ah compliance forms an integral part of ICIEC's purpose in line with its Articles of Agreement. Consequently, the Corporation effectively manage SNCRs through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shari'ah compliance, while the IsDB Group Shari'ah Compliance function serves as the 2nd line of defence to strategically manage and monitor

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands of Islamic Dinars unless otherwise stated)

SNCRs pre-execution of transactions/operations. The IsDB Group Internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a Risk-based Internal Shari'ah Audit (RBISA) methodology.

Geographical risk

The following table summarizes the gross insurance exposure country wise:

Country	**2022**	2021
Turkey	**651,620**	568,970
Senegal	**586,274**	620,787
Uzbekistan	**330,604**	108,849
Cote d'Ivoire	**321,386**	305,648
Egypt	**314,454**	160,477
United Arab Emirates	**238,682**	74,713
Kazakhstan	**236,952**	22,848
Uganda	**156,253**	11
Bangladesh	**123,313**	109,682
Cameroon	**109,996**	125,278
United Kingdom	**87,267**	59,263
Pakistan	**81,331**	83,005
Spain	**76,601**	75,283
Indonesia	**67,652**	124,255
Germany	**62,517**	58,891
Others	**684,444**	509,564
Gross exposure	**4,129,346**	3,007,524
Ceded exposure to Reinsurers	**(2,967,570)**	(1,997,555)
Net exposure	**1,161,776**	1,009,969
Net exposure/total equity (times)	**5.84**	5.73

22. CAPITAL MANAGEMENT

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

As the Corporation is a multilateral organization, the capital 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 be following Article of Agreement. In accordance with the Article 21, the Corporation may not exceed 800% of its unimpaired subscribed capital and its reserves, plus such portion of its reinsurance cover as the Board of Directors may determine.

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT
SUPPLEMENTARY FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION BY FUND IN FUNCTIONAL CURRENCY (USD) FOR THE YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands USD unless otherwise stated)

23. ZAKAT AND TAX TREATMENT

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

	2022			2021		
	Policyholders' Fund	**Shareholders' Fund**	**Total**	Policyholders' Fund	Shareholders' Fund	Total
ASSETS						
Cash and cash equivalents	**45,267**	**66,053**	**111,320**	45,376	36,642	82,018
Murabaha investments, net	**9,971**	**30,816**	**40,787**	10,535	61,203	71,738
Held to maturity investments	**-**	**173,471**	**173,471**	-	156,006	156,006
Available for sale investments	**-**	**33,016**	**33,016**	-	36,727	36,727
Premium receivable, net	**29,571**	**-**	**29,571**	9,772	-	9,772
Advances, prepaid expenses and other assets	**4,445**	**2,176**	**6,621**	4,182	1,514	5,696
Due from affiliates	**580**	**-**	**580**	333	-	333
Reinsurance share of outstanding claims	**55,801**	**-**	**55,801**	33,075	-	33,075
Reinsurance share of unearned premiums	**92,394**	**-**	**92,394**	83,859	-	83,859
Property and equipment	**2,207**	**-**	**2,207**	2,089	-	2,089
TOTAL ASSETS	**240,236**	**305,532**	**545,768**	189,221	292,092	481,313
LIABILITIES AND EQUITY						
LIABILITIES						
Unearned premiums	**117,004**	**-**	**117,004**	104,144	-	104,144
Unearned reinsurance commission	**23,896**	**-**	**23,896**	21,552	-	21,552
Outstanding claims reserves	**82,258**	**-**	**82,258**	53,694	-	53,694
Employee benefits liabilities	**6,320**	**-**	**6,320**	17,179	-	17,179
Accounts payable and accruals	**47,419**	**2,301**	**49,720**	32,931	1,950	34,881
Due to affiliates	**1,423**	**110**	**1,533**	2,961	(84)	2,877
Qard (Loan) to Policyholders' Fund	**-**	**(12,381)**	**(12,381)**	-	(21,342)	(21,342)
Qard (Loan) from Shareholders' Fund	**12,381**	**-**	**12,381**	21,342	-	21,342
Claims payable	**360**	**-**	**360**	360	-	360
TOTAL LIABILITIES	**291,061**	**(9,970)**	**281,091**	254,163	(19,476)	234,687

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT
SUPPLEMENTARY FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION BY FUND IN FUNCTIONAL CURRENCY (USD) FOR THE YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands USD unless otherwise stated)

	2022			2021		
	Policyholders' Fund	**Shareholders' Fund**	**Total**	Policyholders' Fund	Shareholders' Fund	Total
EQUITY						
Share capital	-	**201,011**	**201,011**	-	200,954	200,954
Reserves	-	**116,167**	**116,167**	-	108,601	108,601
Fair value reserve	-	**(1,676)**	**(1,676)**	-	2,013	2,013
Accumulated deficit	**(49,961)**	-	**(49,961)**	(53,393)	-	(53,393)
Actuarial losses on employee benefits	**(864)**	-	**(864)**	(11,549)	-	(11,549)
TOTAL EQUITY	**(50,825)**	**315,502**	**264,677**	(64,942)	311,568	246,626
TOTAL LIABILITIES AND EQUITY	**240,236**	**305,532**	**545,768**	189,221	292,092	481,313

	2022			2021		
	Policyholders' Fund	**Shareholders' Fund**	**Total**	Policyholders' Fund	Shareholders' Fund	Total
Investment income	**213**	**8,251**	**8,464**	127	5,571	5,698
Gross written premiums	**92,353**	-	**92,353**	78,930	-	78,930
Premiums ceded to reinsurers	**(64,190)**	-	**(64,190)**	(63,143)	-	(63,143)
	28,376	**8,251**	**36,627**	15,914	5,571	21,485
Net movement in unearned premiums	**(5,428)**	-	**(5,428)**	(1,815)	-	(1,815)
Net earned premiums/investment Income	**22,948**	**8,251**	**31,199**	14,099	5,571	19,670
Outward reinsurance commission	**11,994**	-	**11,994**	10,758	-	10,758
Recoveries of previously settled claims	**120**	-	**120**	5,453	-	5,453
Policy fees earned	**166**	-	**166**	827	-	827
Total revenue	**35,228**	**8,251**	**43,479**	31,137	5,571	36,708
Gross claims paid	**(3,952)**	-	**(3,952)**	(3,862)	-	(3,862)
Reinsurance share of claims paid	**1,426**	-	**1,426**	1,767	-	1,767
Net claims paid	**(2,526)**	-	**(2,526)**	(2,095)	-	(2,095)
Change in net outstanding claims and other reserves	**(6,032)**	-	**(6,032)**	(634)	-	(634)
Net claims incurred	**(8,558)**	-	**(8,558)**	(2,729)	-	(2,729)

	2022	2021

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT
SUPPLEMENTARY FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION BY FUND IN FUNCTIONAL CURRENCY (USD) FOR THE YEAR ENDED DECEMBER 31, 2022 (7 JUMAD AL-THANI 1444H)
(Expressed in thousands USD unless otherwise stated)

	Policyholders' Fund	**Shareholders' Fund**	**Total**	Policyholders' Fund	Shareholders' Fund	Total
Investment management fees	**-**	**(410)**	**(410)**	-	(254)	(254)
Policy acquisition cost	**(3,320)**	**-**	**(3,320)**	(3,811)	-	(3,811)
Employee related costs	**(15,524)**	**-**	**(15,524)**	(16,814)	-	(16,814)
Sales and marketing expenses	**(978)**	**-**	**(978)**	(555)	-	(555)
General and administrative expenses	**(3,331)**	**(297)**	**(3,628)**	(2,947)	(110)	(3,057)
Impairment on Investments measured at fair value	**-**	**-**	**-**	-	200	200
Total claims & expenses	**(31,711)**	**(707)**	**(32,418)**	(26,856)	(164)	(27,020)
Net income before exchange results	**3,517**	**7,544**	**11,061**	4,281	5,407	9,688
Income/(loss) on foreign exchange translation	**(84)**	**(5)**	**(89)**	(447)	12	(435)
NET CORPORATE GAIN	**3,433**	**7,539**	**10,972**	3,834	5,419	9,253

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