

Rating Action: Moody's affirms ICIEC's Aa3 IFSR with a stable outlook

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London, 05 February 2013 -- Moody's Investors Service has today affirmed the Aa3 insurance financial strength rating (IFSR) of the Islamic Corporation for the Insurance of Investment and Export Credit ("ICIEC"). The rating outlook is stable.

RATINGS RATIONALE

ICIEC was established in 1994 at Jeddah, Saudi Arabia. ICIEC provides export credit insurance and re-insurance for exports emanating from its member countries, to anywhere in the world, to cover the non-payment of export receivables resulting from commercial or non-commercial risks. It also provides investment insurance for foreign investment flows into its member countries, irrespective of their country of origin, against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government. ICIEC is a member of the Islamic Development Bank Group (IDB, rated Aaa by Moody's), which holds 67.1% of ICIEC's issued shares through its Waqf fund (as at 1432H) a special fund established by IDB. ICIEC's other shareholders/members include the sovereign members of the IDB Group, including Saudi Arabia and other sovereign members of the Organisation of the Islamic Conference.

Moody's notes that ICIEC's rating reflects both the stand-alone fundamentals as well as potential support from its shareholders/IDB Group member countries. Thus, despite the absence of explicit guarantees, in the context of its key role as facilitator of trade between Islamic countries, ICIEC's rating reflects the strong ability and potentially high willingness of ICIEC's main ultimate shareholders, and in particular the Islamic Development Bank (Aaa stable), Saudi Arabia, (Aa3 Stable) and other GCC countries, to support the company in times of financial distress. We also note that ICIEC has increased its authorised share capital from ID 150m to ID 400m and the subscribed capital is expected to increase beyond the ID 148.99m reported as at 1432H.

Furthermore, the rating reflects ICIEC's legal structure and business nature, as the only multilateral export credit and investment insurance corporation in the world that provides Shariah-compatible insurance and reinsurance products, as well as its enhanced regional knowledge based on its experience by operating in the region. Moody's also notes that as a member of the IDB Group, ICIEC benefits from various managerial synergies and support.

Moody's notes ICIEC's main challenges are i) to further improve and manage stand-alone capitalisation levels in the context of growth opportunities and the level of geo-political risk in some of its markets ii) to enhance business coverage and reduce risk and business/ client concentrations iii) to optimise and improve the level of efficiency of the organisation and the underwriting process and iv) to optimise production of distribution networks.

Moody's added that upward rating pressure may evolve over time from i) a significant upgrade of the long-term ratings of ICIEC's main shareholders/member countries, and in particular Saudi Arabia's ratings moving above Aa3 levels and/or ii) a significant strengthening in ICIEC's ownership structure and/or level of support from member countries.

On the other hand, the rating may experience downward pressure from i) a downgrade of some of ICIEC's main shareholders/member countries, and in particular Saudi Arabia's ratings moving to below A1 levels, ii) significant deterioration in ICIEC's ownership structure and/or level of support from member countries/the IDB, and/or iii) a material increase in ICIEC's risk profile due to significant deterioration of current capitalisation and/or material increase in the company's asset risk and insurance risk profile.

ICIEC uses Islamic Dinar (ID) as its unit of account, which is equal to the Special Drawing Right (SDR) of the International Monetary Fund (1 ID = 1.56 USD at 1432H year-end). It follows a Hijri financial year, with the latest year (1432H) closing on 25 November, 2011. The Corporation had Shareholders' Equity of ID 108.3 million (excluding the policyholder deficit ID 8.6m, after loans from shareholders) and total assets of ID 125million as of 25 November 2011 (end of 1432H). At the year-end 1432H, ICIEC reported consolidated net income of ID 260 thousand.

The following rating was affirmed with a stable outlook:

The Islamic Corporation for the Insurance of Investment and Export Credit -- Aa3 insurance financial strength rating

Principal Methodology

The principal methodology used in this rating was Moody's Rating Methodology for Global Trade Credit Insurers published in July 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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