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INVESTORS SERVICE

CREDIT OPINION
8 December 2022

Update

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RATINGS

ICIEC

Domicile	Supranational
Long Term Rating	Aa3
Type	Insurance Financial Strength - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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ICIEC

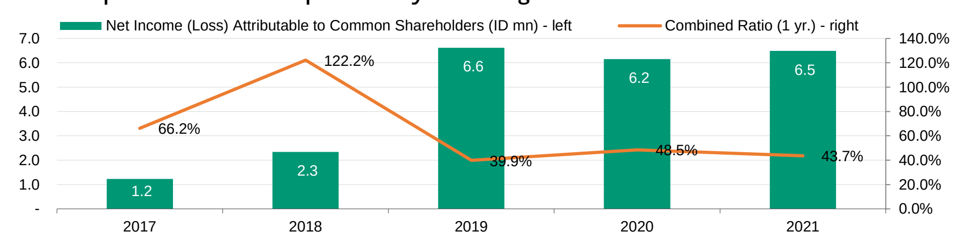
Update to credit analysis

The Islamic Corporation for the Insurance of Investment and Export Credit's (ICIEC) Aa3 insurance financial strength rating (IFSR) reflects its stand-alone fundamentals as well as the continued support stemming from its shareholders, the Islamic Development Bank (IsDB, Aaa stable) which held 50.5% of ICIEC's subscribed shares as at YE 2021 and multiple sovereign members of the Organisation of the Islamic Cooperation (OIC). Given ICIEC's key role as facilitator of trade and foreign investment between many countries, Moody's expects that its main shareholders, in particular IsDB and Saudi Arabia (A1, stable), will very likely support the corporation in times of financial distress. In addition, as a member of the IsDB Group, ICIEC benefits from various managerial synergies and support from its parent.

ICIEC's stand-alone credit quality continues to strengthen and is supported by its expanding role as the leading multilateral export credit and investment insurance corporation in the world that provides Shariah-compliant insurance and reinsurance products, as well as its enhanced regional knowledge based on its experience by operating in the OIC Member Countries. Asset quality remains strong with a highly liquid invested assets portfolio and high risk assets representing only 12.1% of consolidated (shareholders' and policyholders') equity at YE 2021. Furthermore, despite recent growth in business, the corporation maintained strong levels of capital adequacy with Net Total Exposure to Shareholders' Equity of 5.8x. ICIEC has also established an effective enterprise risk management framework.

ICIEC's profitability was resilient in 2021, with a combined ratio of 43.7% and net income of Islamic Dinar 6.5 million in 2021, marginally better than 2020's combined ratio of 48.5% and net income of Islamic Dinar 6.2 million. Profitability has benefitted from the enhanced business coverage, reduced risk and business concentrations and from efficiency gains. This trend continued in 2022 with interim six-months results ending June 2022 showing a net income of ID2.8 million compared to ID2.1 mllion for the same period in 2021.

Exhibit 1
ICIEC's improved and resilient profitability is a strength



Source: Moody's Investors Service and corporation filings

Credit strengths

» Capital support from IsDB and other member countries, including Gulf Cooperation Council (GCC) countries (particularly Saudi Arabia)

» Advantageous position as the leading Shariah compliant export credit and investment insurer

» Knowledge and expertise built serving the OIC member countries

» Various managerial synergies and support benefits as a member of the IsDB Group

» Strong international network

Credit challenges

» 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,

» Enhance business coverage and reduce risk and business/client concentrations

» Continued optimisation of the corporation's efficiency of underwriting process and the production of distribution networks

Rating outlook

The stable rating outlook reflects Moody's expectation that ICIEC will continue to enhance its risk management enabling it to maintain its strong levels of capital, asset quality and the recent improvements of profitability. Moody's expects ICIEC to continue to grow and diversify its business with underwriting discipline.

Factors that could lead to an upgrade

» A multi-notch upgrade of the long-term ratings of ICIEC's main shareholders/member countries, and/or

» A significant strengthening in ICIEC's ownership structure and/or level of support from members and in particular of IsDB

Factors that could lead to a downgrade

» A downgrade of some of ICIEC's main shareholders/member countries, in particular IsDB as well as Saudi Arabia's rating moving to below A1 level, and/or

» Significant reduction in ownership and/or level of support from IsDB, and/or

» A material increase in ICIEC's risk profile due to significant deterioration of current capitalisation and/ or a material increase in the corporation's asset risk and insurance risk profile

Key indicators

Exhibit 2
ICIEC

ICIEC [1][2][3][4][5]	2021	2020	2019	2018	2017
As Reported (Islamic Dinar Millions)					
Gross Premiums Written	55	62	44	52	25
Net Premiums Written	11	18	9	21	9
Net Income (Loss) Attributable to Common Shareholders	6	6	7	2	1
Total Shareholders' Equity	176	159	208	207	204
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	12.1%	11.5%	8.6%	12.9%	10.8%
Reinsurance Recoverable % Shareholders' Equity	47.4%	44.7%	23.8%	23.7%	21.3%
Goodwill & Intangibles % Shareholders' Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Net Total Exposure % Shareholders' Equity	5.8x	4.8x	3.1x	3.9x	5.8x
Net Underwriting Leverage (Credit Insurers)	15.0%	20.2%	10.4%	15.9%	12.2%
Combined Ratio (1 yr.)	43.7%	48.5%	39.9%	122.2%	66.2%
Sharpe Ratio of ROC (5 yr.)	NA	NA	NA	NA	NA
Adjusted Financial Leverage	6.8%	8.3%	6.8%	4.6%	3.3%
Total Leverage	6.8%	8.3%	6.8%	4.6%	3.3%
Earnings Coverage	30.0x	39.4x	30.9x	15.1x	14.0x

[1] Information based on IFRS financial statements as of Fiscal YE December 31. [2] Certain items may have been relabeled and/or reclassified for global consistency. [3] 1 ID= 1.3996 USD as at 31 December 2021. [4] YE2021 represent 14 October 2020 to 31 December 2021 Corresponding to 1 Muharram 1437 H to 2 Rabi Al-Akhir 1438H (444 days). [5] Financial leverage, total leverage and earnings coverage ratios pertain to Moody's standard operating lease adjustments
Source: Moody's Investors Service

Company Profile

ICIEC was established in 1994 in Jeddah, Saudi Arabia. ICIEC provides export credit insurance and reinsurance for exports from its member countries to anywhere in the world to cover the non-payment of export receivables resulting from commercial risks. ICIEC is a member of the IsDB Group, which holds 50.5% of ICIEC's subscribed shares as at YE 2021. ICIEC's other shareholders/members include Saudi Arabia and other sovereign members of the OIC.

The corporation also provides investment insurance for foreign investment flows into its member countries, irrespective of their country of origin, against political risks, mainly the risks of currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract by the host government. ICIEC has expanded its credit enhancement products to cover non-honoring of sovereign financial obligation (NHSFO) in recent years besides the traditional political risk Insurance.

Detailed rating considerations

Market position, brand and distribution: Strong core market positions and growth are credit positive

Although ICIEC has a relatively small scale on a global basis, it maintains a strong market position in its core market of providing export credit and investment insurance and reinsurance to its member countries. With total gross premiums written (GPW) of ID55.4million in fiscal year 2021 (ID61.7million in fiscal 2020) and a large proportion of its premiums in relation to contracts written in markets such as Saudi Arabia, GCC countries and other member countries of the OIC, ICIEC is seen as one of the leaders in its market segment. As ICIEC continues to optimise the usage of its operational and distribution capabilities we expect it to grow modestly.

Notwithstanding this, ICIEC has experienced over the last few years a considerable degree of competition from international players, especially in its short-term insurance portfolio, which represented around 76% of business insured in 2021 (68% in 2020). The corporation's strategy is to focus on increasing the proportion of foreign investment insurance which benefits from preferred-creditor treatment and improves business risk diversification which has been reflected in the gross exposure where the share of foreign investment insurance was 62% in both 2021 and 2020.

ICIEC's diversification by insurance purchaser is relatively low when compared to more global credit insurers. Nevertheless, this might potentially improve as ICIEC continues to expands its operations across its member countries.

Product focus and diversification: Diversification increasing, but sovereign risk remains

As an investment and export credit insurer, ICIEC's business diversification is inherently limited. ICIEC's risk exposure predominantly relates to insurance of exports from various member countries to countries globally and in particular to the default of commercial counterparts in those territories. In addition to commercial credit exposure, certain ICIEC policies also cover, albeit to a more limited degree, sovereign risk, which in many countries can be relatively high. Nevertheless, the stable demand for sovereign risk policies in ICIEC's member countries led to continued stable new commitments in fiscal 2021. We expect diversification to improve going forwards as ICIEC expands its operations across the globe and its member countries, albeit the risk profile of the business may deteriorate due to exposures to sovereigns with below investment grade ratings. More positively we expect ICIEC's continued enhancement of its risk management to maintain underwriting discipline as it diversifies.

ICIEC maintains good access to a variety of sovereign markets through its member countries, ensuring good information and access in the event of political trade interventions. The material proportion and focus on multiyear policies limit ICIEC's flexibility to change policies at renewal, if necessary, potentially affecting the overall corporation's risk portfolio. Furthermore, the corporation's exposure by buyer is relatively concentrated by country and by sector, but overall reflecting ICIEC's strategic goal to facilitate the trade for its member countries.

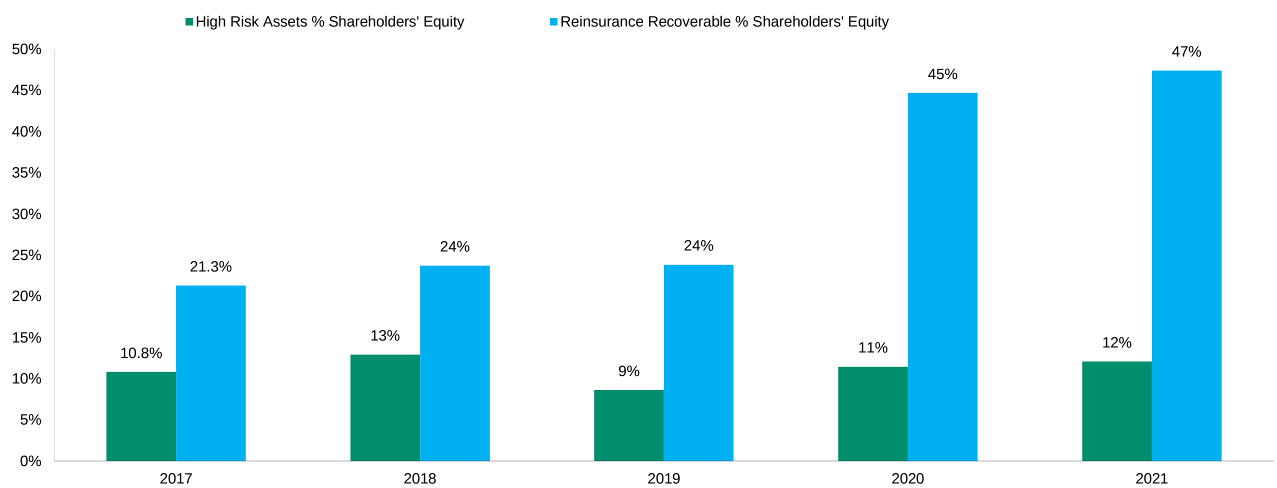
Asset quality: Stringent investment choices uphold asset quality

ICIEC's investments predominantly consist of Shariah-compliant Murabaha (similar to money market instruments) and Sukuk investments. The portfolio is very liquid, and the majority is rated within the investment grade category. We therefore regard asset quality as strong, although the corporation's Shariah compliance does impose some restrictions in terms of asset choice leading to a relatively high concentration risk. HRA as a % of consolidated equity (shareholders' and policyholders') is considered low at 12.1% at YE 2021 (11.5% at YE 2020).

Similarly, reinsurance recoverable as a percentage of consolidated equity was low at 47.4% in YE 2021 (44.7% at YE 2020). The quality of the reinsurance panel is very strong with highly rated global reinsurers leading the panel.

Exhibit 3

Asset quality continues to be strong as reflected by metrics



Source: Moody's Investors Service and corporation filings

Capital adequacy: Good level of capital is a credit strength

We view ICIEC's capital levels as adequate. Net total exposure as a proportion of consolidated equity slightly increased to 5.8x at YE 2021 (4.8x at YE 2020) whilst net underwriting leverage slightly decreased to 0.15x at YE 2021 from 0.20x in YE 2020, thus ICIEC remains strongly capitalised. However, this measure is not risk adjusted and does not reflect the concentration exposures on both the liability and asset side of the balance sheet, albeit these too are improving. Nevertheless, despite the growth in business over the past few years, ICIEC has maintained strong levels of capital adequacy and is expected to be maintained as ICIEC gradually enhances its risk management.

Additionally, ICIEC maintains a strong level of potential shareholder resources, in particular both the IsDB and the individual sovereign members of ICIEC maintain considerable levels of free assets that could be provided to support ICIEC's growth. ICIEC's authorised capital is ID400 million and issued capital is ID297 million of which ID147.5 million was paid up as of YE 2021. Subsequently in June 2022 the third general capital increase was approved and so at H1 2022 ICIEC's authorised capital has increased to ID1 billion from ID 400 million.

As a result, ICIEC has adequate amount of callable capital in case needed. ICIEC is a member of the IsDB Group, which holds 50.5% of ICIEC's subscribed shares as at YE 2021. ICIEC's other shareholders/members include Saudi Arabia (20% subscribed shares at YE 2021) and other sovereign members of the OIC.

Profitability: Resilient profitability is credit positive

ICIEC's profitability remained resilient in 2021, with a combined ratio of 43.7% and net income of Islamic Dinar 6.5 million in 2021 which is marginally better compared to 2020's combined ratio of 48.5% and net income of Islamic Dinar 6.2 million. Profitability over the past couple of years has been benefitting from the enhanced business coverage and reduced risk and business/client concentrations, as well as from efficiency gains.

Unlike many other global credit insurers, despite the coronavirus pandemic, ICIEC's claims development has been comparatively stable, building on which ICIEC had strengthened reserves, a credit positive for the corporation.

We now regard ICIEC's consistent and albeit still low level of profitability, principally being achieved through controlled underwriting and pricing but also through good levels of expense control as a significant improvement. Previously as part of the IsDB Group and reflecting its pseudo-state/social role, ICIEC was not inclined to consistently produce strong levels of profitability, however as noted above the focus on profitability and operating efficiencies has enhanced.

Reserve adequacy: Adequate reserves, despite exposure to medium-term and investment policies

Reserves are regarded as adequate, reflecting the short-tail nature of the risks that ICIEC takes; however, it underwrites more medium-term and investment multiyear policies than other credit insurers that we rate. Positively, ICIEC is now applying actuarial reserving which will prospectively aid the reserve adequacy as well as monitoring sophistication with already prudent reserve strengthening steps taken in the past couple of years by management.

Financial flexibility: Unlevered and with modest standalone financial flexibility, but benefits from IsDB ownership

As a Shariah-compliant institution, ICIEC does not fund itself through borrowings. In addition, ICIEC's dividend policy remains restricted (dividends are not payable until substantial reserves have accrued). Consequently, ICIEC's ability to fund its required regular cash financing needs is strong. However, on a standalone basis, we regard ICIEC's ability to source additional external capital as modest. More positively, the corporation's position within the IsDB Group and its supportive sovereign member countries indicates that its overall financial flexibility is at higher levels.

Operating environment: Adequate economic environments offset by underdeveloped insurance markets

ICIEC is headquartered in Saudi Arabia and operates in various countries that are sovereign members of its major shareholder IsDB, as well as members of the OIC. ICIEC benefits from the strong economic stability of those of its members from the GCC. However, a majority of the insurance markets of the member sovereigns are still in a developmental stage, with potentially volatile growth and with some large risk concentrations. As an established credit and political risk insurer with sovereign ties, access to business is likely to continue to flow into ICIEC.

Other credit considerations

In addition to these standalone qualities, ICIEC's rating also factors in the considerable benefits in the context of its key role as the facilitator of trade and investment among Islamic countries. In particular, ICIEC's rating reflects the strong ability and potentially high willingness of ICIEC's main ultimate shareholders, and in particular the IsDB and Saudi Arabia, to support the corporation in times of financial distress. ICIEC's subscribed capital has almost doubled in the past eight years, increasing to ID297 million at H1 2021 from ID149 million at YE 1432H (25 November 2011) whilst called capital increased to ID147million from ID75 million in the same period.

ESG considerations

ICIEC's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 4
ESG Credit Impact Score

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

ICIEC's ESG Credit Impact Score is neutral-to-low (**CIS-2**). The score reflects a limited impact from environmental and social factors on the rating to date. The corporation's strong governance and predominant focus on trade credit insurance with its diversified portfolio of short-to-medium term exposures help mitigate its exposure to environmental risks.

Exhibit 5
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental

ICIEC faces moderate environmental risks, in particular physical climate risk and carbon transition risks related to these risks being faced by many of its member states where its guaranteed exposures reside. For example, economies of some member states are hydrocarbon dependent, exposing them to transition risk, while others are heavily dependent on agriculture or have significant infrastructure exposed to physical climate risk. These risks are somewhat mitigated by the Corporation's good diversification of guaranteed exposures, the short-to-medium term duration of these exposures that allows ICIEC to reduce exposure as these risks grow, and access to significant reinsurance capacity to support its own capital.

Social

ICIEC's overall exposure to social risks is neutral-to-low, albeit that it is exposed to social risks, both through its own operations and through the guarantees it provides on debtors in a wide variety of industries and developing countries. The corporation's exposure to these risks is mitigated by the diversification of its portfolio, strong underwriting and risk management. In addition, ICIEC benefits from certain demographic and societal trends due to its development mandate and alignment with priorities of its member states.

Governance

ICIEC faces neutral-to-low governance risks, supported by its good risk management framework, policies and procedures. Management has a track record of meeting business objectives, and maintaining conservative financial policies and good internal controls. The corporation benefits from good cooperation with its main shareholder, the Islamic Development Bank, and generally strong alignment of its objectives with those of its member states.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Exhibit 6

ICIEC

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								Baa	Baa
Market Position and Brand (10%)								Ba	Baa
-Relative Market Share Ratio							X		
-Distribution and Access to New Markets			X						
Product Focus and Diversification (20%)								Baa	Baa
-Business Diversification					X				
-Flexibility of Underwriting				X					
-Risk Diversification			X						
Financial Profile								Aaa	Baa
Asset Quality (15%)								Aaa	A
-High Risk Assets % Shareholders' Equity	12.1%								
-Reinsurance Recoverable % Shareholders' Equity		47.4%							
-Goodwill & Intangibles % Shareholders' Equity	0.0%								
Capital Adequacy (20%)								Aaa	A
-Net Total Exposure to Shareholders' Equity	5.8x								
-Net Underwriting Leverage (Credit Insurers)	0.1x								
Profitability (20%)								Aa	Baa
-Combined Ratio (5 yr. avg.)		64.1%							
-Sharpe Ratio of ROC (5 yr.)									
Reserve Adequacy (5%)								Aaa	Baa
-Worst Reserve Development for the Last 10 Years % Beg. Reserves	0.0%								
Financial Flexibility (10%)								Aaa	Baa
-Adjusted Financial Leverage	6.8%								
-Earnings Coverage (5 yr. avg.)	25.9x								
Operating Environment								--	--
Preliminary Standalone Outcome								Aa3	Baa1

[1] Information based on IFRS financial statements as of fiscal year ended 12/31/2021. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
ICIEC	
Rating Outlook	STA
Insurance Financial Strength	Aa3

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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