



IIRA Assigns Fiduciary Ratings to the International Islamic Trade Finance Corporation

Manama, December 30, 2018 – Islamic International Rating Agency (IIRA) has assigned the international scale ratings of ‘AA- / A1 (Double A Minus / A One) to The International Islamic Trade Finance Corporation (“ITFC” or “the Corporation”), with ‘Stable’ outlook.

Headquartered at Jeddah, Kingdom of Saudi Arabia (“KSA” or Saudi Arabia”), ITFC operates as a multilateral international organization. ITFC was incorporated in 2005 to consolidate all trade finance operations and trade promotion activities erstwhile managed within the entities and departments of Islamic Development Bank (“IsDB”). The Corporation primarily facilitates intra and international trade by serving sovereign and private sector clientele amongst the 57-member countries of the Organization of Islamic Cooperation (“OIC”).

The assigned ratings reflect ITFC’s high financial flexibility as reflected in its unleveraged balance sheet, resulting in limited obligation repayment risk at present. In addition, the Corporation has substantial liquid reserves in the form of highly rated Sukuk investments, commodity placements and cash balances; as such ITFC’s capitalization is strong as also supported by full profit retention and liquidity risk is low. Further, the Corporation’s core profitability is expected to remain robust with continued expected business growth over the next two years.

ITFC’s financing portfolio features concentration – both in terms of counterparties and sectors, which constrains the rating assessment. Sovereign exposures of ITFC are largely represented by countries displaying relatively low economic stability, which further intensifies ITFC’s susceptibility to country risk. However, the short-tenor of overall financings is viewed favorably in terms of probability of repayment from customers. It may be noted that the asset quality metrics of ITFC have generally improved with no new impairments having been booked since 2016, albeit the proportion of non-performing financings was high until the end of the first half of 2018.

Ratings also derive strength from ITFC’s strong institutional shareholding structure, thereby taking into consideration the high likelihood of implied sponsor support. IsDB is the most prominent shareholder of ITFC with a 36.2% stake, in addition to other strong sovereign and quasi-sovereign sponsors.

IIRA assesses the Corporation’s overall fiduciary score to be reflective of strong fiduciary standards, wherein rights of various stakeholders are protected. IIRA takes cognizance of IsDB’s oversight and supervision on ITFC’s governance framework. Some of ITFC’s internal control and support functions continue to be partially sourced from IsDB. A shared Shari’ah governance infrastructure amongst the IsDB Group entities ensures homogeneity of practices within the group. Ongoing development of various policies is viewed favorably in terms of enhancement of risk management framework. The Corporation may consider improving public disclosures relating to governance practices.

For further information on this rating announcement, please contact IIRA at iira@iirating.com.

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