

# Islamic Development Bank

## Update

### Ratings

#### Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

#### Outlook

Long-Term IDR	Stable
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### Financial Data

#### Islamic Development Bank

	Nov 14	Nov 13
Total assets (IDm)	14,799	13,429.4
Equity (IDm)	7,440	7,244.7
Net income (IDm)	141.7	170.4
ROAE (%)	1.93	2.52
ROAA (%)	1.00	1.40
Equity/assets (%)	50.27	53.95
Usable/required capital (x)	7.36	3.52

### Key Rating Drivers

**Excellent, Eroding Capitalisation:** Islamic Development Bank's (IsDB) capitalisation is one of the strongest among multilateral development banks, with an equity-to-assets ratio of 50% at end-1435H (November 2014 in the Gregorian calendar). Sustained growth in financing operations (portfolio grew 8% in 1435H) has led to a sharp increase in the debt-to-equity ratio to 96% at end-1435H, from 49% at end-1432H. However, this remains lower than peers'.

**Capital Increase:** Fitch Ratings expects financing operations to grow at a moderate pace in the next three years. In 1435H, the bank increased its subscribed capital to ID50bn from ID18bn; a large part of this increase is callable capital. The board also approved ID3.25bn of subscribed capital to be disbursed over 20 years from 1437H, which will help to offset the decline in capitalisation. The capital increase also provides scope to substantially extend the bank's financing capacity, which is statutorily capped by subscribed capital and reserves.

**Sovereign Exposure:** IsDB extends financing predominantly to sovereign entities, and benefits from preferred-creditor status. Its credit exposure is significant: Fitch estimates the average rating of the portfolio at 'B+' at end-1435H.

**Exposure to Troubled Countries:** IsDB's portfolio is well diversified compared with peers', with the five largest exposures representing 30% of total financing operations at end-1435H. Some IsDB borrowers have experienced deep political troubles (Libya, Sudan, Yemen); loans to Syria (2.9% of portfolio) are around two years overdue and Fitch treats them as impaired, leading to a marked increase in the NPL ratio to 3.7% at end-1435H from 0.98% in 1433H.

**Good Risk Management:** Even though some limits, such as leverage, have been relaxed, the risk framework remains stringent, and IsDB is progressively aligning it with that of other highly rated MDBs, for example through its liquidity policy. However, provisioning is fairly low compared with other 'AAA' rated MDBs due to the bank's exposure to countries experiencing deep political troubles.

**Other Risks Manageable:** Liquidity is adequate, with treasury assets covering 335% of short-term liabilities at end-1435H, in line with 'AAA' rated MDBs. However, the credit quality of treasury investments is lower than peers', with only 13.5% of treasury assets invested in instruments (mostly bank deposits) rated 'AA-' and above at end-1435H. However, this risk is mitigated by the significant use of short-term maturities at a diversified range of banks. Foreign-exchange risk is tightly hedged.

**High Shareholder Propensity to Support:** IsDB's capital is owned by 56 member countries belonging to the Organisation of Islamic Cooperation. The average rating of key shareholders – Nigeria (BB-), Saudi Arabia (AA), Libya, and Iran – is relatively low. Shareholders have consistently shown their propensity to support the bank through regular inflows of fresh capital, although a small number of member countries (which own a low share of capital) were late in subscribing to the 1435H capital increase.

### Rating Sensitivities

**Deteriorating Balance-Sheet Quality:** Pressure on the ratings would arise from a pronounced weakening of asset quality or unexpected deterioration of capitalisation and leverage.

### Related Research

[Supranational Industry Review \(March 2013\)](#)

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## Islamic Development Bank Balance Sheet

	14 Nov 2014			14 Nov 2013		14 Nov 2012		25 Nov 2011	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm Original	IDNm Original	Assets Original	IDNm Original	Assets Original	IDNm Restated	Assets Restated	IDNm Original	Assets Original
<b>A. LOANS</b>									
1. To / Guaranteed by Sovereigns	11,941.4	8,073.6	54.56	7,288.6	54.27	6,344.9	55.43	6,183.1	59.73
2. To / Guaranteed by public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	1,700.0	1,149.4	7.77	1,237.8	9.22	1,095.3	9.57	664.4	6.42
4. Of which Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	253.1	171.1	1.16	157.6	1.17	137.1	1.20	126.8	1.22
<b>TOTAL A</b>	<b>13,388.4</b>	<b>9,051.9</b>	<b>61.17</b>	<b>8,368.8</b>	<b>62.32</b>	<b>7,303.1</b>	<b>63.80</b>	<b>6,720.7</b>	<b>64.93</b>
<b>B. OTHER EARNING ASSETS</b>									
1. Deposits with Banks	3,959.3	2,676.9	18.09	2,623.2	19.53	1,794.8	15.68	1,559.2	15.06
2. Securities held for Sale & Trading	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Investment Debt Securities - (incl. other invest.)	1,547.4	1,046.2	7.07	595.5	4.43	388.5	3.39	266.6	2.58
4. Equity Investments	2,215.5	1,497.9	10.12	1,428.1	10.63	1,388.7	12.13	1,245.9	12.04
5. Derivatives (incl. Fair-value of guarantees)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL B</b>	<b>7,722.2</b>	<b>5,221.0</b>	<b>35.28</b>	<b>4,646.8</b>	<b>34.60</b>	<b>3,572.0</b>	<b>31.21</b>	<b>3,071.7</b>	<b>29.67</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>21,110.6</b>	<b>14,272.9</b>	<b>96.45</b>	<b>13,015.6</b>	<b>96.92</b>	<b>10,875.1</b>	<b>95.01</b>	<b>9,792.4</b>	<b>94.60</b>
<b>D. FIXED ASSETS</b>	<b>78.2</b>	<b>52.9</b>	<b>0.36</b>	<b>57.3</b>	<b>0.43</b>	<b>58.1</b>	<b>0.51</b>	<b>60.0</b>	<b>0.58</b>
<b>E. NON-EARNING ASSETS</b>									
1. Cash and Due from Banks	138.6	93.7	0.63	55.6	0.41	32.7	0.29	50.6	0.49
2. Other	561.3	379.5	2.56	300.9	2.24	480.8	4.20	448.2	4.33
<b>F. TOTAL ASSETS</b>	<b>21,888.8</b>	<b>14,799.0</b>	<b>100.00</b>	<b>13,429.4</b>	<b>100.00</b>	<b>11,446.7</b>	<b>100.00</b>	<b>10,351.2</b>	<b>100.00</b>
<b>G. SHORT-TERM FUNDING</b>									
1. Bank Borrowings (< 1 Year)	1,523.9	1,030.3	6.96	345.3	2.57	893.2	7.80	1,359.9	13.14
2. Securities Issues (< 1 Year)	159.7	108.0	0.73	575.5	4.29	64.3	0.56	89.0	0.86
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL G</b>	<b>1,683.6</b>	<b>1,138.3</b>	<b>7.69</b>	<b>920.8</b>	<b>6.86</b>	<b>957.5</b>	<b>8.36</b>	<b>1,448.9</b>	<b>14.00</b>
<b>H. OTHER FUNDING</b>									
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	1,214.9	9.05	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	8,842.0	5,978.1	40.40	3,629.5	27.03	3,037.0	26.53	1,812.4	17.51
3. Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL H</b>	<b>8,842.0</b>	<b>5,978.1</b>	<b>40.40</b>	<b>4,844.4</b>	<b>36.07</b>	<b>3,037.0</b>	<b>26.53</b>	<b>1,812.4</b>	<b>17.51</b>
<b>I. OTHER (Non-Int Bearing)</b>									
1. Derivatives (incl. Fair value of guarantees)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	358.8	242.6	1.64	419.4	3.12	439.4	3.84	460.2	4.45
<b>TOTAL I</b>	<b>358.8</b>	<b>242.6</b>	<b>1.64</b>	<b>419.4</b>	<b>3.12</b>	<b>439.4</b>	<b>3.84</b>	<b>460.2</b>	<b>4.45</b>
<b>J. GENERAL PROVISIONS &amp; RESERVES</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>
<b>L. EQUITY</b>									
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	73,754.9	49,865.7	336.95	17,803.8	132.57	17,782.6	155.35	17,782.6	171.79
3. Callable Capital	(59,918.8)	(40,511.1)	(273.74)	(8,852.5)	(65.92)	(12,470.4)	(108.94)	(12,469.1)	(120.46)
4. Arrears on Capital & Amount not yet Due	(6,657.0)	(4,500.8)	(30.41)	(4,151.4)	(30.91)	(722.0)	(6.31)	(939.7)	(9.08)
5. Paid in Capital (memo)	7,179.3	4,853.9	32.80	4,799.8	35.74	4,590.2	40.10	4,373.8	42.25
6. Reserves (incl. Net Income for the year)	3,147.9	2,128.3	14.38	2,067.2	15.39	1,988.7	17.37	1,878.8	18.15
7. Fair-value revaluation reserve	677.3	457.9	3.09	377.7	2.81	433.9	3.79	377.1	3.64
<b>TOTAL L</b>	<b>11,004.3</b>	<b>7,440.0</b>	<b>50.27</b>	<b>7,244.8</b>	<b>53.95</b>	<b>7,012.8</b>	<b>61.26</b>	<b>6,629.7</b>	<b>64.05</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>21,888.8</b>	<b>14,799.0</b>	<b>100.00</b>	<b>13,429.4</b>	<b>100.00</b>	<b>11,446.7</b>	<b>100.00</b>	<b>10,351.2</b>	<b>100.00</b>
Exchange rate	USD1 = IDN0.67610			USD1 = IDN0.65000		USD1 = IDN0.65150		USD1 = IDN0.65000	

### Related Criteria

[Supranationals Rating Criteria \(May 2015\)](#)

**Islamic Development Bank  
Income Statement**

	14 Nov 2014			14 Nov 2013		14 Nov 2012		25 Nov 2011	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	IDNm	Earning	IDNm	Earning	IDNm	Earning	IDNm	Earning
	Original	Original	Assets	Original	Assets	Restated	Assets	Original	Assets
1. Interest Received	683.5	462.1	3.24	397.2	3.05	382.8	3.52	327.4	3.34
2. Interest Paid	124.8	84.4	0.59	64.2	0.49	57.4	0.53	48.3	0.49
<b>3. NET INTEREST REVENUE</b>	<b>558.6</b>	<b>377.7</b>	<b>2.65</b>	<b>333.0</b>	<b>2.56</b>	<b>325.4</b>	<b>2.99</b>	<b>279.1</b>	<b>2.85</b>
4. Other Operating Income	72.9	49.3	0.35	78.5	0.60	70.3	0.65	37.0	0.38
5. Other Income	(5.8)	(3.9)	(0.03)	22.4	0.17	19.9	0.18	12.7	0.13
6. Personnel Expenses	118.5	80.1	0.56	72.3	0.56	68.2	0.63	66.1	0.68
7. Other Non-Interest Expenses	44.4	30.0	0.21	19.9	0.15	27.6	0.25	19.3	0.20
8. Impairment charge	253.4	171.3	1.20	162.3	1.25	189.6	1.74	134.4	1.37
9. Other Provisions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>10. PRE-DERIVATIVE OPERATING PROFIT</b>	<b>209.6</b>	<b>141.7</b>	<b>0.99</b>	<b>179.4</b>	<b>1.38</b>	<b>130.2</b>	<b>1.20</b>	<b>109.0</b>	<b>1.11</b>
11. Net gains / (losses) on non-trading derivative instruments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>12. POST-DERIVATIVE OPERATING PROFIT</b>	<b>209.6</b>	<b>141.7</b>	<b>0.99</b>	<b>179.4</b>	<b>1.38</b>	<b>130.2</b>	<b>1.20</b>	<b>109.0</b>	<b>1.11</b>
13. Other income and expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>14. NET INCOME</b>	<b>209.6</b>	<b>141.7</b>	<b>0.99</b>	<b>179.4</b>	<b>1.38</b>	<b>130.2</b>	<b>1.20</b>	<b>109.0</b>	<b>1.11</b>
15. Fair value revaluations recognised in equity	89.9	60.8	0.43	(43.2)	(0.33)	83.2	0.77	(148.8)	(1.52)
<b>16. FITCH'S COMPREHENSIVE NET INCOME</b>	<b>299.5</b>	<b>202.5</b>	<b>1.42</b>	<b>136.2</b>	<b>1.05</b>	<b>213.4</b>	<b>1.96</b>	<b>(39.8)</b>	<b>(0.41)</b>

**Islamic Development Bank  
Ratio Analysis**

	14 Nov 2014	14 Nov 2013	14 Nov 2012	25 Nov 2011
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Restated	Original
<b>I. PROFITABILITY LEVEL</b>				
1. Net Income/Equity (av.)	1.93	2.52	1.91	1.67
2. Net Income/Total Assets (av.)	1.00	1.44	1.19	1.12
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	3.04	3.10	3.54	3.44
4. Cost-Income Ratio	25.78	22.41	24.21	27.02
5. Income from Equity Investment / Equity Investment (av.)	3.40	4.32	4.33	2.13
6. Provisions / Average Total Banking Exposure (excl LCs)	1.65	1.71	2.22	1.73
<b>II. CAPITAL ADEQUACY</b>				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	20.29	49.30	43.96	40.52
2. Equity/Adjusted Total Assets	50.27	53.95	61.26	64.05
3. Equity /Adjusted Total Assets + Guarantees	50.27	53.95	61.26	64.05
4. Paid-in capital / Subscribed capital	9.73	26.96	25.81	24.60
5. Usable Capital/Required Capital	736.48	352.49	467.90	497.79
<b>III. LIQUIDITY</b>				
1. Treasury Assets / Debt < 1 Year	335.31	355.59	231.44	129.51
2. Treasury Assets / Total Assets	25.79	24.38	19.36	18.13
3. Treasury Assets / Undisbursed Loans & Equity	39.51	42.12	32.52	30.85
<b>IV. ASSET QUALITY</b>				
1. Impaired Loans /Gross Loans	3.69	3.88	0.98	0.92
2. Loan Loss Reserves / Gross Loans	1.86	1.85	1.84	1.85
3. Equity Loss Reserves /Equity Investment	4.38	4.53	5.33	5.94
4. Total reserves / Gross Loans, Equity Investment & Guarantees	2.22	2.25	2.42	2.51
5. Loan Loss Reserves/Non Accrual Loans	50.23	47.64	187.81	201.59
<b>V. LEVERAGE</b>				
1. Debt/Equity	95.65	79.58	56.96	49.19
2. Debt/Subscribed Capital + Reserves	13.57	28.47	19.77	16.28
3. Debt/Callable Capital	17.57	65.13	32.03	26.16
4. Net Income + Interest Paid/Interest Paid	267.89	379.44	326.83	325.67

**Islamic Development Bank  
Spread Sheet Annex**

	14 Nov 2014	14 Nov 2013	14 Nov 2012	25 Nov 2011
	IDNm Original	IDNm Original	IDNm Restated	IDNm Original
<b>1. LENDING OPERATIONS</b>				
1. Loans outstanding	9,223.0	8,526.4	7,440.2	6,847.5
2. Undisbursed Loans	9,660.8	7,774.3	6,814.1	6,082.8
3. Approved Loans	3,330.0	2,671.9	2,819.8	2,718.2
4. Disbursed Loans	1,564.0	1,430.6	1,025.0	1,379.0
5. Loan Repayments	789.0	593.0	489.0	456.0
6. Net disbursements	775.0	837.6	536.0	923.0
<b>2. OTHER BANKING OPERATIONS</b>				
1. Equity participations	1,566.5	1,495.8	1,466.9	1,324.6
2. Guarantees	0.0	0.0	0.0	0.0
3. LCs and other off BS credit commitments	n.a.	n.a.	n.a.	n.a.
4. Total banking exposure (BS & off BS)	10,789.5	10,022.2	8,907.1	8,172.1
5. Growth in total banking exposure (BS and off BS)	7.7	12.5	9.0	11.5
<b>3. SUPPORT</b>				
1. Share of AAA / AA shareholders in callable capital	45.61	44.31	43.39	43.40
2. Share of A / BBB shareholders in callable capital	11.90	11.91	12.27	12.97
3. Share of Speculative Grade shareholders in callable capital	42.49	43.78	44.33	43.63
4. Callable capital from shareholders rated AAA - AA / outstanding debt	259.6	68.0	135.5	165.9
5. Weighted Average Rating of Key Shareholders	BB+	BBB-	BB+	BB+
6. Rating of callable capital ensuring full coverage of net debt	AA	BBB-	BBB	BBB
<b>4. BREAKDOWN OF BANKING PORTFOLIO</b>				
1. Loans to Sovereigns / Total Loans & Equity participations	74.83	72.72	71.23	75.66
2. Loans to Non Sovereigns / Total Loans & Equity Participations	10.65	12.35	12.30	8.13
3. Equity participation / Total Loans & Equity Participations	14.52	14.92	16.47	16.21
4. Non Sovereign Exposure (incl. guarantees)/Total Banking Exposure	25.2	27.3	28.8	24.3
<b>5. CONCENTRATION MEASURES</b>				
1. Largest exposure	798.3	776.0	738.0	745.1
2. Five largest exposures	2,748.7	3,537.8	2,446.7	2,174.2
3. Largest exposure / Equity (%)	10.73	10.71	10.52	11.24
4. Five largest exposures/ Equity (%)	36.94	48.83	34.89	32.79
5. Five largest exposures / Total Loans (%)	29.80	41.49	32.88	31.75
<b>6. CREDIT RISK</b>				
1. Average Rating of Loans	B+	B+	BB-	B+
2. Loans to Investment Grade Borrowers / Gross Loans	27.92	28.60	28.94	36.25
3. Share of Treasury Assets rated AAA-AA	13.2	24.2	16.9	n.a.

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