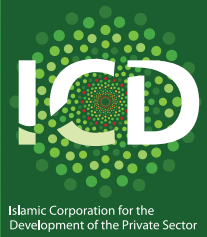


# Reinvigorating the private sector to shape a better future



FINANCIAL  
REVIEW  
REPORT  
2022

اللَّهُمَّ صَلِّ وَسَلِّمْ وَبَارِكْ عَلَى سَيِّدِنَا مُحَمَّدٍ



1. Client Services	3
2. Liquid Assets and Funding Resources	9
3. Risk Management	13
4. Financial Performance Summary	21
5. Governance and Control	27



# 1. Client Services

## Business Overview

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IsDB). Its authorized capital stands at USD 4 billion, of which USD 2 billion is available for subscription. Its shareholders consist of the IsDB, 55 member countries and five public financial institutions. Headquartered in Jeddah, ICD was established by the IsDB Board of Governors during its 24th annual meeting held in Jeddah in Rajab 1420H (November 1999).

ICD fosters sustainable economic growth in its 55 member countries by investing in private sector projects, mobilizing capital in the international financial markets, and providing advisory services to business and governments.

**ICD's activities are centered on four strategic focus areas:**

- To identify opportunities and initiatives in the private sector that could function as engines of growth;
- To provide a wide range of productive financial products and services for private sector development;
- To mobilize additional resources for the private sector in member countries, and;
- To encourage the development of Islamic financial and capital markets.

**ICD'S APPROVALS FOR THE YEAR TOTALLED USD 525.83 MILLION, MORE THAN DOUBLE LAST YEAR'S FIGURE (USD 243.60 MILLION).**

## Operations Overview

### 2022 Highlights

ICD's approvals for the year totalled USD 525.83 million, more than double last year's figure (USD 243.60 million). This reflects ICD's extending of lines of financing to partner financial institutions and investments in various projects addressing key global challenges such as energy access and food security. In terms of product breakdown, 2022 approvals consisted of line of finance (LoF) (66.16% share) and term finance (33.84% share), underpinned by a re-aligned approach to focus ICD's business model on credit financing.

By sector, 71.87% of new project approvals were earmarked for the finance sector, followed by energy (18.62%) and industry and mining (9.51%). In terms of regional distribution, 46.20% of project approvals were allocated to Sub-Saharan Africa, followed by Europe and Central Asia (34.79%), Asia (13.31%) and the Middle East and North Africa (MENA) (5.71%).

In terms of disbursements, the total distribution for the year – USD 310.53 million (2021: USD 208.71 million) – was mainly in high-impact sectors such as finance (80.23%), industry and mining (15.78%), transportation (3.22%) and energy (0.77%). Overall, the disbursement-to-approval ratio stood at 54.88% (2021: 85.68%).

**FIGURE 1.1**

PROJECT APPROVALS BY PRODUCT: 2022

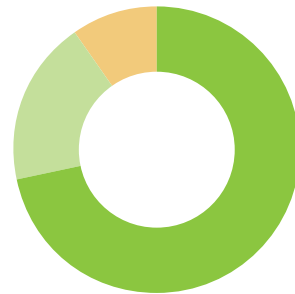
- LINE OF FINANCE **66.16%**
- TERM FINANCE **33.84%**



**FIGURE 1.2**

SECTORAL ALLOCATION OF PROJECT APPROVALS: 2022

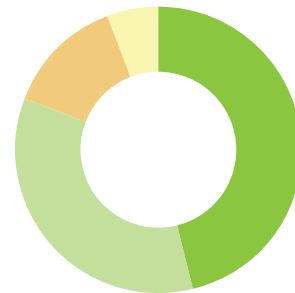
- FINANCE **71.87%**
- ENERGY **18.62%**
- INDUSTRY & MINING **9.51%**



**FIGURE 1.3**

PROJECT APPROVALS BY REGION: 2022

- SUB SAHARAN AFRICA **46.20%**
- EUROPE AND CENTRAL ASIA **34.79%**
- ASIA **13.31%**
- MENA **5.71%**



## Highlights since inception

Since ICD's establishment in 1999, it has approved 524 projects, valued at USD 7.61 billion. ICD approvals support a wide array of industries including finance, infrastructure, agriculture, manufacturing and energy, with investment operations active in 50 member countries.

### Our approvals include:

- 130 Line of Finance projects valued at USD 3.39 billion
- 233 Term Finance projects valued at USD 2.63 billion
- 146 Equity projects valued at USD 1.06 billion
- 15 Funds projects valued at USD 532.85 million

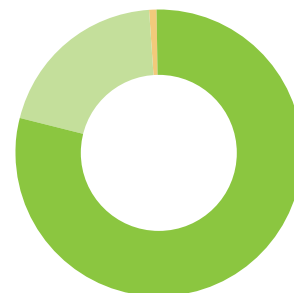
To date, 79.13% of approvals have been allocated to credit financing (term finance plus line of finance), followed by 13.87% in equity participation (institutional equity and corporate equity), and the remaining 7.00% in funds.

**SINCE ICD'S ESTABLISHMENT IN 1999, IT HAS APPROVED 524 PROJECTS, VALUED AT USD 7.61 BILLION.**

**FIGURE 1.4**

SECTORAL ALLOCATION OF DISBURSEMENTS: 2022

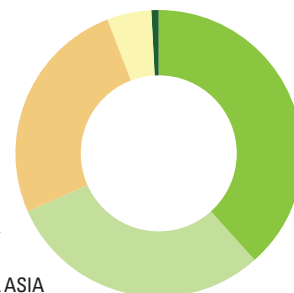
- LINE OF FINANCE **79.42%**
- TERM OF FINANCE **19.77%**
- NON-BANKING EQUITY **0.81%**



**FIGURE 1.5**

DISBURSEMENTS BY REGION: 2022

- ASIA **38.43%**
- SUB SAHARAN AFRICA **30.01%**
- EUROPE AND CENTRAL ASIA **25.79%**
- MENA **4.96%**
- GLOBAL **0.81%**



## ICD HAS DISBURSED A TOTAL OF APPROXIMATELY USD 4.07 BILLION SINCE INCEPTION.

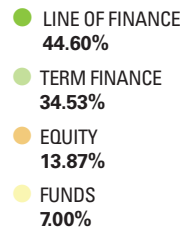
By far, the largest share of approvals since inception has been allocated to the finance sector (excluding funds) which is the intermediation of SME finance, representing 52.63% of gross approvals (more than USD 4.00 billion) to date. The industrial and mining sector takes up the second largest share (18.21%) with a gross approved amount of USD 1.39 billion. This is followed by funds with 6.97%, and energy, real estate, health and other social services, transportation, information and communication, and trade, accounting for 21.18% of gross approvals. The remaining USD 74.38 million, representing 0.98% of cumulative approvals, is allocated to three economic sectors: agriculture, education, and water, sanitation and waste management.

Our approvals also reflect our wide geographic reach. By the end of 2022, ICD investment operations covered 50 member countries, in addition to a number of regional and global-level projects spanning several economies. The Middle East and North Africa (MENA) region accounts for 27.71% of gross approvals, followed by Europe and Central Asia (ECA) with 21.76%, Sub-Saharan Africa (SSA) with 20.08%, and the Asia region with 15.32%. The share of regional/global projects covering several countries across different regions represents 15.13% of gross approvals.

ICD has disbursed a total of approximately USD 4.07 billion since inception. Disbursements vary according to product, with line of finance and term finance projects accounting for the largest proportion (43.21% and 35.20%, respectively). Equity operations accounted for 14.62%, followed by funds at 6.97%.

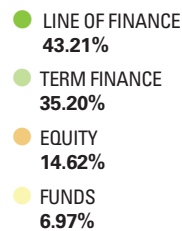
**FIGURE 1.6**

TOTAL PROJECT APPROVALS BY PRODUCT SINCE INCEPTION

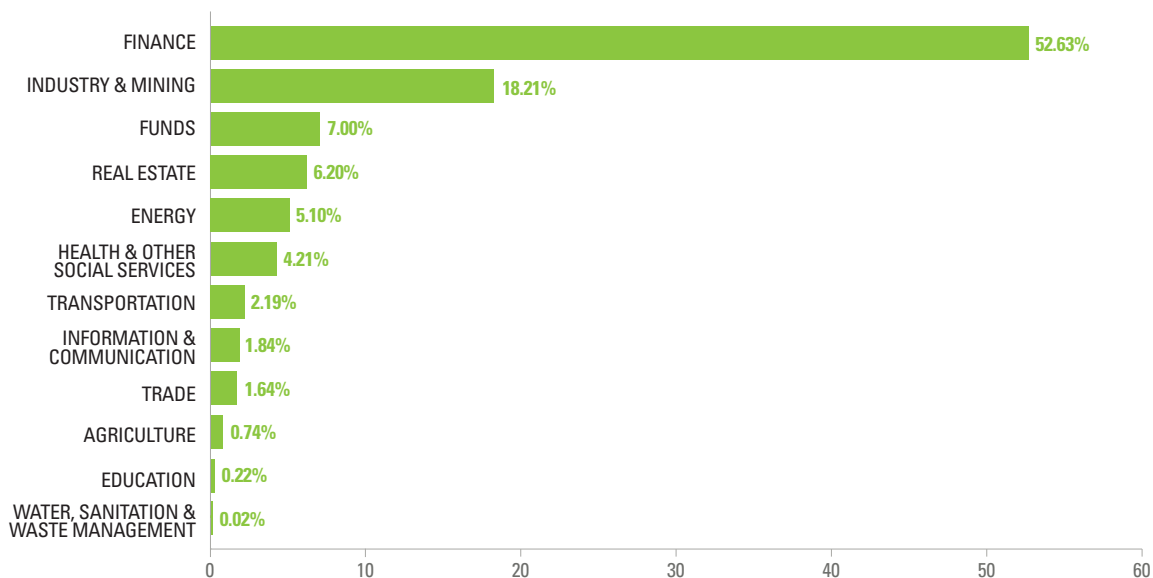


**FIGURE 1.7**

TOTAL DISBURSEMENTS BY PRODUCT SINCE INCEPTION





**FIGURE 1.8****TOTAL PROJECT APPROVALS BY SECTOR SINCE INCEPTION**

**BY FAR, THE LARGEST SHARE OF APPROVALS SINCE INCEPTION HAS BEEN ALLOCATED TO THE FINANCE SECTOR (EXCLUDING FUNDS) WHICH IS THE INTERMEDIATION OF SME FINANCE, REPRESENTING 52.35% OF GROSS APPROVALS (MORE THAN USD 4.00 BILLION) TO DATE.**



## 2. Liquid Assets and Funding Resources

### Liquid Assets

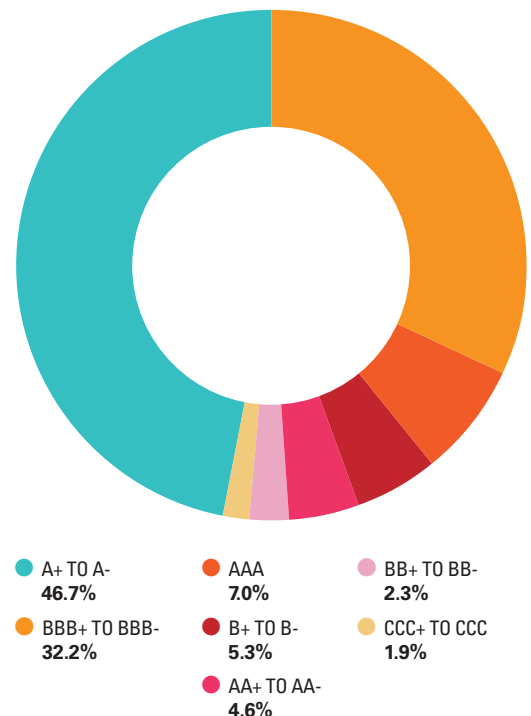
ICD invests its liquid asset resources across a diversified portfolio of high-quality investments in Shari'ah compliant fixed and floating rate products. These products include short-term money market placements with highly rated financial institutions, participation in syndicated financing, and investment in Sukuk issued by rated financial institutions, governments/government agencies and high-quality corporate issuers.

ICD manages the market risk associated with these investments through active balance sheet and asset-liability management and via appropriate Shari'ah compliant hedging products such as Islamic FX forward, Islamic Cross Currency Swap and Islamic Profit Rate Swap.

ICD invests a significant portion of its liquidity in high credit-quality instruments with 90.5% of its liquid portfolio deployed in investment grade assets.

**FIGURE 2.1**

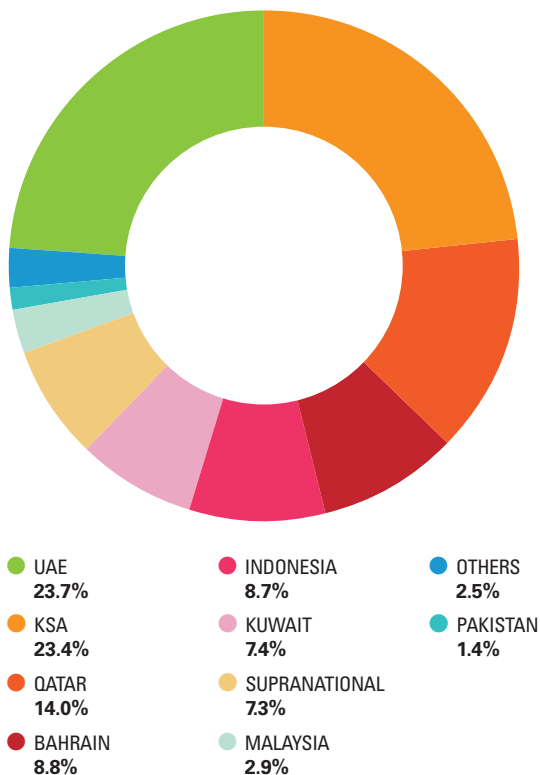
**RATING PROFILE OF THE LIQUIDITY PORTFOLIO**  
(includes cash and active placements and sukuk investments)



ICD has a geographically diversified liquid asset portfolio with liquidity deployed across 15 countries.

**FIGURE 2.2**

**GEOGRAPHIC BREAKDOWN OF THE LIQUIDITY PORTFOLIO**  
(Includes Cash And Active Placements And Sukuk Investments)



## Funding

The primary sources of ICD’s funding are Sukuk issuances and bank financing. As at 31 December 2022, ICD had two Sukuks totalling USD 700.0 million outstanding. The first is a private placement Sukuk of USD 100.0 million maturing in March 2025 and the second is a public Sukuk issuance of USD 600.0 million maturing in October 2025.

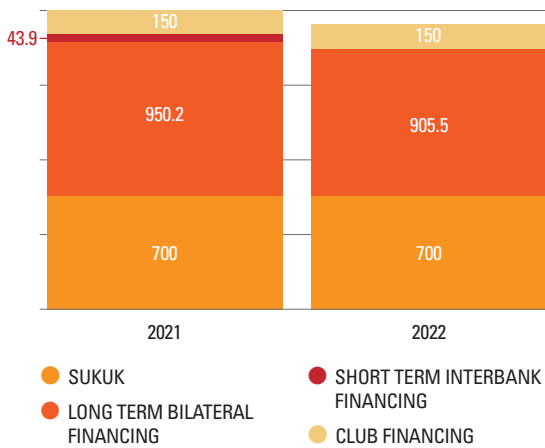
ICD has long-term bilateral financing amounting to USD 905.5 million and a club financing of USD 150.0 million. These financing facilities have been secured from banks operating in different geographical regions and have original maturities varying from three to seven years.

In order to maintain a matched asset and liability profile, ICD typically seeks funding in its functional currency – U.S. Dollar and swaps the proceeds to other currencies as required by business units to manage the exchange rate risks. ICD also borrows in other currencies such as EUR where it is deemed appropriate to support ICD’s intervention activities.

**IN ORDER TO MAINTAIN A MATCHED ASSET AND LIABILITY PROFILE, ICD TYPICALLY SEEKS FUNDING IN ITS FUNCTIONAL CURRENCY – U.S. DOLLAR AND SWAPS THE PROCEEDS TO OTHER CURRENCIES AS REQUIRED BY BUSINESS UNITS TO MANAGE THE EXCHANGE RATE RISKS.**

**FIGURE 2.3**

FUNDING SOURCES (USD MILLIONS)



**IN 2023, ICD IS LOOKING INTO DIVERSIFYING ITS FUNDING SOLUTIONS TO INCLUDE STANDBY FACILITIES, INTERBANK FACILITIES, CLUB/SYNDICATED FINANCING FACILITIES AND REPURCHASE AGREEMENTS.**

## Funding Activities in 2022

ICD successfully raised EUR 90.0 million from a bilateral financing facility in 2022 to meet EUR operational requirements.

In 2023, ICD is looking into diversifying its funding solutions to include standby facilities, interbank facilities, club/syndicated financing facilities and repurchase agreements. This is in addition to the existing products that ICD has utilized which include bilateral facilities, public and private placement Sukuks.

Due to growing requirements, ICD will also explore the possibility of raising financing in local currencies, either through local currency Sukuk issuances or bilateral financings, to support the growth and economic development of the private sector in its member countries.



# 3. Risk Management

In carrying out its development mandate, ICD is exposed to a variety of risks, including financial, integrity, and operational risks. The primary objective of ICD's risk management framework is to identify, measure, monitor, and control these risks. The framework comprises risk governance, policies, methodologies, and processes.

## Risk Governance

The Board of Directors and Board Committees provide the highest level of oversight on the major risks in ICD's operations. ICD's Management Committee, under the Chairman of the CEO and GM, oversees corporate-wide risk issues and endorses all risk policies and guidelines for approval by the CEO and Board of Directors. The Investment Committee is the highest decision-making body for all investment decisions within ICD, covering new and existing transactions as well as workouts. The Asset and Liability Committee oversees the risks in ICD's balance sheet as well as in liquid asset management and funding operations. The Equity Monitoring Committee focuses on the monitoring, valuation and reporting (including performance measurement/analysis) of the equity investments and funds portfolio.

**THE PRIMARY OBJECTIVE OF ICD'S RISK MANAGEMENT FRAMEWORK IS TO IDENTIFY, MEASURE, MONITOR AND CONTROL THESE RISKS. THE FRAMEWORK COMPRISES RISK GOVERNANCE, POLICIES, METHODOLOGIES, AND PROCESSES.**

## Risk Policies and Guidelines

The Risk Management Department is responsible for developing and maintaining ICD's risk policies and guidelines. The Board of Directors approves all risk policies following endorsement by various board and management committees, including the Audit, Risk and Compliance Committee of the Board, Management Committee, Policy and Procedures Working Group, and ALCO. The key risk policies and guidelines are summarized as follows:

- **Capital Adequacy Policy**

Prudential minimum level of capital is required to cover all risk assets in ICD's operations. ICD's capital adequacy ratio is defined as total members equity (paid-in capital plus reserves) divided by risk-weighted assets. The policy requires ICD to maintain this ratio at 35% or higher. The table below provides the breakdown of ICD's risk-weighted assets and capital adequacy ratio (36.1%) at year-end 2022.

**TABLE 3.1**  
ICD'S RISK-WEIGHTED ASSETS AND CAPITAL ADEQUACY RATIO AT YEAR-END 2022 (USD MILLION)

Asset Class	Exposure (USD million)	Risk Weighted Assets
Equity Investment	346.6	883.2
Term financing	906.7	1,580.6
Liquid Funds	1,760.9	561.3
Total Risk Weighted Assets (TRWA)		3,025.2
ICD's Members Equity (E)		1,093.3
<b>Capital Adequacy Ratio (E/ TRWA)</b>		<b>36.1%</b>

- **Liquidity Policy**

A prudential minimum liquidity equivalent to a one-year net cash requirement under stress is to be maintained at all times to ensure that ICD can meet all its financial obligations without additional funding over the next 12 months. The net cash requirement is defined as cash inflows (repayments, capital payments, and net income) minus cash outflows (disbursements and redemption).

- **Treasury Risk Management Policy**

All treasury investments and borrowings are to be undertaken in accordance with the provisions of this policy, which set prudential limits on market risk, credit risk, concentration risk, and liquidity risk. The key metric for market risk is duration, which is capped at three years. Also, ICD is required to maintain the average credit rating of the liquidity portfolio at A-/A3.

- **Asset and Liability Management Policy**

The policy's matched funding principle requires ICD to match the currency and profit rate of its assets and liabilities. Accordingly, ICD funds its floating rate assets with floating rate liabilities and vice versa for fixed rate assets. ICD funds its equity investments strictly using equity capital. To ensure flexibility in its funding operations, ICD uses derivatives on a fully hedged basis to convert the currency and mark up basis of its liabilities to match those of its assets. According to the ALM policy, ICD's equity capital shall be prioritized to fund (i) equity investments; and (ii) liquid assets in the core liquidity portfolio.



## ICD USES AN INTERNALLY DEVELOPED CREDIT RATING METHODOLOGY THAT IS BROADLY ALIGNED WITH THAT OF THE MAJOR INTERNATIONAL RATING AGENCIES.

- Credit Risk Exposure Management Policy**  
 Credit and concentration risks are managed through a variety of strategic and prudential limits, including on asset class, country, sector, single obligor, and group company.
- Anti-Money Laundering and Countering Terrorist Financing Policy**  
 ICD manages the risk of being used as a conduit for money laundering and terrorist financing activities by establishing the essential standards and implementing safeguards designed to prevent such activities. The policy is implemented across all business operations of ICD. A number of processes have been implemented in this regard including obtaining and reviewing KYC information from the counterparty ICD consults and coordinates with the IsDB Group Compliance Office regarding any issues related to AML, KYC and integrity.

that is broadly aligned with that of the major international rating agencies. The methodology comprises four templates for rating exposures to sovereign, corporate, financial institution, and project finance. ICD's internal credit rating scale comprises 21 categories that are mapped to those of international rating agencies. ICD manages three principal sources of credit risk: (i) Line of Finance; (ii) Term Finance; and (iii) Financial Institution transactions relating to liquidity and asset and liability management activities. These risks are managed within an integrated framework of Risk Assessment Guidelines encompassing Project Finance, Corporate Finance, Financial Institutions, and the Investment Guidelines. The table below provides the major credit and equity risks in ICD's operations.

## Credit and Equity Risk

Credit risk is the risk of loss if a borrower or counterparty fails to fulfill its financial obligations to ICD. Equity risk is the risk of loss arising from changes in market price or fair valuation of ICD's equity investments. Such valuation is sensitive to a variety of factors, including macroeconomic developments, management performance, demand/supply dynamic, political risk, market risk, and exchange rate movements. ICD is required to assign an internal credit rating to each financing transaction as well as to each treasury counterparty when a public rating from one of the major international rating agencies is not available. ICD uses an internally developed credit rating methodology

**TABLE 3.2**  
 ICD'S CREDIT & EQUITY RISK EXPOSURES AT YEAR-END 2022  
 (USD MILLION)

Transaction Type	Exposure (USD million)	% Total Exposure
Line of Financing	461.0	15.5%
Term Financing	413.5	13.9%
Liquidity	1,760.9	59.1%
Sub-total: Credit Risk Exposure	2,635.3	88.4%
Equity Investments	279.5	9.4%
Funds	67.1	2.2%
Sub-total: Equity Risk Exposure	346.6	11.6%
<b>Total</b>	<b>2,981.9</b>	<b>100.0%</b>

**FOLLOWING ICD'S CONCEPT REVIEW CLEARANCE, DETAILED DUE DILIGENCE IS UNDERTAKEN AND THE RESULTS ARE PRESENTED TO THE INVESTMENT COMMITTEE FOR FINAL REVIEW.**

## Credit and Equity Risks in the Operations Portfolio

All new financing and equity investment transactions are subject to ICD's Credit Approval Process, which entails two rounds of review involving the Risk Management team and investment committee (IC): Concept Review and Final Review. At the Concept Review stage, the primary objective of the assessment is to ensure that the transaction generally complies with ICD's developmental, operational, financial, integrity, and risk management strategies and principles. Following ICD's concept review clearance, detailed due diligence is undertaken and the results are presented to the investment committee for final review. All transactions exceeding USD 30.0 million (up to USD 50.0 million) are submitted to the Chairman of the Board for approval.

Following approval, monitoring of exposures is undertaken in accordance with ICD's Credit Administration and Monitoring Process. The responsibility for monitoring transactions rests with the operations department with oversight by the Risk Management team and IC. In this review, ICD assesses the implementation progress, development impact, and key risk factors as well as updates the credit rating, equity valuation, and provisions as appropriate.

The tables opposite provide detailed information on credit risk in the operations portfolio by country, sector, and risk rating category.

**TABLE 3.3**  
CREDIT RISK IN OPERATIONS PORTFOLIO BY COUNTRY AS OF YEAR-END 2022 (USD MILLION)

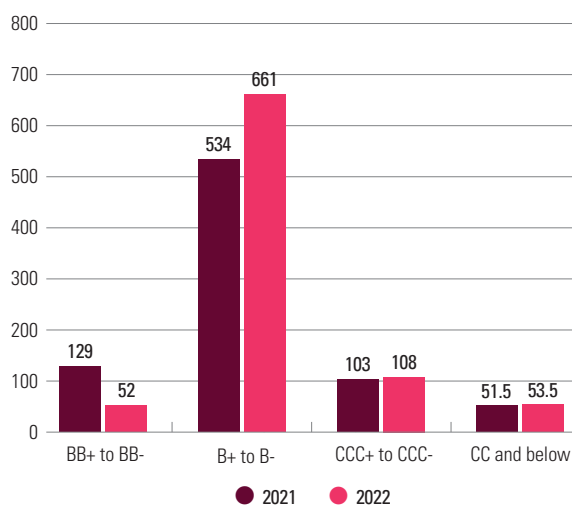
Country	Exposure (USD million)	% of total ICD exposure
Bangladesh	140.0	11.5%
Senegal	133.1	10.9%
Malaysia	129.7	10.6%
Uzbekistan	102.3	8.4%
Pakistan	64.8	5.3%
Saudi Arabia	62.6	5.1%
Egypt	51.7	4.2%
Kuwait	47.2	3.9%
Mauritania	47.1	3.9%
Côte d'Ivoire	45.2	3.7%
Nigeria	40.2	3.3%
Tunisia	33.0	2.7%
Maldives	32.9	2.7%
Burkina Faso	30.4	2.5%
Türkiye	29.8	2.4%
Cameroon	26.4	2.2%
Jordan	22.9	1.9%
Mali	18.6	1.5%
Regional	53.1	4.4%
Other	109.9	9.0%
<b>Grand Total</b>	<b>1,221.0</b>	<b>100.0%</b>

**TABLE 3.4**  
EQUITY INVESTMENTS BY SECTOR AS OF YEAR-END 2022  
(USD MILLION)

Sector	Exposure	% Total Exposure
Financial Institution	218.1	62.9%
Fund	67.1	19.3%
Real Estate	39.5	11.4%
Industry & Mining	7.3	2.1%
Building Materials	3.3	1.0%
Agriculture	2.5	0.7%
Other	8.8	2.6%
<b>Grand Total</b>	<b>346.6</b>	<b>100.0%</b>

**FIGURE 3.1**

CREDIT RISK IN FINANCING PORTFOLIO BY RATING CATEGORY



### Financing portfolio

ICD's financing portfolio totaled USD 874.4 million at YE-2022 comprising line of finance (52.7%) and term finance (47.3%) transactions. The Weighted Average Risk Rating (WARR) of the financing portfolio stood at B/B2 at year-end 2022.

### Direct equity investment portfolio

The direct equity investment portfolio totaled USD 346.6 million at YE-2022 comprising 34 transactions in various sectors including financial institutions (82.2%), real estate (11.4%), industrial (2.1%), building materials (1.0%), agriculture (0.7%), and others (2.6%).

### Fund investment portfolio

The fund investment portfolio totaled USD 67.1 million at year-end 2022 comprising of mainly ICD Asset Management Labuan (USD 32.4 million), ICD Money Market Fund Labuan (USD 24.8 million), Islamic Banking Growth Fund (USD 5.4 million), Theemar Investment Fund (USD 3.9 million), and Saudi SME Fund (USD 0.6 million).

### Credit Risk in Treasury Operations

ICD invests funds held in its liquidity portfolio in accordance with the primary objective of safety and liquidity. The size of the liquidity portfolio was USD 1,768 million at YE 2022 comprising, cash (0.93%), placements (10.31%) and Sukuk (88.76%). The weighted average risk rating of the liquidity portfolio was 'A-' at YE 2022, in line with the approved treasury risk management policy. The table opposite provide detailed information on ICD's liquidity portfolio at YE 2022 by country.

Single counterparty exposure limit covering Sukuk investments, money market placements, FX and derivative transactions, is set at the lower of 10% of ICD's expected liquidity portfolio, 20% of the counterpart's capital, or 12.5% of ICD total equity for A- or better rated counterparts. For BBB+ to BBB- rated counterparts the lower of 7.5% of ICD's expected liquidity portfolio, 20% of the counterpart's capital, or 8.5% of ICD total equity.

**TABLE 3.5**

ICD'S LIQUIDITY PORTFOLIO BY COUNTRY AS OF YEAR-END 2022 (USD MILLION)

Country	Amount	%
United Arab Emirates	409.1	26.4%
Saudi Arabia	341.5	22.1%
Indonesia	150.0	9.7%
Bahrain	146.0	9.4%
Qatar	133.5	8.6%
Kuwait	127.5	8.2%
Supra	126.1	8.2%
Malaysia	50.0	3.2%
Pakistan	25.0	1.6%
Senegal	18.6	1.2%
Maldives	10.4	0.7%
Mali	8.0	0.5%
Côte d'Ivoire	1.0	0.1%
Others	63.0	4.1%
<b>Grand Total</b>	<b>1,546.7</b>	<b>100.0%</b>

### Credit Risk in Derivatives

As of YE 2022G, outstanding Shari'ah compliant derivative transactions, including foreign exchange forward, profit rate swaps, and profit rate cross currency swaps totaled USD 314.2 million.

In line with the ALM policy, which indicates that these transactions shall be undertaken to hedge exchange rate and profit rate risks in ICD's assets and liabilities. The market counterparties for these transactions include: CIMB Islamic, Credit Agricole, Emirates NBD, and HSBC.

**MARKET RISK RELATES TO THE POTENTIAL LOSS ON ICD'S RISK EXPOSURES ARISING FROM MOVEMENTS IN MARKET PRICES OR CHANGES IN FAIR VALUATION.**



## Market Risk

Market risk relates to the potential loss on ICD's risk exposures arising from movements in market prices or changes in fair valuation. The major sources of market risk in ICD's operations include mark-up rate risk, exchange rate risk, and equity risk. The Board approved Asset and Liability Management policy requires that ICD follow the matched-funding principle in managing its assets and liabilities. Thus, ICD ensures that the market rate basis and currencies of all debt-funded assets match those of the underlying liabilities. In addition, the policy does

not allow any open currency position in ICD's balance sheet. The matched funding principle ensures that ICD's income spread remains largely constant regardless of market rate and exchange rate movements. The entire term finance portfolio and debt-funded liquidity portfolios are currently in compliance with the matched-funding principle.

The major source of market risk in ICD's treasury portfolio relates mainly to those liquid assets funded by equity funds. ICD manages such market rate risk by establishing conservative duration limit of three years.

4



## 4. Financial Performance Summary

ICD reported a net profit of USD 11.93 million in 2022, as compared to USD 8.61 million recorded for the year ended 31 December 2021. The profit was mainly driven by the revenue from the

core financing operations of Installment sales, Murabaha Financing and Ijarah Financing which were higher than the 2021 level as shown in the table below.

**TABLE 4.1**  
ICD'S LIQUIDITY PORTFOLIO BY COUNTRY AS OF YEAR-END 2022 (USD MILLION)

Income:	2021	2022	Change	Change
Investment income:	USD million	USD million	USD million	%
Commodity placements	4.55	5.37	0.82	18.02%
Sukuk	21.76	36.85	15.09	69.35%
Financing Assets	32.08	36.51	4.43	13.81%
Equity Investments	11.28	3.39	(7.89)	(0.70)
Other Income	10.70	18.77	8.07	75.42%
<b>Total Income</b>	<b>80.37</b>	<b>100.89</b>	<b>20.52</b>	<b>25.53%</b>
Funding Costs	(29.87)	(40.83)	(10.96)	36.69%
<b>Net Operating Income</b>	<b>50.50</b>	<b>60.06</b>	<b>9.56</b>	<b>18.93%</b>
<b>Operating Costs</b>	<b>(46.00)</b>	<b>(42.67)</b>	<b>3.33</b>	<b>7.24%</b>
<b>Net income before impairment</b>	<b>4.50</b>	<b>17.39</b>	<b>12.89</b>	<b>286.44%</b>
Impairment(loss/reversals)	4.11	(5.46)	(9.57)	(232.85)
<b>Net Profit</b>	<b>8.61</b>	<b>11.93</b>	<b>3.32</b>	<b>38.56%</b>

The tables below highlight the five-year Statement of Income and Statement of financial position from 2018 to 2022.

**TABLE 4.2**  
FIVE-YEAR STATEMENT OF INCOME

Statement of Income	USD million				
Income:	2018	2019	2020	2021	2022
<b>Investment income:</b>					
Commodity placements	13.69	15.73	7.40	4.55	5.37
Income from Sukuk	12.24	49.09	66.41	21.76	36.85
Financing Assets	53.95	52.74	35.86	32.08	36.51
Equity Investments	(241.96)	(107.19)	(18.31)	11.28	3.39
Other Income	17.93	9.91	6.67	10.70	18.77
<b>Total Income</b>	<b>(144.15)</b>	<b>20.28</b>	<b>98.03</b>	<b>80.37</b>	<b>100.89</b>
Funding Costs	(58.19)	(57.68)	(38.05)	(29.87)	(40.83)
Net Operating Income	(202.34)	(37.40)	59.98	50.50	60.06
Operating Costs	(43.92)	(53.56)	(47.35)	(46.00)	(42.67)
<b>Net income before impairment</b>	<b>(246.26)</b>	<b>(90.96)</b>	<b>12.63</b>	<b>4.50</b>	<b>17.39</b>
Impairment(loss)/reversals	(79.33)	(14.89)	(27.86)	4.11	(5.46)
<b>Net income</b>	<b>(325.59)</b>	<b>(105.85)</b>	<b>(15.23)</b>	<b>8.61</b>	<b>11.93</b>



**TABLE 4.3**  
STATEMENT OF FINANCIAL POSITION FROM 2018-2022

Statement of Income	USD million				
Income:	2018	2019	2020	2021	2022
<b>Assets:</b>					
Treasury Assets	1,531.39	1,180.84	2,189.01	1,897.89	1,723.20
Financing Assets	988.19	909.38	707.27	664.53	780.85
Investment in equity capital	462.28	349.12	322.13	359.27	346.56
Other Assets	88.97	89.75	49.42	39.19	31.96
<b>Total Assets</b>	<b>3,070.83</b>	<b>2,529.09</b>	<b>3,267.83</b>	<b>2,960.88</b>	<b>2,882.57</b>
<b>Liabilities and Member's Equity</b>					
<b>Liabilities:</b>					
Other Liabilities	47.29	80.23	108.73	80.95	30.16
Sukuk & Wakala Funding	2,019.55	1,481.97	2,163.65	1,800.58	1759.13
<b>Total Liabilities</b>	<b>2,066.84</b>	<b>1,562.20</b>	<b>2,272.38</b>	<b>1,881.53</b>	<b>1,789.29</b>
<b>Total member's equity</b>	<b>1,003.99</b>	<b>966.89</b>	<b>995.45</b>	<b>1,079.35</b>	<b>1093.28</b>
<b>Total liabilities and member's equity</b>	<b>3,070.83</b>	<b>2,529.09</b>	<b>3,267.83</b>	<b>2,960.88</b>	<b>2,882.57</b>

## Reserve against losses on financing facilities

ICD considers a financing facility as impaired when, based on current information and events, it is probable that ICD will be unable to collect all amounts due according to the facility's contractual terms. The reserve against losses for impaired financing facilities reflects management's judgment of the present value of expected future cash flows discounted at the effective profit rate of the financing asset.

The assessment of the adequacy of reserves against financing assets is highly dependent on management's judgment about factors such as its assessment of the financial capacity of counter parties, geographical concentration, industry, regional and macroeconomic conditions, and historical trends. The reserve against losses is calculated for each mode of financing and deducted from the relevant asset category in the Statement of Financial Position. Increases or decreases in the reserve level are reported in the income statement as impairment allowance for financing assets.

## — THE INCREASE IN AVERAGE FINANCING PORTFOLIO VOLUME AND THE INCREASE IN RATES ACCOUNTED FOR THE INCREASE IN REVENUE.

## 2022 Versus 2021

### Net Income

ICD reported a net operating income of USD 60.06 million in 2022 as compared USD 50.50 million recorded in 2021. The increase in income from Sukuk by USD 15.09 million and net increase in other income by USD 8.07 million explains the increase in total income in 2022. A more detailed analysis of the components of ICD's net income follows:

### Commodity placements with banks and other institutions

ICD earned USD 5.37 million in commodity placement revenue in 2022 as compared to USD 4.55 million in 2021 representing an increase of 18.02%. This was due to an increase in the average placement portfolio in 2022 coupled with an increase in rates.

### Income from sukuk

Investment in Sukuk decreased to USD 1,524.50 million in 2022 from USD 1,536.40 million in 2021. However, revenue increased from USD 21.76 million in 2021 to USD 36.85 million in 2022. This was mainly due to the impact of valuation loss on last year's revenue.

### Income from equity investments

Income from equity investment portfolio decreased from by USD 7.89 million from USD 11.28 million in 2021 to USD 3.39 million. The decrease is mainly due to the change in policy, equity valuation results are passed through fair value reserves except for declines in fair values of more than 30% which are considered as impairment and charged to the income statement.

### Income from financing assets

Income from financing assets increase by 13.81% from USD32.08 million in 2021 to USD 36.85 million in 2022. The increase in average financing portfolio volume and the increase in rates accounted for the increase in revenue.

## Other income

This represents revenue from advisory fees, financing arrangement fees, management and other fees and gain or loss on derivatives net of forex. The total of other income recorded an increase of 75.42%. The main contributor to this is the reversal of an accrual no longer required. There was a decrease in both revenue from advisory fees (due to less mandates being executed during the year) and mudarib fees (due to the under-performance of funds under management)

## Provision for losses on term finance, other receivables and equity

Provision for the losses on term finance, other receivables and equity have increased by 232.60% from positive USD 4.11 million in 2021 to negative USD 5.45 million in 2022 mainly due to relatively higher ECL portfolio base and the inclusion of sukuk and equity impairments.

## Financing charges

ICD's funding costs for 2022 increased by 36.36% as compared to 2021 (USD 40.83 million in 2022 vs USD 29.87 million in 2021). The increase was mainly due to periodic rate hikes in 2022.

**ICD REPORTED A NET OPERATING INCOME OF USD 60.06 MILLION IN 2022 AS COMPARED USD 50.50 MILLION RECORDED IN 2021.**

## Operating expenses

Overall expenses decreased by 7.24% from USD 46.00 million in 2021 to USD 42.67 million in 2022. This decrease is mainly due to savings in staff costs due to some positions not being filled and savings in several general admin costs elements during the year.

## Balance sheet

Total assets decreased by 3.65% from USD2.96 billion at the end of 2021 to USD 2.88 billion at the end of the current period. This decrease is attributed to the settlement of certain Wakala borrowings during the period and the impact of the sukuk and equity valuation losses.



# 5. Governance and Control

## Senior Management Changes

As part of ICD's realigned organizational structure and new hiring, the following changes took place in ICD's Senior and Middle Management in the course of 2022:

- 1 **Mr. Nourredine Lafhel** joined ICD as the Director of Risk Management on 08/05/2022.
- 2 **Mr. Samer Babelli** joined ICD as the Director of Finance on 11/09/2022.
- 3 **Mr. Hussam Abuaisheh** joined ICD as Director of Internal Audit on 12/12/2022.
- 4 **Mr. Omar Hashem** was appointed as the Director of Corporate Services & Digitalization and Acting Director of Human Resources effective from 21/12/2022.
- 5 **Mr. Tahir Naseem** was appointed as the Director of Legal and Compliance effective from 21/12/2022.
- 6 **Mr. Osman Buyukmutlu** was appointed as the Director of Strategy effective from 21/12/2022.
- 7 **Mr. Mohammad Asheque Moyeed** was appointed as the Acting Director of the Banking Department effective from 21/12/2022.
- 8 **Mr. Aamir Husain Khan** was appointed as the Director of Equity effective from 21/12/2022.
- 9 **Mr. Mohammed Alyami** was appointed as the Director of the Development Effectiveness Office effective from 21/12/2022.
- 10 **Mr. Abdullah Khatib** was appointed as the Advisor to the CEO under the CEO Executive Office effective from 21/12/2022.
- 11 **Mr. Hamza Boukili** was appointed as the Division Head of Partnerships under the CEO Executive Office effective from 21/12/2022.
- 12 **Mr. Nabil El Alami** was appointed as the Division Head of Communication and Outreach under the CEO Executive Office effective from 21/12/2022.
- 13 **Mr. Aboubaker IIsafy** was appointed as the Unit Head of Corporate Secretariat under the CEO Executive Office effective from 21/12/2022.
- 14 **Mr. Muhammad Al-Bashir Muhammad Al-Amine** was appointed as the Advisor to the CEO on Shariah Matters under the CEO Executive Office effective from 21/12/2022.

## THE GENERAL ASSEMBLY IS THE HIGHEST DECISION-MAKING AUTHORITY. EACH MEMBER IS REPRESENTED AT THE GENERAL ASSEMBLY BY AN APPOINTED REPRESENTATIVE.

### General Assembly

The General Assembly is the highest decision-making authority. Each member is represented at the General Assembly by an appointed representative. The main function of the General Assembly is to lay down the policies governing the work and general supervision of ICD. It may delegate authority to the Board of Directors to exercise any of its powers, except those reserved to the General Assembly under the Articles of Agreement.

### Board of Directors (BOD)

The BOD is mainly responsible for the adoption of policies, the operations strategy, budget, and general conduct of ICD operations within the powers delegated to it by the General Assembly. The Board consists of ten members (including the Chairman) and is chaired by the President of the IsDB Group. Other members include: the representatives of IsDB, member country groups from Africa, Asia, and Arab Asia, public financial institutions and a permanent member from Saudi Arabia (representing the largest shareholder after IsDB).

In accordance with the Articles of Agreement, the BOD shall meet when the business of the corporation requires, and a majority of the members of the Board shall constitute a quorum for any meeting, provided that such majority represents at least two-thirds of the total voting powers of the members. A special meeting may also be called at any time by the Chairman or at the request of three members of the Board.

Members of the BOD appointed by IsDB shall have the votes of the IsDB divided equally among them, and each member of the BOD is entitled to cast a number of votes equivalent to the number of votes which were counted towards his or her election, and which the electing members of ICD were entitled to.

The BOD is authorized as per the corporation's by-laws to exercise all the powers of the corporation, with the exception of the powers reserved to the General Assembly, as well as establishing conditions and procedures pursuant to which the Chairman of the Board may submit various types of matters under an expedited procedure.

#### Board of Directors as of end 2022

- 1 H.E. Dr. Muhammad Al Jasser  
(Chairman of the Board)
- 2 H.E. Dr. Hamad Suleiman Al Bazai
- 3 H.E. Ismail Ali Manik
- 4 Hon. Dr. Rami Ahmad
- 5 Hon. Dr. Mahmoud Isa-Dutse
- 6 Hon. Wesam Jasem Al Othman
- 7 Hon. Moufida Jaballah Srarfi
- 8 Hon. Dr. Fahad M. Alturki
- 9 Hon. Abdulrahman Abdullah Alsakran
- 10 Hon. Dr. Nada Massoud

## Executive Committee

The BOD appoints an Executive Committee (EC) from its members that serves as a fast-track decision-making body. The EC has the power to approve all financing and investment operations, review the performance of existing investments and financing operations and ensuring their alignment with ICD's developmental mandate, review ICD's progress in achieving its development effectiveness mandate, review and recommend ICD's Business Plans, review and recommend the annual budget of ICD in addition to other powers delegated to the EC by the Board.

The EC is composed of up to six members, of which two seats are allocated permanently to the Chairman of the Board and the representative from the member country holding the largest number of shares in ICD (Saudi Arabia), respectively. The EC members are rotated on a yearly basis, enabling all Board members the opportunity to serve on the committee.

### Executive Committee Members of the Board as of end 2022

- 1 H.E. Dr. Muhammad Al Jasser  
(Chairman of ICD Board of Directors)
- 2 Hon. Dr. Fahad M. Alturki
- 3 Hon. Dr. Nada Massoud
- 4 Hon. Abdulrahman Abdullah Alsakran
- 5 Hon. Moufida Jaballah Srarfi

## Nomination & Remuneration Committee

The purpose of the Nomination & Remuneration Committee (NRC) is to assist the BOD in fulfilling its oversight responsibilities regarding remuneration and human resources matters. The NRC is composed of four members including one independent member with relevant expertise and education in Human Resources Management. The membership of the NRC is based on annual rotation of the members of the BOD.

### Nomination & Remuneration Committee of the Board as of end 2022

- 1 H.E. Ismail Ali Manik
- 2 H.E. Dr. Hamad Suleiman Al Bazai
- 3 Hon. Dr. Rami Ahmad





## IN 2012, THE ICD SHARI'AH BOARD WAS SUBSUMED WITHIN THAT OF ISDB, FORMING THE ISDB GROUP SHARI'AH BOARD.

### Audit, Risk & Compliance Committee

The BOD appoints an Audit, Risk & Compliance Committee (ARCC) from among its members for a three-year term. The Committee has oversight responsibilities over the ICD Audit, Risk and Compliance functions, and it reports its findings to the BOD. ARCC is composed of four members: three members from the appointed members of the Board, and one independent expert member appointed by the BOD. The members of the committee serve for the full three years commensurate with their term on the BOD.

#### Board Audit, Risk & Compliance Committee as of end 2022

- 1 Hon. Dr. Fahad M. Alturki  
(Chairman)
- 2 Hon. Dr. Mahmoud Isa-Dutse
- 3 Hon. Wesam Jasem Al Othman
- 4 Hon. Saleh Mugbel Al Khalaf  
(Independent Expert Member)

### The Chief Executive Officer

The CEO, under the general supervision of the Chairman of the Board of Directors, conducts the day-to-day business of ICD. The CEO is also responsible for the appointment of officers and staff of the Corporation. To the extent that he is authorized by the BOD, the CEO approves ICD's financing and investment. The BOD appointed Eng. Hani Sonbol as the Acting Chief Executive Officer of ICD on 16/02/1444H (12/09/2022).

### IsDB Group Shari'ah Board

In 2012, the ICD Shari'ah Board was subsumed within that of IsDB, forming the IsDB Group Shari'ah Board. The Board is responsible for advising the IsDB Group on the Shari'ah compliance of its products and transactions. The Board consists of the following eminent scholars:

#### IsDB Group Shari'ah Board as of end 2022

- 1 Shaikh Mohamad Taqi Alosmni
- 2 Shaikh Abdulla Bin Manei'a
- 3 Dr. Mohammed Alroki
- 4 Dr. Mohammad Alshafe'e
- 5 Dr. Bashir Aliyu Umar
- 6 Dr. Osaid Kailani
- 7 Dr. Koutoub Moustapha Sano

## ICD Financial Review

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