CREDIT OPINION

19 August 2024

Update

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RATINGS

ICD

	Rating	Outlook
Long-term Issuer	A2	Stable
Short-term Issuer	P-1	--

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Islamic Corporation for the Development of the Private Sector – A2 Stable

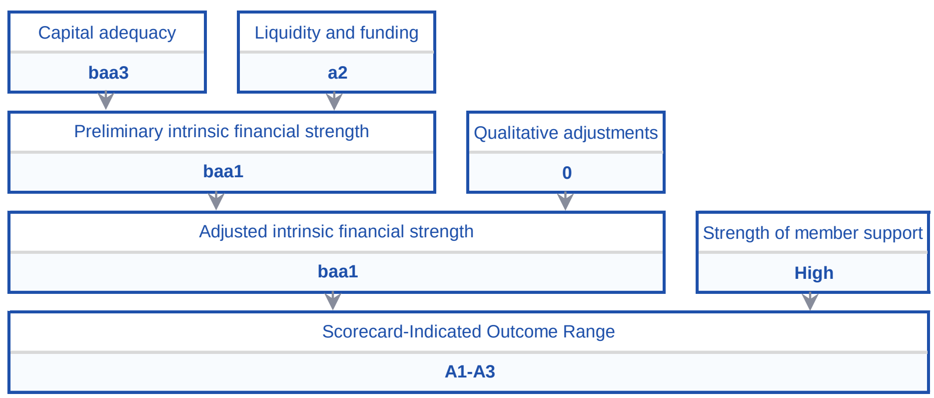
Update following rating affirmation, outlook unchanged

Summary

The credit profile of the Islamic Corporation for the Development of the Private Sector (ICD) is underpinned by its robust liquidity, moderate leverage and high strength of member support. These factors are balanced against the corporation's weak asset quality and performance that are in part driven by its private-sector mandate and exposure to private-equity investments.

Exhibit 1

ICD's credit profile is determined by three factors



Source: Moody's Ratings

Credit strengths

» Robust liquidity buffers because of the sizeable treasury portfolio

» Moderate leverage that supports a solid capital position

» Strong support from key shareholders and high level of shareholder resources

Credit challenges

» Weak development asset credit quality given the private-sector mandate

» Still high nonperforming assets (NPAs) compared with peers, albeit improving

» Absence of formal contractual support in the form of callable capital

Rating outlook

The stable outlook reflects balanced risks to the rating. We expect continued modest improvements to asset performance that is likely to remain consistent with ICD's rating, given the inherent risks from lending to the private sector. Any further improvement in asset performance is likely to be gradual given the challenge in resolving legacy non-performing assets and the inherent volatility in equity investments. Changes in the valuation of equity investments had driven weak asset performance and losses over 2017-19 and some investee companies are still reporting financial losses or are considered by ICD to be underperforming expectations. In addition, uncertainty to global growth and/or the possibility of interest rates remaining higher for longer poses risks to ICD's operating environment. Given ICD's exposure to countries and sectors that are more vulnerable to global headwinds, the crystallisation of downside risks may limit or reverse the improvements in metrics, in particular asset performance.

Factors that could lead to an upgrade

Upward pressure on the rating would likely stem from sustained improvements in ICD's asset performance to levels more consistent with similarly rated peers and with limited volatility that would durably strengthen the corporation's capital adequacy. This improvement may arise as a result of ongoing risk management enhancements and the corporation's strategy that focuses on lending through banks and less risky equity structures, as well as effective restructuring, collecting and releasing provisions for existing nonperforming assets to enhance ICD's balance sheet.

Factors that could lead to a downgrade

Downward pressure on the rating would develop if there were sizeable impairments on equity investments or a deterioration in the loan book's asset performance, indicating weaker risk management practices than we currently assess. A sharp increase in ICD's leverage as the corporation expands its development-related assets that results in weaker capital adequacy would also likely exert downward pressure on the rating.

Key indicators

Exhibit 2

Islamic Corporation for the Development of the Private Sector	2018	2019	2020	2021	2022	2023
Total Assets (USD million)	3,070.8	2,529.1	3,267.8	2,960.9	3,157.0	3,218.2
Development-related Assets (DRA) / Usable Equity [1]	157.8	140.3	103.4	94.9	106.5	112.5
Non-Performing Assets / DRA	23.3	18.2	12.6	11.1	6.8	6.1
Return on Average Assets	-10.7	-3.8	-0.5	0.3	0.7	0.1
Liquid Assets / ST Debt + CMLTD	402.0	451.6	273.3	1,514.7	469.4	247.6
Liquid Assets / Total Assets	50.2	47.1	67.0	66.5	64.8	62.1
Callable Capital / Gross Debt	0.0	0.0	0.0	0.0	0.0	0.0

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] DRA figures have been adjusted to include equity investments in subsidiaries

Source: Moody's Ratings

Profile

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral development financial institution and part of the Islamic Development Bank (IsDB, Aaa stable) Group. ICD was established by IsDB in November 1999 to support the economic development of its member countries by providing finance for private-sector projects, promoting competition and entrepreneurship, offering advisory services to governments and encouraging cross-border investments. ICD's capital is dominated by IsDB, which holds 42% of its paid-up capital while Saudi Arabia (A1 positive) and the kingdom's Public Investment Fund (PIF, A1 positive) hold 26% and 8% respectively. The IsDB Group has a cross-default policy that prevents shared obligors from selectively defaulting on any financing.

ICD has a private-sector mandate rather than a public-sector mandate, and its activities are Shariah-compliant. In addition to providing financing, and financial and advisory services, ICD also has a mandate to mobilise additional resources for projects such as through syndications, and promote the development of Islamic financing and capital markets.

Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding and strength of member support. For Multilateral Development Banks, the first two factors combine to form the assessment of intrinsic financial strength, as shown on the cover page graphic. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information please see our Supranational Rating Methodology.

FACTOR 1: Capital adequacy score: baa3

ICD's "baa3" capital adequacy balances its solid capital position supported by its moderate leverage against its weaker development asset credit quality (DACQ) and asset performance than those of peers. This weakness is largely because of its private-sector mandate.

Continued focus on lines of finance through financial institutions and term finance over private-equity participations

ICD's operations are broadly divided between private-equity participation in private-sector entities (around 26% of development-related assets [DRA] as of the end of 2023), term finance provided directly to non-bank private-sector entities to cover working capital or raw material requirements (24% of DRA), and lines of finance, an arrangement through which ICD extends medium- to long-term financing facilities to financial institutions for on-lending to small and medium-sized enterprises (SMEs) (50% of DRA). The remaining assets on the balance sheet are primarily liquid assets in the form of cash and commodity placements maturing in less than three months and sukuk investments (combining to account for 62% of the balance sheet).

In recent years, the corporation has been focusing on lines of finance in particular, which we expect will continue to dominate new disbursements in the coming years, as well as term finance. The corporation is also de-prioritising private-equity participations – while remaining opportunistic and preferring to invest in financial institutions rather than non-bank private entities. In part because of the focus on lines of finance, ICD is relatively exposed to the financial services sector, which accounted for around 65% of its development-related assets (DRA) portfolio as of the end of 2023. This sectoral concentration is likely to gradually increase further as ICD continues to focus on lending through financial institutions to SMEs. However, lending through banks has also been less risky in terms of asset performance compared with direct lending to non-bank private entities.

As for the private-equity portfolio, it has been gradually declining in nominal terms and as a share of DRA since 2021 based on the current strategy. Unless approved by ICD's board of directors, a single equity investment may not exceed 33% of ICD's paid-in share capital. In practice, private-equity investments are usually much smaller than this and have fallen further in significance following the downward revaluations since 2017. For example, as of the end of 2023, private-equity investments in Senegal (Ba3 stable) and Saudi Arabia were among the largest single-name investments within private equities but only amounted to respectively 9% and 4% of usable equity, despite accounting for 25% and 11% of total equity investments. The corporation is currently developing a new equity strategy and is considering less risky structures such as lower tier capital with no exposure to local currency risk. It is in the process of liquidating or exiting underperforming or loss-generating equity investments amounting to 5% of its total equity portfolio including subsidiaries over 2024-25.

Apart from repositioning to lower risk products such as lines of finance, ICD also aims to rebalance its revenue sources by boosting its advisory services — including on Islamic finance, infrastructure financing, securitisation, privatisation and special economic zones — to increase non-interest income.

Asset performance is improving but NPAs remain high compared to peers

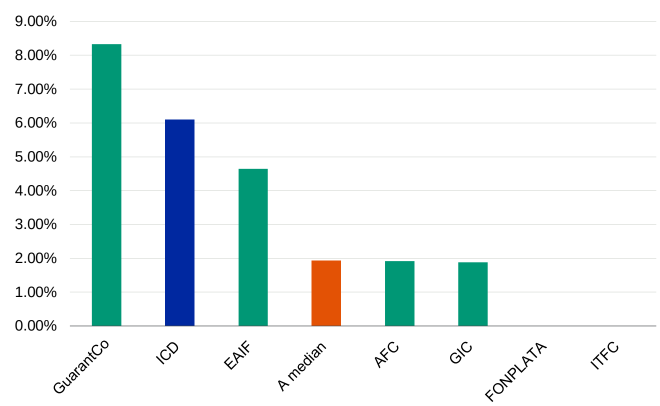
ICD's asset performance is a key credit challenge because the corporation's ratio of NPA to DRA remains higher than that of peers (see Exhibit 3), although the NPA/DRA ratio has been declining and will likely fall further gradually over the coming years. This weaker asset performance is partly attributable to ICD's private-sector mandate in generally lowly rated countries and exposure to private equities. Equity-related losses had been a drag on asset performance over 2017-19 in particular, resulting in NPA/DRA exceeding 20% in 2018. The severity of the fair value losses arising from the private-equity investment portfolio significantly shrank the size of private-equity investments to just 10% of total assets in 2023 from close to 50% in 2015.

Apart from equity impairments, the level of nonperforming loans (NPLs) has also been high, averaging 12-13% of DRA over 2014-22. That said, ICD's loan asset performance has been improving, with the NPL ratio declining to 6.1% of DRA in 2023 (this is also the NPA/DRA ratio given the absence of equity impairments). ICD's NPA/DRA ratio has declined from around 6.8% in 2022 and 11.1% in 2021 (see Exhibit 4).

The improvement in loan asset performance is driven by the ongoing restructuring of some NPLs. The Special Operations Team, which was set up in 2022 under the corporation's Risk Management Department to better manage NPAs, has been effective in working out some of the impaired investments. Key objectives of this division include consolidating ICD's entire NPA portfolio under a single division, and prioritising efforts to preserve value by implementing strategies such as restructuring, collections, and release of provisions to enhance the bottom line.

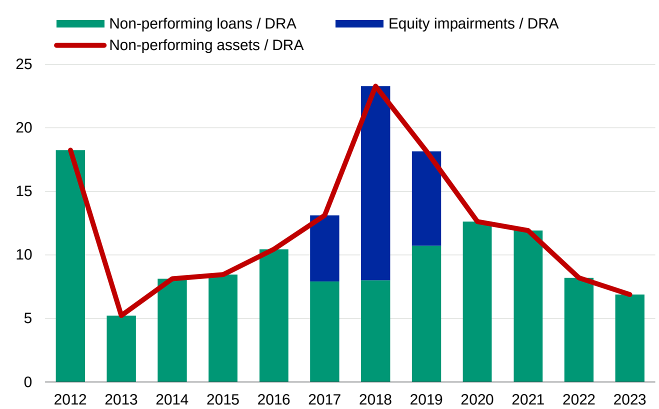
We expect the ongoing enhancements to risk practices, including the implementation of new policies to improve credit approval and monitoring and the presence of Special Operations Team to gradually enhance ICD's asset performance over time and reduce asset performance volatility. The use of lower risk products such as lines of finance will support improved asset performance. In addition, the already-low private-equity valuations will also limit the negative impact of this portfolio on our calculation of the corporation's NPAs in the coming years.

Exhibit 3
ICD's asset performance is weak compared with A-rated peers...
NPA ratio (%), 2023



Sources: ICD and Moody's Ratings

Exhibit 4
... despite the improvement in recent years



Source: ICD and Moody's Ratings

ICD's usable equity has been boosted by the second general capital increase (GCI) and return to profitability
Meanwhile, ICD's usable equity has been supported by its return to profitability since 2021 and capital transfers from the second General Capital Increase (GCI) that occurred over 2017-22. The increase in paid-up capital over 2017-23 more than offset the losses incurred by the poor performance of the corporation's equity portfolio that mostly occurred between 2017 and 2019.

The absence of dividend payments despite registering profits also helps the corporation accumulate shareholders' equity. The Articles of Agreement prohibit profit distribution unless the general reserve is greater than 12.5% of subscribed capital (this was lowered from 25% previously, 25% being the threshold at IsDB). Since accumulated losses in the reserve amounted to $469 million as of the end of 2023, we do not expect dividends to be paid in the foreseeable future.

Our assessment that ICD enjoys strong support from its shareholders will allow the corporation to tap them for any further capital injections, as it had done over the past two GCIs. In addition, with the recent board approval, ICD can also – if it chooses to – offer any unsubscribed and unpaid shares from the GCIs to other shareholders, which if taken up will modestly increase its paid-up capital.

FACTOR 2: Liquidity and funding score: a2

We assess ICD's liquidity and funding to be "a2", underpinned by the sizeable stock of liquid assets that is available in its treasury portfolio to cover loan disbursements, debt servicing and other potential cash outflows over the next 18 months. The score also reflects ICD's still-limited albeit gradually expanding track record of access to international debt capital markets. The corporation is aiming to become a regular issuer of sukuk over the next few years, although the modest size of its DRA portfolio and large liquidity buffer is likely to constrain its demand for public debt market funding.

Liquidity is supported by a robust stock of liquid assets and solid treasury asset quality

ICD benefits from strong liquidity, supported by liquid assets that are stable and relatively high in credit quality, combined with robust internal liquidity requirements which it meets comfortably.

We expect ICD's liquid assets to remain sufficient over the next few years to cover about twice its projected net outflows over the following 18 months, albeit with some variation in the coverage depending on the time frame due to still-infrequent sizeable debt repayments of international market issuances affecting the year-to-year magnitude of net outflows. This means that ICD's liquid assets are more than sufficient to cover its net outflows for more than 18 months, assuming a loss of market funding. ICD's availability of liquid resources ratio — which we define as the stock of liquid assets rated A2 or higher as a percentage of projected net outflows (including debt service and disbursements) over the following 18 months and is based on cash flow projections from the corporation — will likely remain high compared to peers and a key credit strength. The ratio in 2023 was extremely high, exceeding 2500% due to the absence of large repayments in the 18-month period from the calculation of the ratio, compared to 227% in 2022 and 171% in 2021.

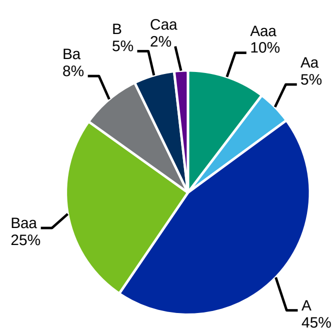
As with most MDBs, ICD does not have access to a lender of last resort. However, we believe it can rely on regional central banks to provide emergency support, most likely in the form of deposits, in the event of liquidity stress.

Meanwhile, the quality of ICD's treasury portfolio is solid and stronger compared to pre-2016 levels (see Exhibits 5 and 6). The percentage of treasury assets rated A2 or higher increased to 53% in 2023 from just 9% in 2014, and the assets are mostly composed of liquid sukuk and, to a lesser extent, commodity placements with Islamic banks. Historically, the treasury portfolio was constrained by a lack of highly rated, liquid Shariah-compliant assets, but the availability of such instruments is improving. The coverage of short-term and currently maturing long-term debt by liquid assets decreased in 2023 from very high levels before, from close to 15x in 2021 to 2.5x at the end of 2023, primarily due to the shift to shorter-term financing as interest rates rise (to avoid locking in higher cost long-term financing).

Exhibit 5

85% of the treasury assets are investment grade...

Treasury asset quality by rating bracket

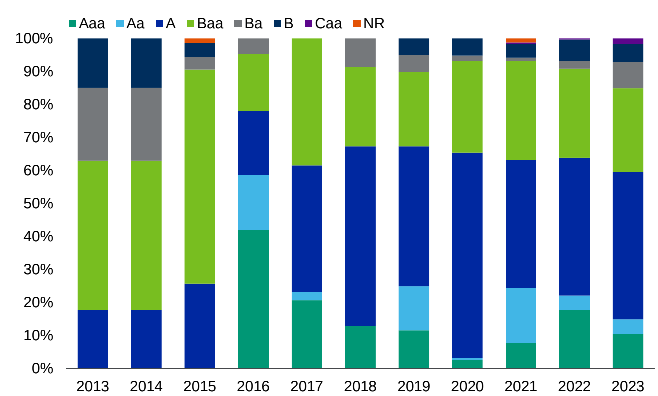


Sources: ICD and Moody's Ratings

Exhibit 6

... while the credit quality of the treasury portfolio is significantly stronger compared to pre-2016 levels

Treasury asset quality by rating bracket



Sources: ICD and Moody's Ratings

ICD has a relatively wide funding base despite a limited track record of market access

ICD generally borrows from commercial banks bilaterally, with tenors ranging from one month to seven years, and also taps the sukuk market for issuances opportunistically. Despite being a fairly new entrant to the sukuk market, ICD has a relatively competitive cost of market funding. Commodity placement costs are also anchored, supported by ample liquidity across the Gulf Cooperation Council (GCC).

ICD's track record of access to international debt capital markets remains limited. This is partly driven by the smaller and more geographically constrained pool of potential investors because of ICD's preference for Shariah-complaint forms of funding. ICD aims to become a regular issuer of benchmark-sized sukuk over the medium term to take advantage of its ability to access funds at relatively moderate spreads to risk-free equivalents. Consistent with this objective, ICD issued a 5-year, $500 million sukuk in February 2024. The corporation has also explored sukuk issuances in other currencies with a 5-year KZT issuance ($4.2 million) in 2023. However, we expect issuances will likely depend on ICD's funding needs, since its DRA portfolio is still modest compared to the size of its liquid asset portfolio, and bilateral sources of financing remain ample.

Qualitative adjustments to intrinsic financial strength

Operating environment

ICD's operational assets are primarily located within lowly rated sovereigns, including Bangladesh (B1 stable), Egypt (Caa1 positive), Senegal and Uzbekistan (Ba3 stable), while its private-sector focus means that assets do not benefit from preferred creditor status. However, the geographical diversification of assets, particularly in the lines of finance and term finance portfolios, reduces the corporation's exposure to developments in specific regions or that are driven by commodity price movements. ICD has projects in 50 member countries because of its wide membership.

Quality of management

As with almost all MDBs, ICD is not regulated by a central bank or other supervisory bodies. It maintains a self-imposed capital adequacy ratio target of 35%, which is ample for an MDB. However, between 2015 (1437H) and 2017, ICD was modestly in breach of this ratio. While it initially expected to reach the target in 2017, equity investment losses delayed the eventual correction until 2018. The self-imposed capital adequacy target was breached again in 2023 due to a rise in total risk-weighted assets. Other elements of the risk control framework include concentration limits that are imposed on the equity investment portfolio and the requirement that a single investment may not exceed 33% of ICD's paid-up share capital.

Liquidity management has improved in recent years, with an increased share of treasury assets rated A2 or higher and ample liquid assets to cover net outflows. The corporation's prudential minimum liquidity ratio has been set at one year of net cash requirements under stressed conditions, assuming no market access, which is a robust liquidity target although less stringent than that of IsDB, which mandates 45% of net cash outflows for the next three years under stressed market conditions. The 2017-19 losses arising from the equity investment portfolio largely relate to legacy transactions that were originated before the enhancement of risk-related functions and re-prioritisation of activities that remain ongoing.

ICD is undergoing restructuring aimed at aligning its organisational structure with the strategic direction and key objectives of the corporation and to strengthen internal controls and independent functions. This has included the establishment of the Special Operations Team, the Technical Review Committee, which reviews prospective and existing investments, and the Investment Committee, which takes final lending and investment decisions. If effective, improved coordination combined with ongoing updates to policies and strategies, such as the new credit risk management policy and equity strategy, can help enhance the corporation's governance as well as financial and asset performance in the coming years as well as its ability to deliver on its mandate of private-sector and Islamic finance development in member countries.

FACTOR 3: Strength of member support score: High

We have set ICD's strength of member support at “High”, above the adjusted score of “Low”, to reflect the extraordinary support that we expect to be forthcoming during times of stress by ICD's shareholders, including IsDB, given the corporation's role in developing private-sector Islamic finance. Our score also takes into account the very high level of potential shareholder resources that ICD has access to, whether from IsDB or member countries. However, unlike most similarly rated MDBs, ICD does not benefit from callable capital or other contractual forms of support.

Multilateral shareholder structure is unusual, but a credit strength

Having established ICD, IsDB remains a significant shareholder, with its share of ICD's paid-up capital standing at 42% in 2023. ICD shares a significant proportion of its shareholder base with IsDB, with around 45% of ICD's paid-up capital from the same member country shareholders, broadly replicating IsDB's structure.

In our view, IsDB affiliates benefit from potential support from IsDB. The Waqf fund (Special Account Resources Waqf Fund) and the Islamic Solidarity Fund for Development (ISFD, the poverty alleviation arm of the IsDB Group) could also be used to support IsDB affiliates outside of IsDB's Aaa-rated Ordinary Capital Resources. The Waqf fund, established as an endowment fund and fully owned by IsDB, consists essentially of accumulated interest income earned on liquid funds placed with conventional banks. The non-Shariah nature of these operations explains the transfer of what constitutes a reserve of liquidity for the group. Unlike callable capital, the Waqf fund and ISFD’s capital cannot be called by ICD, but the IsDB board could decide to use these resources in case of financial stress at one of the group entities. IsDB has an influential role in promoting and setting standards for Islamic finance, and ICD serves as an adviser to several member governments. IsDB is supportive of other IsDB affiliates and it would be able to deploy a considerable amount of financial resources to other entities of the group. IsDB affiliates — the Waqf Fund, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC, Aa3 stable), the International Islamic Trade Finance Corporation (A1 stable) and ISFD, in addition to ICD — have strong interlinkages and benefit from a common risk management framework. Although IsDB has no legal obligation to support ICD, we believe a scenario in which ICD failed to meet its obligations would pose significant reputational risk to IsDB and other affiliates, which reinforces the likelihood of support.

Moreover, the very strong commitment of shareholders to IsDB Group is reflective not only of their economic strength but also of a binding community ethos. Besides IsDB's resources, the financial resources of Saudi Arabia (both the government and PIF) are also very large and dwarf ICD's paid-up capital and balance sheet.

Now-expired second GCI was well supported by shareholders, indicating strong noncontractual support and potential extraordinary support in a timely manner if needed

In assessing the likelihood of recapitalisation in a high-stress scenario, we place emphasis on contractual commitments of an organisation’s shareholders, most commonly exemplified by callable capital. Unlike most MDBs, ICD does not benefit from callable capital provisions or any other form of contractual support. That said, ICD has an established track record of noncontractual shareholder support because of its mandate, including in the second GCI that covered 2017-21. Existing shareholders subscribed to 83% of new shares made available for subscription in the second GCI, a significant increase from the 65% subscription in the first GCI in 2010. All three largest shareholders (IsDB, Saudi Arabia and PIF) fully subscribed to their allotted shares. As of the end of 2023, the corporation had received $690 million from shareholders, leaving $125 million remaining.

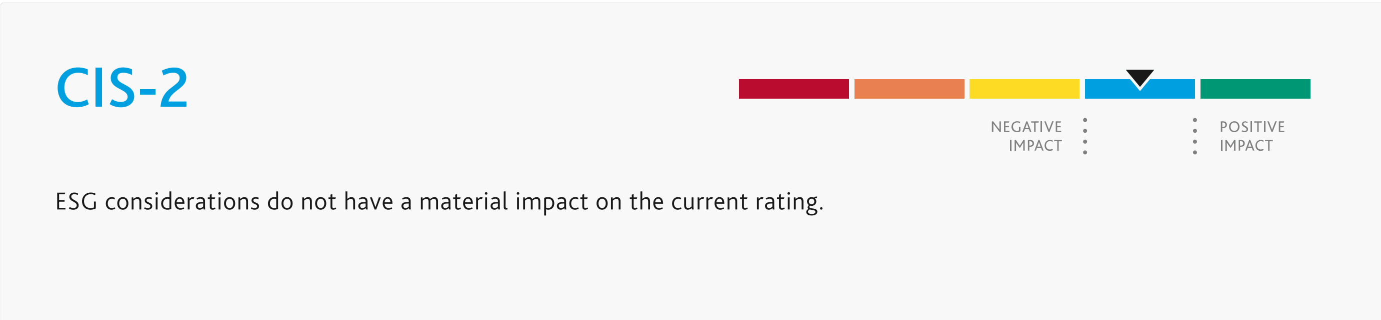
Given that the shareholders that have yet to pay are generally facing political turmoil or economic sanctions, ICD's board approved a resolution in April 2024 which enables the corporation to offer at least some of the unpaid subscriptions to other interested shareholders. The resolution also allows ICD to offer unsubscribed shares of the capital increase to the shareholders, set up rescheduling arrangements for members who face special circumstances that prevents them to make any payment and to reduce the shares of defaulting members. We expect strong interest in any offered shares or further GCI. ICD’s unique role in providing financing as well as Islamic finance expertise to the private sector in its member states, including the establishment of Islamic finance windows in commercial banks, is one that is not filled by any other international financial institution.

In addition, given the financial resources available at ICD's largest and higher-rated shareholders, any recapitalisation needs that could arise in a distressed scenario would unlikely be viewed as onerous. In our view, weighed against ICD's track record of significant developmental and social impact, even the cost of a full recapitalisation, should one become necessary to ensure its viability, would likely be considered politically acceptable.

ESG considerations

Islamic Corp. for the Dev. of the Priv. Sec.'s ESG credit impact score is CIS-2

Exhibit 7
ESG credit impact score



Source: Moody's Ratings

ICD's **CIS-2** credit impact score indicates that ESG considerations are not material to the rating. The score reflects gradually improving governance that supports resilience in the face of moderately negative exposure to environmental risks, while the exposure to social risks is low.

Exhibit 8
ESG issuer profile scores

Source: Moody's Ratings

Environmental

ICD's **E-3** environmental issuer profile score mainly reflects the corporation's indirect exposure to physical climate risks through its operating environment, particularly in Africa and South Asia where such risks are more elevated. That said, ICD's direct exposure to these risks based on its loans and equity investments is relatively low.

Social

The **S-2** social issuer profile score is supported by ICD's strong relations with its customers given its responsibility to develop the private sector and Islamic finance in its member countries. The diversification of loans and equity investments across countries also reduces the corporation's exposure to demographic and societal trends.

Governance

ICD's **G-2** governance issuer profile reflects the ongoing enhancements to risk practices and a lengthening track record of reduction in non-performing assets that are helping to gradually strengthen the credit profile. That said, weaknesses due to legacy assets remain, while a track record of solid financial performance or management credibility in adhering to robust risk practices will take time to be established.

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.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology General Principles for Assessing Environmental, Social and Governance Risks. Additional information about our rating approach is provided in our Supranational Rating Methodology.

Recent developments

Asset performance continues to improve but remains vulnerable to risks in operating environment

In 2023, ICD's NPA/DRA ratio declined further to 6.1%, below 6.8% as of the end of 2022 from 11.1% in 2020 and a record high of 23.3% in 2018. This trajectory was helped by the ongoing restructuring of some NPLs and no negative equity impairment for the year (and since 2021). Nevertheless, ICD's asset performance remains weaker than other similarly rated peers. Even at lower levels of around 6%, ICD's NPA/DRA ratio is still significantly higher than the median for A-rated peers of around 2% in 2023. ICD's NPA/DRA ratio is among the highest of all MDBs we rate.

Over the next few years, we expect ICD's NPA/DRA ratio to decline further albeit gradually, driven by the ongoing enhancements to risk management and helped by the effectiveness of the Special Operations Team's operations. We understand that the corporation has not recorded any new NPLs since 2021. In addition, the already-low valuations in ICD's legacy private-equity portfolio imply limited further downside to NPAs from equities. With the focus on lower-risk loans and lines of finance (on-lending through banks) instead of higher-risk private-equity investments (or potentially lower-risk equity structures), the NPA/DRA ratio may also become less volatile over time. That said, improvements will likely be gradual given the challenge in resolving legacy NPAs and the inherent volatility in private-equity investments, which remain sizeable.

Our expectation of a continued improvement in asset performance also reflects still-solid growth prospects in many of ICD's key markets. We forecast higher real GDP growth in half of ICD's top 10 markets over 2023-24 than in 2021-22 while in Turkey (B1 positive) and Uzbekistan growth will be slower but nevertheless remain relatively robust. By contrast, Pakistan (Caa3 stable) and Tunisia (Caa2 stable) are likely to face weaker levels of growth. That said, uncertainty to global growth and/or the possibility of interest rates remaining higher for longer poses risks to ICD's operating environment. Given ICD's exposure to countries and sectors that are more vulnerable to global headwinds, the crystallisation of downside risks may limit or reverse the improvements in asset performance.

The improvement in asset performance has allowed ICD to achieve profitability for the third year in a row, posting a very small net profit of $3.8 million in 2023, equivalent to a return on equity of 0.3%. Net profit had fallen from $20 million in 2022, equivalent to a return on equity of 1.9%, due to higher financing costs in 2023 and a slight increase in operating expenses, which offset the increase in total income. ICD expects its net profit to grow over the next few years as asset performance improves, targeting an annual return on equity of 0.6% in 2024 and 2.0% by 2026. Ongoing enhancements to risk practices will support sustained profitability for the corporation.

Rating methodology and scorecard factors: Islamic Corporation for the Development of the Private Sector - A2 Stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Capital adequacy (50%)			baa3	baa3
Capital position (20%)			a2	
	Leverage ratio	a2		
	Trend	0		
	Impact of profit and loss on leverage	0		
Development asset credit quality (10%)			b	
	DACQ assessment	b		
	Trend	0		
Asset performance (20%)			ba2	
	Non-performing assets	ba2		
	Trend	0		
	Excessive development asset growth	0		
Factor 2: Liquidity and funding (50%)			a2	a2
Liquid resources (20%)			aaa	
	Availability of liquid resources	aaa		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
Quality of funding (30%)			baa	
Preliminary intrinsic financial strength				baa1
Other adjustments				0
Operating environment		0		
Quality of management		0		
Adjusted intrinsic financial strength				baa1
Factor 3: Strength of member support (+3,+2,+1,0)			Low	High
Ability to support (50%)			baa3	
	Weighted average shareholder rating	baa3		
Willingness to support (50%)				
	Contractual support (25%)	ca	ca	
	Strong enforcement mechanism	0		
	Payment enhancements	0		
	Non-contractual support (25%)		High	
Scorecard-Indicated Outcome Range				A1-A3
Rating Assigned				A2

Note: Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.

Source: Moody's Ratings

Related websites and information sources

» Moody's Supranational web page

» Moody's Sovereign and supranational rating list

» Islamic Corporation for the Development of the Private Sector

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