THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA (BADEA) Aa2 RATING WITH POSITIVE OUTLOOK AFFIRMED BY MOODY’S REFLECTING THE BANK’S STRENGTHS IN A CHALLENGING OPERATING ENVIRONMENT

Dakar, 15th March 2023
Moody’s Investors Service (“Moody's”) has today affirmed a Aa2 foreign currency long-term issuer rating to the Arab Bank for Economic Development in Africa (BADEA) with a positive outlook. This extremely high rating and outlook is maintained despite the more challenging operating environment of Sub Saharan African (‘SSA’).

The Bank’s core focus is strengthening economic, financial and technical cooperation between the Arab and Africa regions, and the embodiment of Arab-African solidarity on foundations of equality and friendship. Since operations began in 1975, the Bank has focussed its mostly concessional financing operations on SSA countries that often struggle to attract competitive funding. The bank continues to act as a trusted and highly effective catalyst for Arab development funds into Africa which is key for the shared prosperity of both regions.

CAPITAL STRENGTH AND IMPROVING ASSET QUALITY DESPITE MORE CHALLENGING ENVIRONMENT
BADEA’s ratio of nonperforming assets to development-related assets continued to fall to 0.7% in 2022, down from 2.4% in 2021 despite a very challenging economic and financial environment of SSA which suffered from the food and energy price shocks. The Bank continues to demonstrate impeccable underwriting quality through the zero-loss performance observed over the entirety of its 49-year history.

LOW LEVERAGE VERSUS DEVELOPMENT BANK PEERS
In addition, the bank is one of the least leveraged among Moody’s rated multilateral development banks (MDBs), at only 0.8x at end-2022. This compares to leverage ratios typically between 2.5-3x for Aa- and Aaa-rated MDBs.

SOLID LIQUIDITY POSITION SUPPORTED BY LARGE STOCK OF LIQUID ASSETS
The bank also maintains a strong and liquid investment portfolio of $2.6 billion supporting a solid liquidity profile which will be further supplemented in 2023 through an inaugural bond issuance designed to boost its EUR denominated lending capacity.

STRONG MEMBER SUPPORT EVIDENCED BY CAPITAL INCREASE AND CALLABLE CAPITAL INTRODUCTION
Moody’s also noted that a new strength was BADEA’s shareholders increase of subscribed capital during 2022 to $10 billion from $4.2Bn, with the introduction of $5 billion in callable capital. It also included an increase in paid-in capital to $5.0 billion from $4.2 billion after the transfer of $800 million from reserves.

POSITIVE OUTLOOK
The outlook reflects Moody’s view that continuing improvement in BADEA’s credit fundamentals would likely support a higher rating in the future.

The full press release announcing Moody’s decision is [available here].

“The positive outlook in a very challenging global and regional environment reflects BADEA’s unique strengths” said H.E. Dr. Fahad Abdullah Aldossari, Board Chairman, commenting on Moody’s rating affirmation. “Sub Saharan Africa needs access to crucial financing more than ever given ongoing energy and price shocks - the Bank will continue to leverage our strong rating and profile to catalyse our partners in the Arab world and elsewhere to better serve the financing needs of this region. This Aa2, positive outlook rating from Moody’s puts us in a very strong position to raise funds and boost our liquidity at highly competitive rates for the benefit of our SSA beneficiaries.” he added.
H.E. Dr. Sidi Ould Tah, Director General said “This high Aa2 rating and positive outlook, despite a very challenging 2022 environment, recognises the continuing improvements in asset quality and the extraordinary capital position of the Bank that was enhanced by the introduction of callable capital thanks to the continued trust and extraordinary support that we have received from our Arab shareholders over almost five decades. Additionally, this outcome will enable BADEA to further strengthen its liquidity profile this year by establishing itself as a benchmark issuer in global and regional capital markets.”

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About BADEA
https://www.badea.org/index.htm

BADEA is a multilateral financial institution headquartered in Khartoum, Republic of the Sudan. The Bank – owned by 18 sovereign states, members of the League of Arab States was established on 18th February 1974 and began operations in March 1975 providing finance and technical assistance for economic development exclusively in Sub Saharan Africa. BADEA works to facilitate and catalyse the flow of Arab and other external capital and investments into Africa. Since 2015, the bank also expanded its focus on trade – both Arab-Africa trade as well as Intra-Africa trade.

The Bank is an independent International Institution enjoying full international legal status and complete autonomy in administrative and financial matters. It is governed by the provisions of its Establishing Agreement and the principles of international law.

The Bank was created for the purpose of strengthening economic, financial and technical cooperation between the Arab and African regions and for the embodiment of Arab-African solidarity on foundations of equality and friendship and remains one of the very few multilateral development banks whose mandate is to serve non-shareholder countries.

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