



## **Rating Action: Moody's Ratings affirms the Arab Bank for Economic Development in Africa's rating at Aa1, maintains stable outlook**

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17 Sep 2026

London, September 17, 2026 -- Moody's Ratings (Moody's) has today affirmed the Arab Bank for Economic Development in Africa (BADEA)'s Aa1 long-term foreign-currency issuer and senior unsecured ratings and maintained the stable outlook. We have also affirmed BADEA's (P)Aa1 foreign-currency senior unsecured medium-term note (MTN) program rating and its Prime-1 short-term foreign-currency issuer rating.

The rating affirmation reflects our expectation that BADEA's solvency and liquidity will remain very strong, supported by a lightly leveraged and highly liquid balance sheet. The bank's very strong capital buffers will continue to provide significant capacity to absorb losses while supporting further rapid development-related asset (DRA) expansion. We expect BADEA's high-quality liquid assets to remain very robust in accordance with the internal targets, comfortably covering projected net cash outflows in a stress scenario. These strengths mitigate weaker and more volatile asset performance compared to most similarly rated multilateral financial institutions (MFIs) and still-developing market funding profile. High member support remains a key credit strength, underpinned by a very large callable capital buffer despite the relatively low weighted-average credit quality of shareholders.

The stable outlook reflects balanced risk to our expectation that BADEA's very strong capital, solvency, and liquidity metrics will remain consistent with the current rating. While asset performance will remain constrained by BADEA's mandate to lend primarily to low-rated sovereigns in Sub-Saharan Africa, a strengthened risk management framework should limit credit losses and help preserve strong capital adequacy even as development-related assets grow by more than 10% annually under the 2026-29 strategic plan. Moreover, the highly concessional nature of BADEA's financing and its track record of resolving problem exposures relatively quickly should continue to support payment discipline. The stable outlook assumes that BADEA will continue to lengthen its market funding track record through regular market issuances while maintaining strong capital adequacy.

### **RATINGS RATIONALE**

#### **RATIONALE FOR THE RATING AFFIRMATION**

BADEA's solvency is underpinned by one of the strongest capital positions among the MFIs we rate. The bank's MFI Adjusted Capital (MAC) ratio, which compares usable equity to risk-adjusted assets, was 117% at the end of 2025, remaining well above the median for highly rated MFIs despite declining from 132% a year earlier because of rapid asset growth. Capital adequacy benefits from the bank's very large stock of usable equity, historically very low leverage, and a DRA portfolio that is mostly exposed to sovereign risk and benefits from the bank's preferred creditor status, notwithstanding occasional delays in repayments. While we expect capital adequacy to gradually weaken as a result of further robust growth in DRAs, it will remain very strong and mitigated by a track record of retaining robust earnings to drive internal capital generation.

Our solvency assessment is constrained by asset performance that remains weaker than most highly rated peers and is likely to remain subject to downside risks. BADEA's asset performance improved significantly since 2016, when the nonperforming asset (NPA) ratio peaked at more than 20%, reflecting improvements in risk management and effectiveness of overdues collection. After some reversal during 2024, the NPA ratio declined modestly to 2.4% at the end of 2025 from 2.7% a year earlier, but remains elevated compared

with most Aaa- and Aa-rated MFIs.

BADEA's asset performance remains exposed to periodic payment arrears from low-rated sovereign borrowers and is likely to remain more volatile than most highly rated peers. However, stronger risk management, including tighter underwriting, monitoring and arrears management, should help contain downside risks. The bank has a strong record of resolving problem exposures, has never written off a loan, and benefits from preferred creditor treatment underpinned by highly concessional lending terms, repayment incentives and a diversified portfolio, all of which support recovery prospects and payment discipline.

We expect BADEA's liquidity and funding profile to remain strong. The bank's Availability of Liquid Resources (ALR) ratio, which compares high-quality liquid assets to projected net cash flows in a stress scenario with no new market borrowing, stood at 206% at end-2025 and BADEA's internal policy requires that liquid assets cover at least 150% of one-year net cash needs under stressed conditions. Meanwhile, the bank's funding profile is improving following its inaugural eurobond issuances in 2024 and 2025, although its track record remains significantly shorter and its funding structure less diversified compared to most similarly or higher rated peers.

BADEA benefits from high shareholder support, reflected in its unique policy role and sizeable callable capital buffer. At end-2025, callable capital totaled \$5 billion, more than three times its outstanding debt. Although the bank's weighted average shareholder rating is lower than that of most highly rated MFIs, we expect high member support to remain intact given BADEA's role as the sole multilateral institution dedicated exclusively to channeling development finance from non-borrowing Arab countries to beneficiaries in Sub-Saharan Africa.

#### RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects the balance of risks around our expectation that BADEA's very strong solvency and liquidity metrics will remain consistent with the current rating. The bank's exceptionally strong capital position is likely to gradually weaken over time, reflecting DRA growth in excess of internal capital generation, but will continue to provide significant capacity to absorb the impact of a rapidly expanding balance sheet as well as potential asset quality deterioration. Consistent with the management's strategy, we expect the bank to realize most of its planned growth through relatively lower-risk activities, such as trade finance, which along with BADEA's strengthened risk management framework should help contain credit risks. Moreover, the policy of linking new disbursements of highly concessional financing to the timely servicing of outstanding facilities will continue to support strong repayment discipline. However, volatility in asset performance will likely remain a key constraint on further strengthening of the bank's credit profile, given its focus on lending to low-rated borrowers in Sub-Saharan Africa.

The stable outlook assumes that BADEA's balance sheet growth will be accompanied by a lengthening track record and incremental diversification of its market funding, including through periodic benchmark issuances under the bank's outstanding MTN program.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

BADEA's CIS-2 credit impact score indicates that environmental, social and governance (ESG) considerations are not material to the rating. The E-3 environmental issuer profile score reflects moderate exposure to environmental risks through both its Sub-Saharan African borrower base and the climate-related exposures of key shareholders. The S-2 social issuer profile score reflects the bank's strong relationships with borrowers and its policy role in promoting economic development. The G-2 governance issuer profile score reflects sound governance, strong compliance standards and progressively improving risk-management practices.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on BADEA's rating would develop if its asset performance were to durably strengthen as a result of enhanced risk management and underwriting standards. Establishing a longer track record of regularly accessing international capital markets with an increasingly diversified investor base would also support its credit profile.

We would consider downgrading BADEA's rating in the event of a substantial and lasting deterioration in the bank's capital adequacy or liquidity profile. Such deterioration could be triggered by a structural weakening in asset performance, raising the prospect of substantial credit impairments within the bank's DRA portfolio, pointing to a weaker risk management framework than we currently assess, and weakening the bank's preferred creditor status. A durably weaker availability of liquid resources or indications of reduced shareholder support would also exert downward pressure on the rating.

The principal methodology used in these ratings was Multilateral Financial Institutions published in June 2026 and available at <https://ratings.moodys.com/rmc-documents/468058>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

The local market analyst for this rating is Alexander Perjessy, +971 (423) 795-48.

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