

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Arab Bank for Economic Development in Africa (security code: -)

<Affirmation>

Long-term Issuer Rating:	AAA
Outlook:	Stable
Bonds:	AAA
EMTN Program:	AAA

Rationale

- (1) The Arab Bank for Economic Development in Africa (BADEA) is a multilateral development bank (MDB) established by Arab countries (Members of the League of Arab States - LAS) to promote economic development in (non-Arab) African countries. Its three main activities are development finance in the African countries, stimulating the contribution of Arab capital in African development, and the technical assistance required for development in Africa. The rating is based on the strong support BADEA enlists from the Arab countries which are its shareholders, the leading role it plays in coordinating Arab countries' support for Africa, the preferred creditor status it enjoys, its sound financial structure and its ample liquidity. The outlook for the rating is Stable. BADEA undertakes development cooperation programs for African countries under its long-term plan "BADEA2030" formulated in 2019 and its eighth Five-Year Plan (2020-2024), playing a leading role in coordinating Arab countries' assistance to Africa through the "Arab Coordination Group (ACG)" formulated by 10 Arab development finance institutions that work together to optimize the allocation of their resources. JCR holds that even when geopolitical instability should surface in some of the African countries BADEA lends, impairing the quality of its loan assets, it would be able to maintain its sound financial base backed by its high profitability and the strong support assured by its Arab shareholders.
- (2) BADEA's establishment was agreed upon at the sixth Arab Summit held in Algiers in 1973 and 18 Arab countries signed an agreement on its incorporation in 1974. The Bank began its operations in 1975. This year marks BADEA's 50th anniversary. Due to the deteriorating security situation in Khartoum, Sudan where the BADEA's headquarters used to be located, the headquarters was temporarily relocated to Riyadh, Saudi Arabia. BADEA's financial functions have long been performed by its office in Cairo, Egypt. In 2015, lending to the private sector was added to its operations. So far, however, such lending has been limited to two-step loans to the banks in African countries, with minimal direct lending made to private non-financial companies.
- (3) The number of the member countries has remained unchanged at 18 since the signing of the 1974 agreement. The fact that borrowing countries are not the shareholders of BADEA is a unique feature. As of the end of 2023, Saudi Arabia was the largest shareholder with a 25.7% stake and high-income Gulf countries held a combined 62.1% stake. The Bank's articles of establishment has defined its mainstay operations as (1) development finance in the (non-Arab) African countries, (2) stimulating the contribution of Arab capital in African development and (3) technical cooperation required for African development. The 2024 amendment on the articles of establishment added two additional pillars of operation such as (4) supporting the development of private sector institutions in the African countries and (5) providing finance for Arab-African trade and inter-African trade finance. Like other MDBs, BADEA's articles of establishment includes provisions of immunities and privileges for an international organization, including immunity from expropriation of assets and taxation, legal and other restrictions within member countries, immunity of personnel from lawsuits, and protection of communications. Its long-term plan "BADEA 2030" sets four strategic pillars: (1) promoting infrastructure investment to achieve inclusive growth, (2) developing agricultural value chains, (3) stimulating trade and private-sector development to support growth and job creation and (4) developing small and medium enterprises. The Bank is committed to implement its long-term strategy "BADEA 2030" in coordination with "AU2063 Agenda", a long-term vision for the development and progress of Africa as a whole set forth in 2013 by the African Union (AU), a coalition of 55 African countries. As to trade stimulation listed as (3) above, it has been providing loans and technical assistance aimed to promote trade in accordance with the African Free Trade Agreement.

- (4) BADEA has been receiving strong support from its Arab shareholders as evidenced by the fact that BADEA's capital has been increased many times. The latest USD800 million capital increase was carried out in 2022 through diversion from its reserve. At the end of 2023, its authorized capital stood at USD20 billion, consisting of USD10 billion in subscribed capital and USD5 billion each in paid-in and callable capital. BADEA pays no dividends to its shareholders, but accumulates all its profits as the reserve and puts them into its capital. Its paid-in capital including the reserve stood at USD5.6 billion. Loans and investments (public sector loans and trade finance and participations in African institutions) totaled USD3.22 billion, accounting for 53.9% of its total assets put at USD5.97 billion at the end of 2023. Cash and investments totaled USD2.55 billion (42.7% of the total assets). While 90% of its loans were made to sovereigns rated B or lower, investments were put in bonds rated A or higher through asset management companies in Europe and the U.S. BADEA defines the combined amount of its USD5.6 billion capital and 20% of its callable capital pledged by shareholders rated AA or higher as its "Usable Capital". It has adopted a financial policy to control weighted-average risk assets within the Usable Reserve. Its weighted-average risk assets were USD6.32 billion while the Usable Reserve was USD6.56 billion.
- (5) Like other MDBs, BADEA has a track record of debt repayment as a preferred creditor and has not written off any loans since its inception. Its nonperforming loan ratio in terms of a percentage of 180-day delinquent loans rose to about 10% in 2016 but gradually declined later, standing low at 0.5% at the end of 2023. Like other MDBs, BADEA is not profit-oriented but has been profitable to date as interest income from lending and investment income from its ample liquidity have exceeded the cost of operations. In 2022 in a deficit of USD188 million was recorded as its investment income had a valuation loss. Profitability has been restored by marking operational surplus of USD292 million in 2023 and USD101 million for the first half of 2024. Its liquidity was ample as it had cash and other liquid treasury investments equal to 43% of its total assets at the end of 2023.
- (6) As of the end of 2022, BADEA had no outstanding debt financing. It decided to start borrowing program of euros from the viewpoint of ALM management in providing euro-denominated loans to CFA franc-zone countries in West Africa. It set up an EMTN program in November 2023 and issued the first Euro bond of EUR500 million. It is under consideration that the outstanding issued debt amount would increase to around EUR1.5 billion for the medium-term. JCR holds that borrowing of this scale will not bring any change in its net cash position and is unlikely to significantly change its financial structure.

Atsushi Masuda, Shinji Asano

Rating

Issuer: Arab Bank for Economic Development in Africa

<Affirmation>

Long-term Issuer Rating: AAA	Outlook: Stable				
Issue	Amount (mn)	Issue Date	Due Date	Coupon	Rating
EUR 500 million 3.750% Social Notes due 2027	EUR500	January 25, 2024	January 25, 2027	3.750%	AAA
Program Name:	Euro Medium Term Note Programme				
Maximum Issuable Amount:	Unlimited in Amount				
Credit Enhancement:	NA				
Rating:	AAA				

Rating Assignment Date: November 8, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Multilateral Development Banks" (March 29, 2013), in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

A program rating is assigned to evaluate the creditworthiness of a program. The credit standing of an individual note issued under the program may be regarded as the same as that of the rated program. However, JCR does not consider the credit standing of the individual note as the same as that of the program, in the cases where the principal and interest payments of the individual note rely on the credit standing of a third party rather than the issuer of the program and notes (e.g. credit linked notes and exchangeable notes). JCR usually does not assign a rating to the individual note issued under the program, unless the issuer solicits a rating.



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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Arab Bank for Economic Development in Africa
Rating Publication Date:	November 13, 2024

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as member countries, the issuer's related organizations, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's member countries, the issuer's related organizations, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/

assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to member countries, the issuer's related organizations, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Arab Bank for Economic Development in Africa	Issuer(Long-term)	August 17, 2023	AAA	Stable
Arab Bank for Economic Development in Africa	EUR 500 million 3.750% Social Notes due 2027	January 19, 2024	AAA	
Arab Bank for Economic Development in Africa	Euro Medium Term Note Programme	December 1, 2023	AAA	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦 輝一

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General Manager of International Department

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