

CREDIT OPINION

4 June 2025

Update



RATINGS

The Arab Energy Fund

	Rating	Outlook
Long-term Issuer	Aa2	STA
Short-term Issuer	P-1	--

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The Arab Energy Fund – Aa2 stable

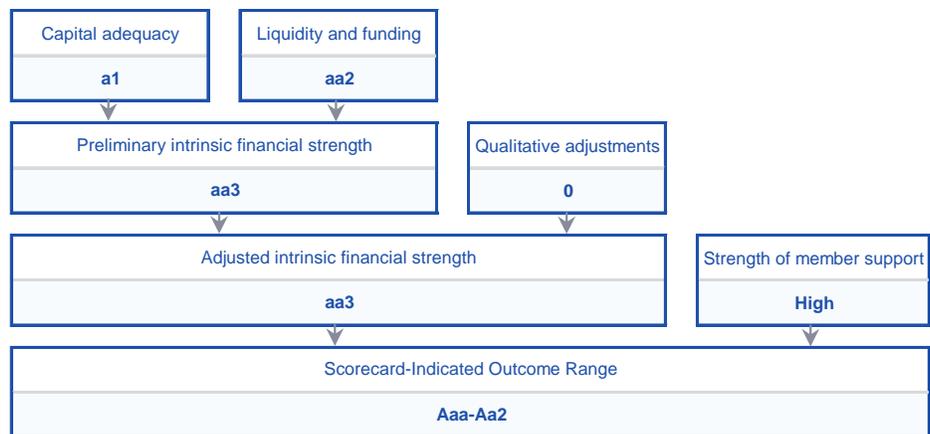
Update following rating affirmation

Summary

The credit profile of [The Arab Energy Fund \(TAEF\)](#), formerly known as Arab Petroleum Investments Corporation or APICORP, reflects its high capital adequacy, supported by robust profitability and strong asset performance, its ample liquid resources to cover upcoming net cash outflows, a well-diversified funding profile, and high shareholder support, derived from large callable capital buffers and a strong enforcement mechanism. These strengths mitigate its relatively low weighted average shareholder creditworthiness and its exposure to carbon transition risks.

Exhibit 1

TAEF's credit profile is determined by three factors



Source: Moody's Ratings

Credit strengths

- » High capital adequacy, supported by robust profitability and strong asset performance
- » Ample liquidity to cover net cash outflows and well-diversified funding structure
- » Shareholder support underpinned by large callable capital and a strong enforcement mechanism

Credit challenges

- » High portfolio and shareholder exposures to risks stemming from global carbon transition
- » Exposure to a challenging geopolitical environment in some borrower countries

Rating outlook

The stable outlook reflects our view that risks to TAEF's asset quality, stemming mainly from regional geopolitical tensions and high exposures of key borrowers to declines in oil demand and prices, are balanced by the fund's demonstrated resilience to adverse shocks, reflecting strong corporate governance and robust risk management practices. TAEF's portfolio concentration in the oil and gas sector and its key shareholders' economic and fiscal reliance on hydrocarbons expose the fund to longer-term credit risks related to global carbon transition. However, these risks are increasingly mitigated by TAEF's diversification efforts focused on financing renewable energy and other sustainability-linked projects funded from issuances under its Green Finance Framework.

Factors that could lead to an upgrade

A material reduction in leverage could exert upward pressure on the rating, in particular if also supported by significant improvements in the availability of liquid resources. Increasing evidence that TAEF is substantially reducing its exposure to carbon transition risks could also, over time, support a higher rating level.

Factors that could lead to a downgrade

Downward pressure on the rating could emerge if capital adequacy were to deteriorate due to materially higher leverage or deteriorating asset quality and performance. Such pressure would be magnified if accompanied by a deteriorating liquidity profile. A more rapid global carbon transition than currently expected could also, over time, lead to a lower rating, given the fund's significant asset and shareholder exposure to the oil and gas sector.

Key indicators

Exhibit 2

APICORP	2019	2020	2021	2022	2023	2024
Total Assets (USD million)	7,349	7,893	7,992	8,854	9,881	10,918
Leverage Ratio (%) [1]	251.2	243.9	256.6	229.7	241.4	263.6
Weighted-Average Borrower Rating (WABR)	Ba1	Ba1	Ba1	Ba1	Ba1	Ba1
Sovereign Exposures / Loans & Guarantees (%)	88.0	88.0	76.3	54.1	70.9	81.0
Equity Investments / DRA (%)	20.1	17.8	15.3	19.3	21.0	18.3
Non-Performing Assets / DRA (%)	2.2	0.8	0.4	1.0	0.7	0.3
Return on Equity (%)	4.9	4.8	4.0	5.4	7.4	8.1
Availability of Liquid Resources Ratio (ALR, %) [2]	140.2	349.4	1,215.0	158.3	145.6	122.7
Weighted-Average Shareholder Rating (WASR)	Ba1	Ba1	Ba1	Ba1	Ba2	Ba1
Callable Capital / Gross Debt (%)	22.7	165.8	173.4	185.0	166.3	130.7

[1] Development-related assets (DRA) + Treasury assets rated A2 or lower / Usable equity

[2] Discounted liquid assets / Projected net cash outflows during upcoming 18 months

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Profile

The Arab Energy Fund, formerly known as APICORP, was established as a multilateral development bank (MDB) in 1975 to assist in financing energy-related projects and industries, and associated fields of activity in the states of the Organization of Arab Petroleum Exporting Countries (OAPEC), rebranded in 2025 as the Arab Energy Organization (AEO). TAEF's largest shareholders are [Saudi Arabia](#) (Aa3 stable), the [United Arab Emirates](#) (Aa2 stable) and [Kuwait](#) (A1 stable). TAEF is independent in its administration and in the performance of its activities and carries out its operations on a commercial basis, in accordance with its statutes. To achieve its mandate, TAEF extends debt financing to and makes direct equity investments in local, regional, and international entities in the energy, utility and petrochemical sectors, as well as in energy trading activities of first-tier Arab and global hydrocarbon exporters.

TAEF's strategy for 2024-2028 centers around establishing a secure and sustainable energy future for the MENA region, with a particular emphasis on balancing traditional (oil and gas) and new (renewable) energy sources. The strategy commits to growth through lending and investments, aiming to position TAEF as the "leading energy impact fund" in the region. This goal is reflected in the branding and identity change (from APICORP to TAEF) to symbolize a more holistic and forward-looking approach to energy, including energy transition.

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: a1

We assess TAEF's capital adequacy as "a1", which reflects higher leverage compared to peers, mitigated by robust profitability and strong asset performance. TAEF's capital adequacy score is in line with the [International Finance Corporation](#) (IFC, Aaa stable) and [Asian Development Bank](#) (ADB, Aaa stable).

TAEF's capital position balances relatively high leverage and robust profitability

The fund's leverage ratio – which compares development-related assets (DRAs) and liquid treasury assets rated A3 or lower to useable equity and is our anchor point for assessing the fund's capital position – stood at around 262% in 2024, an increase from 241% in 2023, causing the capital position score to decrease to "baa1" from "a3". Leverage remains higher than most Aa-rated peers (Exhibit 4).

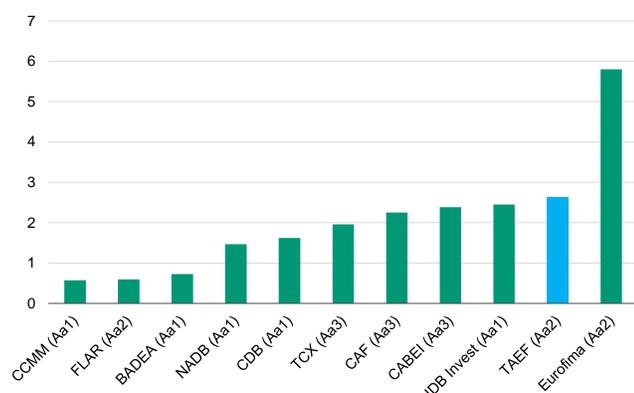
However, TAEF's healthy and consistent profitability has enabled it to grow its usable equity buffers by building reserves, as a result of which the fund has been able to maintain a relatively stable leverage ratio over the past 10 years despite its steady annual asset growth, averaging around 5.6% during 2015-24 (Exhibit 5). TAEF's return on equity averaged 5.8% during the past 10 years, over three percentage points higher than the median of all MDBs we rate, notwithstanding the challenging operating environment in a number of borrower countries.

TAEF's return on average assets also exceeded most peers at 2.6% in 2024 and an average of 1.9% in 2015-24. We expect such robust profitability to continue to support the fund's capital position in the future and, as such, our assessment of TAEF's capital position includes a "+1" adjustment for the impact of profit and loss on leverage. Our expectation is underpinned by the fund's sound risk-management practices and its track record of navigating periods of macroeconomic volatility such as those triggered by the recent years' oil price fluctuations and the coronavirus pandemic. We believe this will ensure that TAEF's NPLs will remain low despite fairly rapid portfolio growth in 2024.

In the coming years, TAEF plans to grow its DRAs in line with the strategic objective of becoming a preeminent impact investor in the Middle East and North Africa (MENA) region's energy sector. However, the fund's management expects the leverage ratio to remain below 300% of useable equity.

Exhibit 3

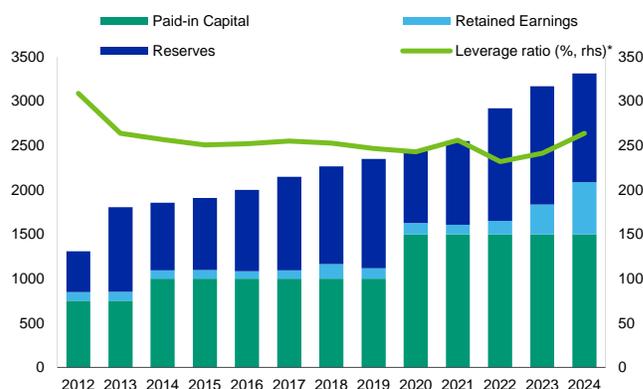
TAEF's leverage is higher than most similarly-rated peers
(Leverage ratio, latest)



Sources: TAEF, Moody's Ratings

Exhibit 4

Reserves, built through robust profits, have kept the leverage ratio in check
(\$ million)



Sources: TAEF, Moody's Ratings

Relatively robust creditworthiness of key borrowers and increasing diversification of the lending portfolio balance an elevated share of equity investments

We assess TAEF's development asset credit quality (DACQ) at "a", reflecting its relatively robust weighted average borrower rating (WABR), a well-diversified lending portfolio borrowers, countries and sectors, and the fact that over half of the loan book consists of exposures to governments or government-related borrowers. The fund's relatively high share of equity investments (18% of DRAs in 2024), which are typically more risky than loans and guarantees, weigh on our assessment of DACQ.

TAEF's WABR, which functions as our anchor point for the DACQ assessment, is relatively robust at "Ba1", higher than the "Caa1" median for MDBs rated Aa1-Aa3. TAEF's loans to borrowers in non-investment grade countries accounted for around 28% of the overall loan portfolio in 2024, including mainly [Bahrain](#) (B2 stable), [Oman](#) (Ba1 positive), [Egypt](#) (Caa1 positive) and [Azerbaijan](#) (Ba1 positive). However, the quality of TAEF's lending portfolio is enhanced by the fact that 81% of the total exposure in 2024 was to government or government-related borrowers while many of the private sector loans were extended to fund government-sponsored projects. We do not explicitly assign to TAEF a de facto Preferred Creditor Status, mainly due to the absence of concrete examples where borrowers continued to service their obligations toward TAEF while having defaulted on other creditors, and due to TAEF's policy to lend at commercial rates. Nevertheless, just like most other MDBs, TAEF benefits from preferential treatment in its member countries, such as in terms of preferential access to foreign exchange in the event of a country's foreign exchange crisis, being exempted from country risk provisioning when applicable, and its loans have never been included in a sovereign debt restructuring. TAEF has also never been subject to mandatory new money obligations under any country debt rescheduling.

TAEF is among a small group of MDBs that hold direct equity investments equivalent to at least 10% of their DRA. This exposure, which increases the riskiness of the overall development asset portfolio has fluctuated in recent years between 15% and 25%, most recently declining to 18% in 2024 from 21% in 2023. The fund also expects to maintain a similar share of equity investments over the coming years, in line with its goal of becoming a leading equity impact investor in the MENA region's energy sector. That being said, nearly half of the equity portfolio is accounted for by an investment in a very mature and financially stable company that is unlikely to be a source of portfolio asset risk. On the contrary, it has been providing TAEF with steady dividend payments, supporting its non-interest income generation.

Given its mandate to finance energy-related projects mainly in AEO member states, TAEF's asset portfolio is concentrated in the energy sector, predominantly oil and gas (36% of gross loans in 2024), and in the countries of the Middle East and North Africa (MENA) region, most of which are oil and gas exporters (Exhibit 6). Although such regional concentration is not atypical in comparison with other regional MDBs, high portfolio concentration in the hydrocarbon sector and a high proportion of shareholders that are economically and fiscally reliant on exports of oil and gas exposes the fund to longer-term risks stemming from global energy

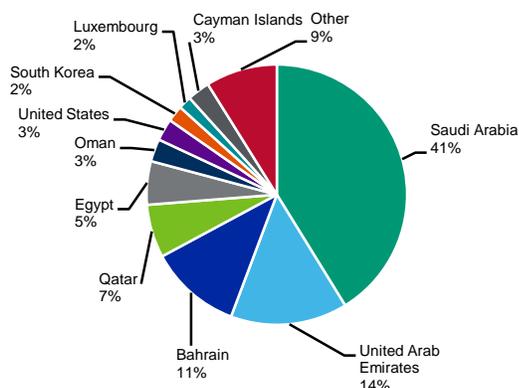
transition. This underpins TAEF's E-4 environmental issuer profile score (IPS), one of the weakest among MDBs we rate. Even so, single-name concentration is low at 8% of total DRAs in 2024, with the top 10 largest exposures accounting for around 29% of total DRAs.

NPLs decreased in 2024 and are expected to decrease further in 2025

We score TAEF's asset performance at "aa1", reflecting its low level of nonperforming assets (NPAs) and our expectation that they will decrease further in the next few years, based on low stage 2 exposures. The NPA ratio, which compares nonperforming loans (NPLs), triggered guarantees and net equity impairments to total DRAs, decreased to 0.34% in 2024 from 0.67% in 2023 (Exhibit 7). During 2024, additional nonperforming borrowers resumed their scheduled debt payments and the management expects them to be removed from the nonperforming category in 2025.

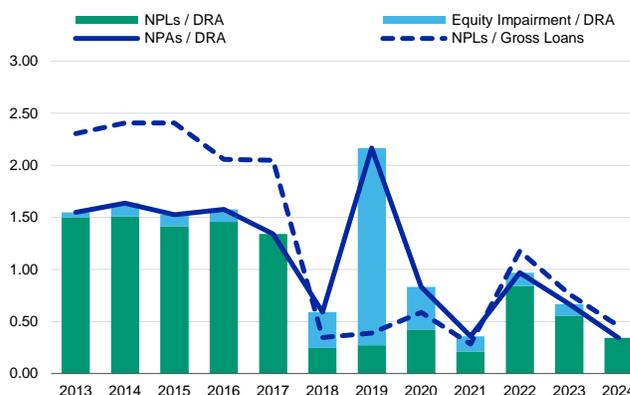
Equity impairments add volatility to the NPA ratio, however, there were none in 2024, but are likely to remain volatile given the fund's plans to maintain significant equity investment exposures in the coming years.

Exhibit 5
TAEF's loan exposures are primarily focused in the MENA region (% 2024)



Source: TAEF, Moody's Ratings

Exhibit 6
Non-performing loans have decreased significantly in 2024 (%)



Source: TAEF, Moody's Ratings

FACTOR 2: Liquidity and funding score: aa2

We score TAEF's liquidity and funding as "aa2", which reflects an ample level of liquid resources and the fund's high-quality, well-diversified funding structure. Our assessment of TAEF's liquidity and funding is in line with that of [Caribbean Development Bank](#) (CDB, Aa1 stable) and [Central American Bank for Economic Integration](#) (CABEI, Aa3 stable).

Ample liquid assets would more than cover projected cash outflows in a stress scenario

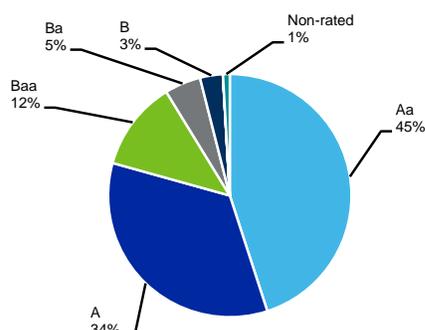
For the purpose of calculating our availability of liquid resources (ALR) ratio, we consider only highly liquid assets such as cash and short-term bank deposits and securities that are rated A2 or higher (i.e. discounted liquid assets for short). This is because we believe that only such high quality assets would be available in a stress scenario at short notice and with minimal loss upon liquidation. For TAEF, these assets amounted to approximately \$2.6 billion at the end of 2024 and largely comprised of cash and deposits at banks with a term of under one-year (counterparty risk above Baa3) and treasury assets rated A2 and above. Around 45% of these assets (including cash) was rated in the Aa category, and 34% was rated in the A category (see Exhibit 6).

We consider the size of the available liquid assets relative to expected net cash outflows over the coming 18 months in a stress scenario, in which the MDB has no access to borrowing but continues its normal business operations and services its debt liabilities. Given the deposit-taking nature of TAEF, our expected net cash outflows also include the estimate of a deposit outflow in a stress scenario. This estimate is typically the lesser of the total stock of deposits at the start of period and the maximum deposit outflow recorded in the past.

TAEF's ALR ratio was about 123% at the end of 2024. This is down from 146% recorded in December 2023 and lower than many other MDBs we rate, but still points to availability of ample liquid resources to cover cash outflows in a stress scenario with no access to borrowing (see Exhibit 7).

Exhibit 7

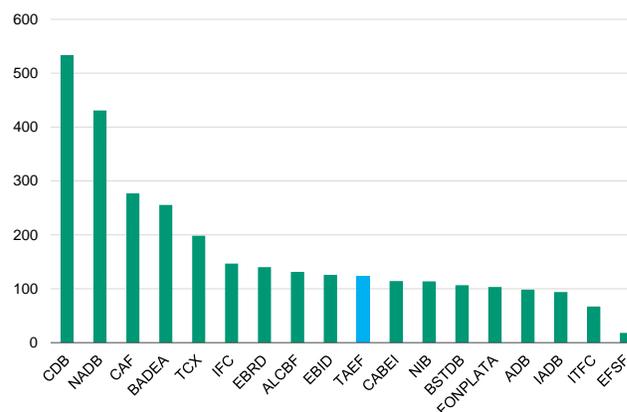
High quality liquid assets support TAEF's liquidity position... (Treasury assets by ratings, including cash, % total, 2024)



Sources: TAEF, Moody's Ratings

Exhibit 8

... but availability of liquid resources remains weaker than most MDBs (Availability of Liquid Resources, %, 2024)*



* (Discounted Liquid Assets) / (Expected Net Cash Outflows Under a Stress Scenario)
Sources: TAEF, Moody's Ratings

Funding structure is well diversified

We score TAEF's quality of funding at "aa", reflecting its well-diversified funding structure with the track record issuances and borrowings across multiple instruments, jurisdictions, investor types and currencies. In 2024, nearly 24% of the fund's funding came from Asia, 35% from MENA and the remainder from Europe and other advanced economies. About 41% of funding was provided by sovereigns, supranationals and agencies (SSAs), including central banks and sovereign wealth funds.

After its first green bond issuance in 2021 that has been fully deployed, TAEF issued its second benchmark-size green bond in April 2025, increasing its total green funding to \$1.3 billion. Additionally, in February 2025, the Fund completed a US\$650 million public issuance at SOFR mid-swaps +80 basis points with 40% of the order book coming from outside the MENA region.

Between 2012 and 2021, TAEF significantly reduced its reliance on short-term wholesale deposits from banks, corporates and/or entities directly owned or controlled by the member states' governments. During this period, the share of deposits in total market funding (debt plus deposits) declined to less than 7% from around 50%. As a result of this reduction, TAEF has eliminated its negative asset-liability gaps with a maturity of up to 12 months, which were a source of vulnerability and liquidity risk, even after taking into account the stickiness of many of the fund's deposits.

More recently, TAEF's stock of deposits decreased to about \$773 million in 2024, from \$1.26 billion in 2023, falling to just over 10% of the outstanding stock of market funding. Moreover, TAEF no longer uses its wholesale deposits to fund its lending and equity investment operations. Deposits are used exclusively to fund liquid treasury assets.

Qualitative adjustments to intrinsic financial strength

Operating environment

Given TAEF's track record of maintaining robust profitability despite geopolitical and economic tensions in the region, we do not make any negative adjustment for operating environment.

With the sectoral concentration of TAEF's assets in energy-related projects, movements in oil prices pose a potential risk to TAEF's credit profile. Volatility in global energy markets has not historically affected income from loans, but periods of low oil prices have weighed on dividend payments from direct equity investments and returns on fixed income securities issued by the oil producing sovereigns. They also impact the fair value of equity holdings. That said, the correlation between the fund's net income and oil prices

has significantly declined in recent years, pointing to its ability to withstand volatility in the energy markets. The gradual diversification of TAEF's activities towards nonenergy related sectors (especially through its equity investment) and its sound risk-management practices have limited its vulnerability to turbulence in the energy market.

Quality of management

We assess the strength of TAEF's financial-management framework and its adherence to the framework as consistent with the high standards in the sector and thus we make no adjustment for quality of management. TAEF's risk management policies are prudent and robust, and the governance principles are of a high standard. We believe TAEF's risk management framework is sufficiently robust to prevent deterioration in asset performance that would be typically associated with very strong lending portfolio growth such as during 2024. The fund has a dedicated Chief Risk Officer reporting directly to the CEO, with a direct access to the board audit and risk committee. The risk function is independent from business lines and sets risk limits. TAEF also undertakes semi-annual stress tests for credit, liquidity and market risks. Furthermore, TAEF's Bahrain branch is regulated by the Central Bank of Bahrain. Over the past years, TAEF has made progress on improving governance and the risk management function. Most recently, in 2025 the fund added independent members, who are subject matter experts, to most board and management committees.

FACTOR 3: Strength of member support score: High

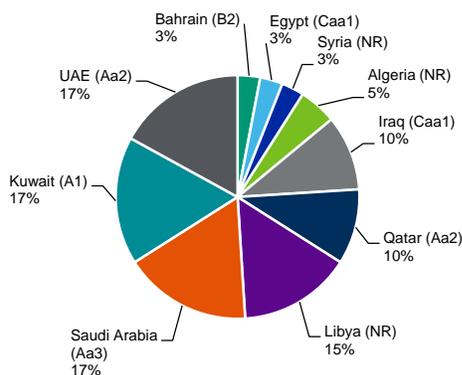
We assess TAEF's strength of member support at "High", reflecting a weighted-average shareholder rating of "Ba1", high levels of callable capital, and the shareholders' high willingness to support the fund.

Most shareholders are investment grade rated, which underpins our "ability to support" assessment

TAEF's weighted average shareholder rating (WASR) is "Ba1", highlighting the shareholders' ability to provide extraordinary support if needed. The capital base is held primarily by investment-grade sovereigns (61%), including the United Arab Emirates, Kuwait, [Qatar](#) (Aa2 stable), Saudi Arabia, all of which are rated A1 or higher. Although the presence of non-investment-grade (16%) and non-rated shareholders (23%) reduces the weighted average shareholder creditworthiness (Exhibit 9), TAEF's WASR is broadly in line with that of Aa-rated peers (Exhibit 10).

Exhibit 9

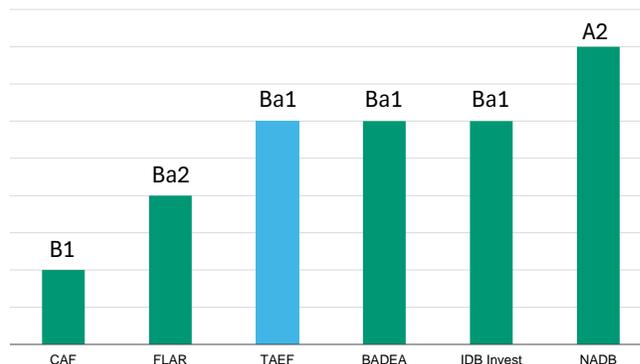
More than 60% of shareholders are investment grade (Breakdown of subscribed capital by shareholder)



Source: TAEF, Moody's Ratings

Exhibit 10

Ability to support is in line with peers (Weighted-average shareholder rating, latest)



Source: Moody's Ratings

Although the presence of non-rated (i.e. Libya, Syria and Algeria) and some very low-rated shareholders (i.e. [Iraq](#) (Caa1 stable) and Egypt), which jointly own 39% of the fund, raises concerns about their ability to provide financial support in the form of emergency capital if needed, this is largely mitigated by TAEF's shareholders' explicit commitment to support the fund on a "joint and several" basis, meaning that each shareholder is responsible for the full amount of the obligation collectively as well as individually, thus placing the onus of responsibility on those that are best positioned to support. In the case of need, we would therefore expect the investment-grade sovereigns to cover any shortfalls if required.

While we do not regard the “joint and several” commitment as a full financial guarantee for creditors, it does indicate a stronger willingness to support compared to the pro-rata wording of support pledges of most other MDBs. Uniquely, TAEF's management can request callable capital to service debt, but also to expand development operations (while maintaining capital adequacy ratios), or to absorb losses from treasury or DRAs. These very broad callable capital guidelines differ from those of many other MDBs, which can typically only request callable capital to service debt. Once requested, TAEF's callable capital is expected to be paid in by members within two months.

Large callable capital increase in April 2020 substantially strengthened our assessment of contractual member support

TAEF's callable capital relative to total debt, which is our key measure for contractual strength of member support, decreased to 131% in 2024, from 166% in 2023, due to an increase in debt. This ratio underpins our “aaa” assessment of shareholders' contractual willingness to support the fund.

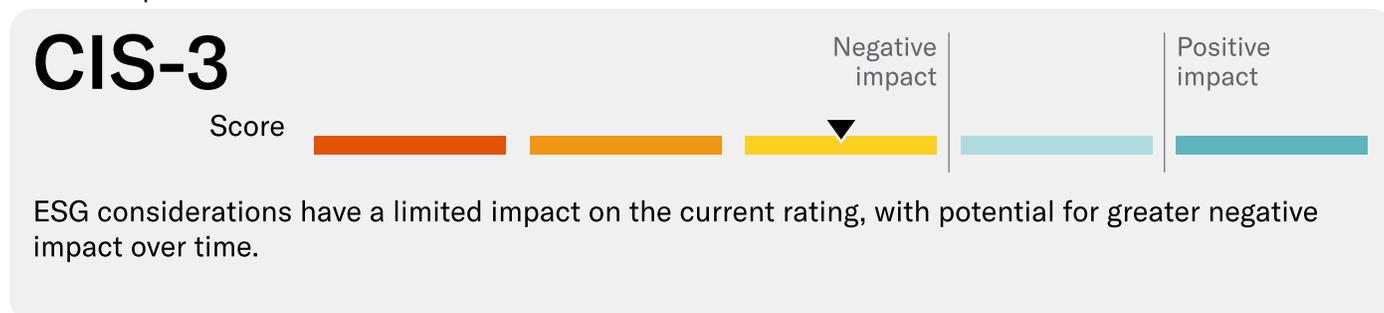
This assessment was substantially strengthened in April 2020 when the General Assembly agreed to increase the callable capital to \$8.5 billion from \$1 billion. Before this increase, callable capital covered less than 25% of TAEF's outstanding debt.

We assess shareholders' non-contractual willingness to support as “High”, to capture the strategic importance of the energy sector to the AEO economies, which in turn implies that TAEF would benefit from a high priority of support.

ESG considerations

The Arab Energy Fund (TAEF)'s ESG credit impact score is CIS-3

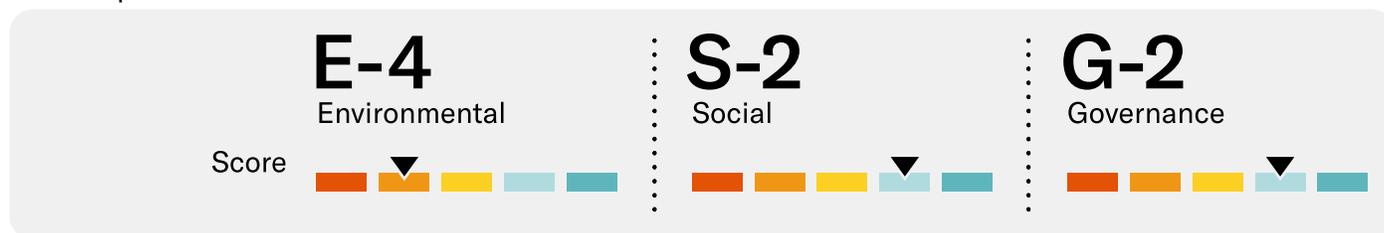
Exhibit 11
ESG credit impact score



Source: Moody's Ratings

TAEF's **CIS-3** score indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time if the ongoing efforts to reduce the fund's exposure to global carbon transition prove to be less successful than we currently expect. The fund's main exposure is to environmental risks, which are mitigated by the track record of solid governance and strong risk management, demonstrated by the increasing focus on the renewable energy and sustainability-linked projects that reduce TAEF's development-related asset concentration in oil and gas while also supporting mitigation of the member countries' exposure to longer-term carbon transition risks.

Exhibit 12
ESG issuer profile scores



Source: Moody's Ratings

Environmental

TAEF's **E-4** environmental issuer profile score is mainly driven by its exposure to longer-term carbon transition risks. This exposure is reflected in its high development-related asset concentration in the oil and gas sector (36% in 2024) and its key shareholders' heavy economic and fiscal reliance on hydrocarbons. However, the fund's growing pipeline of renewable energy and other sustainability-linked projects is providing a path for diversifying away from the hydrocarbon sector. Aside from carbon transition risks, TAEF's operating environment is also characterized by borrowers exposed to physical climate risks, including high levels of water stress.

Social

TAEF's **S-2** social issuer profile score reflects low exposure to all social risk categories. The fund has strong relationships with all member countries and its recently rolled-out ESG policy framework further supports its social issuer profile assessment.

Governance

The **G-2** governance issuer profile score reflects the fund's track record of solid governance and risk management standards, which manifest in strong financial performance and low levels of non-performing assets, including during the periods of global financial stress and weakening operating environment in key borrower countries.

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 ESG Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).

Recent developments

2024 financials highlight robust asset growth, strong profitability and improving asset performance

In 2024, TAEF's total assets grew 10.5%, broadly in line with the expansion seen in the previous two years. However, 2024 growth was mainly driven by gross loans, guarantees and letters of credit, which increased by nearly 24% after shrinking by a cumulative 3.1% during 2022-2023. In contrast, equity investments declined by 1.3%, having grown 37% during the previous two years, and liquid assets remained stable, having increased 67% during 2022-23. Overall, development-related asset grew by 18.5% in 2024 compared to an average annual rate of only 3.7% over the previous 10 years. While unusually rapid compared to the past decade, we do not consider this strong DRA expansion as a reason for concern given the fund's track record of strong risk management and its conservative risk appetite framework. Notably, sustainability-linked exposures, funded by TAEF's 2021 and 2024 green bond issuances (\$1.5 billion in total), were responsible for 38% of DRA growth in 2024. Furthermore, part of the acceleration in loan disbursements during 2024 was due to delays in projects and disbursements during the previous two years.

Supported by the expansion of the loan and guarantee portfolio, as well as higher lending rates and a continuation of robust dividend inflows, TAEF's net income rose to \$266 million in 2024 from \$225 million in 2023, boosting the return on average equity to 8.1% from 7.4% in 2023 and 5.5% during 2018-22. TAEF's usable equity in turn increased by 5.8% as the fund continued to forego distributing dividends to its shareholders in order to support its robust growth without excessively increasing leverage. That said, TAEF's leverage ratio rose to 264% at the end of 2024 from 241% at the end of 2023, the highest since 2013 and among the highest among other similarly rate multilateral development banks.

Despite higher leverage, TAEF's capital adequacy remains very robust, supported by the track record of strong profitability, which we expect to continue in the coming years, and improving asset performance, with the nonperforming asset ratio declining to 0.3% in 2024 from 0.7% in 2023 and 1.0% in 2022. Furthermore, the NPA ratio is likely to decline further with a large portion of non-performing loans at the end of 2024 having been regularized as of the first quarter of 2025 and likely to be removed from the Stage 3 category by the year end, as per standard IFRS 9 rules.

Liquidity and funding profile also remains very strong

Aside from retained net earnings, TAEF funded its robust asset growth (\$1 billion in 2024) with additional net borrowing, mainly in the form of sukuk (\$948 million) and term loans (\$498 million). In contrast, the fund reduced its reliance on deposit funding, which

declined in 2024 by \$485 million from what was the highest level since 2017, thereby shifting the its overall funding profile toward medium and long-term instruments, which accounted for 89% of total market funding at the end of 2024 compared to 80% at the end of 2023 and 2022.

Overall, in 2024 TAEF raised a total of \$2.1 billion through a combination of public issuances and private placements across a very diversified investor base, geographies, currencies, and instruments. Funding included borrowing in USD, EUR, GBP as well as off-shore CNY (Formosa bonds), and in April 2024 TAEF issued its second benchmark-size green bond (\$750 million), increasing resources available to support its diversification efforts away from the oil and gas sector. Furthermore, during the first quarter of 2025, the fund raised \$1.2 billion, including through a benchmark-size public issuance of \$650 million, which has fully covered all maturities falling due in 2025, demonstrating its pro-active liquidity management approach.

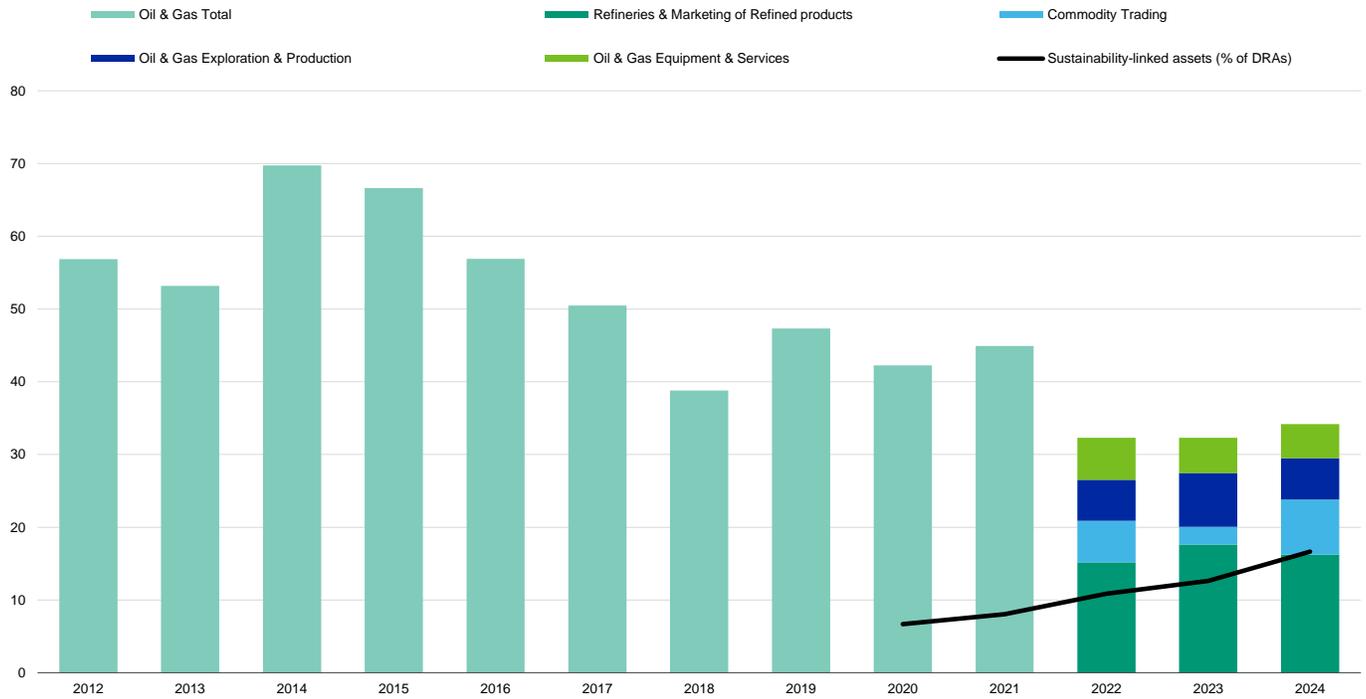
TAEF's liquidity profile remains very strong, with liquid assets rated at least A2 covering more than 122% of projected net cash outflows over the upcoming 18 months as of the end of 2024. However, this liquidity coverage ratio has deteriorated from 146% at the end of 2023 and 158% in 2022, mainly due to higher expected loan disbursements, which reflects higher DRA growth expectations compared to 2022 and 2023.

Carbon transition exposure remains large, despite strong growth in sustainability-linked assets

Sustainability-linked exposures increased to \$1.3 billion (16.6% of DRAs) in 2024 from \$820 billion (12.6% of DRAs) in 2023 and \$375 million (6.7% of DRAs) in 2020, underscoring TAEF's strategy which now includes a much broader developmental mandate than its original relatively narrow focus on financing energy-related projects and industries in the members states of the Organization of Arab Petroleum Exporting Countries (OAPEC). Just like TAEF, OAPEC has recently rebranded as the Arab Energy Organization, to signal its increased focus on sustainability in the context of global transition toward lower-carbon energy sources. For TAEF, which sees itself as a "self-sustainable leading impact fund in the Arab region", sustainability-linked investment projects are defined relatively broadly and include renewable energy, water desalination, water treatment, waste management, as well as mixed utilities.

As of the end of 2024, the energy (i.e. oil and gas) sector, including refining and commodity trading, accounted for 36% of TAEF's gross loan exposures. This is significantly lower than 45% in at the end of 2021 and the average of more than 60% during 2012-16 (Exhibit 14). However, this share has remained relatively steady during the past three years, highlighting TAEF's still significant exposure to global carbon transition, despite its strong sustainability-linked asset growth. This carbon transition exposure through assets is in addition to the fund's exposure through shareholders, which are all hydrocarbon-reliant governments exposed to longer-term carbon transition credit risks.

Exhibit 13
Oil and gas exposures have declined while sustainability-linked exposures increased since 2021
 % of gross loans



Source: TAEF and Moody's Ratings

Rating methodology and scorecard factors

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Capital adequacy (50%)			a1	a1
Capital position (20%)			a3	
	Leverage ratio	baa1		
	Trend	0		
	Impact of profit and loss on leverage	+1		
Development asset credit quality (10%)			a	
	DACQ assessment	a		
	Trend	0		
Asset performance (20%)			aa1	
	Non-performing assets	aa1		
	Trend	0		
	Excessive development asset growth	0		
Factor 2: Liquidity and funding (50%)			aa2	aa2
Liquid resources (10%)			aa3	
	Availability of liquid resources	aa3		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
Quality of funding (40%)			aa	
Preliminary intrinsic financial strength				aa3
Other adjustments				0
Operating environment		0		
Quality of management		0		
Adjusted intrinsic financial strength				aa3
Factor 3: Strength of member support (+3,+2,+1,0)			High	High
Ability to support (50%)			Ba1	
	Weighted average shareholder rating	Ba1		
Willingness to support (50%)				
	Contractual support (25%)	aaa	aaa	
	Strong enforcement mechanism	+2		
	Payment enhancements	0		
	Non-contractual support (25%)		High	
Scorecard-Indicated Outcome Range				Aaa-Aa2
Rating Assigned				Aa2

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.

Related websites and information sources

- » [Moody's Supranational web page](#)
- » [Moody's Sovereign and supranational rating list](#)
- » [Arab Energy Fund \(The\)](#)

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