

CREDIT OPINION

26 July 2024

Update



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RATINGS

Arab Petroleum Investments Corporation

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

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The Arab Energy Fund – Aa2 stable

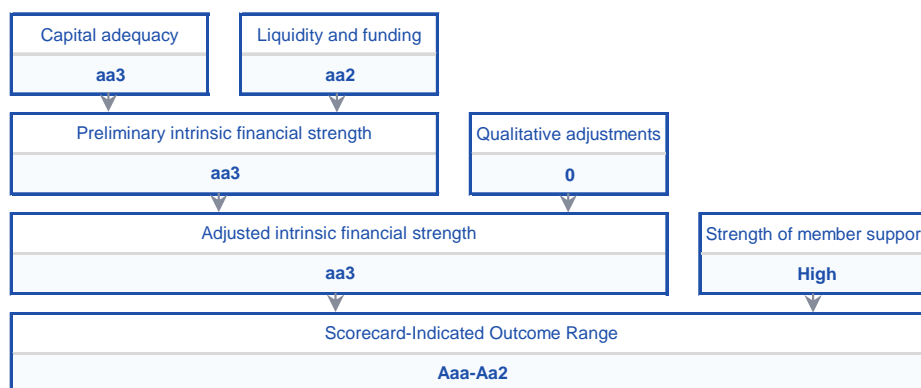
Regular Update

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 corporation's demonstrated resilience to these risks, 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 corporation to longer-term credit risks related to global carbon transition. However, these risks are at least partly mitigated by TAEF's diversification efforts focused on financing renewable energy and other environmentally-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 further improvements in the availability of liquid resources. An increasing evidence that TAEF is turning its current credit-negative exposure to carbon transition into a credit-positive exposure by growing its portfolio in the carbon-reducing sectors 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 in the context of a portfolio shift toward riskier equity investments or private sector lending. 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 corporation's asset and shareholder exposure to the oil and gas sector.

Key indicators

Exhibit 2

APICORP	2018	2019	2020	2021	2022	2023
Total Assets (USD million)	6,952.7	7,349.4	7,892.8	7,992.2	8,853.9	9,881.4
Development-related Assets (DRA) / Usable Equity [1]	223.1	229.2	230.3	247.4	209.5	206.8
Non-Performing Assets / DRA	0.6	2.2	0.8	0.4	1.0	0.7
Return on Average Assets	2.5	0.2	1.5	1.0	2.2	2.4
Liquid Assets / ST Debt + CMLTD [2]	174.7	386.5	451.0	714.0	175.2	631.5
Liquid Assets / Total Assets	32.2	34.0	35.4	28.1	37.2	38.0
Callable Capital / Gross Debt	25.5	22.7	165.8	173.4	185.0	166.3

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

[2] ST debt excludes deposits. Including deposits, the ratio would fall to 113.9% in 2018

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.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 of the Organization of Arab Petroleum Exporting Countries (OAPEC) members. TAEF's largest shareholders are [Saudi Arabia](#) (A1 positive), 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: aa3

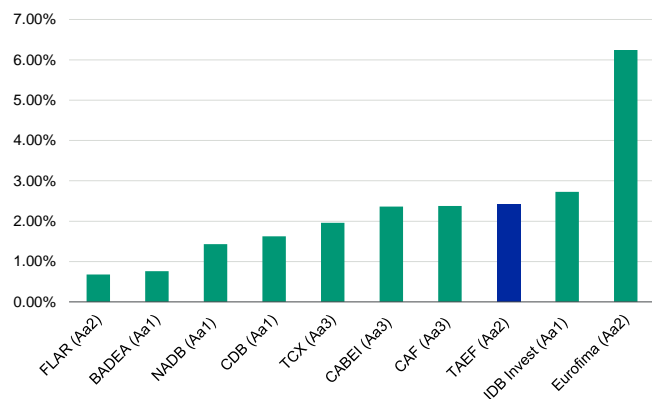
We assess TAEF's capital adequacy as "aa3", which reflects higher leverage compared to peers, mitigated by robust profitability and strong asset performance. TAEF's capital adequacy score is in line with [North American Development Bank](#) (NADB, Aa1 stable) and [Arab Bank for Economic Development in Africa](#) (BADEA, Aa1 stable).

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

The corporation'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 corporation's capital position – stood at around 241% in 2023, higher than most Aa-rated peers (Exhibit 3).

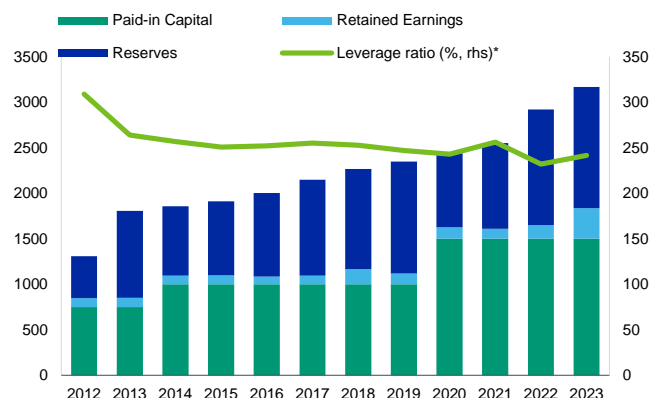
However, TAEF's healthy and consistent profitability has enabled it to grow its usable equity buffers by building reserves, as a result of which the corporation has been able to maintain a relatively stable leverage ratio over the past 10 years despite its steady annual development-related assets (DRA) growth, averaging around 3.8% during 2014-23. The \$500 million increase in paid-in capital during 2020 was a result of the shareholders' decision to transfer this amount from reserves (Exhibit 4).

Exhibit 3

**TAEF's leverage is higher than most similarly-rated peers
(Leverage ratio, 2023)**


Source: TAEF, Moody's Ratings

Exhibit 4

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


* Leverage ratio = (Development Related Assets + Liquid Assets Rated A3 or Lower) / Usable Equity; Usable Equity = Paid-in Capital + Retained Earnings + Reserves

Source: TAEF, Moody's Ratings

TAEF's return on equity averaged 5.6% during the past 10 years, nearly 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 2.4% in 2023 and an average of 1.8% in 2014-23. We expect such robust profitability to continue to support the corporation'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 corporation'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.

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 corporation's management expects the leverage ratio to remain below 300% of usable equity.

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 across countries and sectors, and the fact that most of the loan book consists of exposures to governments or government-related borrowers. The corporation's relatively high share of equity investments, which are typically more risky than loans and guarantees, weigh on our assessment of DACQ.

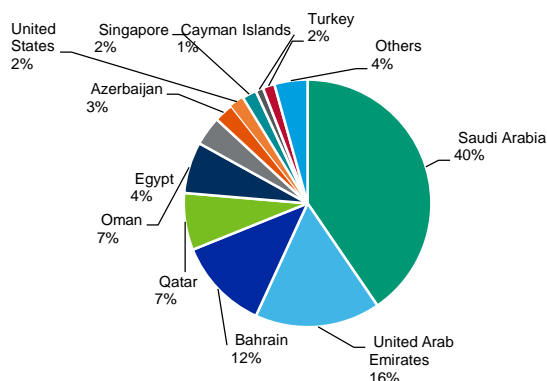
TAEF's WABR, which functions as our anchor point for the DACQ assessment, is relatively robust at "Ba1", higher than the "B2" median for all MDB we rate or the "B1" median for MDB rated Aa1-Aa3. TAEF's loans to non-investment grade countries accounted for around 24% of the overall lending book in 2023, including mainly [Bahrain](#) (B2 stable), [Oman](#) (Ba1 stable), [Egypt](#) (Caa1 positive) and [Azerbaijan](#) (Ba1 positive). However, the quality of TAEF's lending portfolio is enhanced by the fact that 71% of the total exposure in 2023 was to government or government-related borrowers while many of the private sector loans were extended to fund government-sponsored projects, although we do not explicitly assign to TAEF a de facto Preferred Creditor Status. 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 general country 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 declined to 15.3% in 2021 from the peak of 25.1% in 2016. However, much of this decline has since been reversed with the share of equity investments rising to 21% in 2023 and the corporation 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 50% 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 risk. On the contrary, it has been providing TAEF with steady dividend payments, supporting its noninterest income generation.

Given its mandate to finance energy-related projects mainly in OAPC member states, TAEF's asset portfolio is concentrated in the energy sector, predominantly oil and gas (33% of loans in 2023), and in the countries of the Middle East and North Africa (MENA) region, most of which are oil and gas exporters (Exhibit 5). 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 corporation 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 10.3% of total DRAs, with the top 10 largest exposures accounting for around 33.4% of total DRAs.

Exhibit 5

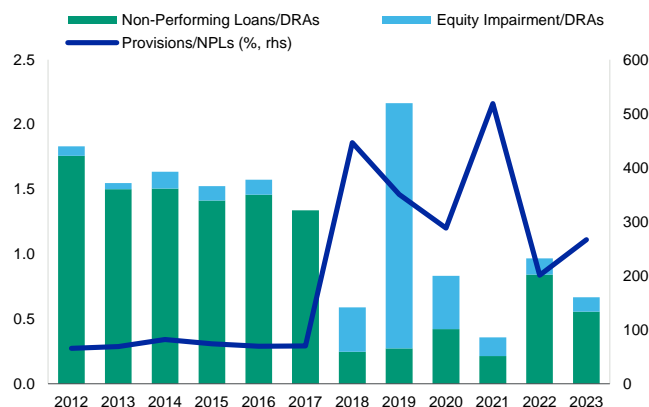
Exposures largely concentrated in the MENA region (Share of development related assets, % 2023)



Source: TAEF, Moody's Ratings

Exhibit 6

Non-performing loans decreased significantly in 2023 (%)



Source: TAEF, Moody's Ratings

NPLs decreased in 2023 and are expected to decrease further in 2024

We score TAEF's asset performance at "aa1", reflecting its relatively low level of nonperforming assets (NPAs) and our expectation that they will decrease further in the next few years. NPAs, which include the stock of nonperforming loans (NPLs) as well as net equity impairments, decreased to 0.67% of gross DRAs in 2023. This improvement happened after two of the corporation's three delinquent borrowers restarted servicing their loans and reduced the outstanding amount of NPLs to \$36.5 million from \$51.5 million (Exhibit 6, above). The NPL ratio is likely to decrease further in 2024 when the above delinquent borrowers are formally reclassified as current, having been maintained as stage 3 exposures during 2023 on a precautionary basis.

NPLs alone stood at 0.8% of gross loans, which is more than a full percentage point lower than TAEF's own average during 2013-17 and in line with the average NPA ratio for Aaa- and Aa-rated MDBs. Equity impairments add volatility to the NPA ratio, which is likely to remain volatile given the corporation's plans to maintain significant equity investment exposures in the coming years.

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 corporation'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 Bk for Economic Integration](#) (CABEI, Aa3 stable).

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

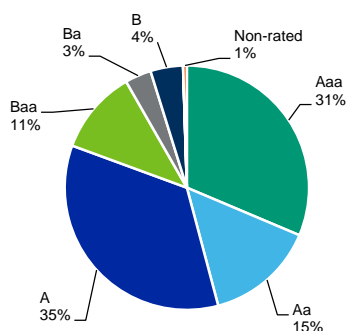
For the purpose of calculating our availability of liquid resources (ALR) ratio, we consider only highly liquid assets such as cash and short-term bank deposits and securities that are rated A2 or higher (i.e. discounted liquid assets for short). This is because we believe that only such high quality assets would be available in a stress scenario at a short notice and with minimal loss upon liquidation. For TAEF, these assets amounted to \$2.65 billion at the end of 2023 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 46% of these assets (including cash) was rated Aa to Aaa, and 35% was rated in the A category (see Exhibit 7).

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 – which compares discounted liquid assets to expected net cash outflows during the 18-month period under the stress scenario – was 146% at the end of 2023. This is slightly down from 158% recorded in December 2022 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 8).

Exhibit 7

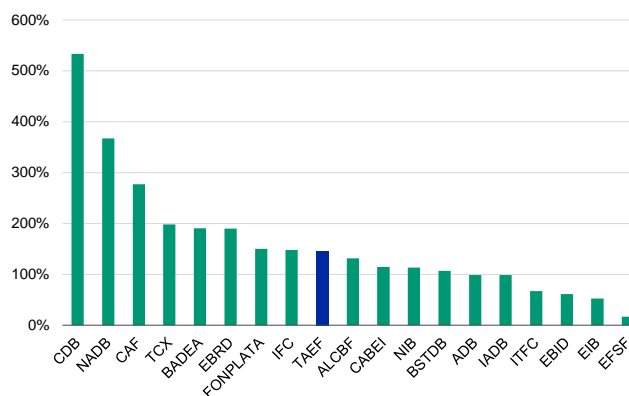
High-quality liquid assets support TAEF's liquidity position (Treasury assets by ratings, including cash, % total, 2023)



Sources: TAEF, Moody's Ratings

Exhibit 8

TAEF's availability of liquidity resources is ample but weaker than most MDBs (Availability of Liquid Resources, %)*



* (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 2023, nearly 29% of the corporation's funding came from Asia, 49% from MENA and the remainder from Europe and other advanced economies. About 34% of funding was provided by sovereigns, supranationals and agencies (SSAs), including central banks and sovereign wealth funds.

Although TAEF did not access public debt capital markets in 2022-23 (relying mainly on private placements and bilateral term loans), during the previous five years its funding sources included benchmark-size eurobonds, international sukuk issuance, green bonds, Formosa and Dim Sum notes, as well as term loans, repos, and private placements in GBP. TAEF has an outstanding medium-term note program for both conventional and sukuk issuances (the latter under TAEF Sukuk Limited). Furthermore, in August 2023 the corporation established a \$2 billion Certificate of Deposit Program. Most recently, the corporation issued its second green bond of \$750 million in April 2024.

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 corporation's deposits.

More recently, TAEF's stock of deposits increased again to about \$1.26 billion in 2023 from \$954 million in 2022 and \$349 million in 2021, rising to almost 20% of the outstanding stock of market funding. However, TAEF no longer uses its wholesale deposits to fund its lending and equity investment operations. Deposits are used exclusively to fund liquid treasury assets. Moreover, the increase in deposits has not generated any negative short-term asset-liability gaps, maintaining the track record of no such mismatches since 2017.

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 corporation'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 non-energy 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 its Aa2 rating and thus we have made no adjustment for quality of management. TAEF's risk management policies are prudent and robust, and the governance principles are of a high standard. The corporation 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.

FACTOR 3: Strength of member support score: High

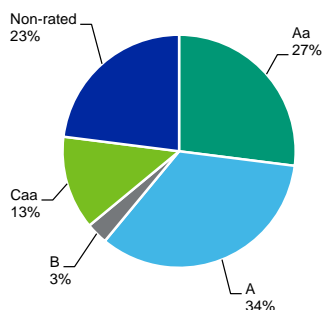
We assess TAEF's strength of member support at "High", reflecting a weighted-average shareholder rating of "Ba1", high levels of callable capital, and the shareholders' high willingness to support the corporation.

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 nonrated 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

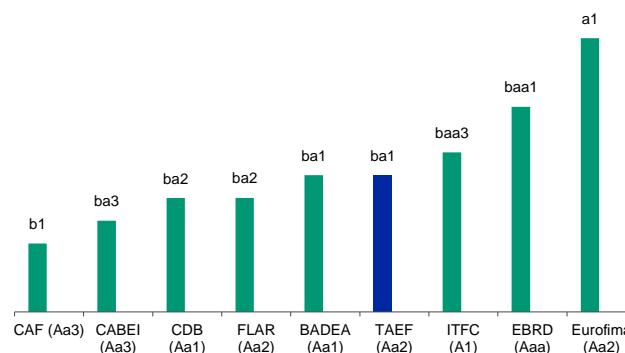
More than 60% of shareholders are investment grade
(Breakdown of subscribed capital by shareholder)



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 and Egypt), which jointly own 36% of the corporation, 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 corporation 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 166% in 2023 from 185% in 2022, due to an increase in debt. This ratio underpins our "aaa" assessment of shareholders' contractual willingness to support the corporation.

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 OAPEC economies, which in turn implies that TAEF would benefit from a high priority of support.

ESG considerations

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

Exhibit 11

ESG credit impact score

CIS-3



ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Ratings

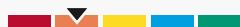
TAEF's **CIS-3** score indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. The Fund's main exposure is to environmental risks, which are mitigated by the track record of solid governance and strong risk management, demonstrated by the increasing focus on the renewable energy projects and other financing activities that support mitigation of the member countries' exposure to carbon transition risks.

Exhibit 12

ESG issuer profile scores

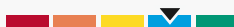
ENVIRONMENTAL

E-4



SOCIAL

S-2



GOVERNANCE

G-2



Source: Moody's Ratings

Environmental

TAEF's **E-4** environmental issuer profile score is mainly driven by its exposure to carbon transition. This exposure is reflected in its high portfolio concentration in the oil and gas (31% of DRAs in 2023), and petrochemical sectors, combined with the economic and fiscal reliance of its key shareholders on hydrocarbons. Its 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 IPS.

Governance

The **G-2** governance issuer profile score reflects the Fund's solid track record of governance and risk management standards, which manifest in strong financial performance, 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

2023 financials highlight robust profitability and improving asset performance

In 2023, TAEF's assets rose 11.6%, reflecting robust growth across most categories, including loans (9.2%), treasury securities (21.9%), and equity investments (16.4%). Supported by the expanding asset base, higher lending rates, and robust dividend inflows, the corporation's net income rose to \$225.3 million in 2023 from \$148.9 million in 2022, significantly boosting the return on average assets to 2.4%, almost one percentage point higher than the 2018-2022 average, and increasing the return on average equity to 7.4% compared to the average of 5.5% during 2018-22. This rise in net income largely reflected higher net interest income, which grew to \$185.4 million in 2023, making up 81% of total net income of the corporation. Non-interest income remained resilient at \$106.4 million in 2023, only slightly lower than \$109.5 million in 2022, benefitting from strong dividend payments related to the corporation's direct equity investments.

On the liability side, TAEF's equity base increased by 8.5% in 2023, benefitting from retained earnings. Market funding increased by 15% as higher loans and repos replaced some net reduction in sukuk liabilities while the stock of deposits rose by 32%, reaching the highest level (\$1.3 billion) since 2017.

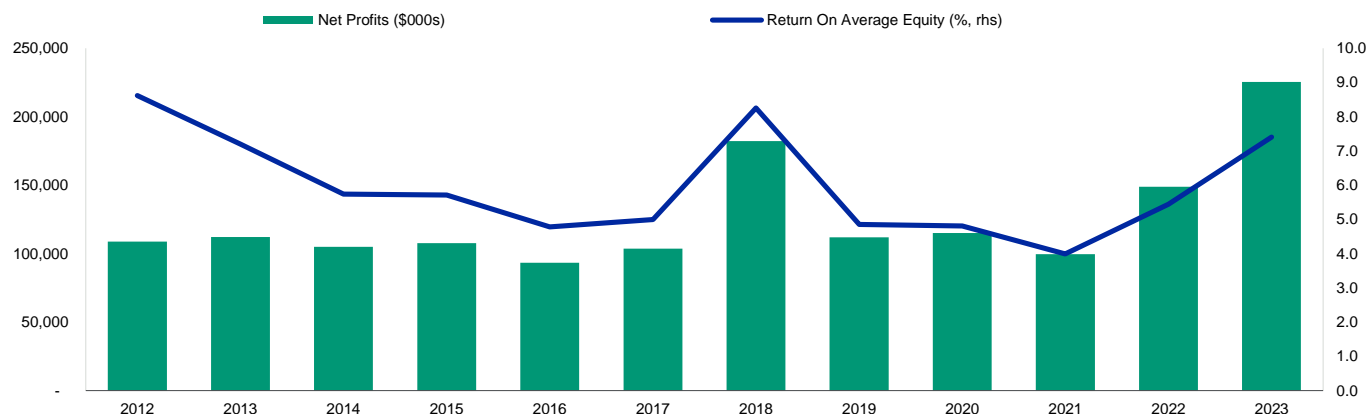
The leverage ratio increased to 241% in 2023 from 230%, reflecting strong asset growth funded by loans and deposits. Nevertheless, the corporation's capital adequacy remained robust, supported by improving asset performance with the nonperforming asset ratio declining below 0.7% in 2023, down from 1.0% in 2022, as two of the three delinquent borrowers regularized their debt service payments and reduced the outstanding amount of their loans.

Liquidity also remained very strong, with liquid assets rated at least A2 covering more than 145% of projected net cash outflows over the upcoming 18 months as of the end of 2023.

While TAEF did not access public debt capital markets during 2023, it issued its second benchmark-size green bond (\$750 million) in April 2024, increasing resources available to support its diversification efforts away from the oil and gas sector. As of 2023, 31% of TAEF's DRAs were in the energy sector, which is a large drop from the average of 43.2% in 2020-2022, reflecting a declining concentration in the oil and gas sector. This concentration is a material long-term credit risk, as such assets could, in principle, become stranded in case of a more rapid carbon transition than we currently expect. In contrast, TAEF's green and other environmentally-linked exposures (which mainly relate to water treatment and some renewable energy projects), accounted for only around 10% of DRAs in 2023, broadly unchanged compared to the previous three years.

Exhibit 13

TAEF's profitability continues to support capital base



Sources: TAEF, Moody's Ratings

Rating methodology and scorecard factors

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Capital adequacy (50%)			aa3	aa3
Capital position (20%)			a2	
	Leverage ratio	a3		
	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.

Source: Moody's Ratings

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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