

**ARAB BANK FOR ECONOMIC  
DEVELOPMENT IN AFRICA (“BADEA”)**

**Financial statements and Independent Auditor’s Report**

**For the year ended 31 December 2025**

**ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**

**Financial statements and independent auditor's report  
For the year ended 31 December 2025**

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## **Independent auditor’s report to the Board of Governors of Arab Bank for Economic Development in Africa (“BADEA”)**

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion, the financial statements of Arab Bank for Economic Development in Africa (“BADEA” or the “Bank”) are prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial statements as approved by the Board of Directors.

#### **What we have audited**

The Bank’s financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the statement of income and expenditure for the year then ended;
- the statement of changes in member countries’ equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising the notes to the financial statements, which include significant accounting policy and other explanatory information.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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#### *Emphasis of matter*

We draw attention to Note 2 to the financial statements, which describes the basis of accounting approved by the Board of Directors that has been adopted in the preparation of these financial statements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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#### *Our audit approach*

#### **Overview**

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Key audit matters	Impairment of net loans and net trade finance
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.



**Independent auditor’s report to the Board of Governors of Arab Bank for Economic Development in Africa (“BADEA”) (Continued)**

*Our audit approach (Continued)*

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p><b><i>Impairment of loans and net trade finance</i></b></p> <p>As disclosed in Notes 5 and 6 to the financial statements, net trade finance and net loans amount to USD 681,374 thousands and USD 3,810,153 thousands respectively, as of 31 December 2025. Impairment of trade finance and loans is determined based on provision policies approved by the Board of Directors. The policy distinguishes between loans granted to the public sector and those granted to the private sector.</p> <p>According to these policies, the Bank periodically classifies all outstanding trade finance and loans based on an internal credit rating for both categories; public and private borrowers. The internal credit rating considers both quantitative and qualitative factors. Quantitative factors predominantly entail the number of days past due. The accounting policy states that quantitative factors prevail over qualitative factors.</p> <p>We considered this to be a key audit matter in view of the significance of the balance and the inherent subjectivity in evaluating qualitative factors, which influence the probability of borrower default and, consequently, the calculation of impairment. Refer to note 2.8 for the accounting policy, note 5 for net trade finance details and note 6 for net loans details.</p>	<p>We conducted the following audit procedures on impairment of loans and trade finance:</p> <ul style="list-style-type: none"> <li>▪ We obtained an understanding of the lending process, credit risk management process and the approved accounting policies for impairment of loans and trade finance exposures.</li> <li>▪ We assessed and evaluated the manual controls addressing approval, accuracy and completeness of provision for impairment.</li> <li>▪ We obtained and reviewed the impairment assessment prepared by management.</li> <li>▪ We tested, on a sample basis, the accuracy of inputs used in management’s impairment assessment.</li> <li>▪ We verified, on a sample basis, the accuracy of past due days used in the impairment assessment.</li> <li>▪ We reconciled, on a sample basis, the balances used in management’s impairment assessment with those tested through confirmation procedures.</li> <li>▪ We discussed with management the qualitative factors considered in the impairment assessment.</li> <li>▪ We recalculated impairment provision based on the past due days; taking into account the qualitative factors considered by management.</li> <li>▪ We reconciled the net trade finance and loan balances as per the accounting records with the disclosures in the financial statements.</li> </ul>



## ***Independent auditor's report to the Board of Governors of Arab Bank for Economic Development in Africa ("BADEA") (Continued)***

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### *Other information*

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation of these financial statements in accordance with the basis of preparation specified in note 2 as approved by the Board of Directors, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

***Independent auditor’s report to the Board of Governors of Arab Bank for Economic Development in Africa (“BADEA”) (Continued)***

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*Auditor’s responsibilities for the audit of the financial statements*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Khalid Ebrahim Al-Shatti  
License No. 175  
PricewaterhouseCoopers (Al-Shatti and Co.)

12 April 2026  
Kuwait

**ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**

**Statement of financial position**

*(All amounts in USD thousands unless otherwise stated)*

	Notes	As at 31 December	
		2025	2024
<b>Assets</b>			
Cash and cash equivalents	3	<b>1,025,152</b>	687,598
Investments	4	<b>1,855,884</b>	1,986,684
Net trade finance	5	<b>681,374</b>	634,199
Net accrued interest on trade finance		<b>11,714</b>	6,277
Net loans	6	<b>3,810,153</b>	3,044,029
Net accrued interest on loans	7	<b>69,448</b>	61,699
Equity participation in financial institutions	8	<b>119,496</b>	113,972
Fixed assets		<b>3,847</b>	1,589
Other assets		<b>27,150</b>	16,978
<b>Total assets</b>		<b>7,604,218</b>	6,553,025
<b>Liabilities</b>			
Deposits from another financial institution	9	-	103,550
Debt securities in issue	10	<b>1,468,063</b>	517,750
Other liabilities		<b>153,883</b>	135,810
Provision for end of service benefits		<b>13,550</b>	15,588
<b>Total liabilities</b>		<b>1,635,496</b>	772,698
<b>Net assets</b>		<b>5,968,722</b>	5,780,327
<b>Member countries' equity</b>			
Share capital	11	<b>5,000,000</b>	5,000,000
General reserve	12	<b>759,401</b>	571,061
Net income for the year		<b>209,321</b>	209,266
<b>Total member countries' equity</b>		<b>5,968,722</b>	5,780,327

The accompanying notes set out on pages 9 to 31 form an integral part of these financial statements.

**Statement of income and expenditure***(All amounts in USD thousands unless otherwise stated)*

	Notes	Year ended 31 December	
		2025	2024
<b>Operating income</b>			
Net income from investments	13	<b>134,279</b>	144,444
Income from loans and trade finance	14	<b>159,179</b>	116,094
Interest expenses		<b>(46,654)</b>	(30,454)
(Loss) / profit on exchange and derivatives valuation		<b>(3,432)</b>	1,148
Interest income on call accounts and term deposits		<b>24,027</b>	30,804
Other income		<b>6,095</b>	5,491
<b>Net operating income</b>		<b>273,494</b>	267,527
<b>Expenses</b>			
Grants disbursed to beneficiary countries		<b>(10,240)</b>	(9,045)
Loss from impairment of fixed assets	15	-	(5,317)
Provisions for loans - net	6	<b>(2,736)</b>	(371)
General and administrative expenses	16	<b>(51,197)</b>	(43,528)
<b>Total expenditure</b>		<b>(64,173)</b>	(58,261)
<b>Net income for the year</b>		<b>209,321</b>	209,266

**ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**

**Statement of changes in member countries' equity**

*(All amounts in USD thousands unless otherwise stated)*

	Notes	Share capital	General reserve	Net income for the year	Total
Balance at 1 January 2024		5,000,000	308,244	292,018	5,600,262
Appropriations		-	-	(29,201)	(29,201)
Transfer to general reserve	12	-	262,817	(262,817)	-
Net income for the year		-	-	209,266	209,266
Balance at 31 December 2024		<u>5,000,000</u>	<u>571,061</u>	<u>209,266</u>	<u>5,780,327</u>
<b>Balance at 1 January 2025</b>		<b>5,000,000</b>	<b>571,061</b>	<b>209,266</b>	<b>5,780,327</b>
Appropriations		-	-	(20,926)	(20,926)
Transfer to general reserve	12	-	188,340	(188,340)	-
Net income for the year		-	-	209,321	209,321
<b>Balance at 31 December 2025</b>		<b><u>5,000,000</u></b>	<b><u>759,401</u></b>	<b><u>209,321</u></b>	<b><u>5,968,722</u></b>

The accompanying notes set out on pages 9 to 31 form an integral part of these financial statements.

**Statement of cash flows***(All amounts in USD thousands unless otherwise stated)*

	Notes	Year ended 31 December	
		2025	2024
<b>Cash flows from operating activities:</b>			
Net income for the year		209,321	209,266
Adjustments to:			
Dividend income		(10,325)	(12,597)
Unrealized loss on investments	13	51,147	9,697
Interest expense		46,654	30,454
Net foreign exchange differences		6,457	10,881
Depreciation of fixed assets	16	920	677
Loss from impairment of fixed assets		-	5,317
Net change in provisions for loans	6	2,736	371
Provision charge for end of service benefits		1,754	2,673
		<b>308,664</b>	<b>256,739</b>
<b>Net change in operating assets and liabilities:</b>			
Investments		79,653	269,651
Net trade finance	5	(25,209)	(197,269)
Net accrued interest on trade finance		(5,437)	(1,260)
Net loans		(745,999)	(269,261)
Net accrued interest on loans		(7,749)	835
Other assets		(9,536)	(3,529)
Deposits from another financial institution	9	(111,894)	-
Interest expense paid		(24,726)	(13,753)
Other liabilities, net of appropriation		(25,193)	(4,855)
End of service benefits paid		(4,013)	(1,724)
Dividends received		4,869	7,607
<b>Net cash (used in) / generated from operating activities</b>		<b>(566,570)</b>	<b>43,181</b>
<b>Cash flows from investing activities:</b>			
Equity participation in financial institutions		(68)	(81)
Additions to fixed assets		(3,181)	(1,735)
<b>Net cash used in investing activities</b>		<b>(3,249)</b>	<b>(1,816)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from debt securities in issue	10	780,000	543,125
Borrowings from another financial institution		-	(149,650)
<b>Net cash generated from financing activities</b>		<b>780,000</b>	<b>393,475</b>
Net increase in cash and cash equivalents		210,181	434,840
Net foreign exchange differences		127,373	(35,270)
Cash and cash equivalents at the beginning of the year		687,598	288,028
<b>Cash and cash equivalents at the end of the year</b>	3	<b>1,025,152</b>	<b>687,598</b>

The accompanying notes set out on pages 9 to 31 form an integral part of these financial statements.

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

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**1 ESTABLISHMENT AND OBJECTIVES**

Arab Bank for Economic Development in Africa (“BADEA” or the “Bank”) was established in accordance with the resolution of the Sixth Arab Summit conference held on 28 November 1973 following the recommendations of the Economic Council of the League of Arab States. BADEA was established with a capital of USD 231 million and was subsequently increased in accordance with resolutions issued by the Board of Governors until it reached USD 5 billion as at 31 December 2022.

BADEA is an independent international financial institution that has an international legal status, enjoys full legal personality and full autonomy in administrative and financial areas. BADEA is governed by the articles of its Establishment Agreement and by the principles of International Law.

BADEA’s carries out its activities from its offices located in Al-Amiriya Tower, Al-Olaya District, King Fahd Road, Building Number 7922, Postal Code 12333- Riyadh, Kingdom of Saudi Arabia.

BADEA aims at consolidating economic, financial and technical cooperation between African countries and Arab countries. In order to achieve its objectives, BADEA undertakes the following functions:

- Participation in the financing of economic development in Africa.
- Stimulate the participation of Arab capital to African development.
- Support in Provision of technical assistance required for African development.
- Support the development of private sector institutions in African countries.
- Financing Arab African trade and Intra-African trade.

As per BADEA’s agreement of establishment, the parties that may benefit from the Bank’s operations are as follows:

- a) The Governments of the African countries, including any province, agency or organisation thereof.
- b) Public or private companies, organisations and projects carrying out their business in African countries and in which capital the governments or citizens of those countries have a majority holding.
- c) Mixed, African or Arab-African companies whose purpose is economic development and that need financing for a specific project.

The financial statements for the year ended 31 December 2025 were authorised for issuance by the Board of Directors on 29 March 2026 subject to approval of the Board of Governors.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements for the year ended 31 December 2025 have been prepared in accordance with the accounting policies prescribed in the Bank’s manual of accounting approved by the Board of Directors and set out in Note 2.2 through Note 2.20. These accounting policies have been consistently applied in prior years.

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for securities held for trading and all financial derivatives contracts that are measured at fair value.

**2.3 Presentation currency**

The currency used in BADEA's operations and preparation of the financial statements is the United States Dollar ("USD"). The financial statements are expressed in USD and are rounded off to the nearest thousands USD.

**2.4 Accrual basis**

The Bank prepares its financial statements using the accrual basis. All regular purchases and sales of financial assets are recognized on the trade date.

**2.5 Use of estimates**

The preparation of financial statements requires the use of estimates and assumptions that may affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, in addition to the amounts of income and expenditure for the year then ended. Such estimates are continually reviewed, based on past experience and other factors. The significant items in which these estimates are used comprise the following:

*Provision for impairment of loans and trade finance*

BADEA's method for determining the provision for impairment of loans and trade finance is described in Note 2.8 "net loans and trade finance balances".

*Impairment of investments carried at cost*

Financial assets that are not listed are carried at cost less impairment. At the end of each reporting period, management assesses whether any impairment indicators exist considering different factors stated in the Bank's accounting policies. If such an indicator is identified, an impairment assessment is carried out whereby the fair value of the investment is compared to its carrying amount. Fair value for the purpose of the impairment assessment is determined using either Income approach or market approach.

**2.6 Investments**

*Investment in bonds and equity portfolios*

Investments in bonds and equity securities portfolios are classified as investments held for trading; and are initially recognized at the fair value of the purchase consideration given. Such investments are revaluated at fair value that is the quoted market prices at the date of the statement of financial position. Changes in the fair value are recognized in the statement of income and expenditure.

*Investment in managed funds*

Investments in managed funds that are not listed in the financial markets, are recorded at cost less provision for impairment, if any.

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Investments (Continued)**

*Sukuk*

Sukuk are financial assets which are acquired to be held to maturity. Sukuk are stated at cost less provision for impairment, if any.

**2.7 Equity participations in financial institutions**

Equity participations in financial institutions represents participations in regional and international development organizations and are carried at cost.

**2.8 Net loans and trade finance balances**

Financial assets of fixed or determined payments that are not traded in an active market are classified as loans presented at amounts disbursed after deduction of repaid amounts and provision for loans and trade finance, if any.

All loans extended by BADEA are recognized as assets when disbursed in cash and are recorded at the value of amounts disbursed.

Provision for impairment of loans and trade finance is determined based on provision policies approved by the Board of Directors. According to these policies, the Bank regularly performs a classification of loans and trade finance based on past due date and other qualitative indicators and an internal rating is assigned to each counterparty. At each reporting period:

- Provision for public sector loans is calculated as a percentage of the past due instalments and a percentage of loans outstanding balance less past due instalments; provision percentage is determined based on the past due period and counterparty internal risk rating.
- Provision for private sector loans and trade finance is calculated as a percentage of the outstanding balances of loans and trade finance plus guarantees and letter of credits; Provision percentage is determined based on the past due period and counterparty internal rating.

Loans and trade finance are presented in the statement of financial position net of provision for loans and trade finance adjusted for the fair value of derivative transactions related to loans that are carried out to hedge the risk of fluctuations in exchange rates or future cash flows, if any.

Provisions are partially or completely reversed when the provision is no longer required (full or partial repayment of the loan, improvement in the counterparty internal rating, expiration of any obligation of BADEA with respect to guarantees and letter of credits)

Loans that are renegotiated and include repayment arrangements, or rescheduling of instalments are classified as new loans with new repayments arrangements and treated as current and performing loans.

**2.9 Impairment of financial assets**

An assessment is made at each date of statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount and any impairment loss for changes in its carrying amount is determined for that asset and recognized in the statement of income and expenditure.

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.10 Income recognition**

Income from interest on term deposits and call accounts, fixed income securities, sukuk, net trade finance and net loans is recognized on an accrual basis.

BADEA excludes from its income any interest on the principal of public sector loans when the payment of interest is delayed for a period of more than 180 days. BADEA also excludes from its income any interest on the principal of the private sector and trade finance loans when the payment of interest is delayed for a period of more than 90 days.

Interest excluded during prior years are reviewed on a case-by-case basis by the management to assess the amount of interest to be reversed prospectively to the statement of income and expenditure. The criteria considered by the management when performing such review are the absence of arrears and the regular repayment of instalments on due dates during an appropriate period so that the management will have no doubt that the amount of interest is not recoverable.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in the statement of income and expenditure when the asset is derecognised.

Dividend income is recognized when BADEA has the right to receive the payment which is usually established when it is declared by shareholders.

**2.11 Grants**

Cost of study, preparation, and technical assistance of the projects are classified as grants and charged to the statement of income and expenditure when disbursed.

**2.12 Fixed assets**

Fixed assets are stated at cost net of accumulated depreciation and impairment loss, if any. The cost of fixed assets is depreciated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the current and comparative year are as follows:

Buildings	30 years
Building renovations	4 years
Furniture and fixtures	5 years
Vehicles	5 years

BADEA assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, BADEA estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.12 Fixed assets (continued)**

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of income and expenditure when the asset is derecognised.

The residual values, useful lives and methods of depreciation of fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

**2.13 Provisions**

Provisions are recognized when the Bank has a present obligation, legal or constructive, arising from past events and it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably.

**2.14 Derivative financial instruments and hedging**

Derivative financial instruments, including forward contracts and other instruments used for hedging or trading purposes, are initially measured at cost; and are subsequently re-measured at fair value. Fair values are generally determined by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

Any changes in the fair values of derivatives are directly included in the statement of income and expenditure.

**2.15 Foreign currency translation**

Transactions denominated in currencies other than United States Dollars are translated into United States Dollars at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at exchange rates prevailing at the date of the statement of financial position. Foreign exchange adjustments are included in the statement of income and expenditure.

**2.16 Provision for end of service benefits**

Provision for end of service benefits for the president of the Bank are computed in accordance with Article No. 6 of the Resolution of the Ministerial Committee selected to review the salaries and benefits of the Presidents and Directors General of Arab Financial Institutions.

Provision for end of service benefits for employees is calculated in accordance with Article No. (13/1) of BADEA's Employees Regulations as amended by the Board of Directors' resolutions.

**2.17 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and with banks; call accounts and time deposits maturing within three months or less from the date of acquisition and excluding any cash within externally managed investment portfolios.

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.18 Deposits and borrowings from other financial institutions**

Deposits and borrowings from other financial institutions are interest bearing instruments maturing within one year and can be renewed for additional periods. These are recognised initially at fair value of amounts received less transaction costs.

**2.19 Debt securities in issue**

Debt securities in issue are recognized at their face value at the date of initial recognition. Issuance costs are recognized within “other assets”, any issuance premium or discount is classified under “other assets” or “other liabilities”, respectively based on the nature of the issuance and the treatment of associated cash flows.

Issuance costs along with related premium or discount are amortized over the useful life of the securities using the straight-line method that reflects the temporal pattern of the recognition of the income or expense associated with these items.

**2.20 Fair value of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current transaction between knowledgeable and willing parties in an arm's length transaction conducted with other parties. Then, differences between the carrying value and fair value are generated. The carrying value of investments in equity and bonds approximates their fair value as at the date of the statement of financial position.

BADEA doesn't currently sell its net loans, net trade finance nor equity participation in financial institutions. Accordingly, it is impractical to determine reliable fair value of these instruments.

**3 CASH AND CASH EQUIVALENTS**

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Cash on hand	<b>68</b>	13
Bank balances	<b>210,784</b>	491,958
Term deposits*	<b>814,300</b>	195,627
<b>Total</b>	<b>1,025,152</b>	687,598

\*Represents deposits held at regional and international financial institutions with original maturity of less than three months. These deposits are denominated in USD and Euro under commercial terms.

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***4 INVESTMENTS**

These consist of investments in externally managed equity and debt portfolios held for trading as well as directly managed sukuk, as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
<b><i>Investments in managed portfolios</i></b>		
Bonds	<b>1,374,293</b>	1,282,794
Bonds – emerging markets	<b>6</b>	124
Equity securities	<b>102,494</b>	354,824
Cash and deposits within managed portfolios	<b>21,704</b>	34,086
Fair value of derivative instruments	<b>(8,730)</b>	21,423
Net other receivable and payable balances	<b>(90,523)</b>	(99,572)
	<b>1,399,244</b>	1,593,679
<b><i>Direct investments</i></b>		
Sukuk	<b>391,706</b>	326,664
Funds	<b>64,891</b>	63,512
Fair value of derivative instruments	<b>43</b>	2,829
	<b>456,640</b>	393,005
<b>Total investments</b>	<b>1,855,884</b>	1,986,684

**5 NET TRADE FINANCE**

Net trade finance represents credit facilities granted to finance Arab- Africa trade and trade between African countries. The movement on net trade finance during the year is as follows:

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Opening balance	<b>634,199</b>	437,942
Disbursements during the year	<b>679,122</b>	472,959
Repayments during the year	<b>(653,913)</b>	(275,690)
Effect of foreign currency translation	<b>21,966</b>	(1,012)
<b>Net balance at reporting date</b>	<b>681,374</b>	634,199

**6 NET LOANS**

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Project loans	<b>3,753,502</b>	2,976,475
SAFAA Loans*	<b>11,097</b>	14,974
Total bilateral loans (a)	<b>3,764,599</b>	2,991,449
Participation in syndicated loans (b)	<b>45,554</b>	52,580
<b>Net balance as at reporting date</b>	<b>3,810,153</b>	3,044,029

\* SAFAA (the “Fund”) loans represent amounts granted by the Fund to non-Arab African countries prior to the merging of its loans in BADEA’s capital in 1977.

**ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**

**Notes to the financial statements**

*(All amounts in USD thousands unless otherwise stated)*

**6 NET LOANS (CONTINUED)**

**a) Bilateral loans**

The movement of net bilateral loan balances during the year is as follows:

	Year ended 31 December				2024
	2025		SAFAA Loans	Total	
	Project Loans				
	Public Sector	Private Sector			
Opening balance	2,341,187	642,717	17,334	3,001,238	2,708,725
Disbursements during the year	403,997	582,645	-	986,642	531,304
Repayments during the year	(90,025)	(141,416)	(571)	(232,012)	(232,424)
Effect of foreign currency translation	-	22,861	-	22,861	(6,367)
<b>Balance as at reporting date</b>	<b>2,655,159</b>	<b>1,106,807</b>	<b>16,763</b>	<b>3,778,729</b>	<b>3,001,238</b>
Fair value of forward contracts	-	(1,519)	-	(1,519)	(207)
Less: loans provision	(6,945)	-	(5,666)	(12,611)	(9,582)
<b>Net balance as at reporting date</b>	<b>2,648,214</b>	<b>1,105,288</b>	<b>11,097</b>	<b>3,764,599</b>	<b>2,991,449</b>

**Loans provisions**

Details of the movement on provision for bilateral loans during the year is as follows:

	Year ended 31 December				2024
	2025		SAFAA Loans	Total	
	Project Loans				
	Public Sector	Private Sector			
Opening balance	4,089	-	5,493	9,582	9,211
Charge during the year	3,025	11,336	175	14,536	478
Reversal during the year	(169)	(11,629)	(2)	(11,800)	(107)
Effect of foreign currency translation	-	293	-	293	-
<b>Balance as at reporting date</b>	<b>6,945</b>	<b>-</b>	<b>5,666</b>	<b>12,611</b>	<b>9,582</b>

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***6 NET LOANS (CONTINUED)****b) Syndicated loans**

Participation in syndicated loans represents BADEA's share in loans extended jointly by multiple lenders that are arranged and administered by other financial institutions. As at 31 December 2025, BADEA has USD 45.554 million of participation in syndicated loans (31 December 2024: USD 52.580 million). The balance includes negative fair value of forward contracts of USD 1.112 million (31 December 2024: positive fair value of USD 1.244 million).

**7 NET ACCRUED INTEREST ON LOANS**

	As at 31 December				2024
	2025		Syndicated loans	Total	
	Project loans	Private Sector			
	Public Sector	Private Sector		Total	
Accrued interest on loans	62,211	16,423	941	79,575	71,497
Excluded interest on loans*	(10,127)	-	-	(10,127)	(9,798)
<b>Net accrued interest on loans</b>	<b>52,084</b>	<b>16,423</b>	<b>941</b>	<b>69,448</b>	61,699

\*BADEA excludes from its revenues any interest on public sector loans when the payment of this interest is past due for more than 180 days. BADEA also excludes from its revenues any interest on private sector loans when the payment of this interest is past due for a period of more than 90 days.

Details of movement on excluded interest from loans during the year is as follows:

	Year ended 31 December	
	2025	2024
Opening balance	9,798	9,706
Charge during the year	1,283	92
Reversals during the year	(954)	-
<b>Net balance as at reporting date</b>	<b>10,127</b>	9,798

**8 EQUITY PARTICIPATION IN FINANCIAL INSTITUTIONS**

These represent participation in the equity of international and regional financial institutions as follows:

	As at 31 December	
	2025	2024
African Export & Import Bank	68,503	63,458
Arab Investment & Export Credit Guarantee Corporation	25,950	25,950
Trade and Development Bank	11,813	11,813
Africa Finance Corporation	12,911	12,500
Development Bank of the Central African States	319	251
	<b>119,496</b>	113,972

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***9 DEPOSITS FROM ANOTHER FINANCIAL INSTITUTION**

Deposits from another financial institution are denominated in Euro under commercial terms. The movement on these deposits during the year is as follows:

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Opening balance	<b>103,550</b>	110,465
Repayments during the year	<b>(111,894)</b>	-
Effect of foreign currency translation	<b>8,344</b>	(6,915)
<b>Closing balance as at reporting date</b>	<b>-</b>	<b>103,550</b>

**10 DEBT SECURITIES IN ISSUE**

On 29 November 2023, BADEA established a Medium-Term note (EMTN PROGRAMME) without limitations with the underlying notes to be listed in London stock exchange. As at 31 December 2025, two issuances have taken place on the programme as follows:

- Issuance of social bonds on 25 January 2024 with 3-year maturity amounting to Euro 500 million with a fixed interest rate of 3.75% payable annually on 28 January of each year. The bonds have a par value of Euro 100,000 per unit and were issued with a price of 99.844 (at a discount of 0.156%).
- Issuance of bonds on 13 March 2025 for 3-year maturity amounting to Euro 750 million with a fixed interest rate of 3% payable annually on 20 March of each year. The bonds have a par value of Euro 100,000 per unit and were issued with a price of 99.653 (at a discount of 0.347%).

Details of the movement of debt securities in issue during the year is as follows:

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Opening balance	<b>517,750</b>	-
Issuance during the year	<b>780,000</b>	543,125
Effect of foreign currency translation	<b>170,313</b>	(25,375)
<b>Closing balance as at reporting date</b>	<b>1,468,063</b>	<b>517,750</b>

## ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

### Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

#### 11 SHARE CAPITAL

- As at 31 December 2025, the authorised capital amounted to USD 20 billion (31 December 2024: USD 20 billion).
- As of 31 December 2025, the subscribed capital amounted to USD 10 billion (31 December 2024: USD 10 billion).
- As at 31 December 2025, the paid-up capital amounted to USD 5 billion (31 December 2024: USD 5 billion).

The contribution of each member country in the paid-up capital as at reporting date is as follows:

Country	As at 31 December	
	2025	2024
Hashemite Kingdom of Jordan	10,704	10,704
State of United Arab Emirates	535,217	535,217
Kingdom of Bahrain	10,704	10,704
Republic of Tunisia	44,601	44,601
People's Democratic Republic of Algeria	214,087	214,087
Kingdom of Saudi Arabia	1,284,520	1,284,520
Republic of Sudan	10,704	10,704
Arab Republic of Syria	5,947	5,947
Republic of Iraq	749,304	749,304
Sultanate of Oman	64,226	64,226
State of Palestine	10,704	10,704
State of Qatar	428,174	428,174
State of Kuwait	784,985	784,985
Republic of Lebanon	35,681	35,681
State of Libya	713,622	713,622
Arab Republic of Egypt	10,704	10,704
Kingdom of Morocco	78,498	78,498
Islamic Republic of Mauritania	7,618	7,618
<b>Total</b>	<b>5,000,000</b>	<b>5,000,000</b>

#### 12 GENERAL RESERVE

In accordance with Article 36 of the Establishment Agreement and based on recommendation of the Board of Directors; the Board of Governors shall annually determine the portion of net income that should be transferred to the general reserve, to the share capital, or any other transfers in line with the objectives of BADEA.

Pursuant to resolution No.2 of 2025 of the Board of Governors, 10% of the net profit for the year ended 31 December 2024 was appropriated and transferred to other liabilities and the remaining amount of USD 188.340 million was transferred to the general reserve (2024: 262.817 million was transferred to the general reserve).

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***13 NET INCOME FROM INVESTMENTS**

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Interest income	<b>61,928</b>	60,589
Dividends income	<b>4,869</b>	7,248
Net realized gain	<b>87,370</b>	123,871
Net unrealized loss	<b>(51,147)</b>	(9,697)
Foreign currency exchange gain / (loss)	<b>35,918</b>	(32,619)
Investment expenses	<b>(4,659)</b>	(4,948)
	<b>134,279</b>	144,444

**14 NET INCOME FROM LOANS AND NET TRADE FINANCE**

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Public sector loans	<b>29,141</b>	22,360
Private sector loans	<b>69,645</b>	49,488
SAAFA loans	<b>55</b>	10
Syndicated loans	<b>3,888</b>	6,173
Income from net loans	<b>102,729</b>	78,031
Income from net trade finance	<b>56,450</b>	38,063
	<b>159,179</b>	116,094

**15 LOSS FROM IMPAIRMENT OF FIXED ASSETS**

During the year ended 31 December 2024 and based on an assessment carried out by management and approved by the Board of Directors on 19 December 2024, an impairment loss was recognized for the remaining carrying amount of the bank's fixed assets located in Sudan amounting to USD 5.317 million.

**16 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Board of Governors expenses	<b>326</b>	161
Board of Directors expense	<b>2,521</b>	2,291
Salaries and employee benefits	<b>31,582</b>	24,116
Travel and services	<b>9,041</b>	6,454
Utilities	<b>2,849</b>	1,992
Depreciation of fixed assets	<b>920</b>	677
Audit fees and other related charges	<b>135</b>	135
Other expenses*	<b>3,823</b>	7,702
	<b>51,197</b>	43,528

\* Other expenses includes costs of relocation to BADEA's new office in Riyadh, Kingdom of Saudi Arabia.

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current transaction between knowledgeable and willing parties in an arm's length transaction conducted with other parties. Then, differences between the carrying value and fair value are generated. The carrying value of investments in equity and bonds approximates their fair value as at the date of the statement of financial position.

BADEA doesn't currently sell its loans, trade finance exposures nor equity participation in financial institutions. Accordingly, it is impractical to determine reliable fair value of these instruments.

**18 DERIVATIVES**

BADEA's investment guidelines in securities' portfolios allows utilisation of forward and future derivative instruments to mitigate the foreign exchange, interest rate and market risks.

The table below summarises the positive and negative fair values of derivative financial instruments, and analysis of the nominal amounts for the remaining maturity term. The nominal amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of the related future cash flows. Thus, such nominal values do not reflect BADEA's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	Positive fair value	Negative fair value	Total nominal amount	Nominal amount by term to maturity		
				Within 3 months	3-12 months	1-5 years
<b>31 December 2025</b>						
Forward contracts – Note 4	2,098	10,785	928,157	892,443	35,714	-
Forward contracts -Note 6	-	2,631	28,664	5,783	9,651	13,230
Forward contracts- other assets	-	584	286,668	-	-	286,668
<b>Total</b>	<b>2,098</b>	<b>14,000</b>	<b>1,243,489</b>	<b>898,226</b>	<b>45,365</b>	<b>299,898</b>
<b>31 December 2024</b>						
Forward contracts – Note 4	29,136	4,884	1,231,099	1,183,830	26,435	20,834
Forward contracts -Note 6	9,035	7,998	52,759	10,702	14,910	27,147
<b>Total</b>	<b>38,171</b>	<b>12,882</b>	<b>1,283,858</b>	<b>1,194,532</b>	<b>41,345</b>	<b>47,981</b>

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT**

BADEA is exposed to risks that are considered inherent in its activities. These risks are managed in a structured, systematic manner through the internal risk management policies and guidelines which embeds comprehensive risk management into organisational structure, risk measurement and monitoring processes. The Board of Directors supported by the risk committee are responsible for the direction and oversight of BADEA's risk management. BADEA's broad two activities are investment and lending.

The investment policy adopted by BADEA, considers BADEA a specialized development institution, whose investment objective is to preserve capital and increase resources without exposing its assets to significant risks. Therefore, the nature of BADEA necessitates the adoption of a conservative investment policy that mitigates investment risk, in the same manner as adopted by similar development financial institutions. Therefore, BADEA's investment policy is based on a combination of investment in short-term deposits, sukuk and securities portfolios, and changing the proportions of resources employed in these categories of investments in the light of the prevailing and expected developments in the financial markets. Taking into consideration the nature of operations, BADEA is exposed to credit risk, market risk (price risk, interest rate risk and foreign currency risk) as well as liquidity risk.

**19.1 Credit risk**

'Credit risk' is the risk of financial loss to BADEA if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the net loans, net trade finance, and investment debt securities. While cash and cash equivalents are also subject to credit risk, the assessment credit risk is immaterial.

*Credit risk associated with investment activities*

In respect of investment portfolios held for trading and available for sale; credit risk is managed by establishing certain limits for credit and investment guidelines based on the credit ratings; financial adequacy of the counterparty, the country or the currency. BADEA's management and the Investment Committee monitor such limits and guidelines regularly. The details of concentration of BADEA investments in fixed income, emerging market securities and sukuk are as follows:

According to the sector distribution:

	<b>As at 31 December</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Governments	<b>1,037,139</b>	<b>59%</b>	894,583	56%
Corporate	<b>223,456</b>	<b>13%</b>	229,036	14%
Government authorities	<b>170,753</b>	<b>10%</b>	146,143	9%
Government institutions	<b>293,961</b>	<b>16%</b>	288,880	18%
Other	<b>40,696</b>	<b>2%</b>	50,940	3%
<b>Total</b>	<b>1,766,005</b>	<b>100%</b>	1,609,582	100%

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.1 Credit risk (Continued)***Credit risk associated with investment activities (continued)*

According to the geographical distribution:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
United States and Canada	681,346	39%	660,301	41%
Europe	355,810	20%	321,856	20%
Japan	43,337	2%	55,360	3%
South East Asia	7,096	1%	26,624	2%
Other	678,416	38%	545,441	34%
<b>Total</b>	<b>1,766,005</b>	<b>100%</b>	<b>1,609,582</b>	<b>100%</b>

According to the credit ratings of counterparties as per Standard and Poor's agency rating:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
AAA	396,684	22%	370,186	23%
AA	772,375	44%	736,311	46%
A	193,094	11%	166,948	10%
BBB	206,549	12%	164,483	10%
Other	197,303	11%	171,654	11%
<b>Total</b>	<b>1,766,005</b>	<b>100%</b>	<b>1,609,582</b>	<b>100%</b>

*Credit risk associated with lending activities*

BADEA's lending program aims at supporting development programs in non-Arab African countries. Loan approvals are subject to a study by BADEA. The lending program of BADEA includes provision of loans to or guaranteed by governments. The outstanding loans are considered as sovereign debts. BADEA monitors regular payments of loan instalments by the borrowing country, and new loans are suspended for countries that fall in arrears. Periodic reports are also developed on the repayment position of all loans.

The lending program also includes financing the private sector, and Arab-Africa trade.

## a) Net trade finance

According to the geographical distribution:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
Western Africa	315,702	46%	46,823	7%
Eastern Africa	99,992	15%	488,831	77%
Southern Africa	45,680	7%	33,368	5%
Central Africa	-	-	5,177	1%
Other regional institutions	220,000	32%	60,000	10%
<b>Total</b>	<b>681,374</b>	<b>100%</b>	<b>634,199</b>	<b>100%</b>

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)***Credit risk associated with lending activities (continued)*

## b) Bilateral loans – Public sector

According to the geographical distribution:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
Western Africa	<b>1,428,682</b>	<b>53%</b>	1,138,924	48%
Eastern Africa	<b>874,080</b>	<b>33%</b>	860,433	36%
Southern Africa	<b>77,990</b>	<b>3%</b>	81,177	3%
Central Africa	<b>291,170</b>	<b>11%</b>	277,224	12%
Others	-	-	763	1%
<b>Total</b>	<b>2,671,922</b>	<b>100%</b>	2,358,521	100%

## c) Bilateral loans – Private sector

According to the geographical distribution:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
Western Africa	<b>295,156</b>	<b>27%</b>	131,272	20%
Eastern Africa	<b>222,875</b>	<b>20%</b>	95,669	15%
Southern Africa	<b>100,000</b>	<b>9%</b>	100,000	16%
Central Africa	<b>50,894</b>	<b>5%</b>	64,039	10%
Other regional institutions	<b>437,882</b>	<b>39%</b>	251,737	39%
<b>Total</b>	<b>1,106,807</b>	<b>100%</b>	642,717	100%

## d) syndicated loans

According to the geographical distribution:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
Western Africa	<b>39,848</b>	<b>85%</b>	41,790	81%
Eastern Africa	<b>6,818</b>	<b>15%</b>	9,546	19%
<b>Total</b>	<b>46,666</b>	<b>100%</b>	51,336	100%

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.2 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: equity price risk, interest rate risk and currency risk.

## a) Equity price risk

Equity price risk is the risk of change in the fair values of listed securities that are carried at fair value. BADEA sets suitable instructions for investment in portfolios-equity securities.

The following table discloses the concentration of BADEA's investment in securities - equity securities as at 31 December.

*According to sector distribution*

	2025		2024	
	Amount	Percentage	Amount	Percentage
Consumable commodities	15,672	15%	60,815	17%
Energy	3,437	3%	12,853	4%
Financial institutions	19,264	19%	64,927	18%
Healthcare	9,987	10%	41,819	12%
Industrial	11,369	11%	35,828	10%
Information technology	27,765	27%	91,899	26%
Production of raw materials	3,344	3%	8,053	2%
Telecommunication services	9,008	9%	25,797	7%
Public utilities	2,648	3%	12,833	4%
<b>Total</b>	<b>102,494</b>	<b>100%</b>	<b>354,824</b>	<b>100%</b>

*According to the geographical distribution*

	2025		2024	
	Amount	Percentage	Amount	Percentage
United States and Canada	77,396	76%	255,319	72%
Europe	16,895	16%	71,349	20%
Japan	5,607	5%	14,091	4%
South East Asia	2,596	3%	10,478	3%
Others	-	-	3,587	1%
<b>Total</b>	<b>102,494</b>	<b>100%</b>	<b>354,824</b>	<b>100%</b>

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.2 Market risk (Continued)**

## a) Equity price risk (continued)

The table below summarises the impact of increase in equity prices on the bank's profit for the year. The following analysis is based on the assumption that the equity prices would increase by 5% with all other variables held constant.

	<b>Impact on profit / (loss) for the year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Increase in equity prices by 5%	<b>5,125</b>	<b>17,741</b>

Decrease in equity prices by 5% would have an opposite effect on profit for the year.

## b) Interest rate risk

Interest rate risk is the risk that the financial position and cash flows of BADEA may be affected by future fluctuations in interest rates. Favourable fluctuations may lead to increase in the interest income, while unexpected movements may decrease this income.

In respect of deposits, sukuk and fixed income and emerging market securities, BADEA's main objective is to ensure safety and liquidity of assets. Subject to these factors, BADEA seeks the highest possible return. Performance is monitored regularly and adjustments are made to the portfolios in the light of market developments.

In respect of loans and trade financing, interest rate is determined independently of market forces by the Board of Directors and at levels consistent with BADEA's strategic orientation within the framework of its development objective. Net profit for the year is sensitive to higher/lower interest income/expenses as a result of changes in interest rates of interest-bearing assets and liabilities:

	<b>Impact on profit for the year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
Increase by 100 basis points	<b>56,038</b>	<b>48,621</b>
Decrease by 100 basis points	<b>(56,038)</b>	<b>(48,621)</b>

## c) Foreign exchange risk

Foreign exchange risk is defined as the potential fluctuations in the exchange rates and its effects on BADEA's financial position and cash flows. BADEA has developed certain limits and controls on foreign exchange; as well as their percentage composition, which are monitored regularly by BADEA. BADEA uses the US Dollar in its lending operations and transactions with banks. In respect of the investment portfolios held for trading, transactions of other limited currencies are allowed. Nevertheless, the US Dollar represents the functional currency against which at least 65% of the total portfolio held for trading including derivatives should be maintained. BADEA had the following significant net exposures denominated in foreign currencies:

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.2 Market risk (Continued)**

## c) Foreign exchange risk (continued)

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Euro	<b>235,802</b>	95,134
GBP	<b>66</b>	118
Others	<b>767</b>	791
<b>Total</b>	<b>236,635</b>	96,043

The table below analyses the effect on profit of an assumed 5% strengthening in value of the currency rate against USD from levels applicable at the year-end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit, whereas a positive amount reflects a net potential increase.

	<b>Change in currency rate</b>	<b>Effect on profit for the year and member countries' equity</b>	
		<b>2025</b>	<b>2024</b>
Euro	-5%	<b>(11,790)</b>	(4,757)
GBP	-5%	<b>(3)</b>	(6)
Others	-5%	<b>(38)</b>	(40)
		<b>(11,831)</b>	(4,803)

**19.3 Liquidity risk**

Liquidity risk is the risk that BADEA will be unable to meet its financial liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis.

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.3 Liquidity risk (Continued)**

The table below summarises the maturity profile of BADEA's assets, liabilities and equity based on contractual cash flows and/or practicability of liquidation. This does not necessarily take account of the effective maturities.

	<b>Up to 3 months</b>	<b>3 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>31 December 2025</b>				
<b>Assets</b>				
Cash and cash equivalents	1,025,152	-	-	<b>1,025,152</b>
Investments	1,405,246	70,893	379,745	<b>1,855,884</b>
Net trade finance	342,113	182,928	156,333	<b>681,374</b>
Net accrued interest on trade finance	7,225	4,489	-	<b>11,714</b>
Net loans	120,545	257,375	3,432,233	<b>3,810,153</b>
Net accrued interest on loans	17,029	52,419	-	<b>69,448</b>
Equity participation in financial institutions	-	-	119,496	<b>119,496</b>
Fixed assets	-	-	3,847	<b>3,847</b>
Other assets	8,251	12,615	6,284	<b>27,150</b>
	<b>2,925,561</b>	<b>580,719</b>	<b>4,097,938</b>	<b>7,604,218</b>
<b>Liabilities</b>				
Debt securities in issue	-	-	1,468,063	<b>1,468,063</b>
Other liabilities	65,429	16,439	72,015	<b>153,883</b>
Provision for end of service benefits	488	1,254	11,808	<b>13,550</b>
	<b>65,917</b>	<b>17,693</b>	<b>1,551,886</b>	<b>1,635,496</b>
<b>31 December 2024</b>				
<b>Assets</b>				
Cash and cash equivalents	687,598	-	-	<b>687,598</b>
Investments	1,601,195	5,993	379,496	<b>1,986,684</b>
Net trade finance	73,385	373,927	186,887	<b>634,199</b>
Net accrued interest on trade finance	6,277	-	-	<b>6,277</b>
Net loans	89,118	175,106	2,779,805	<b>3,044,029</b>
Net accrued interest on loans	9,090	52,609	-	<b>61,699</b>
Equity participation in financial institutions	-	-	113,972	<b>113,972</b>
Fixed assets	-	-	1,589	<b>1,589</b>
Other assets	4,350	8,984	3,644	<b>16,978</b>
	<b>2,471,013</b>	<b>616,619</b>	<b>3,465,393</b>	<b>6,553,025</b>
<b>Liabilities</b>				
Deposits from another financial institution	62,130	41,420	-	<b>103,550</b>
Debt securities in issue	-	-	517,750	<b>517,750</b>
Other liabilities	26,354	13,642	95,814	<b>135,810</b>
Provision for end of service benefits	2,379	1,566	11,643	<b>15,588</b>
	<b>90,863</b>	<b>56,628</b>	<b>625,207</b>	<b>772,698</b>

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.3 Liquidity risk (Continued)**

The liquidity profile of financial liabilities of BADEA summarised below reflects the contractual undiscounted cash flows except for other liabilities which are non-interest bearing and are presented in the below schedule:

<b>31 December 2025</b>	<b>Up to 3 months</b>	<b>3 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b><i>Financial liabilities</i></b>				
Debt securities in issue	48,446	-	1,542,934	<b>1,591,380</b>
Other liabilities	65,429	16,439	72,015	<b>153,883</b>
	<b>113,875</b>	<b>16,439</b>	<b>1,614,949</b>	<b>1,745,263</b>
<b><i>Financing pledges and other commitments</i></b>				
Loans and grants commitments	<b>497,624</b>	<b>1,596,069</b>	<b>5,469,554</b>	<b>7,563,247</b>
	Up to 3 months	3 to 12 months	Over 1 year	Total
<b>31 December 2024</b>				
<b><i>Financial liabilities</i></b>				
Deposits from another financial institution	62,130	41,420	-	<b>103,550</b>
Debt securities in issue	-	-	517,750	<b>517,750</b>
Other liabilities	26,354	13,642	95,814	<b>135,810</b>
	<b>88,484</b>	<b>55,062</b>	<b>613,564</b>	<b>757,110</b>
<b><i>Financing pledges and other commitments</i></b>				
Loans and grants commitments	<b>555,600</b>	<b>1,973,086</b>	<b>3,692,000</b>	<b>6,220,686</b>

**19.4 Capital risk management**

BADEA's capital comprises contributions made by member states as set out in Note 11 "Share capital" above.

BADEA's objectives when managing capital is to safeguard its ability to continue as a going concern in order to achieve its objectives prescribed in Note 1 and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, BADEA may increase its capital (subject to approval of the Board of Governors).

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as due to counterparties (which includes short term borrowings, debt securities in issue and other liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position, plus net debt.

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.4 Capital risk management (Continued)**

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Deposits from another financial institution	-	103,550
Debt securities in issue	<b>1,468,063</b>	517,750
Other liabilities	<b>153,883</b>	135,810
	<b>1,621,946</b>	757,110
Less: cash and cash equivalents	<b>(1,025,152)</b>	(687,598)
Net debt	<b>596,794</b>	69,512
Total equity	<b>5,968,722</b>	5,780,327
<b>Total capital</b>	<b>6,565,516</b>	5,849,839
<b>Gearing ratio</b>	<b>9.09%</b>	1.19%

**20 TAXATION EXEMPTIONS**

In accordance with Article (40) of its Establishment Agreement, BADEA shall be exempted from all taxes and charges in the member countries. BADEA is also exempted from any restrictions as well as custom duties on importing materials necessary for its operations. This may not be applicable to any dues payable for actual services rendered to the Bank from other than member states. BADEA is also released and declared from any responsibility related to collection or payment of any tax or duty.

**21 FINANCING PLEDGES AND OTHER COMMITMENTS**

## a) Loans and grants commitments

All loans and grants are governed by agreements and memorandums of understanding with sovereign beneficiary countries. Total of these commitments does not necessarily reflect prospective financial needs; as many of these commitments are ineffective due to non-signature or revocation of the related agreements or memorandum of understanding; or incomplete endorsement procedures. Details of these commitments as at 31 December are as follows:

**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***21 FINANCING PLEDGES AND OTHER COMMITMENTS (CONTINUED)**

## a) Loans and grants commitments (continued)

	As at 31 December				2024
	2025				
	Public sector	Private sector	Trade finance	Total	
Unsigned loans	1,396,150	543,417	2,622,753	4,562,320	3,356,923
Ineffective loans	282,600	35,000	212,212	529,812	544,230
Undisbursed loans	1,878,187	150,772	410,235	2,439,194	2,287,341
Undisbursed grants	31,921	-	-	31,921	32,192
<b>Total</b>	<b>3,588,858</b>	<b>729,189</b>	<b>3,245,200</b>	<b>7,563,247</b>	<b>6,220,686</b>

Ineffective loans represent loans signed, but their terms of effectiveness have not been fulfilled yet.

## b) Other commitments

As at 31 December 2025, BADEA is committed to settle the residual amount of BADEA's contribution in the capital of African Export & Import Bank, classified within equity participation in financial institutions, with an amount of USD 102.754 million (2024: USD 95.185 million). This amount should be paid on demand of shareholders.

As at 31 December 2025, BADEA is committed to settle the residual amount of BADEA's contribution in the capital of Development Bank of the Central African States, classified within equity participation in financial institutions, with an amount of USD 1.766 million (2024: 1.846 million). This amount should be paid on demand of shareholders.

As at 31 December 2025, BADEA is committed to settle the residual amount of BADEA's contribution in the Africa50 Infrastructure Acceleration Fund I LP (the "Fund"), classified within direct investments, with an amount of USD 8.071 million (2024: USD 10 million) and is payable upon demand by the Fund.

**22 SUBSEQUENT EVENTS***Ongoing geopolitical developments*

Since early March 2026, the Middle East has experienced a material escalation in geopolitical tensions, including military hostilities involving several regional and international actors, resulting in heightened uncertainty, volatility in global financial markets, and disruptions to trade, energy markets, and supply chains. While BADEA's operations are principally focused on Africa, its funding base, member states, investments, and operating environment are linked to the broader global and regional economic landscape. Management has assessed these developments as non-adjusting events for the financial statements as at 31 December 2025. Management also continues to monitor developments closely; however, as at the date of issuance of these financial statements, the full extent and duration of the geopolitical situation and its potential indirect impacts on BADEA's financial position, operations, and activities cannot be reliably assessed.

*EMTN Programme update*

On 5 March 2026, BADEA completed the update of its Euro Medium Term Note ("EMTN") Programme and is currently assessing the ongoing geopolitical situation ahead of initiating the pricing and settlement of a new issuance. This would represent BADEA's third bond issuance under the EMTN Programme established on 29 November 2023. The first issuance was completed on 24 January 2024 and the second issuance was completed on 20 March 2025 (Note 11). All bonds issued by the bank are listed in London Stock Exchange.