



IIRA Reaffirms Fiduciary Ratings of Al Baraka Group

Manama, July 31, 2025 – Islamic International Rating Agency (“IIRA”) has maintained international scale ratings assigned to the Al Baraka Group B.S.C. (C) (“ABG” or “the Group”) at BBB+ / A3 (Triple B Plus / A Three) and national scale ratings at A+ (bh) / A2 (bh) (Single A Plus / A Two). Outlook on the ratings is ‘Stable’. ABG is an Islamic financial group providing a full range of financial services through its banking subsidiaries and associate companies in 13 countries.

Group assets have maintained steady growth, inching up by 3.7% to USD 26.2bn in 2024, despite a cut back due to depreciation of 39% and 16% in the Egyptian Pound and Turkish Lira respectively. The Turkish, Jordanian, and Pakistan based units led the growth in 2024, which was followed by a further 4.0% Ytd¹ acceleration in aggregate group assets in Q1’25. Meanwhile, the quantum of non-performing financings increased by only 1.8% to USD 606.7mn in 2024, with the gross NPF ratio edging down to 4.0% from 4.1% in 2023. Going forward, non-performance could be negatively affected modestly, driven by significant geopolitical risks in the countries of operation, as well as subdued expectations for growth. Nonetheless, the Group’s Conservative provisioning and prudent risk management would act as effective risk buffers.

The CBB sets and monitors ABG’s capital requirements at parent entity level, while its subsidiaries are directly regulated by their local banking supervisors. The capital adequacy ratio for ABG banking subsidiaries has remained above regulatory thresholds in all units. Moreover, CAR has been broadly stable or improved over the period under IIRA’s review, in most subsidiaries, with the exception of Al Baraka Egypt and Al Baraka Islamic Bank Bahrain. The former was mostly reflective of significant business growth, whereas the latter was on account of continuation of net losses till Q1’25. LCR and NSFR levels of banking subsidiaries also indicate contained liquidity risks.

ABG’s net income after tax for 2024 marked an 8.9% improvement over 2023, as higher income from earning assets and declining provisions more than compensated for elevated cost of funding and high expense growth, stemming from inflationary pressures, particularly in Türkiye. Consequently, the return on average assets maintained its uptrend to 1.2% (2023: 1.1%) while the return on average equity improved to 15.6% (2023: 14.4%). In Q1’25, ABG’s net earnings growth accelerated to 19.2% with rising net profit share income and as fee & commission income growth further enhanced, operating cost growth decelerated, and provisions decreased significantly.

For the rest of 2025, favourable trends in profitability are expected to continue despite significant geopolitical and regulatory challenges in most countries of operations. The recommencement of Central Bank of Türkiye’s rate cut cycle in July 2025, will support the margin outlook for Al Baraka Turk along with strong performance on Musharaka projects. Improved prognosis for profitability in Türkiye, in addition,

¹ Year-to-date

The information contained herein is obtained by IIRA from sources believed to be accurate and reliable. IIRA does not audit or verify the truth or accuracy of any such information. As a result, the information herein is provided "as is" without any representation or warranty of any kind. IIRA, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s) / score(s) mentioned. Rating is an opinion and not a warranty of a rated entity’s current or future ability to meet contractual obligations, nor it is a recommendation to buy, sell or hold any security.



to declining losses of Al Baraka Islamic Bank Bahrain's domestic operations, as cost of funding eases and operating costs remain in check, and utilization of Al Baraka Algeria's excess cash in a prospective Sukuk issue, would be amongst key catalysts for improved profitability. On the downside, elevated costs at the Turkish unit coupled with high, albeit declining, inflation, lower treasury yields in Egypt and Pakistan, and persisting above historical average funding cost in Jordan—could dampen IIRA's optimistic outlook on ABG's consolidated earnings, especially if the US Fed does not proceed with anticipated rate cuts in H2'25.

IIRA maintained the Group's overall fiduciary score of '81-85', reflective of strong fiduciary standards, wherein the rights of various stakeholders are well defined and protected. With 7 out of 12 board members being independent, the BoD depicts strong independent representation. Notable increase of central oversight of subsidiaries is evident, mainly in the form of more comprehensive reporting and frequent meetings with units, as well as more active involvement of ABG Head Office in subsidiaries' activities, through ABG Board or executive management representation on units' Boards of Directors. In addition, there has been convergence of policies and procedures of control functions amongst units and with ABG. In December 2024, ABG held an inaugural Annual Group Compliance Meeting which focused on the latest developments in compliance and Anti-Money Laundering, emphasizing the importance of building a strong compliance culture and improving sanctions controls.

Following ABG's license conversion to Investment Business Firm – Category 1 (Islamic Principles) by the Central Bank of Bahrain, CBB requirements on Shari'a Governance are relatively modest. However, ABG maintains strict compliance with its Shari'a Governance framework as before. While ABG's Unified Shari'a Supervisory Board (USSB) has centralized authority for issuing fatwas and Shari'a decisions, with oversight of the ABG units' local Shari'a governance infrastructure, consultative processes are in place to share group-wide knowledge and resources.

The Board Committee for Social & Sustainable Finance oversees the activities of Al Baraka's Social & Sustainable Finance Program and receives detailed reporting from the subsidiaries quarterly. In November 2024, ABG and its subsidiaries organized the 3rd Al Baraka Day, dedicated to employee engagement in activities focused on serving their local communities, whereby 'Quality Education' was the key theme under the UN Sustainable Development Goals. Moreover, the Group adopted comprehensive data collection processes; findings regarding ESG indicators will be shared through the inaugural ESG Report 2024, which aligns with the Central Bank of Bahrain's disclosure guidelines and is expected to be issued in Q3'25. Assigned ratings have not been impacted by any assessment of ESG related risks.

For further information on this rating announcement, please contact us at iira@iirating.com