



IIRA Reaffirms Ratings of Al Baraka Islamic Bank B.S.C. (c)

Manama, December 11, 2025 – Islamic International Rating Agency (“IIRA”) has reaffirmed the international scale ratings of Al Baraka Islamic Bank B.S.C. (c) (“ABIB” or “the Bank”) at BB / A3 (Double B / A Three). The national scale ratings on the Bank also remain unchanged at BBB+ (bh) / A3 (bh) (Triple B Plus / A Three). Outlook on the assigned ratings is ‘Stable’. ABIB is an Islamic retail bank incorporated in the Kingdom of Bahrain (“Bahrain”) and licensed by the Central Bank of Bahrain (“CBB”). The Bank also conducts overseas operations through its majority-held subsidiary in Islamic Republic of Pakistan (“Pakistan”) (Al Baraka Bank (Pakistan) Limited (“ABPL”)).

ABIB benefits from the business synergies generated as a result of being part of the Al Baraka Group with business opportunities through units in other countries, and a subsidiary unit which reflects economic trends in Pakistan - largely uncorrelated with the Bahrain economy. Moreover, financial support over the years and oversight from the Group entity - ABG - is a key rating positive.

Improving macroeconomic conditions impacting both the Pakistan and Bahrain unit, bode well for business growth in ensuing quarters. Asset quality metrics reflect significant improvement in the current year, with recoveries in Bahrain. The Pakistan credit outlook has also proven resilient in the tight monetary conditions over the past two years. As new business momentum builds up in the current year, profitability will begin to recover. This will be supported by better margins stemming from a conducive balance sheet structure, increasingly favorable results in the Pakistan subsidiary, and a largely stable PKR. Tax impacts in Pakistan will dampen effects, with turnaround in consolidated profitability likely to become evident towards the end of the current year and in 2026.

The funding mix has evolved over the past few quarters with a focus on developing retail access and low-cost funds, evident in recent performance. With monetary policy easing, any surplus liquidity is expected to drain off in part in the current year. Nevertheless, relevant indicators point to a sound liquidity profile in both Pakistan and Bahrain operations. Moreover, ABIB’s capital ratios remain sufficient for the foreseeable future at consolidated and subsidiary level.

IIRA has assessed ABIB’s fiduciary score in the ‘71 – 75’ range, reflecting adequate fiduciary standards, wherein the rights of various stakeholders are considered to be adequately protected. Both ABIB and ABPL benefit from a robust regulatory environment that support strong governance practices in addition to ABG’s secondary oversight. Financial and Risk Disclosures are timely and comprehensive. From the current year, the Bank has set out to publish an annual report for ESG practices. The first such report for the year 2024, provides added information regarding the bank’s base line assessment of carbon emissions, energy and water consumption as well as waste generated, in addition to new disclosures pertaining to social impact, and dispensation of corporate social responsibility. Governance disclosures have been at par with international standards for the last several years. Viewed in conjunction with a materiality matrix and targeted SDGs, this report sets the benchmark of transparency at a higher level than prior years. The



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control framework at ABIB and its subsidiary remains well organized, although instability at the position of Head of Risk should be addressed. Shari'a governance framework is deemed strong and also derives support from ESG disclosures mentioned above, being aligned with the higher objectives of Shari'a. Product composition remains largely unchanged. Well-versed members at the Shari'a Board, adequate Shari'a controls and disclosures, along with external Shari'a audit review being conducted regularly, are notable strengths.

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