الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA Maintains Ratings of the Kuveyt Türk Participation Bank

Manama, April 28 2026 – Islamic International Rating Agency ("IIRA") has reaffirmed foreign currency and local currency ratings of Kuveyt Türk Participation Bank ("KTPB" or "the Bank") on the international scale at 'BB+/A3' (Double B Plus /A Three) while maintaining the national scale ratings at 'AA (tr)/ A1+(tr)' (Double A/A One Plus). Outlook on the ratings remains 'Stable'.

The Bank had 3.3% and 2.9% respective share in terms of deposits and assets within the banking sector while leading the Participation Banking segment with respective market share of 31.2% and 31.7%. Meanwhile, its market share in terms of precious metal deposits was much higher at 8.7%.

The ownership structure of the Bank remained unchanged since our previous review. Kuwait Finance House KSC ("KFH") is a controlling shareholder with a 57.8% stake, while the General Directorate of Foundations of Türkiye ("GDF") and Wafra International Investment Company of the State of Kuwait ("Kuwait") hold 24.5% and 8.4% stake respectively. These two institutions are controlled by respective governments of their countries. The Islamic Development Bank ("IsDB") holds further 8.4% ownership of KTPB. Sovereign holding of the Bank is deemed to be credit positive.

Having grown by 3.6% in 2025, the real GDP of Türkiye was to increase by 3.8% in 2026, on account of gradual easing of the monetary policy. However, the Middle East conflict will likely impact the macroeconomic outlook putting pressure on inflation, current account dynamics, foreign exchange reserves and external demand. In its last meeting held in March 2026, the Central Bank held the policy rate stable. Going forward, CBT may hike the rates or slow down the ongoing easing depending on pressure on international reserves which have seen a sharp dip, in the aftermath of the ongoing geopolitical crisis.

Given the tight monetary stance of the Central Bank of Türkiye and economic growth remaining below its potential as well as historically low base effects, asset quality profile marked deterioration on a sector-wide basis in 2025. KTPB's gross non-performance increased to 1.9% from 1.6%, reflective of general sector trends during this period, albeit remaining superior vis-a-vis the sector. In 2026, impairment ratios are expected to inch further up in line with sector dynamics, as the tight monetary policy of CBT may continue for longer due to the recent geopolitical conflicts, which have already led to an increase in CBT's effective funding rate to the banking sector.

In addition, the overall NPF ratios are still below historical average and some economic sectors which are labour intensive, are negatively impacted from the current macroeconomic policies with high rates and controlled USDTRY parity. In terms of business segments, SMEs are likely to be more sensitive to a 'tighter for longer' policy framework of CBT. Overall, the deterioration in 2026 will likely remain within a close range for KTPB, given strong provisioning buffers, enhanced collateralization for customers in fragile sectors, and healthy capitalization buffers.

Total deposit growth of 54.6% in 2025 was driven mainly by surging gold deposits, which rose 141.4% to comprise 34.4% (2024: 22.1%) of deposits. Even though the share of top-50 deposits increased to 3.93% in 2025 (2024: 3.42%), the Bank's deposit base is much more diversified than its peers, reflecting its market franchise value and providing an edge over peers in terms of funding cost structure. Meanwhile, the proportion of current account deposits in total deposits improved further to 61.4% from 54.8% which compares favourably to 37.4% for the banking sector and 42.3% in the participation banking sector.

While the Funding base reflects stability and cost-effectiveness, liquidity Coverage Ratio also improved to 262.9% as of December 2025 (2024: 240.2%) and the FCY LCR improved even more sharply to 194.4% from 155.4%. NSFR also increased on YoY basis to 135.1% from 132.9%. Aggregate LCR of KTPB remained well above peers as the banking sector and PB sector average LCRs stood at 146.8% and 161.2% respectively. In sum, the Bank's buffers are deemed to be strong. In the medium term, no worsening in liquidity position is expected given the Bank's prudent stance on liquidity, elevated reserve requirements of the Central Bank of Türkiye, and regulatory caps on financing growth.

During 2025, paid-up capital of the Bank increased to TL8.0bn from TL4.9bn via issuance of bonus shares, whereas total shareholders' equity enhanced by 51.8% YoY to TL136.4bn owing to strong internal capital generation and limited cash dividend distribution to shareholders, under restrictions imposed by BRSA. The CET1 ratio and CAR registered at 19.76% (2024: 20.56%) and 22.55% (2024: 24.81%) respectively. BRSA forbearance directives have lapsed as of January 1st, 2026. Ceteris paribus, reported CAR would be around 2.5pps lower excluding the forbearance impact; however, KTPB's capitalization profile indicates sizable buffers over the BRSA threshold of 12%. The Bank's CET 1 ratio was comfortably above the banking sector and PB segment averages of 15.08% and 14.56% respectively. KTPB's capital buffers are assessed to be adequate for medium term growth considering the current regulatory caps imposed on financing growth, as imposed by the Central Bank of Türkiye controlled depreciation of Turkish Lira, as well as the favorable outlook for profitability. As such, KTPB is unlikely to need any capital support in the near term.

The Bank's net profit after tax surged by 25.9% in 2025 to TL46.7bn, supported by healthy growth in net profit share income, continued marked increase in fee income, and surge in trading income which were partly offset by higher provisions and operating costs. Despite easing to 4.0% from 4.7%, the Bank's Return on assets remains superior to peers in conventional and participation banking sectors. In 2026, macroeconomic volatility following the USA-Iran conflict could lead Central Bank to remain tighter for longer which could pressure the net profit share margins. Kuveyt Turk could partly mitigate the negative impact by allocating its liquidity towards financing exposures at higher rates; strong fee generation is also expected to be maintained. Overall, the Bank's RoAA is likely to retreat from high levels, yet will remain above peers given a more cost-effective cost structure.

The Bank's corporate governance framework is compatible with global best practices. Moreover, the Banking Regulation and Supervision Agency revised its "Regulation on Compliance with Participation Principles" in December 2025, introducing notable changes to the "Regulation on Compliance with

Interest-Free Banking Principles and Standards," which had been in force since 2019. The Bank's PB Governance Framework consists of the Advisory Board and a Consultancy Coordination Unit which reports to the Board, whereas the Participation Banking Compliance Unit under the Internal Audit Function operates to ensure compliance with the Participation Banking Principles and Standards, Centralized Advisory Board and Bank's Advisory Board decisions.

With impetus from the Group as well as the BRSA, there has been enhanced focus on adherence to sustainability principles in recent periods. At the management level, a Sustainability Committee supports the Board of Directors by shaping relevant strategies and policies across economic, social, and environmental dimensions. The Bank assesses climate-related risks and opportunities in line with this strategy and the BRSA Guide on the Effective Management of Climate-Related Financial Risks, taking into account global, national, and sectoral developments. Kuveyt Türk has also adopted a financing approach aligned with the impacts of the EU Carbon Border Adjustment Mechanism (CBAM), encompassing support for renewable energy projects, energy efficiency investments, and carbon reduction technologies. BRSA's communiqué on the calculation of Green Asset Ratio aims to measure banks' contribution to financing of environmentally sustainable activities. Reporting to the BRSA on this indicator commenced from the end of June 2025, and is a key step towards reporting on sustainability initiatives.

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