الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA reaffirms the ratings of the Al Baraka Bank Tunisia

Manama, June 08, 2026 – Islamic International Rating Agency ("IIRA") has reaffirmed the Al Baraka Bank Tunisia's ("Al Baraka Tunisia" or "the Bank") foreign currency and local currency ratings on the international scale at 'B+/B' (Single B Plus / Single B) and 'BB-/B' (Double B Minus/ Single B) and maintained the national scale ratings of the Bank at 'A- (tn) /A2 (tn)' (Single A Minus (tn) / Single A Two (tn). Outlook on the ratings is 'Stable'.

Focusing on optimizing the deposit costs, there has been a steady increase in the share of less costly CASA deposits in the Bank's funding mix which reflected positively onto the profitability performance. Meanwhile, asset quality indicators improved with lower impairment ratios and increasing provisioning coverage. Supported by healthy internal capital generation, capital indicators improved further during 2025 and denote around 13pps buffer over regulatory threshold, implying the availability of significant room for future growth.

In 2025, the launch of the Taksit card expanded the Bank's retail and payment footprint, while a rise in inter-group trade finance synergies underpinned business momentum. Bolstering digital infrastructure, deepening customer engagement, and sustainable balance-sheet growth remains high on the agenda. The Bank's takaful subsidiary was renamed Al Baraka Assurance in early 2026, with an aim to strengthen the company's position in the Tunisian takaful insurance market and enable benefitting from a shared franchise. Going forward, earnings contribution from the takaful and private equity subsidiaries is expected to increasingly contribute to consolidated earnings of Al Baraka Bank Tunisia Group.

In 2026, Tunisian economy will be pressured from elevated energy prices feeding into inflation, as well as fiscal, and current account deficits. Repercussions of the conflict in the Middle East are likely to constrain GDP growth and weigh negatively on the asset quality profile of the banking sector. CBT's efforts to bring standards in the sector in line with international norms including Basel III alignment on capital ratios and IFRS9 implementation in 2026 and 2027, could somewhat erode the capital buffers, which are moderate on aggregate. On the other hand, profitability of the sector has been negatively impacted from regulatory pressures in the form of elevated corporate tax, elimination and capping of some fees, and halving of debt costs for certain categories of credit.

The quantum of gross non-performing financing of Al Baraka Tunisia declined by 9.0% YoY to TND109.7mn and denoted 5.9% of total gross financings in 2025, down from 7.4% in the previous year. It is worthwhile to note that the Bank's gross impairment levels are well below sector average[1]. With increasing provisioning coverage, net NPF ratio has notably reduced to 1.7% from 3.1%. Meanwhile, total coverage ratio inclusive of financing assets and investments stood at 79% as of YE2025 - up from 70% in the prior year, representing significant improvement in coverage levels, mainly on account of additional provisioning for the legacy exposures. Going forward, a challenging macroeconomic environment

[1] According to CBT figures, the gross Non-Performing Financing (NPF) ratio increased to 14.6% in 2024, compared with 13.6% in 2023. The figure for 2025 has not yet been announced.

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exacerbated by the conflict in the Middle East coupled with Tunisia's economic vulnerabilities indicate a heightened risk environment, however, the Bank has been positively decoupling from peers with prudent underwriting standards, stringent follow up of exposures, as well as higher provisioning buffers, which mitigate asset quality risks.

The cost optimization drive resulted in a shift in funds composition with higher reliance on FI deposits and 5.2% contraction in customer deposits. This generally reflects adversely on funding diversification, with top 20 and top 50 deposits accounts also increasing to 26.1% and 34.6% of funding base respectively, from 22.4% and 29.9% at prior year-end. Basel III liquidity indicators of LCR and NSFR declined slightly to 108% and 113% as of YE2025 (2024: 112% and 114% respectively), while still denoting adequate liquidity.

In 2025, pre-tax profit was lower by 3.9% due mainly to surging provision charges, with return on average assets inching down to 1.6% from 1.7% in 2024. For the current year, the key driver of profitability will be the policy rate trajectory of the Central Bank of Tunisia as a response to external shock from the conflict in Middle East. Significant increase in policy rates may pressure both the spread income and provisioning charges through impact on borrowers' repayment capacity. On the other hand, expectations of recovery in fee income and some measured business growth could support profitability.

Total shareholders' equity of the Bank rose 8.9% to TND 318.6 million, supported by sound profitability, while paid-in capital held steady at TND 120 million. Driven by regulatory capital growth outpacing risk-weighted assets, Al Baraka Bank Tunisia's total capital adequacy ratio rose to 22.85% (from 20.8%), with the Tier-1 ratio increasing to 21.0% (from 19.6%). These levels remain comfortably above the Central Bank of Tunisia's (CBT) requirements of 10% and 7%, respectively, and exceed sector averages. Additionally, the Bank is preparing for the CBT's transition to Basel III capital rules by YE2026; management anticipates minimal impact on capitalization ratios of approximately one percentage point.

IIRA maintained the Bank's overall fiduciary score of '71-75' reflecting that the rights of various stakeholders are adequately protected. In response to regulatory developments, the Bank will continue to direct efforts towards advanced risk allocation mechanisms. Meanwhile, a new AML software system has reinforced compliance control. There has been enhanced oversight from ABG and increasing collaboration amongst units in the last few years. ABG's oversight supports the Bank's strict adherence to local regulatory requirements and international best practices. Internal Audit Function will extend scope to the Bank's subsidiaries Al Baraka Assurance and Al Baraka Sicar in 2026. Moreover, control functions' efficiency is being improved through enhanced utilization of digital tools.

Following the General Assembly in April 2026, new members have been inducted to the Supervisory Board, who are expected to bring fresh perspective, in addition to subject matter expertise to the Board. Meanwhile, the staff strength of Sharia Audit Function has been enhanced. The Sharia Governance Framework of the Bank is further supported by ABG's Sharia audit and monitoring via monthly meetings bringing together Islamic banking resources within the Group—including the Sharia Boards and their

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supporting supervisory components (such as Sharia auditors and controllers) which help to align, update, and standardize Islamic banking practices across all Group subsidiaries.

Tunisia is actively accelerating its electric vehicle (EV) market to reach 125,000 EVs and 12,000 charging stations by 2035. Supported by 2026 tax reforms, import duties on EVs are reduced with VAT lowered to 7%. The Bank's private equity subsidiary Al Baraka SICAR was founded on social responsibility grounds prioritizing job creation and sustainable development before profitability. Participation in renewable energy and food security projects through its subsidiary reinforces the ESG efforts of the Al Baraka Bank Tunisia Group. Focusing on ecosystem preservation through large-scale cleanup activities in forests and nature reserves was amongst the Bank's social responsibility efforts in 2025.

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

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