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## IIRA assigns ratings to Albaraka Türk Katılım Bankası

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**Manama, April 14 2026** – Islamic International Rating Agency (“IIRA”) has assigned initial foreign currency and local currency ratings of Albaraka Türk Katılım Bankası A.Ş. (“ALBRK”, “Albaraka Türk” or “the Bank”) on the international scale at ‘BB/B’ (Double B /Single B) and the national scale ratings at ‘A+ (tr)/ A1+(tr)’ (Double A/A One Plus). Outlook on the ratings is ‘Stable’. International ratings are capped by ratings assigned by IIRA to the sovereign Republic of Türkiye (“Türkiye”) at ‘BB+/A3’ (Double B Plus / Single A Three (international scale)).

Incorporated in 1984 as a Special Finance House, Albaraka Türk transitioned to operate as a Participation Banking (“PB”) institution in 2005. The Bank had 1.0% market share in the Turkish banking sector in terms of both assets and deposits as of YE2025, and 10.8% and 9.8% market share respectively in the PB segment. As of March 2026, Albaraka Group B.S.C. (“ABG”) owns 53.39% stake in Albaraka Türk while 40.31%<sup>1</sup> shares are publicly traded on Borsa Istanbul Stock Exchange; other shareholders have a combined stake of 6.30%. Headquartered in the Kingdom of Bahrain (“Bahrain”), ABG is licensed as an investment business firm – category 1 (Islamic) by the Central Bank of Bahrain, (“CBB”). The Group is a leading international Islamic financial group with presence in 13 countries and providing banking services for individuals and companies in accordance with the principles of Islamic law, through 690 branches of its banking subsidiaries and associate companies. As of YE2025, total assets of ABG stood at USD31bn (2024: USD26.2bn) of which AlBaraka Türk’s assets denoted over 35%.

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 economic outlook, putting pressure on inflation, current account dynamics and foreign exchange reserves as well as external demand. In its last meeting held in March 2026, the Central Bank held the policy rate stable, but the possibility of rate hikes or slower cuts, now stands heightened.

Over the last few years, concerted efforts towards strengthening asset quality have transpired into a sustained amelioration in ALBRK’s non-performance, particularly when viewed in the context of sector trends. This is more clearly discernible in terms of net risk to asset quality given the sizable reserves built into the balance sheet. Although ALBRK’s gross non-performing financings almost doubled to TL4.0bn to comprise 1.70% of the financing portfolio in 2025 (2024: 1.36%), it still fares better than the sector, with rising non-performance being a sector wide phenomenon during this period, as economic growth decelerated, domestic demand was pressured in response to CBT’s tight monetary stance and historically high interest rates, and as base effects kicked in. Accounting for stage-3 provisions, net NPFs corresponded to 0.17% of total assets (2024: 0.08%) signifying a still healthy asset quality profile. Despite expected deterioration in the current year, asset quality indicators of Albaraka Türk will likely follow sector wide movement as the generally tight monetary stance of CBT is expected to continue and economic

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<sup>1</sup> Not including the 1.72% of shares owned by ABG.

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growth remains below potential. However, decreasing exposures to SMEs as well as enhanced collateralization for this segment, prudent underwriting, minimal exposure to general purpose consumer financing & credit cards (1.5% of gross exposures as of Dec'25), and relatively high coverage levels serve as mitigants against risks to the Bank's asset quality.

With improving asset quality, profitability indicators have also strengthened, aligning more closely to the generally sound earnings performance for the sector. ALBRK's net profit after tax surged by 206% in 2025 to TL13.2bn supported by TL7.3bn free provision reversal, in the absence of which net income growth at 43.3% would still be superior to the banking sector income growth of 42.4% and PB profit acceleration of 35.2%. Accordingly return on average assets improved notably to 3.4% from 1.6%, and the adjusted figure would also indicate improvement, taking the free provisions booked in 2025 into account. The Bank's management expects modestly better net profit share margin for 2026, on the back of expectations of further rate cuts by the Central Bank of Türkiye, along with around 40% annual credit growth and modest decline in provisioning ratio. With these projections, the RoAE guidance for 2026 is provided in the 25%-30% range vis-a-vis realization of around 30% (adjusted for free provision reversal) for 2025.

Total regulatory capital growth of 64.7% in 2025 was notably superior to RWA increase of 49.0% with CAR improving to 18.95%, while the CET-1 ratio was 61bps lower on YoY basis at 10.27%. Despite holding lower than peers CET-1 ratio, the Bank's capital buffers are sufficient for medium term growth considering the current regulatory caps imposed by the Central Bank of Türkiye on financing growth, controlled depreciation of Turkish Lira, as well as improved outlook for profitability. As such, the Bank is not expected to be in need of any capital support in the near term.

Other protections available are liquidity reserves of the Bank. As the proportion of liquid assets to total assets declined to 45.1% (2024: 48.0%), the liquid asset coverage of funding base also fell to 50.5% (2024: 55.4%); liquidity coverage nevertheless remained strong. The aggregate Liquidity Coverage Ratio edged down to 130.6% as of December 2025 (2024: 140.0%) while FCY LCR improved 279.4% from 255.4%. On the other hand, NSFR remained range-bound at 151.5%. (2024: 154.7%). Overall, Albaraka Türk's liquidity buffers are deemed to be healthy. In the medium term, no worsening in liquidity position is expected given the Bank's cautious stance on liquidity, elevated reserve requirements of the Central Bank of Türkiye, and regulatory caps on financing growth. Liquidity against FCY liabilities is particularly strong, with net currency positions well within regulatory limits.

IIRA has assigned an overall fiduciary score of '76-80' to the Bank, reflecting that the rights of various stakeholders are protected. Subject to regulatory review by the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board of Türkiye as a listed bank, the corporate governance framework of Albaraka Türk highlights strong compatibility with global best practices which is reflected into the Corporate Governance sub-score of '81-85'. ABG guidance and group-wide supervision, further extends self-regulatory capacity. Risk management practices are well entrenched and continually evolving with fresh regulatory guidance, most notably the implementation of Basel IV expected in the current year.

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BRSA issued 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. Amendments to the composition of the Central Consultancy Committee and raising the bar on qualification and experience of members, along with enhanced reporting, and a general uplift to the required control mechanisms, point to a more conducive environment for participation banking in Türkiye. Meanwhile, Albaraka Türk’s participation banking governance framework – already largely compliant with new regulations given group level supervision in prior years – required few if any upgrades. A seasoned Consultancy Committee, along with a Participation Banking Principles Control and Compliance Department, and regular audits exercised by the subunit of Internal Audit Function, are key pillars of the Bank’s participation banking compliance framework.

The Bank implements its activities on the sustainability front as per the “Sustainable Banking” vision shaped with the support of ABG. Turkish Sustainability Reporting Standards (TSRS) have been applied in the accounting period starting from January 1, 2024, with ALBRK’s first TSRS Compliant Sustainability Report having been issued for 2024. Banking Regulation and Supervision Agency has issued a communiqué on the calculation of Green Asset Ratio with the aim of measuring the extent to which banks contribute to the financing of environmentally sustainable activities. Reporting to the BRSA started from the end of June 2025 and is a key step towards reporting on the sustainability framework.

For further information on this rating announcement, please contact us at [iira@iirating.com](mailto:iira@iirating.com)