

## Al Rayan Bank (MARK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR2.334	Price Target	QR2.623
Implied Upside	12.4%		

### 2Q2025 Beats Estimates; Bottom-Line Driven By Lower CoR

**Masraf Al Rayan reports QR413.9mn net profit in 2Q2025 vs. QR383.0mn in 2Q2024, beating our estimate of QR389.4mn (variation of +6.3%).** The beat was generally attributable to higher-than-expected non-core income. The YoY increase in earnings is due to net credit provisions dropping by 31.9% YoY, countering a 9.0% drop in net operating income. Sequentially, the bottom-line moved up by 1.6% due to a 6.0% drop in credit provisions. **Net-net, results were mixed YoY: margins significantly compressed (net interest and investment income declined by 14.3%), while non-funded income was strong (+29.3%).** Sequentially, fees were weak, f/x income was strong and margins were flat. Asset quality/NPL ratio remained stable. We maintain our Market Perform rating and QR2.623 PT.

#### Highlights

- **Masraf Al Rayan's (MARK) bottom-line beats estimates.** MARK's net income increased by 8.1% YoY (+1.6% QoQ) to QR413.9mn in 2Q2025.
- **Margins compressed YoY but remained flat QoQ.** 2Q2025 margins came down by 40bps YoY to 1.55%.
- **RoE continues to be weak and below its CoE.** 1H2025 tangible RoE (annualized) came in at 7.3% vs. 7.1% in 1H2024 (FY2024: 6.5%). **We estimate it will take another 4 to 5 years for RoE to exceed the 10% level despite expected double-digit growth in earnings over 2025-2029.**
- **MARK's asset quality remained stable; the bulk/majority of NPLs is attributed to the construction and real estate segments.** NPLs remained ticked up by 1.2% QoQ (+0.9% YTD) to QR6.3bn. The NPL ratio remained flat at 5.38% vs. 5.37% in 1Q2025 (FY2024: 5.45%). **Furthermore, Stage 2 loans increased by 3.7% QoQ (flat YTD). As such, Stage 2 loans % of total loans increased from 19% in 1Q2025 to 20% in 2Q2025 (FY2024: 20%).** Stage 2 ECLs increased by 13.9% QoQ (+20.8% YTD). At the same time, coverage of Stage 3 loans remained flat sequentially at 64% (FY2024: 62%) excluding eligible collateral.
- **A significant drop in credit provisions helped the bottom-line YoY; the bulk of provisions were allocated to Stage 2 loans.** Net credit provisions dropped by 31.9% YoY, countering a 9.0% drop in net operating income, which led to an increase in the bottom-line. Sequentially, net credit provisions declined by 6.0%, countering flat net operating income (leading to +1.6% growth in earnings). MARK booked 1H2025 (annualized) CoR of 70bps vs. 97bps in 1H2024.
- **Loans increased sequentially.** Net loans moved up by 0.8% to QR112.1bn QoQ (+1.9% YTD). On the other hand, deposits receded by 0.7% QoQ (+2.8% YTD) to QR110.7bn.
- **CET1 position remained robust.** MARK ended 2Q2025 with CET1/Tier-1 ratios of 23.7%/24.8%.

#### Catalysts

- 1) Normalizing CoR, which results in strong RoE ahead of expectations.

#### Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our PT at QR2.623/share and our Market Perform rating for now.** MARK is trading at 2025/26e P/TB of 0.9x and P/E 14.7x/13.8x.
- **Risks:** 1) Geopolitical factors & 2) Greater-than-expected increase in credit costs and 3) write-offs

#### Key Financial Data and Estimates

	2024	2025e	2026e	2027e
EPS Attributable (QR)	0.153	0.159	0.169	0.184
EPS Growth (%)	3.9	3.8	6.3	9.0
P/E (x)	15.2	14.7	13.8	12.7
Tangible BVPS (QR)	2.43	2.50	2.59	2.66
P/TBV (x)	1.0	0.9	0.9	0.9
RoE (%)	6.5	6.5	6.7	7.1
DPS (QR)	0.100	0.100	0.125	0.150
Dividend Yield (%)	4.3	4.3	5.4	6.4

Source: Company data, QNB FS Research; Note: All data based on current number of shares

#### Key Data

Current Market Price (QR)	2.334
Dividend Yield (%)	4.3
Bloomberg Ticker	MARK QD
Reuters Ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	2.524/2.116
3-m Average Volume (mn)	11.7
Mkt. Cap. (\$ bn/QR bn)	6.0/21.7
Shares Outstanding (mn)	9,300
FO Limit* (%)	100.0
Current FO* (%)	14.7
1-Year Total Return (%)	3.8
Fiscal Year End	December 31

Source: Bloomberg (as of July 22, 2025), \*Qatar Exchange (as of July 22, 2025); Note: FO is foreign institutional ownership

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## Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
<b>Net Interest Income</b>	<b>3,607</b>	<b>2,727</b>	<b>2,738</b>	<b>2,724</b>	<b>2,877</b>	<b>3,115</b>
Fees & Commissions	328	319	299	338	351	362
FX Income	271	197	190	167	180	177
Other Income	46	295	306	356	372	389
<b>Non-Interest Income</b>	<b>645</b>	<b>810</b>	<b>794</b>	<b>860</b>	<b>903</b>	<b>928</b>
<b>Total Revenue</b>	<b>4,251</b>	<b>3,537</b>	<b>3,532</b>	<b>3,584</b>	<b>3,780</b>	<b>4,043</b>
Operating Expenses	(1,022)	(874)	(920)	(977)	(1,019)	(1,062)
<b>Net Operating Income</b>	<b>3,229</b>	<b>2,663</b>	<b>2,612</b>	<b>2,607</b>	<b>2,760</b>	<b>2,981</b>
Net Provisions & Impairments	(1,710)	(1,165)	(1,041)	(990)	(1,047)	(1,120)
<b>Net Profit Before Taxes &amp; Minority Interest</b>	<b>1,519</b>	<b>1,498</b>	<b>1,571</b>	<b>1,617</b>	<b>1,713</b>	<b>1,861</b>
Tax	(22)	(35)	(33)	(34)	(34)	(34)
<b>Net Profit Before Minority Interest</b>	<b>1,497</b>	<b>1,463</b>	<b>1,537</b>	<b>1,583</b>	<b>1,680</b>	<b>1,827</b>
Minority Interest	(19)	(28)	(20)	(20)	(22)	(23)
Non-Recurring Items	(134)	17	(11)	-	-	-
<b>Net Profit (Reported/Headline)</b>	<b>1,344</b>	<b>1,452</b>	<b>1,507</b>	<b>1,562</b>	<b>1,658</b>	<b>1,804</b>
Interest Expense on AT1 Bond	(46)	(46)	(46)	(46)	(46)	(46)
Social & Sports Contribution Fund	(36)	(36)	(38)	(39)	(41)	(45)
<b>Net Profit (Attributable)</b>	<b>1,263</b>	<b>1,369</b>	<b>1,423</b>	<b>1,477</b>	<b>1,571</b>	<b>1,713</b>
<b>EPS</b>	<b>0.136</b>	<b>0.147</b>	<b>0.153</b>	<b>0.159</b>	<b>0.169</b>	<b>0.184</b>

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
<b>Assets</b>						
Cash & Balances with Central Bank	5,088	4,993	5,672	5,547	5,640	5,778
Interbank Loans	6,300	5,663	5,165	5,697	6,208	5,638
Net Investments	31,477	38,599	43,767	45,291	48,450	51,889
Net Loans	117,859	108,228	110,040	113,948	119,376	125,292
Investment In Associates	346	349	348	376	408	443
Other Assets	3,869	3,835	3,640	3,610	3,613	3,629
Net PP&E	915	969	1,011	1,019	1,049	1,082
Goodwill & Intangibles	1,679	1,565	1,451	1,337	1,223	1,110
<b>Total Assets</b>	<b>167,533</b>	<b>164,200</b>	<b>171,094</b>	<b>176,826</b>	<b>185,966</b>	<b>194,860</b>
<b>Liabilities</b>						
Interbank Deposits	29,316	32,204	23,757	24,052	25,199	24,397
Customer Deposits	97,292	92,724	107,610	113,206	119,998	128,398
Sukuks & Borrowings	11,525	9,821	9,672	8,898	9,521	10,092
Other Liabilities	5,118	4,644	4,724	4,771	4,688	4,838
AT1 Notes	1,000	1,000	1,000	1,000	1,000	1,000
<b>Total Liabilities</b>	<b>144,251</b>	<b>140,393</b>	<b>146,763</b>	<b>151,928</b>	<b>160,406</b>	<b>168,726</b>
Minority Interest	198	237	252	273	294	318
<b>Total Shareholders' Equity</b>	<b>23,084</b>	<b>23,569</b>	<b>24,078</b>	<b>24,626</b>	<b>25,266</b>	<b>25,816</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>167,533</b>	<b>164,200</b>	<b>171,094</b>	<b>176,826</b>	<b>185,966</b>	<b>194,860</b>
<b>Risk Weighted Assets</b>	<b>111,079</b>	<b>105,187</b>	<b>100,406</b>	<b>102,559</b>	<b>104,141</b>	<b>109,511</b>
<b>TBVPS</b>	<b>2.30</b>	<b>2.37</b>	<b>2.43</b>	<b>2.50</b>	<b>2.59</b>	<b>2.66</b>

Source: Company data, QNB FS Research

Ratios/KPIs	2022	2023	2024	2025e	2026e	2027e
<b>Profitability (%)</b>						
RoE	5.8	6.4	6.5	6.5	6.7	7.1
RoAA	0.7	0.8	0.8	0.8	0.9	0.9
RoRWA	1.2	1.3	1.4	1.5	1.5	1.6
NIM (% of IEAs)	2.32	1.79	1.77	1.69	1.71	1.76
NIM (% of RWAs)	3.34	2.52	2.66	2.68	2.78	2.92
NIM (% of AAs)	2.11	1.64	1.63	1.57	1.59	1.64
Spread	2.0	1.0	1.0	1.0	1.1	1.2
<b>Efficiency (%)</b>						
Cost-to-Income (Headline)	24.0	24.7	26.1	27.3	27.0	26.3
Cost-to-Income (Core)	24.2	26.3	27.7	28.9	28.6	27.8
<b>Liquidity (%)</b>						
LDR (Loans to Stable Sources of Funds)	108	106	94	93	92	90
Loans/Assets	70.3	65.9	64.3	64.4	64.2	64.3
Cash & Interbank Loans-to-Total Assets	6.8	6.5	6.3	6.4	6.4	5.9
Deposits to Assets	58.1	56.5	62.9	64.0	64.5	65.9
Wholesale Funding to Loans	34.7	38.8	30.4	28.9	29.1	27.5
IEAs to IBLs	118.6	119.6	118.2	118.4	118.5	119.3
<b>Asset Quality (%)</b>						
NPL Ratio	5.99	5.71	5.45	5.20	5.00	4.75
NPL to Shareholders' Equity	31.60	27.26	25.97	25.39	25.10	24.66
NPL to Tier 1 Capital	33.71	28.86	27.39	26.74	26.66	26.41
Coverage Ratio	52.7	66.6	76.0	93.8	110.7	129.7
ALL/Average Loans	2.6	3.0	3.6	4.6	5.3	5.9
Cost of Risk (bps)	127	108	92	84	85	86
<b>Capitalization (%)</b>						
CET1 Ratio	18.6	20.2	21.7	21.8	21.9	21.1
Tier-1 Ratio	19.5	21.2	22.7	22.8	22.8	22.0
CAR	20.3	22.1	23.9	23.9	24.0	23.2
Leverage (x)	7.3	7.0	7.1	7.2	7.4	7.5
<b>Growth (%)</b>						
Net Interest Income	15.9	-24.4	0.4	-0.5	5.6	8.3
Non-Interest Income	25.0	25.7	-2.0	8.3	5.0	2.7
Opex	31.0	-14.5	5.2	6.2	4.3	4.2
Net Operating Income	13.4	-17.5	-1.9	-0.2	5.9	8.0
Net Provisions & Impairments	55.9	-31.9	-10.6	-4.9	5.8	6.9
Net Income (Reported)	-21.7	8.0	3.8	3.7	6.1	8.8
Net Income (Attributable)						
Loans	-2.5	-8.2	1.7	3.6	4.8	5.0
Deposits	-9.0	-4.7	16.1	5.2	6.0	7.0
Assets	-3.8	-2.0	4.2	3.4	5.2	4.8
RWAs	6.1	-5.3	-4.5	2.1	1.5	5.2

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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