

## Al Rayan Bank (MARK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR2.425	Price Target	QR2.623
Implied Upside	8.2%		

### Tweaking Estimates; Maintain PT & Market Perform Rating

After 1H2025 results, we modestly increase our overall estimates for 2025, 2026 and 2027 by 1.8% on average (see page 2); our revisions do not change our QR2.623 PT as 2025's beginning BV still contributes 98% to the PT as per the EVA valuation model and our revised estimates have marginal impact. As such, our 2024-29e earnings CAGR comes to 9.3%. MARK's asset quality remained stable in 1H2025 after improving in FY2024, which is a positive. However, this is not being reflected in the stock price as MARK is still trading at 2025e/26e P/B of 1.0x/0.9x. We believe investors would like to see further improvement in Stage 3 & 2 loans balanced by an improvement in MARK's earnings growth profile, for the stock to rerate. MARK shares have underperformed peers on a YTD basis given the bank's asset quality issues and RoE erosion.

#### Highlights

- Al Rayan Bank (MARK) 1H2025 earnings beat estimates. MARK reported 1H2025 bottom-line of QR821.4mn vs. our estimate of QR766.38mn (variation of +7.2%). Net income grew by 4.1% YoY.
- 1H2025 annualized tangible RoE came in at 7.3%, flat with 1H2024 (FY2023/24: 6.4%/6.5%); RoE is significantly below pre-merger levels and remains well below its CoE of 12.1%. RoE declined from 11.3% in 2021 to 6.5% in 2024. Pre-merger MARK's standalone RoEs hovered around the 16% level (2016-2020). It will be a long road to recovery for RoEs to pick up due to the current depressed level. We note that 2025 RoE is estimated to inch up to 6.7% and reach 9.0% by 2029, in-line with previous estimates. Having said this, we assume a 13.5% terminal RoE in our valuation, which we believe is attainable.
- NIMs in 1H2025 significantly compressed to 1.55% as the drop in yield on IEAs dwarfed the drop in CoFs. We model NIMs at 1.56% for 2025/2026 as business from the public sector is of low margin nature.
- MARK's asset quality remained stable; the bulk/majority of NPLs is attributed to the construction and real estate segments. NPLs 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.
- CoR to stay on the high side in the near-to-medium term as MARK builds buffers to reach a coverage ratio of 70% to 80% for Stage 3 loans. We pencil in a CoR of 75bps/71bps in 2025e/26e before normalizing to 60bps in 20229e. MARK's 1H2025 annualized CoR dropped from 97bps in 1H024 to 70bps.
- Loans continued to modestly increase in 1H2025 vs. FY2024 after declining in 2022 and 2023 as MARK was de-risking its loan book (management has adopted a prudent loan underwriting approach where it will focus on quality assets and not chase volume); we maintain our loan growth estimates in 2024-29e of 5.6% as the bank's lending appetite increases after further cleaning up its books. Net loans increased by 1.9% to QR112.1bn in 1H2025 vs. FY2024. The growth in loans was attributable to the public sector segment (16.4%).

#### Catalysts

- 1) Normalizing CoR, which results in stronger RoE generation ahead of our expectations.

#### Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our QR2.623 PT and Market Perform rating. MARK is trading at 2025e/26e P/TB of 1.0x/0.9x and P/E of 15.0x/14.0x.
- Risks: 1) Geopolitical factors & 2) Greater-than-expected increase in credit costs.

#### Key Financial Data and Estimates

	2024	2025e	2026e	2027e
EPS Attributable (QR)	0.153	0.162	0.173	0.186
EPS Growth (%)	3.9	5.8	6.7	7.8
P/E (x)	15.8	15.0	14.0	13.0
Tangible BVPS (QR)	2.43	2.51	2.59	2.67
P/TBV (x)	1.0	1.0	0.9	0.9
RoE (%)	6.5	6.7	6.9	7.2
DPS (QR)	0.100	0.100	0.125	0.150
Dividend Yield (%)	4.1	4.1	5.2	6.2

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

#### Key Data

Current Market Price (QR)	2.425
Dividend Yield (%)	4.1
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)	11.5
Mkt. Cap. (\$ bn/QR bn)	6.2/22.6
Shares Outstanding (mn)	9,300
FO Limit* (%)	100.0
Current FO* (%)	15.3
1-Year Total Return (%)	+12.8
Fiscal Year End	December 31

Source: Bloomberg (as of August 10, 2025), \*Qatar Exchange (as of August 10, 2025); Note: FO is foreign institutional ownership

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## Change in Estimates

In QR mn	2025e			2026e			2027		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Net Interest Income	2,724	2,535	-7.0	2,877	2,696	-6.3	3,115	2,892	-7.1
Non Interest Income	860	930	8.1	903	867	-4.0	928	883	-4.8
Revenue	3,584	3,464	-3.3	3,780	3,563	-5.7	4,043	3,775	-6.6
Opex	(977)	(952)	-2.6	(1,019)	(976)	-4.2	(1,062)	(1,008)	-5.1
Net Operating Income	2,607	2,512	-3.6	2,761	2,587	-6.3	2,981	2,768	-7.1
Net Income (Reported)	1,562	1,592	1.9	1,658	1,696	2.3	1,804	1,825	1.1
Net Income (Attributable)	1,477	1,507	2.0	1,571	1,607	2.3	1,713	1,733	1.2

Source: QNB FS Research

## Detailed Financial Statements

Income Statement (In QR mn)	2023	2024	2025e	2026e	2027e	2028e
<b>Net Interest Income</b>	<b>2,727</b>	<b>2,738</b>	<b>2,535</b>	<b>2,696</b>	<b>2,892</b>	<b>3,229</b>
Fees & Commissions	319	299	353	367	371	349
FX Income	197	190	167	180	175	180
Other Income	295	306	410	320	337	333
<b>Non-Interest Income</b>	<b>810</b>	<b>794</b>	<b>930</b>	<b>867</b>	<b>883</b>	<b>862</b>
<b>Total Revenue</b>	<b>3,537</b>	<b>3,532</b>	<b>3,464</b>	<b>3,563</b>	<b>3,775</b>	<b>4,091</b>
Operating Expenses	(874)	(920)	(952)	(976)	(1,008)	(1,054)
<b>Net Operating Income</b>	<b>2,663</b>	<b>2,612</b>	<b>2,512</b>	<b>2,587</b>	<b>2,768</b>	<b>3,037</b>
Net Provisions & Impairments	(1,165)	(1,041)	(871)	(838)	(887)	(966)
<b>Net Profit Before Taxes &amp; Minority Interest</b>	<b>1,498</b>	<b>1,571</b>	<b>1,641</b>	<b>1,748</b>	<b>1,881</b>	<b>2,071</b>
Tax	(35)	(33)	(28)	(30)	(33)	(31)
<b>Net Profit Before Minority Interest</b>	<b>1,463</b>	<b>1,537</b>	<b>1,613</b>	<b>1,718</b>	<b>1,848</b>	<b>2,040</b>
Minority Interest	(28)	(20)	(21)	(22)	(24)	(26)
Non-Recurring Items	17	(11)	-	-	-	-
<b>Net Profit (Reported/Headline)</b>	<b>1,452</b>	<b>1,507</b>	<b>1,592</b>	<b>1,696</b>	<b>1,825</b>	<b>2,014</b>
Interest Expense on AT1 Bond	(46)	(46)	(46)	(46)	(46)	(46)
Social & Sports Contribution Fund	(36)	(38)	(40)	(42)	(46)	(50)
<b>Net Profit (Attributable)</b>	<b>1,369</b>	<b>1,423</b>	<b>1,507</b>	<b>1,607</b>	<b>1,733</b>	<b>1,917</b>
<b>EPS</b>	<b>0.147</b>	<b>0.153</b>	<b>0.162</b>	<b>0.173</b>	<b>0.186</b>	<b>0.206</b>

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025e	2026e	2027e	2028e
<b>Assets</b>						
Cash & Balances with Central Bank	4,993	5,672	5,887	6,000	6,420	6,067
Interbank Loans	5,663	5,165	5,180	5,593	5,788	5,442
Net Investments	38,599	43,767	48,127	51,484	55,138	57,902
Net Loans	108,228	110,040	115,103	121,580	128,615	136,043
Investment In Associates	349	348	374	405	438	473
Other Assets	3,835	3,640	3,616	3,624	3,644	3,611
Net PP&E	969	1,011	1,020	1,050	1,083	1,121
Goodwill & Intangibles	1,565	1,451	1,340	1,229	1,118	1,006
<b>Total Assets</b>	<b>164,200</b>	<b>171,094</b>	<b>180,646</b>	<b>190,964</b>	<b>202,243</b>	<b>211,666</b>
<b>Liabilities</b>						
Interbank Deposits	32,204	23,757	24,550	25,632	26,925	28,448
Customer Deposits	92,724	107,610	113,206	119,998	128,398	134,818
Sukuks & Borrowings	9,821	9,672	12,190	14,019	14,860	15,900
Other Liabilities	4,644	4,724	4,771	4,688	4,838	4,729
AT1 Notes	1,000	1,000	1,000	1,000	1,000	1,000
<b>Total Liabilities</b>	<b>140,393</b>	<b>146,763</b>	<b>155,718</b>	<b>165,337</b>	<b>176,022</b>	<b>184,896</b>
Minority Interest	237	252	273	295	319	345
<b>Total Shareholders' Equity</b>	<b>23,569</b>	<b>24,078</b>	<b>24,655</b>	<b>25,332</b>	<b>25,903</b>	<b>26,425</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>164,200</b>	<b>171,094</b>	<b>180,646</b>	<b>190,964</b>	<b>202,243</b>	<b>211,666</b>
<b>Risk Weighted Assets</b>	<b>105,187</b>	<b>100,406</b>	<b>102,968</b>	<b>105,412</b>	<b>110,223</b>	<b>116,416</b>
<b>TBVPs</b>	<b>2.37</b>	<b>2.43</b>	<b>2.51</b>	<b>2.59</b>	<b>2.67</b>	<b>2.73</b>

Source: Company data, QNB FS Research

Ratios/KPIs	2023	2024	2025e	2026e	2027e	2028e
<b>Profitability (%)</b>						
RoE	6.4	6.5	6.7	6.9	7.2	7.7
RoAA	0.8	0.8	0.9	0.9	0.9	0.9
RoRWA	1.3	1.4	1.5	1.5	1.6	1.7
NIM (% of IEAs)	1.79	1.77	1.56	1.56	1.58	1.67
NIM (% of RWAs)	2.52	2.66	2.49	2.59	2.68	2.85
NIM (% of AAs)	1.64	1.63	1.44	1.45	1.47	1.56
Spread	1.0	1.0	0.9	1.0	1.1	1.2
<b>Efficiency (%)</b>						
Cost-to-Income (Headline)	24.7	26.1	27.5	27.4	26.7	25.8
Cost-to-Income (Core)	26.3	27.7	29.2	29.2	28.4	27.3
<b>Liquidity (%)</b>						
LDR (Loans to Stable Sources of Funds)	106	94	92	91	90	90
Loans/Assets	65.9	64.3	63.7	63.7	63.6	64.3
Cash & Interbank Loans-to-Total Assets	6.5	6.3	6.1	6.1	6.0	5.4
Deposits to Assets	56.5	62.9	62.7	62.8	63.5	63.7
Wholesale Funding to Loans	38.8	30.4	31.9	32.6	32.5	32.6
IEAs to IBLs	119.6	118.2	117.7	117.7	118.1	118.0
<b>Asset Quality (%)</b>						
NPL Ratio	5.71	5.45	5.05	4.85	4.52	4.23
NPL to Shareholders' Equity	27.26	25.97	24.69	24.35	23.45	22.76
NPL to Tier 1 Capital	28.86	27.39	26.01	25.87	25.11	24.57
Coverage Ratio	66.6	76.0	82.9	84.0	87.5	94.0
ALL/Average Loans	3.0	3.6	4.0	3.9	3.8	3.8
Cost of Risk (bps)	108	92	75	71	72	66
<b>Capitalization (%)</b>						
CET1 Ratio	20.2	21.7	21.8	21.7	21.0	20.2
Tier-1 Ratio	21.2	22.7	22.7	22.6	21.9	21.0
CAR	22.1	23.9	23.9	23.8	23.1	22.2
Leverage (x)	7.0	7.1	7.3	7.5	7.8	8.0
<b>Growth (%)</b>						
Net Interest Income	-24.4	0.4	-7.4	6.4	7.3	11.6
Non-Interest Income	25.7	-2.0	17.0	-6.8	1.9	-2.4
Opex	-14.5	5.2	3.5	2.5	3.2	4.6
Net Operating Income	-17.5	-1.9	-3.8	3.0	7.0	9.7
Net Provisions & Impairments	-31.9	-10.6	-16.3	-3.7	5.8	8.9
Net Income (Reported)	8.0	3.8	5.7	6.5	7.6	10.4
Net Income (Attributable)						
Loans	-8.2	1.7	4.6	5.6	5.8	5.8
Deposits	-4.7	16.1	5.2	6.0	7.0	5.0
Assets	-2.0	4.2	5.6	5.7	5.9	4.7
RWAs	-5.3	-4.5	2.6	2.4	4.6	5.6

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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