

Al Rayan Bank (MARK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR2.362	Price Target	QR2.623
Implied Upside	12.5%		

4Q2025 Comes Below Estimates; DPS Beats Estimates

Al Rayan Bank reports QR210.0mn net profit in 4Q2025 vs. QR218.9mn in 4Q2024, declining by 4.0% and 57.9% YoY and QoQ, respectively. Bottom-line fell short of our estimate of QR249.0mn (variation of -15.7%). Net profit declined YoY due to significant margin pressure. Margins contracted by 61bps to 1.22% and net interest & investment income dropped by 19.6%. On the positive side, non-funded income surged 23.7%, mainly attributable to fees (+12.7%) and f/x income (+40.0%). Sequentially, the bottom-line declined by 57.9% due to 36bps compression in margins, fees (-46.1%), lack of recoveries and a 6.5% increase in credit provisions & impairments. **Net-net, results were mixed YoY: margins significantly compressed, while non-funded income (fees and f/x income) was strong and credit provisions significantly dropped. Sequentially, margins compressed, fee income was weak and recoveries were non-existent. Asset quality/NPL ratio remained stable. We maintain our Market Perform rating and QR2.623 PT.**

Highlights

- **RoE continues to be weak and below its CoE.** FY2025 tangible RoE came in at 6.4% vs. 6.5% in FY2024 (FY2023: 6.4%). **We estimate it will take more than 5 years for RoE to exceed the 10% level despite expected double-digit growth in earnings.**
- **DPS beat estimates.** The BoD recommended a DPS of QR0.11 vs. QR0.10 in FY2024, increasing by 10.0%. It beat our estimate of QR0.10. Current DPS implies a DY of 4.7% and a payout ratio of 71%.
- **C/I ratio spiked on weak revenue (mainly margin compression).** MARK's C/I ratio increased from 29.1% in 4Q2024 to 34.3% in 4Q2025 as a result of revenue dropping 13.2%, while opex increasing by 2.4%. Sequentially, the efficiency ratio weakened due to a 31.5% drop in revenue (margin pressure and weak non-funded income)
- **MARK's asset quality remained stable; the bulk/majority of NPLs is attributed to the construction and real estate segments.** NPLs remained flat QoQ (+1.1% YoY) at QR6.3bn. The NPL ratio improved from 5.45% in FY2024 to 5.11% in FY2025 (3Q2025: 5.34%). Furthermore, Stage 2 loans decreased by 3.4%/6.6% QoQ/YoY, which is a positive. As such, Stage 2 loans % of total loans decreased from 20% in FY2024 to 17.7% (3Q2025: 20%; FY2023: 30%). Stage 2 ECLs increased by 1.6% sequentially (+36.7% YoY) with the coverage ratio increasing to 5% from 3% in FY2024 (10% to 15% coverage of Stage 2 loans is a healthy level). At the same time, coverage of Stage 3 loans improved sequentially to 68% vs. 66% in 3Q2025 (FY2024: 62%) excluding eligible collateral.
- **Net credit provisions decreased YoY but increased sequentially; FY2025 credit provisions significantly dropped.** Net credit provisions decreased by 31.9% YoY (+3.5% QoQ) to QR207.8mn. Moreover, FY2025 provisions significantly dropped by 21.6% YoY. As such MARK's FY2025 CoR improved from 92bps in FY2024 to 69bps.
- **Loans increased sequentially and YoY.** Net loans expanded by 4.2% QoQ to QR118.2bn (+7.4% YoY). The growth in loans was primarily driven by the public and corporate segments (real estate and retail loans pulled back YoY). On the other hand, deposits decreased by 2.2% QoQ (+3.3% YoY) to QR111.1bn.
- **CET1 position remained robust.** MARK ended 4Q2025 with CET1/Tier-1 ratios of 23.3%/24.2%.

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 2026e/27e P/TB of 0.9x
- **Risks:** 1) Geopolitical factors & 2) Greater-than-expected increase in credit costs and 3) write-offs

Key Data

Current Market Price (QR)	2.362
Dividend Yield (%)	4.7
Bloomberg Ticker	MARK QD
Reuters Ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	2.560/2.116
3-m Average Volume (mn)	7.9
Mkt. Cap. (\$ bn/QR bn)	5.9/21.7
Shares Outstanding (mn)	9,300
FO Limit* (%)	100.0
Current FO* (%)	15.5
1-Year Total Return (%)	(3.8)
Fiscal Year End	December 31

Source: Bloomberg (as of January 21, 2026), *Qatar Exchange (as of January 21, 2025); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

	2024	2025	2026e	2027e
EPS Attributable (QR)	0.153	0.155	0.167	0.181
EPS Growth (%)	3.9	1.6	7.5	8.5
P/E (x)	15.2	15.0	13.9	12.9
Tangible BVPS (QR)	2.43	2.51	2.58	2.67
P/TBV (x)	1.0	0.9	0.9	0.9
RoE (%)	6.5	6.4	6.7	7.0
DPS (QR)	0.100	0.110	0.110	0.125
Dividend Yield (%)	4.3	4.7	4.7	5.4

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

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

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>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Dana Al Sowaidi
 Research Analyst
dana.alsowaidi@qnbfs.com.qa

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