



Masraf Al Rayan : Qatar's Second- Largest Islamic Bank

Masraf Al Rayan (Q.P.S.C.) is a prominent player in Qatar's Islamic banking sector. Established in 2006, it has grown to become the second-largest Islamic bank in the country. The company operates through five key segments: Corporate Banking, Retail Banking, Treasury and Financial Institutions, Asset Management, and International Operations. In 2021, Al Rayan completed a significant merger with Al Khaleej Commercial Bank.

Ramzi Qasmieh

Financial Advisor



Company Overview and Segments

Corporate Banking

Provides Islamic banking services to corporate clients, including financing and investment solutions tailored to business needs.

Retail Banking

Offers personal banking services to individual customers, including savings accounts, personal financing, and other retail banking products.

Treasury and Financial Institutions

Manages the bank's liquidity and provides services to other financial institutions, playing a crucial role in the bank's overall financial strategy.



Ownership Structure %

Qatar Investment Authority	20.60
Qatar Armed Forces Investment Portfolio	7.51
Pension Fund General Retirement	5.05
Vanguard Group	2.74
Blackrock	1.65
Dimensional Fund Advisors	0.62
Govt Pension Investment Fund Japan	0.39



Financial Performance and Strategy

- 1 Asset Quality Focus**

Al Rayan, recognized as the second-largest Islamic bank in Qatar,

The coverage ratios for provisions related to non-performing loans are currently below the average observed in the Qatari banking sector, which could exert pressure on profitability in the near term.
- 2 Revenue Growth**

Financing activities revenues for the first nine months of 2024 experienced an increase of approximately 2.78%, attributed to enhanced interest margins and a modest rise in financing assets.
- 3 Credit Growth Outlook**

Al Rayan's credit growth will likely remain modest in 2024, despite a potential increase in public spending and the anticipated benefits of Qatar's natural gas field expansion for the private sector. In the interim, attention may be directed towards enhancing balance sheet quality and reserves, particularly in light of a sluggish and oversaturated real estate market. The real estate sector constitutes approximately 26% of the overall loan portfolio.



Capital Strength

Risk Management

CET1 Capital

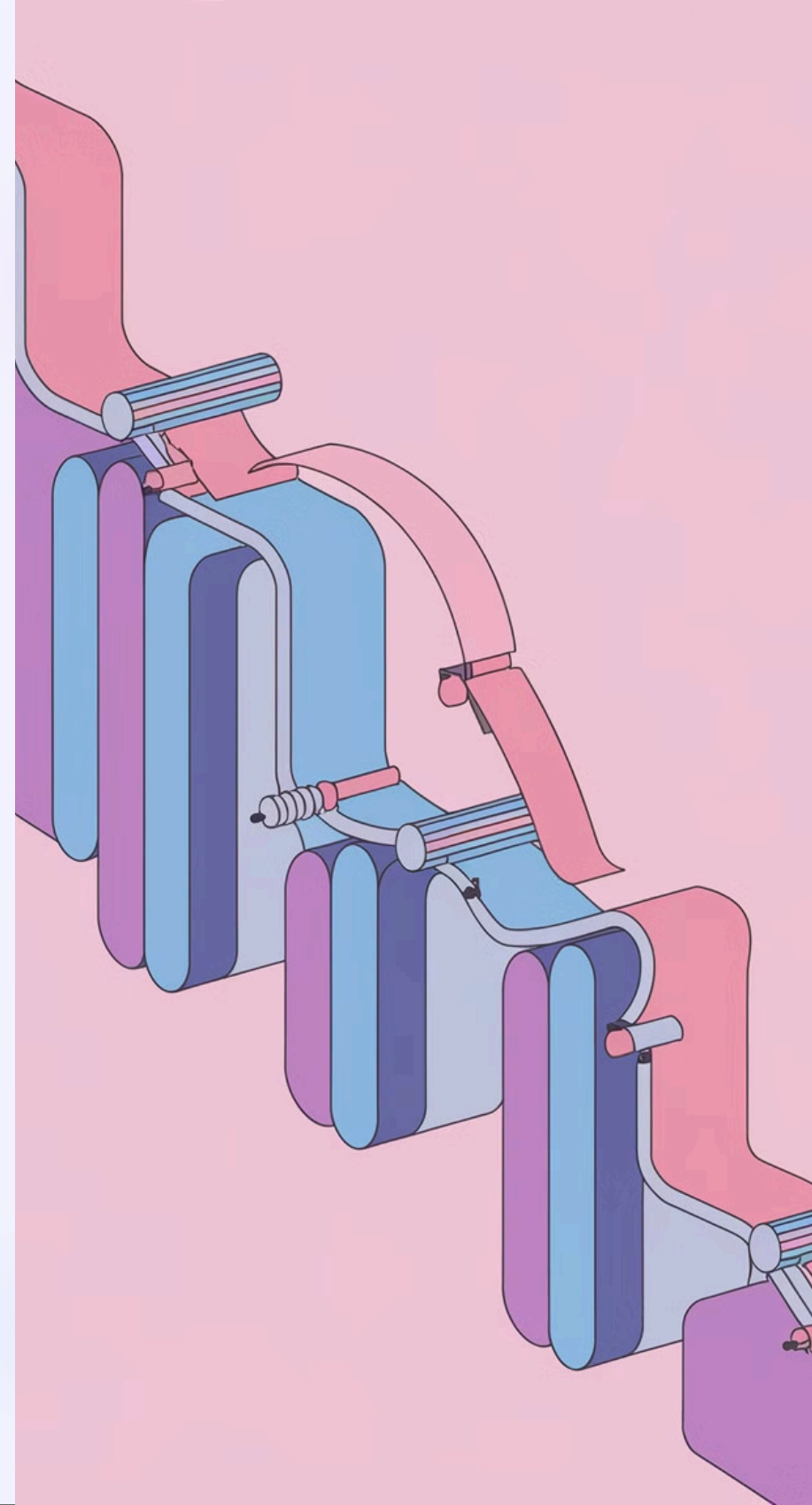
CET1 capital remains robust at 21%, offering a buffer against asset-quality risks, although loan coverage is the lowest among its competitors (60%).

Cost of Risk

The annualized cost of risk at 95 basis points is at its lowest level since the peak observed in 2021(1.10 in Dec 2023 and 1.32 in Sep 2023).

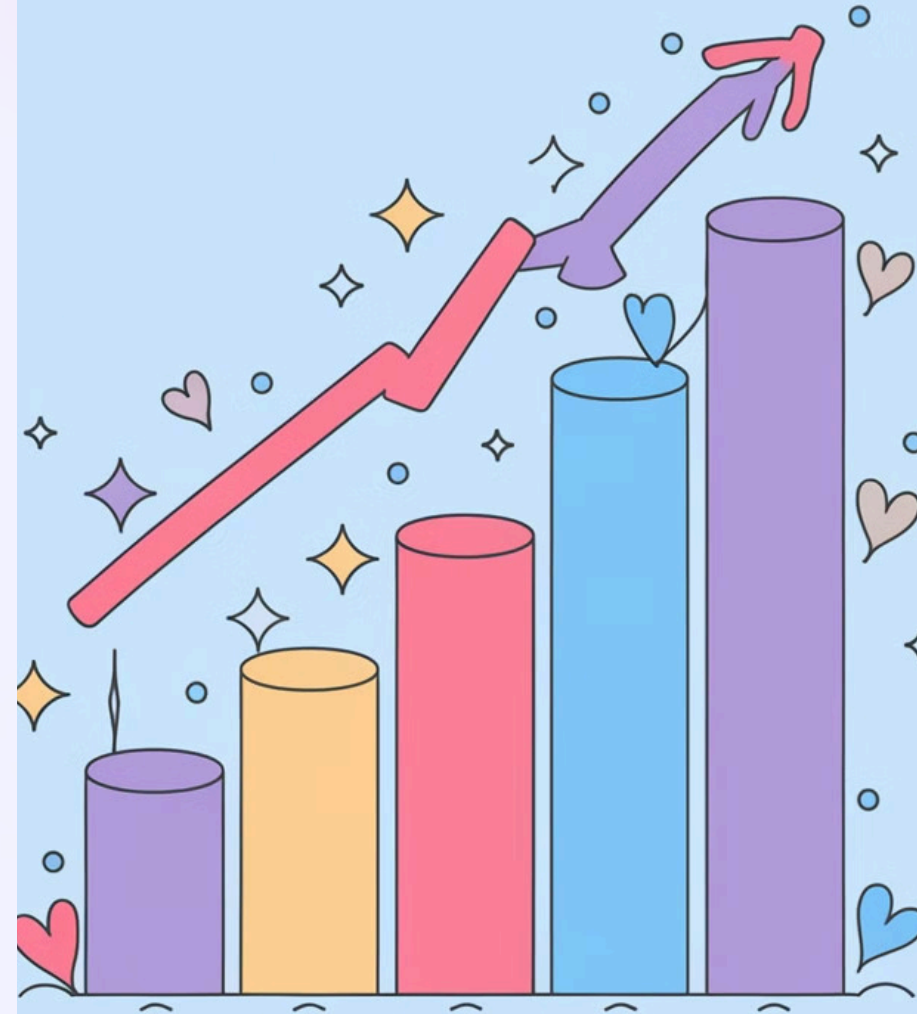
Cost of Risk Trend

Date	Cost of Risk%
30-Sep-24	0.94
30-Jun-24	1.09
31-Mar-24	1.04
31-Dec-23	1.09
30-Sep-23	1.32
30-Jun-23	1.31



Quarterly Net Income Performance

Quarter	Net Income (in millions)
Q2 ' 23	473.0
Q4 ' 23	168.1
Q1 ' 24	406.1
Q2 ' 24	383.0
Q3 ' 24	499.2



EPS

0.054

Sep-24

0.041

Jun-24

0.044

Mar-24

0.018

Dec-23

0.051

Sep-23

0.041

Jun-23

0.041

Mar-23

0.000

Dec-22

0.036

Sep-22

0.062

Jun-22

Yearly Net Income Trend

Year	Net Income (in millions)
2020	2,175.4
2021	1,669.7
2022	1,298.3
2023	1,405.7
LTM	1,456.3



Stock Matrix

4.3%

Dividend Yield

15.0x

P/E Ratio

1.523 B

Net Income to Company

0.9x

Price / Book

73.1%

Payout Ratio

2.67

52 Week High

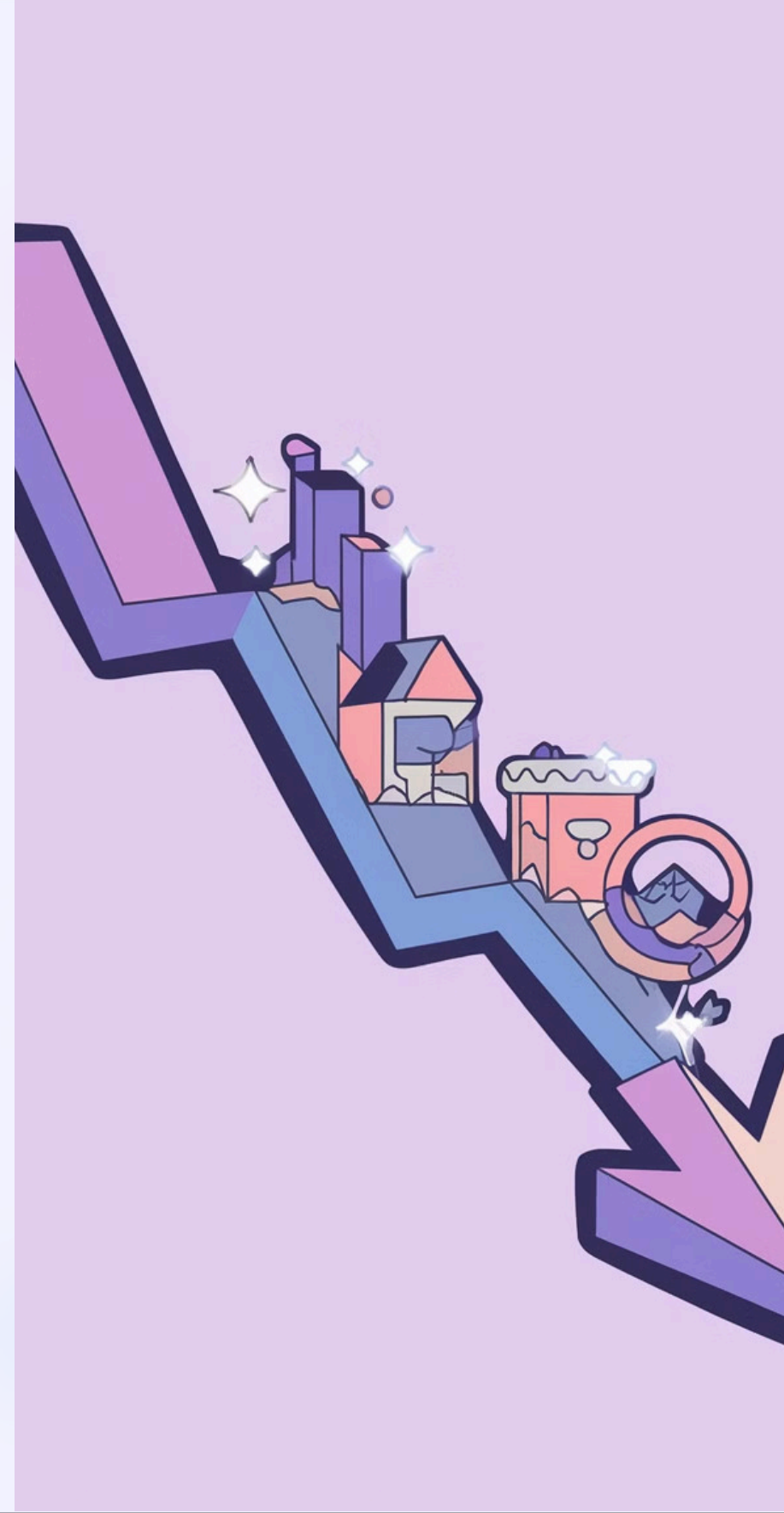
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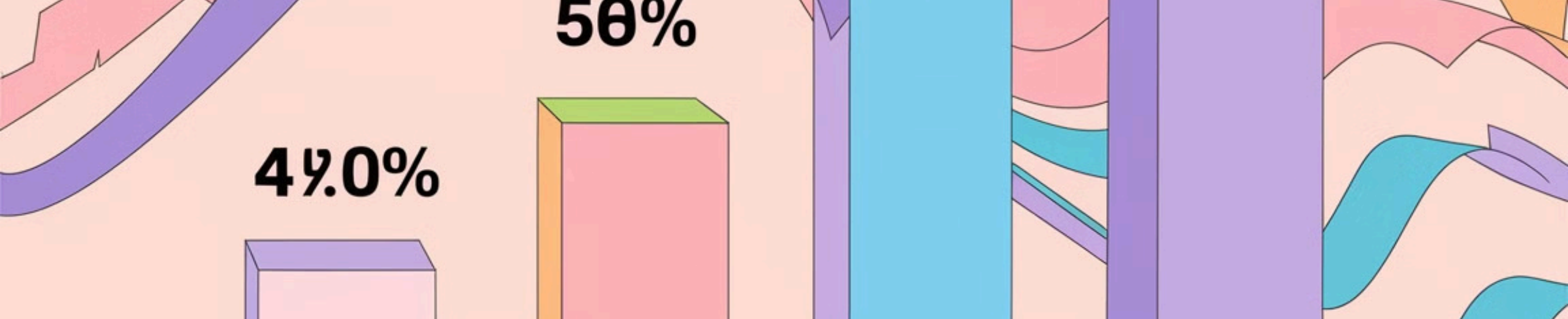
52Week low

CASA Ratio Analysis

30-Sep-24	14.08
30-Jun-24	14.71
31-Mar-24	14.86
31-Dec-23	16.02
30-Sep-23	17.63
30-Jun-23	18.51
31-Mar-23	18.10
31-Dec-22	17.61
30-Sep-22	18.67
30-Jun-22	17.85

CASA's 14% share in the third quarter may facilitate a swift recovery in wholesale funding. This percentage has declined over the past two years in an attempt by Al Rayan to attract more deposits.





Profitability Ratios

Quarter	ROE %
Q3 2024	8.427
Q2 2024	6.597
Q1 2024	6.971
Q4 2023	2.864
Q3 2023	8.167



Net Loans (in million)

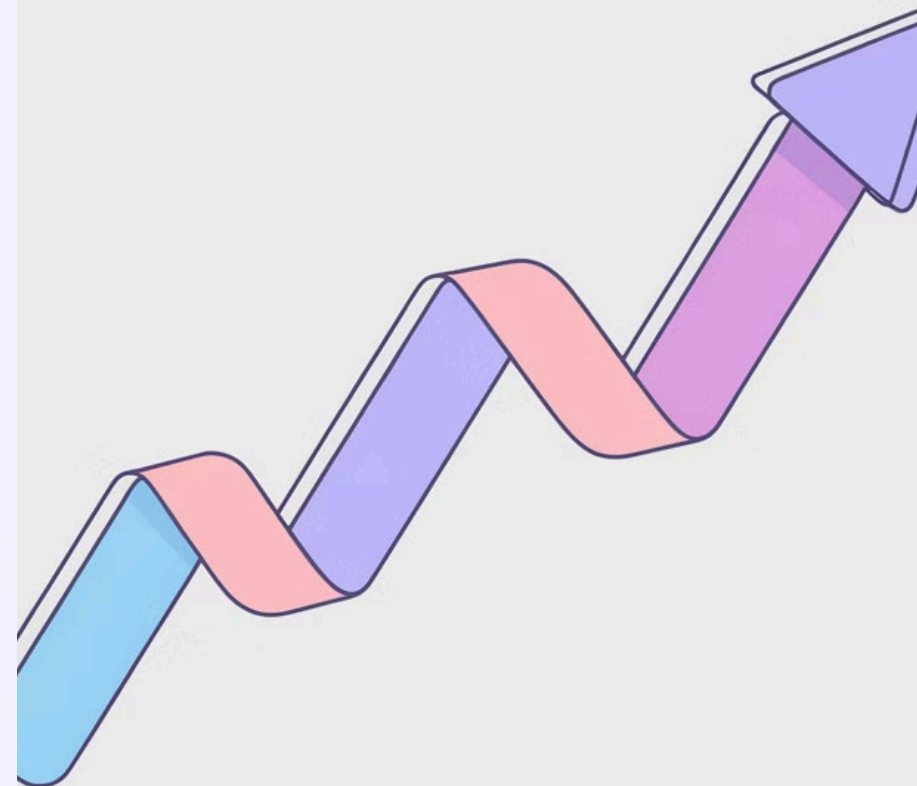
Q3 2024	110,037
Q2 2024	108,409
Q1 2024	106,997
Q4 2023	108,228
Q3 2023	109,947

The increase in loan growth rates is modest, remaining below 0.30%. It is possible that Al Rayan's strategy prioritizes the enhancement of asset quality. Additionally, it is noteworthy that the total value of credit in Qatar rose by approximately 92.4 billion riyals, representing a 7.3% increase in the first nine months of 2024 compared to September 2023.

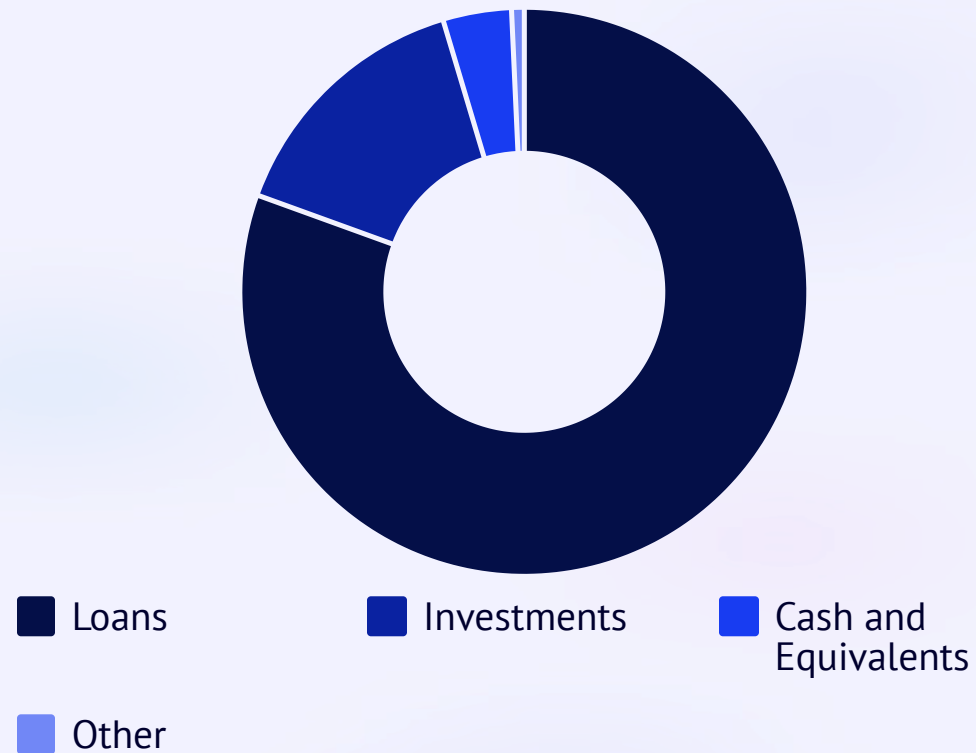
Approximately 48% of the overall loans are allocated to government agencies and their associated institutions.

Provisions to NPLs

Quarter	Provisions / NPL %
Q3 2024	67.39
Q2 2024	66.28
Q1 2024	62.84
Q4 2023	59.96
Q3 2023	57.95

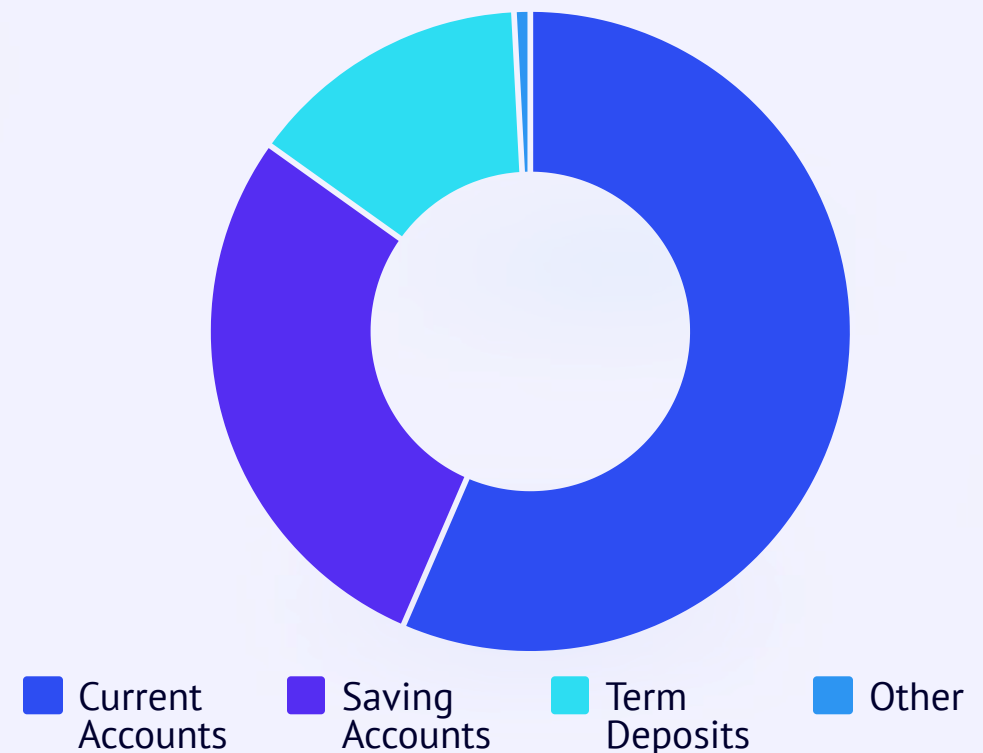


Asset contribution



The pie chart showcases the breakdown of Masraf Al Rayan's asset contribution as of the latest reporting period.

Deposits structure

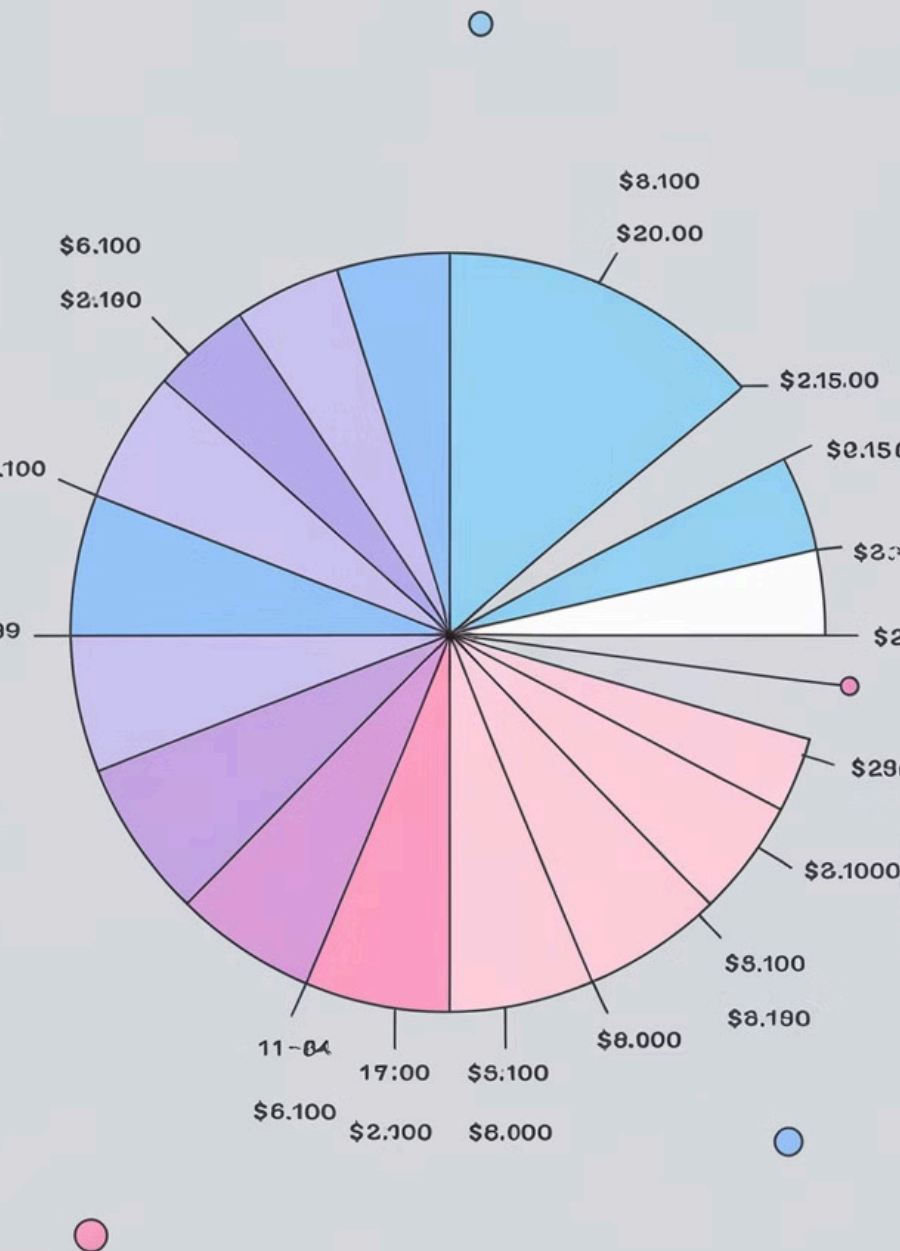


This pie chart provides insights into the composition of the bank's funding sources.



Income Statement Analysis

Quarter	Income from financing & Investing Activities (in millions)	Net Interest Margin %
Q2 ' 23	2,165.70	1.96
Q4 ' 23	2,348.70	1.83
Q1 ' 24	2,368.10	1.92
Q2 ' 24	2,313.20	1.90
Q3 ' 24	2,393.80	1.84

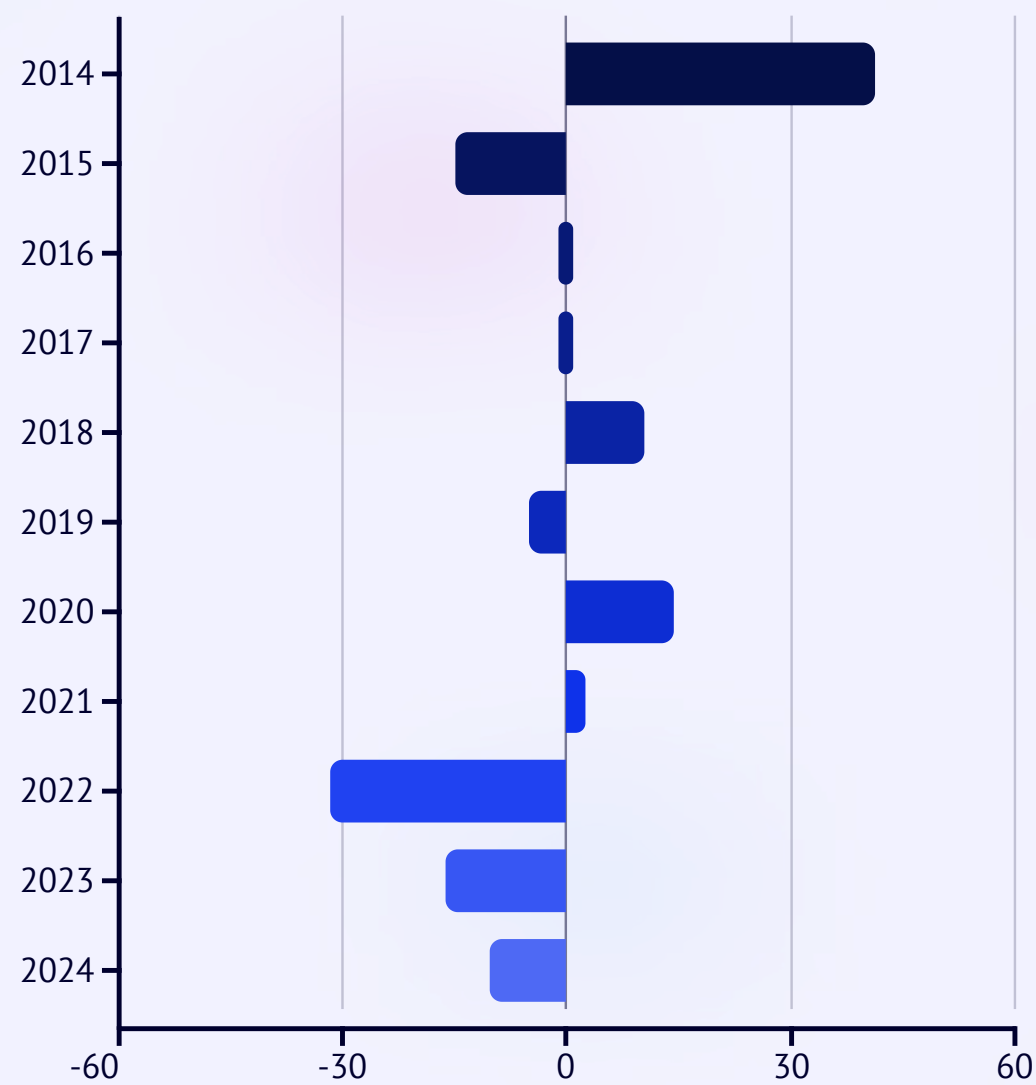


Revenue by Segment

Segment	Segment Contribution
Corporate	57%
Treasury and Financial Institutions	9%
Personal	25%
International Operations	9%

Stock Performance and Dividend History

2024	-10.35
2023	-16.27
2022	-31.66
2021	2.43
2020	14.39
2019	-4.99
2018	10.41
2017	0.40
2016	0.00
2015	-14.93
2014	41.21



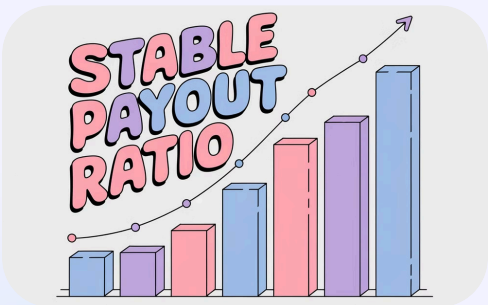
Dividends

Ex- date	DPS	Dividend Yield %
26-Mar-24	0.100	3.98
16-Mar-23	0.100	3.86
28-Apr-22	0.170	2.99
2-Mar-21	0.170	3.89
19-Mar-20	0.230	5.66
26-Feb-19	0.200	5.06

Valuation

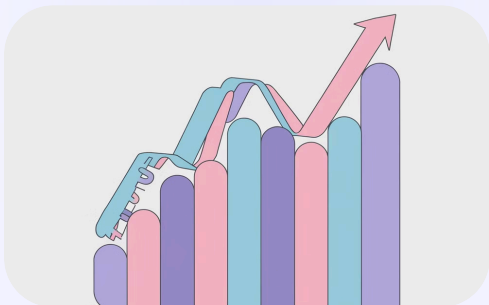


1.Dividend Discount Model



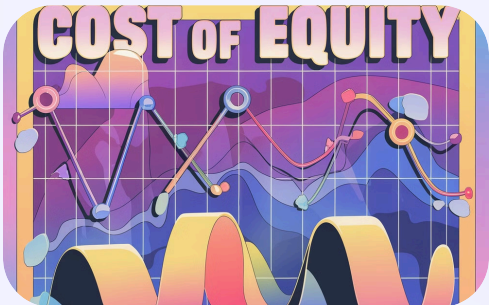
Stable payout ratio range

73%
78%



Dividends range

1,022,000
1,189,500



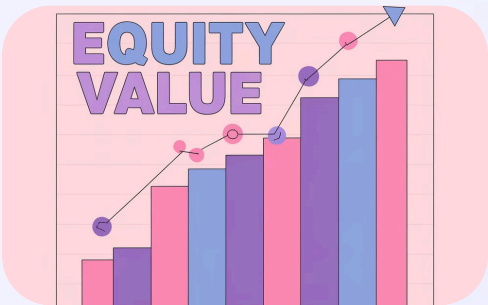
Cost of equity range

8.50%
9.50%



Long-term growth rate range

4.00%
5.00%



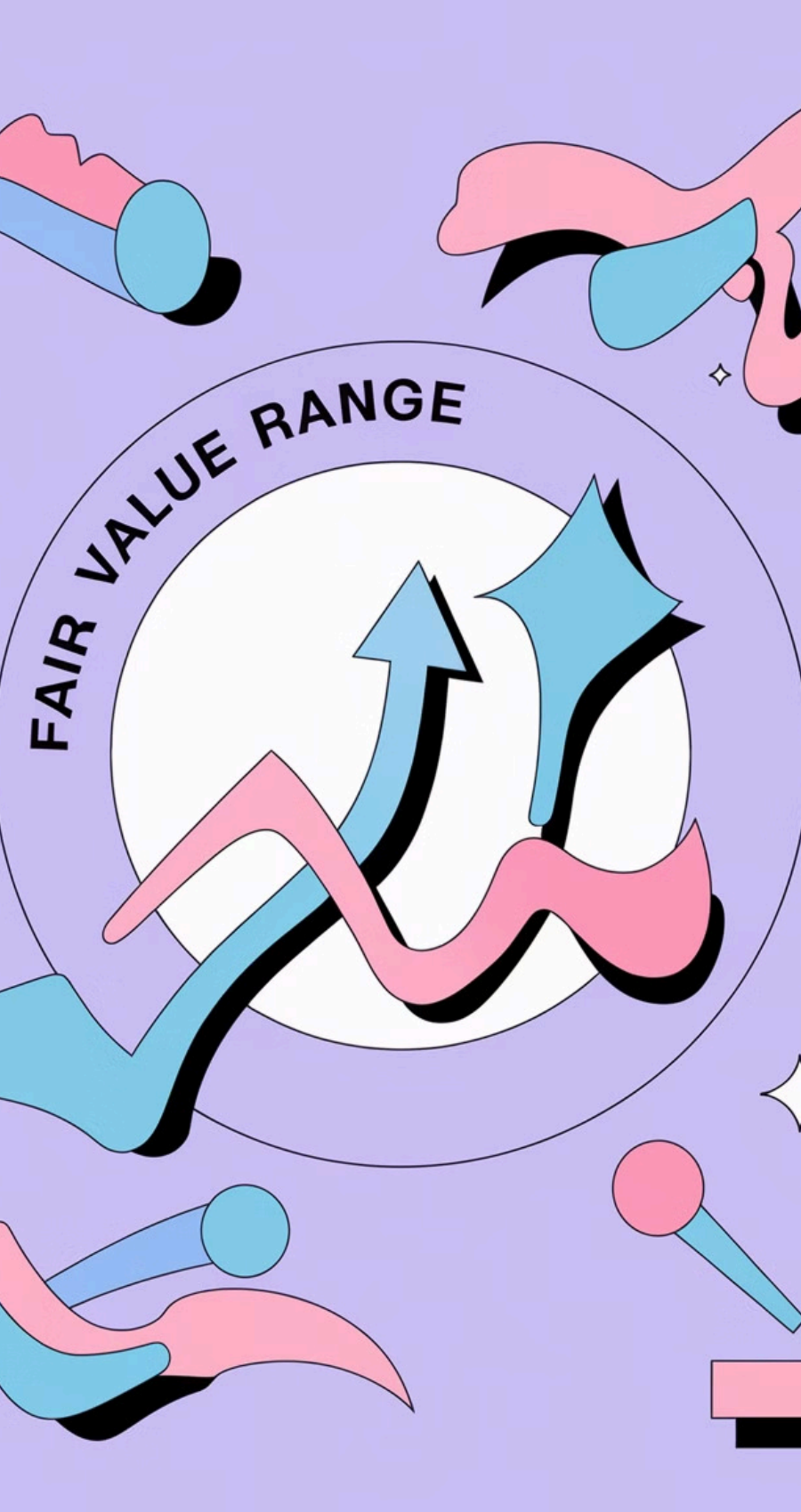
Equity value

22,711,111
26,433,333



Fair price range

2.44
2.84



Fair Value Estimation

2.44

Low Scenario

Dividend Discount Model Valuation

2.84

High Scenario

Dividend Discount Model Valuation

2.64

Fair Value Estimation

Average Fair Value per Share

2. Price / Book

Value

Metrics	Range	Conclusion
Selected LTM Pb Multiple	1.0x - 1.2x	1.1x
Historical Pb Multiple	1.0x - 2.9x	2.2x
Fair Value (QAR)	2.98 - 2.70	2.84

Average Fair Value Per Share is QAR 2.84



Book

Summary of Valuation

Method	Fair Value Per Share
Dividend Discount Model	2.64
P/Book	2.84
Average Fair Value	2.74





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