

Target Price : QAR 2.61

Current Price: QAR 2.33

AL-Rayan Bank

Executive Summary

- Al-Rayyan Bank reported a modest 2.49% Year-over-Year (YoY) increase in net profit for the nine months ended September 30, 2025, reaching QR 1.32 billion. The bank demonstrated solid growth in its balance sheet, with total assets expanding by 6.44% and customer deposits increasing by 5.23%.
- Earnings per share grew to QR0.142, up 2.5% from QR0.139.
- A modest growth rate, compared with the bank's total asset expansion of 6.4%, indicates margin compression and a decline in profitability per unit of assets. The return on assets (ROA) is approximately 0.75% (annualized), which, while reasonable for Islamic banking, suggests that the bank is not effectively leveraging its expanded asset base to generate profit growth.
- The performance for Q3 2025 was QAR 498.94 million, which is essentially unchanged from Q3 2024's QAR 499.16 million. This indicates that profit momentum may be slowing down. The flat quarterly results raise concerns about the sustainability of earnings growth in the current operating environment.
- Net Interest income is persistently decreasing, having fallen by 16.1% YOY. The bank's competitive position forces it to offer loans at lower interest rates than other banks, even though net financing assets at the end of September 2025 increased by almost 3% YOY.
- Throughout each quarter, there was a consistent decrease in the net interest margin, which dropped to 1.52% in the third quarter, down from 1.66% in the second quarter and 1.84% during the same timeframe last year. This pattern is linked to the competitive landscape, the bank's conservative investment approach, and the increasing cost of funding. Additionally, the bank places greater emphasis on corporate lending rather than retail lending, which typically yields lower interest margins.
- At the end of September 2025, non-interest income increased by approximately QAR 330 million, marking a 63% rise due to higher net commissions and an uptick in other income. Additional revenue sources comprised debt recovery (reclassification) totaling QAR 351 million.
- The cost-to-income (efficiency) ratio stood at 27.8%, which is a slight increase from 26.4% recorded last year. This figure aligns with the industry standard, yet it remains above the average for Islamic banks.
- Total financing assets rose by 4.4% from Sep 2024 and 6.1% from the end of 2024. During this time, non-performing loans of around QAR 86 million were written off, compared to QAR 531 million in the same period of 2024.
- The NPL's ratio saw a good improvement at the end of September 2025, dropping to 5.34% from 5.94% in September 2024. This positive trend is attributed to both a rise in new loans and rescheduling of some debts.
- The coverage ratio for non-performing debt has improved, reaching 77% by the end of September 2025, up from 63% in September 2024 and 66.3% during the same period in 2024.
- Funding Stability: Customer deposits grew by 5.23%, outpacing financing growth, which is a positive sign for funding stability.
- Capital adequacy ratio up to 26.2%, up from 23.3% a year earlier, higher than required by the regulator, reflecting low opportunity, lower profit.

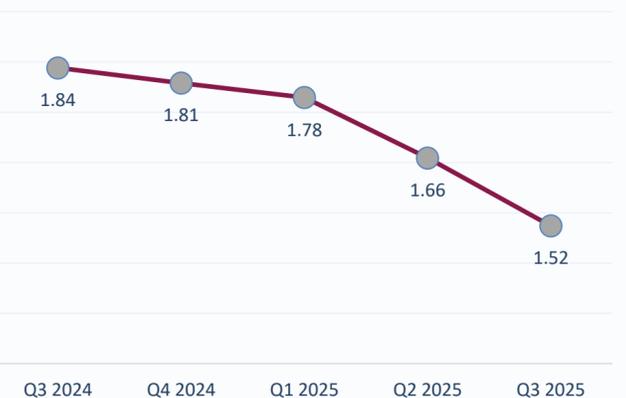
Quarterly Net Income (million)



Interest Income by Sector %



Net Interest Margin %



Interest Income (million)



Stock Info

Weight in QSE index	5.70%
Current Market Price	2.33
Shares Outstanding (Mn)	9,300
Market Cap (Mn)	21,678
52-Wk High (13 Aug 25)	2.56
52 Wk Low (6 Apr 25)	2.12
Average Trading Price YTD	2.28

Per Share Data

EPS Trailing 12M	0.160
EPS Annualized	0.189
EPS expected	0.161
Book Value Per Share	2.64
Dividends Per Share	0.10

Valuation Ratios

P/E using TTM EPS	14.57
P/E using Ann EPS	12.33
P/E using expected EPS	14.48
Average PE in a year	14.25
P/BV	0.88
Dividends Yield	4.29%

Key Financials

	9M ' 25	9M ' 24
Revenue (Mn)	2,779	2,825
Net Profit (Mn)	1,320	1,288
Net equity (Mn)	24,555	23,976
Total Loans (Mn)	113,406	110,037
Total Deposits (Mn)	113,606	108,635

Financials Ratios

	9M ' 25	9M ' 24
ROE (LTM)	6.2%	6.2%
ROA	1.1%	1.2%
T. Loans/T. Deposits	104.1	105.5
T. Loans/T. Assets	67.1%	69.2%
Tier 1 ratio	24.1%	22.5%

Operational ratios %

	Q3'25	Q2'25	Q3'24
CASA	15.2%	15.6%	14.3%
Cost - Income	27.8%	26.3%	25.5%
Annualized cost of risk	0.77%	0.79%	1.09%

Stock Performance

	MARK	Index
YTD Return	-5.4%	4.9%
1 Month Return	0.0%	1.1%
6 Month Return	2.2%	5.0%
1 Year	-2.8%	4.1%

Share Holdings Pattern

Qatar Investment Authority	20.46%
Qatar Armed Forces	7.51%
Pension Fund	5.03%

Geographic ownership

Qatar	78.60%
USA	12.66%
Ireland	2.06%

Ownership Type

Sovereign Wealth Fund	48.25%
Investment Advisor	18.25%
Government	17.70%

Key Financials

	Q3 2025	Q2 2025	Q3 2024
Net Loans	113,406	112,096	110,037
Earning Assets	168,633	168,204	157,910
Total Assets	176,439	176,341	165,761
Customer Deposits	113,606	110,667	108,635

Key Financials

	Q2 ' 25	Q1 ' 25	Q2'24
Book Value per Share (QAR)	2.59	2.54	2.52
Loan growth %	3.52	4.17	-2.55
Deposit growth %	1.59	5.81	22.59
Net Worth growth	2.83	2.39	2.01

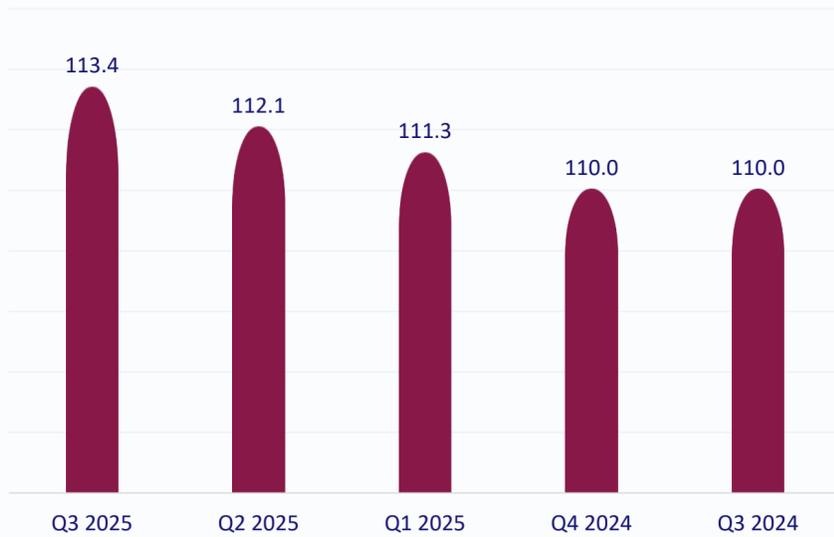
Operational ratios %

Period	DPS	Div.Yld
2024	0.10	4.3%
2023	0.10	4.0%
2022	0.10	3.9%
2021	0.17	3.0%

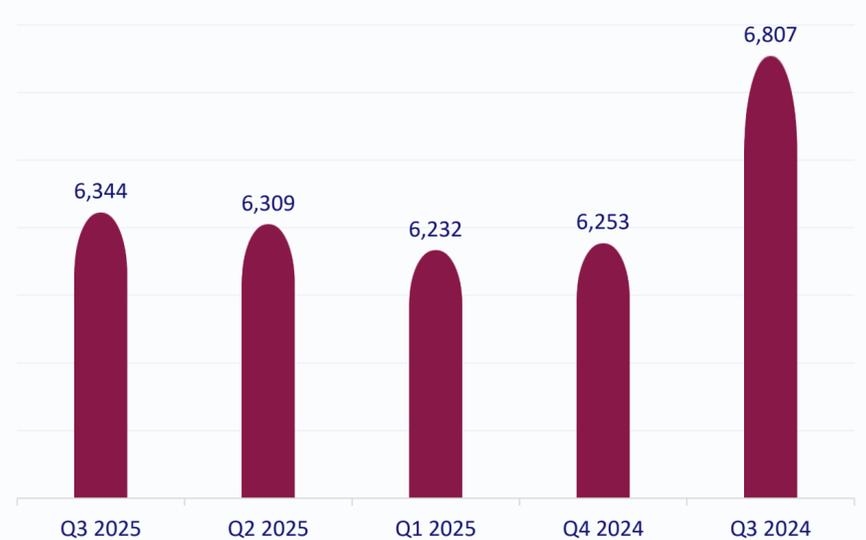
Asset Quality

- As of the end of September, total non-performing loans amounted to approximately QAR 6.3 billion, down from QAR 6.8 billion at the end of September 2024. The NPL'S ratio stabilized at 5.36% from 5.40% in the previous quarter, but down from 5.94% at the end of September 2024.
- There has been an enhancement in coverage ratios from one quarter to the following, yet they still fall short of the average for Qatari banks.

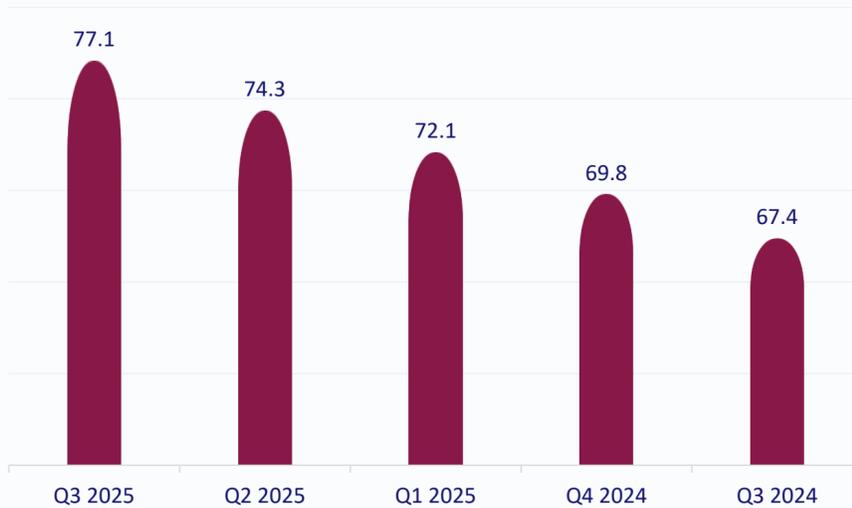
Net loans (billion)



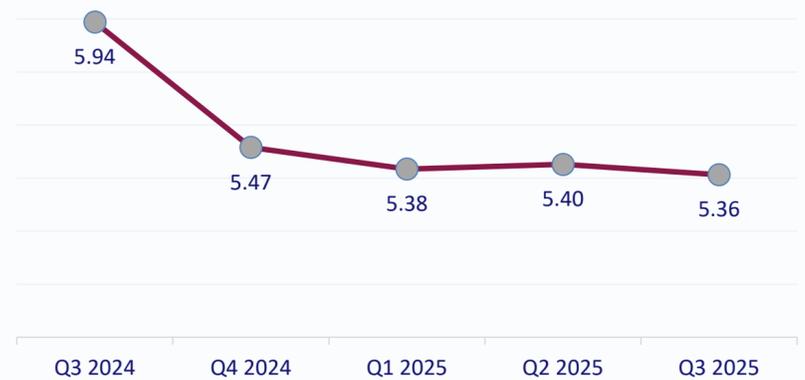
NPL's (million)



Coverage ratio for NPL's %



NPL's ratio %

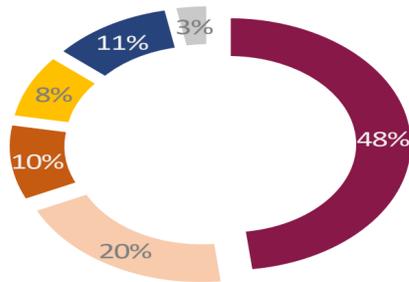


Course Extremes

1 week	2.31		2.34
1 month	2.31		2.38
Current year	2.12		2.56
1 year	2.12		2.56
3 years	1.89		3.84
5 years	1.89		5.98
10 years	1.89		5.98

Loans by Sectors

- Government & Quasi
- Real Estate
- Commerce
- Retail
- Financial
- Others



Dividend

Dividend Per Share	0.10
Dividend Yield	4.29%
Dividend Growth (YoY)	n/a
Years of Dividend Growth	n/a
Payout Ratio	67.83%
Buyback Yield	n/a
Shareholder Yield	4.28%
Earnings Yield	6.89%
FCF Yield	20.29%

Market Cap history

Date	Market Cap
Nov 10, 2025	21.68B
Dec 31, 2024	22.91B
Dec 31, 2023	24.69B
Dec 29, 2022	29.49B
Dec 30, 2021	43.15B

Stock Performance

3 months	-3.88%	
6 months	+2.24%	
Current year	-5.36%	
1 year	-2.83%	
3 years	-38.56%	
5 years	-45.98%	
10 years	-42.44%	

Annual Stock Performance

2025	-5.12%	
2024	-7.23%	
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%	

Valuation Ratios

PE Ratio	14.52
Forward PE	14.26
PS Ratio	2.53
PB Ratio	0.84
P/TBV Ratio	0.90
P/FCF Ratio	4.93
P/OCF Ratio	4.83

Valuation

We recommend Holding

We use a residual income model and comparable valuation.

Our analysis indicates the fair value of the stock ranges between
QAR 2.55 and 2.67

Residual Income Model Assumptions:

- Growth rate: We expect the bank to grow in earnings between 3% and 4%.
- Cost of equity ranging between 8.0% and 8.5%.
- Terminal Value: The growth rate in perpetuity is 3.0%.
- Return on equity in the long term between 9.0% and 11.0%.

Key Risks to Consider

- Low interest margins and thus profitability, the lowest among Qatari banks.
- The structure of the bank's deposits is irregular, predominantly consisting of high-cost deposits.
- The risk of concentration arises from providing loans to a limited number of large corporations.
- The quality of assets continues to be the bank's foremost concern, whereas enhancing coverage ratios still impacts profits.

Disclaimer

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