

Masraf Al Rayan (MARK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR2.185	Price Target	QR2.623
Implied Upside	20.0%		

1Q2025 Ahead of Estimates on Non-Funded Income & Lower CoR

Masraf Al Rayan reports QR407.5mn net profit in 1Q2025 vs. QR406.0mn in 1Q2024, beating our estimate of QR376.9mn (variation of +8.1%). The beat was attributable to higher than expected non-funded income and lower credit provisions. The YoY flat earnings is due to net credit provisions dropping by 18.5% YoY, countering an 8.1% drop in net operating income. Sequentially, the bottom-line surged by 86.2% due to strong non-funded income and a sharp drop in credit provisions (-30.9%). **Net-net, results were mixed with YoY figures weak due to significant margin compression, while QoQ figures were relatively decent. Stage 2 loans continued to improve (declining by 5.1% QoQ), which is a positive in our view. As such, Stage 2 loans % of total loans decreased from 20% in FY2023 to 19% in 1Q2025 (FY2023: 30%). We maintain our Market Perform rating and QR2.623 PT.**

Highlights

- **Masraf Al Rayan's (MARK) bottom-line beats estimates.** MARK's net income was flat YoY (+86.2% QoQ) to QR407.5mn in 1Q2025.
- **Margins compressed YoY and QoQ.** 1Q2025 margins came down by 37bps/5bps YoY/QoQ to 1.58%.
- **RoE continues to be weak and below its CoE.** 1Q2025 tangible RoE (annualized) came in at 7.2% vs. 7.4% in 1Q2024 (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 flat at QR6.2bn. Moreover, the NPL ratio declined to 5.37% vs. 5.45% in FY2024 (FY2023: 5.71%). **Furthermore, Stage 2 loans continued to improve (declining by 5.1% QoQ), which is a positive in our view. As such, Stage 2 loans % of total loans decreased from 20% in FY2023 to 19% in 1Q2025 (FY2023: 30%).** At the same time, coverage of Stage 3 loans increased from 62% in FY2024 to 64% in 1Q2025 (FY2023: 57%) excluding eligible collateral.
- **Lower credit provisions aided the bottom-line YoY.** Net credit provisions dropped by 18.5% YoY, countering an 8.1% drop in net operating income, which lead to a flat bottom-line. Sequentially, net credit provisions declined by 30.9%. MARK booked 1Q2025 (annualized) CoR of 73bps vs. 93bps in 1Q2024.
- **Loans and deposits both increased sequentially.** Net loans moved up by 1.1% to QR111.3bn. Moreover, deposits expanded by 3.6% to QR111.5bn.
- **CET1 position remained robust.** MARK ended 1Q2025 with CET1/Tier-1 ratios of 23.2%/24.3%.

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/0.8x and P/E 14.1x/12.2x.
- **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	0.155	0.179	0.211
EPS Growth (%)	3.9	1.4	15.5	17.8
P/E (x)	14.3	14.1	12.2	10.3
Tangible BVPS (QR)	2.43	2.50	2.59	2.69
P/TBV (x)	0.9	0.9	0.8	0.8
RoE (%)	6.5	6.4	7.2	8.1
DPS (QR)	0.100	0.100	0.125	0.150
Dividend Yield (%)	4.6	4.6	5.7	6.9

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

Key Data

Current Market Price (QR)	2.185
Dividend Yield (%)	4.6
Bloomberg Ticker	MARK QD
ADR/GDR Ticker	N/A
Reuters Ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	2.524/2.116
3-m Average Volume (mn)	10.9
Mkt. Cap. (\$ bn/QR bn)	5.6/20.3
Shares Outstanding (mn)	9,300
FO Limit* (%)	100.0
Current FO* (%)	13.7
1-Year Total Return (%)	(8.5)
Fiscal Year End	December 31

Source: Bloomberg (as of April 22, 2025), *Qatar Exchange (as of April 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
Net Interest Income	3,607	2,727	2,738	2,838	3,104	3,479
Fees & Commissions	328	319	299	311	330	363
FX Income	271	197	190	202	218	214
Other Income	46	295	306	314	331	346
Non-Interest Income	645	810	794	827	879	923
Total Revenue	4,251	3,537	3,532	3,665	3,983	4,401
Operating Expenses	(1,022)	(874)	(920)	(962)	(1,000)	(1,059)
Net Operating Income	3,229	2,663	2,612	2,703	2,983	3,343
Net Provisions & Impairments	(1,710)	(1,165)	(1,041)	(1,110)	(1,155)	(1,204)
Net Profit Before Taxes & Minority Interest	1,519	1,498	1,571	1,593	1,828	2,138
Tax	(22)	(35)	(33)	(34)	(34)	(34)
Net Profit Before Minority Interest	1,497	1,463	1,537	1,559	1,794	2,104
Minority Interest	(19)	(28)	(20)	(32)	(37)	(43)
Non-Recurring Items	(134)	17	(11)	-	-	-
Net Profit (Reported/Headline)	1,344	1,452	1,507	1,527	1,757	2,061
Interest Expense on AT1 Bond	(46)	(46)	(46)	(46)	(46)	(46)
Social & Sports Contribution Fund	(36)	(36)	(38)	(38)	(44)	(52)
Net Profit (Attributable)	1,263	1,369	1,423	1,443	1,667	1,964
EPS	0.140	0.151	0.157	0.159	0.184	0.217

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Assets						
Cash & Balances with Central Bank	5,088	4,993	5,672	5,434	5,640	5,778
Interbank Loans	6,300	5,663	5,165	5,691	6,196	5,658
Net Investments	31,477	38,599	43,767	48,748	49,740	53,269
Net Loans	117,859	108,228	110,040	113,828	119,148	125,737
Investment In Associates	346	349	348	382	419	458
Other Assets	3,869	3,835	3,640	3,609	3,612	3,631
Net PP&E	915	969	1,011	1,019	1,052	1,085
Goodwill & Intangibles	1,679	1,565	1,451	1,337	1,223	1,110
Total Assets	167,533	164,200	171,094	180,049	187,028	196,726
Liabilities						
Interbank Deposits	29,316	32,204	23,757	26,524	25,344	25,026
Customer Deposits	97,292	92,724	107,610	113,206	119,998	128,398
Sukuks & Borrowings	11,525	9,821	9,672	9,672	10,349	10,970
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
Total Liabilities	144,251	140,393	146,763	155,173	161,379	170,232
Minority Interest	198	237	252	284	321	364
Total Shareholders' Equity	23,084	23,569	24,078	24,592	25,329	26,130
Total Liabilities & Shareholders' Equity	167,533	164,200	171,094	180,049	187,028	196,726
Risk Weighted Assets	111,079	105,187	100,406	102,088	104,736	106,232
TBVPS	2.30	2.37	2.43	2.50	2.59	2.69

Source: Company data, QNB FS Research

Ratios/KPIs	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE	5.8	6.4	6.5	6.4	7.2	8.1
RoAA	0.7	0.8	0.8	0.8	0.9	1.0
RoRWA	1.2	1.3	1.4	1.4	1.6	1.9
NIM (% of IEAs)	2.32	1.79	1.77	1.75	1.82	1.95
NIM (% of RWAs)	3.34	2.52	2.66	2.80	3.00	3.30
NIM (% of AAs)	2.11	1.64	1.63	1.62	1.69	1.81
Spread	2.0	1.0	1.0	1.0	1.2	1.3
Efficiency (%)						
Cost-to-Income (Headline)	24.0	24.7	26.1	26.2	25.1	24.1
Cost-to-Income (Core)	24.2	26.3	27.7	27.9	26.6	25.5
Liquidity (%)						
LDR (Loans to Stable Sources of Funds)	108	106	94	93	91	90
Loans/Assets	70.3	65.9	64.3	63.2	63.7	63.9
Cash & Interbank Loans-to-Total Assets	6.8	6.5	6.3	6.2	6.3	5.8
Deposits to Assets	58.1	56.5	62.9	62.9	64.2	65.3
Wholesale Funding to Loans	34.7	38.8	30.4	31.8	30.0	28.6
IEAs to IBLs	118.6	119.6	118.2	118.1	118.4	119.4
Asset Quality (%)						
NPL Ratio	5.99	5.71	5.45	5.20	5.00	4.75
NPL to Shareholders' Equity	31.60	27.26	25.97	25.42	25.04	24.50
NPL to Tier 1 Capital	33.71	28.86	27.39	28.91	30.96	32.85
Coverage Ratio	52.7	66.6	76.0	95.7	114.3	133.9
ALL/Average Loans	2.6	3.0	3.6	4.7	5.5	6.1
Cost of Risk (bps)	127	108	92	95	94	92
Capitalization (%)						
CET1 Ratio	18.6	20.2	21.7	20.2	18.6	17.4
Tier-1 Ratio	19.5	21.2	22.7	21.2	19.6	18.3
CAR	20.3	22.1	23.9	22.3	20.7	19.5
Leverage (x)	7.3	7.0	7.1	7.3	7.4	7.5
Growth (%)						
Net Interest Income	15.9	-24.4	0.4	3.7	9.4	12.1
Non-Interest Income	25.0	25.7	-2.0	4.1	6.3	5.0
Opex	31.0	-14.5	5.2	4.5	4.0	5.9
Net Operating Income	13.4	-17.5	-1.9	3.5	10.3	12.1
Net Provisions & Impairments	55.9	-31.9	-10.6	6.6	4.1	4.3
Net Income (Reported)	-21.7	8.0	3.8	1.3	15.0	17.3
Net Income (Attributable)						
Loans	-2.5	-8.2	1.7	3.4	4.7	5.5
Deposits	-9.0	-4.7	16.1	5.2	6.0	7.0
Assets	-3.8	-2.0	4.2	5.2	3.9	5.2
RWAs	6.1	-5.3	-4.5	1.7	2.6	1.4

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>	
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

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