

# MOODY'S

## INVESTORS SERVICE

### CREDIT OPINION

22 July 2019

#### Update

 Rate this Research

#### RATINGS

##### Al Rayan Bank PLC

Domicile	United Kingdom
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

The principal methodology used to rate ARB is the Banks rating methodology, published in August 2018. In the case of ARB, when we state "loans" and "interest" in the exhibits, we are referring to "financing assets" and "income from Islamic financing transactions".

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

#### Contacts

Arif Bekiroglu +44.20.7772.1713  
AVP-Analyst  
arif.bekiroglu@moody's.com

Georgy Bellani Orvid +44.20.7772.1078  
Associate Analyst  
georgy.bellaniorvid@moody's.com

Laurie Mayers +44.20.7772.5582  
Associate Managing Director  
laurie.mayers@moody's.com

Nick Hill +33.1.5330.1029  
MD-Banking  
nick.hill@moody's.com

## Al Rayan Bank PLC

### Update following rating action

#### Summary

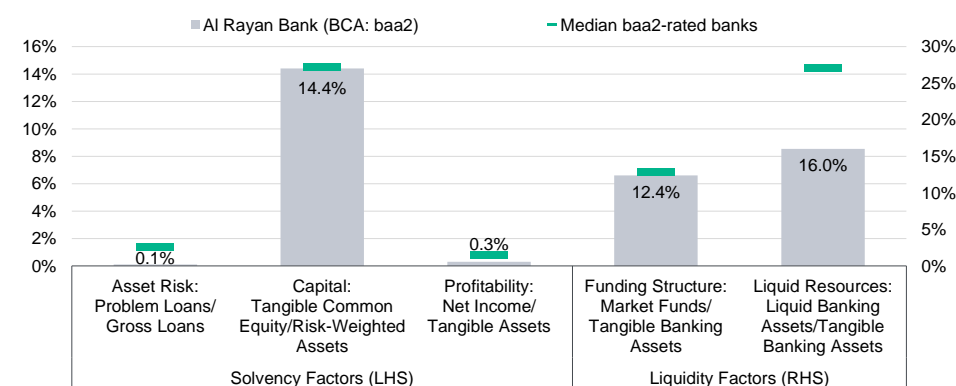
On 12 July 2019, we affirmed the baa2 Baseline Credit Assessment (BCA), an a2 Adjusted BCA and the Aa3 long-term deposit ratings, as well as Counterparty Risk Ratings (CRRs) of Aa2/Prime-1 and Counterparty Risk (CR) Assessment of Aa2/Prime-1 of [Al Rayan Bank PLC](#) (ARB). ARB's short-term deposit ratings are Prime-1. The outlook on the deposit ratings remains stable.

ARB's baa2 BCA reflects (1) the bank's sound asset-quality profile; (2) our expectation that capitalisation; and (3) levels of liquid resources will remain robust. These strengths are balanced against ARB's (1) rapid growth in financing, which could result in a deterioration in asset quality in a downturn; (2) limited operating history and evolving business model; (3) modest profitability; and (4) declining use of funds from the Qatar Central Bank and Qatar Investment Authority.foforma

The long-term deposit ratings are underpinned by (1) the bank's affirmed a2 Adjusted BCA, which reflects our view that ARB benefits from a very high probability of support from [Masraf Al Rayan \(Q.P.S.C.\)](#) (MAR, A1 stable, baa2)<sup>1</sup>; (2) the results of our Advanced Loss Given Failure (LGF) analysis, reflecting our view that the bank's junior depositors would face very low loss given failure, leading to two notches of unchanged uplift from the Adjusted BCA; and (3) a low expectation of support from the Government of the United Kingdom because of the bank's low domestic systemic importance.

Exhibit 1

#### Rating Scorecard - Key financial ratios



The principal methodology used to rate ARB is the Banks rating methodology, published in August 2018. In the case of ARB, when we state "loans" and "interest" in the exhibits, we are referring to "financing assets" and "income from Islamic financing transactions".

Source: Moody's Investors Service

## Credit strengths

- » Low level of non-performing financing book
- » Robust capitalisation, which supports further expected growth
- » Adequate levels of high-quality liquidity resources

## Credit challenges

- » Risk profile constrained by above-market asset growth and exposure to geographical and single-name concentration risk
- » Limited operating history and evolving business model
- » Evolving funding profile and a relatively high-cost deposit base
- » Modest profitability constrained by the high initial investment cost relative to the size of the financing book

## Outlook

The outlook on the long-term deposit ratings remains stable, aligned to the stable outlook on the ratings of MAR. Additionally, the stable outlook is further supported by ARB's strong capital base, as well as its relatively low asset risk because of (1) the financing book being all secured by property, and (2) the absence of unsecured retail financing. We believe that the strong solvency of the bank supports its resilience against potential volatility in the UK operating environment from uncertainties emanating from Brexit.

## Factors that could lead to an upgrade

- » An upgrade of ARB's deposit ratings could be driven by an improvement in the Adjusted BCA of the bank, following a multi-notch increase in the bank's BCA or MAR's BCA.
- » The deposit ratings could be upgraded following a significant increase in its bail-in-able debt. An upgrade of the bank's BCA could be triggered by an improvement in asset risk and profitability, as well as the bank achieving a longer operational history, expanded product offering and higher diversification of its client base.

## Factors that could lead to a downgrade

- » A downgrade of ARB's deposit ratings could be driven by a downgrade of ARB's BCA or MAR's issuer rating.
- » A downgrade of ARB's BCA could be driven by a material deterioration in the bank's asset quality or demonstration of a more aggressive risk appetite.
- » A downgrade could also arise from a significant deterioration in the bank's profitability, capitalisation and liquidity metrics.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Al Rayan Bank PLC (Consolidated Financials) [1]

	12-18 <sup>2</sup>	12-17 <sup>2</sup>	12-16 <sup>2</sup>	12-15 <sup>2</sup>	12-14 <sup>2</sup>	CAGR/Avg <sup>3</sup>
Total Assets (GBP Billion)	2.0	1.8	1.4	1.0	0.6	32.0 <sup>4</sup>
Total Assets (USD Billion)	2.5	2.4	1.8	1.5	1.0	25.5 <sup>4</sup>
Tangible Common Equity (GBP Billion)	0.1	0.1	0.1	0.1	0.1	7.2 <sup>4</sup>
Tangible Common Equity (USD Billion)	0.2	0.2	0.1	0.2	0.2	1.9 <sup>4</sup>
Problem Loans / Gross Loans (%)	0.1	0.1	0.0	0.5	--	0.2 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	14.4	15.4	17.7	23.1	34.7	21.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	1.7	0.6	0.2	4.9	--	1.9 <sup>5</sup>
Net Interest Margin (%)	2.0	2.0	2.1	2.5	1.8	2.1 <sup>5</sup>
PPI / Average RWA (%)	0.7	1.3	1.5	1.8	0.2	1.1 <sup>6</sup>
Net Income / Tangible Assets (%)	0.3	0.5	0.7	1.0	0.2	0.5 <sup>5</sup>
Cost / Income Ratio (%)	83.5	70.6	68.3	68.2	95.9	77.3 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	12.4	3.4	5.8	15.5	4.9	8.4 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	16.0	21.4	27.0	26.2	29.9	24.1 <sup>5</sup>
Gross Loans / Due to Customers (%)	105.6	88.2	124.7	145.2	131.5	119.0 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully-loaded or transitional phase-in; IFRS. [3] May include rounding differences due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.

The principal methodology used to rate ARB is the Banks rating methodology, published in August 2018. In the case of ARB, when we state "loans" and "interest" in the exhibits, we are referring to "financing assets" and "income from Islamic financing transactions".

Sources: Moody's Investors Service, company filings

## Profile

Al Rayan Bank PLC (ARB) is the first wholly Shariah-compliant retail bank based in the [United Kingdom](#) (Aa2 stable) and a majority-owned subsidiary of Masraf Al Rayan (Q.P.S.C) (Masraf), the second-largest Islamic bank in [Qatar](#) (Aa3 stable) (fourth largest overall), with total assets of \$27 billion as of the third quarter of 2018, which acquired the bank in 2014. Formerly called Islamic House of Britain PLC, it was established in 2002 and obtained a licence in August 2004 as Islamic Bank of Britain PLC. Qatar Holding (wholly owned by Qatar Investment Authority [QIA]) acquired a 30% stake in the bank from Masraf in December 2016 and owns around 38% of ARB on a look-through basis. There is no letter of comfort in relation to the QIA investment.

## Detailed credit considerations

### Low level of NPLs but overall risk profile constrained by above-market growth and exposure to geographical and single-name concentration risk

Our assigned baa1 Asset Risk score is six notches below our Macro-Adjusted score of aa1, reflecting the low non-performing asset levels, but also takes into consideration the risks that may arise through rapid growth in financing assets, single-name concentration risks surrounding Gulf Cooperation Council (GCC) customers and geographical concentration risks.

The high-growth strategy was implemented following the takeover and led to a compound annual growth rate of 46% between 2014 and 2017, which fell to 16% in 2018. ARB focuses on three business segments (see Exhibit 3).

1. The retail business is mostly composed of Shariah-compliant Home Purchase Plans (HPPs) and Buy-to-Let Home Purchase Plan products, which adhere to Shariah principles. Unlike traditional mortgage lenders, ARB retains ownership of the property, with customers paying a rent, circumventing the payment of interest by customers, which is forbidden under Shariah Law. We deem this feature as credit positive, given that customers cannot take a second-lien mortgage on the property, as they themselves are not the legal owners. As of year-end 2018, ARB was serving over 3,800 customers through its retail channel, for a total book of £832 million, equating to 51% of total financing assets.

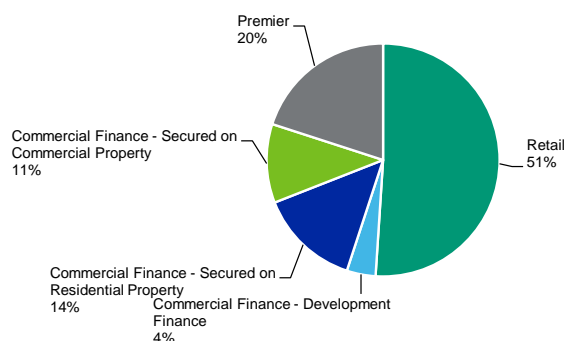
2. The commercial property finance portfolio, which amounted to £474 million (29% of total financing assets as of year-end 2018), was spread over 120 clients and covers large residential investment private rental sector schemes, mixed use industrial warehouses, student property, as well as prime offices. The client base is composed of both UK and GCC corporates and family offices.
3. The GCC segment offers private banking services to GCC customers, including real estate finance and day-to-day banking services. The portfolio of £327 million as of year-end 2018 was spread among 268 high-net-worth customers and represents 20% of total financing assets.

ARB has improved its asset-risk track record since the financial crisis by moving out of unsecured financing, where it had incurred some losses, and into secured financing. Since the shift into secured financing, ARB reduced its non-performing financings to 0.06% as of year-end 2017 from 0.52% as of 2015 while maintaining a conservative approach to asset risk. In January 2018, following the application of IFRS 9, stage 3 financing was 0.12% of total gross financing and remained stable at 0.14% as of year-end 2018. Its asset growth has been significant, at 39% annually during 2015-17, although from a small base. The bank's total financing assets increased by 16% in 2018. ARB decided to reduce financing growth in H2 2018, as it preferred to deploy capital towards activities relating to the bank's investment programme, which are designed to enhance operational capability.

Reflective of the customer base, ARB's financing is concentrated in the south east of England, particularly London. In addition, ARB has large average ticket size financings of £1 million to primarily new London-based GCC customers, exposing the bank to higher-than-average single-name concentration risk.

On a positive note, the average finance-to-value ratio for Buy-to-Let Home Purchase Plans was modest at 53% and comfortably below the limit of 75%, while that of HPPs was at 55%.

Exhibit 3

**ARB's financing assets' breakup**

Source: Annual report

**Robust capitalisation supports further expected growth**

We view ARB's capital levels as solid and assign an a2 Capital score, one notch below the Macro-Adjusted score of a1, which reflects the short track record and the susceptibility of the riskiness of the business in case of market uncertainty.

ARB's Tier 1 capital is fully made up of common equity, as retained earnings are negative because of the historical losses incurred prior to the acquisition by Masraf. ARB's leverage ratio, per regulatory calculations, decreased to 6.4% as of year-end 2018 from 6.7% as of year-end 2017. ARB's tangible common equity (TCE)/risk-weighted assets decreased to 14.4% in 2018 from 15.4% in 2017 because of the growth of the financing business that led risk-weighted assets to increase by £79 million; TCE leverage was 6.8% as of 31 December 2018 (0.3% lower than the previous year). ARB uses the standardised approach to calculate risk weighted assets and has adequate capital to meet its growth plans, without the further need for a capital injection. However, if asset risk was to deteriorate through lower underwriting standards or a deterioration in the UK macro environment, additional capital may be required or reduced financing

growth would have to take place. In fact, ARB raised £3 million external Shariah-compliant high-trigger Additional Tier 1 capital in July 2019, the first by a bank in the UK, that will boost its TCE ratio by 30bps.

### **Modest profitability constrained by the high initial investment cost relative to the present size of the financing book**

We view ARB's profitability as weak and assign a ba1 Profitability score, in line with its Macro-Adjusted score, reflecting the recency of ARB's losses because of high non-performing assets after the financial crisis and high cost base and funding costs, affecting profitability in more recent years.

The bank's profitability had been largely negative until 2014, historically driven by losses made from financing and the high cost base maintained by ARB. The bank reported a return on assets of 0.33% as of year-end 2018, down from 0.48% as of year-end 2017, and its cost-to-income ratio increased to 84%, remaining above that of its peers. This has been driven by costs such as opening a branch in Knightsbridge, a key area for GCC customers, investments in expanding the financing platform and increase in staff. ARB's profitability is likely to improve because rental rates will increase while their cost of funding will reduce as a result of the Sukuk issuance resulting in a reduced reliance on more expensive retail deposits. ARB is also looking to move into higher-margin small-medium firms financing, further aiding profitability.

### **Evolving funding profile and a relatively high-cost deposit base**

Overall, ARB has good liquidity, supported by a sound funding profile and an adequate level of liquid assets.

We assign an a3 Funding Risk score, adjusted downward by one notch from the Macro-Adjusted score of a2. Our adjustment reflects ARB's limited market access, as well as its evolving funding profile.

As of year-end 2018, ARB's limited external market funding increased to 12.4% of tangible banking assets (TBA) from 3.4% as of year-end 2017, following the issuance of the UK's first asset-backed Sukuk through a special-purpose vehicle in February 2018, with total proceeds of £250 million backed by £250 million in HPP financing. ARB reduced its short-term exposure to the three-month rolling contracts of \$50 million and \$75 million from QIA and QCB, respectively, which amounted to £23 million in December 2018. To support its funding profile, ARB offers very competitive retail profit rates on the best buy tables, attracting mainly non-Muslim retail deposits. However, this increases the overall cost of funding, reduces margins and strains profitability, and exposes the bank to less-stable funding sources.

Secured funding raised on HPP provided ARB with a cheap alternative to deposit funding. While other UK challenger banks have had access to the Bank of England's term funding scheme (TFS), ARB has not been able to tap the scheme because it is not Shariah compliant. The availability of such cheap TFS funding in recent years led conventional high-street lenders to turn to the mortgage-backed bond market more sporadically. This led to a decline in prime residential mortgage-backed securities, which made the ARB deal more appealing to traditional UK securitisation investors. The end of the TFS in 2018 and the need for UK banks to replace their borrowings under the scheme will increase the supply of residential mortgage-backed securities and covered bonds, as well as increase competition for retail deposits. The refinancing of the existing Sukuk that matures in 2021 will depend on market conditions.

### **Adequate levels of high-quality liquidity resources**

Our assigned baa2 Liquid Resources score, in line with the Macro-Adjusted score, reflects the adequate level of liquidity held by ARB to meet its short-term requirements. We view liquidity as a strength for the bank, with above-average liquid banking assets/tangible banking assets compared with that of its peers. The bank's liquidity is largely made up of HQLA<sup>2</sup> and cash on demand and short-term commodity Murabaha and Wakala<sup>3</sup> transactions equating to 16% of TBA as of year-end 2018, down from 21% a year earlier.

### **ARB's BCA is supported by the UK's Strong+ Macro Profile**

ARB's operating environment is influenced largely by the UK; the bank's Macro Profile is thus in line with the UK's [Macro Profile](#) of Strong+. Banks operating in the UK benefit from operating in a wealthy and developed country, with a very high degree of economic, institutional and government financial strength, as well as very low susceptibility to event risk. The main risks to the system now stem from the economic uncertainty resulting from the UK's decision to leave the European Union (EU) and the high level of indebtedness of UK households, which are sensitive to changes in interest rates.

We expect the vote in favour of the UK leaving the EU and the subsequent triggering of Article 50 of the Lisbon Treaty to result in heightened uncertainty over the UK's future trade relationship with the EU. This uncertainty is likely to result in lower economic

growth, reduced demand for credit, a modest increase in unemployment, downward pressure on property prices and potentially higher and more volatile wholesale funding costs, although these have not materialised to date. These drivers will strain revenue, asset quality and profitability metrics for all banks in the system.

ARB had previously intended to use the UK's current ability to passport into mainland Europe, offering banking services for GCC clients based in Paris. However, given the likely loss of passporting rights following the UK's exit from the EU in October 2019, Masraf will likely need to open a full subsidiary in mainland Europe to offer these services.

### Qualitative adjustments

ARB's Financial Profile score of baa1 is subject to a negative one-notch downward qualitative adjustment for Corporate Behaviour, given the bank's relatively limited operating history, and its nascent and evolving business model.

The scorecard-calculated BCA range is baa1-baa3. Our BCA of baa2 is positioned at the midpoint of the range offered by our scorecard.

## Support and structural considerations

### Affiliate support

Given the strategic importance of ARB to its parent Masraf, which allows GCC customers to have access to private banking services in the UK, we expect the probability of support from Masraf to be very high. The parent has representation on ARB's board and is active in the development of its forward-looking strategy. We use the parent's supported rating of A1 as the basis for deriving support to ARB. This is based on our expectation that ARB would receive support in case of need because of the interconnectedness of the bank with its parent, its operation under the same brand name, the 38% ownership (on a look-through basis) by Qatar Holding, its relatively modest size, and the fact that deposits and funding are provided by the parent. As a result, we assign three notches of support to the BCA of baa2 to arrive at an Adjusted BCA of a2.

The A1 issuer rating of Masraf is driven by four notches of government support uplift from the bank's baa2 BCA. This reflects our view of a very high probability of support from the Qatari government in case of need. We base this view on (1) Masraf's evolving role as a flagship Islamic bank in Qatar; (2) the bank's significant market share, particularly in financing to the government; (3) the 48% Qatari government and government institutions ownership; and (4) the strong track record of the Qatari government pre-emptively supporting all banks in the past.

### Loss given failure and additional notching

We apply our Advanced LGF analysis to ARB because it is domiciled in the UK, which we consider has an operational resolution regime, following the implementation of the EU Bank Recovery and Resolution Directive. Our standard assumptions, which are applied to ARB, assume residual tangible common equity at failure of 3% of TBA, losses post-failure of 8% of TBA, junior wholesale deposits of 26% of the bank's total deposit book, a 25% run-off in junior wholesale deposits, a 5% run-off in preferred deposits and a 25% probability of deposits being preferred to senior unsecured funding.

Under these assumptions, ARB's deposits are likely to face very low loss given failure because of the loss absorption provided by the volume of deposits themselves. This results in a Preliminary Rating Assessment (PRA) for ARB's deposits of aa3, two notches above the a2 Adjusted BCA.

### Government support

We do not assign additional government support to ARB, given that we already use the supported rating of ARB's parent Masraf in our consideration of affiliate support. Our assigned deposit rating is therefore in line with the PRA. In line with our support assumptions on deposits, neither the CR Assessment nor the CRRs benefit from notching uplift because of government support.

### Counterparty Risk Ratings (CRRs)

#### ARB's CRRs are positioned at Aa2/Prime-1

The CRRs of ARB are Aa2 and Prime-1 and take into account the level of subordination to CRR liabilities in the bank's balance sheet, and assume a nominal volume of such liabilities. Our Advanced LGF approach provides three notches of uplift to the CRRs above the adjusted BCA.

The CRR is higher than ARB's deposit rating, reflecting our view that secured counterparties to banks typically benefit from greater protections under insolvency laws and bank resolution regimes than do senior unsecured creditors, and that this benefit is likely to extend to the unsecured portion of such secured transactions in most bank resolution regimes. We believe that in many cases regulators will use their discretion to allow a bank in resolution to continue to honour its CRR liabilities or to transfer those liabilities to another party who will honour them, in part because of the greater complexity of bailing in obligations that fluctuate with market prices, and also because the regulator will typically seek to preserve much of the bank's operations as a going concern to maximise the value of the bank in resolution, stabilise the bank quickly and avoid contagion within the banking system. CRR liabilities at banks subject to operational resolution regimes therefore benefit from the subordination provided by more junior liabilities, with the extent of the uplift of the CRR from the Adjusted BCA depending on the amount of subordination.

### Counterparty Risk (CR) Assessment

#### ARB's CR Assessment is positioned at Aa2(cr)/Prime-1(cr)

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

The CR Assessment of ARB is Aa2(cr)/Prime-1(cr) and is positioned three notches above the Adjusted BCA of a2, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, that is, bail-in-able funding and deposits.

### About Moody's Bank Scorecard

The principal methodology used in these ratings was the Banks rating methodology, published in August 2018. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.



## Rating methodology and scorecard factors

Exhibit 4

### Al Rayan Bank PLC

#### Macro Factors

Weighted Macro Profile	Strong +	100%				
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.1%	aa1	←→	baa1	Loan growth	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	14.4%	a1	←→	a2	Stress capital resilience	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↓	ba3	Earnings quality	
Combined Solvency Score		a1		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	12.4%	a2	↓	a3	Expected trend	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	16.0%	baa2	←→	baa2	Expected trend	
Combined Liquidity Score		a3		baa1		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				-1		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aa2		
Scorecard Calculated BCA range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				-		
Adjusted BCA				a2		

Balance Sheet	In-scope (GBP Million)	% In-scope	At failure (GBP Million)	% At failure
Other liabilities	356	18.2%	514	26.2%
Deposits	1,547	78.8%	1,390	70.8%
Preferred deposits	1,145	58.3%	1,088	55.4%
Junior Deposits	402	20.5%	302	15.4%
Equity	59	3.0%	59	3.0%
Total Tangible Banking Assets	1,963	100.0%	1,963	100.0%

Debt Class	De jure waterfall		De facto waterfall		Notching		LGF	Assigned	Additional	Preliminary
	Instrument	Sub-	Instrument	Sub-	De jure	De facto	Notching	LGF	notching	Rating
	volume +	ordination	volume +	ordination			Guidance	notching		Assessment
	subordination		subordination				vs. Adjusted BCA			
Counterparty Risk Rating	18.4%	18.4%	18.4%	18.4%	3	3	3	3	0	aa2
Counterparty Risk Assessment	18.4%	18.4%	18.4%	18.4%	3	3	3	3	0	aa2(cr)
Deposits	18.4%	3.0%	18.4%	3.0%	2	2	2	2	0	aa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Counterparty Risk Rating	3	0	aa2	0	Aa2	Aa2



Counterparty Risk Assessment	3	0	aa2(cr)	0	Aa2(cr)	
Deposits	2	0	aa3	0	Aa3	Aa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

The principal methodology used to rate ARB is the Banks rating methodology, published in August 2018. In the case of ARB, when we state "loans" and "interest" in the exhibits, we are referring to "financing assets" and "income from Islamic financing transactions".

Source: Moody's Investors Service

## Ratings

Exhibit 5

Category	Moody's Rating
<b>AL RAYAN BANK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
<b>PARENT: MASRAFA AL RAYAN (Q.P.S.C.)</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
ST Issuer Rating	P-1

Source: Moody's Investors Service

## Endnotes

- 1 The bank ratings shown in this report are the bank's deposit rating and BCA.
- 2 High Quality Liquid Assets
- 3 Commodity Murabaha is a contract for purchase and resale for cost plus profit, which provides cash or liquidity facility without having to take out a loan and pay interest. Wakala is an investment agency contract, which usually includes in its terms a fee for the expertise of the agent.

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