MOODY'S
INVESTORS SERVICE

CREDIT OPINION
10 September 2020

Update

Rate this Research

RATINGS

Al Rayan Bank PLC

Domicile	United Kingdom
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

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.

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Al Rayan Bank PLC

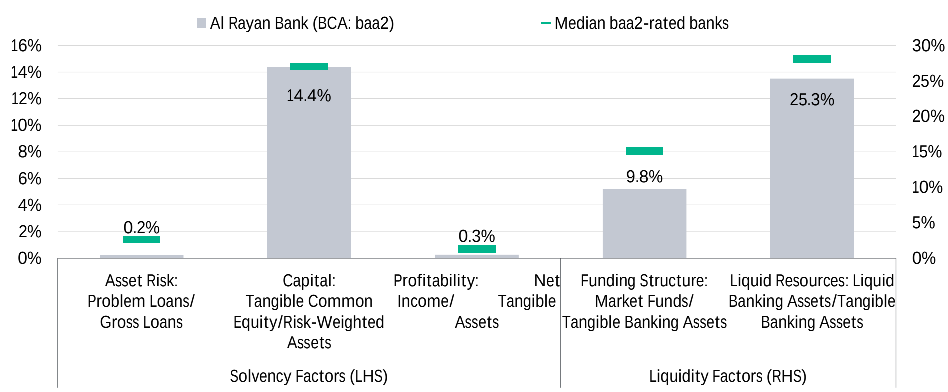
Update to credit analysis

Summary

Al Rayan Bank PLC (ARB's) A1/Prime-1 bank deposit ratings reflect (1) the bank's Baseline Credit Assessment (BCA) of baa2; (2) our assumption of a very high probability of support for ARB's senior creditors from the bank's parent bank, Masraf Al Rayan (Q.P.S.C.) (MAR, A1 stable, baa2)[1], but this does not result in additional uplift and leads to an Adjusted BCA of baa2 in line with the BCA; (3) the results of our Advanced Loss Given Failure (LGF) analysis, which results in no additional uplift due to low level of bail-in able junior deposits due to ARB's reliance on primarily retail funding sources; and (4) our expectation of a very high probability of support from Government of Qatar (Aa3 stable), resulting in a four notches of uplift for deposit ratings, which is to the same support assumption incorporated in MAR's ratings. Moody's assumes a low probability of support from the Government of United Kingdom (Aa2 negative) because of ARB's very small role domestically. ARB's Counterparty Risk Rating (CRRs) is Aa3/Prime-1 and its Counterparty Risk (CR) Assessment is Aa3(cr)/Prime-1(cr).

ARB's baa2 BCA is supported by the bank's sound asset-quality profile, strong capital and granular retail base. These strengths are moderated by (1) a deposit base likely to be less stable given its cost-sensitive nature and internet sourcing; (2) high concentration in its financial assets book; (3) its limited operating history and product offering; and (4) evolving business model with rapid growth in recent years, which is likely to result in a deterioration in asset quality and in its modest profitability in the current coronavirus induced downturn.

Exhibit 1
Rating Scorecard - Key financial ratios



Note: 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

When we state "Loans" and "Interest" in the exhibits, we are referring to "Financing assets" and "Income from Islamic financing transactions"

Credit strengths

» Low level of non-performing financing book

» Robust capitalisation, which supports solid loss absorption

» Adequate levels of high-quality liquidity resources

» Very high likelihood of support from parent bank MAR and Qatar

Credit challenges

» Risk profile constrained by exposure to geographical and single-name concentration risk and historical above-market asset growth

» Limited operating history and evolving business model

» Evolving funding profile and a relatively high-cost deposit base

» Modest profitability constrained by the high investment cost relative to the size of the financing book, margin pressure and expected subdued financing volumes

Outlook

The stable outlook on the long-term deposit ratings reflects the stable outlook on MAR's and Government of Qatar's ratings.

Factors that could lead to an upgrade

» An upgrade of ARB's long-term deposit ratings could be driven by an upgrade of the Adjusted BCA of the bank, following an upgrade of the BCA of MAR, or following a significant increase in its bail-in-able funding sources. This may however be offset by a reduction in the support uplift from the Government of Qatar.

» An upgrade of the bank's BCA is subject to an upgrade of MAR's BCA, which we consider likely to constrain ARB's own BCA due to the bank's material interlinkages with its parent. In case of a upgrade of MAR's BCA, ARB's BCA could be triggered by an improvement in asset risk and profitability, as well as the bank achieving a longer operating history, expanded product offering and client base.

Factors that could lead to a downgrade

» A downgrade of ARB's deposit ratings could be driven by a downgrade of MAR's BCA, or a lower probability of government support.

» A downgrade of ARB's BCA could also be driven by a material deterioration in its solvency and liquidity, but the very high likelihood of support from MAR and from the Government of Qatar could offset the impact of a lower BCA on the bank's Adjusted BCA and ratings.

Key indicators

Exhibit 2

Al Rayan Bank PLC (Consolidated Financials) [1]

	12-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	2.2	2.0	1.8	1.4	1.0	22.3[4]
Total Assets (USD Billion)	3.0	2.5	2.4	1.8	1.5	19.1[4]
Tangible Common Equity (GBP Billion)	0.1	0.1	0.1	0.1	0.1	6.2[4]
Tangible Common Equity (USD Billion)	0.2	0.2	0.2	0.1	0.2	3.4[4]
Problem Loans / Gross Loans (%)	0.2	0.1	0.1	0.0	0.5	0.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	14.4	14.4	15.4	17.7	23.1	17.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	2.7	1.7	0.6	0.2	4.9	2.0[5]
Net Interest Margin (%)	1.9	2.0	2.0	2.1	2.5	2.1[5]
PPI / Average RWA (%)	0.8	0.7	1.3	1.5	1.8	1.2[6]
Net Income / Tangible Assets (%)	0.3	0.3	0.5	0.7	1.0	0.6[5]
Cost / Income Ratio (%)	83.0	83.5	70.6	68.3	68.2	74.7[5]
Market Funds / Tangible Banking Assets (%)	9.8	12.4	3.4	5.8	15.5	9.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	25.3	16.0	21.4	27.0	26.2	23.2[5]
Gross Loans / Due to Customers (%)	89.8	105.6	88.2	124.7	145.2	110.7[5]

[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 because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Al Rayan Bank PLC (ARB) is the first wholly Shariah-compliant retail bank based in the United Kingdom (Aa2 negative) serving more than 90,000. It is 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 $30 billion as of the first half of 2020, 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. Qatar government via QIA and its other entities owns around 66% of ARB on a look-through basis. There is no letter of comfort in relation to the QIA investment.

Recent Developments

» In the UK, largely as a result of the economic impacts of the coronavirus crisis, we presently forecast an overall contraction of around 10.1% in 2020 followed by 7.1% growth in 2021. The growing risk of a no-deal Brexit at the end of the year is further compounding the poor economic outlook, with little progress in trade talks with the European Union (EU, Aaa stable). Our forecasts assume that the two sides will strike a limited deal before the UK's transition agreement with the EU expires at the end of this year. But, in our view, lingering Brexit uncertainty will hold back the recovery in the second half of the year. The weak operating environment will weigh on the banks' asset quality and profitability. We expect direct and indirect fiscal policy measures, as already announced by the UK government and Bank of England (BoE) to mitigate, but not fully offset, the economic contraction and expected deterioration in banks' credit profiles caused by the outbreak.

» In 2019, ARB undertook a customer remediation programme to improve its Anti Money Laundering (AML) processes and controls. Whilst this is underway, the Bank has agreed to restrict its onboarding of certain categories of customers. The first phase of the programme is now complete, and ARB aims to complete the remaining phase of the programme in 2020.

» Earlier in 2020, ARB's new Chief Executive Officer, Peter Horton was appointed, and strengthened its executive and senior management team.

» In 2020, The Bank launched its new mobile banking app aiming to significantly improve the security of customers' accounts, and provides a substantial upgrade to customer service and accessibility.

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 though has only recently slowed, 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. However, in 2019, financing book growth was only at 1% following ARB's decision to reign in its growth and focus on investment and upgrades to its processes and controls to address the challenges it was facing.

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 (BTL-HPP), 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 2019, ARB's total retail financing book was £875 million, equating to 53% of total financing assets.

2. The commercial property finance portfolio, which amounted to £466 million (28% of total financing assets as of year-end 2019), and covers large residential investment private rental sector schemes, mixed use retail park, student property, as well as prime offices. The client base is composed of both UK and GCC corporates and family offices.

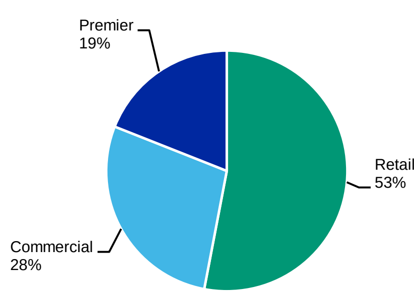
3. The GCC segment offers private banking services to GCC customers, including real estate finance and day-to-day banking services. The portfolio reached £314 million as of year-end 2019 and represents 19% of total financing assets.

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. The non-performing financings were strong at 0.24% as of year-end 2019 and ARB continues to maintain a conservative approach to asset risk.

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 BTL-HPP and HPP are targeted to be at mid 50% and comfortably below the limit of 75%.

Exhibit 3
ARB's financing assets' breakup



Source: Annual report

Robust capitalisation supports solid loss absorption

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 composed by £145 million common equity and £3 million high trigger Additional Tier 1 (AT1), while retained earnings are still negative because of the historical losses incurred prior to the acquisition by Masraf. ARB's leverage ratio, per regulatory calculations, increased to 6.0% as of year-end 2019 from 6.4% as of year-end 2018. ARB's tangible common equity (TCE)/risk-weighted assets was 14.4% in 2019 in line with 2018; while TCE leverage was 6.3% as of 31 December 2019 (0.5% 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 AT1 capital in July 2019, the first by a bank in the UK, that boosts its TCE ratio by 30bps.

Modest profitability constrained by margin compression and decrease in volumes

We view ARB's profitability as weak and assign a b1 Profitability score, two-notches below its Macro-Adjusted score. Our assigned score reflects our expectation that the coronavirus outbreak will continue to constrain the earnings of ARB through margin reduction and modest financing volumes and relatively higher funding costs as it seeks to strengthen its depositor base.

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 0.27% as of year-end 2019, down from 0.33% as of year-end 2018, and its cost-to-income ratio was 83%, remaining above that of its peers. The underlying cost to income ratio is high due to having a branch in Knighstbridge for its GCC customers, investment in expanding the financing platform and AML monitoring, office space 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.

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 two notches from the Macro-Adjusted score of a1. Our adjustment reflects ARB's material reliance on internet sourced deposits which we view as likely to be less stable given its cost-sensitive nature and its evolving funding profile.

As of year-end 2019, ARB's limited external market funding decreased to 9.8% of tangible banking assets (TBA) from 12.4% as of year-end 2018. In 2018, ARB issued the UK's first asset-backed Sukuk through a special-purpose vehicle, with total proceeds of £250 million backed by £250 million in HPP financing. ARB's liability structure has been shifting towards retail deposit funding sourced via its branch network as well as internet, and away from deposits from Qatar-affiliated entities. 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. In 2019, while the financing assets were flat, ARB's total deposits increased by 19% - due to ARB's 1.6% EPR[2] instant access saving product. This combined with the continued strength of the term deposits' expected profit rates offered by the Bank to offset the scheduled run-off of the Tolkien sukuk.

Secured funding raised on HPP provides ARB with a cheap alternative to deposit funding. While other UK challenger banks have had access to the Bank of England's (BoE) Term funding scheme (TFS) and post the outbreak of the coronavirus to the newly introduced Term Funding Scheme with additional incentives for lending to Small and Medium-sized Enterprises (TFSME), ARB has not been able to tap the scheme because it is not Shariah compliant.

The availability of such cheap BoE 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 refinancing of the existing Sukuk that matures in 2021 will depend on market conditions.

Adequate levels of high-quality liquidity resources

Our assigned Liquid Resources score of baa1 is one notch lower than the a3 Macro-Adjusted score. Our overall assessment of ARB's liquidity profile reflects the adequate level of liquidity held by ARB to meet its short-term requirements as well as the fact that ARB cannot readily access BoE liquidity lines, unlike peer conventional UK banks. ARB maintains a higher level of liquid assets due to Brexit uncertainties as well as to meet a modest level of credit demand during the coronavirus pandemic and subsequent recovery. 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[3] and cash on demand and short-term commodity Murabaha and Wakala[4] transactions equating to 25% of TBA as of year-end 2019, up from 16% 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+.

We presently forecast an overall contraction in the UK of around 10.1% in 2020 followed by 7.1% growth in 2021. The rolling-off of subsidies and furlough schemes will constrain economic recovery in the coming quarters. The growing risk of a no-deal Brexit at the end of the year is further compounding the poor economic outlook, with little progress in trade talks with the European Union (EU, Aaa stable). (see Global Macro Outlook 2020-21 (August 2020 Update): Economic recovery remains tenuous aspandemic fears persist). The banking sector is one of the sectors affected by the shock, given the expected negative impact on profitability and asset quality.

Before the coronavirus outbreak, we had already expected a weakening in the operating environment in the UK and deteriorating asset quality and profitability, with mortgage lenders in particular facing additional profitability challenges because of contracting margins and strong competition. The coronavirus outbreak will exacerbate these negative pressures. We expect a decrease in revenues because of mandatory lockdown measures, an increase in credit losses and provisions, an increase in the inflow of new problem financings, and a further contraction in net interest margins. At the same time, we expect UK banks and building societies to maintain strong capital and liquidity, despite these negative pressures.

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 evolving business model.

The rating is capped by close links between ARB and MAR

When a bank is owned by another entity, the probability of default of the bank is unlikely to be significantly lower than that of its parent, and the BCA of a bank is, therefore, typically constrained by the rating of its owner. This is because credit issues at one part of a group can be transmitted to another. We believe that ARB's credit profile could be weakened by a deterioration in its parent's creditworthiness. The shared branding and overlapping customer base between the two entities expose the bank to reputational risk, potentially leading to adverse credit events, such as deposit outflow at the bank, in the event of severe credit problems at Masraf. ARB's BCA is currently positioned in line with the baa2 BCA of Masraf and not constrained by it. At the same time we view Masraf's BCA as a constraint on ARB's BCA, if its financial profile were to improve, due to the above mentioned interlinkages.

ESG considerations

In line with our general view for the banking sector, ARB has a low exposure to Environmental risks and moderate exposure to Social risks. See our Environmental risks heatmap and Social risks heatmap for further information.

An economic recovery is underway, but its continuation will be closely tied to containment of the virus. Economic data show a quick rebound in goods consumption in a number of advanced economies. However, pandemic fears will continue to hinder a complete recovery. We project 4.6% contraction for G-20 economies in 2020, followed by 5.3% growth in 2021. The banking sector has been one of the sectors affected by the shock given the expected impact on asset quality and profitability. Although the initial shock from the coronavirus has been similar across countries, economic outcomes will differ because of different capacities to withstand the shock. The overall risks to our baseline forecasts for all countries are skewed to the downside. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Governance is highly relevant for ARB, as it is to all banks and building societies. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for ARB we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

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 BCA of baa2 as the basis for deriving support to ARB. However, this does not result in any rating uplift due to ARB's and Masraf's BCA being positioned at the same level.

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 10% of the bank's total deposit book, instead of the standard 26% assumption, 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.

We use the 10% junior wholesale deposits assumption to reflect the shift in deposit mix from Qatar-affiliated entities to more retail and small-middle enterprise deposit funding. Under these assumptions, ARB's deposits are likely to face a moderate 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 baa2, in line with the Adjusted BCA.

Government support

Moody's assumption of very high government support reflects (1) MAR's evolving role as a flagship Islamic bank in Qatar with ARB as its largest overseas subsidiary; (2) ARB's direct and indirect ownership by the Qatari government and related institutions; (3) the strong track record of the Qatari government preemptively supporting its banks in the past; and (4) material committed credit facilities from Qatari-affiliated companies, which replaced the deposits previously placed with ARB. This results in a four notches of uplift to the deposit ratings, in line with the support assumption incorporated in MAR's, a three notch uplift to the Counterparty Risk (CR) Assessment and a four notch uplift to the Counterparty Risk Ratings (CRRs).

Moody's have a low expectation of support from the Government of the United Kingdom (Aa2 negative) because of ARB's very small role domestically.

Counterparty Risk Ratings (CRRs)

ARB's CRRs are positioned at Aa3/Prime-1

The CRRs of ARB are Aa3 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 one notch 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 Aa3(cr)/Prime-1(cr)

The CR Assessment of ARB, per our Advanced LGF approach, is positioned two notches above the Adjusted BCA of baa2, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, such as bail-in-able funding and deposits.

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.

About Moody's Bank Scorecard

The principal methodology used in these ratings was the Banks rating methodology, published in November 2019. Please see the Rating Methodologies page on www.moodys.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**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.2%	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	↓	b1	Earnings quality	
Combined Solvency Score		a1		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	9.8%	a1	↓	a3	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	25.3%	a3	↓	baa1	Expected trend	Access to committed facilities
Combined Liquidity Score		a2		a3		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				-1		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				-		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		

Affiliate Support notching	0
Adjusted BCA	baa2

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	335	14.9%	464	20.7%
Deposits	1,841	82.1%	1,712	76.3%
Preferred deposits	1,657	73.9%	1,574	70.2%
Junior deposits	184	8.2%	138	6.2%
Equity	67	3.0%	67	3.0%
Total Tangible Banking Assets	2,243	100.0%	2,243	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	9.2%	9.2%	9.2%	9.2%	1	1	1	1	0	baa1
Counterparty Risk Assessment	9.2%	9.2%	9.2%	9.2%	2	2	2	2	0	a3 (cr)
Deposits	9.2%	3.0%	9.2%	3.0%	0	0	0	0	0	baa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	baa1	4	Aa3	Aa3
Counterparty Risk Assessment	2	0	a3 (cr)	3	Aa3(cr)	
Deposits	0	0	baa2	4	A1	A1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 5

Category	Moody's Rating
AL RAYAN BANK PLC	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
PARENT: MASRAF AL RAYAN (Q.P.S.C.)	
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 Effective Profit Rate

3 High Quality Liquid Assets

4 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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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE