MOODY'S
RATINGS

CREDIT OPINION
5 June 2025

Update

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Al Rayan Bank PLC

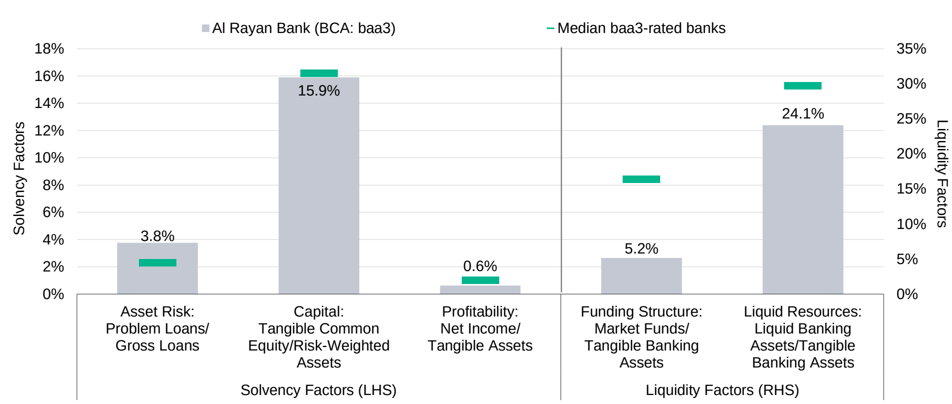
Update following ratings affirmation

Summary

Al Rayan Bank PLC (ARB's) A2/Prime-1 bank deposit ratings reflect (1) the bank's Baseline Credit Assessment (BCA) of baa3; (2) our assumption of a very high probability of support for ARB's senior creditors from the bank's parent bank, AlRayan Bank (Q.P.S.C) (A2 stable, baa3)[1], which result in no notches of uplift and leads to an Adjusted BCA of baa3, in line with the BCA; (3) our expectation of moderate loss-given-failure which does not lead to uplift from the Adjusted BCA; and (4) our unchanged expectation of a very high probability of support for ARB's senior creditors from the bank's ultimate shareholders, Government of Qatar (Aa2 stable) and Qatar-affiliated institutions, which results in a four-notch uplift to ARB's long-term deposit rating. ARB's Counterparty Risk Rating (CRRs) is A1/Prime-1 and its Counterparty Risk (CR) Assessment is Aa3(cr)/Prime-1(cr).

ARB's BCA of baa3 reflects the bank's strong capital, deposit based funding profile and improving profitability. These act as offsets to the bank's still elevated asset risk as reflected by its problem loan financing ratio of 3.8% in 2024, driven by one real estate transaction in the context of a higher interest rate environment. The BCA also reflects the cost-sensitive nature and internet sourcing of the bank's deposit base, and the continuation of the bank's strategy shift towards providing banking services to high net worth clients with links to the Gulf Cooperation Council (GCC) and structured property finance to a wider customer base.

Exhibit 1
Rating Scorecard - Key financial ratios



Note: When we state "Loans", "Interest" and "debt" in the exhibits, we are referring to "Financing assets", "Income from Islamic financing transactions" and "Funding".
Source: Moody's Ratings

RATINGS

Al Rayan Bank PLC

Domicile	United Kingdom
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
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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CLIENT SERVICES

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

Credit strengths

» Robust capitalisation, which supports solid loss absorption

» Adequate levels of high-quality liquidity resources

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

Credit challenges

» High NPLs and increasing concentration to property underpin rise in asset risk

» Limited operating history and evolving strategic shift away from retail banking business model

» Relatively high cost to income ratio and high-cost deposit base

Outlook

The stable outlook on ARB's long-term deposit rating reflects the stable outlook on the issuer ratings of ARB's parent, AlRayan Bank (Q.P.S.C.), and the stable outlook on Qatar's sovereign debt rating.

Factors that could lead to an upgrade

» An upgrade of ARB's long-term deposit ratings could be driven by an upgrade of AlRayan Bank (Q.P.S.C.)'s BCA or an upgrade of Qatar's rating which could lead to upward pressure on ARB's long-term deposit ratings. ARB's BCA is capped at the level of its parent's BCA so an upgrade of its BCA could only result form an upgrade of its parent's BCA

Factors that could lead to a downgrade

» ARB's BCA could be downgraded following a pronounced deterioration in the bank's asset risk, for example due to a greater than expected financing growth in its new business segments leading to increased concentration and a decline in its quality. However, the very high likelihood of support from AlRayan Bank (Q.P.S.C.) and from the Government of Qatar could offset the impact of a lower BCA for ARB with additional notching on the bank's Adjusted BCA and long-term deposit ratings.

» A downgrade of AlRayan Bank (Q.P.S.C.)'s BCA could also result in a downgrade of ARB's long-term deposit ratings.

Key indicators

Exhibit 2
Al Rayan Bank PLC (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	2.8	2.5	2.4	2.3	2.3	4.9[4]
Total Assets (USD Billion)	3.6	3.2	2.9	3.0	3.2	2.7[4]
Tangible Common Equity (GBP Billion)	0.2	0.2	0.2	0.2	0.1	10.2[4]
Tangible Common Equity (USD Billion)	0.3	0.2	0.2	0.2	0.2	7.8[4]
Problem Loans / Gross Loans (%)	3.8	3.2	1.0	0.4	0.3	1.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.9	18.0	16.4	16.0	13.9	16.1[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	36.8	31.4	11.4	5.1	3.2	17.6[5]
Net Interest Margin (%)	2.4	3.0	2.4	1.9	1.6	2.2[5]
PPI / Average RWA (%)	2.2	3.1	2.1	0.9	0.6	1.8[6]
Net Income / Tangible Assets (%)	0.6	0.9	0.7	0.4	0.2	0.5[5]
Cost / Income Ratio (%)	57.9	53.4	62.4	79.4	85.3	67.7[5]
Market Funds / Tangible Banking Assets (%)	5.2	4.5	6.1	4.4	7.9	5.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	24.1	22.1	19.3	16.5	23.9	21.2[5]
Gross Loans / Due to Customers (%)	87.7	88.3	92.6	95.2	89.3	90.6[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [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 Ratings and company filings

Profile

Al Rayan Bank PLC (ARB), trading as AlRayan Bank or AlRayan Bank UK, is the oldest and largest Sharia compliant bank in the UK. It is a majority-owned subsidiary of AlRayan Bank (Q.P.S.C), the second-largest Islamic bank in Qatar (Aa2 stable) (fourth largest overall), with total assets of $46.5 billion as of 31 March 2025, which acquired the bank in 2014.

Initially called Islamic House of Britain PLC, it was established in 2002 and obtained a license in August 2004 as Islamic Bank of Britian PLC before becoming Al Rayan Bank in 2014.

Qatar Holding (wholly owned by Qatar Investment Authority [QIA]) acquired a 30% (2023: 25%) stake in the bank from AlRayan Bank (Q.P.S.C) in December 2016. QIA owns around 25% of ARB on a look-through basis. There is no letter of comfort in relation to the QIA investment.

Detailed credit considerations

High NPLs and increasing concentration to property underpin rise in asset risk

Our assigned baa3 Asset Risk score reflects the high non-performing asset levels, but also takes into consideration the risks from its limited operating history and evolving business model.

ARB strategy has shifted and it will now focus on growing its structured real estate business and providing banking services, predominantly deposits and Home Purchase Plan Premier (HPPP), to high net worth clients from GCC, while its retail home financing (HPP = home purchase plan) is currently in run-off. As of December 2024, ARB's total financing book was £2.1 billion, split 29% between retail financing, 56% in structured real estate portfolio and 15% in Premier. The bank also has exposure to Gulf Cooperation Council (GCC) countries (ca. 14% of the total financing book).

The structured real estate portfolio, which amounted to £1.2 billion (56% of total financing assets as of year-end 2024), an increase from £900 million (47% of total financing assets) as of year-end 2023, 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. The residential accounted for 77% of the book with commercial making up 21% and development 2%.

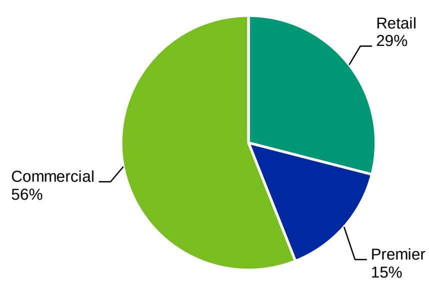
The Premier segment offers private banking services to GCC customers, including real estate finance and day-to-day banking services. The portfolio reached £314 million as of year-end 2024 and will continue to be a key area of focus and growth for the bank.

In terms of asset risk, non-performing financings rose to 3.76% by the end of 2024, up from 3.2% at the end of 2023. This increase is primarily due to a significant rise in structured real estate problem loans, which nearly quadrupled from £8.6 million at the end of 2022 to £42.4 million at the end of 2023, and further increased to £52 million by December 2024. This increase was due to a single SRE non-performing counterparty. Additionally, there was a 44% year-over-year increase in HPP stage 3 loans, on the back of a shrinking loan book.

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 in the SRE portfolio. The average finance-to-value ratio for BTL-HPP and HPP are comfortably below the limit of 80%.

The retail business is mostly composed of Home Purchase Plans (HPPs) and Buy-to-Let Home Purchase Plan products (BTL-HPP), which adhere to Sharia principles. Unlike traditional mortgage lenders, ARB retains ownership of the property, with customers paying a rent, rather than the payment of interest by customers, which is forbidden under Sharia (Islamic law). We deem this feature as positive for ARB, given that customers cannot take a second-line mortgage on the property, as they themselves are not the legal owners. As of year-end 2024, ARB's total retail financing book was £619 million, equating to 29% of total financing assets, a reduction from 37% as of year-end 2023 (£698 million). However, this will decrease in line with the run off plans.

Exhibit 3
ARB's financing assets' breakdown
As of year-end 2024



Source: ARB's Annual report

Capitalisation is a credit strength and provides loss absorption

We view ARB's capital levels as solid and assign an a3 Capital score. ARB's tangible common equity (TCE) capital is composed by £216 million common equity. ARB's TCE to risk-weighted assets was 15.9% in 2024 and TCE leverage [2] was 7.34% as of 31 December 2024. 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 Sharia-compliant high-trigger AT1 capital in July 2019, the first by a bank in the UK, that boosts its Tier 1 ratio by 30bps.

Improving profitability, high cost to income ratio and funding costs

We view ARB's profitability as improving and assign a ba3 Profitability score that reflects the bank's improving profitability, cost to income ratio and relatively higher funding costs.

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. Due to rising rate environment and a shift towards its SRE portfolio which is more floating rate, the bank had seen an increase in its net income in 2023, and reported a ratio of net income to tangible banking assets of 0.9% from 0.6% in FY 2022. The ratio has stabilized to 0.6% reflecting growth in balance sheet but also higher returns payable driven by market deposit rates. ARB's net interest margin (NIM) came under pressure from 3.0% at the end of 2023 to 2.4% by the end of 2024 due to a rise in the bank's funding costs.

The bank's cost-to-income ratio was 58%, an increase from 53% at year-end 2023, remaining above that of UK bank averages. The underlying cost to income ratio has been historically high due to a mixture of the low interest rate environment in recent years and higher regulatory and compliance costs.

We expect ARB's profitability to stay at levels commensurate with its ba3 score as base rates are declining, while cost of funding is pressured by its persistently expensive retail deposits

Deposit based funding profile at a relatively high-cost base

We assign a baa3 market funds score to reflect 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 2024, ARB's limited external market funding increased to 5.16% of tangible banking assets (TBA) from 0.45% as of year-end 2023, which mainly consist of deposits from banks and financial institutions.

To support its funding profile, ARB offers very competitive retail profit rates on the best buy tables, attracting mainly retail deposits. Deposits from customers increased by 12% YoY to £2.4 billion at year-end 2024 (year-end 2023: £2.2 billion). However, this increases the overall cost of funding, reduces margins and strains profitability, and exposes the bank to less-stable funding sources.

ARB is predominantly funded via retail and SME deposits. In 2023, by making its savings products accessible via aggregators, ARB experienced a significant transition in customer preference from instant access accounts to term deposits which in 2024 represent 74% of its total deposits (2023: 72%).

Adequate levels of high-quality liquidity resources

Our assigned Liquid Resources score is baa3. Our overall assessment of ARB's liquidity profile reflects the adequate level of liquidity held by ARB to meet its short-term requirements. The bank's liquidity is largely made up of HQLA [3] from the Bank of England ALF and cash on demand and short-term commodity Murabaha and Wakala [4]) transactions equating to 24.09% of Tangible Banking Assets as of year-end 2024 (22.1% in 2023). ARB maintains surplus liquidity well in excess of regulatory requirements, as evidenced by its LCR of 746% as at 31 December 2024.

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+.

Qualitative adjustments

ARB's Financial Profile score of baa2 is subject to a negative one-notch downward qualitative adjustment for Corporate Behaviour, given the bank's relatively limited operating history, its evolving business model and transition risk as its changes its strategic direction.

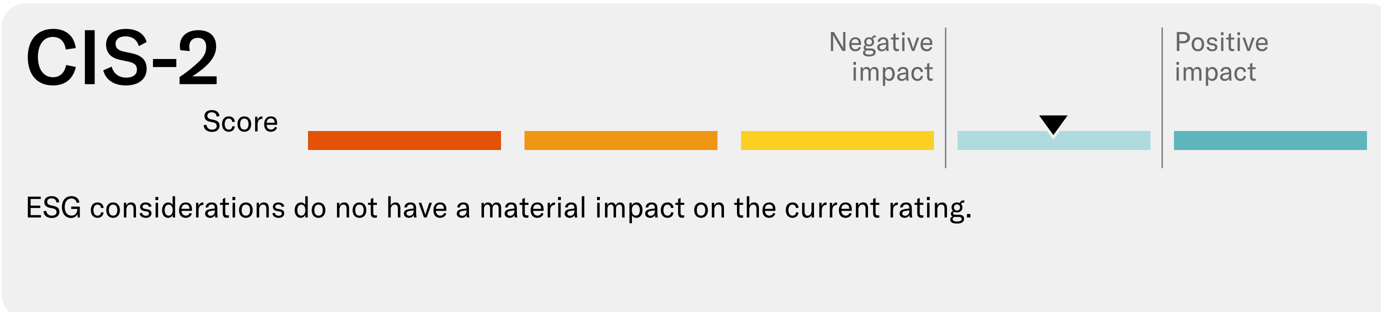
The rating is capped by close links between ARB and AlRayan Bank (Q.P.S.C)

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 AlRayan Bank (Q.P.S.C). ARB's BCA is currently positioned at the same level as the baa3 BCA of AlRayan Bank (Q.P.S.C). If ARB's financial profile were to improve AlRayan Bank (Q.P.S.C)'s BCA would be a constraint on ARB's BCA, due to the above mentioned interlinkages.

ESG considerations

Al Rayan Bank PLC's ESG credit impact score is CIS-2

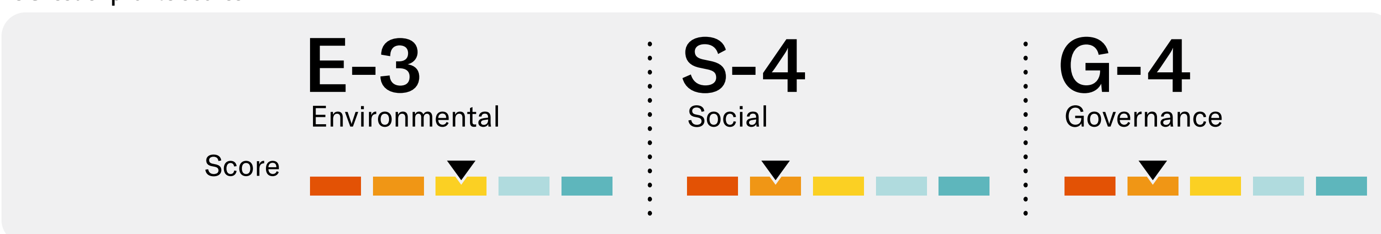
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

Al Rayan Bank (ARB)'s **CIS-2** reflects the fact that ARB's rating is constrained by its parent's rating, which neutralises the impact of ESG risk exposures. ARB's governance risks stem from the bank's evolving business model and recent track record. Environmental and social factors have a limited credit impact on the rating to date.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

ARB faces moderate environmental risks primarily because of its portfolio exposure to commercial property financing. In line with peers, commercial property financing elevates the bank's exposure to carbon transition risk, as compared to the bank's legacy residential property financing loan book, which Moody's regards as having limited exposure to carbon transition risks.

Social

ARB faces high social risks related to customer relations and associated regulatory risk, litigation exposure and high compliance standards, as well as data security and customer privacy. These risks are mitigated by the bank's developed policies and procedures and its sound IT framework.

Governance

ARB faces high governance risks reflecting the bank's evolving business model and recent track record. Following the regulatory investigation of ARB by the FCA in 2019 and its closure in 2022, risk management policies and procedures have improved to be more in line with industry best practices. The bank is also shifting its focus to private banking services to clients from GCC countries, running off its retail lending operations and focussing on commercial property finance. ARB is a subsidiary of Qatar's AlRayan Bank (Q.P.S.C.) and the QIA owns around 24.58% of ARB on a look-through basis. Because the bank is effectively controlled by AlRayan Bank (Q.P.S.C.) through its 73.74% shareholding (1.66% being minority shareholders), we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with the group, the parent's oversight of its subsidiary board and the regulated nature of both entities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

Given the strategic importance of ARB to its parent AlRayan Bank (Q.P.S.C), which allows GCC customers to have access to private banking services in the UK, we expect the probability of support from AlRayan Bank (Q.P.S.C) to be very high. The parent has representation on ARB's board and is active in the development of its forward-looking strategy. We position ARB's Adjusted BCA at the parent's BCA of baa3, which results in no uplift to ARB's assigned BCA.

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. 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 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 baa3, in line with the Adjusted BCA of baa3.

Government support

Our assumption of very high government support reflects (1) AlRayan Bank (Q.P.S.C)'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; and (3) the strong track record of the Qatari government preemptively supporting its banks in the past. This results in a four notches of uplift to the deposit ratings, in line with the support assumption incorporated in AlRayan Bank (Q.P.S.C)'s, a four notch uplift to the Counterparty Risk (CR) Assessment and a four notch uplift to the Counterparty Risk Ratings (CRRs).

We have a low expectation of support from the Government of the United Kingdom because of ARB's very small role domestically.

About Moody's Bank Scorecard

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 6

Rating Factors

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	3.8%	a3	↔	baa3	Loan growth	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.9%	aa3	↔	a3	Stress capital resilience	
Profitability						
Net Income / Tangible Assets	0.6%	baa2	↔	ba3	Earnings quality	Expected trend
Combined Solvency Score		a2		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	5.2%	aa3	↔	baa3	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	24.1%	baa1	↔	baa3	Expected trend	Access to committed facilities
Combined Liquidity Score		a2		baa3		
Financial Profile		a2		baa3		
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				baa3 - ba2		
Assigned BCA				baa3		
Affiliate Support notching				-		
Adjusted BCA				baa3		

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	307	10.8%	499	17.6%
Deposits	2,413	85.2%	2,244	79.2%
Preferred deposits	2,172	76.7%	2,063	72.8%
Junior deposits	241	8.5%	181	6.4%
Dated subordinated bank debt	25	0.9%	2	0.1%
Preference shares (bank)	3	0.1%	3	0.1%
Equity	85	3.0%	85	3.0%
Total Tangible Banking Assets	2,833	100.0%	2,833	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	9.6%	9.6%	9.6%	9.6%	1	1	1	1	0	baa2
Counterparty Risk Assessment	9.6%	9.6%	9.6%	9.6%	2	2	2	2	0	baa1 (cr)
Deposits	9.6%	3.2%	9.6%	3.2%	0	0	0	0	0	baa3

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	baa2	4	A1	A1
Counterparty Risk Assessment	2	0	baa1 (cr)	4	Aa3(cr)	
Deposits	0	0	baa3	4	A2	A2

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

Ratings

Exhibit 7

Category	Moody's Rating
AL RAYAN BANK PLC	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
PARENT: ALRAYAN BANK (Q.P.S.C)	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2
ST Issuer Rating	P-1

Source: Moody's Ratings

Endnotes

1 The bank ratings shown in this report are the bank's deposit rating and BCA.

2 defined as 'Tangible Common Equity / (Total Assets -Derivatives)'

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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