

QNBFS Alert – MARK 3Q2013 Net Income In Line with Estimates

- **In-line 3Q2013 results.** Masraf Al Rayan (MARK) reported a net income to shareholders of QR429.5mn vs. our estimate of QR430.2mn and Bloomberg consensus of QR420.8mn. On a QoQ basis the bottom-line is up 2.1%, QR420.6mn in 2Q2013. The growth came on the back of slight increase in income from financing and investing activities. MARK did not book any provisions in the quarter. Income from financing activities increased by 1.7% QoQ, while profit to investment account holders increased by 3.3%. Hence, net financing income only improved by 1.2% QoQ. On the other hand, income from investing activities grew by 5.3% QoQ helping the bottom-line grow by 2.1% QoQ.
- **Regional expansion is on the cards.** MARK has expressed its intention to buy a 40% stake in a Libyan bank. The acquisition will cost around QR1bn and is in line with our view that the bank will diversify within the MENA region for long-term growth potential. However, post the announcement there has been no significant update on this front.
- **We maintain our FY2013 estimates and price target to QR27.60.** We expect public sector loans to pick up in coming months. This, along with relatively tight lid on deposits rates, will help MARK to post a net profit of QR1.67bn in FY2013. On the DPS front, we maintain our cash DPS forecast of QR1.10 and 1.20 for 2013 and 2014, respectively.
- **Valuation and price performance:** MARK is trading at a P/E and P/B of 13.1x and 2.1x on our 2013 estimates, respectively. On a YTD basis, the stock is up 22.52% (total return) vs. the QE All Share Banks & Financial Services Index, which is also up 17.89%.

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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