

## MARK Alert –MARK Reports 4Q2022 Loss & Asset Quality Comes Under Severe Pressure

- **MARK's reports a loss in 4Q2022, missing our estimates due to lower-than-estimated revenue and higher-than-expected opex:** Masraf Al Rayan (MARK) reported a net loss of QR15.7mn in 4Q2022 vs. a profit of QR4.7mn in 4Q2021 and QR334.1mn in 3Q2022.
- **Provisions and impairments were on the high side but slightly lower vs. 4Q2021 (large increase vs. 3Q2022), which adversely impacted the bottom-line.** MARK booked provisions and impairments of QR620.3mn vs. QR674.7mn in 4Q2021 (QR428.1mn in 3Q2022). 2022 CoR increased to 127bps vs. 87bps in FY2021.
- **DPS was lower than our estimates.** The board announced a DPS of QR0.100 vs. QR0.170 in 2021 (our estimate was QR0.150). This translates into a yield of 3.3%.
- **Asset quality remained under heavy pressure; MARK has allocated significant allowances for loans losses to Stage 2 and Stage 3 loans.** The bank's NPLs surged by 279.6% YoY to QR7.3bn vs. QR1.9bn in FY2021. Moreover, MARK's NPL ratio moved up to 6.00% from 1.57% in FY2021. Stage 2 and Stage 3 ECLs surged YoY. Stage 3 ECLS moved from QR1.0bn in FY2021 to QR3.4bn. Stage 2 loans jumped by 66.4%, representing 24% of total loans. Coverage of Stage 3 loans decreased from 53% in FY2021 to 46% in FY2022, while coverage of Stage 2 loans increased from 4.5% to 13% during the same period.
- **Loans and deposits moved up sequentially but dropped YoY.** Net loans increased by 1.1% QoQ (-2.5% YoY) to QR117.9bn. Moreover, deposits gained by 4.3% sequentially (-9.0% YoY) to QR97.3bn.
- **Capitalization remained robust and one of the highest among its peers.** MARK ended FY2022 with a CET1/Tier-1 of 18.6%/19.5%.
- **Recommendation and valuation:** We will have to revise our rating and PT on the stock due to the uncertainty around CoR and NPLs. We will update our estimates post the company's earnings call.

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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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