

QNBFS Alert – MARK 1Q2013 Net Income Up 13.2% YoY

- **1Q2013 net income beats estimates on higher net interest income.** Masraf Al Rayan (MARK) reported a net profit of QR400mn for 1Q2013 vs. our estimate of QR372mn and Bloomberg consensus estimate of QR360mn. On a QoQ basis, net income was down 4.9% but on a YoY basis the bottom-line was up 13.2%. The bank improved its interest income by 7.6% QoQ despite a small increase of 1.2% in financing assets (loan book). Furthermore, the return to investment account holders dropped by 22.4% QoQ (20.8% YoY) despite a flat equity of investment account holders (URIA). So the net interest income went up by 26.6% QoQ and 33.3% YoY. The expansion in NIMs is somewhat unanticipated and we await further details from management.
- **We maintain our estimates and reiterate our price target of QR26.77.** We expect the bank to post EPS of QR2.14 and QR2.37 for 2013 and 2014, respectively. On the DPS front, we expect the bank to pay a cash DPS of QR1.10 and 1.20 for 2013 and 2014, respectively.
- **Valuation appears fair.** MARK is trading at a P/E and P/B of 11.6x and 1.8x on our 2013 estimates, respectively. On a YTD basis, the stock is up 3.5% (total return) vs. the QE All Share Banks & Financial Services Index, which is also up 3.3%.
- **Regional expansion is on the cards.** MARK has shown its intention to buy a 40% stake in a Libyan bank. The acquisition will cost around QR1bn and is in line with our expectation that the bank will diversify within the MENA region for long-term growth potential.

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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