

QNBFS Alert – MARK 2Q2013 Net Income Up 5.1% QoQ

- **In-line 2Q2013 results.** MARK reported a net income to shareholders of QR420.6mn vs. our estimate of QR417.3mn and Bloomberg consensus of QR418.8mn. The growth came on the back of lower provisions of QR0.031mn in 2Q2013 vs. QR26.2mn in 1Q2013. Income from financing activities increased by 0.7% QoQ, while profit to investment account holders declined by 7.1%. Hence, net financing income improved by 3.7% QoQ. The decline in financing cost could be an initial sign of net interest margins improving in 2H2013. However, income from investing activities declined by 3.7% QoQ to offset some of this benefit of improvement in net financing income.
- **Growth in loans has kept pace with growth in deposits thus far this year.** The loan book grew by 2.0% QoQ (+3.3 YTD) while deposits gained by 2.0% QoQ (3.2% YTD). Thus, the LDR has remained flattish at 95% since December 2012. Regarding the loan book, we believe the recent news of Barwa Real Estate Co. (BRES) selling ~QR26bn worth of real estate assets to Qatari Diar will not result in any unexpected loan repayments to MARK.
- **We maintain our estimates & our price target of QR26.77.** We have a Market Perform rating on MARK. We expect the bank to post EPS of QR2.14 and QR2.37 for 2013 and 2014, respectively. On the DPS front, we expect a cash DPS of QR1.10 and 1.20 for 2013 and 2014, respectively.
- **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.
- **Valuation appears fair.** MARK is trading at a P/E and P/B of 13.0x and 2.0x on our 2013 estimates, respectively. On a YTD basis, the stock is up 16.4% (total return) vs. the QE All Share Banks & Financial Services Index, which is also up 26.2%.

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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