

## MARK Alert – 4Q2021 Misses Estimates on Account of Large CoR

- **MARK's 4Q2021 earnings misses our estimate due to larger than estimated provisions:** Masraf Al Rayan (MARK) reported a net profit of QR4.39mn in 4Q2021, short of our estimate of QR623.09mn. The bottom-line dropped by 99.1% and 99.2% YoY/QoQ as a result of large provisions. On a positive note, total revenue increased by 4.8% and 9.2% on YoY/QoQ basis to QR919.9mn (in-line with our estimate of QR916.7mn).
- **Surge in net provisions and impairments adversely impacted the bottom-line.** MARK booked provisions and impairments of QR674.7mn vs. QR177.7mn in 4Q2020 (QR60.5mn in 3Q2021), which was the highest in its operating history.
- **Management proposes DPS, lower than our estimate but still an attractive yield.** MARK proposes DPS of QR0.170 (vs. our estimate of QR0.185), which was in-line with 2020. This translates into a decent yield of 3.4%.
- **Asset quality came under some pressure; asset quality remains manageable as MARK's main exposure is to the public sector.** The bank's NPLs surged by 109.1% YoY to QR2.05bn vs, QR1.29bn in 3Q2021. Moreover, MARK's NPL ratio moved up to 1.67% vs. 1.46% in 3Q2021 (1.13% in FY2020).
- **Capitalization remained robust and one of the highest among its peers.** MARK ended FY2021 with a CAR of 20.9% vs. 20.6% in FY2020.
- **Recommendation and valuation:** We maintain our PT of QR6.10 and Outperform rating. We continue to like MARK as the upcoming implementation of its FOL increase to 100% and its weight increase in MSCI/FTSE, should act as potential catalysts.

### Recommendations

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

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

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### Risk Ratings

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

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

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