

## MARK Alert – 1Q2022 Falls Short of Estimates Due to Large CoR; Net Operating Income In-Line

- **MARK's 1Q2022 earnings misses our estimate due to larger than estimated provisions; net operating income in-line:** Masraf Al Rayan (MARK) reported a net profit of QR506.2mn in 1Q2022, short of our estimate of QR624.2mn. The bottom-line dropped by 11.9% YoY as a result of large provisions (earnings sequentially surged due to base effect as MARK reported QR4.4mn in 4Q2021 driven by large provisions). On a positive note, net operating income increased by 7.8% and 14.4% on YoY/QoQ basis to QR802.6mn (in-line with our estimate of QR814.2mn).
- **Net interest & investment income and non-funded income displayed strong performance.** A YoY comparison would not make sense as 1Q2022 figures are consolidated, whereas 1Q2021 figures are pre-merger. For context, on a quarterly basis (4Q2021 was consolidated for the month of December), net interest & investment income grew by 15.5% to QR914.7mn; moreover, fees and f/x income increased by 10.0% and 27.1%, respectively.
- **Surge in net provisions and impairments adversely impacted the bottom-line.** MARK booked provisions and impairments of QR286.6mn vs. QR164.9mn in 1Q2021 (QR671.2mn in 4Q2021), which still remains one of the highest in its operating history. 1Q2022 annualized CoR increased to 87bps vs. 36bps in 1Q2021.
- **Asset quality came under some pressure; asset quality remains manageable as MARK's main exposure is to the public sector.** The bank's NPLs further surged by 37.1% YoY to QR2.81bn vs, QR2.05bn in FY2021. Moreover, MARK's NPL ratio moved up to 2.25% vs. 1.67% in FY2021 (1.13% in FY2020). Stage 3 ECLs increased by 37.6%. However, coverage of Stage 3 loan remains at 50% (Stage 3 loans highly collateralized)
- **Capitalization remained robust and one of the highest among its peers.** MARK ended 1Q2022 with a CET1/Tier-1 of 18.9%/19.8%.
- **Recommendation and valuation:** We maintain our PT of QR6.10 and Outperform rating.

Recommendations	
<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>	
<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%

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<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

**Saugata Sarkar, CFA, CAIA**  
 Head of Research  
 +974 4476 6534  
 saugata.sarkar@qnbfs.com.qa

**Shahan Keushgerian**  
 Senior Research Analyst  
 +974 4476 6509  
 shahan.keushgerian@qnbfs.com.qa

**DISCLAIMER:** This publication has been prepared by QNB Financial Services Co. WLL (“QNBFS”) a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. (“QNB”). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

**COPYRIGHT:** No part of this document may be reproduced without the explicit written permission of QNBFS.