

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QAR 24.8	Target Price	QAR 28.1
Implied Upside	13.5%		

2011 Earnings Review

- MARK upgraded to Accumulate from Market-Perform.** Masraf Al Rayan (MARK) is upgraded to Accumulate from Market-Perform driven by positive surprises on both net profit and balance sheet growth and the recent share price movement. MARK reported net profit of QAR1,408mn for 2011, 16.2% ahead YoY. Net profit was 4.7% higher than our expectation of QAR1,344mn and median Bloomberg consensus estimates of QAR1,345mn. Robust balance sheet growth was a positive surprise to our expectation, growing by 59.4% YoY. The bank declared a cash dividend of QAR0.5 per share for 2H2011, translating into a dividend yield of 2.0%.

Financial Results and Key Takeaways

- Net profit for MARK reached QAR1,408mn in 2011 from QAR1,211mn in 2010, a growth of 16.2% YoY. The bank declared a dividend of QAR1.1 per share for 2011. Unlike the 1H2011 QAR0.6 per share dividend paid towards uncalled share capital, the 2H2011 dividend of QAR0.5 per share will be a cash distribution to shareholders.
- Balance sheet growth of 59.4% YoY and 13.1% QoQ was a positive surprise to our estimates, led by strong loan portfolio growth during the quarter. Slower growth of net profit compared to balance sheet growth, resulted in a ROAA decline for 2011. ROAA declined from 4.1% at the end of 2010 to 3.1% at the end of 2011. However, ROAA still remains higher than 2.5%, 2.8% and 2.5% reported by Qatar Islamic Bank, Commercial Bank and Doha Bank, respectively for 2011.
- Financing activities recorded strong annual and quarterly growth rates. Financing activities grew 38.7% YoY and 21.0% QoQ. Strong growth of 21.0% during 4Q2011 was the highest since 4Q2008 when the financing portfolio increased 25.9% QoQ. Quarterly loan growth was driven by the public sector, including the Barzan Gas Project. We note public sector formed 42% of the total financing portfolio during 2010 for MARK. For the banking industry as a whole, public sector was the fastest growing loan segment increasing by 44.7% YoY and 20.2% in 4Q2011.
- Customer deposits grew 71.2% YoY and 15.6% for 4Q2011. Net financing to deposit ratio declined during 2011 to reach 75.1% from 92.8% in 2010. A liquid balance sheet would enable faster growth of the financing portfolio and could assist in increasing the net financing margin.

Key Data:

Bloomberg ticker	MARK QD
ADR/GDR ticker	N/A
Reuters ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector	Financials
52wk high/52wk low (QAR)	28.5/19.3
3-m average volume ('000)	1,418.4
Mkt. cap. (USDbn/QARbn)	5.1/18.6
Shares outstanding (mn)	750.0
FOL* (%)	49
FOL* (mn)	367.5
1 year total return (%)	24
Fiscal year end	Dec 31

Source: Bloomberg as of January 30, 2012, *Qatar Exchange

Broker Recommendations

Recommendation	Number
Buy	2
Hold	3
Sell	1

Source: Bloomberg

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Key Financial Data

QAR mn	Actual		Estimated		Actual vs. estimated
	2011	YoY Change	2011e	YoY Change	
Net Profit	1,408	16.2%	1,344	11.0%	4.7%
Total Assets	55,271	59.4%	51,447	48.3%	7.4%
Financing Activities	34,766	38.7%	30,928	23.4%	12.4%
Customer Deposits	46,264	71.2%	41,789	54.7%	10.7%

Source: Company Data, QNBFS Estimates