

Al Rajhi Bank (RJHI)

Date: 27-Apr-22

Recommendation:

Accumulate

Target Price (TP), SAR:

157

Dated:

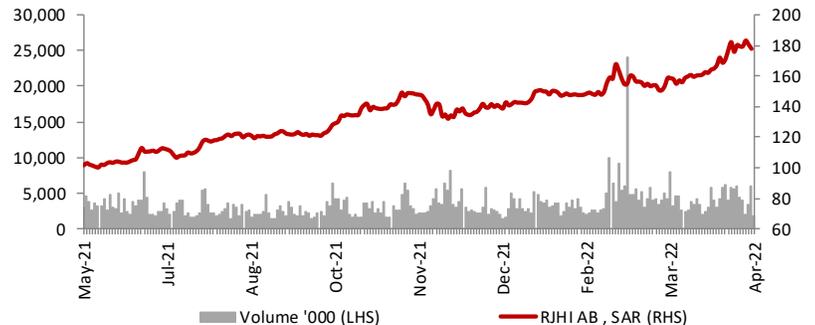
16-Dec-21

Upside / (Downside):

-12%

Analyst: Ayisha Zia

Bloomberg Ticker	RJHI AB
Close Price (SAR)	178
52wk High / Low (SAR)	185.4/97.2
12m Average Vol. (000)	3,512.5
Mkt. Cap. (USD/SAR mn)	120,504 / 445,500
Shares Outstanding (mn)	2,500.0
Free Float (%)	90%
3m Avg Daily Turnover (mn)	723.5
6m Avg Daily Turnover (mn)	599.1
P/E'22e (x)	19.4
P/B'22e (x)	4.4
Dividend Yield '22e (%)	2.1%
Price Perf. (1m/3m) (%)	12.1 / 20.6



Net profit beat our estimate by 8% despite weak net Islamic financing income

The bank's net Islamic financing income grew 12%YoY but was flat QoQ in Q22 at SAR 5.3bn, missing our estimate by 6%. Its net profit beat our estimate by 8%YoY likely on lower than expected opex or net ECL charges.

Profit before Zakat and Income tax grew 24%YoY and 3%QoQ, beating our estimate by 8%

As per the bank, its net income increased due to an increase in total operating income by 17% caused by an increase in net financing and investment income, fees from banking services, other operating income, and exchange income. In contrast, the total operating expenses increased by 5.3% due to an increase in salaries and employees' related benefits, depreciation expenses, and other general and administrative expenses. In addition, there was an increase in impairment charge for financing from SAR 577 million to SAR 578 million by 0.2%.

Net Islamic finance assets beat our estimate by 9%YoY while customer deposits were in line with our estimates

Net Islamic financing grew 36%YoY and 7%QoQ, while customer deposits grew 21%YoY and fell 1%QoQ. Financing to Deposit Ratio rose to 95% from 88% a quarter ago and is much higher than a year ago, when it was 84.5%.

Income Statement									
(SAR bn)	1Q21	2Q21	3Q21	4Q21	1Q22e	1Q22e	YoY (%)	QoQ (%)	Var (%)
Net Islamic finance income	4.8	5.1	5.2	5.4	5.3	5.7	12%	0%	-6%
PBT	3.7	4.0	4.2	4.5	4.6	4.3	24%	3%	8%
Tax	-0.4	-0.4	-0.4	-0.5	-0.5	-0.4	24%	3%	8%
Net profit	3.3	3.6	3.8	4.0	4.1	3.8	24%	3%	8%
Balance Sheet									
(SAR bn)	1Q21	2Q21	3Q21	4Q21	1Q22e	1Q22e	YoY (%)	QoQ (%)	Var (%)
Assets	512	546	583	624	658	626	28%	5%	5%
Shareholders' Equity	59	60	64	67	78	71	32%	16%	10%
Net Islamic Financing	356	390	421	453	485	446	36%	7%	9%
Customers' Deposits & Islamic Invest	421	448	478	512	508	520	21%	-1%	-2%
Key Ratios									
	1Q21	2Q21	3Q21	4Q21	1Q22e	1Q22e			
Financing to Customer Deposits	84.5%	87.2%	88.0%	88.4%	95.4%	85.8%			
ROaE	22.7%	24.3%	24.6%	30.6%	23.7%	23.8%			
BVPS (SAR)	23.69	23.87	25.45	26.92	31.34	24.65			
TTM P/E (x)					28.7				
P/BV (x)					5.7				

Source: Bloomberg, Tadawul Disclosure, U Capital Research

For our earlier report on the bank, please [click here](#).

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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