

Al Rajhi Bank (RJHI) -3Q22 Result Review

Date: 23-Oct-22

Recommendation:

Accumulate

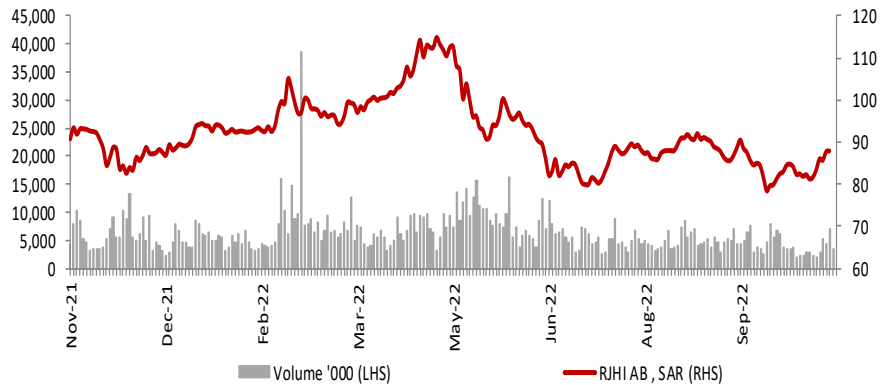
Target Price (TP), SAR: **98.1**

Dated: **16-Dec-21**

Upside / (Downside): **12%**

Analyst: Avisha Zia

Bloomberg Ticker	RJHI AB
Close Price (SAR)	88
52wk High / Low (SAR)	117.4/78.5
12m Average Vol. (000)	6,118.9
Mkt. Cap. (USD/SAR mn)	93,540 / 351,600
Shares Outstanding (mn)	4,000.0
Free Float (%)	90%
3m Avg Daily Turnover (mn)	402.2
6m Avg Daily Turnover (mn)	551.7
P/E'22e (x)	19.1
P/B'22e (x)	3.7
Dividend Yield '22e (%)	2.1%
Price Perf. (1m/3m) (%)	4 / -1.2



Net profit for 3Q22 in line with our estimate

The bank's net Islamic financing income grew 9%YoY and 2%QoQ in 3Q22 at SAR 5.7bn, largely in line with our estimate. Its net profit is also in line with our estimate for the quarter, at SAR 4.2bn, up 12%YoY but down 1%QoQ.

Profit before Zakat and Income tax grew 15%YoY and 3%QoQ, in line with our estimate

As per the bank, its net income increased due to an increase in total operating income by 9%YoY 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 including impairment charges increased by 0.14% due to an increase in salaries and employees' related benefits, and depreciation expense, while there was a decrease in other general and administrative expenses. In addition, there was a decrease in impairment charge for financing from SAR 594 million to SAR 490 million by 17.51%.

Net Islamic finance assets in line with our estimate for 3Q22; deposit growth disappointed slightly

Net Islamic financing grew 32%YoY and 7%QoQ, while customer deposits grew 16%YoY and 1%QoQ. Financing to Deposit Ratio rose to 100% from 94% a quarter ago and is much higher than a year ago, when it was 88%.

Income Statement													
(SAR bn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)	9M21	9M22	YoY (%)	
Net Islamic finance income	5.2	5.4	5.3	5.6	5.7	6.0	9%	2%	-5%	15.0	16.6	10%	
PBT	4.2	4.5	4.6	4.7	4.9	4.9	15%	3%	-1%	12.0	14.2	19%	
Tax	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	22%	8%	4%	-1.2	-1.5	21%	
Net profit	3.8	4.0	4.1	4.3	4.4	4.4	15%	2%	-2%	10.7	12.7	19%	
Balance Sheet													
(SAR bn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)				
Assets	583	624	658	710	741	754	27%	4%	-2%				
Shareholders' Equity	64	67	72	75	86	80	35%	14%	8%				
Net Islamic Financing	421	453	485	520	557	553	32%	7%	1%				
Customers' Deposits & Islamic Invest	478	512	508	553	556	594	16%	1%	-6%				
Key Ratios													
	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e							
Financing to Customer Deposits	88.0%	88.4%	95.4%	94.0%	100.3%	93.0%							
ROaE	24.6%	24.5%	23.8%	23.1%	23.9%	22.7%							
BVPS (SAR)	15.91	16.83	17.96	18.85	21.53	20.30							
TTM P/E (x)							21.0						
P/BV (x)							4.1						

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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