

AL RAJHI BANK



EVENT FLASH

Strong top-line growth drives profitability

Al Rajhi posted strong net income growth of 13.8% YoY for 4Q11, in line with consensus, but slightly below our estimate. Strong growth in its loan book, moderate NSCI growth and strong non-interest income improved its bottom-line for 4Q11.

- **Net sp. comm. income:** 4Q11 came in at SR2,294mn vs NCBC estimate of SR2,155mn. 4Q11 was an increase of 3.4% YoY (SR2,219mn in 4Q10).
- **Total operating income:** 4Q11 came in at SR3,323mn vs. NCBC estimate of SR3,040mn. 4Q11 was an increase of 16.0% YoY (SR2,864mn in 4Q10).
- **Net Income:** 4Q11 came in at SR1,899mn, slightly below NCBC estimate of SR1,947mn. 4Q11 was an increase of 13.8% YoY (SR1,668mn in 4Q10).
- In summary, Al Rajhi's net income grew significantly by 13.8% YoY to SR1,899mn, in line with consensus of SR1,891mn but slightly below our estimate of SR1,947mn. We attribute the strong growth in net income to strong top-line performance.
- Al Rajhi's net financing grew significantly by 16.3% YoY, one of the fastest in the industry. This enabled the bank to grow its NSCI by 3.4% YoY and 5.0% QoQ. We estimate that Al Rajhi's NIMs increased slightly by 14bps QoQ.
- Non-interest income remained strong with 59.5% YoY growth. This is mainly due to increased trading on Tadawul and expanding banking activities. Consequently, the top-line grew 16% YoY and 9.3% above our expectations.
- The total operating expenses, including provisions, increased 19.1%, resulting in 13.8% growth in net income. We estimate that Al Rajhi reported a 17% YoY increase in provisions to SR528mn.
- The BoD recommended cash dividends of SR2/share for 2H11, higher than our estimate of SR1.2/share. This together with the 1H11 dividend results in a total dividend of SR3.25/share.
- We are currently Overweight on the stock with a PT of SR82.9. Al Rajhi's large pool of demand deposits puts it in an advantageous position in terms of generating high NIMs and growing NSCI. The 4Q11 performance supports our positive view on the stock.

4Q11 Results Summary

SR mn	4Q11A	4Q10A	% Y O Y	4Q11E	% VAR [^]
Net spcomm income	2,294	2,219	3.4	2,155	6.4
Non-interest income	1,029	* 645	59.5	885	16.3
Total operating income	3,323	2,864	16.0	3,040	9.3
Net income	1,899	1,668	13.8	1,947	(2.5)
Loans (bn)	140	120	16.3	137	2.1
Deposits (bn)	173	143	20.9	169	2.4
Investments (bn)	39.0	28.9	35.0	40.4	(3.6)
Assets (bn)	221	185	19.6	213	3.7
EPS (SR)	1.27	1.11	13.8	1.30	(2.5)

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts * Restated from SR715mn

Please refer to the last page for important disclaimer

OVERWEIGHT

Target price (SR) 82.9

Current price (SR) 71.5

STOCK DETAILS

M52-week range H/L (SR)	82.5/65.8
Market cap (\$mn)	28,600
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	4.8	3.6	(13.1)
Rel. to market	2.9	(0.3)	(7.2)

Avg daily turnover (mn)	SR	US\$
3M	64.3	17.1
12M	83.8	22.4

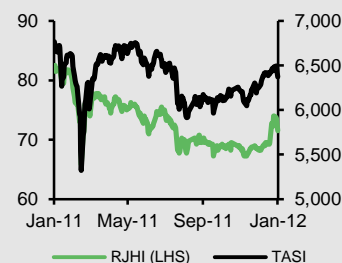
Reuters code	1120.SE
Bloomberg code	RJHIAB
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VALUATION MULTIPLES

	10A	11E	12E
P/E (x)	17.8	16.2	14.3
P/BV (x)	3.9	3.5	3.3
P/ABV (x)	3.8	3.4	3.1
Div Yield (%)	4.9	4.2	5.5

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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