



WEALTH MANAGEMENT

GCC EQUITIES

BANKING

Q2 2012 Results Review

Recommendation

BUY

CMP (SAR) (10/7/2012) : 73.00

TARGET PRICE (SAR): 85.00

EXPECTED RETURN (%): 16%

STOCK DATA

MCAP (SAR'million)	109,500
52 WEEK HIGH (SAR)	83.25
52 WEEK LOW (SAR)	65.00

QUARTERLY NET PROFIT

SAR'mn	2011	2012
Q1	1,700	2,011
Q2	1,843	2,093
Q3	1,936	1,960 (e)
Q4	1,899	1,976 (e)

ANALYST

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AL RAJHI BANK (SSE: 1120)

Strong growth in non-financing income drives top line growth of 12.3% YoY in Q2 2012 and supports a 13.6% YoY growth in net income. Loan book trend continues to remain strong at 4.0% QoQ.

KEY HIGHLIGHTS

- Al Rajhi Bank reported a net profit of SAR 2.09 billion in Q2 2012, growing 13.6% YoY. Total operating income grew 12.3% YoY to SAR 3.43 billion, driven by a 40.4% YoY growth in non-financing income, while net special commission income rose 3.1% YoY to SAR 2.34 billion.
- Net interest spread appears to have declined around 14 basis points during the quarter, after remaining fairly stable in Q1 2012. Loan growth during the quarter remained healthy growing 4.0% QoQ and 23.4% YoY, while deposits remained flat sequentially but registered an 11.8% YoY growth.
- Total operating income remained flat on a QoQ basis as net special commission income rose a marginal 0.7% sequentially, while non-financing income declined 1.5% QoQ. This suggests that the 4.1% QoQ improvement in net income has likely come from lower operating expenses and credit provisions.
- Credit growth in Saudi Arabia continues to remain strong, as the government executes its planned SAR 690 billion of spending this year. Credit growth has been 7.6% YTD till May 2012, while deposits have grown 3.3% YTD during the same period.
- The bank also announced its decision to pay H1 2012 dividends of SAR 1.25 per share, with a record date of 16 July 2012 for shareholders to be eligible to receive the dividend.
- The stock currently trades at 2.8x its FY 2012 (E) book value per share and 13.6x its FY 2012 (E) earnings per share. Pending detailed financials, we maintain our fair value estimate for the stock at SAR 85, offering a 16% upside from current levels. Downside risks include an unexpected slowdown in economic activity, stronger than expected competition in the retail segment or an unexpected rise in credit provisions.

KEY FINANCIAL HIGHLIGHTS			
(SAR'million)	2010	2011	2012 (E)
Operating Income	11,661	12,502	13,470
Operating Profit	8,680	9,023	9,793
Net Profit	6,771	7,378	8,040
EPS (SAR)	4.51	4.92	5.36
P/E (x)	-	-	13.6
BVPS (SAR)	20.21	22.38	25.74
P/BV (x)	-	-	2.8
DPS (SAR)	3.00	3.25	3.55
Dividend Yield (%)	-	4.4%	4.8%
ROAE (%)	22.9%	23.1%	22.2%
ROAA (%)	3.8%	3.6%	3.6%

Source: Company disclosure, FINCORP Investment Research

Q2 2012 RESULT HIGHLIGHTS					
(SAR'million)	Q2 2012	Q2 2011	Q1 2012	YoY (%)	QoQ (%)
Operating Income	3,427	3,051	3,427	12.3%	0.0%
Net Profit	2,093	1,843	2,011	13.6%	4.1%
EPS (SAR)	1.40	1.23	1.34	13.6%	4.1%
Net Financing Book	158,000	127,810	151,842	23.4%	4.0%
Customer Deposits	186,000	166,397	186,094	11.8%	0.0%

Source: Company disclosure, FINCORP Investment Research

RESEARCH

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BROKERAGE

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