

Report Date: 14-May-25

Arab Jordan Investment Bank

ASE: AJIB

Quarter Earnings: 31/03/2025

Annual Earnings: 31/12/2024



Price as of 13-May-25

JD 1.27/Share

RATING:



Initiated Coverage 13/03/2024

We recommend **HOLDING** AJIB's stock as there may be more appealing stocks within the industry that, in our view, offer higher risk-adjusted returns. This assessment is grounded in our analysis of four critical factors influencing common stock performance: **(1)** relative valuation, **(2)** earnings strength, **(3)** financial stability, and **(4)** price movement.

Target Price

JD 1.28

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	06/04/2025 JD 1.23- JD 1.35	JD 190.5 M	7.87%	JD 0.10 / share
Founded: 1978		Shares Outstanding: 150.0 M		Employees: 858		Volume(3m): 16.168 K		Ex-DIV Date: Mar 23, 25
P/BV: 0.89x		Forward P/E: 10.59x		Volatility(annual): 24.5%		Public Float: 30.0 M		Sector: Banking

Arab Jordan Investment Bank ("AJIB" or the "Bank"), a publicly listed Jordanian financial institution headquartered in Amman, Jordan, offers a wide range of banking services to individuals, small and medium-sized enterprises (SMEs), and corporations. Established in 1978, AJIB operates through various segments, including individual accounts, institutions and corporate, treasury, and institutional financing. The Bank provides diverse financial products and services such as deposit accounts, lending facilities, online banking, wealth management, trade finance, investment banking, and more. During 2023, the Banks acquired Standard Chartered Bank's operations in Jordan, with efforts to expand its market presence in Jordan, following previous acquisitions of HSBC's banking operations in 2014 and the National Bank of Kuwait's operations in 2022.

Recommendation Summary

UFICO maintains a **HOLD** recommendation on AJIB, based on a systematic analysis of four key characteristics mentioned above. The Bank delivered modest earnings growth in Q1 2025. While profitability metrics are stable, they remain moderate relative to peers. With a solid dividend yield of 7.87% and a relatively low P/BV of 0.89x, the valuation appears fair. However, subdued earnings growth and the neutral technical outlook suggest limited near-term upside. Investors are advised to hold current positions and monitor for a breakout above key resistance before considering additional exposure. However, UFICO adopts a neutral stance on the Bank's future outlook, emphasizing the need for market participants to closely monitor upcoming quarterly results for further insights to guide investment decisions.

Relative Valuation



AJIB's stock seems to be **fairly priced** in terms of its P/E ratio, but **overvalued** with respect to the banking industry in terms of its P/BV ratio. Its dividend yield **exceeded** the banking industry average.

Earnings Strength



The Bank delivered modest earnings growth in Q1 2025, with net income rising 0.63% and net interest income increasing 9.39%, supported by a healthy NIM of 2.32%.

Financial Stability



While AJIB exhibits strong operational efficiency and solid capital adequacy, its low Credit/Deposit and CASA ratios, along with insufficient provisioning, suggest areas that require improvement to enhance profitability and risk resilience.

Price Movement



The stock is rated **Neutral** at its current 14-week RSI and a **Sell** at its 200-Day Moving Average.

Major Risks & Rewards

- **Dividend Income:** AJIB has a strong track record of consistently distributing dividends, making it an attractive option for income-focused investors.
- **Regulatory Oversight:** AJIB operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including AJIB's stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks** AJIB faces potential challenges regarding credit quality, stemming from the risk of borrowers defaulting on loans or failing to meet credit obligations. Economic downturns and changes in market conditions could increase these risks.
- **Regulatory Risks:** AJIB faces risks associated with changes in banking regulations and compliance requirements, influencing its operations and financial performance.
- **Interest Rate Risk:** fluctuations in interest rates can impact the profitability of AJIB and its stock price.
- **Liquidity Risk:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling AJIB's shares without impacting the stock's price and may face higher transaction costs as a result.

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Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	NIM	Credit/ Deposits
		13/5/2025	13/5/2025	(TTM)	(Forward)	(MRQ)	(TTM)	(TTM)	(TTM)	(MRQ)
AJIB	Arab Jordan Investment Bank	JD 1.27	190,500	JD 0.030	10.59x	0.89x	7.87%	8.23%	2.32%	47.36%
ABCO	Arab Banking Corporation	JD 0.69	75,900	JD 0.028	29.07x	0.45x	0.00%	1.57%	2.48%	84.77%
JCBK	JORDAN COMMERCIAL BANK	JD 0.94	112,800	JD 0.005	51.23x	0.65x	6.38%	1.27%	3.29%	73.03%
INVB	INVEST BANK	JD 1.59	198,750	JD 0.059	6.73x	0.79x	6.29%	11.88%	2.65%	87.71%
CABK	CAIRO AMMAN BANK	JD 1.10	220,000	JD 0.037	7.49x	0.46x	5.45%	6.15%	3.19%	89.69%
AHLI	JORDAN AHLI BANK	JD 1.00	200,655	JD 0.030	8.34x	0.62x	8.00%	7.32%	2.91%	75.32%
Peer Group Weighted Average					15.65x	0.61x	6.53%	6.74%	2.94%	82.85%
Sector Weighted Average (excluding AJIB)					7.50x	0.69x	6.81%	10.58%	3.07%	70.91%
Sector Median					8.18x	0.66x	6.38%	9.74%	2.89%	73.03%

* In JD thousands

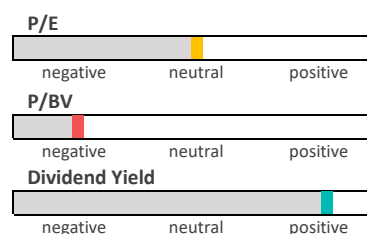
Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	1.86%	1.93%	2.17%	2.05%	2.22%	2.32%
Dividend/Share (JD)	0.10	0.10	0.10	0.10	-	-
Earnings/Share (JD)	0.110	0.120	0.120	0.107	0.030	0.030
Return on Equity	8.1%	8.6%	8.6%	7.3%	8.39%	8.23%

Relative Valuation is NEUTRAL

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
13/5/2025	13/5/2025	(TTM)	(Forward)	(MRQ)	(MRQ)	(2024)	13/5/2025
JD 1.27	JD 190,500.0	JD 0.03	10.59x	JD 1.43	0.89x	JD 0.10	7.87%

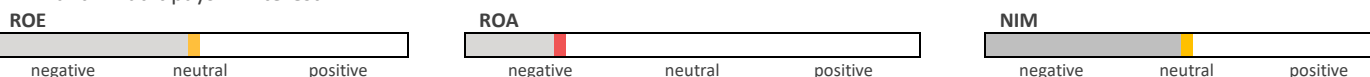
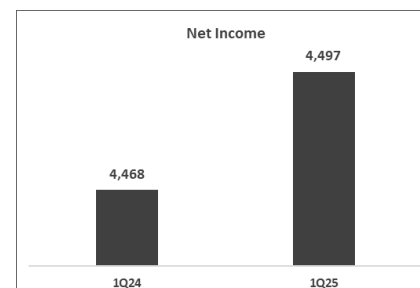
- **P/E vs Industry:** suggests that AJIB is undervalued compared to its peers, but overvalued compared to the weighted average and median P/E for the banking sector in Jordan.
- **P/BV vs. Industry:** suggests that AJIB is overvalued compared to its peers, the weighted average and median P/BV for the banking sector in Jordan.
- **Dividend Yield** AJIB offers a relatively high dividend yield compared to both peers and the sector, making it attractive to income-focused investors.



Earning Strength is NEUTRAL

1Q25 Results	Net Interest Income	Net Income	NIM	ROE	ROA
(TTM)	JD 14.71 (+9.39%)	JD 4.50 M (+0.63%)	2.32%	8.23%	0.71%

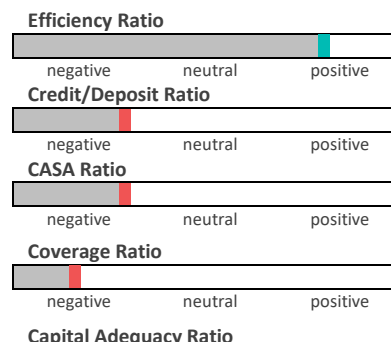
- **Return on Equity** is lower than that achieved in Q1 2024 and the banking sector's weighted average, indicating reduced efficiency in generating profits for shareholders' equity.
- **Return on Assets** falling below the industry average of approximately 1%, indicates inefficiencies in how the Bank utilizes its assets to generate profits.
- **Net Interest Margin (NIM)** is higher than Q1 2024, and the past 4 years on an annualized basis, but still below sector averages, suggesting that the Bank is effectively managing its interest-bearing assets and liabilities, resulting in a positive spread between what it earns and what it pays in interest.



Operations Indicators is NEUTRAL

1Q25 Results	Efficiency	Credit/Deposit	CASA	Coverage	CAR	Leverage
(MRQ)	30.82%	47.36%	NA	50.50%	16.60%	NA

- **Efficiency Ratio** demonstrates optimal operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.
- **Credit/Deposit Ratio:** is exceptionally low, suggesting a conservative approach to lending or underutilization of available deposits, which could limit revenue growth opportunities.
- **CASA Ratio** is not available for Q1 25, but was 29.88% at the end of 2024, which is below average, indicating a relatively small proportion of low-cost current and savings accounts in the deposit base, potentially leading to higher funding costs. Typically, a CASA ratio above 45-50% is viewed favorably for banks.



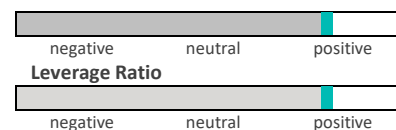
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- **Coverage Ratio** is also below the ideal threshold of 100%, suggesting that the Bank may not be adequately provisioned against potential NPLs, posing a risk to earnings stability. This figure represents the provisions set aside as a percentage of stage 3 loans, which is considered very low.
- **Capital Adequacy Ratio:** AJIB reported a CAR of 16.60% at the end of 2024, demonstrating a strong capital cushion that aligns with the regulatory requirements set forth by the Central Bank of Jordan.
- **Leverage Ratio** is not available for Q1 2025, but the Bank recorded 7.61% at the end of 2024, which indicates a relatively conservative capital structure, providing flexibility for future growth but also implying lower returns due to a high reliance on equity. A higher leverage ratio implies a lower level of financial risk.



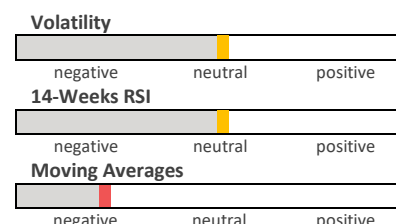
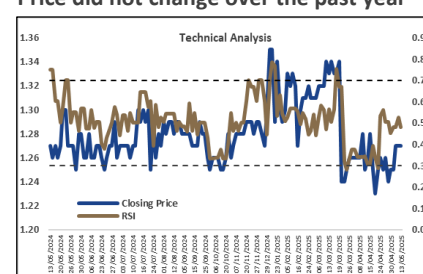
Price Movement is **NEUTRAL**

Annual Volatility: +/- 24.5% 14-Weeks RSI: 45.62 200-Day MA: 1.285

- **Volatility** indicates that AJIB's stock price has historically experienced swings, leaning more on the high end.
- **14-Weeks RSI:** observed over a 14-week period, suggesting that the stock is approaching oversold territory but has not yet reached levels that typically signal a strong buying opportunity. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** The stock is currently trading below its 200-Day MA, which indicates a **Sell** signal.

AJIB is currently trading slightly below its 200-day MA, which now acts as a key resistance level. The 14-week RSI places the stock in neutral territory, neither oversold nor overbought. This suggests that momentum is currently balanced, with no strong directional bias. On the downside, support levels are observed at JD 1.25 and JD 1.23, with JD 1.30 and JD 1.35 serving as psychological and technical resistance levels, respectively. The proximity of the price to the 200-day MA implies that a decisive break above this level—particularly if accompanied by increased volume—could signal the start of a short-term bullish trend. However, until such confirmation is seen, the technical outlook remains neutral, and the stock is best rated a **Hold**, with a cautious accumulation strategy considered for medium- to long-term investors.

Price did not change over the past year



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	Significantly Unsatisfactory

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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