

Report Date: 30-Dec-24

JORDAN COMMERCIAL BANK

ASE: JCBK

End of Day Share Price: 22/12/2024 | Earnings: 30/09/2024

RATING:



Initiated Coverage 13/03/2024

We recommend **Hold**ing JCBK as it is considered fairly valued at its current stock price. 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 1.00

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	JD 0.89- JD 1.05	JD 117.6 M	6.12%	JD 0.06 / share

Founded: 1977	Shares Outstanding: 120.0 M	Employees: 694	Volume(3m): 21.7 K	Ex-DIV Date: Apr 16, 24
P/BV: 0.69x	Forward P/E: 11.19x	Volatility(annual): 30.0%	Public Float: 6.5 M	Sector: Banking

Jordan Commercial Bank ("JCBK" or the "Bank"), established in 1977 and headquartered in Amman, operates 36 branches across Jordan, offering tailored financial solutions to corporate, retail, and investment clients. Following a major restructuring in 2004, the Bank has focused on enhancing its services and distribution channels to meet diverse customer needs.

In 2024, JCBK signed a lease and project development agreement with Vision Amman for Investment to expand operations in Abdoun's Banks Quarter, strengthening its market presence and accessibility to customers.

Recommendation Summary

UFICO's **HOLD** recommendation on JCBK is based on a systematic analysis of four key characteristics mentioned above. JCBK's stock demonstrates low earnings growth and displays a low ROE. Market participants are encouraged to diligently track upcoming quarterly results for further insights to facilitate well-informed decisions.

Relative Valuation



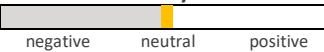
JCBK's pricing appears to be **fairly Priced** in terms of both its P/E and P/BV ratios compared to banking sector. The Bank's dividend yield of 6.12% is **slightly below** the industry average.

Earnings Strength



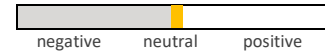
The Bank's ROA and ROE have slightly lagged behind investor expectations and industry benchmarks.

Financial Stability



JCBK recorded a CAR of 13.69%. In accordance with CBJ regulations, the minimum CAR is set at 12%, with the best category requiring an average CAR of 14% or higher.

Price Movement



At its current 14-week RSI, the stock is rated as a Hold, while showcasing a buy signal based on its 200-Day Moving Average.

Major Risks & Rewards

- **Dividend Income:** JCBK has not distributed dividends since 2009; however, it resumed dividend payments in 2023, rendering it an appealing option for income seeking investors.
- **Regulatory Oversight:** JCBK operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including JCBK stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks:** JCBK could face 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 exacerbate these risks.
- **Regulatory Risks:** JCBK faces risks associated with changes in banking regulations and compliance requirements, influencing its operations and financial performance.
- **Interest Rate Risks:** Fluctuations in interest rates can impact the profitability of JCBK, influencing stock prices.
- **Liquidity Risks:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling JCBK shares without impacting the stock's price, and may face higher transaction costs as a result.

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Price as of 22-Dec-24

JD 0.97/Share
Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	NIM	Credit/Deposits
		22/12/2024	22/12/2024	(Q3)	(Forward)	(MRQ)	(TTM)	(Forward)	(Forward)	(TTM)
JCBK	Jordan Commercial Bank	JD 0.98	117,600	JD 0.09	11.19x	0.69x	6.12%	6.20%	3.27%	77.13%
AJIB	Arab Jordan Investment Bank	JD 1.29	193,500	JD 0.10	13.10x	0.89x	7.75%	6.78%	2.13%	48.51%
ABCO	Arab Banking Corporation	JD 0.62	68,200	JD 0.04	17.11x	0.41x	4.84%	2.41%	2.61%	86.43%
INVB	Invest Bank	JD 1.49	186,250	JD 0.23	6.61x	0.86x	5.37%	13.24%	2.93%	87.37%
Peer Group Weighted Average					11.01x	0.80x	5.99%	8.80%	2.54%	70.44%
Sector Weighted Average (excluding JCBK)					7.10x	0.69x	6.71%	10.41%	2.95%	70.17%
Sector Median					11.04x	0.72x	7.26%	9.29%	2.93%	72.32%

* In JD thousands

Past Performance

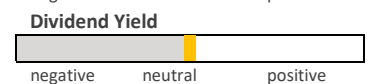
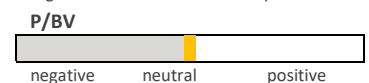
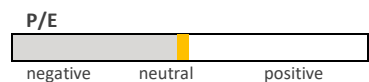
	2020	2021	2022	2023	2024*
Net Interest Margin	2.45%	2.56%	2.94%	3.52%	3.27%
Dividend/Share (JD)	-	-	0.05	0.06	NA
Earnings/Share (JD)	0.004	0.058	0.095	0.096	0.088
Return on Equity	0.4%	4.9%	7.3%	6.9%	6.2%

* annualized Q3 2024 results

Relative Valuation is NEUTRAL

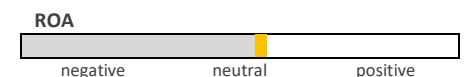
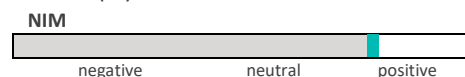
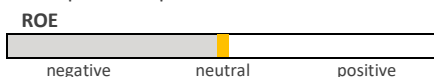
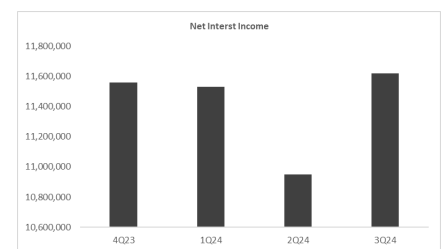
Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
22/12/2024	22/12/2024	(Q3)	(Forward)	(MRQ)	(MRQ)	(TTM)	(TTM)
JD 0.98	JD 117,600,000	JD 0.088	11.19x	JD 1.4	0.69x	JD 0.06	6.12%

- **P/E vs Industry:** of 11.19x suggests that JCBK is fairly priced compared to its industry peers and the sector median, but overvalued compared to the weighted average P/E for the banking sector in Jordan.
- **P/BV vs. Industry:** of 0.69x suggests that JCBK is potentially undervalued compared to its industry peers and the sector median, but fairly priced compared to the weighted average P/BV for the banking sector in Jordan.
- **Dividend Yield** of 6.12% is slightly lower than the industry average.


Earning Strength is NEUTRAL

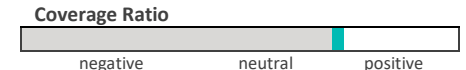
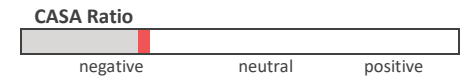
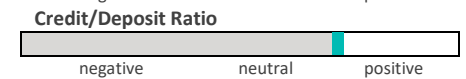
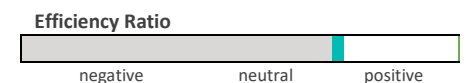
3Q24 Results	Net Interest Income (YoY)	Net Income (YoY)	NIM	ROE	ROA
	JD 34.0 M (-7.10%)	JD 7.8 M (+9.85%)	3.27%	6.20%	0.76%

- **Return on Equity** of 6.20% is considered low when compared to the weighted average and median ROE for the banking sector in Jordan.
- **Return on Assets:** of 0.76% is slightly lower than the industry norm of about 1.0%, implying that the Bank is ineffectively in utilizing its assets to generate profit.
- **Net Interest Margin (NIM)** of 3.27% is considered healthy for banks. It suggests 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

3Q24 Results (MRQ)	Efficiency	Credit/Deposit	CASA	Coverage	CAR	Leverage
	37.65%	77.13%	34.33%	87.25%	13.69%	11.50%

- **Efficiency Ratio** of 37.65% demonstrates optimal operational efficiency, as an efficiency ratio of 55% or lower is considered ideal.
- **Credit/Deposit Ratio:** of 77.13%, indicates that a significant portion of the Bank's deposits are being utilized for lending efficiently. Typically, the ideal loan-to-deposit ratio ranges between 75% to 90%.
- **CASA Ratio** of 34.33% represents the portion of low-cost and stable funds compared to the Bank's total deposits base. This suggests that only a small proportion of the Bank's

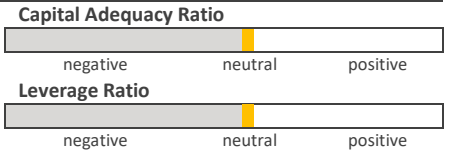


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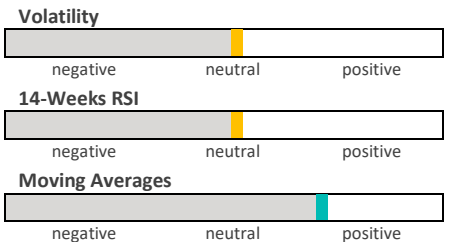
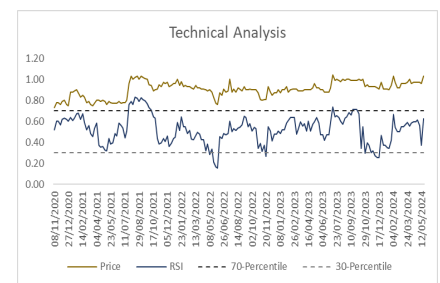
deposits are in the form of current and savings accounts. Typically, a CASA ratio above 45-50% is viewed favorably for banks.

- **Coverage Ratio** of 87.25% indicates a robust buffer against potential credit losses. This figure represents the provisions set aside as a percentage of stage 3 loans, which is considered conservative.
- **Capital Adequacy Ratio:** In accordance with CBJ regulations, the minimum CAR is set at 12%, with the best category requiring an average CAR of 14% or higher. JCBK reported a CAR of 13.69%, indicating an acceptable capital buffer.
- **Leverage Ratio** of 11.50% indicates that JCBK operates with acceptable level of risk evident by its leverage ratio that is in line with the banking sector average. A higher leverage ratio implies a lower level of financial risk.


Price Movement is NEUTRAL
Annual Volatility: +/- 30.0% **14-Weeks RSI: 64.5** **200-Day MA: 0.94**

- **Volatility** of 30.0% suggests that JCBK's stock price has exhibited high fluctuations, indicating high level of risk.
- **14-Weeks RSI:** is 64.5, observed over a 14-week period, indicates that the price is entering the overbought area which may cause a reversal in the short run, which may indicate a **SELL** signal. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** The stock is trading above the 200-Day MA indicating a **BUY** signal. As, crossing above the 200-Day MA is often seen as a technical indicator of a potential uptrend in the stock's price.

Over the past few months, the stock has been consolidating between JD 0.90 and JD 1.00, indicating a lack of strong directional momentum. The JD 0.90 level has acted as a solid support, while JD 1.00 has been a key resistance, limiting further upside potential. The recent move suggests renewed buying interest, and a break above JD 1.00 could signal a bullish breakout.

Price up 6.52% over the past year


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Price as of 22-Dec-24
JD 0.97/Share

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 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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