

**Report Date: 29-Mar-25**
**JORDAN ISLAMIC BANK**
**ASE: JOIB**
**Earnings: 31/12/2024**
**Price as of 25-Mar-25**
**JD 4.26 Share**
**RATING:**

*Initiated Coverage 13/03/2024*

We recommend Holding JOIB 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 4.30**

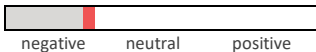
Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Dividend	
1	2	3	4	5	20/12/2024	JD 3.90- JD 4.42	JD 852.0M	5.87%	JD 0.25 / share

<b>Founded:</b> 1978	<b>Shares Outstanding:</b> 200 M	<b>Employees:</b> 2,445	<b>Volume(3m):</b> 112.97 K	<b>Ex-DIV Date:</b> Apr 29, 25
<b>P/BV:</b> 1.52x	<b>Forward P/E:</b> 12.89x	<b>Volatility(annual):</b> 9.41%	<b>Public Float:</b> 327.1 M	<b>Sector:</b> Banking

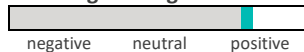
Jordan Islamic Bank ("JOIB" or the "Bank"), established in 1978, is a publicly listed financial institution headquartered in Amman, Jordan, and a subsidiary of Al Baraka Banking Group B.S.C., a leading entity in the Islamic finance industry. JOIB provides a comprehensive range of Sharia-compliant financial services, including personal and corporate finance, as well as investment solutions, serving a diverse clientele of individuals, SMEs, and large corporations both locally and internationally.

**Recommendation Summary**

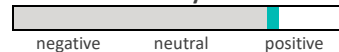
UFICO's **HOLD** recommendation on JOIB is based on a systematic analysis of four key characteristics mentioned above. JOIB's stock demonstrates strong earnings growth and a high return on equity, highlighting its solid financial performance. However, its dividend yield falls below the sector average, and valuation metrics, including P/E and P/BV multiples, suggest the stock is overvalued compared to peers. Given these factors, we recommend a Hold position while closely monitoring upcoming quarterly results for further insights and potential adjustments to the investment outlook.

**Relative Valuation**


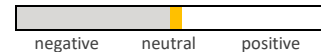
JOIB's pricing appears to be **overvalued** in terms of both its P/E, and P/BV ratios. The Bank's dividend yield of 5.87% is **below** the sector average.

**Earnings Strength**


The net interest margin has reached 2.38%, a level typically viewed as strong and healthy for the banking industry.

**Financial Stability**


JOIB recorded a CAR of 20.40%, signaling a strong capital buffer in compliance with regulatory standards.

**Price Movement**


At its current 14-week RSI the stock is rated as **Neutral**, but at its 200-Day Moving Average, the stock is rated a **Buy**.

**Major Risks & Rewards**

- **Dividend Income:** JOIB has a strong track record of consistently distributing dividends, making it an attractive stock for income-focused investors.
- **Regulatory Oversight:** JOIB operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including JOIB stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Awards:** In 2024, the Bank was recognized by World Finance for its achievements, winning awards for Best Islamic Bank in Jordan and Best Corporate Governance, reinforcing its leading position in the Islamic finance sector.
- **Profit Sharing Risk:** Islamic banking structures like Mudarabah expose the Bank to the risk of reduced or no profits if the business ventures underperform, resulting in a potential loss of investment or reduced profitability due to the Bank's role as a partner rather than a creditor.
- **Credit Quality Risks** JOIB 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:** JOIB faces risks associated with changes in banking and Sharia regulations and compliance requirements, influencing its operations and financial performance.
- **Interest Rate Risks:** Fluctuations in interest rates can impact the profitability of JOIB, influencing stock prices.
- **Market Risk:** Exposure to fluctuations in asset prices, commodity prices, or foreign exchange rates in financing might result in volatility in earnings and capital.

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**Peers Group Comparison**

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	NIM	Credit/Deposits
		25/3/2025	25/3/2025	2024	(Current)	(MRQ)	(TTM)	(2024)	(2024)	(MRQ)
JOIB	Jordan Islamic Bank	JD 4.26	852,000	JD 0.331	12.89x	1.52x	5.87%	12.06%	1.91%	80.70%
SIBK	Safwa Islamic Bank	JD 2.20	264,000	JD 0.169	13.05x	1.26x	0.00%	10.14%	2.74%	59.44%
THBK	The Housing Bank For Trade & Finance	JD 3.78	1,190,700	JD 0.468	8.08x	0.89x	7.94%	11.28%	4.24%	75.44%
CAPL	Capital Bank Of Jordan	JD 1.97	518,183	JD 0.410	4.80x	0.72x	7.61%	15.62%	2.65%	58.33%
UBSI	Bank Al Etihad	JD 1.68	336,000	JD 0.217	7.76x	0.68x	5.95%	8.09%	3.00%	71.22%
JOKB	Jordan Kuwait Bank	JD 2.68	402,000	JD 0.782	3.43x	0.57x	4.48%	17.74%	2.55%	50.37%
<b>Peer Group Weighted Average</b>					<b>7.21x</b>	<b>0.82x</b>	<b>6.50%</b>	<b>12.56%</b>	<b>3.30%</b>	<b>66.37%</b>
<b>Sector Weighted Average (excluding JOIB)</b>					<b>7.16x</b>	<b>0.62x</b>	<b>6.87%</b>	<b>9.95%</b>	<b>3.21%</b>	<b>70.00%</b>
<b>Sector Median</b>					<b>10.24x</b>	<b>0.69x</b>	<b>7.55%</b>	<b>8.09%</b>	<b>2.86%</b>	<b>71.36%</b>

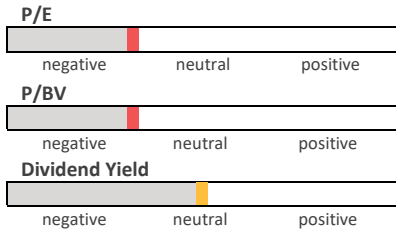
*\* In JD thousands*
**Past Performance**

	2020	2021	2022	2023	2024
Dividend/Share (JD)	0.12	0.25	0.25	0.22	0.25
Earnings/Share (JD)	0.260	0.300	0.310	0.311	0.331
Return on Equity	10.9%	11.6%	11.7%	11.7%	12.1%

**Relative Valuation is NEGATIVE**

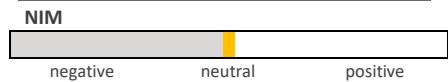
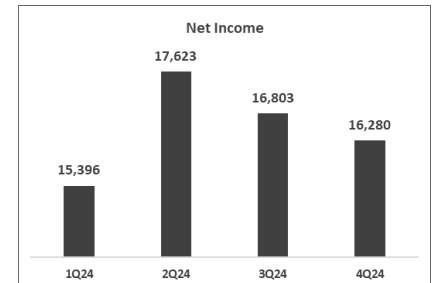
Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
25/3/2025	25/3/2025	(2024)	(Current)	(MRQ)	(MRQ)	(2024)	25/3/2025
JD 4.26	JD 852.0 M	JD 0.331	12.89x	JD 2.81	1.52x	JD 0.25	5.87%

- **P/E vs Industry:** suggests that JOIB is overvalued compared to the banking sector's weighted average and median P/E and its peers.
- **P/BV vs. Industry:** suggests that JOIB is overvalued compared to the banking sector's weighted average and median P/BV and its peers.
- **Dividend Yield** of 5.87% is below the banking industry average.


**Earning Strength is POSITIVE**

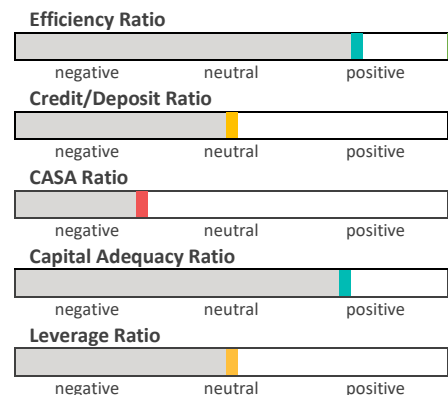
4Q24 Results	Net Interest Income (YoY)	Net Income (YoY)	NIM	ROE	ROA
	JD 139.0M (+4.03%)	JD 66.10M (+6.10%)	1.91%	12.06%	1.13%

- **Return on Equity** indicates excellent profitability for shareholders exceeding the banking sector's average.
- **Return on Assets:** surpasses the industry norm of about 1.0%, implying that the Bank effectively utilizes its assets to generate profits.
- **Net Interest Margin (NIM)** of 1.91% is modest for a bank but relatively typical for Islamic banks due to their profit-sharing models rather than interest-based lending.


**Operations Indicators is POSITIVE**

4Q24 Results	Efficiency	Credit/Deposits	CASA	CAR	Leverage
	20.67%	80.70%	18.35%	20.40%	8.15%

- **Efficiency Ratio** of 20.67% demonstrates optimal operational efficiency, as an efficiency ratio of 40% or lower is considered ideal.
- **Credit/Deposit Ratio:** of 80.70%, indicates aggressive lending. Typically, the ideal loan-to-deposit ratio for Islamic banks is around 60% to 80%.
- **CASA Ratio** of 18.35% represents the portion of low-cost and stable funds compared to the Bank's total deposits base. This suggests over-reliance on term deposits, which may increase funding costs. Typically, a CASA ratio above 45-50% is viewed favorably for banks.
- **Capital Adequacy Ratio:** CAR of 20.40%, showcasing strong capitalization and prudential management that surpasses the requirements set forth by the Central Bank of Jordan (CBJ).



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- **Leverage Ratio** of 8.15% indicates that JOIB operates with acceptable level of risk evident by its leverage ratio that is in line with the banking sector. For Islamic banks, maintaining a ratio above 6% is usually considered healthy. Given JOIB's strong CAR, it could potentially use more leverage to increase returns.

### Price Movement is **NEUTRAL**

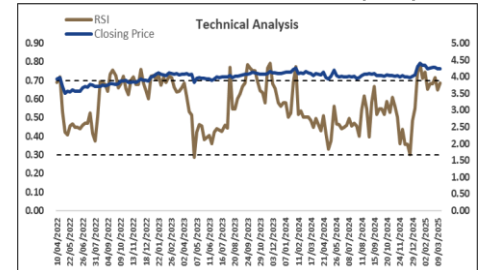
Annual Volatility: +/- 9.41%      14-Weeks RSI: 58.63      200-Day MA: 4.09

- **Volatility** suggests that JOIB's stock has experienced minimum price fluctuations, reflecting a lower level of risk.
- **14-Weeks RSI**: is 58.63, observed over a 14-week period, suggests a **moderate bullish sentiment**, though not yet overbought, which provides potential room for further upside. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages**: is 4.09. The stock currently trades above the 200-Day MA signaling a **Buy** signal. If the stock can surpass the 200-Day MA, it could gain upward momentum.

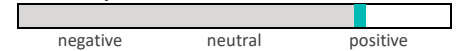
JOIB's stock is currently in a consolidation phase, trading within a defined range. The immediate resistance at JD 4.35 is crucial. A break above this level with strong volume would confirm bullish momentum, targeting the next resistance at JD 4.50. On the downside, support at JD 4.10, which aligns with the 200-day MA, is expected to provide strong support. Breaching this level could signal weakness and lead to a decline towards the psychological support at JD 4.00. Monitoring these key levels and accompanying volume changes will be crucial for anticipating future price movements.

- **Short-Term Traders**: Consider accumulating on dips near the support at JD 4.10 and taking profits near JD 4.35 or JD 4.50.
- **Long-Term Investors**: Maintain holdings as long as the stock stays above **JD 4.09**.
- **Aggressive Buyers**: Enter if the stock breaks and sustains above **JD 4.35** with high volume, aiming for a target of **JD 4.50** or higher.

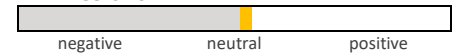
### Stock Price UP 4.16% over the past year



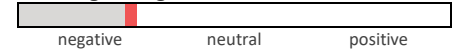
#### Volatility



#### 14-Weeks RSI



#### Moving Averages



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1	2	3	4	5	<b>Strong Buy</b>	Significantly Satisfactory
1	2	3	4	5	<b>Buy</b>	Satisfactory
1	2	3	4	5	<b>Hold</b>	Average
1	2	3	4	5	<b>Sell</b>	Unsatisfactory
1	2	3	4	5	<b>Strong Sell</b>	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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