

Report Date: 8-May-25

ARAB BANK

ASE: ARBK

Quarter: 31/3/2025

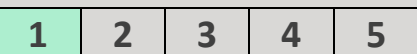
Annual Earnings: 31/12/2024



Price as of 8-May-25

JD 4.58 Share

RATING:



Initiated Coverage 13/03/2024

We recommend Buying ARBK as it is deemed attractive when considering the stock returns on a risk-adjusted basis. 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 6.00

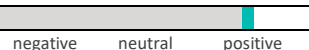
Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	29/3/2025 JD 4.18- JD 5.09	JD 2,934.9 M	8.73%	JD 0.40 / share
Founded: 1930					Shares Outstanding: 640.8 M	Employees: 3,594	Volume(3m): 154.403 K	Ex-DIV Date: Apr 3, 25
P/BV: 0.39x					Forward P/E: 3.95x	Volatility(annual): 13.74%	Public Float: 327.1 M	Sector: Banking

Arab Bank ("ARBK" or the "Bank"), headquartered in Amman, Jordan, is one of the largest Arab banking networks, with over 600 branches spanning five continents. The Bank offers a comprehensive suite of financial services across consumer, corporate, and institutional banking, as well as treasury operations, with a presence in major financial hubs like London, Dubai, Singapore, and Sydney. ARBK's diversified structure includes subsidiaries such as Europe Arab Bank Plc and Arab Bank Australia Limited, as well as strategic affiliations with Arab National Bank and Turkland Bank.

Recommendation Summary

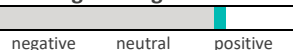
UFICO's **Strong BUY** recommendation on ARBK is based on a systematic analysis of four key characteristics mentioned above. ARBK demonstrates strong earnings growth, a competitive return on equity, and attractive valuation metrics, including a favorable P/BV ratio and high NIM. Additionally, the Bank's appealing dividend yield and superior performance relative to peers further support its investment case. Despite this positive outlook, market participants are encouraged to diligently track upcoming quarterly results for further insights to facilitate well-informed decisions.

Relative Valuation



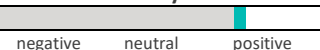
ARBK's pricing appears to be **undervalued** in terms of both its P/E and P/BV ratios. The Bank's dividend yield **exceeds** the banking sector average.

Earnings Strength



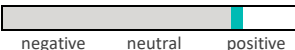
ARBK delivered a 7.2% increase in net income in Q1 2025, despite a slight dip in net interest income. Its strong NIM and healthy ROE reflect effective balance sheet management and solid underlying profitability.

Financial Stability



ARBK maintained strong financial stability between Q1 24 and Q1 25, with slight improvements in efficiency and leverage ratios. However, minor declines in credit-to-deposit, CASA, coverage, and capital adequacy ratios suggest a marginal softening in funding quality, credit protection, and capital buffers, though all metrics remain comfortably strong and within acceptable levels.

Price Movement



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

Major Risks & Rewards

- **Dividend Income:** ARBK has a strong track record of consistently distributing dividends, making it an attractive stock for income-focused investors.
- **Regulatory Oversight:** ARBK operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including ARBK stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks** ARBK 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:** ARBK 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 ARBK, influencing stock prices.
- **Currency Risk:** ARBK multinational operations expose it to currency risk, where fluctuations in exchange rates can impact its financial performance, cash flows, and overall competitiveness across different countries.
- **Bond Coupon Payments:** Elevated funding cost given the declining interest rates, can pressure net interest margins and profitability, particularly if the Bank cannot generate adequate returns on the raised funds.
- **Geopolitical Tension:** The Bank has a significant presence in Palestine. Given the dynamic geopolitical and economic environment in the region, the Bank's activities in Palestine are subject to various risks and opportunities that can influence its financial performance. Stakeholders should consider these factors when evaluating the Bank.

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JD 4.58 Share

Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	NIM	Credit/Deposits
		8/5/2025	8/5/2025	(TTM)	(Forward)	(MRQ)	(TTM)	(TTM)	(TTM)	(MRQ)
ARBK	Arab Bank	JD 4.58	2,934,864	JD 0.290	3.95x	0.39x	8.73%	9.74%	2.92%	70.50%
THBK	The Housing Bank for Trade & Finance	JD 3.83	1,206,450	JD 0.125	7.63x	0.87x	7.83%	11.57%	4.14%	78.88%
JOIB	Jordan Islamic Bank	JD 4.09	818,000	JD 0.082	12.54x	1.41x	6.11%	11.44%	2.27%	78.03%
CAPL	Capital Bank of Jordan	JD 1.90	499,771	JD 0.125	3.81x	0.66x	7.89%	17.73%	2.89%	59.77%
BOJX	Bank of Jordan	JD 2.20	440,000	JD 0.067	8.18x	0.87x	8.18%	10.40%	4.39%	66.70%
JOKB	Jordan Kuwait Bank	JD 2.75	412,500	JD 0.171	4.03x	0.56x	4.36%	14.23%	2.79%	49.41%
Peer Group Weighted Average					7.89x	0.93x	6.88%	12.62%	3.37%	70.66%
Sector Weighted Average (excluding ARBK)					9.35x	0.88x	6.77%	11.08%	3.13%	70.84%
Sector Median					8.14x	0.67x	6.41%	8.57%	2.88%	73.03%

* In JD thousands

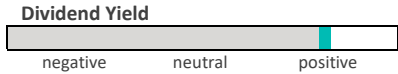
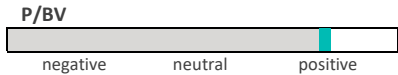
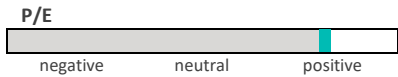
Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	2.28%	2.47%	3.07%	3.08%	3.14%	2.92%
Dividend/Share (JD)	0.20	0.25	0.30	0.40	-	-
Earnings/Share (JD)	0.326	0.560	0.886	1.072	0.270	0.290
Return on Equity	3.2%	5.3%	8.2%	9.3%	9.7%	9.7%

Relative Valuation is POSITIVE

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
8/5/2025	8/5/2025	(TTM)	(Forward)	(MRQ)	(MRQ)	(2024)	8/5/2025
JD 4.58	JD 2,934.9 M	JD 0.29	3.95x	JD 11.87	0.39x	JD 0.40	8.73%

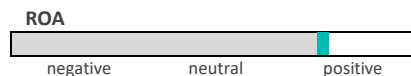
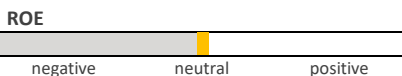
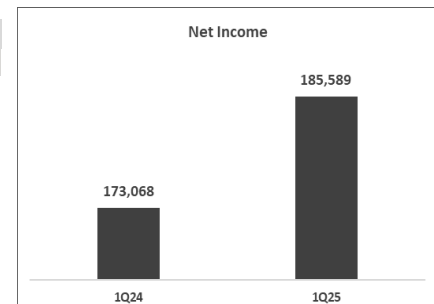
- P/E vs Industry:** suggests that ARBK is undervalued compared to the weighted average and median P/E for the banking sector in Jordan.
- P/BV vs. Industry:** suggests that ARBK is undervalued compared to the weighted average and median P/BV for the banking sector in Jordan.
- Dividend Yield** exceeds the banking sector average.



Earning Strength is POSITIVE

1Q25 Results	Net Interest Income	Net Income	NIM	ROE	ROA
(TTM)	JD 372.8 M (-2.12%)	JD 185.6 M (+7.23%)	2.92%	9.74%	1.46%

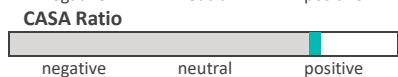
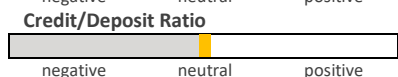
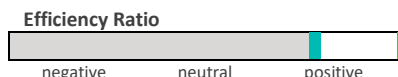
- Return on Equity** indicates favorable profitability for shareholders, but it's below the industry average of 11.08%.
- Return on Assets:** surpasses the industry norm of about 1.0%, implying that the Bank effectively utilizes its assets to generate profits.
- Net Interest Margin (NIM)** is considered very healthy for banks, although slightly lower than Q1 2024. 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 POSITIVE

1Q25 Results	Efficiency	Credit/Deposits	CASA	Coverage	CAR	Leverage
(MRQ)	35.72%	69.49%	49.31%	96.26%	17.19%	15.02%

- Efficiency Ratio** demonstrates optimal operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.
- Credit/Deposit Ratio:** suggests balanced lending activity without excessive risk. This level indicates the Bank is effectively utilizing its deposit base to generate income while maintaining sufficient liquidity. Typically, the ideal loan-to-deposit ratio ranges between 75% to 90%.

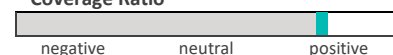
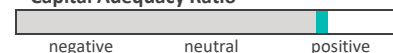
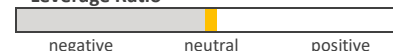


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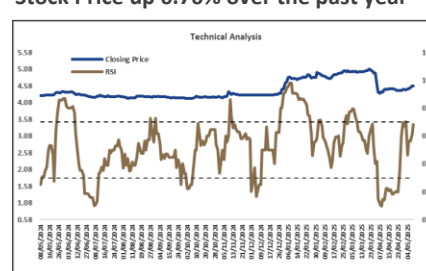
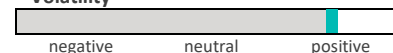
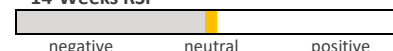
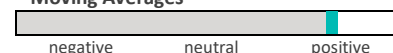
- **CASA Ratio** is very strong indicating a healthy deposit mix. It represents the portion of low-cost and stable funds compared to the Bank's total deposits base. This suggests that a large proportion of the Bank's deposits are in the form of current and savings accounts. Typically, a CASA ratio above 45% is viewed favorably for banks.
- **Coverage Ratio** indicates a strong 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:** ARBK reported a CAR of 17.19% by the end of Q1 2025, showcasing a strong capital buffer that surpasses the requirements set forth by the Central Bank of Jordan.
- **Leverage Ratio** indicates that ARBK operates with an acceptable level of risk. For banks, it is generally better to have a lower leverage ratio, as it demonstrates a strong capital foundation and better risk management.

Coverage Ratio

Capital Adequacy Ratio

Leverage Ratio

Price Movement is POSITIVE
Annual Volatility: +/- 13.74%
14-Weeks RSI: 47.852
200-Day MA: 4.49

- **Volatility** is moderate, suggesting relatively stable price movements.
- **14-Weeks RSI:** observed over a 14-week period is neutral, indicating no clear overbought or oversold conditions. This suggests the stock is currently consolidating or awaiting a directional catalyst. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** The stock currently trades above its 200-Day MA which indicates a **Buy** signal, suggesting that the stock is in a long-term uptrend or at least recovering from previous lows.

ARBK technical outlook remains constructive, with the stock currently trading slightly above its 200-day MA, a positive signal indicating sustained long-term momentum. The 14-week RSI suggests neutral market sentiment with no immediate signs of overbought or oversold conditions. Annualized volatility reflects relatively stable price movements, positioning ARBK as a lower-risk investment within the regional banking sector. Immediate resistance is identified at the JD 4.65–JD 4.68 range, with a major psychological and technical resistance level at JD 4.75–JD 4.80. A successful close above JD 4.68 on strong volume would validate a bullish breakout, with upside potential toward JD 5.00. Key support levels are established at JD 4.50 and JD 4.35 for stronger downside protection. Given the Bank's solid fundamentals, strong dividend profile, and regional expansion strategy, a gradual accumulation strategy is recommended on pullbacks toward the JD 4.50–JD 4.58 range, with a stop-loss set slightly below JD 4.48 to preserve capital.

Overall, ARBK presents an attractive opportunity for investors seeking stable returns with moderate capital appreciation potential.

Stock Price up 6.76% over the past year

Volatility

14-Weeks RSI

Moving Averages


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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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