

Report Date: 29-Dec-24

Bank of Jordan

ASE: BOJX

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

RATING:



Initiated Coverage 13/03/2024

We recommend **Buying BOJX** 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 2.34

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	26/09/2024 JD 2.06- JD 2.36	JD 438.0 M	8.22%	JD 0.18 / share

Founded: 1960	Shares Outstanding: 200.0 M	Employees: 3,913	Volume(3m): 299.3 K	Ex-DIV Date: Mar 26, 24
P/BV: 0.85x	Forward P/E: 11.04x	Volatility(annual): 14.0%	Public Float: 62.94 M	Sector: Banking

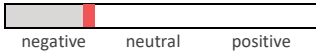
Founded in 1960 and headquartered in Amman, **Bank of Jordan** ("BOJX" or the "Bank"), is a publicly listed financial institution offering comprehensive banking services to individuals, corporations, and institutions. With a strong regional presence through 18 branches in Palestine, and additional branches in Bahrain and Iraq, BOJX complements its physical network with advanced electronic channels. The Bank also owns subsidiaries providing brokerage and leasing services and holds a 49% stake in Bank of Jordan-Syria.

BOJX's growth is underpinned by strategic management, technology investments, and a commitment to service excellence, while its focus on partnerships and community initiatives positions it for sustained development.

Recommendation Summary

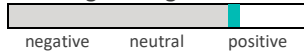
UFICO's **BUY** recommendation on BOJX is based on a systematic analysis of four key characteristics mentioned above. While BOJX exhibits strong earnings growth, a high return on equity, and an attractive dividend yield of 8.22%, the stock appears overvalued in terms of both its P/E and P/BV ratios compared to industry benchmarks. Investors are encouraged to monitor upcoming quarterly results for additional insights, reinforcing the case for potential long-term value creation.

Relative Valuation



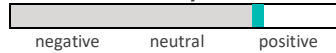
BOJX's pricing appears to be **overvalued** in terms of both its **P/E ratio** and **P/BV ratio** compared to its peers. However, the Bank's **dividend yield of 8.22%**, which exceeds the banking industry average, provides some compensation for the elevated valuation, making it an appealing option for income-focused investors.

Earnings Strength



Projected earnings growth is expected to remain strong, supported by a solid **net interest margin of 4.40%**, which is considered high and reflects exceptional profitability within the banking industry.

Financial Stability



BOJX recorded the highest CAR of 21.96% within the banking sector in Jordan, signaling a strong capital buffer in compliance with regulatory standards.

Price Movement



At its current 14-week RSI and 200-Day Moving Average, the stock is rated a **NEUTRAL**.

Major Risks & Rewards

- **Dividend Income:** BOJX has a strong track record of consistently distributing dividends, making it an attractive option for income-focused investors.
- **Regulatory Oversight:** BOJX operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including BOJX stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks:** BOJX 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:** BOJX 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 BOJX, influencing stock prices.
- **Liquidity Risks:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling BOJX 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 2.19/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)
BOJX	Bank Of Jordan	JD 2.19	438,000	JD 0.198	11.04x	0.85x	8.22%	7.64%	4.40%	64.38%
UBSI	Bank Al Etihad	JD 1.70	340,000	JD 0.254	6.71x	0.70x	5.88%	9.82%	2.94%	72.32%
CAPL	Capital Bank Of Jordan	JD 1.87	491,879	JD 0.361	5.19x	0.72x	8.02%	14.12%	2.68%	60.23%
JOKB	Jordan Kuwait Bank	JD 2.82	423,000	JD 0.773	3.65x	0.62x	2.84%	17.82%	2.53%	48.35%
Peer Group Weighted Average					5.08x	0.68x	5.58%	14.20%	2.70%	59.50%
Sector Weighted Average (excluding BOJX)					6.92x	0.68x	6.53%	10.52%	3.12%	70.65%
Sector Median					11.19x	0.70x	6.53%	9.29%	2.93%	72.69%

* In JD thousands

Past Performance

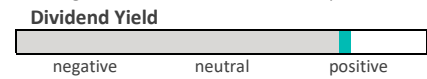
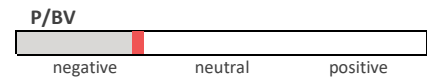
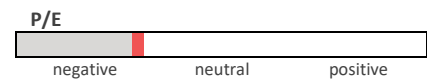
	2020	2021	2022	2023	2024*
Net Interest Margin	3.98%	3.97%	4.10%	4.55%	4.40%
Dividend/Share (JD)	0.18	0.12	0.18	0.18	NA
Earnings/Share (JD)	0.179	0.180	0.201	0.219	0.198
Return on Equity	8.2%	7.8%	8.0%	8.4%	7.6%

* annualized Q2 2024 results

Relative Valuation is **NEGATIVE**

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
22/12/2024	22/12/2024	(Q3)	(Forward)	(MRQ)	(MRQ)	(2023)	(TTM)
JD 2.19	JD 438,000,000	JD 0.198	11.04x	JD 2.6	0.85x	JD 0.18	8.22%

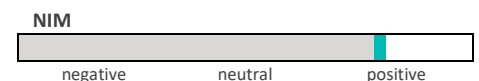
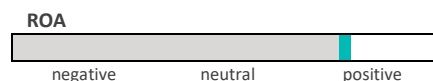
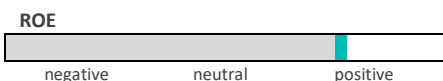
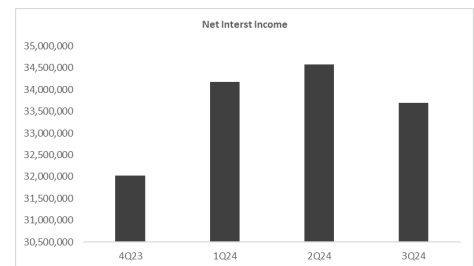
- **P/E vs Industry:** suggests that BOJX is overvalued compared to its peers and the weighted average for the banking sector in Jordan, but fairly valued compared to the median P/E of the banking sector.
- **P/BV vs. Industry:** suggests that BOJX is overvalued compared to its peers and both the weighted average P/BV and median for the banking sector in Jordan.
- **Dividend Yield** is above the industry average.



Earning Strength is **POSITIVE**

3Q24 Results	Net Interest Income (YoY)	Net Income (YoY)	NIM	ROE	ROA
	JD 101.8 M (-0.68%)	JD 30.1 M (-18.2%)	4.40%	7.64%	1.29%

- **Return on Equity** of 7.64% indicates an acceptable profitability for shareholders, but is lower than its peers and the banking sector average of 10.52%.
- **Return on Assets:** of 1.29% surpasses the industry norm of about 1.0%, implying that the Bank efficiently employs its assets to generate profits. This indicates effective management in utilizing resources to enhance profitability.
- **Net Interest Margin (NIM)** of 4.40% is considered healthy and well above the industry norm. 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.

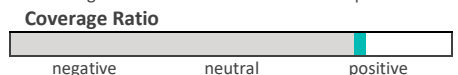
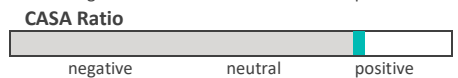
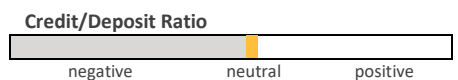
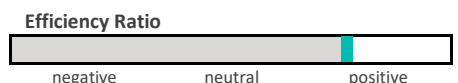


Operations Indicators is **POSITIVE**

3Q24 Results	Efficiency	Credit/Deposits	CASA*	Coverage*	CAR	Leverage
(MRQ)	47.77%	64.38%	59.13%	88.60%	21.96%	15.83%

* Based on annualized Q2 2024 results as Q3 results has not been announced.

- **Efficiency Ratio** of 47.77% demonstrates good operational efficiency, as an efficiency ratio of 55% or lower is considered ideal.
- **Credit/Deposit Ratio:** A low Credit/Deposit Ratio (below 75.0%) indicates that a smaller portion of the Bank's deposits are being utilized for lending, which is considered suboptimal.
- **CASA Ratio** of 59.13% represents the portion of low-cost and stable funds compared to the Bank's total deposits base. This suggests that a larger proportion of the Bank's



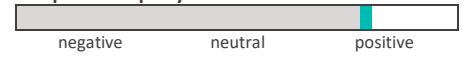
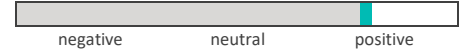
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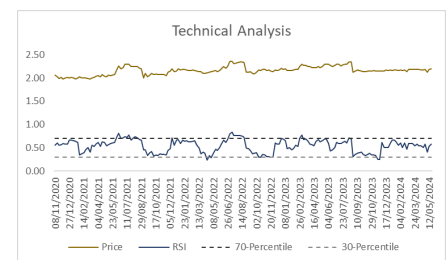
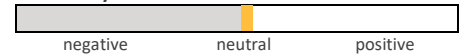
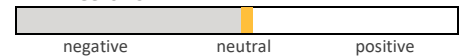
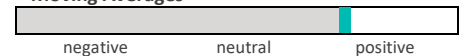
deposits are in the form of current and savings accounts. Typically, a CASA ratio above 45-50% is considered ideal for banks.

- **Coverage Ratio** of 88.60% 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:** BOJX reported a CAR of 21.96%, indicating a strong capital buffer and is the highest out of all the banks in Jordan.
- **Leverage Ratio** of 15.83% indicates that BOJX operates with lower level of risk evident by its higher leverage ratio compared to the sector. A higher leverage ratio implies a lower level of financial risk.

Capital Adequacy Ratio

Leverage Ratio

Price Movement is NEUTRAL
Annual Volatility: +/- 14.0% **14-Weeks RSI: 47.4** **200-Day MA: 2.19**

- **Volatility** of 14.0% indicates that BOJX's stock price has historically shown moderate levels of fluctuations, indicating acceptable levels of risk.
- **14-Weeks RSI:** is 47.4, observed over a 14-week period, indicates a **neutral** stance for the stock, neither oversold nor overbought. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** is 2.19, and the stock is currently trading at this level. If the stock can surpass the 200-Day MA, it might gain upward momentum and reach the JD 2.40 level.

The stock is currently trading within a horizontal consolidation pattern. It closed at the JD 2.19 level. For the stock to enter a bullish trend, it must break through the resistance at JD 2.22. A successful breakout would signal positive momentum and could drive the price higher, with the next target set at JD 2.34. Traders should watch for a decisive move above JD 2.22 to confirm a potential uptrend.

Stock Price down 4.36% over the past year

Volatility

14-Weeks RSI

Moving Averages


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Price as of 22-Dec-24
JD 2.19/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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