

Report Date: 8-May-25

Bank Al Etihad

ASE: UBSI

Quarter: 31/03/2025

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 02/03/2024

We recommend **Holding** UBSI as it is considered fairly valued at its current stock price. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

Target Price

JD 1.68

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	29/03/2025 JD 1.60 - JD 1.83	JD 342.0 M	5.85%	JD 0.10 / share
Founded: 1978		Shares Outstanding: 200.0 M		Employees: 1,329		Volume(3m): 22.5 K		Ex-DIV Date: Apr 27, 25
P/B: 0.67x		Forward P/E: 8.14x		Volatility(annual): 17.11%		Public Float: 36.8 M		Sector: Banking

Bank Al Etihad ("UBSI" or the "Bank"), a publicly listed Jordanian financial institution, provides various commercial banking services to individuals and corporate clients in Jordan. The Bank offers current and savings accounts, fixed deposit accounts, and certificates of deposit; personal, car, home loans; corporate loans; trade finance; commercial loans, and other commercial banking services. UBSI has recently reiterated its financial guidance, reflecting its ambitious targets for the coming years. These targets include a 47.4% increase in customer deposits, a 43.6% growth in assets, and a 48.8% expansion in net credit facilities, all to be achieved by the end of 2027. The Bank also anticipates a significant improvement in net profit, aiming for a 2.2x increase, with a target of JD 98.8 million by 2027.

Recommendation Summary

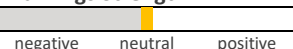
We maintain a **Hold** recommendation on UBSI, as the stock appears fairly to slightly overvalued and lacks strong upside catalysts. While earnings and operational performance are stable, profitability remains moderate and the dividend yield trails sector averages. Technical indicators also point to neutral momentum, supporting a wait-and-see approach. Investors are advised to monitor upcoming quarterly results for additional insights

Relative Valuation



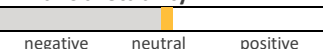
UBSI appears to be **overpriced** in terms of its P/E ratio and **fairly priced** in terms of its P/BV ratio relative to its peers. The Bank's dividend yield is **below** the banking sector average.

Earnings Strength



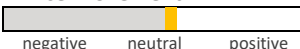
UBSI's earnings strength in Q1 2025 is considered neutral, with solid year-over-year growth in net interest income and net profit. However, profitability ratios remain moderate, indicating stable but not exceptional returns relative to sector leaders.

Financial Stability



The Bank demonstrates moderate operational efficiency, with a cost-to-income ratio of 41.09%, indicating room for improvement but still within manageable levels. Positively, the Bank maintained a strong coverage ratio and a solid CAR, reflecting prudent risk management and financial stability despite the efficiency headroom.

Price Movement



At its current 14-week RSI, the stock is rated **Neutral**, while indicating a **Sell** signal based on its 200-Day Moving Average.

Major Risks & Rewards

- **Dividend Income:** UBSI has a track record of consistently distributing dividends, making it an attractive stock for income-focused investors.
- **Regulatory Oversight:** UBSI operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including UBSI stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks:** UBSI's financial health is susceptible to the quality of its loan portfolio. Defaults in the loan portfolio may lead to declines in the stock's value.
- **Regulatory Risks:** UBSI 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 UBSI, influencing stock prices.
- **Liquidity Risks:** Due to lower trading volumes or limited market participation, investors may encounter challenges in buying or selling UBSI shares without impacting the stock's price and may face higher transaction costs as a result.
- **AT1 Bond Coupon Payments:** Elevated funding cost fixed at 8.50% for the first five years of the bond, given the declining interest rates, can pressure net interest margins and profitability, particularly if the Bank cannot generate adequate returns on the raised funds.

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JD 1.71/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)
UBSI	Bank Al Etihad	JD 1.71	342,000	JD 0.053	8.14x	0.67x	5.85%	8.38%	2.88%	69.84%
CAPL	Capital Bank Of Jordan	JD 2.75	412,500	JD 0.171	4.03x	0.56x	4.36%	14.23%	2.79%	49.41%
JOKB	Jordan Kuwait Bank	JD 2.20	440,000	JD 0.067	8.18x	0.87x	8.18%	10.40%	4.39%	66.70%
BOJX	Bank Of Jordan	JD 1.90	499,771	JD 0.125	3.81x	0.66x	7.89%	17.73%	2.89%	59.77%
Peer Group Weighted Average					5.30x	0.70x	6.81%	14.28%	3.35%	58.86%
Sector Weighted Average (excluding UBSI)					7.31x	0.70x	7.03%	10.68%	3.06%	70.36%
Sector Median					7.63x	0.66x	7.83%	9.74%	2.89%	73.03%

* In JD thousands

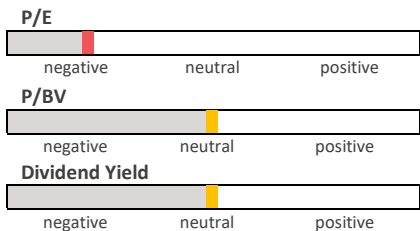
Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	2.7%	2.8%	3.0%	3.0%	2.9%	2.9%
Dividend/Share (JD)	0.10	0.10	0.10	0.10	-	-
Earnings/Share (JD)	0.203	0.215	0.236	0.217	0.046	0.053
Return on Equity	7.8%	7.8%	10.1%	8.1%	7.6%	8.4%

Relative Valuation is **NEUTRAL**

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 1.71	JD 342.0 M	JD 0.05	8.14x	JD 2.54	0.67x	JD 0.10	5.85%

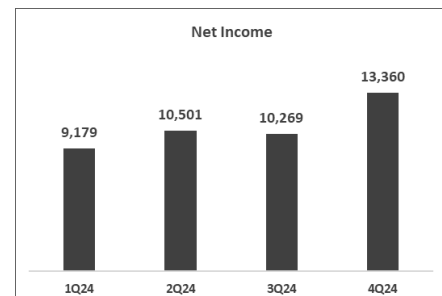
- P/E vs Industry** suggests that UBSI is overpriced compared to its peers, the weighted average and the median P/E for the banking sector in Jordan.
- P/BV vs. Industry** indicates that UBSI is fairly priced compared to its peers and the banking sector.
- Dividend Yield** is below its peers and the banking sector average.



Earning Strength is **NEUTRAL**

1Q25 Results	Net Interest Income	Net Income	NIM	ROE	ROA
(TTM)	JD 61.1 M (+12.46%)	JD 10.5 M (+14.47%)	2.88%	8.38%	0.49%

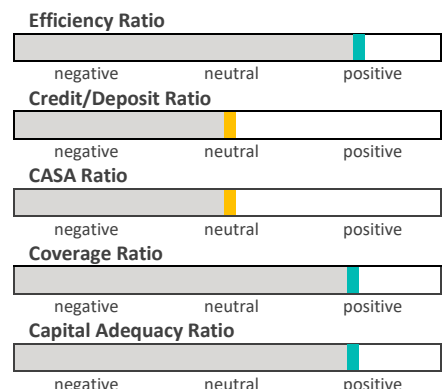
- Return on Equity** signifies acceptable profitability for shareholders, but is still below the sector average and peers.
- Return on Assets** is below the industry average of 1.0%, which sheds some light on potential inefficiencies in the Bank's utilization of its assets to generate profits.
- Net Interest Margin (NIM)** is generally considered healthy for a bank, but below the sector average. 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. A higher NIM indicates better profitability in terms of interest income.



Operations Indicators is **NEUTRAL**

1Q25 Results	Efficiency	Credit/Deposit	CASA	Coverage	CAR	Leverage
(MRQ)	41.09%	69.84%	39.40%	117.25%	14.65%	6.46%

- Efficiency Ratio** demonstrates optimal operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.
- Credit/Deposit Ratio**: indicates a balanced lending strategy. Typically, the ideal loan-to-deposit ratio ranges between 75% to 90%.
- CASA Ratio**: is moderate, but ideally, banks aim for a ratio above 40% to maintain a low-cost funding base. This level suggests the bank could improve its share of low-cost deposits (current and savings accounts) to boost profitability.
- Coverage Ratio** is above the preferred threshold of 100%. It indicates that the Bank is fully provisioned against its NPLs.



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- **Capital Adequacy Ratio:** UBSI reported a CAR of 14.65%. In accordance with CBJ regulations, the minimum CAR is set at 12%, with the best category requiring an average CAR of 14% or higher.
- **Leverage Ratio** suggests the Bank is operating with a healthy level of capital relative to its total assets, which enhances stability and reduces risk. The leverage ratio helps explain why UBSI reports a higher ROE relative to its lower ROA.

Leverage Ratio



Price Movement **NEUTRAL**

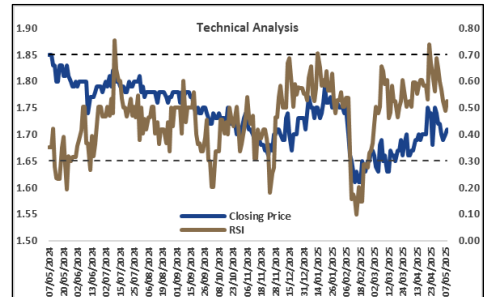
Annual Volatility: +/- 17.11% 14-Weeks RSI: 49.243 200-Day MA: 1.727

- **Volatility** suggests that UBSI's stock price has exhibited moderate-to-low price swings.
- **14-Weeks RSI:** observed over a 14-week period, reflecting balanced momentum and a lack of directional conviction, suggesting that the stock is in a consolidation phase. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages** The stock's position slightly below the 200-day MA, indicating a neutral-to-slightly bearish long-term trend, leaning towards a **Sell** signal.

On the downside, key support is found at JD 1.68, a level that has previously attracted buying interest, while a more critical support zone lies at JD 1.62, which represents the lower bound of the recent trading range. Immediate resistance is seen at JD 1.73, and a break above this level could open the path toward JD 1.78, followed by the psychological barrier at JD 1.80.

Given the current technical setup, the stock lacks a clear directional trend and is best approached with a **Hold recommendation**. Investors should await a confirmed breakout above JD 1.73 on strong volume before initiating new positions. Conversely, a breakdown below JD 1.68 would signal weakness and could lead to further downside. Until then, UBSI remains in a range-bound pattern, and accumulation should be reserved for dips near support, with tight stop-losses to manage downside risk.

Stock Price Down 6.6% over the past year



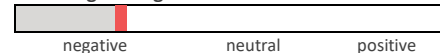
Volatility



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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