

Report Date:14-May-25

JORDAN COMMERCIAL BANK

ASE: JCBK



Price as of 13-May-25

JD 0.94/Share

Quarter Earnings: 31/03/2025

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 13/03/2024

We recommend Holding JCBK as there may be more appealing stocks within the industry that, in our view, offer higher risk-adjusted returns. 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 0.93

Previous Rating	52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1 2 3 4 5	06/04/2025 JD 0.89- JD 1.11	JD 112.8 M	6.38%	JD 0.06 / share

Founded: 1977	Shares Outstanding: 120.0 M	Employees: 694	Volume(3m): 2.966 K	Ex-DIV Date: Apr 15, 25
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P/BV: 0.65x	Forward P/E: 7.13x	Volatility(annual): 46.4%	Public Float: 6.5 M	Sector: Banking
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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 branch, strengthening its market presence and accessibility to customers.

Recommendation Summary

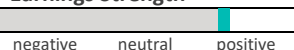
UFICO's **HOLD** recommendation on JCBK is based on a systematic analysis of four key characteristics mentioned above. While JCBK's core income generation remains stable and its capital adequacy is sound, the significant provisions in Q1 2025 and elevated cost base continue to weigh on bottom-line performance. Despite this, the stock appears undervalued relative to earnings, and its current pricing reflects a balanced risk-reward profile. Given the absence of strong technical momentum and ongoing operational challenges, maintaining current positions is warranted, with a cautious outlook until sustained improvement in earnings and efficiency is observed. Investors are advised to monitor upcoming results to reassess positioning accordingly.

Relative Valuation



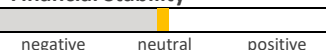
JCBK's pricing appears to be **underpriced** in terms of its P/E ratio and **fairly priced** in terms of its P/BV ratio compared to banking sector. The Bank's dividend yield is **below** the industry average.

Earnings Strength



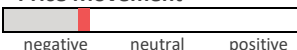
JCBK's Q1 2025 results reveal a mixed picture, with profitability indicators showing a sharp decline in earnings, while net interest income increased slightly. However, this decline was primarily driven by a JD 4.6 million in provisions, suggesting that the underlying profitability from core operations remains unchanged QoQ.

Financial Stability



JCBK's efficiency ratio remains elevated, indicating room for improvement in cost control. The Bank maintains a healthy CAR and a moderate coverage ratio. However, a relatively low CASA ratio and a modest credit-to-deposit ratio may limit funding flexibility and profitability potential.

Price Movement



At its current 14-week RSI, the stock is rated a **Hold**, while showcasing a **Sell** 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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Peers Group Comparison

Ticker	Peer Name	Price 13/5/2025	Mkt Cap* 13/5/2025	EPS (TTM)	P/E** (Forward)	P/BV (MRQ)	Yield (TTM)	ROE (TTM)	NIM (TTM)	Credit/Deposits (MRQ)
JCBK	Jordan Commercial Bank	JD 0.94	112,800	JD 0.005	7.13x	0.65x	6.38%	9.11%	3.29%	73.03%
AJIB	Arab Jordan Investment Bank	JD 1.27	190,500	JD 0.030	10.59x	0.89x	7.87%	8.23%	2.32%	47.36%
ABCO	Arab Banking Corporation	JD 0.69	75,900	JD 0.028	29.07x	0.45x	0.00%	1.57%	2.48%	84.77%
INVB	Invest Bank	JD 1.59	198,750	JD 0.059	6.73x	0.79x	6.29%	11.88%	2.65%	87.71%
Peer Group Weighted Average					11.96x	0.78x	7.08%	8.70%	2.49%	70.71%
Sector Weighted Average (excluding JCBK)					6.89x	0.69x	6.95%	10.59%	3.03%	69.83%
Sector Median					8.18x	0.68x	7.79%	9.74%	2.88%	69.84%

* In JD thousands, ** JCBK & ABCO figures adjusted for provision reversal

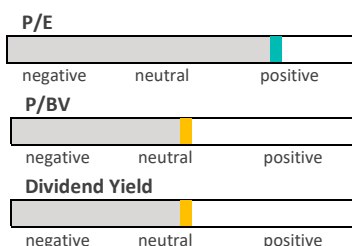
Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	2.56%	2.94%	3.52%	3.34%	3.32%	3.29%
Dividend/Share (JD)	-	0.05	0.06	0.06	-	-
Earnings/Share (JD)	0.058	0.095	0.096	0.098	0.017	0.005
Return on Equity	4.9%	7.3%	6.9%	6.8%	4.75%	9.1%

Relative Valuation is **NEUTRAL**

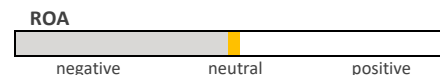
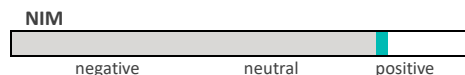
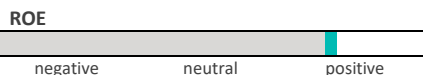
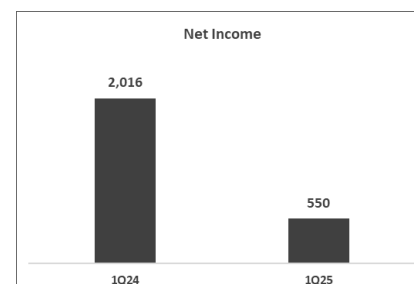
Last Price 13/5/2025	Market Cap 13/5/2025	EPS (TTM)	P/E (Forward)	BV/Share (MRQ)	P/BV (MRQ)	DPS (2024)	Div. Yield 13/5/2025
JD 0.94	JD 112,800.0	JD 0.005	7.13x	JD 1.45	0.65x	JD 0.06	6.38%

- **P/E vs Industry:** suggests that JCBK is undervalued compared to industry peers, the sector weighted average and median P/E ratio for the banking sector in Jordan.
- **P/BV vs. Industry:** suggests that JCBK is fairly priced compared to the sector weighted average and median P/BV, but undervalued in comparison to its industry peers.
- **Dividend Yield** is lower than the industry average.

Earning Strength is **POSITIVE**

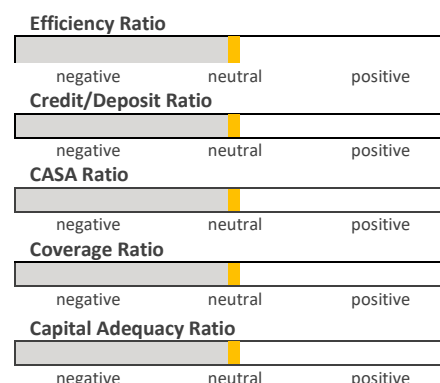
1Q25 Results (TTM)	Net Interest Income JD 11.65 M (+1.66%)	Net Income JD 0.55 M (-72.69%)	NIM 3.29%	ROE 9.11%	ROA 1.12%
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- **Return on Equity** has increased from 4.75% in Q1 2024 to 9.11% during Q1 2025, reflecting improved profitability. However, the main reason behind the increase in net income is **the reversal of JD 4.6 million in provisions**, which was not annualized when calculating ROE and other income related ratios
- **Return on Assets:** is within the industry norm of about 1.0%, implying that the Bank is moderately efficient in utilizing its assets to generate profit.
- **Net Interest Margin (NIM)** is considered healthy for banks, and is in line with Q1 2024, suggesting 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**

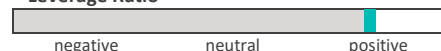
1Q25 Ratios (MRQ)	Efficiency	Credit/Deposit	CASA	Coverage	CAR	Leverage
	48.58%	73.03%	34.91%	89.09%	13.34%	NA

- **Efficiency Ratio** demonstrates moderate operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.
- **Credit/Deposit Ratio:** 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** is moderately low, indicating that approximately one-third of the Bank's deposits are low-cost (current and savings accounts). This ratio is acceptable but not ideal, suggesting that the Bank could benefit from improving its deposit mix to enhance profitability by lowering funding costs. Typically, a CASA ratio above 45-50% is viewed favorably for banks.



- **Coverage Ratio** is below the preferred threshold of 100%, indicating insufficient provisioning against potential non-performing loans.
- **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 13.34% at the end of 2024, indicating an acceptable capital buffer.
- **Leverage Ratio** not available for Q1 2025, but was 10.43% at the end of 2024, which 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.

Leverage Ratio

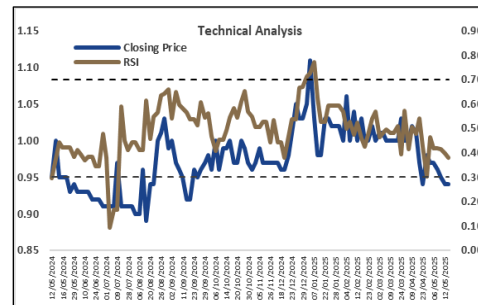
**Price Movement is NEGATIVE**
Annual Volatility: +/- 46.4% 14-Weeks RSI: 43.275 200-Day MA: 0.96

- **Volatility** suggests that JCBK's stock price has exhibited high fluctuations, indicating high level of risk.
- **14-Weeks RSI:** observed over a 14-week period, indicates that the price neither overbought or oversold, but leaning more towards the oversold zone. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** The stock is trading below the 200-Day MA indicating a **SELL** signal. As, crossing above the 200-Day MA is often seen as a technical indicator of a potential uptrend in the stock's price.

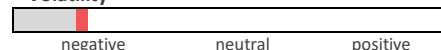
JCBK is trading at JD 0.94, slightly below its 200-day MA of JD 0.96, suggesting the stock is currently in a neutral-to-cautious technical zone. The 14-week RSI indicates that the stock is approaching mildly oversold territory, but not yet at a decisive reversal signal.

From a technical perspective, immediate support lies at JD 0.90, which has historically held as a psychological floor, while resistance levels are seen at JD 0.96 and JD 1.00 — the latter being a key psychological threshold that could trigger momentum buying if breached. The price being slightly under the long-term moving average suggests that upside momentum remains weak unless supported by a fundamental catalyst or broader market strength.

UFICO recommend a **Hold** stance on JCBK at current levels. The stock's weak earnings in Q1 2025 and ongoing technical softness justify caution, despite its attractive valuation metrics. Investors with existing positions may continue to hold while watching for stabilization above JD 0.96 with volume confirmation before considering re-entry or accumulation.

Stock price declined by 1% over the past year

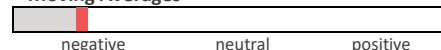
Volatility



14-Weeks RSI



Moving Averages



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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