

Quarter Earnings: 31/03/2025

Annual Earnings: 31/12/2024

## RATING:



Initiated Coverage 13/03/2024

We recommend **HOLDING** CABK's stock given its attractive valuation and signs of operational recovery. 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 1.15**

Previous Rating	52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1 2 <b>3</b> 4 5	06/04/2025 JD 0.98- JD 1.22	JD 220.0 M	5.45%	JD 0.06 / share
<b>Founded:</b> 1960	<b>Shares Outstanding:</b> 200.0 M	<b>Employees:</b> 2,272	<b>Volume(3m):</b> 97.187 K	<b>Ex-DIV Date:</b> Apr 15, 25
<b>P/B:</b> 0.46x	<b>Current P/E:</b> 7.49x	<b>Volatility(annual):</b> 16.9%	<b>Public Float:</b> 50 M	<b>Sector:</b> Banking

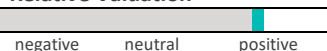
**Cairo Amman Bank (CABK or the "Bank")**, established in 1960 and headquartered in Amman, Jordan, is a publicly listed bank offering a broad range of retail, corporate, treasury, and investment services. The Bank operates 22 branches in Palestine, one in Bahrain, and fully owned subsidiaries providing brokerage and leasing services. CABK also holds a 51% stake in Safa Bank, an Islamic bank in Palestine. In 2022, the Bank launched LINC, a digital banking platform, specifically designed to cater to the needs of Jordan's youth, particularly university students and young adults.

In 2024, CABK increased its paid-up capital from JD 190 million to JD 200 million, sustaining its financial strength. Additionally, the Bank signed a financing agreement for a 50-megawatt solar power plant in partnership with Masader Al Haq and the National Electricity Power Company, reinforcing its commitment to sustainability and green finance initiatives.

## Recommendation Summary

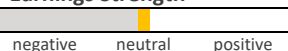
We maintain a **Hold rating** on CABK, as the stock now appears undervalued on both P/E and P/BV metrics, enhancing its appeal from a valuation perspective. The Bank's profitability showed a strong rebound in Q1 2025, supported by improved earnings and strengthened risk provisioning, signaling early signs of operational recovery. While cost efficiency and elevated credit deployment still warrant monitoring, CABK's solid capital base and stable funding mix provide a strong foundation. Given the improving trend in earnings and attractive valuation, holding the stock remains justified, with further upside potential if operational metrics continue to strengthen in the coming quarters. Therefore, market participants are urged to carefully monitor forthcoming quarterly results for additional insights to make well-informed decisions.

### Relative Valuation



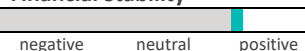
CABK appears to be **undervalued** in terms of its P/E and P/BV ratios. The Bank's dividend yield is **below** the banking industry average. The reduced dividend payout further underscores management's cautious outlook, likely influenced by weaker profitability and operational inefficiencies.

### Earnings Strength



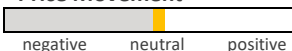
In Q1 2025, CABK demonstrated a strong rebound in profitability, with net income increasing by 62.65% year-over-year, despite a 3.29% decline in net interest income. This performance reflects improved operational efficiency through lower provisioning and non-interest income gains.

### Financial Stability



CABK Q1 performance reflects strong capital stability and improved risk management. While cost control remains moderate, lending activity appears aggressive and could strain liquidity if not supported by deposit growth. On a positive note, the Bank benefits from a solid base of low-cost funding.

### Price Movement



The stock is rated **Neutral** at its current 14-week RSI and a **Buy** at its 200-Day Moving Average.

## Major Risks & Rewards

- **Dividend Income:** CABK has a track record of consistently distributing dividends, making it an appealing option for income-focused investors.
- **Diversified Operations:** The existence of branches in Jordan, Palestine and Bahrain offer CABK's clients an array of services to cater for their needs. Furthermore, the Bank offers Islamic Banking through its subsidiary, Safa Bank.
- **Regulatory Oversight:** CABK operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including CABK stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Credit Quality Risks:** CABK faces 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:** CABK 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 CABK, influencing stock prices.

- **Liquidity Risks:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling CABK shares without impacting the stock's price. investors may face higher transaction costs as a result.
- **Litigation Risk:** The Bank faces an ongoing civil lawsuit in New York, filed under the US Counter Terrorist Act, for which resolution remains pending. If found guilty, the outcome of this lawsuit could have adverse effects on the Bank's operations.

#### Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	NIM	Credit/Deposits
		13/5/2025	13/5/2025	(TTM)	(Forward)	(MRQ)	(TTM)	(TTM)	(TTM)	(MRQ)
CABK	Cairo Amman Bank	JD 1.10	220,000	JD 0.037	7.49x	0.46x	5.45%	6.15%	3.19%	89.69%
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%
INVB	Invest Bank	JD 1.59	198,750	JD 0.059	6.73x	0.79x	6.29%	11.88%	2.65%	87.71%
AHLI	Jordan Ahli Bank	JD 1.00	200,655	JD 0.030	8.34x	0.62x	8.00%	7.32%	2.91%	75.32%
<b>Peer Group Weighted Average</b>					<b>8.52x</b>	<b>0.76x</b>	<b>7.39%</b>	<b>9.15%</b>	<b>2.63%</b>	<b>70.46%</b>
<b>Sector Weighted Average (excluding CABK)</b>					<b>7.58x</b>	<b>0.71x</b>	<b>7.03%</b>	<b>10.65%</b>	<b>3.05%</b>	<b>69.80%</b>
<b>Sector Median</b>					<b>8.25x</b>	<b>0.68x</b>	<b>7.79%</b>	<b>9.74%</b>	<b>2.88%</b>	<b>69.84%</b>

\* In JD thousands

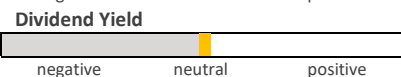
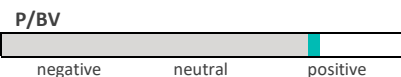
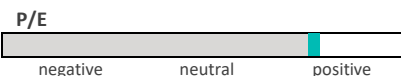
#### Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	2.64%	2.79%	3.74%	3.43%	3.32%	3.19%
Dividend/Share (JD)	0.12	0.09	0.10	0.06	-	-
Return on Equity	8.5%	8.6%	8.4%	3.6%	4.03%	6.15%

#### Relative Valuation is POSITIVE

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
13/5/2025	13/5/2025	(TTM)	(Forward)	(MRQ)	(MRQ)	(2024)	13/5/2025
JD 1.10	JD 220.0 M	JD 0.04	7.49x	JD 2.41	0.46x	JD 0.06	5.45%

- **P/E vs Industry:** suggests that CABK is undervalued compared to its peers as well as the weighted average and median P/E for the banking sector in Jordan.
- **P/BV vs. Industry:** suggests that CABK is undervalued with respect to its peers and the weighted average and median P/BV for the banking sector in Jordan.
- **Dividend Yield** is below the average of the banking sector in Jordan.

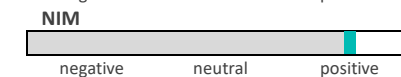
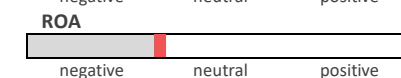
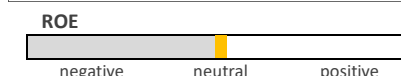
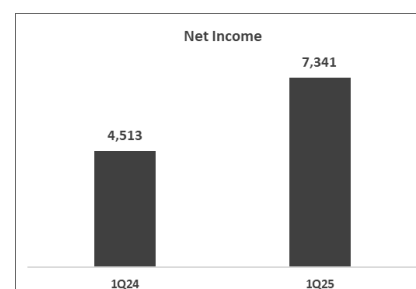


#### Earning Strength is NEUTRAL

1Q25 Results	Net Interest Income	Net Income	NIM	ROE	ROA
(TTM)	JD 31.59 M (-3.29%)	JD 7.34 M (+62.65 %)	3.19%	6.15%	0.74%

- **Return on Equity** is considered very low when compared to the weighted average and median ROE for the banking sector in Jordan, but is an improvement from Q1 2024 and end of 2024 (on an annualized basis).
- **Return on Assets** is below the industry's healthy benchmark of 1%, suggesting the Bank is not efficiently utilizing its assets to generate profits.
- **Net Interest Margin (NIM)** is generally considered healthy and on the high end in the banking industry. 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. NIM decreased during Q1 2025 reflecting weaker profitability from core banking operations.

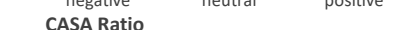
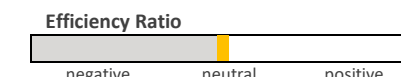
In Q1 2025, CABK demonstrated a strong rebound in profitability. This performance reflects improved operational efficiency due to lower provisioning and non-interest income gains.



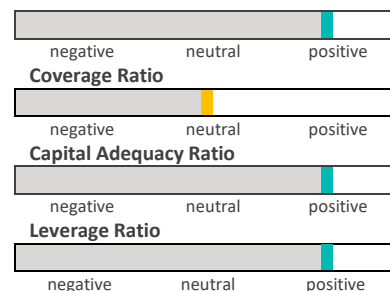
#### Operations Indicators is POSITIVE

1Q25 Ratios	Efficiency	Credit/Deposit	CASA	Coverage	CAR	Leverage
(MRQ)	43.56%	89.69%	48.35%	88.89%	16.44%	NA

- **Efficiency Ratio** demonstrates optimal operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.



- **Credit/Deposit Ratio:** A high credit/deposit ratio (above 75%) indicates that a significant portion of the Bank's deposits are being utilized for lending efficiently. potentially leading to increased interest income and overall profitability.
- **CASA Ratio** is strong, reflecting a healthy level of low-cost deposits comprising current and savings accounts. Typically, a CASA ratio above 45-50% is viewed favorably for banks.
- **Coverage Ratio** is well below the ideal threshold of 100%, but an improvement from previous quarters, suggesting border line provisioning against potential non-performing loans. This weak coverage leaves the Bank vulnerable to asset quality issues and could harm earnings stability if defaults increase.
- **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. CABK reported a CAR of 16.44%. at the end of 2024
- **Leverage Ratio** is not available for Q1 2025, but the Bank recorded 11.15% at the end of 2024. CABK operates with acceptable risk as it operates with higher leverage ratio that is in line with the industry. A higher leverage ratio implies a lower level of financial risk. It shows that the Bank is more on the conservative side.



**Price Movement is NEUTRAL**

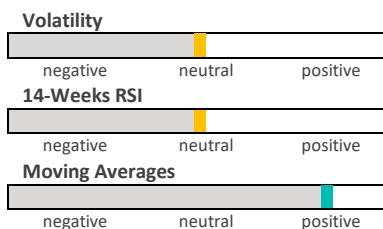
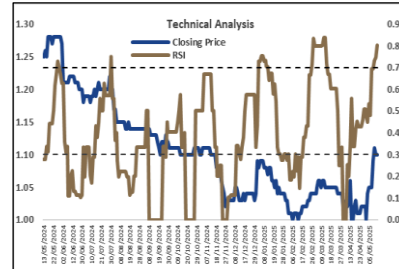
Annual Volatility: +/- 16.9%      14-Weeks RSI: 60.98      200-Day MA: 1.077

- **Volatility:** suggests a relatively moderate level of price fluctuation in the stock.
- **14-Weeks RSI:** indicates strengthening bullish momentum but not yet reaching overbought territory. This suggests increasing investor interest and potential upside in the short term. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** the stock is currently trading above this level indicating a **BUY** signal.

The stock is trading slightly above its 200-day MA, which now acts as a key support level. From a technical standpoint, the next resistance level is seen at JD 1.15, a recent local high, followed by a psychological resistance at JD 1.20. On the downside, JD 1.077 serves as immediate support, with stronger support at JD 1.05 in case of a broader market pullback. Given its current position, the stock reflects a mildly bullish bias. However, with the RSI approaching 61, some consolidation could occur near resistance levels before further gains are realized.

UFICO recommends a **Hold** with a watch for breakout strategy. Investors with existing positions may maintain them, while new entries should wait for a confirmed breakout above JD 1.15 with volume support. The stock offers a balanced risk-reward setup in the near term, especially if supported by continued improvement in fundamentals.

**Price down 12.0% over the past year**



**Report Date: 14-May-25**  
**Cairo Amman Bank**  
**ASE: CABK**

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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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