

Report Date: 29-Dec-24
Jordan AHLI Bank
 ASE: AHLI

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

RATING:



Initiated Coverage 13/03/2024

We recommend **Holding AHLI**, as it currently offers **balanced 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 1.05

Previous Rating	52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1 2 3 4 5 09/09/2024	JD 0.99- JD 1.12	JD 202.66 M	7.92%	JD 0.08 / share

Founded: 1955 **Shares Outstanding:** 200.6 M **Employees:** 1,368 **Volume(3m):** 1,105.3 K **Ex-DIV Date:** Apr 01, 24

P/BV: 0.61x **Forward P/E:** 11.97x **Volatility(annual):** 17.9% **Public Float:** 96.9 M **Sector:** Banking

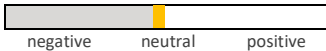
Jordan Ahli Bank (“AHLI” or the “Bank”) a publicly listed financial institution established in 1955 and headquartered in Amman, Jordan, offers a wide range of banking and non-banking services tailored to diverse market segments. With operations spanning Jordan, Palestine, and Cyprus, the Bank’s fully owned subsidiaries provide financial leasing, brokerage, small business financing, and FinTech solutions.

During 2024, the Bank launched Jordan’s first locally issued USD 50 million **Sustainability Bond** in collaboration with the International Finance Corporation (IFC). This bond marks a major step toward the Bank’s commitment to sustainable and responsible finance, funding projects that deliver both environmental and social benefits. Additionally, the Bank completed the issuance of its USD 120 million AT1 bond.

Recommendation Summary

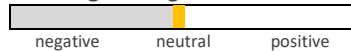
UFICO’s **HOLD** recommendation on AHLI is based on a systematic analysis of four key characteristics mentioned above. While AHLI demonstrates financial stability and offers a competitive dividend yield, its valuation metrics and moderate earnings growth outlook suggest limited upside potential. Market participants are urged to carefully monitor forthcoming quarterly results for additional insights to make well-informed decisions.

Relative Valuation



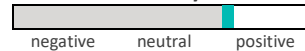
AHLI’s stock seems to be overvalued with respect to its P/E ratio but fairly priced in terms of its P/BV. AHLI’s dividend yield of 7.92%, for 2023 **exceeded** the banking industry’s average.

Earnings Strength



The Bank reported a marginal net income growth of 0.6% in Q3 2024, supported by a NIM of 2.82%, but ROE and ROA remain below industry averages. The issuance of the perpetual and sustainability bonds highlights strategic efforts to drive future growth, though slower earnings momentum tempers near-term prospects.

Financial Stability



AHLI recorded a CAR of 15.23%, signaling a strong capital buffer in compliance with regulatory standards.

Price Movement



The stock is rated **Neutral** based on its current 14-week RSI and its 200-Day Moving Average.

Major Risks & Rewards

- **Dividend Income:** AHLI has a track record of consistently distributing dividends, making it an attractive option for income-focused investors.
- **Regulatory Oversight:** AHLI operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including AHLI’s stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Corporate Governance:** The Bank has a strong corporate governance structure, promoting the principles of fairness and transparency within the governance framework based on responsibility and accountability. This gives the Bank the ability to develop and execute a long term, sustainable strategy that can deliver great value to all its stakeholders.
- **Credit Quality Risks** AHLI 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 increase these risks.
- **Regulatory Risks:** AHLI faces risks associated with changes in banking regulations and compliance requirements, influencing its operations and financial performance.
- **Interest Rate Risk:** fluctuations in interest rates can impact the profitability of AHLI and its stock price.
- **AT1 Bond Coupon Payments:** Elevated funding cost fixed at 8.5% 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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Arab Jordan Investment Bank

ASE: AHLI

Price as of 22-Dec-24

JD 1.01/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)
AHLI	Jordan Ahli Bank	JD 1.01	202,662	JD 0.08	11.97x	0.61x	7.92%	5.10%	2.82%	72.69%
JCBK	Jordan Commercial Bank	JD 0.98	117,600	JD 0.09	11.19x	0.69x	6.12%	6.20%	3.27%	77.13%
AJIB	Arab Jordan Investment Bank	JD 1.29	193,500	JD 0.10	13.10x	0.89x	7.75%	6.78%	2.13%	48.51%
INVB	Invest Bank	JD 1.49	186,250	JD 0.23	6.61x	0.86x	5.37%	13.24%	2.93%	87.37%
CABK	Cairo Amman Bank	JD 1.04	208,000	JD 0.07	15.54x	0.47x	9.62%	3.03%	3.36%	87.38%
ABCO	Arab Banking Corporation	JD 0.62	68,200	JD 0.04	17.11x	0.41x	4.84%	2.41%	2.61%	86.43%
Peer Group Weighted Average					12.26x	0.70x	6.74%	6.85%	2.87%	76.01%
Sector Weighted Average (excluding AHLI)					7.09x	0.68x	6.56%	10.49%	3.05%	70.21%
Sector Median					11.04x	0.72x	6.53%	9.29%	2.94%	72.32%

* In JD thousands

Past Performance

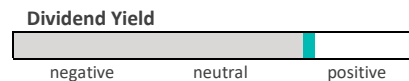
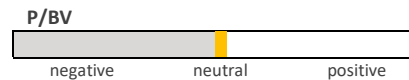
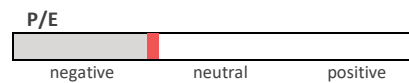
	2020	2021	2022	2023	2024*
Net Interest Margin (NIM)	3.04%	2.96%	2.96%	2.99%	2.82%
Dividend/Share (DPS)-JD	0.04	0.07	0.08	0.08	NA
Earnings/Share (EPS)- JD	0.048	0.071	0.084	0.093	0.084
Return on Equity (ROE)	3.1%	4.4%	5.1%	5.6%	5.1%

* annualized Q3 2024 results

Relative Valuation is NEUTRAL

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 1.01	JD 202,661,550	JD 0.084	11.97x	JD 1.65	0.61x	JD 0.08	7.92%

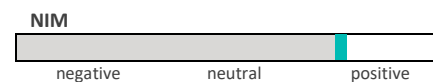
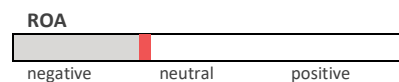
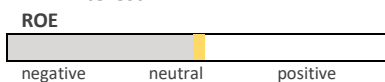
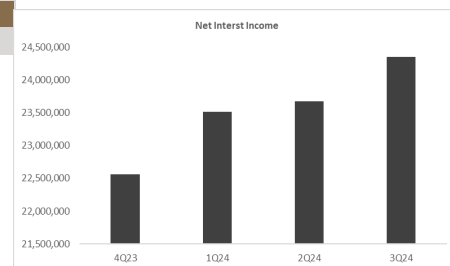
- **P/E vs Industry:** 11.97x suggests that AHLI is overvalued compared to the weighted average and median P/E for the banking sector in Jordan, but within its peer group average.
- **P/BV vs. Industry:** of 0.61x suggests that AHLI is in line with the weighted average P/BV of the banking sector in Jordan but undervalued when compared to the median P/E of the banking sector and its peer group average.
- **Dividend Yield** of 7.92% is above the industry average.



Earning Strength is NEUTRAL

3Q24 Results	Net Interest Income (YoY)	Net Income (YoY)	NIM	ROE	ROA
	JD 70.9 M (-1.9%)	JD 12.7M (+0.6%)	2.82%	5.10%	0.51%

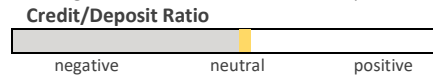
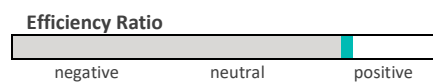
- **Return on Equity** of 5.10% indicates acceptable profitability for shareholders, but it's below the industry average of 10.5%.
- **Return on Assets** of 0.51%, falling below the industry average of approximately 1%, indicates inefficiencies in how the Bank utilizes its assets to generate profits.
- **Net Interest Margin (NIM)** of 2.82% is generally considered on the favourable side. 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.



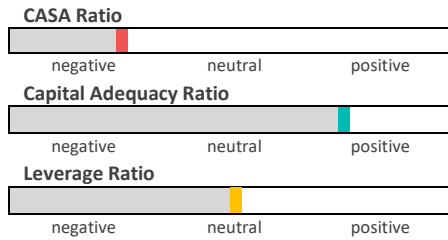
Operations Indicators is POSITIVE

3Q24 Results	Efficiency	Credit/Deposit	CASA	CAR	Leverage
(MRQ)	37.57%	72.69%	32.46%	15.30%	9.64%

- **Efficiency Ratio** of 37.57% demonstrates optimal operational efficiency, as an efficiency ratio of 55% or lower is considered ideal.
- **Credit/Deposit Ratio:** A credit/deposit ratio (above 75.0%) indicates that a significant portion of the Bank's deposits are being utilized for lending efficiently.



- **CASA Ratio** of 32.46% represents the portion of low-cost and stable funds compared to the Bank's total deposits base. This suggests that a relatively smaller proportion of the Bank's deposits are in the form of current and savings accounts. Typically, a CASA ratio above 45-50% is viewed favorably for banks.
- **Capital Adequacy Ratio:** a CAR of 15.30%, demonstrating a strong capital cushion that aligns with the regulatory requirements set forth by the Central Bank of Jordan.
- **Leverage Ratio** of 9.64% indicates that AHLI operates with an acceptable level of risk. This ratio is in line with the sector average. A higher leverage ratio implies a lower level of financial risk.



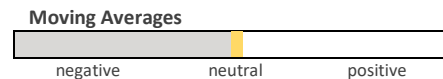
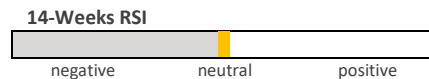
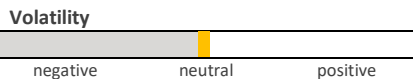
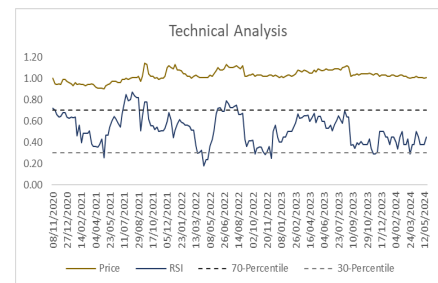
Price Movement is **NEUTRAL**

Annual Volatility: +/- 17.9% 14-Weeks RSI: 43.7 200-Day MA: 1.03

- **Volatility** of 17.9% suggests moderate to high fluctuations in the price of the stock, indicating a considerable level of risk.
- **14-Weeks RSI:** of 43.7, 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 1.03. The stock is currently trading slightly below its 200-Day MA, which indicates a **Hold** signal.

The stock is currently consolidating within a tight horizontal range between JD 1.01 and JD 1.03, hovering just above the key support level at JD 1.00, which represents a significant psychological and technical floor. As the third-quarter earnings approach, there's potential for the stock to challenge the resistance around JD 1.06. A breakout above this level, driven by positive earnings momentum, could propel the stock towards its next target at JD 1.12.

Stock Price Down 6.48 % over the past year



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ASE: AHLI
Price as of 22-Dec-24
JD 1.01/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 measures 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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