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## **Jordanian Banks' Ratings Upgraded Following Similar Sovereign Action**

**Capital Intelligence Ratings (CI Ratings or CI)** today announced that it has upgraded [number to be inserted later] Jordanian banks' Long-Term Foreign Currency Ratings (LT FCRs) and Bank Standalone Ratings (BSRs). The Outlook on the LT FCRs and BSRs of these banks is Stable.

[Paragraphs identifying other banks redacted until publication]

The rating actions have been prompted by the recent upgrade of Jordan's long-term sovereign issuer credit ratings to 'BB-' from 'B+' and an improvement in the Operating Environment Risk Anchor (OPERA) for the banking system to 'bb-' from 'b+'. The improving operating environment is expected to contribute to greater standalone strength for rated banks, while the constraints imposed by sovereign credit and interference risk have eased slightly, as indicated by the sovereign upgrade.

The sovereign action was driven by the demonstrated resilience of the Jordanian economy and its gradually improving capacity to withstand external adversities despite the challenging geopolitical landscape. These developments are underpinned by the government's prudent macroeconomic policies, including ongoing fiscal consolidation efforts. Jordan's external liquidity has also improved, supported by a reduction in the current account deficit and an increase in the foreign reserve buffer. The ratings continue to be supported by the availability of financial assistance from multilateral lenders and external donors – particularly the IMF and US – as well as moderate external government debt, and a relatively sound banking sector.

Further details of the drivers of each individual bank's ratings are provided in the institution-specific sections below. [Other affected banks to be inserted before publication]

### **Jordan Kuwait Bank (JKB)**

JKB's one-notch LT FCR upgrade to 'BB-' is in line with a recent similar action on Jordan's sovereign ratings. The BSR is also raised by one notch to 'bb-', reflecting the improved OPERA. The BSR is based on a CFS rating of 'bb' (affirmed) and an OPERA of 'bb-'. Although the ESL is Moderate, there is no uplift for the LT FCR as the BSR is already at Jordan's sovereign LT FCR level. We consider it unlikely that JKB would be able to withstand sovereign induced economic and financial stress. The ST FCR is affirmed at 'B'.

JKB's ratings are underpinned by the ample and improved funding and liquidity in 2023 (due to acquisition and consolidation of Iraqi subsidiary Bank of Baghdad [BoB] – also a KIPCO group related company), an established business franchise in Jordan (recently complemented by well-regarded BoB), and strengthened profitability driven by strong fee and commission income from BoB. The ratings are also supported by JKB's good and above sector-average consolidated CAR, and the more than full loan loss reserve cover of NPLs in 2021-23. The ratings are constrained by the challenging operating environments in Jordan and Iraq, coupled with ongoing high credit and geopolitical risks. Other rating constraints are the moderately increased NPL ratio after BoB acquisition, the ongoing significant cost of risk, and the high concentrations in customer loans and Jordanian sovereign debt.

### **Rating Dynamics: Upside/Downside Scenarios**

Although not our base case scenario, the outlook for JKB's LT FCR could be revised to Positive over the next 12 months if this was preceded by a similar change in the outlook for Jordan's sovereign ratings.

On the downside, the outlook on the Bank's LT FCR and BSR could be lowered to Negative should a similar action be taken on the sovereign's ratings or in the event of a significant deterioration in JKB's credit metrics.

## CURRENT RATINGS

Bank Name	Foreign Currency			BSR		CFS	ESL
	LT	ST	Outlook	BSR	Outlook		
Jordan Kuwait Bank	BB-	B	Stable	bb-	Stable	bb	Moderate

\* ESL = Extraordinary Support Level

## PREVIOUS RATINGS

Bank Name	Foreign Currency			BSR		CFS	ESL
	LT	ST	Outlook	BSR	Outlook		
Jordan Kuwait Bank	B+	B	Positive	b+	Stable	bb	Moderate

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## About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The following information sources were used to prepare the credit ratings: public information and information provided by the rated entity. Financial data and metrics have been derived by CI from the rated entities financial statements for FY2019-23. CI may also have relied upon non-public financial information provided by the rated entities and may also have used financial information from credible, independent third-party data providers.

CI considers the quality of information available on the rated entities to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The principal methodology used to determine the ratings is the Bank Rating Methodology, dated 3 April 2019 (see [www.ciratings.com/page/rating-methodologies/bank-ratings](http://www.ciratings.com/page/rating-methodologies/bank-ratings)). Information on rating scales and definitions, the time horizon of rating outlooks, and the definition of default can be found at [www.ciratings.com/page/our-policies-procedures](http://www.ciratings.com/page/our-policies-procedures). CI's policy on unsolicited ratings including an explanation of the colour coding of credit rating symbols can be found at the same location. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <http://cerrep.esma.europa.eu>

The ratings and rating outlook were disclosed to the rated entities prior to publication and were not amended following that disclosure.

The rating actions above follow an ad hoc review of the rated entities.

The rating action on the following bank has been assigned or maintained at the request of the rated entity or related third parties: Jordan Kuwait Bank (ratings first released Jan 1995; last updated Feb 2024)

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