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Jordan Kuwait Bank

Ratings

Foreign Currency	
Long-Term IDR	B+
Short-Term IDR	B
Viability Rating	b+
Government Support Rating	b

Sovereign Risk (Hashemite Kingdom of Jordan)	
Long-Term Foreign-Currency IDR	BB-
Long-Term Local-Currency IDR	BB-
Country Ceiling	BB

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Rates Jordan Kuwait Bank 'B+'; Outlook Stable (September 2024)

EM Banks Tracker - End-2023 (June 2024)

Hashemite Kingdom of Jordan (May 2024)

Middle East Banks Outlook 2024 (December 2023)

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Key Rating Drivers

Jordan Kuwait Bank (JKB)'s Issuer Default Ratings (IDRs) are driven by its standalone strength, as reflected in its 'b+' Viability Rating (VR). JKB's VR reflects its high exposures to the Iraqi sovereign, high revenues generated from Iraq, which, while supporting profitability, could add volatility. Further high asset concentrations exert pressure on capital. The VR also reflects JKB's moderate franchise and pressure on asset quality, but also its stable funding and good liquidity.

Challenging Operating Environment: The operating environment remains challenging due to below-potential and structurally weak GDP growth, monetary tightening, high unemployment and geopolitical risks. Fitch Ratings expects moderate bank credit growth of 3%–4% in 2024 (end-1H24: 2.3%), and forecasts low real GDP growth of 2.3% in 2024 and 2.8% in 2025 due to increased geopolitical risk and its negative impact on tourism. Acceptable domestic credit conditions should counterbalance gradual fiscal consolidation and slower regional growth.

Moderate Domestic Franchise: JKB had domestic market shares of 6% of banking sector asset and loans at end-1H24. The bank has no direct exposure to Palestine. Expansion to Iraq supports business and revenue generation, but it exposes the bank to volatility risk.

High Exposure to Iraq: JKB is highly exposed to the Iraqi sovereign (B-/Stable) through holding of debt securities and balances with the Central Bank of Iraq (end-1H24; 23% of total assets or 2.6x common equity Tier 1 (CET1) capital). JKB generates a large portion of its operating income (1H24: 62%; 2023: 60%) from Iraq, which exposes the bank to volatility risk.

Pressure on Asset Quality: JKB's Stage 3 loans ratio increased to 8.6% at end-1H24 (end-2023: 7.6%; end-2022: 6.5%) despite write-offs and foreclosures. Stage 3 loan generation ratio is also high (1H24: 2.1%; 2023: 2.4%). Stage 2 loans ratio (end-1H24: 11%) is in line with the market. High exposure to the Iraqi sovereign and high single-obligor concentration add pressure. Fitch expects continuous pressure on asset quality, with a Stage 3 loan ratio of 8%–8.5% until end-2025 due to high interest rates, a challenging operating environment and geopolitical risks.

Increasing Profitability; Volatility Risk: JKB's net income increased 85% year on year in 1H24, and its annualised operating profit reached a high 7.8% of risk-weighted assets (RWAs) due to a high increase in non-interest income from Iraq. This has offset loan declines and pressure on net interest margins, supported cost efficiency and helped absorb impairment charges. Fitch expects profitability to remain strong, with an operating profit at 6% of RWAs in 2024 and 2025, although it remains subject to volatility risk in Iraq.

Only Adequate Capitalisation: JKB's CET1 capital ratio increased to 17.1% at end-1H24 (end-2023: 14.7%) due to improved profitability and fewer loan originations. Both high loss allowance coverage of Stage 3 loans and good pre-impairment operating profit provide a good cushion against deteriorating credit conditions. However, JKB's high exposure to the Iraqi sovereign and high loan concentration weigh on capital. Fitch expects the CET1 capital ratio at 18%–18.5% at end-2024 and end-2025, supported by internal capital generation.

Stable Funding; Good Liquidity: JKB's moderate retail deposits lead to deposit concentration, but its deposit base is stable. Its current and saving accounts (CASAs) support funding costs. The bank's high-quality liquid assets represented a strong 31% of total assets at end-1H24, covering 41% of customer deposits. This good liquidity helps mitigate maturity mismatches.

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A deterioration of the domestic operating environment or expansion of the operations in Iraq could lead to a downgrade of JKB's ratings. However, Fitch does not expect any major financing growth in Iraq in the next 12 months.

A deterioration in JKB's loan quality, particularly if the bank's Stage 3 loans ratio remains consistently above 10%, combined with a weaker operating profit/RWAs ratio at below 1% on a sustained basis, weakening the CET1 capital ratio to, for example, below 12% could lead to a VR downgrade. However, this is not Fitch's base case.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A significant improvement in asset quality, particularly if Stage 3 loans ratio is sustained at below 5%, combined with lower loan concentration, could lead to an upgrade of JKB's ratings. Additionally, a stronger capital position, particularly if CET1 capital ratio is sustained at above 17%, without any asset-quality deterioration, could also lead to an upgrade of JKB's ratings. However, this must be accompanied with controlled risk exposures to Iraq.

Other Debt and Issuer Ratings

The 'B' Short-Term IDR is the only option mapping to a 'B+' Long-Term IDR.

JKB's Government Support Rating (GSR) of 'b' reflects a limited probability of support from the Jordanian authorities. This considers the sovereign's weak financial flexibility and JKB's moderate systemic importance (end-1H24: 6% of banking sector assets). It also underlines the authorities' strong willingness, in Fitch's view, to support domestic banks to maintain market confidence and stability due to high contagion risk among domestic banks.

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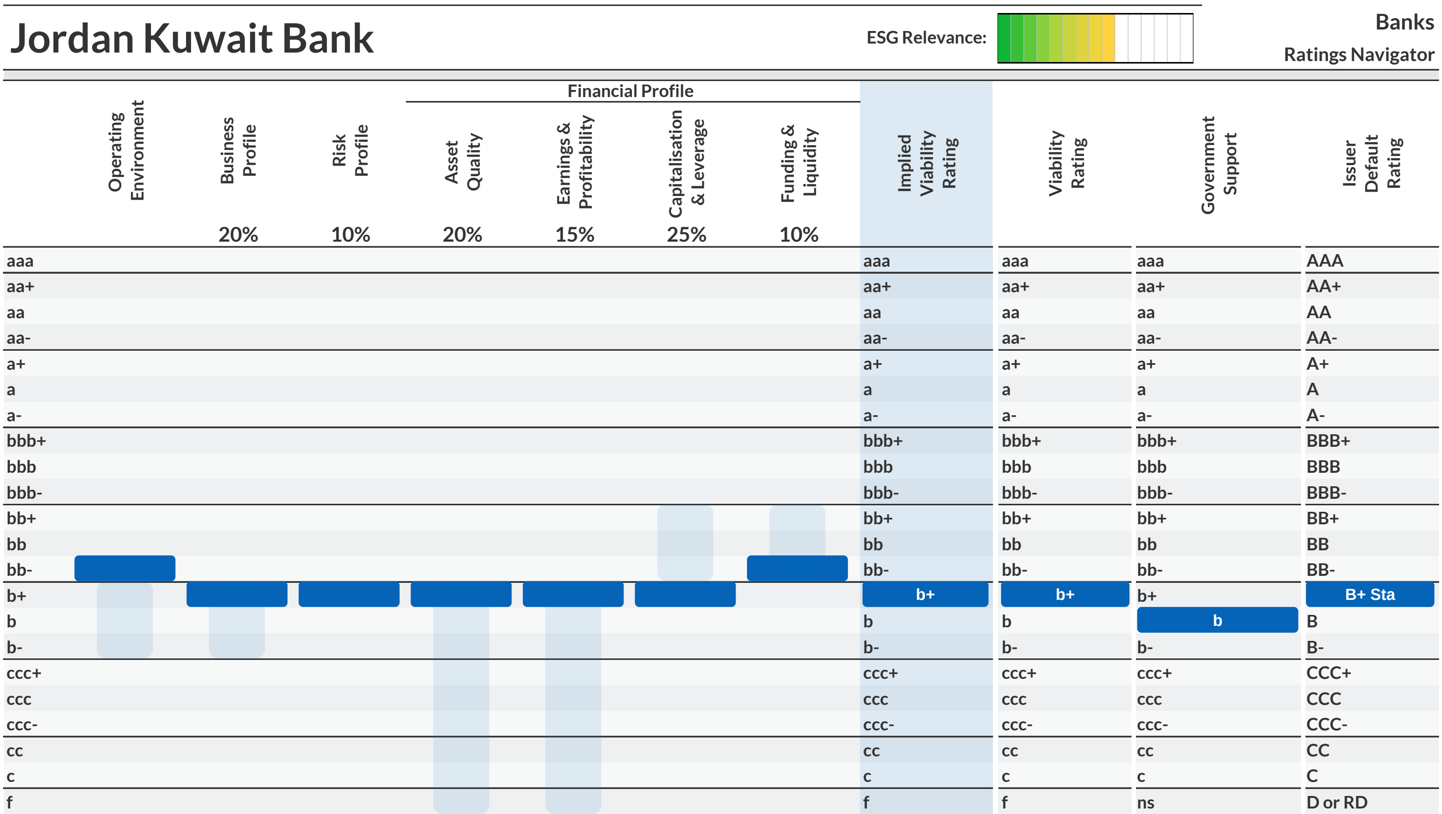
Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘bb-’ is assigned above the ‘b’ category implied score due to the following adjustment reason: macroeconomic stability (positive).

The capitalisation and leverage score of ‘b+’ is assigned below the ‘bb’ category implied score due to the following adjustment reason: risk profile and business model (negative).

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Company Summary and Key Qualitative Factors

Operating Environment

Stable Sovereign Rating; Increased Geopolitical Risks

Fitch's affirmation of Jordan's sovereign rating with a Stable Outlook in May reflects Jordan's progress in fiscal and economic reforms, which should help stabilise debt/GDP (including guarantees) at 92.7% in 2024 and 91.3% in 2025. The sovereign's resilient financing is linked to the liquid banking sector, the social security corporation, and funding from international partners, which together support the sovereign rating and the country's macroeconomic stability, particularly the foreign-exchange-rate peg regime to the US dollar. However, high government debt, weak growth, political and social risks, and large external financing needs all constrain Jordan's rating.

The war between Israel and Hamas has increased geopolitical risks. In Fitch's view, these risks are mitigated by strong multilateral and bilateral official support, including military and economic assistance from the US, reduced exposure to food and energy price volatility, and potential supply disruptions. The risk of the conflict affecting Jordan's exports, or its energy, water, or food supply, is low due to long-term gas contracts, alternative trade routes, and supply arrangements, and strategic reserves of fuel and wheat. However, a prolonged or expanded conflict, even if it does not involve Jordan directly, could weaken growth prospects and increase the challenges for fiscal consolidation.

Challenging Operating Environment

Jordan's 'bb-'/stable operating environment score is supported by the sovereign rating, some growth, mostly due to the services sector, including tourism, and still-supportive domestic credit conditions. However, the operating environment remains challenging due to below-potential and structurally weak real GDP growth. Fitch forecasts low real GDP growth of 2.3% in 2024 and 2.8% in 2025 due to increased geopolitical uncertainty and likely reduced tourism inflows, most notably from the US and Europe. High unemployment (2023: 22.6%; 2024F: 22.1%), monetary tightening, and a difficult regional economic environment also pose risks to growth, although high oil prices have created positive spillovers to Jordan from the GCC, which is a key source of tourist entries, investment and remittances.

Mild Pressure on Loan Quality; Profitability Recovers

Loan growth will remain moderate at 3%–4% in 2024 (1H24: 2.3%) given the challenging economic conditions and risks to loan quality, especially as high interest rates pressure credit demand and borrowers' repayment capabilities. Profitability recovered in 2023 and will likely remain stable in 2024, supported by high interest rates and acceptable business volumes. Fitch expects capital ratios to remain stable up to end-2024, with the CET1 capital ratio above 15% given moderate loan growth and adequate internal capital generation. Single-obligor concentration, mostly from loans to government-related entities and utility companies, will continue to expose banks to event risk. Jordanian banks' exposures to the sovereign – 30%–35% of which are deposits at the central bank of Jordan (CBJ) – are high (end-1H24: 36% of total assets, or 3.3x equity). Liquidity is well-managed, and funding, mostly customer deposits, is stable. Dollarisation is moderate (end-1Q24: 20% of assets, 12% of loans and 21% of customer deposits). Market risk is well-contained.

Moderate Exposures to the Palestinian Territories Could Pose Additional Risks

Jordanian banks are moderately exposed to the Palestinian territories through branches due to historical ties and common interests. Branches in the Palestinian territories represented 9% of Jordanian banks' consolidated assets at end-1H24. Exposures include loans (46% of total assets; largely to the Palestinian authority and related entities backed by taxes or invoices, and some monopolistic large entities; some retail loans to civil servants and employees of the large private groups), placements with the Palestine Monetary Authority and local banks (35% of total assets), and some securities (9%) and cash (7%). Banks are mostly involved in the West Bank, with minimal activity in Gaza. Jordanian banks do not take excessive risks, in Fitch's view, and impaired loans ratios are typically low (below 7%).

These exposures are highly sensitive to the geopolitical situation, and they therefore expose Jordanian banks' asset quality, profitability and capital to event risk. More recently, Israel extended, for four months, a banking waiver that expired on 30 June, which allows Israeli banks to process payments from banks in Palestinian territories, including services and salaries related to the Palestinian Authority, in Israeli shekel, without being exposed to legal actions from terrorism financing and non-compliance with anti-money laundering. Should Israel revoke the banking waiver and withhold the tax revenue of the Palestinian Authority, this will create a systemic risk in the Palestinian territories and affect the operating banks.

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Business Profile

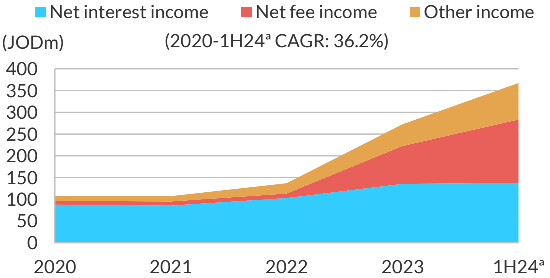
JKB is a universal commercial bank, established in 1976, listed on Amman Stock Exchange. It is 51% owned by Al Rawabi United Holding Company, a 100% owned subsidiary of Kuwait Projects Company (KIPCO), a large and diversified holding company (end-1H24: USD40.3 billion of assets), related to the Kuwaiti ruling family. Group benefits, including business and revenue generation, are small. The Social Security Corporation (21% of JKB's shares) and Odyssey Reinsurance Company (6%) are the two other major shareholders.

JKB's main market is Jordan, with market shares of 6% of banking sector assets and loans and 7% of deposits. The bank aims to strengthen its retail (end-1H24: 21% of gross loans; much lower than peers) and SME (9%) lending to support growth, revenue generation and diversification through new products and services, particularly digitalisation, while consolidating its position in the wholesale lending. JKB's strong focus on risk management aims to reduce Stage 3 loans and improve reserve coverage. The bank also has four branches in Cyprus, mostly providing wholesale lending, trade finance and private banking to large Jordanian and Lebanese corporates that have cross-border transactions and regional business interest; with low-growth strategy. The bank does not have any meaningful exposures to the Palestinian territories.

The limited opportunities in Jordan led JKB to a merger and acquisition strategy. The bank acquired 53% of Bank of Baghdad (BoB) in 2023 from Burgan Bank (part of KIPCO group) to increase revenues and diversification. The aim is to integrate BoB within JKB with a conservative risk appetite. The focus will be on large corporates (and their employees) and government projects, and to benefit from cross-border transactions, with retail lending to civil servants. For the time being, BoB provides transactional services (international transfers and foreign-currency trade) which is improving JKB's non-interest income (1H24: 63% of operating income; 2023: 50%; 2022: 25%) and profitability, both of which are now stronger than peers'. JKB's balance sheet has shifted to non-loan assets (end-1H24: 63%) as the assets in Iraq are mostly placements at the central bank and government securities. More recently, JKB and Bank al Etihad (BAE) started merger talks – still at initial discussion phase. This would provide BAE with adequate access to Iraq, a target market and JKB with Islamic offering through BAE's Islamic subsidiary.

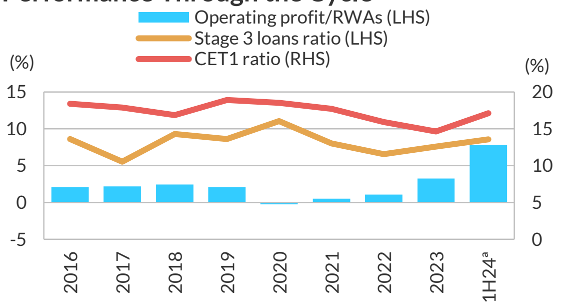
JKB's good and experienced management support its growth and strategy but execution will remain sensitive to the challenging domestic and regional operating conditions.

Revenue Breakdown



CAGR: compound annual growth rate
ª Annualised
Source: Fitch Ratings, Fitch Solutions, JKB

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, Fitch Solutions, JKB

Risk Profile

JKB is highly exposed to the Jordanian sovereign, through lending, holding of debt securities, and balances with the CBJ (end-1H24: 20% of total assets or 2.2x common equity Tier 1 capital). This supports the bank's regulatory capital through lower risk weightings, and results from a lack of good-quality domestic lending opportunities and the conservative risk appetite. The bank also has high single-obligor concentration, with the 20 largest-single group obligors representing 44% of gross loans, or 2.4x CET1 capital, at end-2023; 15% of which were government-related. Loan growth has been higher than the sector, averaging 9.7% in 2021–2023 (sector: 5.3%). The high exposures to the Iraqi sovereign and large revenues coming from Iraq expose JKB to event risk and pressure its ratings.

Corporate lending is mostly to large corporates, with moderate SME lending (end-1H24: 9% of gross loans). It is adequately diversified by economic sectors. Lending to the trade, manufacturing and services sector (end-2023: together 41% of gross loans) exposes the bank to domestic and regional economic downturns. Lending to the commercial real estate (3%), construction (3%) and tourism and hospitality (3%) is small; the bank has a negligible share lending. Lending to financial institutions is moderate (10%), mostly to leasing companies owned and backed by Jordanian banks. Oil and gas lending (8%) is focused on Jordan's sole oil refinery. Retail lending is mostly residential mortgages (7%) and personal loans (10%), directed to both the private and public sectors, with appropriate loan-to-

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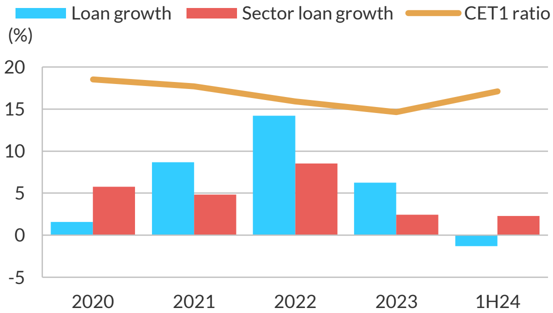
value and debt-burden ratios, including salary assignments. Loans are well-collateralised (end-2023: total collateral: 55% of gross loans; real estate: 66% of collateral; quoted shares: 19%; cash: 7%) and adequately provisioned.

Similar to peers, JKB is highly sensitive to interest rate changes due to its repricing gaps, local competition on loans and deposits, good term deposits and the large exposure to the sovereign via fixed-rate lending and securities. Interest income makes up 70%–75% of JKB's operating income in Jordan. The long-standing peg of the Jordanian dinar with the US dollar, the small foreign-currency (FC) positions, and the natural hedging of FC corporate lending by FC earnings mitigate FC risk, which originates mainly from investment in the Iraqi subsidiary. Securities at fair-value through other comprehensive income are small, as reflected in the small unrealised losses/gains from mark-to-market valuations. JKB does not have investment properties. Trading activity is minimal and the equity price risk is small, with low equity securities, negligible share lending and some collateralised shares.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, JKB

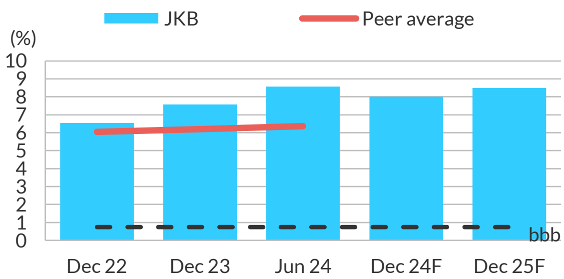
Financial Profile

Asset Quality

JKB's loan quality is under pressure from the high interest rates and the challenging operating environment. The Stage 3 loans ratio has increased (end-1H24: 8.6%; end-2023: 7.6%; end-2022: 6.5%) despite the write-offs and foreclosures, evidenced by the high Stage 3 loan generation ratio (change in Stage 3 loans plus written-off loans/average gross loans; 1H24: 2.1%; 2023: 2.4%; 2022: -0.3%).

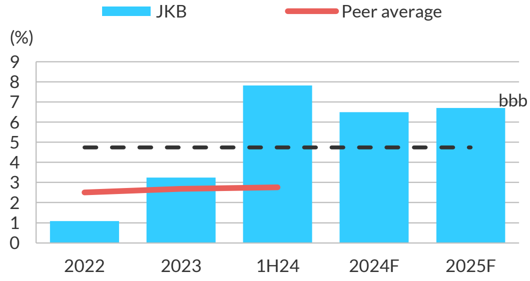
The Stage 2 loans ratio is also high (end-1H24: 11%) but in line with the market, and has reduced (end-2023: 13.4%), mostly due to settlements. Foreclosed properties add pressure to loan quality (the Stage 3 loans ratio including foreclosed assets was 13.1% at end-1H24); however, these are progressively resolving. Fitch expects continuous pressure on loan quality, forecasting a Stage 3 loan ratio of 8%–8.5% at end-2024 and end-2025 due to high interest rates, and the challenging operating environment and geopolitical risks. The bank is adequately collateralised. Total loss allowances coverage of Stage 3 loans (end-1H24: 126%) is better than peers'. Fitch's assessment of asset quality considers the high exposure to the Jordanian and Iraqi sovereigns.

Stage 3 Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

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Earnings and Profitability

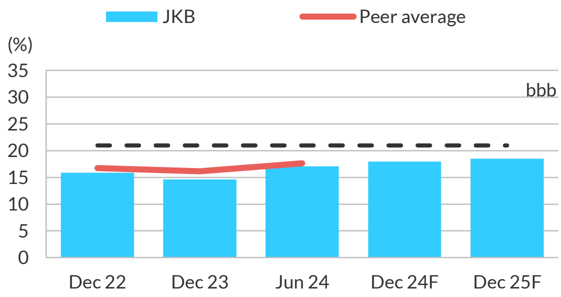
JKB's net income increased by 85% year on year in 1H24, and its annualised operating profit reached a high 7.8% of RWAs (2023: 3.2%; 2022: 1.1%), which is much higher than peers'. This was due to a high increase in non-interest income (1H24: 63% of operating income; 2024: 50%; 2023: 25%) from Iraq, mainly from fees and commissions on international transfers and FC trading. This has offset negative loan declines and pressure on the net interest margin, supported cost efficiency (cost/income ratio: 1H24: 32%; 2023: 39%; 2022: 51%), which is lower than peers', and helped absorb impairment charges. The bank has a higher operating profit/average total assets ratio than peers (1H24: 4.3%, annualised; 2023: 2.2%). Pre-impairment operating profit provides the bank with good buffers to absorb additional impairments through the income statement, having equalled a high 11.4% of JKB's average gross loans in 1H24 (2023: 7.4%). Fitch expects profitability to remain strong, with an operating profit at 6% of RWAs in 2024 and 2025, although it is subject to volatility risk in Iraq.

Capitalisation and Leverage

JKB's CET1 capital ratio has increased to 17.1% at end-1H24 (end-2023: 14.7%) due to improved profitability and fewer loan generations. This is above peers' and well above the minimum regulatory requirement of 9% (including a domestic systemically important bank (D-SIB) buffer of 0.5%). The tangible ratio is also good (11.8%). Both high loss allowance coverage of Stage 3 loans and good pre-impairment operating profit provide a good cushion against deteriorating credit conditions. The bank's capital base was 80% composed of CET1 capital at end-1H24 (end-2023: 78%; end-2022: 94%), with JOD89 million additional Tier 1 capital issued in 2023 to finance the acquisition of BoB.

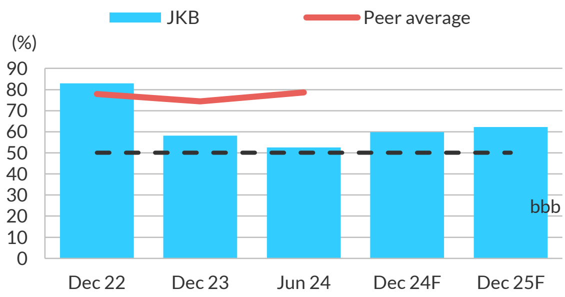
However, JKB's high exposure to the Iraqi sovereign and high loan concentration weigh on capital. JKB can issue capital if needed; however, given the regulatory capital ratios level and the flexible dividend pay-out policy, Fitch does not expect any capital raising and the bank will continue to generate capital internally. Fitch expects the CET1 capital ratio at 18%–18.5% at end-2024 and end-2025, supported by internal capital generation.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Similar to peers, JKB is mostly funded by customer deposits (end-1H24: 89% of non-equity funding). Retail deposits represented a moderate 38% of customer deposits at end-1H24, down from a typical 60% before the BoB acquisition as the deposits in Iraq are mostly wholesale. The translates into moderate deposit concentration, with the 20 largest depositors accounting for 20% of the total at end-2023. JKB's CASAs have improved to 54% of customer deposits, which is higher than the typical 35%–40% before BoB acquisition, as deposits in Iraq are mostly CASAs. Similar to peers, JKB was affected domestically by the deposit migration from CASAs to term deposits in 2022, 2023 and 1H24, which has put pressure on its funding costs.

The bank's gross loans/customer deposits ratio is very low (end-1H24: 53%; end-2023: 58%; end-2022: 83%) due to a lack of lending in Iraq. JKB's liquidity is good. The high-quality liquid assets (used for the liquidity coverage ratio calculation) represented a high 31% of total assets at end-1H24, covering 41% of customer deposits, which is higher than at peers. This good liquidity helps mitigate maturity mismatches. Liquidity across the group is not fungible, particularly Iraq, but JKB does not rely on Iraq to source deposits and fund its activity.

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Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Arab Bank Group (Arab Bank Plc: VR: bb), Bank Al Etihad (bb-), Jordan Islamic Bank (bb-), Jordan Ahli Bank Plc (b+), Bank of Jordan Plc (bb-). Forecasts in graphs are denoted by an 'F'. Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

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Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half (USDm) Reviewed – unqualified	1st half (JODm) Reviewed – unqualified	12 months (JODm) Audited – unqualified	12 months (JODm) Audited – unqualified	12 months (JODm) Audited – unqualified
Summary income statement					
Net interest and dividend income	97	69	136	103	85
Net fees and commissions	103	73	87	10	10
Other operating income	60	42	50	24	12
Total operating income	259	184	273	137	107
Operating costs	83	59	107	70	63
Pre-impairment operating profit	177	125	166	68	45
Loan and other impairment charges	15	11	65	41	32
Operating profit	161	114	101	27	12
Other non-operating items (net)	0	0	20	1	0
Tax	34	24	32	9	4
Net income	127	91	90	19	8
Other comprehensive income	3	2	5	0	3
Fitch comprehensive income	130	93	95	19	11
Summary balance sheet					
Assets					
Gross loans	3,109	2,207	2,237	2,105	1,843
– Of which Stage 3	267	189	169	138	147
Loan loss allowances	337	239	230	182	156
Net loans	2,772	1,968	2,007	1,923	1,687
Interbank	555	394	540	123	142
Derivatives	0	0	0	0	0
Other securities and earning assets	1,889	1,342	1,264	734	584
Total earning assets	5,217	3,704	3,811	2,780	2,413
Cash and due from banks	2,149	1,526	1,072	481	317
Other assets	528	375	361	286	275
Total assets	7,894	5,605	5,244	3,547	3,005
Liabilities					
Customer deposits	5,912	4,197	3,847	2,537	2,030
Interbank and other short-term funding	45	32	70	107	167
Other long-term funding	532	378	399	308	250
Trading liabilities and derivatives	0	0	0	0	0
Total funding and derivatives	6,489	4,607	4,315	2,951	2,447
Other liabilities	273	194	202	118	90
Preference shares and hybrid capital	125	89	89	0	0
Total equity	1,007	715	639	478	468
Total liabilities and equity	7,894	5,605	5,244	3,547	3,005
Exchange rate		USD1 = JOD0.71	USD1 = JOD0.71	USD1 = JOD0.71	USD1 = JOD0.71

Source: Fitch Ratings, Fitch Solutions, Jordan Kuwait Bank

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Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	7.8	3.2	1.1	0.5
Operating profit/average total assets	4.3	2.2	0.8	0.4
Net interest income/average earning assets	3.7	4.0	3.9	3.8
Non-interest expense/gross revenue	31.9	39.1	50.8	58.5
Impairment charges/pre-impairment operating profit	8.8	38.9	60.4	72.8
Net income/average equity	26.7	15.4	4.0	1.7
Asset quality				
Stage 2 loans ratio	11.0	13.4	9.1	10.0
Stage 3 loans ratio	8.6	7.6	6.5	8.0
Stage 3 loans ratio (including foreclosures)	13.1	11.7	11.8	14.1
Growth in gross loans	-1.3	6.3	14.2	8.7
Loan loss allowances/Stage 3 loans	126.3	135.9	132.5	105.8
Loan loss allowances/gross loans	10.8	10.3	8.7	8.5
Loan impairment charges/average gross loans	0.6	1.5	1.4	1.6
Net charge-offs/average gross loans	0.2	0.8	0.2	1.2
Capitalisation				
Common equity Tier 1 capital ratio	17.1	14.7	15.9	17.7
Tier 1 capital ratio	20.2	17.6	15.9	17.7
Total capital ratio	21.5	18.8	17.0	18.9
Tangible common equity/tangible assets	11.8	11.0	12.1	14.3
Basel leverage ratio	9.9	9.8	10.2	12.2
Net Stage 3 loans/common equity Tier 1 capital	-9.9	-13.2	-11.3	-2.1
Risk weighted assets/total assets	52.4	59.7	70.2	75.4
Cash dividends paid and declared/net income	n.a.	21.8	112.8	136.4
Funding and liquidity				
Gross loans/customer deposits	52.6	58.1	83.0	90.8
Customer deposits/total non-equity funding	89.4	87.4	86.0	83.0
High-quality liquid assets/customer deposits	40.9	41.0	41.2	38.2
Liquidity coverage ratio	235.9	340.4	230.7	203.9
Net stable funding ratio	185.7	272.9	285.8	–

Source: Fitch Ratings, Fitch Solutions, Jordan Kuwait Bank

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Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bb- or b+
Actual jurisdiction D-SIB GSR	b
Government Support Rating	b
Government ability to support D-SIBs	
Sovereign Rating	BB-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Negative
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Negative

The colours indicate the weighting of each KRD in the assessment.

Higher influence | Moderate influence | Lower influence

Fitch believes the Jordanian authorities have a strong willingness to provide support to domestic banks, including JKB, in order to maintain market confidence and stability, given high contagion risk among domestic banks and their high importance to the economy and the country's development plans. However, the D-SIBs' GSR of 'b' is below Fitch's typical D-SIB GSR for 'bb-' rated sovereigns with a high propensity to provide support (0–1 notches below the sovereign rating), due to the sovereign's weak financial flexibility. Fitch therefore assigns JKB a GSR of 'b', at the same level as the actual D-SIB GSR.

Fitch does not factor into the ratings any support from KIPCO, JKB's ultimate parent (BB-/Stable; downgraded from 'BB' in December 2023) as support cannot be relied on because of JKB's high relative size (at end-1H24, JKB's consolidated assets represented 19% of KIPCO's consolidated assets), which could constrain KIPCO's ability to support.

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Environmental, Social and Governance Considerations

FitchRatings **Jordan Kuwait Bank**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Jordan Kuwait Bank has 5 ESG potential rating drivers
- Jordan Kuwait Bank has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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