Credit Rating Announcement

Ref: JO01125BNK00-01 16 June 2026

Jordan Kuwait Bank – Ratings and Stable Outlook Affirmed

Capital Intelligence Ratings (CI Ratings or CI) today announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Jordan Kuwait Bank (JKB or the Bank) at 'BB-' and 'B', respectively. At the same time, CI Ratings has affirmed the Bank's Standalone Rating (BSR) of 'bb-', Core Financial Strength (CFS) rating of 'bb' and Extraordinary Support Level (ESL) of Moderate. The Outlook on the LT FCR and BSR remains Stable.

The Bank's BSR is derived from a CFS rating of 'bb' and Operating Environment Risk Anchor (OPERA) of 'bb-' (indicating moderate risk). Given that international operations account for 29% of JKB group assets, the OPERA also takes into consideration that of the Iraqi subsidiary Bank of Baghdad (BoB). Although JKB's ESL is Moderate, there is no uplift for the BSR, as the latter is already at Jordan's sovereign LT FCR level ('BB-'/Stable). While CI believes the willingness of the government to provide support remains high, its financial capacity is deemed moderate, as indicated by Jordan's sovereign ratings.

The Core Financial Strength (CFS) is supported by still good, albeit moderating, profitability, with domestic earnings improving and BoB continuing to drive strong consolidated returns. Additional strengths include solid capitalisation, comfortable leverage, strong liquidity buffers and a stable funding profile, particularly in Jordan. The CFS is constrained by elevated geopolitical risks, with early signs of pressure on loan asset quality and profitability metrics from the US/Israel armed conflict with Iran and closure of the Strait of Hormuz. While loan asset quality is supported by a Loan Loss Reserve (LLR) coverage ratio of above 100%, problem loans have continued to rise and could come under further pressure amid ongoing geopolitical uncertainty. The rating is further constrained by structural weaknesses in Iraq's banking system, intense competition in Jordan, and elevated concentration risks, including significant sovereign exposures and borrower concentrations.

The acquisition of FIMBank in Malta, once completed, is initially expected to have a broadly neutral impact on the Bank's ratings. FIMBank represents just under one-fifth of JKB's consolidated assets and the transaction is expected to provide some support to consolidated capitalisation and (since the rehabilitation of its loan book) asset quality metrics. However, FIMBank's profitability is low and as such will not make any immediate positive contribution to recuring earnings (notwithstanding any one-off gain on acquisition). Although FIMBank's reported Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratios are robust, some liquidity metrics are weak but we do anticipate this will have a material impact on JKB's strong consolidated liquidity. The longer-term impact on the ratings will depend on JKB's strategic plans for the bank, following completion of the acquisition including whether it is able to improve FIMBank's earnings strength.

The OPERA takes into account both current and projected economic and financial conditions in Jordan, as well as the strengths and weaknesses of the banking sector. The assessment reflects the increase in foreign exchange reserves and moderate coverage of short-term external debt on a remaining maturity basis. It also takes into account Jordan's track record of navigating persistent external pressures, including very high geopolitical risks and elevated regional instability, following the recent US/Israeli war with Iran and the absence of an agreement that would reopen the strait of Hormuz soon. At the same time, the assessment factors in the country's continued reliance on capital inflows to finance its chronic current account deficit, limited monetary policy flexibility and significant socioeconomic challenges. The banking sector remains well-regulated, supported by strong capital and liquidity buffers, and has shown notable resilience in a difficult operating environment. Despite high exposure to the sovereign, asset quality remains acceptable, with the sector-wide NPL ratio at 5.5% as of December 2025.

The Bank has a well-established franchise in Jordan, where it holds a ca. 6% market share and is a recognized mid-sized player. Domestically, it operates a universal banking model with a predominantly corporate-focused franchise, complemented by SME, retail activities. Overall, the franchise benefits from a stable domestic platform and selective international presence. To support growth diversification, JKB expanded regionally through the acquisition of BoB in 2023 and has announced the planned acquisition of FIMBank in H2 2026 from KIPCO-affiliated entities, positioning the Group as a regional platform for trade finance and cross-border flows linking Jordan, Iraq and Europe. JKB's regional expansion in recent years provides diversification beyond Jordan's saturated banking sector, where ongoing consolidation through mergers and acquisitions has seen the emergence of larger domestic competitors. On a consolidated basis, JKB ranks as the sixth-largest bank in Jordan, with the share of assets located outside the domestic market projected to increase following the acquisition of FIMBank.

In 2025 NPLs increased for a fourth consecutive year to 7.5% of gross loans, driven mainly by corporate and housing loans. Nonetheless, LLR coverage remains comfortably above 100%, supporting loss absorption, while adequate collateral and guarantee cover support recoverability. Stage 2 loans declined to 9.1%, in 2025 although recent data point to renewed pressure on problem assets, with NPLs rising further to 7.9% in Q1 2026. Asset quality pressures remain concentrated, with around 25% of NPLs linked to a small number of large exposures, highlighting single-name risk within the corporate portfolio. Non-loan asset quality is broadly in line with peers but remains heavily skewed towards Jordanian and Iraqi (held at BoB level) sovereign securities (c.93% of consolidated holdings), resulting in elevated sovereign credit concentration. Looking ahead, credit growth is expected to remain subdued and largely dependent on the rollout of government infrastructure projects in Jordan, which may generate selective opportunities in government-guaranteed lending and related supply chains. In Iraq, credit expansion is expected to remain limited given difficult operating conditions and heightened geopolitical risk.

In 2025, JKB's consolidated net profit fell 22% from 2024 but remained strong with an ROAA at 2.75% and pre-provision operating profit to average assets around 3.2%. The reduction was driven mainly by lower fee and commission income at BoB, following Central Bank of Iraq (CBI)-imposed caps for banks on foreign exchange and money transfer activities. Despite this, BoB remained a key contributor to consolidated earnings through fee income, FX-related trading gains, and interest income from correspondent and settlement balances. Domestically, both operating and net profitability improved modestly, supported by lower funding costs and resilient core fee income. In aggregate JKB continued to report strong consolidated operating profitability, with ROAA remaining the highest among Jordanian banks (buoyed by BoB). Cost efficiency remained solid despite some deterioration. In Q1 2026, operating and net profitability weakened amid heightened regional geopolitical tensions, with non-interest income (primarily generated by BoB) particularly affected. Even so, operating profitability remained strong, reflecting the resilience of the underlying franchise (both in Jordan and Iraq) and supporting JKB's loss-absorption capacity.

The Group's consolidated funding and liquidity profile remains sound, supported by a stable customer deposit base and strong liquidity buffers. Customer deposits declined by 5.4% in 2025, driven by BoB's corporate-driven, less stable funding while JKB's domestic deposits grew by around 4%, underpinned by retail and government inflows. CASA deposits in Jordan rose 8.6%, reducing still elevated reliance on time deposits to 63%. The consolidated loan-to-deposit ratio remained comfortable at 56%, with JKB's standalone ratio at 78% and a net loan-to-stable funding ratio of 56%. Consolidated liquidity ratios remained robust, with liquid assets at 44% of total assets, an LCR of 273%, and an NSFR of 137%, all well above regulatory minima. BoB's liquid assets ratio remains high at c.78%, enabling the absorption of deposit volatility, while JKB's domestic liquidity is supported by government securities and repo-eligible instruments. Overall, the Group's funding structure is adequate to support strategic objectives, despite differing dynamics across its core entities.

JKB's consolidated capitalisation remains strong, with a total CAR of 21.9% and a CET1 ratio of 18.0% at end-2025, well above the 14.5% regulatory minimum, including buffers for systemic importance and overseas exposure. Reported capital adequacy ratios continue to benefit from the zero-risk weighting of Jordanian and Iraqi sovereign exposures, while the leverage ratio remains good at around 17%. On a standalone basis, JKB's capitalisation improved during the year and stood around 150bps above the regulatory minimum, supported by domestic profitability and earnings retention. At the same time, BoB reports strong balance sheet leverage and capital adequacy ratios (CAR) of 24.3% and 37.6% respectively. Looking ahead, and subject to regulatory and shareholder approval, the Bank plans a JOD 60mn capital increase via private placement to support the FIMBank acquisition.

Rating Outlook

The Outlook for the Bank's LT FCR and BSR is Stable, indicating that the ratings are unlikely to change over the next 12 months. This reflects our view that the Bank is expected to maintain its current risk profile and that sovereign ratings will remain at current levels.

Rating Dynamics: Upside Scenario

Although unlikely, a LT FCR upgrade would require an upgrade of Jordan's sovereign ratings and an upgrade of the Bank's BSR, resulting either by an improvement in the operating environment or an upgrade of the Bank's CFS, the latter reflecting improvements to the Bank's financial fundamentals.

Rating Dynamics: Downside Scenario

The Outlook for the LT FCR could be revised to Negative were there to be a similar action on the Jordanian sovereign. Alternatively, downward pressure could result from the Bank's risk profile deteriorating, either due to renewed asset quality pressures, challenges in implementing strategic plans or a significantly weaker operating environment in Jordan or Iraq, resulting in a lowering of the OPERA.

Ratings

Foreign Currency		Outlook	BSR	Outlook	CFS	ESL	OPERA
LT	ST	LT FC		BSR			
BB-	B	Stable	bb-	Stable	bb	Moderate	bb-

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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 entity's audited financial statements for FY2022-26. CI may also have relied upon non-public financial information provided by the rated entity and may also have used financial information from credible, independent third-party data providers. CI considers the quality of information available on the rated entity 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. For the methodology and our definition of default see https://ciratings.com/policies-procedures/methodologies-criteria/current-criteria-guidance. Information on rating scales and definitions and the time horizon of rating outlooks can be found at https://ciratings.com/policies-procedures/rating-scales-definitions. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at https://registers.esma.europa.eu/cerep-publication.

This rating action follows a scheduled periodic (annual) review of the rated entity. Ratings on the entity were first released in January 1995. The ratings were last updated in June 2025. The ratings and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure. The ratings have been assigned or maintained at the request of the rated entity or a related third party.

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