

Report Date: 8-May-25

Jordan Kuwait Bank

ASE: JOKB

Quarter: 31/3/2025

Annual Earnings: 31/12/2024

Price as of 8-May-25

JD 2.75/Share

RATING:



Initiated Coverage 13/03/2024

We recommend **Buying JOKB** as it is deemed attractive when considering the stock returns on a risk-adjusted basis. 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 2.85

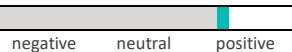
Previous Rating	52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1 2 3 4 5	JD 2.37 – JD 3.14	JD 412.5 M	4.36%	JD 0.12/ share
28/3/2025				
Founded: 1976	Shares Outstanding: 150.0 M	Employees: 1,329	Volume(3m): 6.83 K	Ex-Div Date: Apr 28, 25
P/BVS: 0.56x	Forward P/E: 4.03x	Volatility(annual): 22.12%	Public Float: 30.0 M	Sector: Banking

Jordan Kuwait Bank ("JOKB" or the "Bank") is a publicly listed Jordanian financial institution that provides various commercial and investment banking services to individuals and corporate clients in Jordan. JOKB has implemented strategic measures to strengthen investor confidence and enhance the value of its stock, such as increased investment spending to expand into new markets, diversify revenue sources, and prioritize technological advancements and digital transformation. Notably, the acquisition of a controlling stake in Bank of Baghdad, Iraq, has improved the overall performance of the Bank.

Recommendation Summary

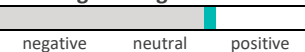
UFICO's **Buy** recommendation on JOKB is the result of our systematic analysis of four basic characteristics mentioned above. The stock appears attractively undervalued relative to its industry peers, despite maintaining strong core profitability and capital and liquidity metrics. The Bank's solid net interest income growth, healthy NIM, high CAR, and strong asset quality position it well for earnings recovery once provisioning normalizes. Given its conservative financial profile and favorable valuation, we recommend accumulating the stock on dips, with a positive medium-term outlook as fundamentals strengthen. Market participants are advised to carefully monitor forthcoming quarterly results for supplementary information to make well-informed decisions.

Relative Valuation



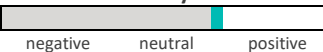
JOKB's pricing seems to be **undervalued** compared to its industry counterparts in terms of its P/E and P/BV ratios, while the dividend yield is **the lowest** within the banking sector in Jordan.

Earnings Strength



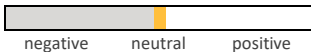
JOKB recorded a 27.5% increase in net interest income in Q1 2025, supported by improved asset yields and a healthy NIM of 2.79%. However, net income declined by 16.4%, mainly due to a significant swing in credit provisions. Despite this higher provisioning, the Bank maintained a strong ROE and ROA reflecting resilient core profitability.

Financial Stability



JOKB exhibits strong financial health with a high CAR, excellent CASA ratio, and strong coverage ratio, indicating careful risk management and liquidity. While its Efficiency Ratio is slightly elevated, overall metrics reflect a well-capitalized, conservative bank with sound profitability and effective cost control.

Price Movement



The stock is rated a **Hold** at its current 14-Weeks RSI, and a **Sell** at its MA200.

Major Risks & Rewards

- **Dividend Income:** JOKB has a track record of consistently distributing dividends, making it an appealing stock for income-focused investors.
- **Regulatory Oversight:** JOKB operates under regulatory oversight, enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **Diversification:** Including JOKB stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Regulatory Risks:** JOKB 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 JOKB, influencing stock prices.
- **Liquidity Risks:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling JOKB shares without impacting the stock's price, and they may face higher transaction costs as a result.
- **Bank of Baghdad Risk:** Sustainable profitability, particularly from Iraq operations, poses a significant risk, given the heavy reliance on commission income.
- **AT1 Bond Coupon Payments:** Elevated funding cost 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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Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE%	NIM	Credit/Deposits
		8/5/2025	8/5/2025	(TTM)	(Forward)	(MRQ)	(TTM)	(TTM)	(TTM)	(MRQ)
JOKB	Jordan Kuwait Bank	JD 2.75	412,500	JD 0.171	4.03x	0.56x	4.36%	14.23%	2.79%	49.41%
UBSI	Bank Al Etihad	JD 1.71	342,000	JD 0.053	8.14x	0.67x	5.85%	8.38%	2.88%	69.84%
CAPL	Capital Bank of Jordan	JD 1.90	499,771	JD 0.125	3.81x	0.66x	7.89%	17.73%	2.89%	59.77%
BOJX	Bank of Jordan	JD 2.20	440,000	JD 0.067	8.18x	0.87x	8.18%	10.40%	4.39%	66.70%
Peer Group Weighted Average					6.46x	0.74x	7.31%	12.72%	3.40%	64.83%
Sector Weighted Average (excluding JOKB)					7.53x	0.70x	7.16%	10.38%	3.07%	71.49%
Sector Median					8.14x	0.67x	6.41%	8.57%	2.89%	73.03%

* In JD thousands

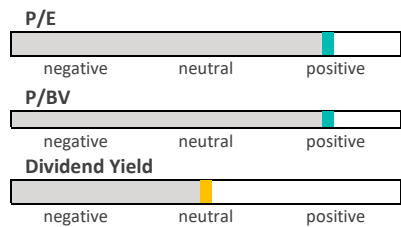
Past Performance

	2021	2022	2023	2024	1Q24	1Q25
Net Interest Margin	2.9%	3.1%	3.0%	2.55%	2.38%	2.79%
Dividend/Share (JD)	0.07	0.08	0.08	0.12	-	-
Return on Equity	1.7%	4.0%	10.8%	17.7%	19.4%	14.2%

Relative Valuation is POSITIVE

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
8/5/2025	8/5/2025	(TTM)	(Forward)	(MRQ)	(MRQ)	(2024)	8/5/2025
JD 2.75	JD 412.5 M	JD 0.17	4.03x	JD 4.88	0.56x	JD 0.12	4.36%

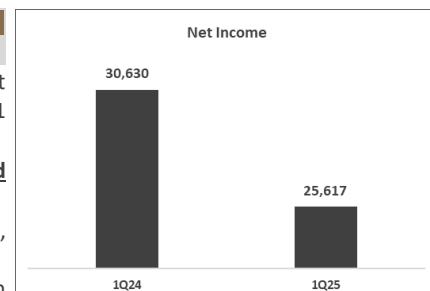
- **P/E vs Industry** suggests that JOKB is undervalued compared to the weighted average and median P/E for the banking sector in Jordan.
- **P/BV vs. Industry** suggests that JOKB is slightly undervalued compared to its industry peers and the banking sector.
- **Dividend Yield** is well below the banking sector's average.



Earning Strength is POSITIVE

1Q25 Results	Net Interest Income	Net Income	NIM	ROE	ROA
(TTM)	JD 39.7 M (+27.5%)	JD 25.6 M (-16.4%)	2.79%	14.23%	1.80%

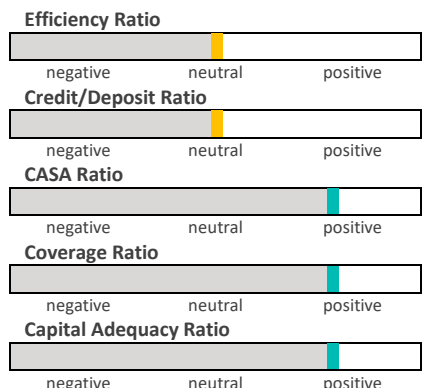
- **Net Income:** saw a 16.4% decrease during Q1 mainly due to a significant swing in credit provisions, which rose to JD 7.3 million compared to a net recovery of JD 5.0 million in Q1 2024.
- **Return on Equity** signifies enhanced profitability for shareholders and is the **second highest within the banking sector in Jordan for Q1 25**.
- **Return on Assets** surpasses the industry norm of about 1.0%, although lower than Q1 24, implying that the Bank effectively utilizes its assets to generate profits.
- **Net Interest Margin (NIM)** is considered very healthy for banks, and is much higher than Q1 2024. 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

1Q25 Results	Efficiency	Credit/Deposits	CASA	Coverage	CAR	Leverage
(MRQ)	32.34%	49.41%	NA	81.55%	21.29%	NA

- **Efficiency Ratio** demonstrates optimal operational efficiency, as an efficiency ratio of 50% or lower is considered ideal.
- **Credit/Deposit Ratio:** suggests strong liquidity management, but it may also indicate under-utilization of funds if the objective is to grow revenue. A low credit/deposit ratio (below 60.0%) indicates that a significant portion of the Bank's deposits are not being utilized for lending efficiently.
- **CASA Ratio** is not available for Q1 25, but was 49.81% at the end of 2024, which represents the portion of low-cost and stable funds compared to the Bank's total deposit base. Typically, a CASA ratio above 45-50% is viewed favorably for banks.



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- **Coverage Ratio** represents the provisions set aside as a percentage of stage 3 loans, indicating the extent to which potential losses on impaired assets are covered by reserves.
- **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. JOKB reported a CAR of 21.29% at the end of 2024.
- **Leverage Ratio** is not available for Q1 25, but was 11.16% at the end of 2024, which shows that the Bank is more on the conservative side, but in line with industry peers.

Leverage Ratio



Price Movement is **NEUTRAL**

Annual Volatility: +/- 22.12% 14-Weeks RSI: 48.785 200-Day MA: 2.808

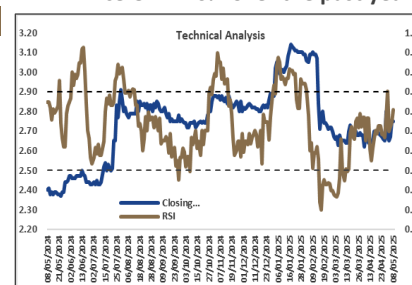
- **Volatility** indicates that JOKB's stock price has historically experienced swings, leaning more on the high end.
- **14-Weeks RSI:** suggests that the stock, observed over a 14-week period, is neither oversold nor underbought. Conventionally, when the RSI exceeds 70, the stock is deemed overbought, while a value below 30 indicates oversold conditions.
- **200-Day Moving Average:** the stock is currently trading below this level, suggesting a potential bearish trend and is considered a **Sell Signal**.

JOKB's technical outlook is cautiously constructive, with the stock currently trading near its 200-day MA, suggesting a neutral-to-slightly positive long-term bias. The 14-week RSI indicates balanced momentum with no clear overbought or oversold signals, positioning the stock at a potential inflection point. Annualized volatility at 22.12% reflects higher-than-average price swings, implying that investors should be prepared for notable movements in either direction. Immediate support is seen at JD 2.75, aligned with recent consolidation zones, while a stronger support level lies around JD 2.60, a historically defended area. On the upside, resistance levels are identified at JD 2.95 and JD 3.05, with JD 3.00 serving as a key psychological barrier that could trigger stronger buying momentum if breached.

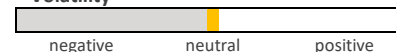
From an investment strategy perspective, a cautious accumulation approach is recommended near the JD 2.75–JD 2.80 support range, with a tactical buying signal confirmed on a close above JD 2.95 supported by volume. A stop-loss should be considered below JD 2.70 to manage downside risk given the volatility profile.

Overall, JOKB presents an attractive opportunity for risk-tolerant investors seeking medium-term gains, particularly if supported by improving fundamentals and positive sector sentiment.

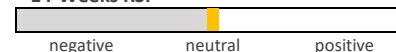
Price UP 14.6% over the past year



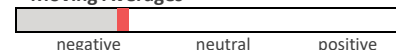
Volatility



14-Weeks RSI



Moving Averages



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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		
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 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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