

**Report Date: 28-Mar-25**

# JORDAN KUWAIT BANK

**ASE: JOKB**
**Price as of 26-Mar-25**
**JD 2.68/Share**

## RATING:


*Initiated Coverage 13/03/2024*

### Previous Rating



30/12/2024

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**

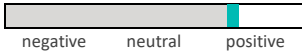
52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
JD 2.21 - 2.92	JD 423.0 M	2.84%	JD 0.08 / share
<b>Founded:</b> 1976	<b>Shares Outstanding:</b> 150.0 M	<b>Employees:</b> 1,329	<b>Volume(3m):</b> 17.05 K
<b>P/BVS:</b> 0.57x	<b>Current P/E:</b> 3.43x	<b>Volatility(annual):</b> 24.02%	<b>Public Float:</b> 30.0 M
<b>Ex-Div Date:</b> Apr 28, 25			
<b>Sector:</b> 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

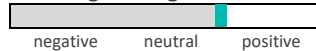
UFICO's **Buy** recommendation on JOKB is the result of our systematic analysis of four basic characteristics mentioned above. UFICO recommends investors consider buying JOKB's stock, with cautious optimism for potential future gains. Nonetheless, UFICO recommends that market participants carefully monitor forthcoming quarterly results for supplementary information to make well-informed decisions.

### Relative Valuation



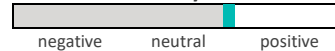
JOKB's pricing seems to be **undervalued** compared to its industry counterparts in terms of its P/E and P/BV ratios, while the dividend yield is **the lowest** within the banking sector in Jordan.

### Earnings Strength



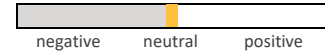
Earnings have shown significant growth during 2024 compared to 2023, while the net interest margin stood at 2.55%, which is considered good for a Bank.

### 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 **Buy** 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.
- **Awards and Recognition:** In January 2024, JOKB was named "**Best Bank in Jordan**" by *The Banker*, a prestigious global banking publication. This recognition came considering the bank's achievements in digital transformation, strategic initiatives, and robust financial results.
- **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 fixed at 8.5% for the first two 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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## Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE%	NIM	Credit/Deposits
		26/3/2025	26/3/2025	(2024)	(Current)	(MRQ)	(TTM)	(2024)	(2024)	(MRQ)
JOKB	Jordan Kuwait Bank	JD 2.68	402,000	JD 0.782	3.43x	0.57x	4.48%	17.74%	2.55%	50.37%
UBSI	Bank Al Etihad	JD 1.68	336,000	JD 0.217	7.76x	0.68x	5.95%	8.09%	3.00%	71.22%
CAPL	Capital Bank Of Jordan	JD 1.97	518,183	JD 0.410	4.80x	0.72x	7.61%	15.62%	2.65%	58.33%
BOJX	Bank Of Jordan	JD 2.26	452,000	JD 0.175	12.91x	0.86x	7.96%	6.66%	4.35%	66.57%
Peer Group Weighted Average					8.37x	0.75x	7.18%	10.58%	3.33%	64.50%
Sector Weighted Average (excluding JOKB)					7.98x	0.73x	6.99%	9.78%	3.18%	72.18%
Sector Median					11.82x	0.72x	6.29%	8.09%	2.86%	74.62%

\* In JD thousands

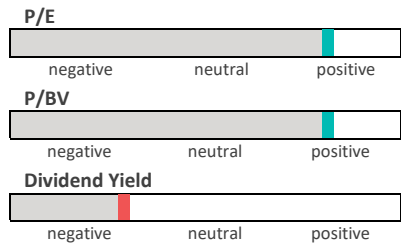
## Past Performance

	2020	2021	2022	2023	2024
Net Interest Margin	3.0%	2.9%	3.1%	3.0%	2.55%
Dividend/Share (JD)	-	0.07	0.08	0.08	0.12
Return on Equity	-1.0%	1.7%	4.0%	10.8%	17.7%

## Relative Valuation is POSITIVE

Last Price	Market Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
26/3/2025	26/3/2025	(2024)	(Current)	(MRQ)	(MRQ)	(2024)	26/3/2025
JD 2.68	JD 402.0M	JD 0.782	3.43x	JD 4.72	0.62x	JD 0.12	4.48%

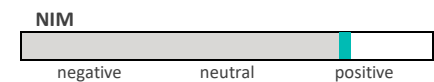
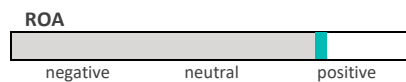
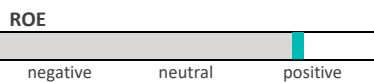
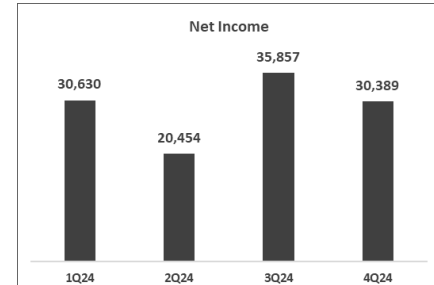
- **P/E vs Industry** of 3.43x suggests that JOKB is undervalued compared to the weighted average and median P/E for the banking sector in Jordan.
- **P/BV vs. Industry** of 0.57x suggests that JOKB is slightly undervalued compared to its industry peers and the banking sector.
- **Dividend Yield** is well below the banking sector's average.



## Earning Strength is POSITIVE

4Q24 Results	Net Interest Income (YoY)	Net Income (YoY)	NIM	ROE	ROA
	JD 138.6 M (+4.0%)	JD 117.3 M (+98.5%)	2.55%	17.74%	2.16%

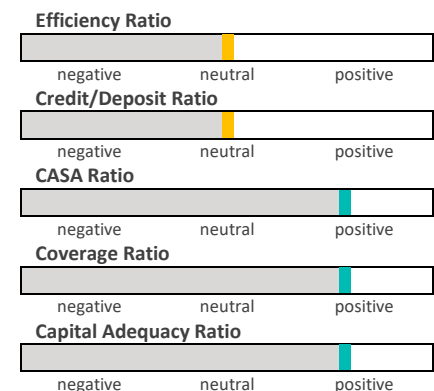
- **Return on Equity** of 17.74% signifies enhanced profitability for shareholders and is the **highest within the banking sector in Jordan**.
- **Return on Assets** of 2.16% indicates the Bank's efficient utilization of its assets to generate profits.
- **Net Interest Margin (NIM)** of 2.55% is generally considered good for a bank. 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. A higher NIM indicates better profitability in terms of interest income.



## Operations Indicators is POSITIVE

4Q24 Results	Efficiency	Credit/Deposits	CASA	Coverage	CAR	Leverage
(MRQ)						
	30.52%	50.37%	49.81%	87.19%	21.29%	11.16%

- **Efficiency Ratio** of 30.52% demonstrates optimal operational efficiency, as an efficiency ratio of 40% 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** of 49.81% 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.
- **Coverage Ratio** of 87.19%. This figure 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.



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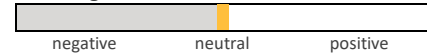
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- **Capital Adequacy Ratio:** In accordance with CBJ regulations, the minimum CAR is set at 12%, with the best category requiring an average CAR of 14% or higher. JOKB reported a CAR of 21.29%.
- **Leverage Ratio** of 11.16% shows that the Bank is more on the conservative side, but in line with industry peers.

### Leverage Ratio



### Price Movement is **NEUTRAL**

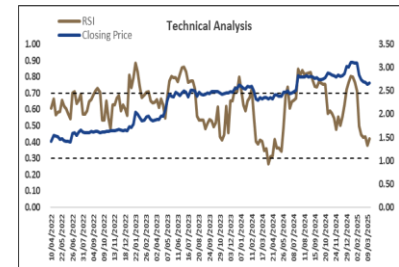
Annual Volatility: +/- 24.02%      14-Weeks RSI: 41.1      200-Day MA: 2.783

- **Volatility** of 24.02% indicates that JOKB's stock price has historically experienced swings, leaning more on the high end.
- **14-Weeks RSI:** An RSI value of 41.1 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** is 2.783, and the stock is currently below this level, suggesting a potential bearish trend and is considered a **Sell** Signal.

Analyzing the recent price chart, the stock appears to be trading within a 52-week range of JD 2.21 to JD 3.14, indicating moderate volatility. Key technical indicators point towards a "Strong Sell" signal, as the stock is trading below critical moving averages, suggesting bearish sentiment. However, the RSI indicates that the stock is oversold, presenting a potential buying opportunity. The stock's immediate support level is at JD 2.70, which has previously acted as a resistance point, now potentially offering a cushion if the price dips. On the other hand, the primary resistance level is at JD 2.85, which the stock has tested multiple times without a decisive breakthrough, indicating strong selling pressure at that level.

**Investors should balance the stock's undervaluation signals with the ongoing technical weakness before making investment decisions.**

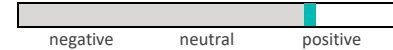
### Price UP 13.1% over the past year



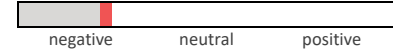
### Volatility



### 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		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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