FINANCIAL STABILITY REPORT 2025

FINANCIAL STABILITY DEPARTMENT

PREFACE

The Financial Stability Report 2025 (JFSR 2025) complements the Central Bank of Jordan's (CBJ) endeavors to portray a comprehensive assessment of the financial sector and macroeconomic conditions in the Kingdom, including the analysis of risks and opportunities that may broadly affect the financial system stability in the Kingdom. Under the CBJ's amended Law of 2016, the CBJ's objectives were broadened to explicitly include maintaining monetary stability in the Kingdom, ensuring the convertibility of the Jordanian dinar, and contributing to preserve the banking and financial stability in the Kingdom. Financial stability is intended to enhance the capacity of banks and other financial institutions to withstand risks and to alleviate any structural imbalances.

The global economy remained relatively stable through the disinflationary process during 2022-2024. Inflationary pressures were curbed and inflation almost declined toward targets, without a major downturn in global growth. However, the elevated geopolitical tensions in 2025 and 2026 relatively fueled the inflationary pressures, and supported the expectations of global downturn in economic growth, as turmoil expanded beyond areas of conflict to global supply chains.

The International Monetary Fund's (IMF) July 2026 projections revealed that the global growth is projected to slow to 3.0% and 3.4% in 2026 and 2027, respectively. The forecast for 2026 is revised downward by 0.1 percentage point, compared to the projections of the World Economic Outlook (WEO) Report of April 2026, while projections for 2027 increased to 0.2 percentage points.

In 2025, Jordan's economy showed high resilience and soundness in maintaining the stability of macroeconomic conditions, despite escalating geopolitical instability in the region. The growth recorded 2.8% in 2025, compared to 2.6% in 2024. However, according to the CBJ's projections, the growth is expected to recover further in 2026 and 2027 to reach 2.7% and 3.1% respectively. This is in addition to the sound monetary stability in the Kingdom, supported by the increase in foreign reserves which recorded unprecedented high levels.

The banking and financial sector in Jordan is sound and robust, and is highly resilient to withstand shocks and high risks, as banks enjoy high levels of capital and comfortable levels of liquidity and profitability, besides the CBJ's sound banking surveillance, which is based on best practices and international standards.

Furthermore, the CBJ will keep improving this Report taking into consideration the domestic, regional, and international risk developments, to enhance the pillars of the financial stability in the Kingdom. This Report is published on the CBJ's website www.cbj.gov.jo.

The Governor

Dr. Adel Al-Sharkas

EXECUTIVE SUMMARY

GLOBAL FINANCIAL STABILITY:

Global financial stability has remained steady despite global geopolitical tensions; however, the outlook points to a slowdown in global economic activity due to these tensions, heightened uncertainty, and obscure global policies. The IMF's April 2026 WEO Report indicated that an erosion of institutions including central banks independence and monetary policy credibility, could raise inflation expectations and fuel a long-term rise in interest rates. The Report also indicated that Artificial Intelligence (AI)- related investments could boost economic activity and eventually translates into sustainable growth, if faster AI adoption translates into strong productivity gains and increased business dynamism. Furthermore, economic activity could also be supported by renewed structural reforms and by a sustained easing in trade tensions.

The global financial stability remained steady despite geopolitical tensions

Elevated geopolitical tensions set the global growth projections downward

The global economy is projected to grow modestly, by 3.0% and 3.4% in 2026 and 2027, respectively

In 2025, the global growth remained stable at the same level recorded in 2024 of 3.5%. However, the growth is projected to slow due to geopolitical tensions, high uncertainty, and obscure global policies. The IMF's July 2026 projections illustrate that the global growth is projected to be 3.0% and 3.4% in 2026 and 2027, respectively; slower than its recent pace. The forecast for 2026 is revised downward by 0.1 percentage point, and that for 2027 increased by 0.2 percentage points, compared with those in April's 2026 WEO.

JORDAN ECONOMY:

The growth improved at 2.8% in 2025, compared to a growth of 2.6% in 2024, which is supported by the resilience and soundness of Jordanian economy to withstand external global and regional crises and challenges. In addition, the economic, fiscal, and monetary policies adopted by the government and the CBJ were the primary drivers for this resilience and soundness. As for projections, the CBJ's estimates indicate that Jordan's growth will reach approximately 2.7% and 3.1% in 2026 and 2027, respectively.

Jordan's economy showed high resilience despite of tremendous external adversities and heightened uncertainty

Despite of adversities, the financial stability in the Kingdom remained steady supported by sound economic policies

Despite the adversities in Jordan and the World, due to the regional and global geopolitical tensions, Jordan's economy showed high resilience and robustness in front of external shocks, thanks to Jordan's sound monetary and fiscal policies which maintained monetary, financial, and economic stability, and supported Jordan's access to international markets. These measures reflected positively on increasing foreign reserves which reached to unprecedented high levels, the soundness of the banking system, and curbing inflation

despite pressures of the global prices. These achievements were rewarded by Jordan's credit rating being upgraded by Moody's to Ba3 with a stable outlook.

THE BANKING SECTION IN JORDAN:

Most financial indicators and ratios of banks improved or remained stable

Despite the geopolitical tensions that affected Jordan, the region, and the world, the banking sector in Jordan remained sound and resilient in terms of the financial and the administrative positions. Most of the financial ratios and indicators for banks remained stable in 2025, compared to their levels in 2024, as indicated below:

- **CAPITAL ADEQUACY:**

The CAR of the banking sector in Jordan reached 17.8% sufficiently higher than the minimum requirement of 12%

The Capital Adequacy Ratio (CAR) of the banking sector in Jordan is high, ranged between 17% and 21% during the period (2007- 2024), with a comfortable margin well above the CBJ's minimum requirement of 12%, and the Basel Committee's minimum requirement of 10.5%. The CAR reached 17.8% at the end of 2025, sufficiently higher than the minimum requirement of 12%.

- **QUALITY OF ASSETS:**

The NPLs of banks declined to reach 5.5% at the end of 2025, of which 75.7% are covered by provisions

The Non-Performing Loans (NPLs) ratio declined slightly to reach 5.5% at the end of 2025, compared to 5.6% at the end of 2024. This indicates that despite the prevailing conflicts and geopolitical tensions in the region, the ratio remained stable, which validates that banks' assets are of high quality.

As for the provisions coverage ratio of NPLs, it increased to around 75.7% at the end of 2025, compared to 74.5% at the end of 2024; the provisions are sufficient to cover more than three quarters of banks' NPLs, enough to withstand credit risks facing banks.

- **LIQUIDITY:**

The liquidity levels of the Jordanian banking system are safe and higher than the regulations' minimum requirements

The liquidity of the banking sector in Jordan is adequate and safe as evident by the liquidity ratios recorded at the end of 2025. It increased at the end of 2025 to reach 148.4%, compared to 144.7% at the end of 2024; sufficiently higher than the CBJ's minimum requirement of 100%.

- **PROFITABILITY:**

Net profits of banks operating in Jordan remained stable

In 2025, banks' profits remained relatively stable, as net profits after tax of banks operating in Jordan reached JD 684 million in 2025, compared to JD 689 million in 2024, declining slightly by JD 5 million, or 0.8%. In addition, the Return on Assets (ROA) reached 1% at the end of 2025, compared to 1.1% at the end of 2024.

- **CONCENTRATION IN THE BANKING SECTOR:**

The concentration declined and the competitiveness improved in the banking sector

As for the market share of banks (concentration), the assets of the largest five banks out of 20 banks accounted for 55.9% of licensed banks' total assets at the end of 2025, compared to 59.6% at the end of 2006. This indicates the decline in concentration, and the improvement in level of competitiveness in the banking sector.

- **CREDIT GROWTH:**

Credit extended by banks grew by 3.7% in 2025

Direct credit facilities grew by 3.7% in 2025 to reach around JD 35.7 billion, compared to a growth of 4.2% in 2024. It is noteworthy, that total credit facilities accounted for 81.6% of GDP at the end of 2025, compared to 82.7% in 2024; Jordan ranked third following UAE and Oman in terms of credit to GDP ratio as compared to eleven Arab countries, which reflects the vital role of banks in the economic development in Jordan.

- **STRESS TESTING:**

Stress testing results of the financial data of branches of banks operating in Jordan and the consolidated financial data revealed that the banking sector in Jordan is capable to withstand shocks and high risks as banks in Jordan enjoy high levels of capital and sufficient levels of liquidity and profitability

Stress testing results of the financial data of branches of banks operating in Jordan as well as the consolidated financial data (branches and subsidiaries of banks operating in Jordan and abroad), which are used to measure banks' ability to withstand shocks, revealed that the Jordanian banking system is capable to withstand shocks and high risks. A hypothetical scenario assuming lingering adversities and geopolitical tensions in the region and globally was suggested, and their implications on the national economy through the continuous increase of energy and primary commodity prices, which will severely set back the growth to less than anticipated, and increase inflation. It was also assumed that interest rates would increase instead of declining, to curb inflationary pressures and maintain the attractiveness of the JD as a saving currency. The results of these tests revealed that under the severe scenario, the CAR of the branches of banks operating in Jordan is expected to reach 17.0%, 16.4% and 15.8% in 2026, 2027, and 2028, respectively, while at the consolidated level it is expected to record 16.8%, 16.4%, and 16% in 2026, 2027, and 2028, respectively. Accordingly, under the severe scenario, the CAR will remain sufficiently higher than the minimum requirement applied in Jordan of 12%, and the Basel Committee's minimum requirement of 10.5%. These positive results are attributed to the high levels of capital, and sufficient levels of liquidity and profitability of the banking sector in Jordan.

- **THE FINANCIAL STABILITY INDEX IN JORDAN (JFSI):**

The JFSI indicates that the banking sector in Jordan is highly stable, despite the unprecedented adversities that affected the world in general, and the region in particular

The JFSI was developed in 2017, supported by countries best practices. The index increased from 0.54 in 2024 to reach 0.56 in 2025, despite prevailing adversities and geopolitical crises. This increase indicates that the financial system in Jordan is highly stable and constantly improving despite the unprecedented adversities which affected Jordan, the region,

and the world due to the crises and geopolitical tensions. The banking stability index (Bsi) in particular indicates that the banking sector in Jordan is highly sound, resilient, and stable, as Jordan ranked first compared to 23 countries using a similar methodology of the JFSI.

THE HOUSEHOLD SECTOR:

The household indebtedness increased slightly to reach JD 14.2 billion at the end of 2025, compared to JD 14 billion at the end of 2024, increasing by 1.3%, compared to an increase of 5.4% in 2024.

The NPLs of the household loans portfolio is lower than the aggregate NPLs ratio for banks

The NPLs in the household loans portfolio reached 5.4% at the end of 2025, lower than the aggregate NPLs ratio of total facilities of banks at the end of 2025 of 5.5%. This validates that, default in the household portfolio is relatively low, which reflects positively on the financial stability in the kingdom.

THE CORPORATE SECTOR:

The performance of public listed companies (financial and non-financial) improved significantly during the last period. The profits after tax of listed companies, which submitted their annual financial data to Amman Stock Exchange (ASE) reached to JD 2,348.3 million in 2025, compared to JD 2,080.5 million in 2024, increasing by 12.9%. This was supported by the monetary and financial stability, as well as the positive indicators of several vital economic sectors in the national economy, and the national economy's capability to recover and accommodate despite the regional and global adversities and geopolitical tensions.

The corporate sector performance improved significantly supported by the monetary and financial stability and the positive indicators of several vital economic sectors in the national economy, however, several challenges are looming large due to the regional and global geopolitical tensions

THE REAL ESTATE SECTOR:

In 2025, the trading volume of the real estate market increased by 7% to reach JD 7,180 million, despite the elevated geopolitical tensions in the region, which reflects high relative resilience of the real estate sector performance, and its ability to accommodate with local and regional economic challenges.

The credit facilities extended to the real estate sector totaled JD 5.8 billion, accounting for 16.3% of total facilities extended by banks

It is worth mentioning that credit facilities extended to the real estate sector for residential and commercial purposes reached to JD 5.8 billion at the end of 2025 (accounting for 16.3% of total credit facilities extended by banks), compared to JD 5.9 billion at the end of 2024.

GREEN FINANCE AND CLIMATE CHANGE RISK MANAGEMENT:

The CBJ continues to implement the Green Finance Strategy (2023-2028), which was launched on 13/11/2023 as a part of the CBJ's endeavors to withstand climate change-related risks, and to keep pace with latest practices in green finance, which is directed towards environment responsive investments and projects that mitigate the effects of climate change on the national economy. In 2022, the CBJ in cooperation with the World Bank, embarked the preparation of this strategy in coordination and partnership with the banking and financial sector and relevant stakeholders in the public and private sectors. The strategy includes the banking sector, the insurance companies, and the Microfinance companies (MFIs). This strategy is the first of its kind in the Middle East and North Africa (MENA) region, and represents a model to other Arab countries.

The CBJ continues to implement the Green Finance Strategy (2023-2028) launched in 2023

This strategy is the first in the MENA region

This strategy serves as a roadmap that enables the CBJ and the banking and financial sector to mobilize green finance and mitigate the risks of climate change. The strategy's vision is to transform Jordan's banking and financial sector into a leading force for green finance and enhanced resilience against environmental and climate-related risks, while also enabling Jordan to become a regional leader in sustainable finance.

A roadmap to enable the CBJ and the banking and financial sector to mobilize green finance and mitigate the risks of climate change

The climate change risk management requires supervisory authorities to take exceptional measures including integrating these risks into their supervisory and prudential policies, which contributes to direct banks and financial institutions to include them in their business models, credit and investment policies, and risk management policies, as well as to commit to disclose these risks, meanwhile, enabling banks and financial institutions to mobilize green finance. The strategy has three overarching objectives: (a) to strengthen capacity and governance, operationalize systems, and implement policies for green financing and climate risk management, leading to (b) enhanced resilience of the financial sector to climate-related and environmental risks (c) increased mobilization of green finance.

In this regard, the CBJ in the last years 2023-2025 and in 2026 proceeded with achieving these objectives through a number of intermediate outcomes, which are discussed in details in Chapter seven of this Report, including the following:

Conducting the first comprehensive Climate Risk Assessment (CRA) for the

Implementing capacity-building programs in green finance and climate risk management

Issuing the Climate Risk Management Regulations No. (2/2025)

Issuing the Climate Risk Disclosure and Reporting Regulations No. (1/2026)

Develop the Jordan National Green Taxonomy (JNGT) by the CBJ and the Ministry of Environment which was adopted and approved by the Cabinet on 5/2/2026

Chapter seven elaborates on green finance and sustainable finance terminology including: Green Loan Framework, Green Loans Principles, sustainability-Linked Loans and their principles, social Loans and their principles, Blue Economy, and Blue Finance.

THE FINANCIAL INCLUSION:

Over the past years, the CBJ was leading efforts to promote financial inclusion in the Kingdom, with support of stakeholders from the public and private sectors to achieve intended objectives. Since the formulation and implementation of the first National Financial Inclusion Strategy (NFIS) (2018–2020), the CBJ's approach encouraged cooperation among all stakeholders. The roles and responsibilities were defined, which contributed to foster a shared understanding, and coordinate, join forces, and bring all initiatives and efforts across the Kingdom under a single umbrella. This ensures the achievement of desired goals and the optimal allocation of resources toward priority sectors and target groups to enhance the financial inclusion in the Kingdom.

The CBJ launched the second NFIS (2023-2028) in March 2024, which is based on the CBJ's vision to promote financial inclusion in the Kingdom, in a way that contributes to achieve economic and social development by enabling all segments of society of individuals and businesses to access appropriate and affordable financial services and products. This is including payment and transfers, finance, savings, and insurance services provided by the formal financial institutions, in a way that meets their needs and helps them improving their living standards in a safe and sustainable manner. The NFIS is a roadmap to enhance the financial inclusion in the Kingdom, which ensures the leverage of possible resources to achieve economic growth and sustainable development, and enable the financially excluded groups to participate in the production cycle. The strategy aligns with the Kingdom's Economic Modernization Vision (2022-2033) and its executive program- during the period they overlap- which is the roadmap for the national economy over the next decade, as it is a cornerstone for developing the financial markets and the financial services sector, as well as supporting the Kingdom's efforts to achieve the United Nations (UN) Sustainable Development Goals (SDGs) for 2030.

The CBJ proceeded with the implementation of the NFIS (2023-2028) which vision is to enable responsible and sustainable access to and use of financial products and services by different segments of society in a way that contributes to achieve the objectives of the Economic Modernization Vision and the economic and social development in the Kingdom

The bottom 40%, women, youth, refugees, and MSMEs are the target groups in the NFIS (2023-2028)

Finance, saving, insurance, and payment and transfers are the four main pillars of the NFIS (2023-2028)

The general framework of the strategy includes target groups, core pillars, and cross- cutting enablers, which aligns with the priorities of financial inclusion in the Kingdom, and promotes responsible, sustainable, and inclusive use of financial services. The strategy targets individuals and the business sector, especially financially excluded persons, in particular the bottom 40%, women, youth, refugees, and Micro, Small, and Medium Enterprises (MSMEs).

The NFIS (2023-2028) is structured around four main pillars: finance, saving, insurance, and payment and transfers. Saving was added as a main pillar in the strategy to enhance saving products that help financial consumers in proper financial planning and encourage the use of saving products. The above-mentioned pillars are supported by cross cutting enablers that will enhance access to as well as the effective and sustainable use of financial services and products, namely: financial consumer empowerment and market conduct, FinTech and innovation, data and research, regulatory and legal frameworks, and institutional coordination and commitment.

In July 2024, the action plans of the NFIS (2023-2028) were launched including all pillars of the strategy. The action plans included a set of actions intended to achieve scheduled sub-goals, targets, and strategic measures, in addition to assign the responsible body for implementing and following-up all actions, to ensure that they are being implemented. These action plans serve as a roadmap for all working groups and the CBJ's stakeholders from the public and private sectors who contributed to put in place the NFIS (2023-2028).

In July 2024, the action plans of the NFIS (2023-2028) were launched including all pillars of the strategy

LEGISLATIVE FRAMEWORK:

In 2025, the CBJ continued its comprehensive review of the legislative framework governing the banking and financial institutions under its supervision. Chapter Two of this Report illustrates the major supervisory amendments conducted by the CBJ in 2025 and the first half of 2026, namely:

Regulating Dealings in Virtual Assets Law, an Amended Bylaw for Licensing Money Exchange Companies Bylaw of 2025, in addition to a number of instructions, including the Instructions of Banking Risks, the Instructions of Legal Liquidity for Islamic banks, The Climate Risk Management Regulations, The Climate Risk Disclosure and Reporting Regulations, The Instructions of Regulating Lending-Based Crowdfunding, Instructions for the Existence of Finance Companies, Amended Instructions for the Instructions of Corporate Governance for Banks, and a number of supervisory circulars issued by the CBJ.

The CBJ continued to review the legislative framework to keep abreast with latest developments and best practices of central banks in achieving monetary and financial stability

The Climate Risk Disclosure and Reporting Regulations aim at setting guidelines principles for the effective disclosure and reporting of climate risk by banks operating in the Kingdom

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CHAPTER ONE: GLOBAL AND DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS AND PROSPECTS

1.1 GLOBAL ECONOMIC DEVELOPMENTS AND GROWTH

The global economy was broadly on the gradual recovery track from the successive crises of previous years, however, the outbreak of the war in the Middle East in February 2026 upended this trajectory. Elevated geopolitical tensions set the global growth projections downward, as the turmoil was not limited to the conflict area, rather it expanded through global supply chains. Furthermore, uncertainty and the conflict being likely to worsen and turning into a serious energy crisis, jeopardize the global growth rates to return back to low levels. The IMF's April 2026 WEO Report indicated that an erosion of institutions including central banks independence and monetary policy credibility, could raise inflation expectations and fuel a long-term rise in interest rates. The Report also indicated that AI- related investments could boost economic activity and eventually translates into sustainable growth, if faster AI adoption translates into strong productivity gains and increased business dynamism. Furthermore, economic activity could also be lifted by renewed structural reforms and by a sustained easing in trade tensions.

The July WEO 2026 Report revealed that the global economy could be exposed to a new wave of inflationary pressures reaching to 4.7%, driven by rising energy and primary commodity prices. Emerging markets and oil-importing developing countries would be significantly affected, due to higher import costs, and weaker local currencies, while advanced economies are capable to mitigate the impact of financial shocks. This situation would burden the budgets of developing countries, thus, the economic impact on these countries would be twice that on advanced economies, which could trigger internal political and social unrest due to rising cost of living.

The Report also highlighted the need for policymakers to protect the most vulnerable through "targeted and precise" fiscal support without widening the deficit. It emphasized that economic imbalances shall not be addressed through imposing new trade restrictions (which worsen output), instead, through enhance "trade integration" and replenish fiscal buffers to withstand future shocks. The ultimate goal is to shift towards sustainable growth, supported by structural reforms and the smart leverage of technology to offset the losses incurred due geopolitical tensions.

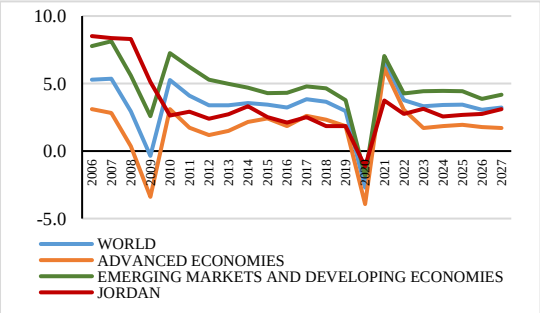
The Report indicates that in 2025, the global growth remained stable at the same level recorded in 2024 of 3.5%. However, the growth is projected to slow due to geopolitical tensions, high global uncertainty, and obscure global policies. The IMF's July 2026 projections illustrate that the global growth is projected to slow to 3.0% and 3.4% in 2026 and 2027, respectively. The forecast for 2026 is revised downward by 0.1 percentage point, and increased for 2027 by 0.2 percentage points, compared with those in April's 2026 WEO. (Table 1-1 and Figure 1-1).

TABLE 1-1: WORLD ECONOMIC OUTLOOK AT A GLANCE 2026

	Year	The World	Advanced Economies	Emerging Economies
Actual Data	2024	3.5	1.8	4.5
	2025	3.5	1.9	4.4
Latest Estimates July 2026	2026	3.0	1.7	3.8
	2027	3.4	1.8	4.5
Estimates of April 2026	2026	3.1	1.8	3.9
	2027	3.2	1.7	4.2

Source: IMF, WEO Database, April 2026 and July 2026.

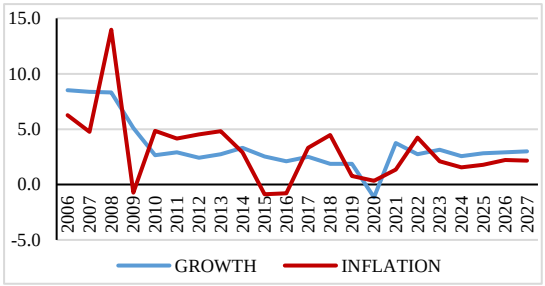
FIGURE 1-1: JORDAN AND GLOBAL GROWTH DEVELOPMENTS AND PROSPECTS (2006-2027) (%)



Source: IMF, WEO Database, July 2026.

As for Jordan's economy, the growth improved at 2.8% in 2025, compared to 2.6% in 2024, this growth is attributed to the resilience and soundness of Jordan's economy against global and regional external crises and adversities, thanks to the sound macroeconomic and fiscal policies conducted by the government and the CBJ. According to the CBJ's projections, the growth is expected at 2.7% and 3.1% in 2026 and 2027, respectively. (Figure 1-2).

FIGURE 1-2: THE GROWTH AND INFLATION DEVELOPMENTS AND PROSPECTS IN JORDAN (2006-2027) (%)



Source: IMF, WEO Database, July 2026 and the CBJ.

However, despite the adversities and crises encountered by Jordan's economy and the heightened uncertainty, the domestic financial stability remained steady, due to prudent economic policies, in particular the monetary and the macro- and micro-prudential policies, which continued to support the Jordanian dinar and maintain its attractiveness, and maintain a robust and sound financial sector despite the tremendous existing challenges.

1.1.1 FISCAL DEVELOPMENTS

In recent years, fiscal stances encountered elevated pressures worldwide due to rising spending on social protection and defense, as well as increasing interest burdens. These pressures continue to increase amidst the current conditions of the war in the Middle East, making it difficult to reduce debt and build fiscal buffers. The IMF's Fiscal Monitor Report of April 2026 indicated that although the sharp surge in policy uncertainty that dominated the economic outlook previously has receded, underlying fiscal and geopolitical pressures have not eased. In addition, despite the global economy demonstrated resilience, the fiscal conditions continue to worsen, as global gross government debt increased to nearly 94% of GDP by the end of 2025. On current trajectories, it is projected to reach around 100% of GDP by the end of 2029. This increase is driven by the rise of public debt in advanced economies.

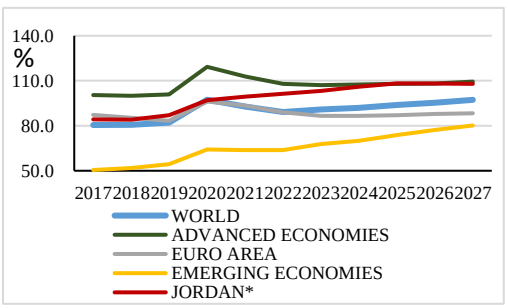
The Report also addressed that the concern is not only the public debt, but also the current fiscal settings represented by higher interest rates and increased market sensitivity to fiscal news, which expanded permanent spending and reduced revenues, especially in some advanced economies. In addition, even in countries attempting to improve debt dynamics, public debt levels in many cases remained above their levels during the COVID-19 pandemic. Furthermore, governments are currently refinancing maturing debt at current high interest rates, which increases the debt service burden.

The Report also stressed the need to take urgent and well-designed fiscal reforms to encounter increasing debt; these measures shall be tailored to each economy. The roadmap also includes reducing spending in advanced countries, enhancing domestic revenues in emerging and developing markets, and safeguarding the independence of central banks to ensure financial stability.

1.1.2 PUBLIC DEBT

The IMF's Fiscal Monitor Report of April 2026 revealed that the average global public debt increased in 2025 to 94% of GDP, compared to 92% in 2024. However, it is projected to increase in the coming years to stand at 95.3% and 97.2% in 2026 and 2027, respectively, due to current conditions and underlying geopolitical pressures. (Figure 1-3).

FIGURE 1-3: PUBLIC DEBT (% OF GDP) (2017-2027)



Source: IMF, Fiscal Monitor Database, April 2026.
*CBJ database, April 2026, the IMF's fifth review 2025.

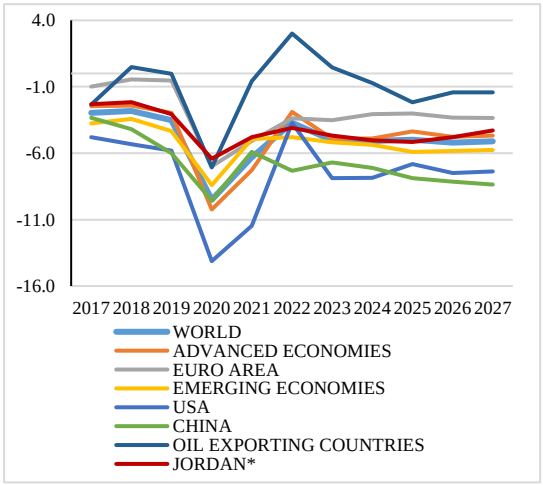
In advanced economies, the public debt to GDP ratio increased to 108% at the end of 2025, up from 107.6% at the end of 2024, and is expected to increase to 108.2% at the end of 2026. In addition, it increased in emerging markets from 69.9% at the end of 2024, to reach 73.9% at the end of 2025, and is expected to increase to 77.2% by the end of 2026.

The Report also emphasized the need to provide well-designed fiscal plans, put in place short- and medium-term strategies for debt management aligned with fiscal frameworks and based on prevailing market conditions and current risks, as well as foster alignment and integration between fiscal and monetary policies, to mitigate the impact of crises and maintain financial and economic stability.

1.1.3 FISCAL DEFICIT

According to the IMF's Fiscal Monitor Report of April 2026, the fiscal deficit varies across major countries. The global fiscal deficit declined to reach 5 % of GDP in 2025, compared to 5.1% in 2024. However, it is expected to increase to 5.2% in 2026, and to decline slightly in 2027 to 5.1%. (Figure 1-4).

FIGURE 1-4: FISCAL DEFICIT IN JORDAN AND SELECTED MAIN ECONOMIES AND COUNTRIES (2017-2027) (% OF GDP)



Source: IMF, Fiscal Monitor Database, April 2026.
*CBJ database, April 2026, the IMF's fifth review 2025.

In advanced economies, the fiscal deficit decreased to 4.4% of GDP at the end of 2025, compared to 4.9% in 2024, and is set to increase to approach 4.7% by the end of 2027. However, in emerging markets, the fiscal deficit increased to reach 5.9% at the end of 2025, compared to 5.4% in 2024, and is expected to decline to 5.8% at the end of 2026 and 2027.

1.2 FINANCIAL SYSTEM STABILITY

1.2.1 GLOBAL FINANCIAL STABILITY

The IMF's Global Financial Stability Report of April 2026 indicated that global financial stability risks are highly elevated, due to the war outbreak in the Middle East in February 2026. This conflict halted the accommodative fiscal conditions before the war, as global equity prices have declined by 8%, while sovereign bonds yields have risen sharply driven by market expectations of higher inflation due to rising energy prices and a strengthened dollar, which will test the resilience of the global financial system. Furthermore, the Report highlights several downside risks on the global financial stability, first: high public debt to GDP levels and greater investor sensitivity to price volatility; second, currency and capital outflow pressures as carry trades[1] unwind and terms of trade worsen; third, an abrupt tightening of financial conditions can lead to forced selling by hedge funds; fourth, more of borrower defaults in the private credit market could cascade into broader concerns regarding corporate credit; and fifth: a sharp slowdown in global investments particularly AI-related investments, if the conflict in the Middle East persist. These factors could also weigh on the resilience of the financial system.

The Report also indicated that policymakers should act decisively by ensuring that liquidity and funding facilities are ready, prices stability is preserved, and the operational independence of central banks is safeguarded. The Report also emphasizes that fiscal stances (taxes and spending) should be appropriately tightened to

[1] Carry trade: is a financial strategy whereby investors capitalize on interest rate differentials; it involves borrowing at a low-interest currency (cheap money), and investing in assets, currencies, or equity that provide higher returns.

place debt on a stable path, while directing subsidies to vulnerable groups. This is in addition to closing cross-borders "data gaps" related to non-banking institutions, and apply stress tests to the financial system, in particular scenario analysis of severe illiquidity and corporate credit default.

1.3 DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS AND PROSPECTS:

1.3.1 OVERVIEW

Despite the worldwide political and economic unrest in the last years, the national economy proved its resilience to withstand global and regional crises and adversities and grew steadily, thanks to the economic and fiscal measures conducted by the government and the CBJ, which contributed to preserving the financial and monetary stability in the Kingdom.

During the last years, the national economy recovered gradually from global crises including the COVID-19 pandemic and the Russian-Ukrainian Crisis, and the regional conflicts; Jordan's economy grew by 3% on average aftermath the Pandemic.

The CBJ's policies, which were in line with the policies taken by global and regional central banks, were effective in confronting adversities, and maintaining inflation at stable low rates in 2025; amongst the lowest in the region and worldwide. This contributes to preserving the exchange rate peg of the Jordanian dinar to the US dollar, which supported building high record of foreign reserves which hit USD (26.6) billion at the end of July 2026. The monetary and financial stability contributed to set the long-term credit rating stable at Ba3 for domestic and foreign currency with a stable outlook, which reflect the efforts of the government and the CBJ in pursuing prudent fiscal and monetary policies and measures which preserved the resilience of economic performance.

1.3.2 ECONOMIC GROWTH

Jordan's economy grew by 2.8% in 2025, compared to a growth of 2.6% in 2024, which indicates improving economic activity, and reflects the continuous recovery of Jordanian economy from external crises. (Table 1-2).

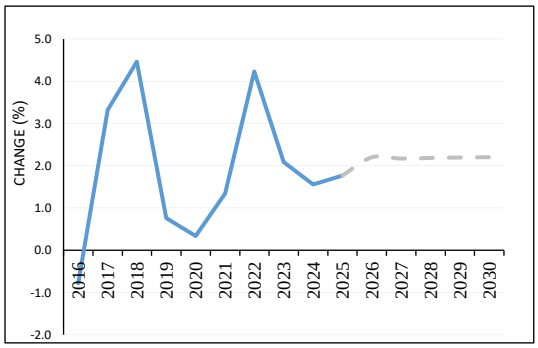
1.3.3 UNEMPLOYMENT

Supported by the gradual recovery and improvement of economic conditions in the Kingdom, the unemployment rate declined slightly by 0.1 percentage point to reach 21.3% at the end of 2025, compared to 21.4% in 2024; yet still a high figure.

1.3.4 INFLATION

The inflation rate in Jordan, measured by the consumer price index increased to reach 1.8% in 2025, compared to 1.6% in 2024. The inflation is projected to increase in 2026 and 2027 to 2.5%,2.3% respectively due to geopolitical tensions in the region. (Figure 1-5).

FIGURE 1-5: INFLATION RATE IN JORDAN (END OF PERIOD) FOR THE PERIOD 2016-2025, AND PROJECTIONS FOR 2026-2030 (%)

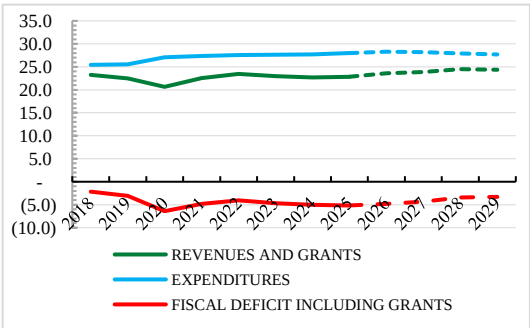


Source: CBJ Statistical Database, April 2026.
IMF's forecasts for inflation in Jordan, WEO database, fifth review.

1.3.5 FISCAL DEVELOPMENTS

The overall fiscal deficit including grants increased by JD 157.8 million to reach around JD 2,256.3 million in 2025 (5.2% of GDP in 2025), compared to a deficit of JD 2,098.5 million in 2024 (5% of GDP in 2024). (Figure 1-6).

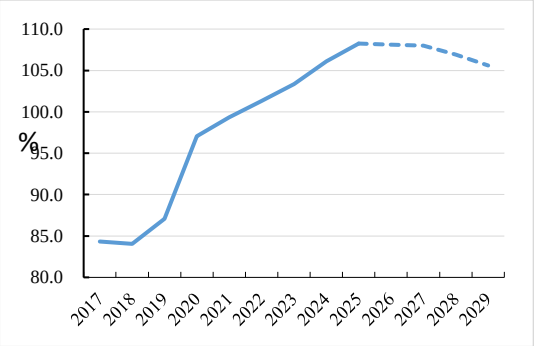
FIGURE 1-6: FISCAL DEVELOPMENTS IN JORDAN (2018-2025) AND OUTLOOK (2026- 2029) (% of GDP)



Source: Monthly bulletin/ Ministry of Finance.
The IMF's ffith review 2025.

Total public debt reached to JD 47,678.6 million, or 109% of GDP, at the end of 2025 compared to JD 44,161.9 million, or 106.1% of GDP at the end of 2024. (Figure 1-7).

FIGURE 1-7: TOTAL PUBLIC DEBT IN JORDAN (2017-2025) AND OUTLOOK (2026-2029) (% of GDP)

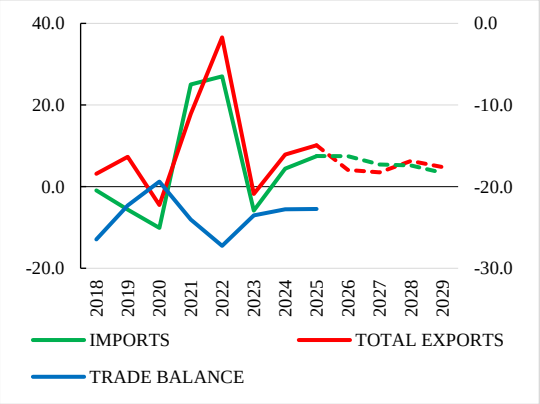


Source: Monthly bulletin/ Ministry of Finance, January 2026.
IMF's fifth review 2025.

1.3.6 EXTERNAL SECTOR

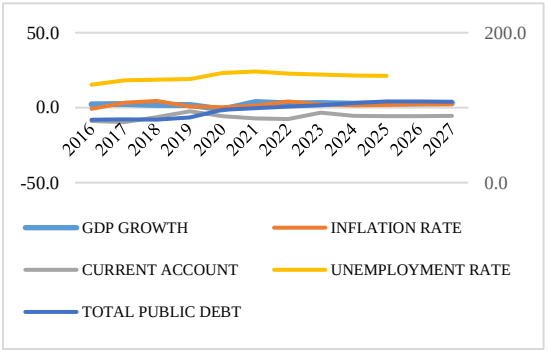
The external trade grew in 2025; total exports increased by JD 973.3 million, or 10.1% to reach JD 10,582.4 million (domestic exports grew by 9.9%, and re-exports grew by 12.3%), and imports also increased by JD 1,432.2 million, or 7.5% to reach JD 20,527.7 million. Accordingly, trade balance deficit in Jordan increased to reach JD 9,945.4 million, increasing by 4.8%. Trade deficit accounted for (22.7%) of GDP at the end of 2025. (Figure 1-8) and (Figure 1-9).

FIGURE 1-8: SUMMARY OF EXTERNAL TRADE IN JORDAN (2018-2025) AND OUTLOOK (2026-2029) (%)



Source: Fiscal Statistical Bulletin 2025.
IMF fifth review.
*No projections for trade balance, trade balance in percent of GDP.

FIGURE 1-9: SELECTED ECONOMIC INDICATORS IN JORDAN 2017-2025 AND PROSPECTS (2026-2027) (%)



Source: CBJ Monthly Statistical Bulletin.

TABLE 1-2: SELECTED ECONOMIC INDICATORS FOR JORDAN & PROSPECTS (2016-2027)

Year	Growth (%)	Inflation (End of Period) (%)	Unemployment Rate (% of Labor Force)	Population (Growth Rate)	Total Public Debt (% of GDP)	Current Account (% of GDP)
2016	2.1	-0.8	15.3	2.5	84.1	-8.8
2017	2.5	3.3	18.3	2.6	84.3	-9.6
2018	1.9	4.5	18.6	2.5	84.1	-6.2
2019	1.9	0.8	19.1	2.4	87.1	-2.4
2020	-1.2	0.3	23.2	2.4	97.1	-5.6
2021	3.8	1.3	24.1	2.3	99.4	-7.3
2022	2.7	4.2	22.8	2.2	101.3	-7.5
2023	3.1	2.1	22.0	1.9	103.3	-3.3
2024	2.6	1.6	21.4	1.9	106.1	-5.4
2025	**2.8**	**1.8**	**21.3**	**1.7**	**109.0**	**-5.6**
2026	2.7	2.5	-	0.9	108.1	-7.4
2027	3.1	2.3	-	1.7	108.0	-5.7

Source: CBJ, Monthly Statistical Bulletin. IMF projections, WEO Database, available forecasts April 2026.

1.3.7 MONETARY DEVELOPMENTS

As Jordan's economy continued to recover with a positive performance momentum, the CBJ in 2024 and 2025 lowered the interest rates on all monetary policy instruments for 6 times by (175) basis points; the last cut was on 14/12/2025. Afterwards, the CBJ maintained interest rates on monetary policy instruments unchanged, as the CBJ's monetary and economic policies contributed to subdue inflationary pressures and keep inflation at normal levels.

The CBJ's total foreign reserves, including gold and Special Drawing Rights (SDRs) continued to increase to reach USD 26,598.2 million at the end of July 2026, thanks to the CBJ's monetary and economic policies. This level is comfortable and sufficient to cover Jordan's imports of goods and services for 8.7 months, which is safe and exceeds international standards' acceptable limits.

1.4 JORDAN IN SELECTED INTERNATIONAL INDICATORS

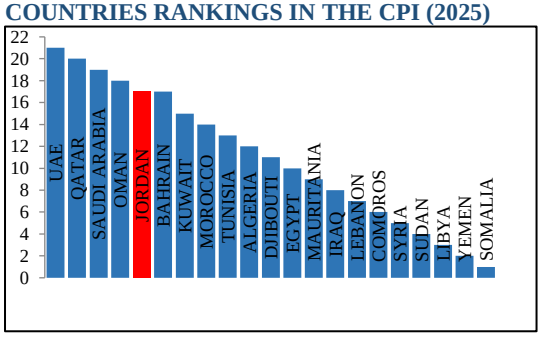
1.4.1 TRANSPARENCY AND CORRUPTION PERCEPTION INDEX (CPI)

The CPI Report 2025 issued by the Transparency International addressed several issues of public interest, including rule of law, justice, integrity of the judicial system and judicial execution, the ability of the government to reduce bribery, enforcement of accountability, monitoring the use of public funds and reducing embezzlement, abuse of power for personal gain, combat corruption and bureaucracy that increase chances for corruption, nepotism, and patronage in hiring for government vacancies.

The 2025 Annual Report revealed that the CPI global average has fallen to a new low of 42 out of 100; the lowest in a decade, while more than two-thirds of countries (out of 182 countries included in the CPI) score under 50. Meanwhile, the number of countries scoring above 80 (a benchmark for rational and impartial judgment) has declined from 12 a decade ago to just 5 countries. Jordan scored 50 out of 100 in the CPI 2025, improving by one point compared to 2024; the scale used from zero (highly corrupt) to 100 (very clean).

In comparison with Arab countries, Jordan ranked 5th shared with Bahrain compared to 21 Arab countries which is an excellent ranking outperforming all Arab countries except UAE, Qatar, Saudi Arabia, and Oman, which scored the highest rankings with (69) points, (58) points, (57), and (52) points, respectively. While Sudan scored (14), Libya and Yemen (13) points, and Somalia scored the lowest with (9) points. (Figure 1-10).

FIGURE 1-10: JORDAN AND SELECTED ARAB COUNTRIES RANKINGS IN THE CPI (2025)



Source: CPI 2025.

1.4.2 HUMAN DEVELOPMENT INDEX

The United Nations Development Program (UNDP) issues an annual report that summarizes the achievements and trends in three key dimensions of human development: a long and healthy life, being knowledgeable and educated, and having a decent standard of living.

In 2025 Report, Jordan ranked (100) out of (193) countries in the Human Development Index (HDI), which classifies Jordan among the highest countries in terms of human development. (Table 1-3).

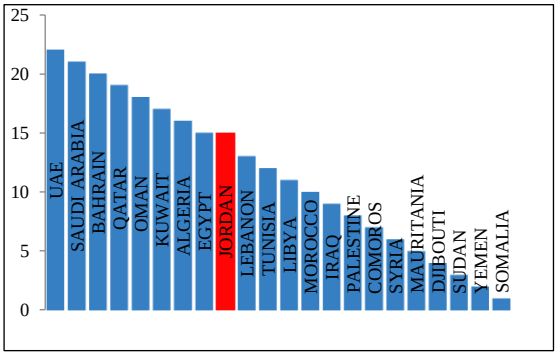
TABLE 1-3: JORDAN'S RANKING IN THE HDI DIMENSIONS 2023*

Rank	HDI Ranking	HDI (net)	Inequality Adjusted HDI (IHDI)	Gender Development Index* (GDI)	Gender Inequality Index* (GII)	Multidimensional Poverty Index (MPI)
		Value				
100	High Human Development	0.754	0.637	0.861	0.433	0.002

Source: UNDP, Human development Report 2025.
*Jordan is classified in group 5 in terms of the HDI gender equality index.

In addition, Jordan ranked 9th compared to 22 Arab countries included in the Report, outperforming a number of countries including Lebanon, Tunisia, Libya, Morocco, Iraq, Palestine, Comoros, Syria, Mauritania, Djibouti, Sudan, Yemen, and Somalia. (Figure 1-11).

FIGURE 1-11: HDI RANKING OF JORDAN AND ARAB COUNTRIES



Source: HDI 2025.

1.4.3 THE COMPETITIVENESS INDEX

The World Competitiveness Ranking issued by the International Institute for Management Development (IMD) is a global benchmark for competitiveness of countries; it analyzes and ranks countries on how they manage their competencies to lay the foundation for sustainable value creation in the long term.

The World Competitiveness Booklet 2025, which includes 69 countries, revealed that Jordan ranked 7th compared to Arab countries, following UAE, Qatar, Saudi Arabia, Bahrain, Oman, and Kuwait. Jordan ranked (47) globally; a one score higher than last's year ranking.

Furthermore, the Booklet highlighted that Jordan's improvement in recent years reflects a gradual progress supported by the macroeconomic stability and policy predictability, in addition to institutional strengths, in particular price stability and curbing inflation.

1.5 CONCLUSION

Jordan has maintained monetary, financial, and economic stability in recent years, thanks to prudent policies adopted by the government and the CBJ. These policies enhanced the economy's resilience and robustness to withstand global crises such as the COVID-19 pandemic, and the Russian-Ukrainian war and their implications worldwide, as well as regional crises, including the war on Gaza and conflicts in the Middle East. Nevertheless, throughout these turbulent years, Jordan managed to achieve higher than expected growth rates, and to preserve Jordan's investment appeal. In addition, Jordan continues to accommodate with different developments through a set of strategies aiming to boost national exports.

CHAPTER TWO: THE INFRASTRUCTURE AND LEGISLATIVE STRUCTURE OF THE FINANCIAL SYSTEM

2.1 INTRODUCTION

A proper infrastructure and legislative structure are essential elements and factors to achieve financial stability. During the last period, the CBJ maintained its efforts to enhance the financial system's infrastructure and respective financial legislations. The CBJ endeavors emphasized three main aspects: sound and well-structured promotion of financial inclusion, green finance mobilization and climate change risk management, and strengthening the legislative framework of the financial system.

2.2 PROMOTING FINANCIAL INCLUSION

The financial inclusion is a crucial element as it aligns with the goals of the Economic Modernization Vision of the Kingdom and its executive program, and other national development objectives. The financial inclusion aims to leverage comprehensive financial services to stimulate economic activity, especially among financially excluded groups. This is achieved through providing access to financial services such as banking, finance, and insurance, in light of the Economic Modernization Vision's endeavor to empower individuals, SMEs, and rural communities, and enhance their effective participation in the formal economy.

2.2.1 THE NFIS (2023-2028)

Financial inclusion has gained paramount importance more than ever, given recent circumstances affecting countries, institutions, and individuals, as well as emerging challenges that need immediate attention by policymakers at the national, regional, and international levels. This includes repeated financial crises affecting low-income segments, climate change impact on rural communities, and international wars implications on increasing prices and volatility of energy prices, which negatively affect business and industrial sectors. Therefore, the CBJ prioritizes the financial inclusion in response to these challenges.

Based on the CBJ's vision to promote financial inclusion in the Kingdom, in a way that contributes to achieve economic and social development by enabling all segments of society, of individuals and businesses, to access appropriate and affordable financial services and products, including payment and transfers, finance, savings, and insurance services through formal financial institutions, in a way that meets their needs and helps them in improving their living standards in a safe and sustainable manner, the CBJ launched the second NFIS (2023-2028) in March 2024. The new NFIS is a roadmap to promote financial inclusion in the Kingdom, which ensures the leverage of possible resources to achieve economic growth and sustainable development, and enable financially excluded groups to engage in the production cycle. This strategy aligns with the Kingdom's Economic Modernization Vision (2022-2033) and its executive program- during the period they overlap (priorities of 2023-2025)- which is the roadmap for the national economy over the next decade, as it is a cornerstone for developing the financial markets and service sector, and supporting the Kingdom's efforts to achieve the UN's SDGs of 2030.

2.2.1.1 THE VISION AND GENERAL FRAMEWORK OF THE NFIS (2023-2028)

The vision of the NFIS (2023-2028) is: **"Responsible and sustainable access and usage of financial services and products by various segments of society in a way that contributes to achieve economic and social development in the Kingdom."**

Over the past years, the CBJ was leading efforts to promote financial inclusion in the Kingdom, with support of stakeholders from the public and private sectors to achieve intended objectives. Since the formulation and implementation of the first NFIS (2018–2020), the CBJ's collaborative approach encouraged cooperation among all stakeholders. The roles and responsibilities were defined, which contributed to foster a shared understanding, and

coordination, collaboration, and bring all initiatives and efforts across the Kingdom under a single umbrella. This ensures the achievement of desired goals and the optimal allocation of resources toward priority sectors and target groups to enhance the financial inclusion in the Kingdom.

The NFIS (2023-2028) general framework includes target groups, main pillars, and cross-cutting enablers, which aligns with the priorities of financial inclusion in the Kingdom and promotes the responsible, sustainable, and inclusive use of financial services. The strategy targets individuals and the business sector, especially financially excluded groups, in particular the bottom 40%, women, youth, refugees, and MSMEs. Special attention is given to women to bridge the gender gap in accessing financial services and products and empower them to assume their leading role in society and to participate effectively in achieving the economic growth in the Kingdom. As for refugees, policies are tailored to their conditions, reflecting Jordan's commitment to support refugees and emphasizing their fundamental right to use financial services and products that suit their conditions and income, and enable them to improve their quality of life in a manner that preserves their dignity and desires.

The NFIS (2023-2028) is structured around four fundamental pillars: finance, saving, insurance, and payment and transfers. Saving was added as a fundamental pillar of the strategy to enhance saving products thus enabling financial consumers to proper financial planning and motivating the use of available savings products to improve living standards and utilize available financial resources in efficient and responsible manner. Furthermore, the insurance sector was included as a new pillar given its role in emergencies and meeting the requirements for a decent life.

The above-mentioned pillars are supported by cross-cutting enablers that shall enhance the access to and effective and sustainable use of financial services and products, including: consumer empowerment and market conduct, FinTech and innovation, data and research, laws and regulations, and institutional coordination and commitment.

2.2.1.2 NATIONAL GOALS

1. Increase account ownership by individuals and MSMEs in formal financial institutions.

2. Increase the usage by individuals and MSMEs of diverse financial products and services offered by formal financial institutions, including finance, saving, payment and transfer, and insurance.

3. Improve the quality of financial services and products for consumers, and empower them through appropriate measures to enhance financial consumer protection and build financial capabilities.

2.2.1.3 THE NFIS (2023-2028) ACTION PLANS

In July 2024, the action plans of the NFIS (2023-2028) were launched for all pillars of the strategy, which include specific activities to achieve sub-goals, targets, and strategic measures in well-defined timelines. These action plans outline the responsibility for implementing and monitoring of each activity, ensuring that they are implemented. These action plans serve as a roadmap for all working groups and the CBJ's stakeholders from the public and private sectors who contributed to formulating and putting in place the NFIS (2023-2028).

2.2.1.4 SMEs

The SMEs are cornerstones in most economies worldwide, and one of the main job creators; they account for 90% of corporates, and create more than 50% of jobs worldwide. According to the World Bank data, these figures are higher if the SMEs operating in the informal sector were included. Therefore, providing a proper support for these enterprises is crucial to foster sustainable and inclusive recovery from the pandemic and the crises that occurred afterwards. The CBJ formulated an internal committee to manage projects intended to promote financial inclusion, including supporting the SMEs access to finance. This is in the context of the CBJ's endeavors to support MSMEs given their pivotal role in stimulating economic growth, reducing

unemployment, and eradicating poverty, and to enable them to access the financing needed to run their business, with medium or long maturities at preferential interest rates. Furthermore, to support the MSMEs access to finance, the CBJ cooperated during the past period with the Ministry of planning and international cooperation, as well as international and regional financing institutions to attract around USD 400 million funding, at competitive interest rates and suitable tenors. The funds transferred to Jordan amounted to USD 366 million, which were provided as loans to more than 25 thousand MSMEs, of which more than 64% are based outside Amman. The financing contributed to create new jobs and to maintain existing jobs, which totaled 36 thousand jobs; the CBJ intends to disburse the remaining amounts in 2026 and 2027. In addition, a credit line of USD 120 million was provided directly to banks by the European Bank for Reconstruction and Development (EBRD) to support MSMEs; the CBJ supports and facilitates banks' access to the credit line. Furthermore, the EBRD has signed USD 90 million agreements with three banks.

In 2025, the CBJ proceeded with providing financing to economic sectors including SMEs at preferential interest rates and suitable maturities under the CBJ's financing programs**,** namely: financing and supporting economic sectors program, and the national self-employment program (INHAD), in addition to providing financing to specialized lending institutions and the Jordan Loan Guarantee Corporation (JLGC) as follows:

1. **The CBJ's program for financing and supporting economic sectors (medium term advances program):** in 2025, the total financing provided under this program reached to JD 463.2 million; 722 projects have benefited from these loans, and contributed to create 2,822 jobs. These loans were provided mainly to the manufacturing sector accounting for 63.9% of total financing provided for projects in the program in 2025, followed by the exporting sector, which accounted for 11.6%, the agriculture sector 6.8%, the tourism sector 6.3%, the renewable energy sector 4.03%, and 7.37% for remaining sectors. The total outstanding financing reached to JD 2,589 million as of end 2025, benefiting 3,708 projects, and contributed to creating 20,474 jobs. Meanwhile, the outstanding balance of advances provided reached to JD 1,039 million as of end 2025, accounting for 74.2% of the program limit of JD 1.4 billion. In addition, interest rates on facilities provided in the program remained unchanged at 0.5% for all projects in governorates and 1.0% for projects in Amman.
2. **The National Self-Employment Program "INHAD"**: the financing provided under the program reached to JD 0.722 million in 2025, provided to 13 projects, and contributed to create 70 jobs. The total financing provided since the initiation of the program in 2019 reached to JD 10.9 million as of end 2025, provided to 303 projects, and contributed to create 1,019 jobs. The outstanding balance of extended loans reached to JD 5 million as of end 2025. In addition, interest rates in the program remained unchanged in 2025 at 1.0% for all projects.
3. **Financing provided to the Agricultural Credit Corporation**: the financing provided to the corporation in 2025 reached to JD 17.7 million, bringing the outstanding financing provided to the corporation to JD 112.3 million, accounting for 97.7% of the financing limit allocated for the corporation of JD 115 million. In addition, interest rates of advances provided to the corporation remained unchanged in 2025 at 0.5%.
4. **Financing provided to the JLGC**: in 2025, no financing was provided to the JLGC; the total outstanding balance of the financing provided to the JLGC reached to JD 550 million by the end of 2025 (JD 100 million for the export credit guarantee program, JD 50 million for small startups loans guarantee program, JD 100 million for the housing loans guarantee-facilitated housing program, and the SMEs loans guarantee program to withstand COVID-19 crisis of JD 300 million). The interest rates on the advances provided to the corporation range between (0.5%-2.0%).

Accordingly, the outstanding balance of the CBJ's facilities and advances provided under the CBJ's financing programs remained stable at the end of 2025 to reach JD 1,751.7 million (including the outstanding loans extended within the CBJ's program to support SMEs to withstand the COVID-19 pandemic in the amount of JD 45.4 million, which was terminated in April 2023), compared to JD 1,756.2 million at the end of 2024.

2.2.1.5 THE FINANCE SECTOR

- As part of the CBJ's endeavors to expand its supervisory umbrella -which started in 2015 by bringing the MFIs to its supervision and oversight- to include all finance companies, the Finance Companies Bylaw No. (107) of 2021 was enacted, and entered into force on 30/5/2022, which aims to integrate these companies into the financial sector, to ensure their compliance with international standards, strengthen the consumer protection scheme, and provide an institutional framework for these companies in a way that supports economic growth and financial stability. The Bylaw constitutes a legal reference for licensing and supervising finance companies by the CBJ. In addition, the Bylaw allows the existing finance companies to fulfill licensing requirements in extended deadlines up to 13/7/2025, providing enough time for these companies to fulfill licensing requirements while preserving their legal positions and protecting their customers.

- In 2025, a number of companies submitted applications to fulfill licensing requirements/ licensing in accordance with the provisions of the Finance Companies Bylaw No. (107) of 2021. The CBJ's Board approved the licensing of (9) financing companies specialized in direct finance and/ or financial leasing, and/ or mortgages; of which (4) companies are Shariah-compliant finance companies. It is worth mentioning that the number of licensed finance companies reached to (15) on 12/32026 companies since the Bylaw entered into force.

- Coordination with the Ministry of Industry, Trade and Supply/ the Companies Control Department is ongoing regarding the procedures related to implementing the provisions of the Finance Companies Bylaw No. (107) of 2021 and its amendments. The Companies Control Department has put in place procedural (action plan), to monitor the progress of existing companies- as well as those companies having financing purposes, but neither being licensed as finance companies nor applied to fulfill licensing requirements by 13/7/2025- in duly fulfilling the licensing requirements.

- With regard to the microfinance sector, which joined the formal financial system in 2018, it comprises of (8) licensed MFIs. The CBJ, during the past years, issued a set of instructions to govern the microfinance business, which is intended to lay the ground for corporate governance, enhancing the supervisory role of the board and management, strengthening the internal control and risk management systems, and enhancing the financial consumer protection according to international guidelines and best practices.

- Based on the CBJ's approach to review and update its legislations regarding the oversight and supervision of the finance sector, the CBJ enacted a series of regulations and circulars for finance companies as illustrated in the legislative infrastructure section of this chapter.

- The financial indicators of the microfinance sector for 2024 were published on the CBJ's website.

2.2.2 FINANCIAL CAPABILITIES AND FINANCIAL LITERACY

Promoting financial and banking education is an essential enabler to promote financial inclusion and enhance the financial consumer protection. Several studies revealed that raising individuals' financial literacy is a key factor to increase their savings, thus, supporting economic growth through providing the liquidity needed for investments, which will enhance countries' capabilities to withstand financial and economic crises. In Jordan, the CBJ highly prioritizes the financial education, given its importance in strengthening the financial, economic, and social

stability in the Kingdom. The CBJ believes in the importance of financial education in the Kingdom; accordingly, it initiated a project to promote and strengthen financial education in the Kingdom intended to raise Jordanian's awareness in terms of the following:

- Comprehend the fundamental financial and banking principles and concepts.
- Optimal management and investment of savings and personal properties.
- Increase the chances to access the financial services offered by banks and financial institutions.

Therefore, the project deploys several programs targeting key sectors in society. The main financial education program at schools was rolled out in cooperation with the Ministry of Education and INJAZ organization (a Jordanian non-profit organization). Financial education at schools started for the 7th grade curriculum in 2015/2016, for the 8th and 11th grades curricula in 2016/2017, for the 9th and 12th grades curricula in 2017/2018, and for the 10th grade curriculum in 2018/2019.

In addition to the financial education program at schools, the project will include other programs in the future as follows:

a- Financial education at higher education institutions.
b- Promoting financial awareness through media.
c- Financial literacy for business development.
d- Financial education at workplaces.
e- Financial education for women and rural communities.
f- Digital financial education.

Furthermore, in February 2023, the financial education program at schools was extended until the end of June/ 2026, aiming at enhancing the financial education curricula to keep abreast with latest developments in digital financial services, FinTech, and green and sustainable finance. In October 2023, the National Center for Curriculum Development formed a committee of a number of experts, university professors, a representative from the CBJ, and a representative from Injaz to put in place a new specialized framework for financial literacy course, set criteria of teaching this course, and identify performance indicators. The committee has completed the framework, which was approved in June 2024. Afterwards, the National Center for Curriculum Development formed a specialized working group to introduce new financial literacy curricula for all targeted grades. As continuous training for teachers and supervisors on the new curricula of financial education course is of great importance, the financial education program at schools was extended until 31/12/2027. The program focuses on training supervisors and teachers of the financial literacy on the updated curricula, and providing on-site and practical activities for students to enhance their comprehension of financial concepts.

2.2.3 FINANCIAL CONSUMER PROTECTION

To extend the CBJ's endeavors to strengthen the financial consumer protection scheme in Jordan, which ensures the consumers rights in terms of being treated fairly and transparently, and preserving their right to appeal, in addition to raising customer awareness and encouraging them to improve their knowledge and skills necessary to manage their funds to enable them in making informed financial decisions, the CBJ through the financial consumer protection department conducted several measures and activities as follows:

On the legislative side, several instructions/ circulars were enacted namely; the Instructions for Controls on Advertising of Products, Services, and Prizes Offered by Financial and Banking Services Providers No. (1/2025). These instructions are intended to strengthen the principles of financial consumer protection in particular the appropriate design and delivery of the financial and banking services in an inclusive and unified manner for all sectors, taking into consideration all legislations related to the financial consumer protection. In addition, the Financial Consumer Protection Instructions for the Banking Sector of 2024, entered into force on 1/7/2025. These instructions intend to serve

customers and improve the financial consumer protection framework.

As for studies, the CBJ conducted for the fifth year in a row a study and a survey to gauge the financial health of individuals in Jordan, in line with international best practices thereto. It aims to assess citizens' ability to meet their financial needs and obligations, pursuing financial goals, and the ability to deal with negative financial shocks.

Through the membership in the Alliance for Financial Inclusion (AFI) and the OECD's International Network on Financial Education (OECD/ INFE), the CBJ participates in their events and working papers.

Furthermore, several online surveys were conducted in the context of a market study to assess the satisfaction of consumers with disabilities and the basic bank account holders, regarding the financial services and products provided to them. In addition, an online survey of "assessing the satisfaction of complainants against banks and non-banking financial institutions" of 2024 was also analyzed, and the results were included in a detailed report.

In addition, a guidelines manual was put in place for financial consumer protection upon the provision of electronic financial products and services.

As for supervision, the department conducted several inspection visits (off-site and on-site) in 2025 on banks, e-payment and money transfer companies, MFIs, and money exchange companies, to ensure their compliance with the provisions of the financial consumer protection legislations in force. Furthermore, mystery shopping visits were conducted also to assess the readiness to deal with customers, and the employees' knowledge and disclosure about the products and services offered, as well as the commissions and relevant details.

With regard to promoting financial awareness and literacy, several activities and lectures were rolled out in cooperation with external stakeholders, the Association of Banks in Jordan, and the Crown Prince Foundation targeting different segments of society and focusing on financially excluded segments in all governorates. This is expected to reflect positively on their financial awareness and literacy, help them taking well-informed financial behaviors, and assist them to build sound financial health in the future. This is in addition to disseminating financial awareness and literacy materials via the CBJ's and the stakeholders' electronic channels; oriented to each segment and cover topics with priority.

Aiming at integrating all segments of society into the formal financial system, the CBJ launched the initiative **Inclusive and Informed Society**. The initiative provides sign language interpretations, audio recordings, and written transcripts for all awareness messages and educational publications issued by the CBJ. This is to ensure they are accessible by persons with disabilities, aligning with the Royal vision and aspirations to support the rights of persons with disabilities, enhance their access and inclusion in society.

As the CBJ recognizes the importance of the protection and integrity of digital banking transactions, the CBJ also launched a cybersecurity and financial consumer protection awareness campaign in light of the evolving digital fraud.

With regard to complaints handling, the CBJ has handled all complaints against banks operating in the Kingdom and non-banking financial institutions under the CBJ's supervision submitted through various channels. These complaints resulted in refunds for consumers. In addition, a database was constructed to include unified replies for frequent inquiries and complaints submitted to the financial consumer protection department.

With regard to reports, the Clients' Complaints against Banks and Non-Banking Financial Institutions Report was issued, which was submitted to banks and non-banking financial institutions. Furthermore, the Annual Financial Consumer Protection Report was also issued, as well as a summarized Report regarding conducted financial awareness and literacy activities, which is published on the CBJ's website.

As for monitoring unsafe market practices, the unacceptable practices of unlicensed entities by the CBJ were monitored and detected, as well as fraudulent attempts, and related complaints received by financial consumers. The competent security authorities were contacted, and the results were monitored closely and continuously. This is in addition to issuing warning circulars to citizens, which were published on the CBJ's website and its social media platforms.

2.2.4 INFRASTRUCTURE REQUIRED TO PROMOTE FINANCIAL INCLUSION

2.2.4.1 DIGITAL FINANCIAL SERVICES

The CBJ maintained the operation of the Real Time Gross Settlement System (RTGS-JO) to carry out transfer transactions between the accounts of member banks in Jordanian Dinar, US Dollar, Euro, and Pound Sterling. These transactions were as follows:

	2024		2025	
	Value (million)	Number (thousand)	Value (million)	Number (thousand)
JD	68,341	493	74,983	540
USD	54,783	46	66,383	46
Euro	1,909	5	2,381	5
GBP	497	0.7	145	0.7
Secondary Market Transactions	1,880	7	2,290	7

The CBJ also continued to provide the services of the Unified Government Payment Interface (UGPI-JO), which was launched at the end of 2024, to automate transfer orders issued by the CBJ's clients of the government sector in 2025. The value and the number of transfers executed through the system since it was initiated until the end of 2025 were as follows:

Year	2024	2025
No. of transfers	4,232	467,668
Value of transfers (in JD)	9 million	255 million

Furthermore, in 2025, the CBJ maintained the provision of E-banking services to its clients of ministries and governmental institutions and departments through the (E-Banking) system. The system allowed the clients to use the inquiry service to check their account balances, and to get bank statements and notices. This is in addition providing banking services to the CBJ's clients.

2.2.4.2 CREDIT BUREAU

- In the context of the CBJ's endeavors to enhance transparency of credit reports, and to ensure the protection of customers and support the financial system stability, and in light of the CBJ's supervisory role, the CBJ in 2025 renewed the license granted for CRIF, so that CRIF will operate as a credit bureau for (10) years. The license was approved after CRIF fulfilled all regulatory and technical requirements according to the provisions of the Credit Information Law No. (15) of 2010, and the Credit Information Companies Bylaw No. (36) of 2011, and the instructions enacted pursuant thereto.
- According to Circular No. (28/3/11129) dated 7/7/2025, CRIF was requested to comply with and adhere to the conditions and procedures stipulated in paragraph (d) of Article (3) of the Accreditation Criteria for the Data Protection Officer issued by the Personal Data Protection Council, pursuant to the provisions of Article (11) of the Personal Data Protection Law No. (24) of 2023. An application for approving the Officer shall be duly submitted to the CBJ on the form designated thereto, enclosed with all relevant documents. The procedures stipulated in the accreditation criteria must be finalized after the CBJ's decision.

- CRIF which is one of the milestones of the financial system infrastructure, continued to expand and furnish its database in terms of numbers and diversified sectors included. CRIF signed agreements with around (70) providers as of end 2025, (20) banks, (13) financial leasing companies, (8) MFIs, (5) telecommunication companies, and (24) companies from other sectors. All credit providers which submit data can use the credit inquiry service.
- CRIF mainly provides the credit inquiry service, which was enhanced markedly since its initiation in 2016; the total number of inquiries for all sectors reached to around (2.118) thousand as of end 2025, compared to around (23) thousand as of end 2016.
- In addition, CRIF pursued to provide a set of value-added services, including the credit scoring, the Portfolio Alert, the Batch Inquiries, and returned checks service. Furthermore, CRIF provides credit reports through digital channels

(Sanad application, banks' applications, CRIF Jordan mobile application).

2.3 THE FINANCIAL SYSTEM LEGISLATIVE INFRASTRUCTURE

The foundation of an appropriate legislative framework for the financial system would definitely enhance the financial stability; practices evidenced that inappropriate supervisory and regulatory legislations for the financial system would apparently deepen systemic financial crises when they occur. The CBJ constantly verifies the soundness and performance of the banking and financial institutions under its supervision, and ensures the soundness of their financial positions according to laws, bylaws, and regulations in force, as well as banking practices, and the requirements for sound banking, monetary and financial stability. The CBJ in 2025 proceeded with a comprehensive review of the legislative framework governing the business of the banking and financial institutions under its supervision, in line with the CBJ's strategy for effective banking supervision that complies with international best standards and practices, and extends the CBJ's efforts to lay the ground for sound banking and financial sector, as follows:

2.3.1 LAWS AND BYLAWS

2.3.1.1 REGULATING DEALINGS IN VIRTUAL ASSETS LAW

This Law shall be called (Regulating Dealings in Virtual Assets) No. (14/2025), issued pursuant to Article (31) of the Constitution of Jordan, and approved by the Senate and the Parliament. The Law came into force on 16/9/2025; 90 days after its publication in the Gazette No. (5996). The provisions of this Law shall be applied to the activities related to providing virtual assets services in the Kingdom, or dealings related to these assets for the account of others or on their behalf.

According to the Law, the virtual assets activities include the following:

- Operating and managing virtual assets trading platforms.
- Exchanging virtual assets for JOD or foreign currencies.
- Swapping one or more types of virtual asset for another.
- Transferring virtual assets from one address/ account to another.
- Custody and control of virtual assets and any instruments enabling control over these assets.
- Provide brokerage services for trading virtual assets.
- Participation in and provision of financial services related to initial offerings and sales of virtual assets.
- Other activities designated by the Council of Ministers as virtual assets activities, upon recommendation from the Board of Commissioners of the Jordan Securities Commission (JSC).

The Law stipulates the tasks and delegations of the JSC, including:

- Licensing, supervising, overseeing, and inspection on Virtual Asset Service Providers (VASPs).
- Supervising the compliance of VASPs to the requirements of anti-money laundering and counter terrorist financing.
- Define and assess emerging risks of virtual assets.
- Cooperation and exchange information with counterparties responsible for supervising VASPs business.

Furthermore, the Law also includes the obligations of VASPs, as follows:

- The requirements of anti-money laundering, counter terrorist financing, and counter proliferation of mass destruction weapons according to the provisions of Anti-Money Laundering and Counter Terrorist Financing Law.
- Request all data related to the transfer parties and brokers according to the provisions of relevant laws, bylaws, and instructions.

In addition, the Law indicates that companies under the CBJ's supervision and oversight are deemed licensed to practice any of the virtual asset's activities stipulated in clauses (2) and (5)

of Article (4/a) of this Law; providing that a CBJ's prior approval is required.

2.3.1.2 LICENSING MONEY EXCHANGE COMPANIES BYLAW

This Bylaw shall be called (Amended Bylaw for Licensing Money Exchange Companies Bylaw of 2025) No. (35/2025), published in the Gazette No. 5998 dated 28/06/2025. It shall be read with the original Bylaw No. (39) of 2021, issued pursuant to articles (5), (15), and (33) of the Money Exchange Business Law No. (44) of 2015. The Amended Bylaw includes amending, adding, and repealing certain articles in the original Licensing Money Exchange Companies Bylaw.

2.3.2 INSTRUCTIONS

2.3.2.1 THE CLIMATE RISK MANAGEMENT REGULATIONS

The Climate Risk Management Regulations **No. (2/ 2025)** were enacted on 18/2/2025, pursuant to Article (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments, and Article (99/b) of the Banking Law No. (28) of 2000 and its amendments. These Regulations aim at setting guiding principles for effective climate risk management in banks operating in the Kingdom, which were set according to the Basel Committee's principles for the effective management and supervision of climate-related financial risks, as these principles shall form an integral part of corporate governance, business models, and risk management strategies of banks. These Regulations are effective as of date of issuance.

These Regulations applying to all banks operating in the Kingdom, depend on each bank's size, the nature and complexity of its operations, and its risk structure. The Regulations outline the responsibilities of the bank's board of directors and senior executive management in terms of climate risk management, and capacity building related to climate risk. They also require integrating climate risk in banks' business strategies, risk management strategies, internal control systems, the risk management process, and internal monitoring and reporting. Furthermore, within six months from the date of enacting these Regulations, banks shall provide the CBJ with the following:

- The establishment of a unit, division, or a task force dedicated for climate risk management in the risk Management Department; this requirement is obligatory for domestic systemically important banks, while other banks shall furnish the CBJ with the procedures/ structure to be adopted for this purpose.
- Evidence for amending banks risk management strategies so that climate-related financial risks management are included.

2.3.2.2 INSTRUCTIONS REPEALING THE INSTRUCTIONS OF INSURNACE COMPANIES MERGERS

The Instructions Repealing the Instructions of Insurance Companies Mergers **No. (4/2025)** were enacted on 10/4/2025 according to the CBJ's Board Decision No. (71/2025) dated 10/04/2025, pursuant to the provisions of Article (109/ b) of the Insurance Regulatory Law No. 12 of 2021. These Instructions shall enter into force on 10/04/2025, and repeal the Instructions of Insurance Companies Mergers No. (1/2015).

2.3.2.3 INSTRUCTIONS FOR THE PRINCIPLES OF PROFESSIONAL CONDUCT AND CONTROLS FOR DEALING WITH CUSTOMERS FAIRLY AND TRANSPARENTLY FOR INSURANCE COMPANIES

The Instructions for the Principles of Professional Conduct and Controls for Dealing with Customers Fairly and Transparently for Insurance Companies **No. (5/2025)** were enacted on 05/05/2025, according to the CBJ's Board Decision No. (76/2025) dated 10/04/2025, pursuant to the provisions of Article (109/b) and Article (24/J) of the Insurance Regulatory Law No. (12) of 2021. These Instructions shall enter into force on 10/04/2025.

These Instructions address several aspects regarding the principles of professional conduct and dealing with clients for insurance companies, including:

- Insurance companies are committed to deal with customers in transparent and fair manner.
- The policies related to claims settlement, data

protection, and handling consumers' complaints.
- Continue providing the insurance offer.
- Terms of the insurance application.
- Terms of drawing up, renewing, and terminating insurance contracts.
- Assessing consumers creditworthiness.
- Claims verification and settlement.
- Complaints handling and other aspects.

These Instructions repeal the Instructions on the Rules of Business Conduct and Ethics for Insurance Companies No. (9/2004) and their amendments. Insurance companies are required to fulfill the requirements of these Instructions in 90 days after the Instructions enter into force.

2.3.2.4 INSTRUCTIONS ON EFFECTIVE INTEREST OWNERSHIP FOR INSURANCE COMPANIES

The Instructions on Effective Interest Ownership for Insurance Companies **No. (9/2025)** were enacted on 04/08/2025, according to the CBJ's Board Decision No. (141/2025) dated 24/07/2025 pursuant to the provisions of Articles (26) and (109/b) of the Insurance Regulatory Law No. 12 of 2021; these Instructions shall enter into force on 01/08/2025.

These Instructions require each person, whether an individual or a group of connected persons or relatives up to the third degree to obtain the CBJ's written approval if they intend to own or increase an effective interest in the capital of any insurance company, providing that the beneficial owner shall be disclosed before obtaining the CBJ's approval.

The Instructions also stipulate that the effective interest owner must obtain the CBJ's prior approval upon making any change or transfer to the ownership structure of the effective interest in the capital of insurance companies in case the beneficial owner of the effective interest ownership is changed.

According to these Instructions, insurance companies are obligated to inform the CBJ of the pledged or seized shares held by the effective interest owner(s), as well as any changes thereof.

2.3.2.5 THE INSTRUCTIONS OF BANKING RISKS

The Instructions of Banking Risks **No. (12/ 2025)** were enacted on 20/08/2025, pursuant to the provisions of Articles (37/b) and (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments; and shall be effective as of the date of issuance.

These Instructions outline the requirements for banks, as well as first-tier and second-tier subsidiaries, regarding banking risks of clients, aiming to put in place a framework for instructions governing banking risks.

These Instructions shall apply to all licensed banks in the Kingdom, as well as to first-tier and second-tier subsidiaries at the level of branches in Jordan. The Instructions apply to extended facilities that reach JD 20 thousand; which is the minimum limit for reporting.

2.3.2.6 THE INSTRUCTIONS OF LEGAL LIQUIDITY FOR ISLAMIC BANKS

The Instructions of Legal Liquidity for Islamic Banks **No. (15/2025)** were enacted on 18/11/2025, pursuant to the provisions of Article (45/a) of the Central Bank of Jordan Law, and Articles (42/a/1), (42/b), and (99/b) of the Banking Law No. (28) of 2000 and its amendments. The Instructions are intended to strengthen the liquidity risk management at Islamic banks, and shall enter into force as of 01/12/2025.

These Instructions apply to all Islamic banks operating in the Kingdom, including branches of foreign banks; calculated and applied to branches in Jordan.

These Instructions stipulate that Islamic banks are required to hold sufficient unencumbered liquid assets that can be easily and quickly converted to cash, in order to meet their daily liquidity needs under scenarios determined in these Instructions. The Instructions also define the legal liquidity ratio, as each bank is required to maintain at all times a minimum ratio of 100% for all currencies and 70% for JD; the limits specified in these Instructions are the minimum thresholds for this ratio. Furthermore, each bank shall monitor and assess its liquidity needs of foreign currency and manage liquidity risks

including currency mismatches, and determine acceptable imbalance for each single currency, taking into account potential constraints and risks of sudden exchange rate fluctuations of foreign currencies, as well as market liquidity and the bank's ability to transfer a liquidity surplus from one currency to another.

The Instructions also specifies the definition and components of liquid assets, and the components of weighted liabilities, according to the requirements of these Instructions.

The Instructions stipulate the details and methodology of applying and calculating ratios at Islamic banks in the Kingdom.

These Instructions repeal the Instructions to Islamic Banks on Legal Liquidity No. (40/2008) dated 30/04/2008, as of the date these Instructions enter into force, and apply to banks licensed to practice Shariah-compliant banking.

2.3.2.7 THE CLIMATE RISK DISCLOSURE AND REPORTING REGULATIONS

The Climate Risk Disclosure and Reporting Regulations No. (1/2026) were issued on 11/01/2026, pursuant to the provisions of Article (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments, and Article (99/b) of the Banking Law No. (28) of 2000. As for disclosure requirements, these Regulations shall enter into force on a voluntary basis beginning on end of 2026 data, and on a mandatory basis as of end 2027 data, taking into consideration the ASE's climate-related disclosure requirements for banks subject to such requirements. However, for reporting requirements, the Regulations shall come into force on a mandatory basis as of end 2026 data and on an annual basis; with the exception of Form No. (3) of Annex No. (2) related to Taxonomy-aligned green finance, as reporting must begin at end of June 2026 data, on a semi-annual basis.

These Regulations were enacted to set guiding principles for the effective disclosure and reporting of climate risk by banks operating in the Kingdom. They are based on International Financial Reporting Standard (IFRS S2) issued by the International Sustainability Standards Board (ISSB) on climate-related disclosures, and the Basel Committee on Banking Supervision (BCBS) framework for the disclosure of climate-related financial risks.

These Regulations shall apply to all banks operating in the Kingdom, depending on each bank's size, the nature and complexity of its operations, and its risk structure. Climate risk disclosures shall be published in the annual reports of Jordanian banks, while for branches of foreign banks operating in the Kingdom, such disclosures shall be published on their websites.

The Regulations stipulate disclosure requirements for climate-related financial information including (governance, strategies, risk management, and metrics and targets), in addition to the scope, timing, frequency, and format of disclosure requirements. They also set forth reporting requirements which include requirements for banks to collect and report climate-related financial data, such as (sectoral exposure to transition risks, geographic exposure to physical risks, and Taxonomy-aligned green finance), in addition to the scope and frequency of reporting.

2.3.2.8 THE INSTRUCTIONS OF REGULATING LENDING-BASED CROWDFUNDING

The Instructions of "Regulating Lending-Based Crowdfunding" No. (2/2026) were issued on 15/1/2026. These Instructions establish a regulatory framework that governs lending-based crowdfunding, by setting the CBJ's licensing requirements for these companies, the governance and risk management requirements, as well as the technical requirements for the business of these companies. This is in addition to the conditions for regulating contractual relationships between related parties, and the necessary controls to protect the interests of clients of these companies and ensure their rights including the requirements for protecting their data and funds, disclosure requirements, controls on conflict of interest, and the anti-money laundering and counter terrorist financing controls.

2.3.2.9 INSTRUCTIONS FOR THE EXISTENCE OF FINANCE COMPANIES

The Instructions for the Existence of Finance Companies No. (3/2026) were enacted on 03/02/2026 pursuant to the provisions of Articles

(4/b) and (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments, and Articles (14/d/6), (25), and (26) of the Finance Companies Bylaw No. (107) of 2021 and its amendments.

These Instructions are considered the executive tool for the Finance Companies Bylaw No. (107) of 2021 to regulate the existence of branches of licensed finance companies in all its forms inside the Kingdom and abroad, aiming at strengthening the supervision on finance companies in a way that ensures the soundness of their financial positions, hence, maintaining the financial stability in the Kingdom. This is in addition to setting supervisory and regulatory controls for the existence of branches of licensed finance companies in all its forms inside the Kingdom and abroad.

These Instructions repeal the Instructions on Licensing and Existence of Microfinance Companies No. (62/2016) dated 10/04/2016, and Circular No. (28/2/6602) dated 14/06/2020 issued pursuant thereto.

2.3.2.10 THE AMENDED INSTRUCTIONS FOR THE INSTRUCTIONS OF CORPORATE GOVERNANCE FOR BANKS

The Amended Instructions for the Instructions of Corporate Governance for Banks No. (3/2026) were enacted on 31/03/2026. These Instructions shall be called (Amended Instructions for the Instructions of Corporate Governance for Banks of 2026), and shall be read with the Instructions of Corporate Governance for Banks No. (2/2023) dated 14/02/2023. Certain articles were repealed or amended to strengthen corporate governance principles for banks, as well as to keep abreast with major developments in Fintech and cybersecurity in the banking industry; these Instructions shall come into force as of the date of their issuance.

2.3.3 SUPERVISORY CIRCULARS

In 2025, and the first half of 2026, the CBJ has enacted several supervisory circulars; namely:

- Circular No. (9/6/9539) dated 2/6/2025, directed to money exchange companies, and Circular No. (28/3/11130) dated 7/7/2025 directed to licensed finance companies, whereby all companies are required to comply with and adhere to the conditions and procedures stipulated in paragraph (d) of Article (3) of the Accreditation Criteria for the Data Protection Officer issued by the Personal Data Protection Council, pursuant to the provisions of Article (11) of the Personal Data Protection Law No. (24) of 2023. An application for approving the Officer shall be duly submitted to the CBJ on the form designated thereto, enclosed with all relevant documents. The procedures stipulated in the accreditation criteria must be finalized after the CBJ's decision.
- Circular No. (10/2/12972) dated 4/8/2025 directed to licensed banks operating in the Kingdom, regarding the enactment of the Personal Data Protection Law No. (24) of 2023, and the Accreditation Criteria for the Data Protection Officer issued by the Personal Data Protection Council. The Circular requires banks to comply with the Law and Criteria, and adhere to the approval mechanism attached to the Circular and other requirements stipulated in the Criteria regarding the appointment of the Personal Data Protection Officer. Banks shall provide the CBJ- the Banking Supervision Department with a duly approved appointment of the Personal Data Protection Officer no later than the end of the third quarter of 2025.
- Circular No. (9/6/13318) dated 7/8/2025 directed to licensed money exchange companies in the Kingdom, issued pursuant to the provisions of Article (6/a/6) of the Personal Data Protection Law No. (24) of 2023, whereby money exchange companies are obligated to comply with attached Decision No. (831/2025) dated 4/8/2025 regarding data processing for entities subject to the CBJ's supervision and oversight.
- Circular No. (2/3/17628) dated 20/10/2025 directed to licensed banks, whereby banks are required to apply all appropriate controls to each cash deposit transaction at the CBJ, including accurate cash batches to deposit, and precise and verified documents of cash deposits.
- Circular No. (2/2/21042) dated 18/12/2025, directed to licensed finance companies in the

Kingdom regarding counterfeit cash, whereby, finance companies are required to use appropriate cash counting machines when handling cash to ensure that banknotes are not counterfeit. Any detected counterfeit Jordanian banknotes must be confiscated and officially sent to the CBJ, including the names of related individuals.

- Circular No. (28/1/21260) dated 28/12/2025, directed to banks operating in the Kingdom, and licensed finance companies in the Kingdom whereby, they are requested to coordinate with CRIF Jordan to start adding the following data to CRIF database regarding their clients of MSMEs (annual sales, current liabilities, total assets, total annual revenues, equity, net profit after tax, and current assets), while ensuring compliance with relevant legislations in force. This reflects the CBJ's commitment to follow international best practices, and comes in light of the importance of enhancing the credit information database of banks and licensed finance companies to stimulate economic growth and facilitate MSMEs access to finance.

- Circular No. (9/4/14/218) dated 5/1/2026, directed to money exchange companies, whereby they are required to duly furnish the CBJ with their year-end financial statements of 2025, which shall be prepared according to IFRS; no later than end of March. In addition, all related attachments and notes shall be enclosed as a single document, consistent with the provisions of Article (6) of the Instructions for Documentation and Record Keeping of Exchange Transactions.

- Circular No. (28/3/2513) dated 3/2/2026, directed to MFIs in the Kingdom, regarding the definition of MSMEs and consumption loans.

- Circular No. (23/1/2804) dated 5/2/2026, directed to operating banks and licensed finance companies in the Kingdom regarding the issuance and adoption of the JNGT, which aims to set forth clear criteria to classify green projects and environmentally sustainable economic activities, which contributes to mobilize domestic and international green finance, enhance transparency and investor confidence, align financing with Jordan's climate-related commitments and green growth plans, and strengthen reporting and oversight frameworks of green finance and climate risk. All banks and licensed finance companies are required to adopt and implement this Taxonomy to classify green projects and activities they finance, as well as using the JNGT for data classification and reporting related to green finance.
- The JNGT was approved by a Cabinet's decision on 1/2/2026, and developed under joint leadership of the CBJ and the Ministry of Environment, in collaboration with all relevant stakeholders from the public and private sectors.

- - Circular No. (28/3/3013) dated 9/2/2026, directed to licensed finance companies in the Kingdom, whereby they are requested to provide the CBJ with the documents related to the appointment of any member in the company's Board of Directors and/or senior executive management within two business days as of the appointment date, attached with relevant documents. In addition, they must submit information regarding the Board of Directors, senior executive management, and the Sharia Supervisory Board on an annual basis; no later than January 15th. They must also report any amendments within two business days, using the forms designated thereto. These requirements reflect the CBJ's commitment to implement and strengthen corporate governance principles and foundations in specialized finance companies.

- - Circular No. (27/4/3408) dated 15/2/2026, directed to e-payment and money transfer companies under the CBJ's supervision and oversight, regarding amending the maximum interest/return rate for credit payment instruments stipulated in the Instructions of Financial Consumer Protection for Electronic Payment and Money Transfer Companies No. (3/2021) dated 3/3/2021. The new amendment stipulates "the maximum interest/ return shall not exceed 1.5% per month" instead of "the maximum interest/ return shall not exceed

1.75% per month". The amended rate shall be applied to all existing and future credit payment instruments. Furthermore, systems and procedures shall be modified to ensure the compliance, and customers must be duly notified. This Circular shall enter into force within a maximum of (60) business days as of its issuance.

- Circular No. (23/2/4006) dated 24/2/2026, directed to banks operating in the Kingdom regarding stress testing for banks operating in the Kingdom, enclosed with the sensitivity analysis and scenario tests that banks must conduct for 31/12/2025 data. The results shall be submitted to the CBJ on the forms attached to the Circular (either on paper or electronically), no later than end of April 2026.

- Circular No. (9/3/4623) dated 10/3/2026, directed to licensed money exchange companies regarding digital documents. All licensed money exchange companies are required to take necessary actions in coordination with the Ministry of Digital Economy and Entrepreneurship to fulfill technical and operational requirements, and ensure the integration of the systems, to activate accepting digital identities via Sanad application, in parallel to traditional personal IDs, upon delivering their services in all headquarters and branches. Once companies are in full readiness to activate the service, they must notify the CBJ immediately.

- Circular No. (27/3/4815) dated 12/3/2026, directed to all non-banking financial institutions under the CBJ's oversight and supervision, regarding offering prizes to customers. They are required to obtain the CBJ's prior approval for advertising and/or promoting any prizes. This reflects the CBJ's endeavors to regulate the prize awarding process, establish a foundation for fair competition, and strengthen the principles of financial consumer protection including disclosure and transparency in dealing with customers. This requirement is effective as of the date of the Circular.

CHAPTER THREE: DEVELOPMENTS AND RISKS OF THE FINANCIAL SECTOR

3.1 INTRODUCTION

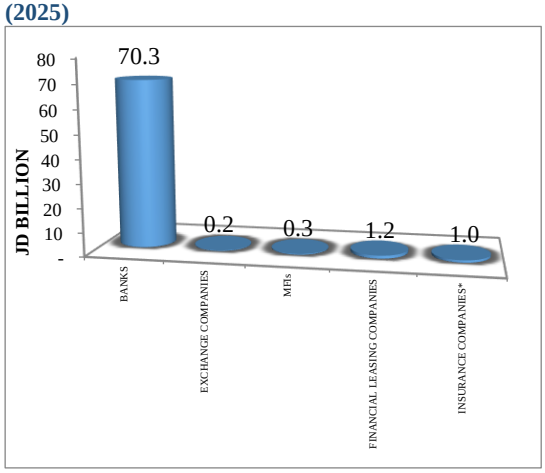
The financial sector in the Hashemite Kingdom of Jordan consists of banks, insurance companies, exchange companies, financial intermediation, financial services companies, and financing companies which include MFIs, financial leasing, factoring, mortgage financing, and lending-based crowdfunding.

The CBJ assumes the oversight and supervision on the banking sector, the exchange companies, and the MFIs, which were brought under its supervision on 1/6/2015. Furthermore, the Finance Companies Bylaw No. (107) of 2021 was enacted, which, entered into force on 30/5/2022, whereby all companies practicing financing activities are subject to the CBJ's licensing and supervision. Furthermore, the Amended Finance Companies Bylaw No. (111) of 2024 was enacted and entered into force on 31/12/2024.

In addition, a Royal Decree was issued to pass the Insurance Regulatory Law No. (12) of 2021, which was published in the Gazette on 16/5/2021, whereby the CBJ is in charge of overseeing and supervising the insurance sector.

Banks dominate the financial sector in Jordan, with total assets of JD 73 billion, accounting for 96.3% of the financial sector's total assets as of end 2025. (Figure 3-1).

FIGURE 3-1: TOTAL ASSETS OF THE FINANCIAL SECTOR ACCORDING TO THE COMPONENTS OF THE FINANCIAL SECTOR (2025)

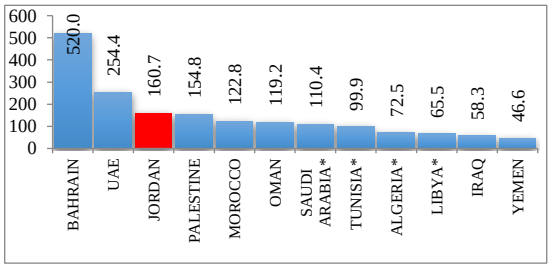


Source: CBJ.
*2024.

3.2 MAJOR DEVELOPMENTS OF THE BANKING SECTOR IN JORDAN (ASSETS AND LIABILITIES)- BRANCHES OPERATING IN JORDAN

Assets of licensed banks reached JD 70.3 billion at the end of 2025, accounting for 160.7% of GDP, compared to 158.8% in 2024. As compared to twelve Arab countries, Jordan ranked third in terms of this ratio. (Figure 3-2).

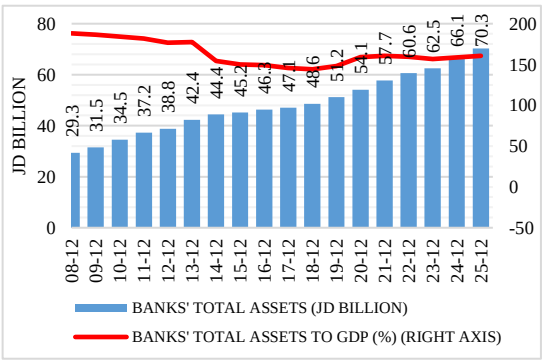
FIGURE 3-2: TOTAL ASSETS OF BANKS FOR SELECTED ARAB COUNTRIES (2025) (% OF GDP)



Source: Jordan's data: CBJ, data of other Arab countries: Financial Stability in Arab Countries Report 2025.
*2024.

Although banks' assets to GDP ratio increased in Jordan, they were on the decline during the period (2008-2018), as they reached to 188.2% at the end of 2008, to decline afterwards to reach 144.2% at the end of 2018. However, they increased at the end of 2019, and then fluctuated to decline to 160.7% at the end of 2025. (Figure 3-3).

FIGURE 3-3: DEVELOPMENTS OF ASSETS OF BANKS OPERATING IN JORDAN AND THEIR RATIO TO GDP (2008-2025)

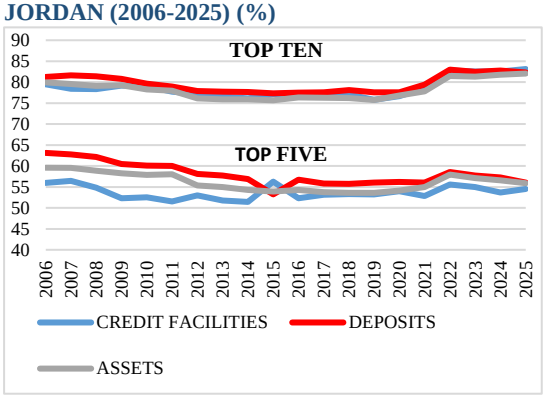


Source: CBJ.

As for the market share of banks (concentration), the assets of the top five banks (out of 20 banks) accounted for 55.9% of licensed banks' total assets at the end of 2025, compared to 59.6% at

the end of 2006. However, the assets of the top ten banks approximated 82.1% at the end of 2025, compared to 79.9% at the of end 2006. (Figure 3-4).

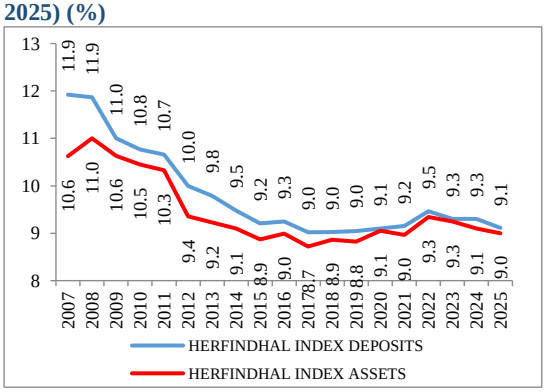
FIGURE 3-4: THE CONCENTRATION RATIO FOR THE BANKING SECTOR OPERATING IN JORDAN (2006-2025) (%)



Source: CBJ.

As for the competitiveness of the banking sector in Jordan; according to the Herfindahl Index (HI) of the banking sector's assets, the competitiveness was improved; the HI declined from 10.6% at the end of 2007, to reach 9% by the end of 2025. These figures suggest that the competitiveness of the banking sector in Jordan is improving constantly, as banks are enhancing their business and products to boost their competitiveness. (Figure 3-5).

FIGURE 3-5: HERFINDAHL INDEX FOR ASSETS AND DEPOSITS OF BANKS IN JORDAN (2007-2025) (%)

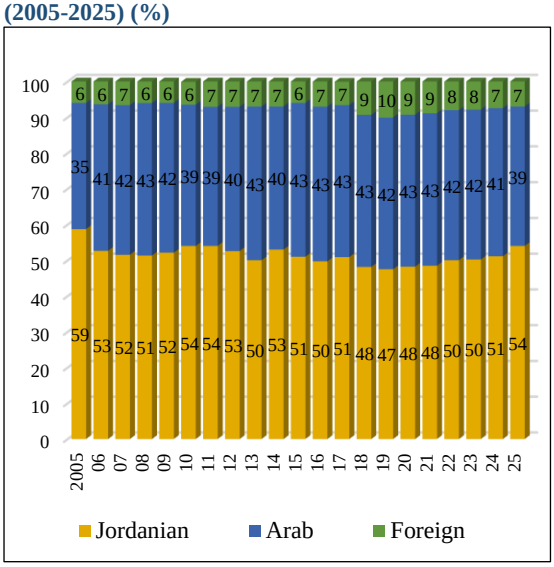


Source: CBJ.

3.2.1 BANKS' OWNERSHIP STRUCTURE

The share of foreigners (Arabs and Non-Arabs) in the capital of Jordanian licensed banks reached to 46% at the end of 2025, compared to 49% at the end of 2024, and 53% at the end of 2019. This ratio is considered amongst the highest in the region, as no restrictions are imposed thereto, which reflects investors' confidence in the banking system in particular, and the Jordanian economy in general; most of these ownerships are stable strategic contributions. It is worth mentioning that this share declined in 2010 and 2011, and increased steadily afterwards, yet it declined slightly to reach 46% at the end of 2025, as mentioned previously. (Figure 3-6).

FIGURE 3-6: OWNERSHIP STRUCTURE OF THE BANKING SECTOR OPERATING IN JORDAN (2005-2025) (%)

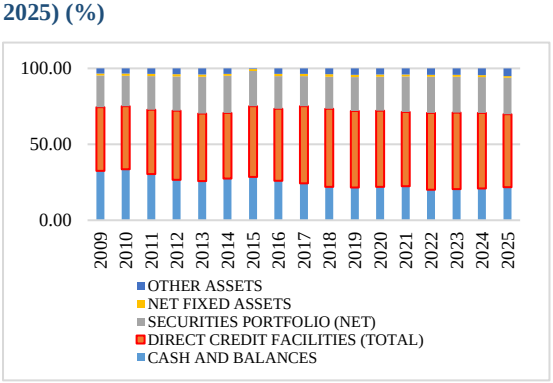


Source: CBJ.

3.2.2 USES OF FUNDS (ASSETS)

As for the assets structure of banks operating in the Kingdom (uses of funds), credit facilities portfolio is still the largest component; accounting for around 48.2% of banks' total assets at the end of 2025, compared to 49.7% in 2024. This decline is due to the growth of credit facilities at slower rates than assets. (Figure 3-7).

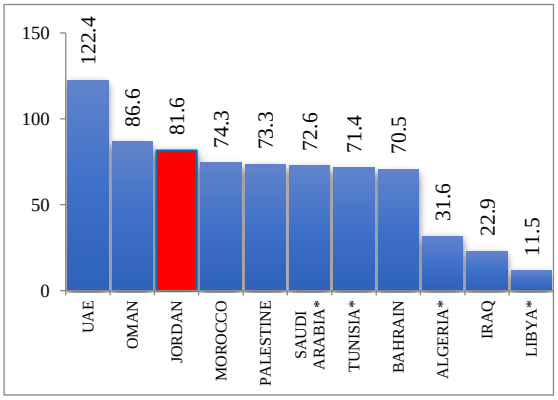
FIGURE 3-7: ASSETS STRUCTURE OF BANKS OPERATING IN JORDAN- USES OF FUNDS (2009-2025) (%)



Source: CBJ.

Direct credit facilities grew by 3.7% at the end of 2025 to reach around JD 35.7 billion, compared to a growth of 4.2% in 2024. It is worth mentioning that total credit facilities accounted for 81.6% of GDP at the end of 2025, compared to 82.7% in 2024. In terms of this ratio, Jordan ranked third compared to eleven Arab countries following UAE and Oman, which validates the significant role of banks in the economic development in Jordan (Figure 3-8).

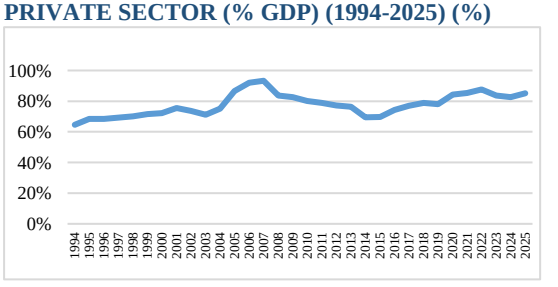
FIGURE 3-8: TOTAL CREDIT FACILITIES IN JORDAN AND SELECTED ARAB COUNTRIES (2025) (% OF GDP)



Source: Jordan's data: CBJ, data of other countries: Financial Stability in Arab Countries Report 2025.
*2024.

Credit gap analysis in Jordan for 2025 revealed a decline in the ratio of credit extended to the private sector to GDP by 1.1% as compared to its historical trend. Therefore, no additional capital buffers are required to be imposed on banks, as according to Basel III Accord, a capital buffer shall be imposed on banks if credit growth is not proportionate to economic activity, as it signals to the accumulation of systemic risks, and price bubbles are very likely, however, the analysis of systemic risks reveals that no accumulation of risks is founded and price bubbles are unlikely to occur currently. (Figure 3-9).

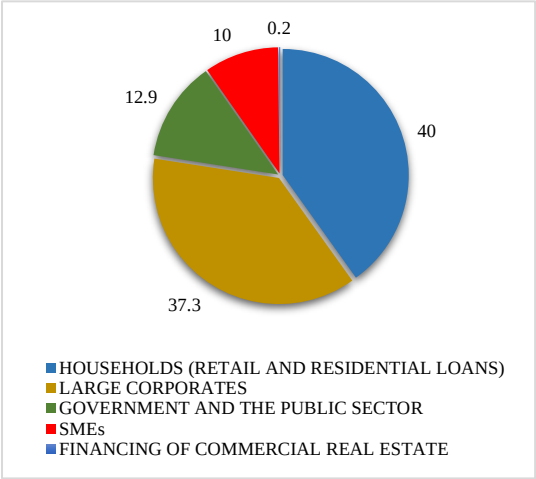
FIGURE 3-9: CREDIT EXTENDED TO THE PRIVATE SECTOR (% GDP) (1994-2025) (%)



Source: CBJ.

With regard to the sectoral distribution of direct credit facilities as of end 2025, credit extended to corporates (large corporates and SMEs) accounted for the largest share of around 48% at the end of 2025, as facilities extended to large corporates constituted 37.3% of total credit facilities at the end of 2025, while facilities extended to SMEs formed 10%. The share of the corporates reflects the crucial role of banks in financing various economic sectors in the Kingdom. Furthermore, facilities extended to households, formed 40%, while credit extended to the government and the public sector accounted for 12.9% as of end 2025, compared to 11.5% at the end of 2024. (Figure 3-10).

FIGURE 3-10: SECTORAL DISTRIBUTION OF CREDIT FACILITIES EXTENDED BY BANKS OPERATING IN JORDAN AS OF END 2025 (%)

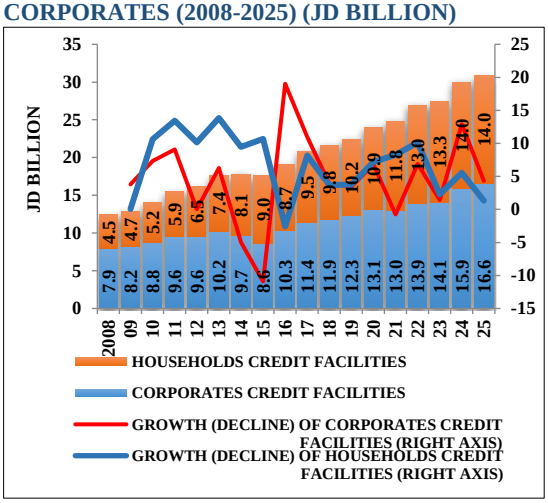


Source: CBJ.

As for loans extended to households, which reached JD 14 billion at the end of 2025; mortgages reached to JD 5.8 billion, accounting for the largest share of around 40.5% of households' loans at the end of 2025, compared to 40.9% at the end of 2024, followed by personal loans, which reached to JD 4.5 billion accounting for around 31.9% at the end of 2025, which is the same level recorded at the end of 2024. Furthermore, the third largest share is auto loans which reached to JD 1.9 billion, forming 13.4% of households' loans at the end of 2025, compared to 13.1% at the end of 2024, followed by consumption loans which reached to JD 1.1 billion accounting for 7.7% of households' loans at the end of 2025, compared to 9.3% at the end of 2024. In addition, credit cards provided to

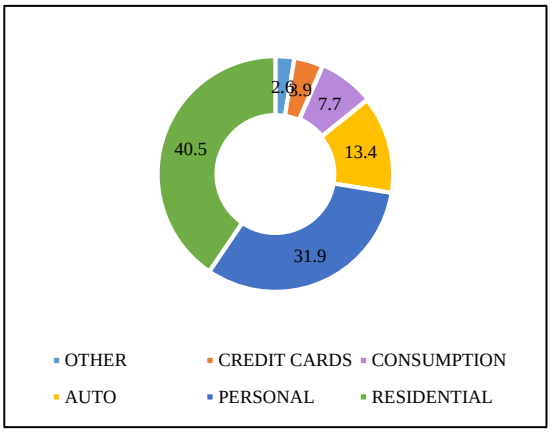
households reached JD 557 million, accounting for 3.9% of households' loans at the end of 2025, which is the same level recorded at the end of 2024. (Figures 3-11, 3-12).

FIGURE 3-11: DEVELOPMENTS OF CREDIT FACILITIES EXTENDED TO HOUSEHOLDS AND CORPORATES (2008-2025) (JD BILLION)



Source: CBJ.

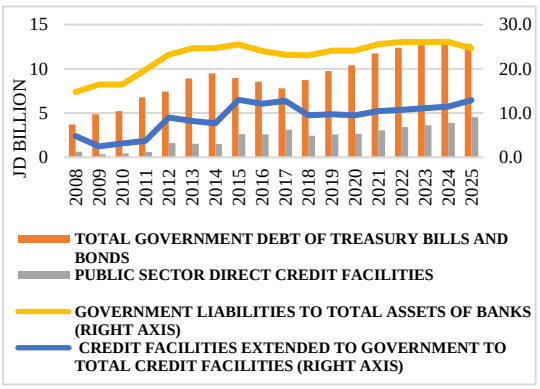
FIGURE 3-12: CREDIT FACILITIES EXTENDED TO HOUSEHOLDS (2025) (%)



Source: CBJ

With regard to banks' exposure to government debt, in terms of investments in government bonds and providing government-guaranteed loans to certain public institutions, the government debt held by banks reached around JD 17.3 billion (accounting for 24.7% of banks' total assets) at the end of 2025, compared to JD 17.2 billion (accounting for 26.1% of banks' total assets) at the end of 2024. The increase in government debt in 2025 was mainly due to the increase in credit facilities from JD 3.9 billion in 2024 to JD 4.5 billion in 2025. It is worth mentioning that, government debt owed to banks as of end 2025 consists of JD 12.8 billion of government bonds, and JD 4.5 billion of credit facilities. (Figure 3-13)

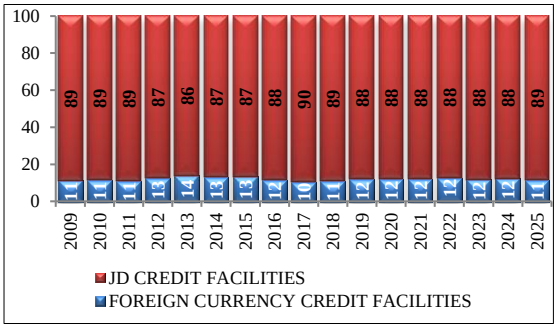
FIGURE 3-13: BANKS EXPOSURE TO JORDANS' GOVERNMENT DEBT (2008-2025)



Source: CBJ.

As for credit facilities according to currency, they are primarily denominated in JD, which maintained its level of 88.5% of total credit facilities for the period (2019-2025). (Figure 3-14).

FIGURE 3-14: CREDIT FACILITIES EXTENDED BY BANKS OPERATING IN JORDAN ACCORDING TO CURRENCY (2009-2025) (%)

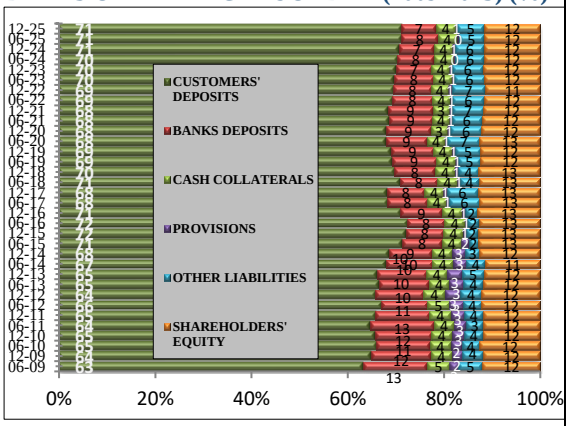


Source: CBJ.

3.2.3 SOURCES OF FUNDS (LIABILITIES)

Analyzing the sources of funds in the banking system reveals that customers' deposits represent the major source of funding, accounting for 71.1% as of end 2025, compared to 70.6% at the end of 2024. (Figure 3-15).

FIGURE 3-15: LIABILITIES STRUCTURE OF BANKS OPERATING IN JORDAN (2009-2025) (%)



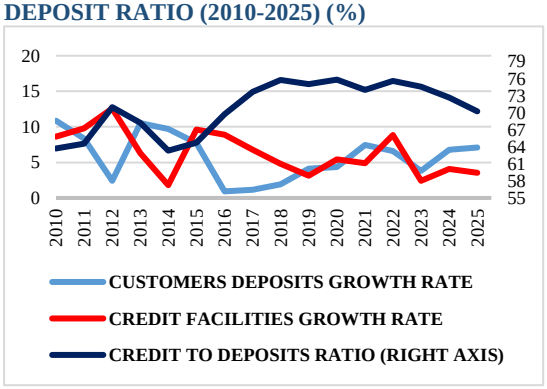
Source: CBJ

The second main source of funding is shareholders' equity, which increased from JD 7.7 billion at the end of 2024, to reach around JD 8.2 billion at the end of 2025, accounting for 11.7% of total sources of funds at banks.

Deposits of banks are the third source; which declined slightly from 7.4% of total deposits at the end of 2024, to 7.3% at the end of 2025.

Customers' deposits in the banking sector, increased by 7.1% in 2025, compared to 6.8% in 2024, to reach around JD 50.1 billion. The ratio of credit facilities to deposits at the banking system in Jordan declined from 72.7% at the end of 2024, to reach 70.3% at the end of 2025. (Figure 3-16).

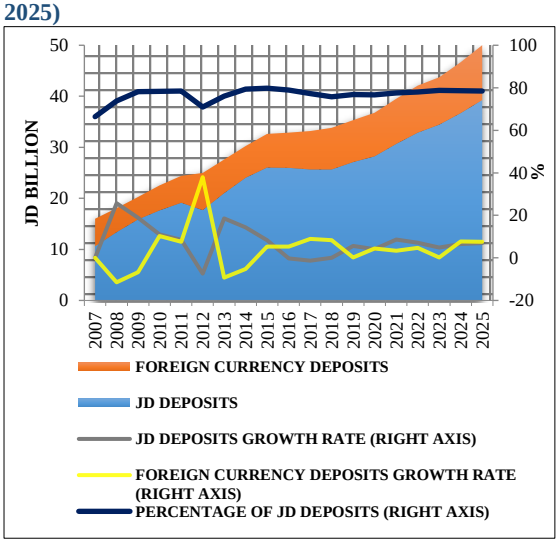
FIGURE 3-16: DEPOSITS AND CREDIT FACILITIES GROWTH RATES, AND CREDIT TO DEPOSIT RATIO (2010-2025) (%)



Source: CBJ.

As for the composition of deposits in terms of currency, JD-denominated deposits account for the largest share. Analyzing the changes in the ratio of JD-denominated deposits to total deposits indicates that they increased markedly from 66.4% at the end of 2007 to reach 78.4% at the end of 2011. However, it started to decline afterwards to reach its record low of 71% at the end of 2012, due to the economic headwinds that hit the Kingdom in 2012. Nevertheless, in 2013, 2014, and 2015, and due to the improving economic conditions, and most economic and monetary fundamentals improved, the JD-denominated deposits bounced back to reach its peak of 79.8% of total deposits at the end of 2015. During the period (2016- 2018) they decreased to reach 75.8% at the end of 2018, and increased afterwards during the period (2019-2025) to record 78.5% at the end of 2025. This level is comfortable, and reflects the confidence in the JD as a saving currency, and supports the monetary and financial stability in the Kingdom (Figure 3-17).

FIGURE 3-17: JD AND FOREIGN CURRENCY DEPOSITS LEVELS AND GROWTH RATES (2007-2025)



Source: CBJ.

3.2.4 RISKS OF THE BANKING SECTOR IN JORDAN- FINANCIAL SOUNDNESS INDICATORS

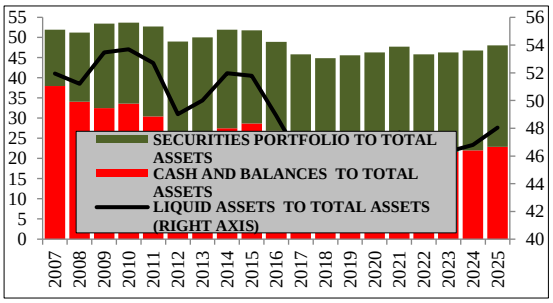
Despite the unprecedented adversities that hit Jordan and the world due to wars and geopolitical tensions in the region; the financial and administrative positions of the banking sector in Jordan were broadly sound and resilient. In 2025, most financial indicators and ratios of the banking sector showed a remarkable improvement, supported by the gradual recovery form the implications of COVID-19 pandemic and subsequent crises. The main developments of

banks' financial ratios and indicators are indicated below:

3.2.4.1 LIQUIDITY

The banking sector in Jordan enjoys a safe liquidity position; the liquidity indicators at the end of 2025 evidenced that the liquidity position of banks is adequate and safe. The cash and balances accounted for 22.9% of total assets at the end of 2025, compared to 22% at the end of 2024, while the share of securities portfolio (highly liquid) to total assets reached to 25.2% at the end of 2025, compared to 24.8% at the end of 2024. Accordingly, high-liquid assets accounted for around 48.1% of total assets at the end of 2025, compared to 46.8% at the end of 2024 (Figure 3-18).

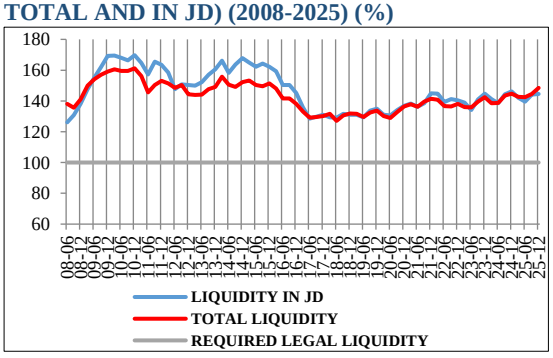
FIGURE 3-18: LIQUID ASSETS TO TOTAL ASSETS (2007-2025) (%)



Source: CBJ.

The total legal liquidity ratio imposed by the CBJ on banks increased to reach 148.4% at the end of 2025, up from 144.7% at the end of 2024; it is adequately higher than the CBJ's minimum requirement of 100%. (Figure 3-19).

FIGURE 3-19: LEGAL LIQUIDITY RATIO (IN TOTAL AND IN JD) (2008-2025) (%)



Source: CBJ.

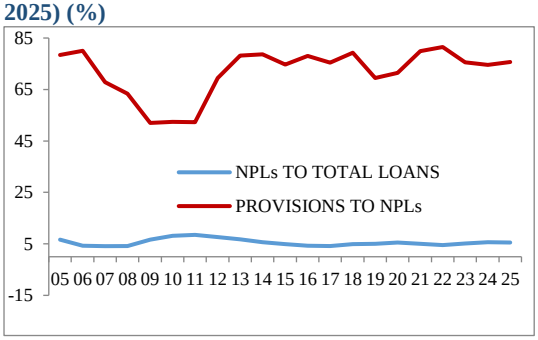
As for Basel III's liquidity ratios applied by the CBJ on banks; the Liquidity Coverage Ratio (LCR) increased at the end of 2025 to reach 257.4%, compared to 252.3% at the end of 2024, while the Net Stable Funding Ratio (NSFR) increased from 130.2% at the end of 2024, to 147.9% at the end of 2025; the CBJ's minimum requirements for both ratios are 100%.

3.2.4.2 QUALITY OF ASSETS

The ratio of NPLs to total loans declined slightly at the end of 2025 to reach 5.5%, compared to 5.6% at the end of 2024. However, despite the wars and geopolitical tensions in the region, the NPL nearly maintained the same level, which validates the excellent quality of assets of banks in Jordan.

As for the provision coverage ratio to NPLs, it reached to 75.7% at the end of 2025, compared to 74.5% at the end of 2024, which implies that approximately 75.7% of NPLs are covered, (Figure 3-20). This indicates that the provisions of banks are adequate to ward off credit risks.

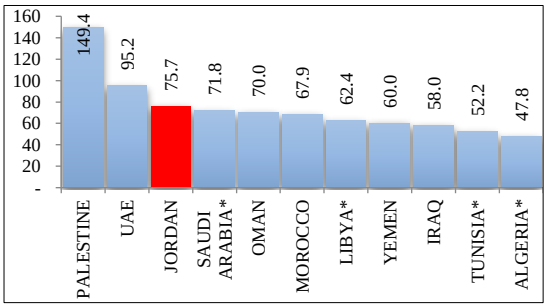
FIGURE 3-20: THE NPLs RATIO AND THE PROVISIONS COVERAGE RATIO OF NPLs (2005-2025) (%)



Source: CBJ

The banking system in Jordan ranked third compared to 11 Arab countries in terms of the NPLs coverage ratio, which is a relatively high ranking (Figure 3-21).

FIGURE 3-21: THE PROVISIONS COVERAGE RATIO FOR NPLs IN JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)

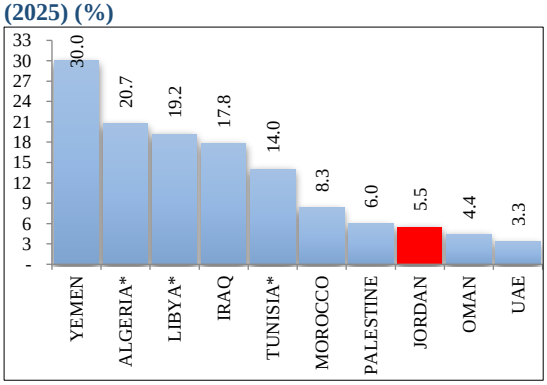


Source: Jordan's data: CBJ, data of other countries: Financial Stability in Arab Countries Report 2025. *2024.

The outstanding balance of NPLs (excluding interest in suspense) at the banking system stood at JD 1,916.4 million at the end of 2025; increasing slightly by JD 49.6 million compared to its level in 2024 of JD 1,866.8 million. Despite the increase of NPLs in numbers, the NPLs ratio to total loans declined slightly as mentioned earlier; the provisions are adequate to cover these NPLs.

As compared to selected Arab countries, the ratio of NPLs to total loans in Jordan is relatively low, if the GCC countries were excluded, as the financial and economic conditions of these countries are different, which is a good indicator. (Figure 3-22).

FIGURE 3-22: THE NPLs TO TOTAL LOANS IN JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)

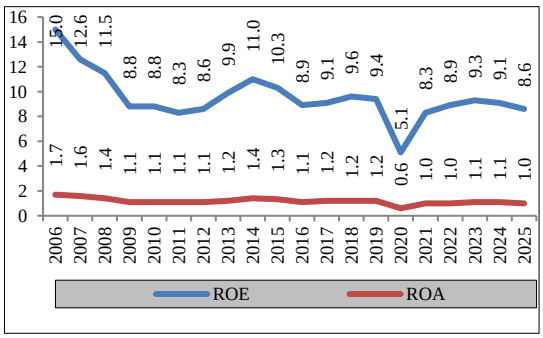


Source: Jordan's data: CBJ, data of other countries: Financial Stability in Arab Countries Report 2025.
*2024.

3.2.4.3 PROFITABILITY

In 2025, banks' profits remained stable compared to 2024; banks' net profits after tax reached to JD 684 million in 2025, compared to JD 689 million in 2024, decreasing slightly by JD 5 million, or 0.8%. Furthermore, the ROA declined slightly to 1% at the end of 2025, compared to 1.1% at the end of 2024. Historically, the ROA of the banking system recorded 1.7% at the end of 2006, and declined gradually to reach 1.1% at the end of 2009, affected by the implications of the global financial crisis on profits of banks. The ROA maintained that level until the end of 2012, and then increased to 1.2% and 1.4% in 2013 and 2014, respectively, as banks' profits increased markedly. In 2015 and 2016, banks' ROA declined slightly to 1.3% and 1.1%, respectively. However, banks' ROA increased again at the end of 2019 to reach 1.2%, and declined afterwards to 0.6% in 2020 due to the repercussions of COVID-19 pandemic. It increased to 1% in 2021 and 2022, and increased further to reach 1.1% in 2023 and 2024, yet it declined slightly to 1% at the end of 2025. (Figure 3-23).

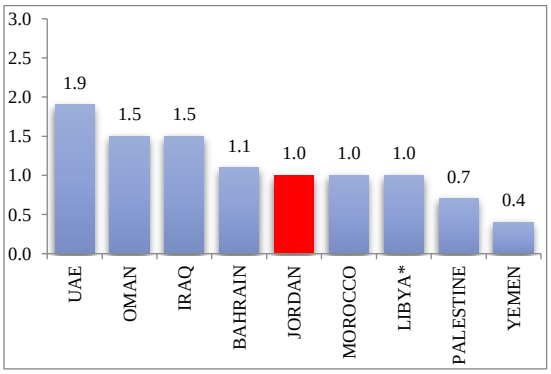
FIGURE 3-23: BANKS' ROE AND ROA (2006-2025) (%)



Source: CBJ.

As compared to selected Arab countries (with available data) in terms of ROA, Jordan occupied a middle ranking; Yemen had the lowest ROA of 0.4%, while UAE ranked the highest with 1.9% ROA. (Figure 3-24).

FIGURE 3-24: ROA FOR JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)



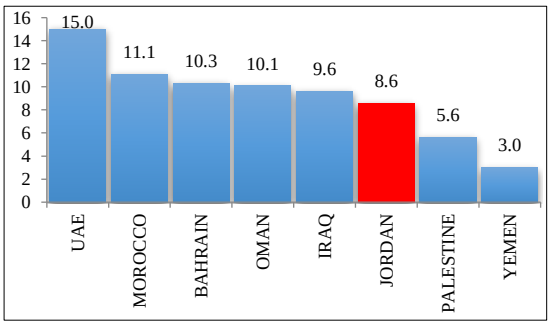
Source: Jordan's data: CBJ, data of other countries: Financial Stability in Arab Countries Report 2025.
*2024.

As for ROE, it declined slightly at the end of 2025 to reach 8.6%, compared to 9.1% in 2024, due to the increase in owners' equity and the slight decline in banks' profits in 2025. (Figure 3-23).

In comparison with 8 selected Arab countries, Jordan occupied a relatively low ranking among in terms of the ROE. Yemen had the lowest ROE of 3%, while UAE had the highest ratio of 15%. The modest ROE of banks in Jordan is attributed to banks' low risk appetite, high levels of capital,

and the income tax which is relatively high. (Figure 3-25).

FIGURE 3-25: ROE FOR JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)



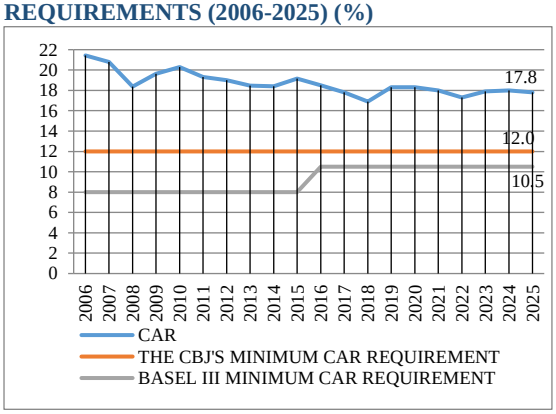
Source: Jordan's data: CBJ, data of other countries: the Financial Stability in Arab Countries Report 2025.

3.2.4.4 CAPITAL ADEQUACY

The CAR of the banking sector in Jordan is high; it ranged from 18% to 21% during the period (2007-2016). It is sufficiently well above the 12% minimum requirement of the CBJ, and the 10.5% minimum requirement of Basel Committee. However, the CAR decreased in 2017 and 2018 to record 17.8% and 16.9%, respectively. The CAR's notable decline in 2018 is partially due to the implementation of IFRS (9), which required holding additional provisions for credit losses; these provisions were transferred from shareholders' equity, in particular retained earnings. At the end of 2019, the CAR increased significantly to reach 18.3%, as the CBJ requested banks not to distribute dividends, which intended to support banks' capital base and enable them to ward off the ramifications of COVID-19 pandemic, and support the national economy. However, in 2020, the CBJ allowed banks to distribute dividends, which shall not exceed 12% of the paid-in capital, providing that banks must achieve profits in 2020. Furthermore, these distributions shall not breach the CAR and liquidity ratios requirements stipulated in the law and regulations. Limiting the distribution of dividends contributed to enhance the capital base of banks and to stable the CAR in 2020, which remained stable at its 2019 level of 18.3%. However, the CAR declined slightly to reach 18% and 17.3%, at the end of 2021 and 2022, respectively, which is attributed to the notable growth of credit during this period. Afterwards the CAR increased to reach 17.9% in 2023, and 18% in 2024. However, the CAR declined slightly to reach 17.8% in 2025, yet it is still well above the minimum requirement of 12%.

Furthermore, Tier I core capital ratio reached 17% at the end of 2025, compared to 17.3% at the end of 2024. It is noteworthy, that the capital of banks in Jordan is mostly composed of tier I core capital; the highest quality component and the most capable to absorb losses. (Figure 3-26).

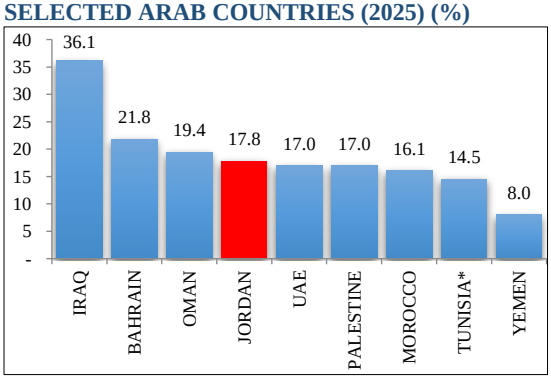
FIGURE 3-26: THE CAR COMPARED WITH THE CBJ AND BASEL COMMITTEE MINIMUM REQUIREMENTS (2006-2025) (%)



Source: CBJ.

In comparison with 9 Arab countries with available data, the CAR in Jordan ranked fourth in 2025. (Figure 3-27).

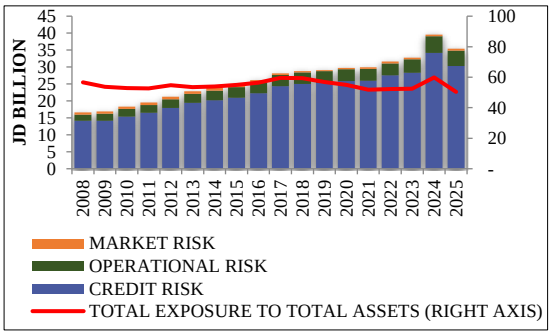
FIGURE 3-27: CAR FOR JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)



Source: Jordan's data: CBJ, data of other countries: the Financial Stability in Arab Countries Report 2025. *2024

With regard to banks' exposures, credit risk is the most significant risk accounting for 85.5% of total risks as of end 2025, followed by operational risk forming around 13%, and market risk accounting for 1.5%. These figures are close to their levels in 2024, which validates the stability of risks structure at banks, and no substantial changes occurred. (Figure 3-28).

FIGURE 3-28: THE COMPONENTS OF TOTAL EXPOSURES IN THE BANKING SECTOR (2008-2025)



Source: CBJ.

3.2.4.5 OPERATIONAL EFFICIENCY OF BANKS

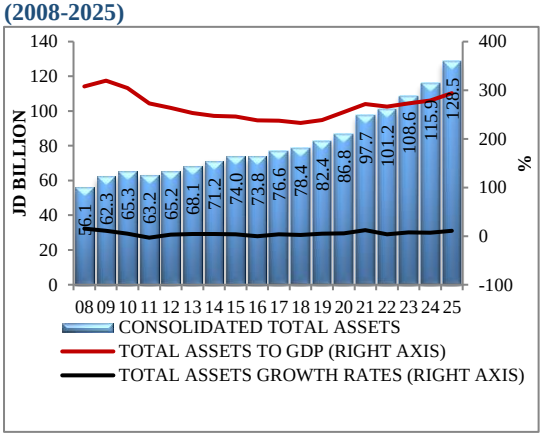
The operational efficiency for banks is measured primarily by the Cost (excluding interests) to Income Ratio (CIR). The CIR of banks declined from 74.4% at the end of 2020 to reach 64.5% at the end of 2025. This decline reflects improvement in the operational efficiency of banks, as they are providing more Fintech-based financial and banking products and services.

3.3 ASSETS AND LIABILITIES OF CONSOLIDATED BANKING SECTOR IN JORDAN (BRANCHES OPERATING IN JORDAN AND ABROAD AND SUBSIDIARIES)

3.3.1 ASSETS

The number of Jordanian banks operating abroad reached 7 banks; the Arab Bank's assets abroad constituted around 72.1% of these banks' total assets as of end 2025. In addition, the Arab Bank's total assets abroad accounted for 75.7% of its consolidated total assets as of end 2025. The consolidated total assets of banks approximated JD 128.5 billion at the end of 2025, compared to approximately JD 115.9 billion at the end of 2024, increasing by JD 12.6 billion or 10.9%. Assets of branches in Jordan accounted for 54.7% of consolidated total assets at the end of 2025, compared to 57% at the end of 2024.

FIGURE 3-29: DEVELOPMENTS OF ASSETS OF BANKS OPERATING IN JORDAN (CONSOLIDATED LEVEL AND AS % OF GDP) (2008-2025)



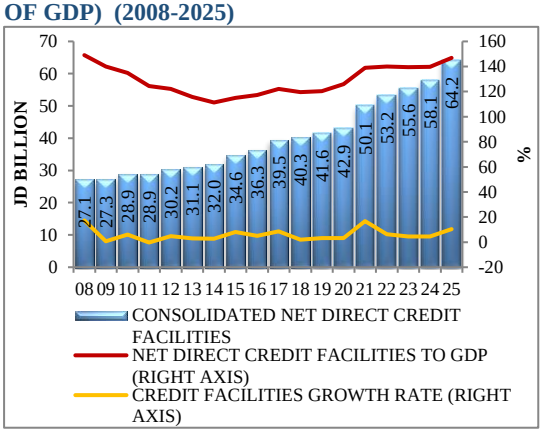
Source: CBJ.

The consolidated assets of the banking sector relative to GDP ratio were on a continuous decline during the period (2008-2019); it declined from 307.9% in 2008 to around 238.5% at the end of 2019. Afterwards, it increased to reach 255% and 271.3% in 2020 and 2021, respectively, as assets grew higher than the GDP, which was more affected by the repercussions of COVID-19 pandemic. However, it declined slightly again at the end of 2022 to reach 266.3%, and increased during the period (2023-2025) to reach 293.8% at the end of 2025, which is the higher since 2011; this is due to the assets being increasing at higher rates than the GDP, which is influenced by the geopolitical tensions in the region.

3.3.2 CREDIT FACILITIES

The net balance of consolidated credit facilities of the banking system grew by 10.5% to reach around JD 64.2 billion at the end of 2025, compared to JD 58.1 billion at the end of 2024 (a growth of 4.5%). The consolidated credit facilities of the banking system in percent of GDP reached to 146.8% at the end of 2025, compared to 139.6% at the end of 2024. (Figure 3-30).

FIGURE 3-30: DEVELOPMENTS OF CREDIT FACILITIES OF BANKS OPERATING IN JORDAN (CONSOLIDATED LEVEL AND IN % OF GDP) (2008-2025)

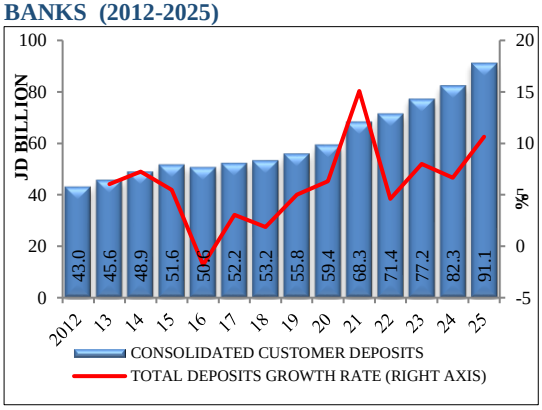


Source: CBJ.

3.3.3 DEPOSITS

Consolidated customer deposits increased to JD 91.1 billion at the end of 2025, growing by 10.6% compared to JD 82.3 billion (a growth of 6.7%) at the end of 2024. (Figure 3-31).

FIGURE 3-31: DEVELOPMENTS OF CONSOLIDATED CUSTOMER DEPOSITS AT BANKS (2012-2025)

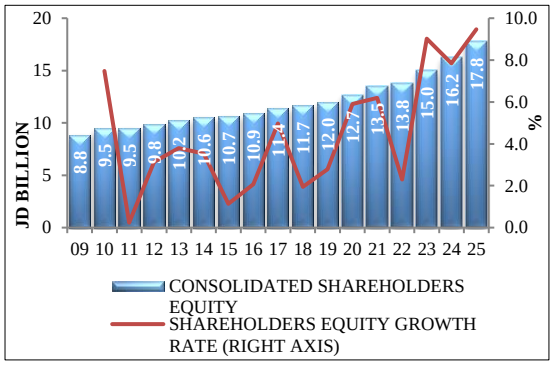


Source: CBJ.

3.3.4 SHAREHOLDERS' EQUITY

The consolidated balance of shareholders' equity for banks totaled JD 17.8 billion at the end of 2025, compared to JD 16.2 billion at the end of 2024. It is worth mentioning that shareholders' equity is increasing since 2009 (Figure 3-32), which enhances banks' solvency and resilience to withstand risks, and strengthens the financial sector stability.

FIGURE 3-32: TRENDS OF CONSOLIDATED BANKS SHAREHOLDERS' EQUITY (2009-2025)



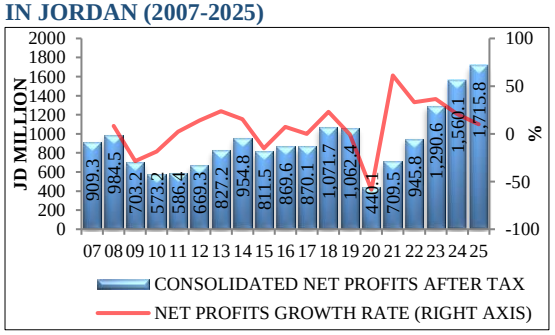
Source: CBJ.

3.3.5 NET PROFIT AFTER TAX, ROA, AND ROE

3.3.5.1 NET PROFIT AFTER TAX

The banking system's net profit after tax recorded a substantial increase at the end of 2025 to reach JD 1,715.8 million, compared to JD 1,560.1 million at the end of 2024, growing by 10%. This is due to the constant gradual recovery from the repercussions of COVID-19 pandemic and subsequent crises in Jordan and countries where Jordanian banks operate. (Figure 3-33).

FIGURE 3-33: TRENDS OF CONSOLIDATED NET PROFIT AFTER TAX FOR BANKS OPERATING IN JORDAN (2007-2025)



Source: CBJ

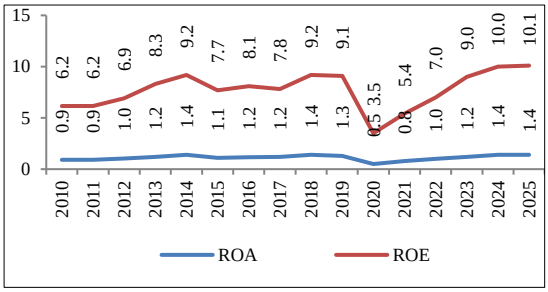
3.3.5.2 ROA

Due to the increase in consolidated banks' profits, as well as the increase in consolidated banks' assets, the consolidated ROA of banks at the end of 2025 remained stable at the same level recorded at the end of 2024 of 1.4%. (Figure 3-34).

3.3.5.3 ROE

The ROE of consolidated banks increased slightly at the end of 2025 to reach 10.1%, compared to 10% at the end of 2024. (Figure 3-34).

FIGURE 3-34: ROA AND ROE OF CONSOLIDATED BANKS (2010-2025) (%)



Source: CBJ.

3.4 FINANCIAL STABILITY INDEX

3.4.1 INTRODUCTION

As mentioned in previous financial stability reports, the CBJ in 2017 introduced the JFSI according to countries practices in designing similar index; countries use different methodologies in terms of variables, statistical methods, weights, and other factors. Therefore, the JFSI was developed according to international best practices thereon, yet it was tailored to fit the features of the financial and economic system in Jordan.

The JFSI is a composite of three sub-indices; each index represents a key element of the Jordanian financial system, namely: the banking sector index, which constitutes of ten variables, the macroeconomics index which includes seven variables, and the capital market index, which consists of two variables. These 19 sub-indices were calculated and analyzed using historical data for the period (2008-2025).

3.4.2 THE METHODOLOGY

The methodology used to develop the JFSI is one of the most widely used by countries[1] calculating the same index. The JFSI was developed based on international best practices thereupon, and it was tailored to the features of the financial sector in Jordan, which is dominated by the banking sector. Accordingly, more than half of the indices used to calculate the composite JFSI refer to the banking sector indicators. A synopsis of the methodology used to calculate the JFSI is set out below.

Data Normalization:

The re-scaling was used for sub-indices, by subtracting the minimum value of the sub-index from the value of the index and then divide the output by the range of the sub-index according to the formula (1) below.

$$di = \frac{Ai-min}{Max-min} \ldots\ldots\ldots\ldots\ldots (1)$$

Where min[2] and Max represent the minimum and maximum values of the sub-index di.

Calculation of sub-indices:

The sub-index is calculated by using the weighted average of normalized indices, and determining the weights based on the relative importance of indices. Several methods are available for selecting the weights of indices; however, the best-used one is to rely on the judgments of professional experts, as weights are estimated according to the significance of the sub-index and its impact on the financial stability in the Kingdom. Therefore, the following weights were allocated to the banking sector indices:

Variable	Weight
CAR	28.3%
Quality of Assets	28.3%
Liquidity	28.3%
Profitability	15%
Total	100%

The sub-indices of the banking sector, macroeconomics, and the capital market were calculated using the following formulas:

Banking Sector Index (weighted average of sub-indices):

$$Bsi = \frac{\sum_1^{10} W_B d_B}{10} \ldots\ldots\ldots\ldots\ldots (2)$$

Macroeconomics Index:

$$Esi = \frac{\sum_1^7 d_E}{7} \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Capital Market Index:

$$Msi = \frac{\sum_1^2 d_M}{2} \ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Calculating the Composite Financial Stability Index:

Using the weighted average of the three sub-indices, the JFSI is calculated using the following formula:

JFSI= ((10/19) *Bsi) + ((7/19) *Esi) + ((2/19) *Msi)). (5)

The JFSI value ranges from zero to 1.

3.4.3 THE JFSI RESULTS

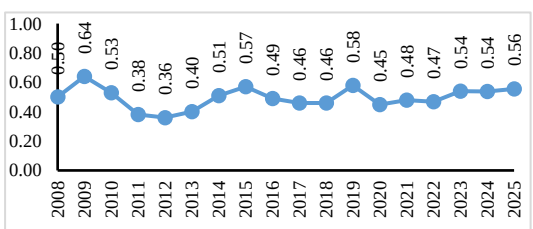
The JFSI values range from zero to one, the closer the value to one, the greater the stability of the financial system. The JFSI value increased from 0.54 at the end of 2024 to reach 0.56 at the end of 2025, due to the increase of the Esi which reached 0.63 at the end of 2025 compared to 0.59 at the end of 2024, which is attributed to the continuous improvement in most economic indicators in 2025, including growth, increasing foreign currency reserves, in addition to declining credit-

[1] Banking Stability Index: A Cross-Country Study.

[2] The minimum value is determined according to the minimum values stipulated in respective regulations in force (if any) rather than the minimum values in the study.

to-GDP gap. The Msi also improved from 0.50 at the end of 2024 to reach 0.54 at the end of 2025, as market capitalization of corporates increased due to improving corporates' returns which raised trading volume at the ASE in 2025. Furthermore, the Bsi at the end of 2025 remained stable at the same level recorded in 2024 of 0.51. Historically, the JFSI was 0.50 at the end of 2008, and increased to 0.64 at the end of 2009, and declined during the period (2010-2012) with the lowest value recorded at the end of 2012 of 0.36, influenced by the Arab Spring and the refugees' crisis, as well as the challenging economic conditions that hit the Kingdom, especially in 2012. The JFSI started to recover and reached 0.57 at the end of 2015, however, it declined during the period (2016-2018) to reach 0.46 in 2018. In 2019, the JFSI improved markedly compared to its level during the period (2016-2018) to record around 0.58, supported by improved liquidity ratios, CARs, and the financial leverage ratio of banks operating in Jordan, besides the increase in the CBJ's reserves of foreign currency and gold. In 2020, the COVID-19 pandemic substantially affected the economic and financial conditions in the Kingdom; the JFSI declined to reach 0.45. However, in 2021 and 2022, it increased to reach 0.47 at the end of 2022. The JFSI increased further in 2023 and 2024, to reach 0.54, and recovered to 0.56 at the end of 2025 despite surrounding challenging conditions and geopolitical crises as mentioned previously, (Figure 3-35).

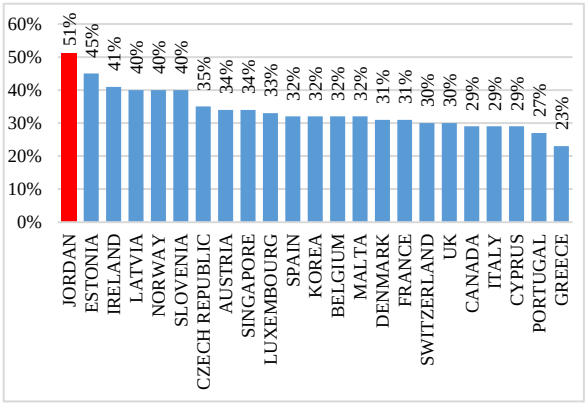
FIGURE 3-35: JFSI (2008-2025)



Source: CBJ.

As compared to 23 countries using similar index, Jordan ranked first in terms of the Bsi, as illustrated in (Figure 3-36). This validates that the banking sector in Jordan has sound and robust financial indicators, and implements best corporate governance rules and international financial standards.

FIGURE 3-36: THE Bsi IN JORDAN COMPARED TO SELECTED COUNTRIES



3.5 DEVELOPMENTS OF NON-BANKING FINANCIAL SECTOR (NON-BANKING FINANCIAL INSTITUTIONS)

3.5.1 THE INSURANCE SECTOR[3]

On 15/6/2021, the CBJ commenced the supervision on the insurance business, following the enactment of the Insurance Regulatory Law No. (12) of 2021. The Insurance Supervision Department is in charge of regulating, supervising, and overseeing the insurance sector including insurance companies and insurance services providers, to ensure the soundness of their financial positions and protect the rights of the insured and policyholders, according to legislations in force. This aims at creating a proper environment conducive to enhance and strengthen the insurance industry role in protecting individuals and properties against risks, to safeguard national economy, in addition to attracting and investing national savings, to support economic development in the Kingdom. The insurance sector is one of the vital

[3] Data of insurance companies for 2025 is preliminary, and includes the data of 17 out of 19 insurance companies, while the data of 2024 includes 19 insurance companies.

components of the financial sector, as it protects individuals and properties against risks, in addition to mobilizing and boosting national savings to support economic development; the contribution of insurance premiums to the GDP reached around 1.9% in 2025.

The Insurance sector consists of (19) licensed companies operating in Jordan as of 31/12/2025; a company is licensed to provide life insurance; (7) companies are licensed to practice general insurance; while (11) companies are licensed to carry out both types of insurance (general and life insurance). Three companies are providing Takaful insurance (two are licensed to provide life and general insurance, while one company provides general insurance only). The insurance sector consists of (812) insurance services providers, including insurance agents and brokers, reinsurance brokers, loss settlement specialists, inspectors, authorized delegates to subscribe, actuaries, insurance consultants, insurance business management companies, banks licensed to practice insurance business, and reinsurance brokers residing abroad.

Main indicators of the insurance sector:

According to the preliminary data of the insurance sector:

- Total assets of the insurance companies in the Kingdom reached to around JD (1,246) million at the end of 2025, compared to around JD (1,138) million at the end of 2024; increasing by (10%). At the end of 2025, the return on average assets reached about (3%) of the net profit after tax.
- The investments approximated JD (768) million at the end of 2025, accounting for (62%) of total assets of the sector, compared to around JD (712) million at the end of 2024, increasing by around (8%).
- Total equity of insurance companies in the Kingdom amounted to around JD (403) million at the end of 2025, compared to around JD (373) million at the end of 2024, an increase of around (8%). The return on average equity reached to (10%) of net profits after tax at the end of 2025.
- The capital of insurance companies reached to around JD (260) million at the end of 2025, accounting for (64%) of total equity of the sector, compared to around JD (255) million at the end of 2024, an increase of (2%).
- The net profits after tax of the insurance sector in the Kingdom reached around JD (40) million at the end of 2025, compared to around JD (18) million at the end of 2024; increasing by (122%).
- The loss of net results of the insurance business after financing expenditures reached JD (9.7) million, compared to a loss of JD (7.6) million at the end of 2024, distributed as follows:

TABLE 3-1: NET INSURANCE SERVICE RESULTS AFTER FINANCE EXPENSES (JD MILLION)

Portfolio	2024	2025
Motor	-19.2	-13.8
Marine and Transportation	5.7	4.5
Fire and Other Damages for Properties	5.3	3.3
Medical	6.3	7.8
Other Classes	3.2	4.5
Life Insurance	-7	-14.8
General Insurance Outside Jordan	-1.9	-1.2
Total	-7.6	-9.7

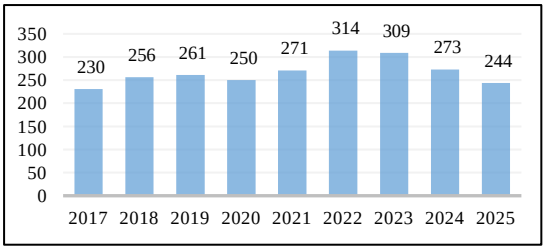
3.5.2 NON-BANKING FINANCIAL INSTITUTIONS

Non-banking financial institutions are essential to the economy, as they provide credit to unbanked segments. The main institutions are the following:

3.5.2.1 MICROFINANCE SECTOR

The microfinance sector started its business in Jordan in 1994, and expanded rapidly during the last years. Microfinance loans portfolio recorded a convenient growth during the period (2017-2019) that averaged 7.1%. However, in 2020, it declined by 4.3%, influenced by the ramifications of the COVID-19 pandemic. However, it increased markedly by 8.4%, and 15.9% in 2021 and 2022 respectively, yet it declined notably in 2023, 2024, and 2025 by 1.6%, 11.65%, and 10.6%, respectively, due to the wars and geopolitical tensions in the region and its impact on the national economy. (Figure 3-37).

FIGURE 3-37: DEVELOPMENTS OF THE MFIs LOANS PORTFOLIO (2017-2025) (JD MILLION)



Source: CBJ.

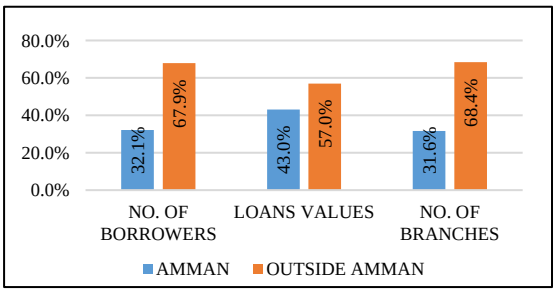
The MFI's total loans portfolio reached to around JD 244 million at the end of 2025, compared to around JD 273 million at the end of 2024, declining by 10.6%. The number of borrowers declined by 12.2% to reach 330 thousand borrowers at the end of 2025, compared to 376 thousand borrowers at the end of 2024. However, the average value of loans increased from JD 891 at the end of 2024, to JD 895 at the end of 2025.

The MFIs typically target women, aiming to empower them and enhance their contribution in the economy and society. The MFIs services also focus on borrowers outside Amman to achieve economic and social development throughout the Kingdom as follows:

3.5.2.1.1 THE MICROFINANCE SECTOR ACTIVITIES OUTSIDE AMMAN

The microfinance sector activities are mainly concentrated outside Amman, as 67.9% of borrowers, 57% of total loans, and 68.4% of MFIs branches are located outside Amman (figure 3-38).

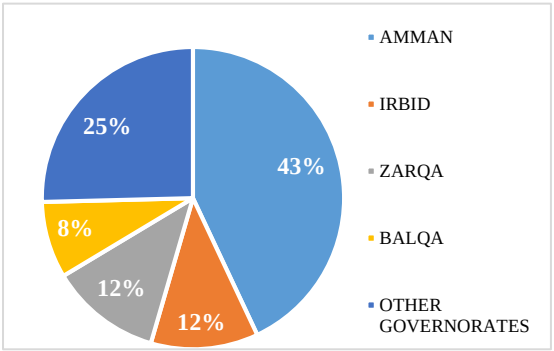
FIGURE 3-38: THE MICROFINANCE SECTOR ACTIVITY INSIDE AND OUTSIDE AMMAN IN 2025 (%)



Source: CBJ.

The distribution of MFIs Loans according to governorates in 2025 (Figure 3-39), revealed that Amman received 43% of these loans, followed by Zarqa 11.9%, Irbid 11.5%, Balqa 8.2%, while other governorates received 25.4% of total loans.

FIGURE 3-39: DISTRIBUTION OF MFIs LOANS ACCORDING TO GOVERNORATE IN 2025 (%)



Source: CBJ.

3.5.2.1.2 THE MICROFINANCE SECTOR MAIN FINANCIAL INDICATORS (2022-2025)

The assets of the microfinance sector reached to JD 307 million at the end of 2025, compared to JD 340 million at the end of 2024, declining by 9.7%. Meanwhile, the equity increased to reach JD 200 million in 2025, compared to JD 198 million at in 2024. The sector's net profits after tax decreased from JD 8.9 million in 2024 to reach JD 5.9 million in 2025, declining by 33.7%. In addition, the ROE declined to reach 3% in 2025, compared to 4.5% in 2024, and the ROA declined from 2.6% in 2024 to reach 1.8% in 2025, (Table 3-2).

TABLE 3-2: FINANCIAL INDICATORS OF THE MICROFINANCE SECTOR (2022-2025)

Item	2022	2023	2024	2025
Total assets	375	342	340	307
Equity	186	196	198	200
Net profit (loss) after tax	20	17	8.9	5.9
Return (after tax) on average assets	5.6%	4.7%	2.6%	1.8%
Return (after tax) on average equity	11.3%	8.8%	4.5%	3%
Bad debt ratio to total portfolio	2.8%	3.5%	7.3%	7.6%
Portfolio At Risk (PAR)/ over 30 days	5.1%	6.5%	6.1%	7.1%
Liquidity ratio	2.3	2.5	2.7	3.1%

Source: CBJ.

3.5.3 FINANCIAL LEASING COMPANIES[4]

Total assets of financial leasing companies (subsidiaries of banks) in Jordan reached to JD 880.5 million at the end of 2025, compared to JD 778.2 million at the end of 2024; an increase of 13.1%. With respect to financial results of these companies, net profit after tax declined in 2025 by 5% to reach JD 21.1 million, compared to JD 22.2 million in 2024. In addition, the ROE declined from 6.25% in 2024 to reach 5.73% in 2025, and the ROA also decreased from 2.85% (for 12 financial leasing companies) in 2024, to 2.4% (for 11 financial leasing companies) in 2025. (Table 3-3).

TABLE 3-3: DEVELOPMENTS OF FINANCIAL LEASING COMPANIES (2019- 2025) (JD MILLION)

Item	2019	2020	2021	2022	2023	2024	2025
Revenues	53.2	51.5	47.2	50.4	57.8	63.4	71.4
Paid-In Capital	210	212.5	195	197	201	207.5	205.5
Total Assets	604.6	649.4	620.6	682.1	773.2	778.2	880.5
Shareholders' Equity	323	333	322.3	340.9	338.1	355.4	368.2
Profit After tax	21.8	13.5	18.9	20.2	15.6	22.2	21.1
ROE (%)	6.9 %	4.1 %	5.9 %	5.93 %	4.61 %	6.25 %	5.73 %
ROA (%)	3.7 %	2.1 %	3.04 %	2.97 %	2.02 %	2.85 %	2.4 %

Source: annual statements of financial position for financial leasing companies (subsidiaries of banks).

3.5.4 THE MONEY EXCHANGE SECTOR

The number of licensed exchange companies in the Kingdom stood at 330; 104 headquarters and 226 branches located across governorates in Jordan (Table 3-4).

TABLE 3-4: NO. OF EXCHANGE COMPANIES AND BRANCHES IN JORDAN

Governorate	No. of Companies	No. of Branches	Total
Amman	63	131	194
Zarqa	9	24	33
Irbid	7	30	37
Aqaba	4	7	11
Other Governorates	21	34	55
Total	**104**	**226**	**330**

In light of the developments in the exchange sector and the notable growth in its business during the last two decades, which made it one of the most vital sectors in the Kingdom, and to respond to economic updates and developments, the Money Exchange Business Law No. 44 of 2015 was enacted on 18/10/2015, which repealed the Law No. 26 of 1992.

The Law constitutes the legislative framework that governs the exchange business in the Kingdom, by setting out the conditions and requirements for licensing, merging, liquidation, and management of exchange companies. This is in addition to the records and books that must be retained by these companies, in addition to validating the role of the chartered accountant in auditing exchange companies, in terms of expanding the scope of the auditor according to best practices. The Law also contributed to establish the legal basis for informing exchange companies about any decisions or regulations issued by the CBJ, and strengthened the CBJ's authority to enact the instructions for the acceptable ratios and limits for sound financial positions of the exchange companies, and the size of non-Jordanian workforce. The Law lays the legal basis for the formulation of an ad hoc committee dedicated to handle complaints submitted to the CBJ against the exchange companies' services.

Furthermore, the CBJ conducts off-site and on-site supervision on the exchange sector. The off-site supervision mainly intends to examine and analyze periodic statistical data and audited financial statements of exchange companies, and provides appropriate recommendations thereon. However, the on-site supervision, which is carried out through on-site inspection visits, verifies the compliance of exchange companies with all relevant laws and regulations in force, which adds to the work of the external auditors of exchange companies as stipulated in the provisions of the Law.

As for the financial results of the exchange sector, total assets (business size) reached to

[4] The data covers subsidiaries of banks which dominate most of the financial leasing activity in the Kingdom.

approximately JD 223.9 million in 2025, compared to JD 210.3 million in 2024. The ROA and return on capital increased in 2025 to reach 0.95% and 1.70% respectively, compared to 0.65%, and 1.21% respectively in 2024. (Table 3-5). This increase is owing to the increase in profits of exchange companies after the effect of COVID-Pandemic has been receded on this sector as well as other economic sectors.

TABLE 3-5: MAIN INDICATORS OF THE EXCHANGE SECTOR IN 2025

Indicator	JD Million
Total Business size	223.9
Total Capital	125.9
Total Financial guarantees provided by exchange companies	38.1
Total Purchases of foreign currency	8,121.99
Total Sales of foreign currency	8,198.77
Return on capital	1.70%
ROA	0.95%

3.5.5 SOCIAL SECURITY CORPORATION[5] (SSC)

The SSC plays a pivotal role in the society; the social security covers 93,840 active firms, 49.6% of which are based inside Amman as indicated in the SSC annual report of 2025. The SSC umbrella is extended to cover more than 1.7 million insured persons working in more than 93 thousand active enterprises in the public and private sectors. The umbrella also expanded to cover the voluntary participation of Jordanians, which reached to around 102.8 thousand subscribers, thanks to the SSC's efforts represented by issuing the regulations intended to cover freelancers on 29/8/2019, which entered into force on 1/1/2020.

In addition to its fundamental role in society, the SSC significantly contributes to achieve financial stability through its massive investments portfolio diversified in financial and non-financial assets, as well as its effective lending to the government through treasury bills and bonds. The main features of the SSC are listed below:

- The SSC has a massive investment capacity with a long-term investment horizon, as it invests to raise funds for retirement claims of individuals at different ages, which enables the SSC to undertake investments at different maturities, and helps to diversify risk premiums with various maturities. This policy is particularly important during financial crises when market suffers shortages of liquidity. The SSC's investments accounted for 43% of GDP in 2025, compared to 40% in 2023 and 2024.
- The SSC conducts self-financing investments; unlike banks, the SSC's source of funds is the subscribers' deductions rather than borrowings or deposits. Therefore, the SSC is not exposed to high leverage ratio, nor risks of maturity mismatch between sources and uses of funds. These two factors led several international banks to fail during the global financial crisis in 2008, which validates that the SCC is not a possible source of systemic risk in the financial system.
- The deductions from workers and employers are retained for a long period, and cannot be withdrawn as the case in banks, thus, they are not exposed to liquidity runs.

The SSC's role during the COVID-19 crisis was crucial; the SSC pursued a clear and determined approach to respond to the crisis, which consisted of two pillars: the first represents the corporation's commitment towards its responsibilities as a cornerstone to provide the social protection for workers in the Kingdom, and the second is the provision of liquidity to the private sector enterprises and assisting them to ward off the ramifications of the pandemic. The SSC also embarked several intervention programs enacted through defense orders and announcements thereof. These programs injected additional liquidity to the private sector amounted to JD 232 million as of today.

[5] Despite the SSC is not considered as a non-banking financial institution, financial stability reports in most countries often include social security corporations, as they are essential to achieve financial stability through their diversified investments in financial and non-financial assets.

Building on the SSC's importance in stimulating investments, and in order to boost its funds, the Social Security Investment Fund (SSIF) started to operate at the beginning of 2003. The SSIF invests the SSC's funds to realize high and constant returns, preserve the real value of the SSC assets, as well as provide sufficient liquidity to meet the SSC's obligations. The SSIF's assets reached to around JD 18.6 billion at the end of 2025, compared to around JD 16.2 billion at the end of 2024, increasing by 15.2%. In addition, the SSIF's income increased by JD 217.4 million, or 24% to reach JD 1,122.6 million at the end of 2025, compared to JD 905.2 million at the end of 2024. The SSIF's investment portfolios consist of seven main portfolios. (Table 3-6).

TABLE 3-6: DISTRIBUTION OF THE SSIF INVESTMENT PORTFOLIOS (2024-2025) (JD MILLION)

SSIF Investment Portfolios	2024	2025
Money Market Instruments Portfolio	2,354.6	2,245
Bonds portfolio	9,277.5	10,291.3
Loans portfolio	551.7	554.5
Equity portfolio	2,451.7	3,673.7
Real estate portfolio	865.9	1,139.3
Tourism portfolio	320.6	322.1
Other assets	353.3	413.8
Total	16,175.3	18,639.7

The SSIF's investments are diversified in different economic aspects. The SSIF is the second largest buyer (after banks) of government treasury bills and bonds, and government-guaranteed bonds which are allocated to the money market instruments portfolio (mature in less than one year), and the bonds portfolio (mature in more than one year). Moreover, the SSIF loans portfolio consists of medium- and long-term loans including direct loans and syndicated loans. The equity portfolio consists of shares of public companies listed in ASE, as well as the shares of the strategic private placements companies, according to the SSIF's investment policy. The real estate portfolio includes all real estate investments in lands, real estate projects, and real estate development, while the tourism portfolio constitutes of all investments in the tourism sector. These allocations aim to diversify investments, and mitigate risks, according to specified investment considerations.

It is worth mentioning that the SSC is a strategic shareholder in the capital of several Jordanian banks. The total contribution of the SSC in Jordanian banks' capital approached JD 1.4 billion at the end of 2025, accounting for 12.4% of the market capitalization of banks shares in Jordan of JD 11.32 billion (Table 3-7).

TABLE 3-7: THE SSC CONTRIBUTIONS IN JORDANIAN BANKS CAPITAL AS OF END 2025 (JD MILLION) (%)

Bank	Contribution (Million)	Share
Jordan Kuwait Bank	108.9	21.04%
Jordan Commercial Bank	29	19.84%
Arab Bank PLC.	754.3	17.18%
Housing Bank for Trade & Finance	215.2	15.42%
Jordan Ahli Bank PLC	35.3	11.58%
Safwa Islamic Bank	41.7	9.38%
Cairo Amman Bank	27.9	8.99%
Capital Bank	60.9	7.37%
Bank al Etihad	66	6.83%
Jordan Islamic Bank	53.6	5.82%
Arab Jordan Investment Bank	9.9	4.08%
ABC Bank	2.1	2.05%
Bank of Jordan	1.4	0.26%
Total	1,406.2	12.4%

Source: SSIF

3.5.6 AMMAN STOCK EXCHANGE (ASE)

The ASE performance and market capitalization improved markedly in 2025. According to Bloomberg, the ASE ranked the best-performing in Arab countries, and 13th globally in terms of the increase in the share price index, despite the challenges and adversities in the region. These results and indicators were supported by the national economy's positive upward trajectory and its resilience and capability to accommodate and overcome challenges. This is in addition to marked improvement in the investment climate, driven by the government decisions intended to stimulate economic sectors, aiming at boosting trading activity, and enhancing market liquidity. Main measures include the following:

- Jordanian citizenship will be granted to investors who actively invest in ASE. According to the Cabinet Decision No. 4375 dated 02/07/2025; the full amount must be traded through licensed financial brokerage firms; investors are not allowed to withdraw or dispose of any funds from the investment account, including trading profits, for a period of three years. The investment concentration

limit shall not exceed 20% per company of the total required investment.

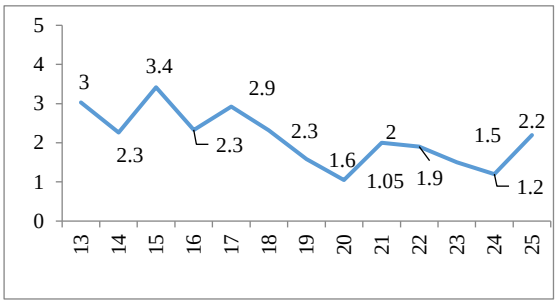
- Mutual funds are exempted from taxes.
- The brokers' commissions were reduced, and trading hours were extended.

This contributed to enhance the investment climate, boost the ASE's performance, and achieve distinguished performance indicators. The free float share price index ASEGI improved remarkably by 45.1% to reach 3,611.6 points at the end of 2025, compared to 2,488.8 points at the end of 2024. In addition, the free float share price index ASE20 reached to 1,978.6 points at the end of 2025, compared to 1,344 points at the end of 2024, increasing by 47.2%. The total return index ASETR increased by 58.5%. Furthermore, the market capitalization of listed shares increased by 50% at the end of 2025 compared to 2024, to reach around JD 26.5 billion, accounting for 69.9% of GDP in 2025.

The trading volume increased notably by JD 966.1 million, or 80.6% to reach JD 2,165.3 million in 2025 (Figure 3-40), which is the outcome of the following:

1. The increase of the trading volume in the financial sector by JD 366.7 million.
2. The increase of the trading volume in the industrial sector by JD 351.1 million.
3. The increase of the trading volume in the services sector by JD 248.3 million.

FIGURE 3-40: TRADING VOLUME IN ASE (2013-2025) (JD BILLION)



Source: ASE

The number of shares traded in 2025 increased by 159.1 million shares to reach around 1,072.3 million shares, compared to 913.2 million shares traded in 2024. As for shares traded by sector, the financial sector accounted for 43.3% of the trading volume in 2025, followed by the services sector 30.9%, and the industrial sector 25.8%. (Table 3-8).

TABLE 3-8: RELATIVE IMPORTANCE OF TRADING VOLUME BY SECTOR (2015-2025) (%)

Sector	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Industrial	10.1	30.2	22.4	42.2	18.2	17.4	25.1	23.4	32	17.3	25.8
Services	21.2	18.2	12.8	9.8	16.2	20	24.7	32.8	30.7	35.1	30.9
Financial	68.7	51.6	64.8	48	65.6	62.6	50.2	43.7	37.3	47.6	43.3

Source: ASE

With regard to the transactions of non-Jordanian investors in ASE, they purchased around JD 310.9 million shares in 2025, and sold approximately JD 372.3 million shares (Table 3-9).

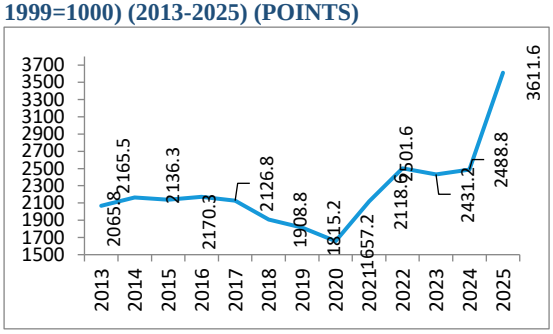
TABLE 3-9: PURCHASES AND SALES OF SHARES BY NON-JORDANIAN INVESTORS IN ASE DURING THE PERIOD (2016-2025) (JD MILLION)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Purchases	666.5	994.9	1231.8	528.7	96.8	220.2	274.2	151.1	234.9	310.9
Arabs	520.3	638.7	214.4	147.5	75.7	194.5	234.4	130	214.4	260.3
Foreigners	146.2	356.3	1,017.4	381.2	21.1	25.8	39.7	21.1	20.5	50.6
Total Selling	429.4	1329.2	747.3	414.6	164.4	281.1	342.2	181.2	293.7	372.3
Arabs	304.1	1177.6	177.1	374.8	94.1	186	263.2	106.9	223.5	276.2
Foreigners	125.3	151.6	570.2	39.8	70.3	95.1	79	74.3	70.2	96.1
Net Investment	237.1	-334.3	484.5	114.1	-67.5	-60.9	-68	-30.1	-58.8	-61.4
Arabs	216.2	-538.9	37.3	227.3-	-18.4	8.5	-28.8	23.1	-9.1	-15.9
Foreigners	20.9	204.7	447.2	341.4	-49.1	-69.3	-39.3	-53.2	-49.7	-45.5

3.5.6.1 THE FREE FLOAT WEIGHTED SHARE PRICE INDEX

As mentioned previously, the ASEGI increased to reach 3,611.6 points at the end of 2025, compared to 2,488.8 points at the end of 2024; increasing by 45.1%. The ASE20 also increased to reach 1,978.6 points at the end of 2025, compared to 1,344 points at the end of 2024, increasing by 47.2%. (Figure 3-41).

FIGURE 3-41: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2025) (POINTS)

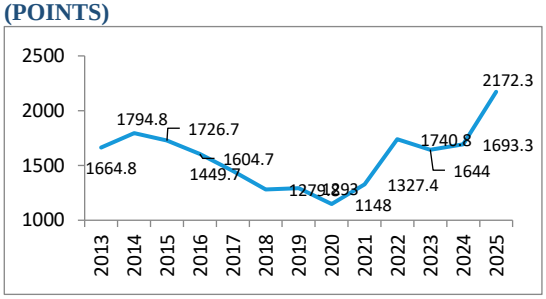


Source: ASE.

3.5.6.2 THE MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX

The market capitalization weighted share price index increased by 2,422.5 points (52.3%) in 2025, compared to its level at the end of 2024 to reach 7,056 points. This increase is due to the increase in the indices of the financial, industrial, and services companies.

FIGURE 3-42: THE FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE SERVICES SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2025) (POINTS)



Source: ASE.

FIGURE 3-43: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE INDUSTRIAL SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2025) (POINTS)

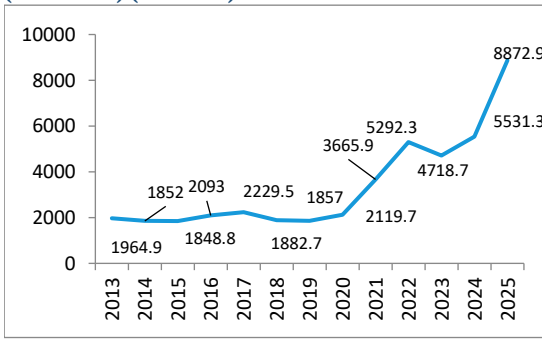
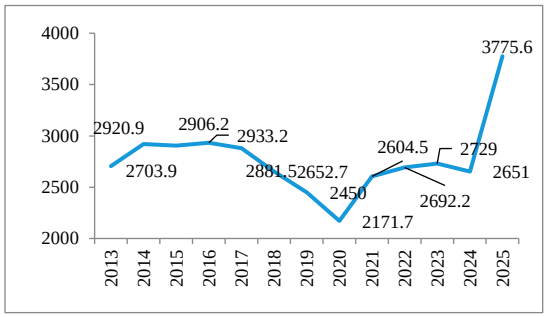


FIGURE 3-44: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE FINANCIAL SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2025) (POINTS)



Source: ASE.

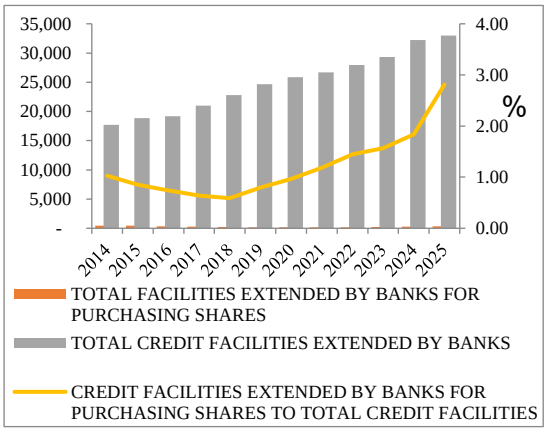
3.5.6.3 BANKS' EXPOSURE TO STOCK MARKETS RISKS

Capital markets are essential to stimulate the economy's impetus, as they attract foreign investments, promote national savings, and provide financing sources for economic projects, which ultimately serve the national economy. As capital markets are crucial, risks facing these markets captured an increasing attention, especially after the global financial crisis of 2007, through monitoring stock prices bubbles and assessing risks in stock markets, as well as the exposure of banks to these risks. The exposure of banks to capital market risks in Jordan may evolve from credit facilities extended by banks to finance the purchase of shares or through investments of banks in shares. Banks' exposure to these risks is analyzed below:

3.5.6.3.1 CREDIT FACILITIES EXTENDED BY BANKS FOR PURCHASING SHARES

Credit facilities extended to finance purchasing shares constitute a minimal percentage of total credit facilities extended by licensed banks. They reached to JD 1,003.1 million at the end of 2025, accounting for 2.8% of total credit facilities, compared to JD 624.1 million at the end of 2024, an increase of 60.7%. (Figure 3-45).

FIGURE 3-45: CREDIT FACILITIES EXTENDED BY BANKS FOR PURCHASING SHARES & TOTAL CREDIT FACILITIES (2014-2025) (JD MILLION)

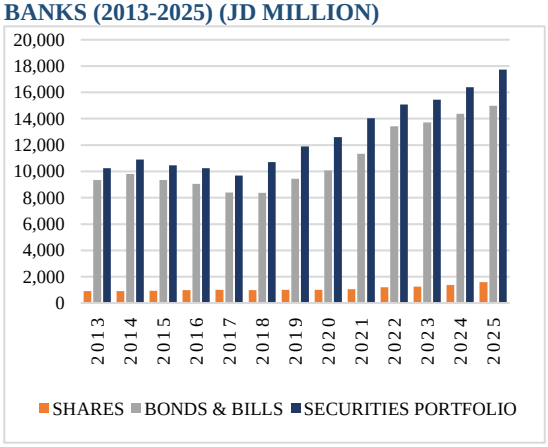


Source: CBJ

3.5.6.3.2 BANKS' INVESTMENTS IN SHARES

The securities portfolio of banks in Jordan reached around JD 17,723.8 million at the end of 2025, compared to JD 16,383.4 million at the end of 2024, increasing by 8.2%. Banks' investments in shares accounted for 9% of total investments in securities at the end of 2025, compared to 8% during the period (2021-2024); they are much lower than investments of banks in bonds (mostly government bonds) which capture the largest share of banks' investments in securities. Banks' investments in shares are relatively low due to the restrictions imposed by the Banking Law and the CBJ's instructions on these investments, which intend to lower market risk for banks, and maintain the financial stability in the kingdom. Figure (3-46).

FIGURE 3-46: SECURITIES PORTFOLIO OF BANKS (2013-2025) (JD MILLION)



Source: CBJ.

CHAPTER FOUR: DEVELOPMENTS AND RISKS OF THE NON-FINANCIAL SECTOR

4.1 HOUSEHOLDS BORROWERS FROM BANKS

4.1.1 EXPOSURE OF BANKS TO HOUSEHOLDS

In the context of the CBJ's monitoring of the households' indebtedness to banks, below are the major developments of household indebtedness and related ratios thereto.

4.1.2 HOUSEHOLD INDEBTEDNESS TO BANKS

Table (4-1) illustrates the household indebtedness to banks during the period (2019-2025); it slightly increased to JD 14.2 billion at the end of 2025, up from JD 14 billion at the end of 2024, increasing by 1.3%, compared to an increase of 5.4% in 2024.

TABLE 4-1: HOUSEHOLD INDEBTEDNESS TO BANKS (2019-2025)

Indebtedness	2019	2020	2021	2022	2023	2024	2025
The Banking System (JD Million)	10,169	10,903	11,840	13,027	13,322	14,035	14,223
Growth (YOY) (%)	3.7	7.2	8.6	10	2.3	5.4	1.3

Table (4-2) illustrates the household indebtedness according to loans type provided by banks during the period (2019-2025):

TABLE 4-2: HOUSEHOLD INDEBTEDNESS TO BANKS (2019-2025) (JD MILLION)

Loan Type	2019	2020	2021	2022	2023	2024	2025
Residential Loans	4,277	4,479	4,722	5,012	4,927	5,734	5,763
Personal Loans	3,523	3,746	4,163	4,517	4,542	4,481	4,540
Auto Loans	1,232	1,311	1,408	1,618	1,798	1,842	1,901
Credit Cards	242	256	304	417	480	540	557
Consumption Loans	671	885	1,019	1,223	1,282	1,312	1,091
Loans for utilities	9	10	10	13	15	16	14
Other	215	216	214	227	278	110	357
Total	**10,169**	**10,903**	**11,840**	**13,027**	**13,322**	**14,035**	**14,223**

The number of household loans provided by banks, reached to 1,119 thousand loans at the end of 2025. The credit cards provided by banks to households reached to 508 thousand cards.

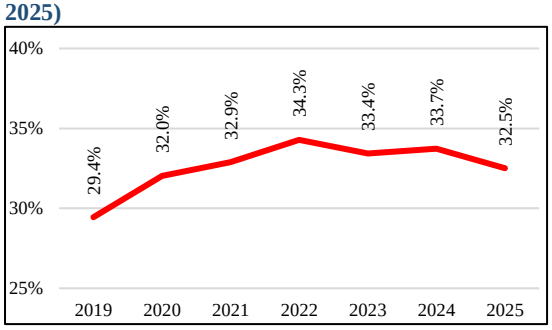
It is noteworthy, that male borrowers accounted for 77% of total loans extended to households, while the female borrowers accounted for 23% of these loans at the end of 2025, compared to 18% at the end of 2021, this reflects a notable increase in female borrowers during the last five years. This is a good indicator for narrowing gender gap in using financial services provided by banks, due to the implementation of the NFIS, and the increase of women's economic participation in the national economy.

Furthermore, 71% of loans provided to households are with fixed interest rates thus they are not affected by changes in interest rates.

4.1.3 THE RATIO OF BANKS CREDIT FACILITIES EXTENDED TO HOUSEHOLDS TO GDP

The figure below indicates that the ratio of credit facilities extended to households relative to GDP increased during the period (2019-2022) to reach 34.3% at the end of 2022, yet it declined at the end of 2023 to reach 33.4%, and increased slightly at the end of 2024 to reach 33.7%. However, it declined to 32.5% at the end of 2025.

FIGURE 4-1: CREDIT FACILITIES EXTENDED TO HOUSEHOLDS IN PERCENT OF GDP (2019-2025)



Source: CBJ.

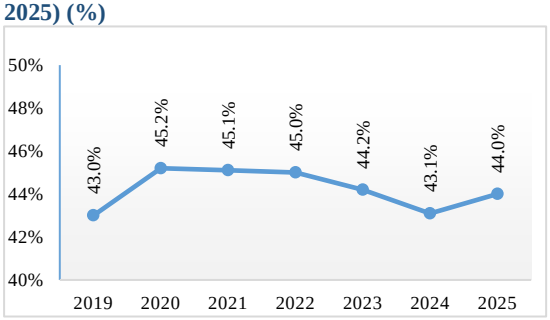
4.1.4 DEBT BURDEN RATIO FOR HOUSEHOLD BORROWERS FROM BANKS

The Debt Burden Ratio (DBR) for household borrowers from banks, which is measured by the monthly installments and interest payments paid by borrowers relative to their regular monthly income, is one of the key ratios to measure the risks of household indebtedness to banks and to the individuals themselves. High DBR imposes negative effects on the financial and economic

stability, and dampens individuals' capability to repay their loans, thus increases default rates, and weakens households' ability to spend and consume, which adversely affects economic growth.

Figure (4-2) illustrates the DBR for household borrowers from banks in Jordan during the period (2019-2025). The DBR increased slightly to reach 44% at the end of 2025, compared to 43.1% at the end of 2024. Despite the slight increase, it is still lower than its level during the period (2020-2023) which ranged between 44.2%-45.2%. This ratio is acceptable according to international standards, as the average DBR in most countries ranges between (40%-50%).

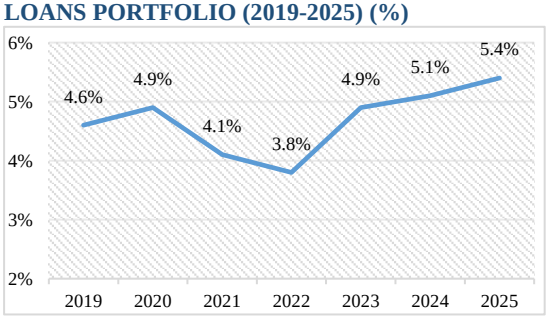
FIGURE 4-2: THE DBR OF HOUSEHOLDS (2019-2025) (%)



Source: CBJ.

The NPLs in the households' loans portfolio declined from 4.9% at the end of 2020, to record 4.1% at the end of 2021, and 3.8% at the end of 2022, yet it increased to 4.9%, 5.1%, and 5.4% at the end of 2023, 2024, and 2025 respectively. Despite the slight increase, it is still lower than the ratio of NPLs to total facilities provided by banks, which stood at 5.5% at the end of 2025. This indicates that the defaults in the households' loans portfolio are relatively low, which reflects positively on the financial stability in the Kingdom (Figure 4-3).

FIGURE 4-3: THE NPLs RATIO IN HOUSEHOLDS LOANS PORTFOLIO (2019-2025) (%)

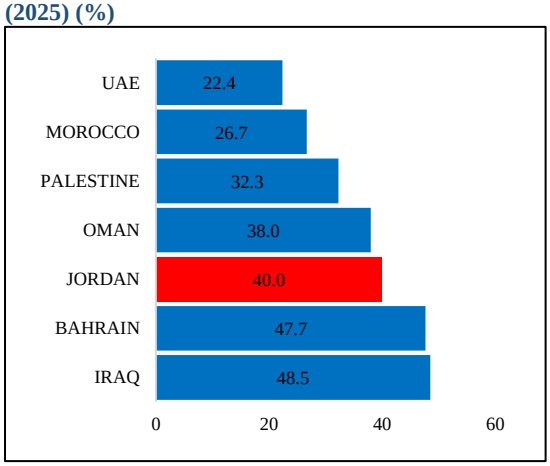


Source: CBJ.

4.1.5 HOUSEHOLD INDEBTEDNESS TO BANKS IN SELECTED ARAB COUNTRIES

As data is limited, the household indebtedness to banks in selected Arab countries were estimated using the ratio of facilities extended to households relative to total facilities extended by banks. In 2025, Jordan recorded around 40%, ranking third among selected Arab countries in terms of this ratio below Bahrain and Iraq, and higher than Oman, Palestine, Morocco, and UAE. (Figure 4-4).

FIGURE 4-4: CREDIT FACILITIES EXTENDED TO HOUSEHOLDS RELATIVE TO TOTAL CREDIT FACILITIES EXTENDED BY BANKS IN JORDAN AND SELECTED ARAB COUNTRIES (2025) (%)



Source: Financial Stability in Arab Countries Report 2025.

4.1.6 SUMMARY

As for the DBR figures of household borrowers from banks during the last three years, it reached 44% at the end of 2025, compared to 43.1%, 44.2%, 45%, 45.1%, and 45.2% in 2024, 2023, 2022, 2021, and 2020, respectively. The average DBR ratio in Jordan falls within the international acceptable limits, which range between (40%-50%), which implies that the risks of household indebtedness for banks and the individuals are normal and acceptable compared to other countries. Furthermore, the NPLs in the households' loans portfolio at the end of 2025 is lower than the aggregate NPLs ratio to total facilities extended by banks, which validates the good quality of households' loans portfolio at banks in Jordan.

4.2 NON-FINANCIAL COMPANIES

4.2.1 INTRODUCTION

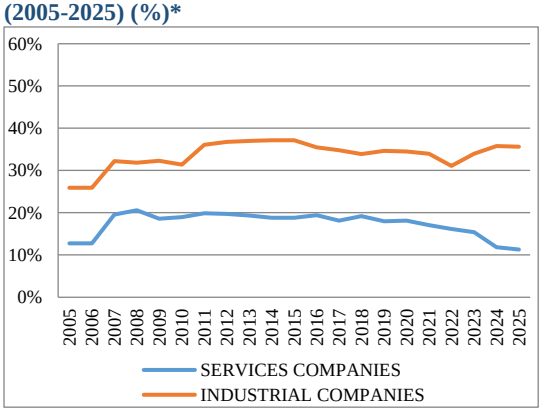
The corporate sector in Jordan consists of non-banking financial companies and non-financial companies. The non-banking financial companies sector consists of the insurance companies, securities companies, finance companies, financial leasing companies, and other companies providing diversified financial services. The non-financial companies include the industrial, services, and real estate companies, which are overseen by the Ministry of Industry, Trade, and Supply. Total assets of non-financial companies listed in ASE amounted to JD 12,879 million at the end of 2025, compared to around JD 12,613 million at the end of 2024, growing by 2.1%, which is mainly due to the increase of industrial companies' assets by 7.4%, and real estate companies by 4.6%.

According to the ASE's annual report, the listed companies in ASE reached to 159 at the end of 2025, compared to 162 companies at the end of 2024. With regard to the evolution and risks of the financial companies, they were detailed in Chapter three.

4.2.2 THE OWNERSHIP STRUCTURE OF NON-FINANCIAL COMPANIES

According to the Securities Depository Center data, the non-Jordanian ownership (securities owned by Arabs and foreigners) in non-financial industrial and services companies (in the form of shares, bonds, and subscription rights), reached to 35.6% and 11.3%, respectively, at the end of 2025, compared to 35.8% and 11.9%, respectively, at the end of 2024. The non-Jordanian ownership in these companies broadly reflects the investors' confidence in the Jordanian economy; these ownerships are stable contributions (Figure 4-5).

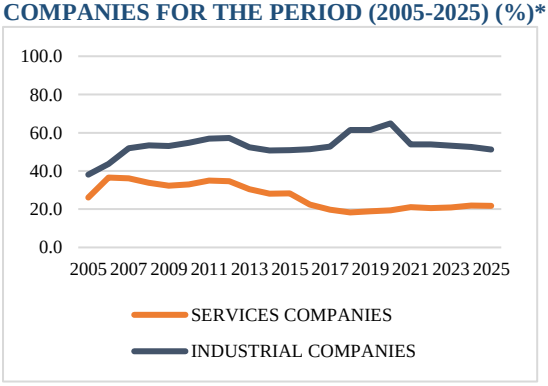
FIGURE 4-5: NON-JORDANIAN OWNERSHIP (ARABS AND FOREIGNERS) IN NON-FINANCIAL COMPANIES FOR THE PERIOD (2005-2025) (%)*



Source: Securities Depository Center website.
*Represent non-Jordanian ownership ratio according to the number of securities owned.

With regard to sectoral distribution of non-Jordanian ownership in listed shareholding companies according to market capitalization, it reached to 51.2% for the industrial sector, and 21.7% for the services sector. (Figure 4-6).

FIGURE 4-6: SECTORAL NON-JORDANIAN OWNERSHIP IN THE CAPITAL OF LISTED COMPANIES FOR THE PERIOD (2005-2025) (%)*



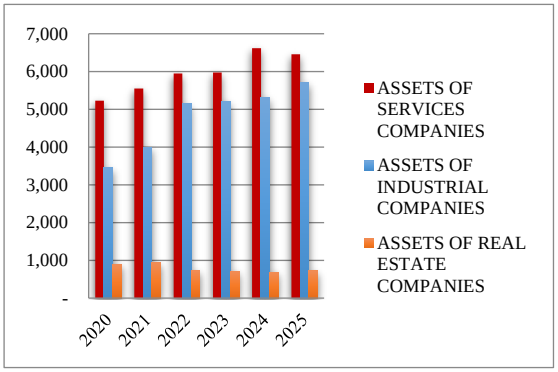
Source: Securities Depository Center website.
*Represent non-Jordanian ownership according to companies' market capitalization.

4.2.3 ASSETS OF NON-FINANCIAL COMPANIES

Assets of non-financial companies listed in ASE approximated JD 12,879 million at the end of 2025, compared to JD 12,613 million at the end of 2024, increasing by 2.1%. The industrial companies' assets increased by 7.4% to reach JD 5,701.3 million at the end of 2025, compared with JD 5,308.9 million at the end of 2024. Assets of real estate companies increased by 4.6% to reach JD 721.7 million at the end of 2025, compared to JD 689.8 million at the end of 2024. However,

assets of the services companies declined by 2.4% to reach around JD 6,456 million at the end of 2025, compared to JD 6,614.3 million at the end of 2024. (Figure 4-7).

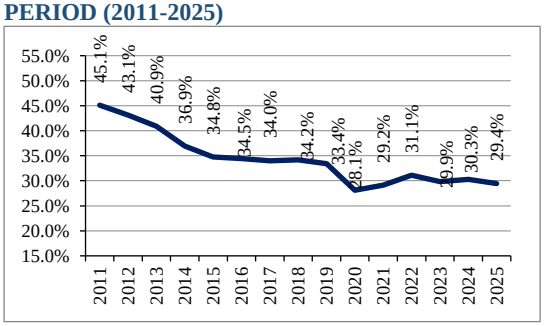
FIGURE 4-7: ASSETS OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2025) (JD MILLION)



Source: ASE.

The assets of non-financial companies relative to GDP reached to around 29.4% at the end of 2025, compared to 30.3% at the end of 2024; it recorded 45.1% at the end of 2011. (Figure 4-8).

FIGURE 4-8: ASSETS OF NON-FINANCIAL COMPANIES IN PERCENT OF GDP FOR THE PERIOD (2011-2025)

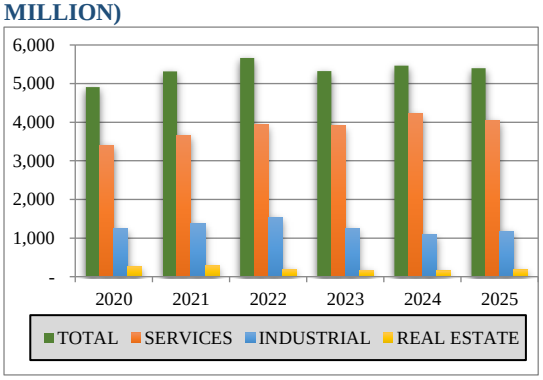


Source: ASE, and CBJ.

4.2.4 LIABILITIES OF NON- FINANCIAL COMPANIES

Liabilities of non-financial companies reached to JD 5,395.8 million at the end of 2025, compared to JD 5,466.9 million at the end of 2024, a decline of 1.3%. The liabilities of the real estate companies reached around JD 173.5 million at the end of 2025, compared to JD 150.9 million at the end of 2024. However, liabilities of the industrial companies reached to JD 1,173.9 million at the end of 2025, compared to JD 1,094.3 million at the end of 2024. As for the liabilities of services companies, they reached to JD 4,048.4 million at the end of 2025, compared to JD 4,221.6 million at the end of 2024 (Figure 4-9).

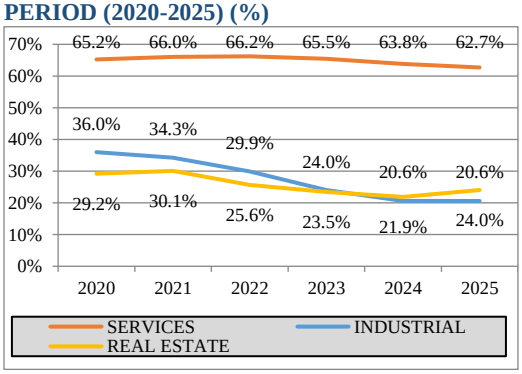
FIGURE 4-9: LIABILITIES OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2025) (JD MILLION)



Source: ASE.

The liabilities to assets ratio declined slightly for the services companies at the end of 2025, to reach 62.7%, down from 63.8% at the end of 2024. However, the ratio for real estate companies increased from 21.9% at the end of 2024, to 24% at the end of 2025, while industrial companies maintained the same level recorded in 2024 of 20.6%. (Figure 4-10).

FIGURE 4-10: LIABILITIES TO ASSETS RATIO OF NON-FINANCIAL COMPANIES DURING THE PERIOD (2020-2025) (%)



Source: ASE.

4.2.5 PROFITABILITY OF NON-FINANCIAL COMPANIES

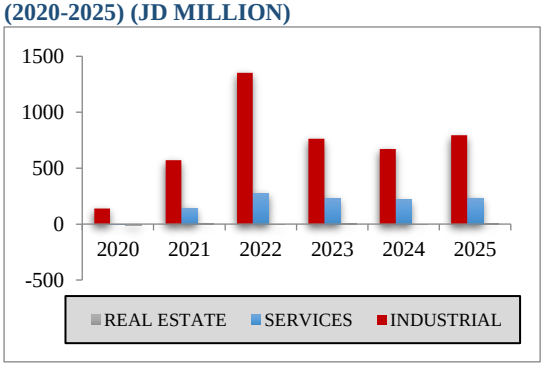
Profitability of non-financial companies increased compared to the previous year; net profits after tax of non-financial companies reached to around JD 1,027.2 million at the end of 2025, compared to profits of JD 887.3 million at the end of 2024, increasing by 15.8%. It is noteworthy, that they increased drastically in 2022 to reach JD 1,621.4 million, supported by improving conditions of these companies, as they bounced back after deteriorating sharply due to

the repercussions of the COVID-19 pandemic, and the unprecedented increase of the industrial companies' profits as compared to previous years, which was attributed to the increase in the profits of the extractive industries companies, especially the phosphate and potash.

Furthermore, industrial companies recorded profits of JD 795 million in 2025, compared to profits of JD 671.9 million in 2024.

As for services companies (services sector), the profits recorded in 2025 increased to reach JD 227.9 million, compared to JD 216.7 million in 2024. As for listed real estate companies, they recorded profits of JD 4.3 million in 2025, compared to losses of JD 1.3 million in 2024. (Figure 4-11).

FIGURE 4-11: NET PROFITS OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2025) (JD MILLION)



Source: ASE.

The ROA of the industrial companies increased to 13.9% in 2025, compared to 12.7% in 2024, and increased also for the services companies from 3.3% in 2024, to 3.5% in 2025. In addition, the ROA of the real estate companies increased from -0.2% in 2024, to reach 0.6% in 2025. (Figure 4-12).

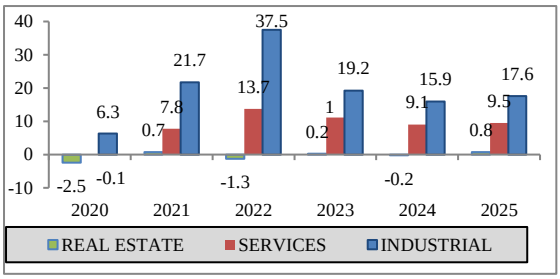
FIGURE 4-12: ROA OF NON-FINANCIAL COMPANIES (2020-2025) (%)



Source: ASE.

Likewise, the ROE of industrial companies increased from 15.9% in 2024, to 17.6% in 2025, and from 9.1% in 2024, to 9.5% in 2025 for the services companies. Furthermore, it also increased for the real estate companies from -0.2% in 2024, to reach 0.8% in 2025. (Figure 4-13).

FIGURE 4-13: ROE OF NON-FINANCIAL COMPANIES (2020-2025) (%) (JD Million)



Source: ASE.

4.2.6 STRESS TESTING FOR NON-FINANCIAL COMPANIES

These tests were broadened to include the top twenty nonfinancial companies borrowing from banks, whether listed in ASE or not, in addition to listed shareholding companies. Detailed data of these companies was used, which enhanced the coverage of the analysis. Stress testing was conducted on the top nonfinancial companies borrowing from each bank to assess the soundness and robustness of the corporate sector and its ability to withstand shocks, thus evaluating the companies' capability to repay their debts to banks and the financial sector in general. Available data indicates that direct credit facilities extended by the banking sector to these companies reached JD 10,514.4 million at the end of 2025. The Financial Stability Department at the CBJ built a stress testing model for the corporate sector, using the Interest Coverage Ratio (ICR) of the borrowing companies, which is a widely used and a significant gauge to assess the companies' ability to repay their debts. The ICR is the ratio of earnings before interest and tax (EBIT) to interest expenses paid on loans; it assesses the ability of borrowing companies to cover the interest expenses for loans using current period revenues. The debt is totally covered if the ICR exceeds (150%), the debt is at risk if the ICR falls between (100%-150%), whereas, the debt is uncovered if the ICR declines below 100%. The tests assume certain shocks in terms of increasing interest rates or declines in companies' profits due to the potential economic implications of the

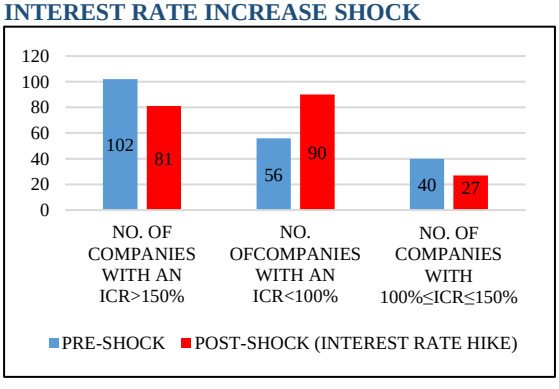
geopolitical tensions in the region. The tests estimate the impact of each shock on the ICR; the post-shock ICR is used to assess the companies' ability to repay their debts to banks.

4.2.6.1 A SHOCK OF INCREASING INTEREST RATES

An interest rate hike will raise the interest expenses paid by borrowing companies to banks, provided that their revenues remain constant. This will negatively affect the companies' ability to pay their interest expenses to banks, thus the ICR for borrowing companies will decline as interest expenses will increase. If interest rates on loans provided to these companies increased by 200 basis points, the ICR will decline from 307% to 247%, which is adequately higher than the minimum acceptable limit of 150%. This validates that the effect of this shock will be relatively immaterial.

On the individual level, (21) companies will have their ICRs below 150%, which will bring down the number of companies with a covered ICR from (102) to (81) companies. However, the number of companies with an ICR between (100%-150%) will decline from (40) to (27) companies, and the number of companies with an ICR below 100% will increase from (56) companies to (90) companies. (Figure 4-14).

FIGURE 4-14: ICR PRIOR AND POST AN INTEREST RATE INCREASE SHOCK

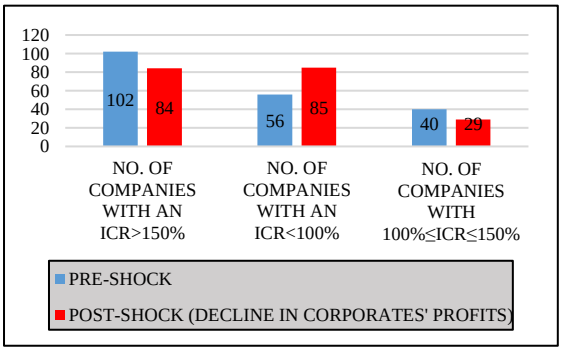


4.2.6.2 A SHOCK OF DECLINING PROFITS OF BORROWING COMPANIES

If the profits of borrowing companies declined by 25% due to possible economic implications of the regional geopolitical tensions, the ICR will decline from 307% to 221%; the effect of this shock will be higher than the interest rates hike shock.

On the individual level, (18) companies will have their ICR below 150%, which will bring down the number of companies with a covered ICR from (102) to (84) companies. The number of companies with an ICR between (100%-150%) will decline from (40) to (29) companies, while the number of companies with an ICR below 100% will increase from (56) to (85) companies. (Figure 4-15).

FIGURE 4-15: ICR PRIOR AND POST A DECLINE IN PROFITS SHOCK



4.2.7 SUMMARY

The results of the stress tests for non-financial companies (using data of the top twenty nonfinancial companies borrowing from each bank) revealed the ability of these companies (the aggregate sector) to withstand interest rate hikes and declining profits shocks, with some effects on single companies, which is anticipated.

Public shareholding companies (financial and non-financial) performance improved markedly during the last period. The profits after tax in for public shareholding companies listed in ASE (which provided their annual financial statements to the ASE) amounted to JD 2,348.3 million in 2025, compared to JD 2,080.5 million in 2024, increasing by 12.9%, supported by the monetary and financial stability, and the positive indicators of several vital economic sectors, as well as the economy's ability to recover and accommodate despite the adversities and geopolitical tensions in the region.

CHAPTER FIVE: THE EXPOSURE OF BANKS IN JORDAN TO RISKS OF THE REAL ESTATE MARKET AND THE REAL ESTATE PRICE INDEX

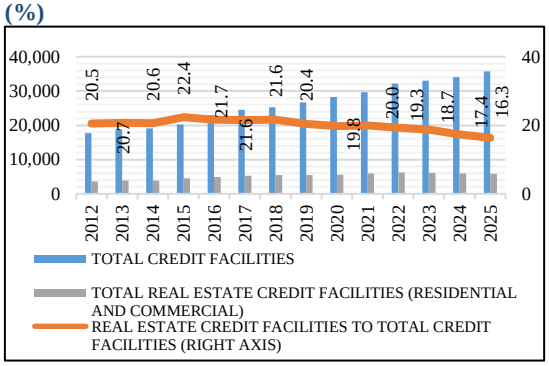
5.1 INTRODUCTION

The risks of the real estate sector and the financing provided to it captured an increasing attention after the global financial crisis, which was triggered by a real estate bubble in US in 2007; it affected most economies worldwide, including Jordan.

During the last two decades, the real estate market in Jordan experienced successive spikes driven mainly by the political and economic conditions in the region, and the resulting abnormal population growth in Jordan, due to the influx of large numbers of Arabs from neighboring countries, especially Iraq and Syria. This chapter highlights the real estate sector in Jordan and the exposure of banks operating in Jordan to its risks. This chapter also elaborates on the development of real estate prices in the Kingdom through analyzing the Real Estate Price Index (REPI); an indicator developed jointly by the CBJ and the Department of Lands and Survey.

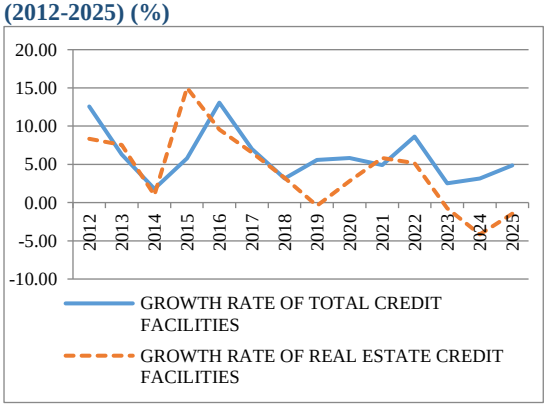
Credit facilities extended to the real estate sector for residential and commercial purposes declined by 1.5% to reach JD 5.83 billion at the end of 2025 (accounting for 16.3% of total credit facilities provided by banks), compared to JD 5.92 billion at the end of 2024 (a decline of 4.2%). It is noteworthy, that the average annual growth rate of real estate credit facilities during the period 2012-2025 stood at 4.2% (Figure 5-1).

FIGURE 5-1: DIRECT CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR AND THEIR RATIO TO TOTAL DIRECT CREDIT FACILITIES (2012-2025) (JD MILLION) (%)



The average annual growth rate of facilities extended to the real estate sector during the period 2012-2025 was lower than the average annual growth rate of total facilities; it reached 4.2% compared to 6.1% for total facilities (Figure 5-2). In addition, the trading volume at the real estate market in Jordan increased by 7% in 2025 compared to its level in 2024, to reach JD 7,180 million, due to geopolitical tensions in the region, which reflects the relative resilience of the real estate sector, and indicates its ability to adapt to economic and regional challenges[1].

FIGURE 5-2: THE REAL ESTATE CREDIT FACILITIES GROWTH RATES COMPARED TO TOTAL CREDIT FACILITIES GROWTH RATES (2012-2025) (%)

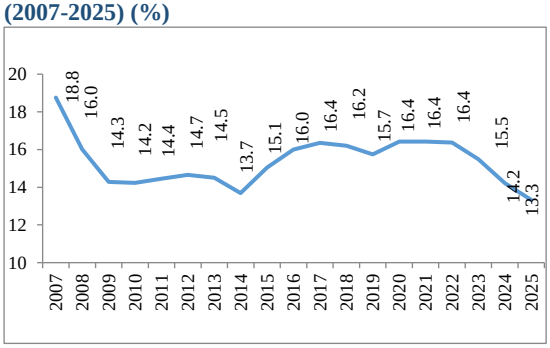


The ratio of credit facilities extended to the real estate sector in percent of GDP reached 13.3% in 2025, compared to 14.2% in 2024. Figure (5-3) illustrates the evolution of this ratio during the period 2007-2025. The figure indicates that during 2007-2008, the ratio increased to reach

[1] The Department of Lands and Survey- The real estate bulletin Jan/2026.

16% at the end of 2008, and dropped afterwards to reach 13.7% at the end of 2014 due to the repercussions of the global financial crisis and the headwinds in the region then. However, this ratio kept fluctuating up and down to reach 13.3% at the end of 2025 as mentioned earlier.

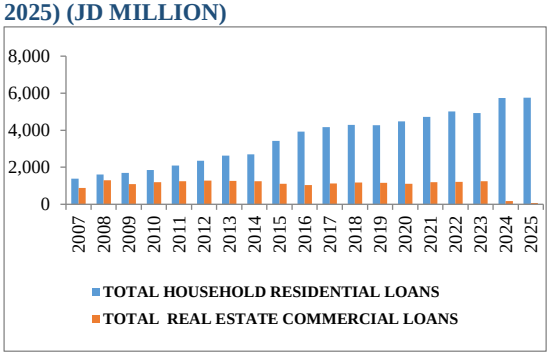
FIGURE 5-3: FACILITIES EXTENDED TO THE REAL ESTATE SECTOR IN PERCENT OF GDP (2007-2025) (%)



5.2 COMPONENTS OF CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR

With regard to components of credit facilities extended to the real estate sector, the household residential real estate loans accounted for 98.8% of these facilities at the end of 2025, while the commercial real estate loans accounted for 1.2%, (Figure 5-4).

FIGURE 5-4: HOUSEHOLD RESIDENTIAL AND COMMERCIAL REAL ESTATE LOANS (2007-2025) (JD MILLION)



5.2.1 HOUSEHOLD RESIDENTIAL LOANS

Total household residential loans extended by banks increased by 0.5% to reach JD 5,763.1 million at the end of 2025, up from JD 5,734.1 million at the end of 2024. Historically, these loans grew significantly during the pre-global financial crisis period of (2006-2008), due to the high demand for real estates, especially by non-Jordanians; the average growth rate of residential loans reached to 30%. Afterwards, during (2009-2010), the growth pace started to slow down significantly due to the ramifications of the global financial crisis, in tandem with uncertainty, as well as banks reluctance to provide real estate loans. The growth of residential loans bounced back during the period (2011-2015) as the impacts of the financial crisis have abated, market conditions improved, and the demand for real estate increased due to the influx of Arab refugees, especially from Syria. However, during the period (2016-2019) the growth of residential loans was gradually slowing down due to the geopolitical developments in the region, and the increase of uncertainty and its implications on the economic sectors in the Kingdom, in particular the real estate sector. However, the growth of household residential loans improved during (2020-2022), which is partially explained by the postponement of installments of loans due on stressed individuals impacted by the COVID-19 pandemic, and postponements on Ramadan and the Occasions of Eid. Furthermore, the ratio declined slightly at the end of 2023, yet it increased again markedly at the end of 2024 by 16.4%. As mentioned in the previous JFSR, this increase was mainly due to the reclassification of a lease-to-own financing to be included in the residential loans' portfolio in certain bank, which was requested by the CBJ. In addition, household residential loans increased by 0.5% at the end of 2025, as mentioned previously (Figure 5-5) and (Figure 5-6).

FIGURE 5-5: RESIDENTIAL LOANS AND ITS RATIO TO TOTAL CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR (2006-2025) (JD MILLION)

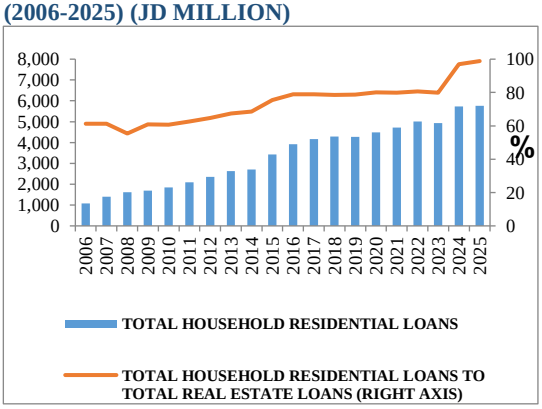
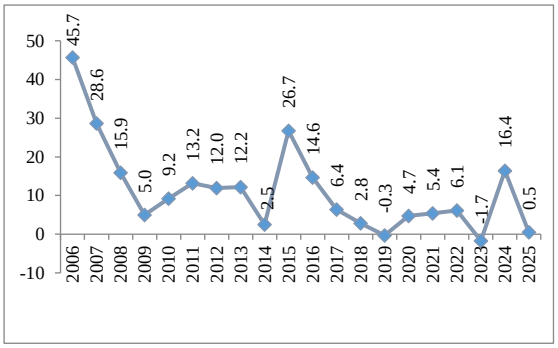
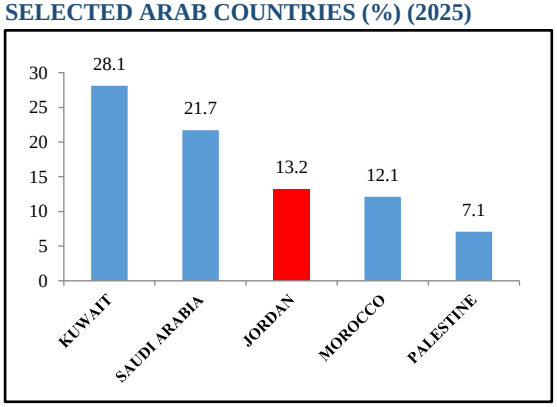


FIGURE 5-6: HOUSEHOLD RESIDENTIAL LOANS GROWTH RATES (2006-2025) (%)



The household residential loans in percent of GDP stood at 13.2% at the end of 2025, compared to 13.8% at the end of 2024. Jordan ranked in the middle among selected Arab countries in terms of this ratio; the ratio in Jordan is lower than Saudi Arabia and Kuwait, yet it is higher than Morocco and Palestine (Figure 5-7).

FIGURE 5-7: RESIDENTIAL REAL ESTATE LOANS IN PERCENT OF GDP IN JORDAN AND SELECTED ARAB COUNTRIES (%) (2025)



Source: the Financial Stability in Arab Countries Report 2025, the Arab Monetary Fund.

It is noteworthy that the number of apartments sold in 2025 approached 36,930, compared to 36,910 in 2024, increasing by 0.05%.

5.2.2 COMMERCIAL REAL ESTATE LOANS

Total commercial real estate loans extended by banks declined by 63.1%, to reach JD 67 million at the end of 2025 (1.2% of total credit facilities for the real estate sector), compared to JD 183 million at the end of 2024. As mentioned in the previous JFSR, this notable decline is due to the reclassification of corporate loans portfolio and commercial real estate loans by some banks, so that commercial real estate loans extended to large corporates are included in the portfolio of loans extended to large corporates. In addition, lease-to-own financing extended to large corporates is included in the portfolio of loans extended to large corporates.

The commercial real estate loans were growing rapidly during the pre-crisis period (2005-2008); they increased from JD 400 million to JD 1,300 million, with an annual average growth rate of 49%. Afterwards, they declined significantly in 2009 to reach around JD 1,089 million, due to the tremendous adverse effect of the global financial crisis on commercial real estates. These loans were slowing down during the period (2010-2012), and declined further during the period (2013-2016), however, these loans grew again in 2017 and 2018, yet they decreased in 2019 and 2020 due to the implications of the COVID-19 pandemic, and they bounced back in 2021, 2022, and 2023. However, they declined in 2024 and 2025 as mentioned earlier, and illustrated in figures (5-8) and (5-9).

FIGURE 5-8: COMMERCIAL REAL ESTATE LOANS GROWTH RATES (2008-2025) (%)

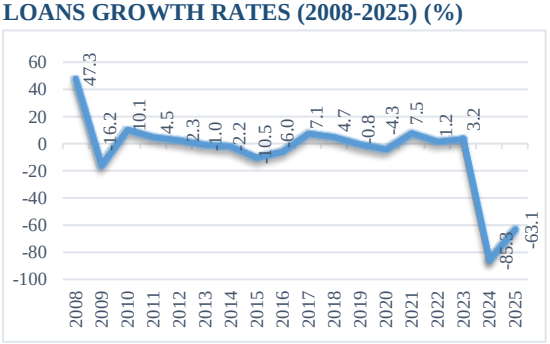
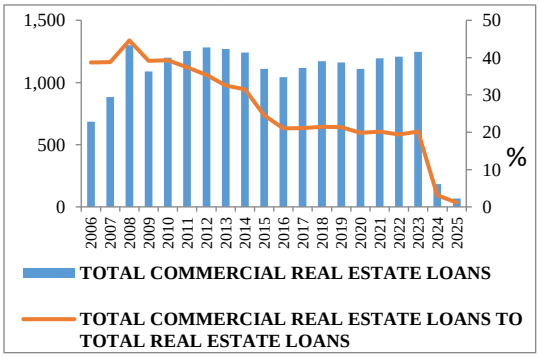


FIGURE 5-9: COMMERCIAL REAL ESTATE LOANS AND THEIR RATIO TO TOTAL CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR (2006-2025) (JD MILLION)



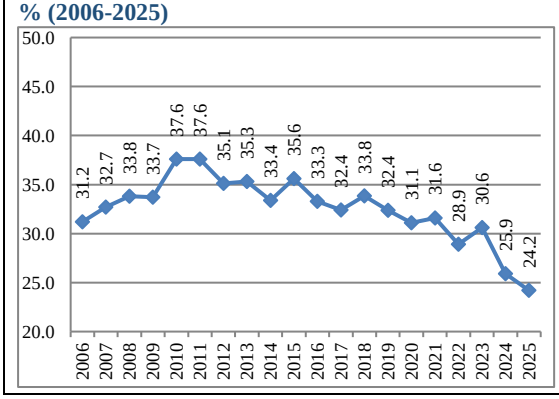
5.3 DIRECT CREDIT FACILITIES SECURED BY REAL ESTATE COLLATERALS

Banks are directly exposed to the real estate market risk through the facilities they provide to finance the purchase or construction of residential or commercial real estates, which are generally collateralized by these real estates. Another exposure of banks to the real estate market risk is the use of real estates as collaterals for various facilities extended by banks. In this case, a decline in real estate prices will affect the value of collaterals and dampen banks' ability to recover their funds in case of borrowers' defaults.

Total direct facilities secured by real estate collaterals extended by banks for non-real estate purposes amounted to around JD 2,792.2 million at the end of 2025, compared to JD 2,895.8 million in 2024.

Adding direct facilities secured by real estate collateral extended for other (non-real estate) purposes to the direct facilities extended for residential and commercial real estate purposes, the total direct facilities secured by real estate collateral amounted to approximately JD 8,622.6 million, accounting for 24.2% of total facilities at the end of 2025, compared to 25.9% in 2024. (Figure 5-10).

FIGURE 5-10: CREDIT FACILITIES SECURED BY REAL ESTATE COLLATERALS EXTENDED BY BANKS RELATIVE TO TOTAL FACILITIES % (2006-2025)



5.4 THE LOAN TO VALUE RATIO UPPER LIMIT FOR HOUSEHOLD RESIDENTIAL AND COMMERCIAL REAL ESTATE LOANS IN JORDAN

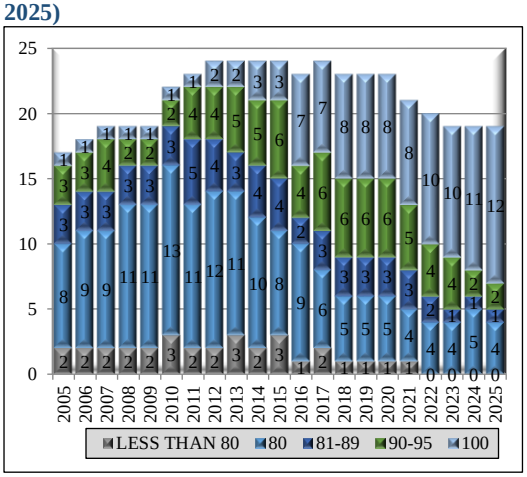
The Loan to Value (of the real estate used as collateral) (LTV) ratio is one of the most significant ratios and indicators that need to be monitored, in order to assess banks' exposure to the real estate market risks. The immense increase in this ratio may expose banks to high risks in case of real estate prices fall, thus deterring banks' ability to recover their funds in case of clients' default, as the value of real estates used as collaterals for these loans will drop.

In addition, if the real estate market signals for a price bubble, countries usually set limits on the LTV ratio to curb the real estate prices bubble, reduce the probability of bankruptcy when house prices fall down, and reduce losses by raising the value of collaterals, which enhances banks' ability to ward off these risks.

To analyze the LTV ratio in Jordan, the CBJ has compiled certain LTV data from banks in terms of the upper limits and the actual average.

Figure (5-11) illustrates the upper limit of the LTV ratio for household residential loans. The figure illustrates that the LTV ratio for 4 banks out of 19 banks does not exceed 80%, one bank has an LTV ratio between 81% and 89%, whereas, 2 banks have an LTV ratio between 90% and 95%, and the remaining (12) banks have a 100% LTV ratio.

FIGURE 5-11: BANKS LTV RATIO UPPER LIMIT FOR HOUSEHOLD RESIDENTIAL LOANS (2005-2025)

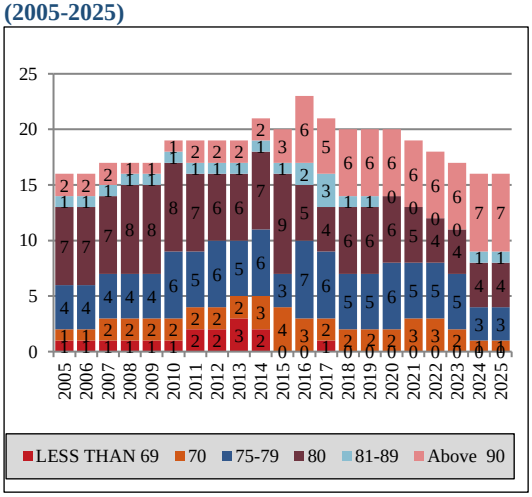


The figure above indicates that the number of banks with an LTV upper limit of 100% increased from (3) banks in 2015 to (12) banks in 2025, which implies that some banks in Jordan are providing loans that exceed the values of residential real estates in the Kingdom. Nevertheless, defaults of residential loans

extended by banks in Jordan are very low as they reached to only 2.5% at the end of 2025.

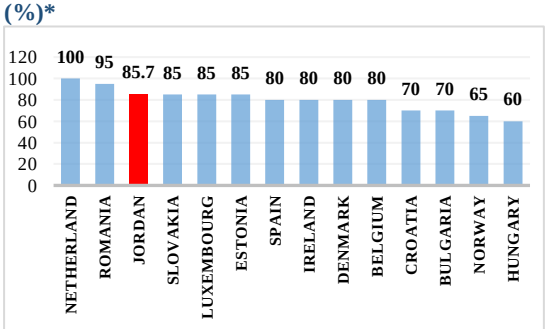
The majority of banks set their LTV upper limit for commercial real estate loans lower than the ratio for residential loans, as 50% of banks providing commercial real estate loans with an LTV ratio not exceeding 80% (Figure 5-12).

FIGURE 5-12: BANKS LTV RATIO UPPER LIMIT FOR COMMERCIAL RESIDENTIAL LOANS (2005-2025)



The average LTV ratio upper limit varies across countries; it falls between 60% and 100%. Banks in Jordan had an average LTV upper limit of around 85.7%, ranking third amongst 14 countries with available LTV data (Figure 5-13).

FIGURE 5-13: LTV RATIO UPPER LIMIT FOR REAL ESTATE LOANS (RESIDENTIAL AND COMMERCIAL) FOR SELECTED COUNTRIES (%)*

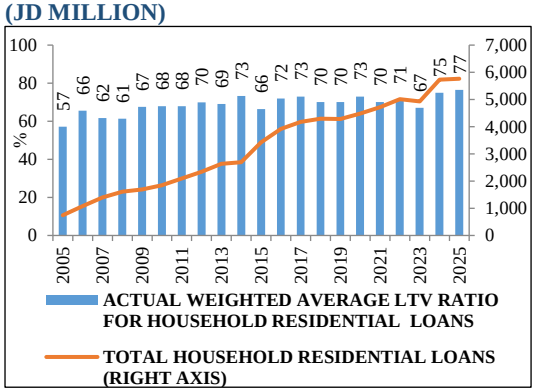


*: European Mortgage Federation (EMF), November 2021. Jordan data of 2025.

5.5 ACTUAL AVERAGE LTV RATIO FOR HOUSEHOLD RESIDENTIAL LOANS AND COMMERCIAL REAL ESTATE LOANS

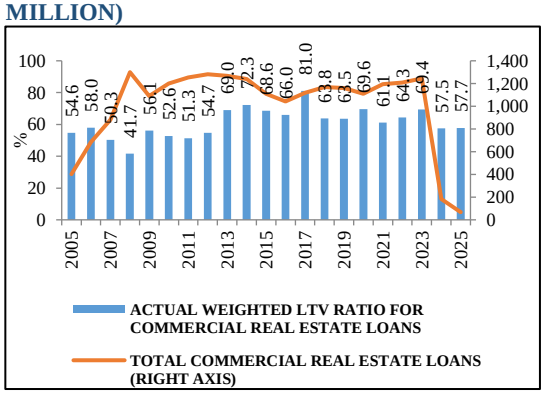
Despite the LTV ratio upper limit is high in some banks, the actual average is below the upper bound banks can finance (i.e., the ratio specified in banks' credit policies). The actual weighted average of the LTV ratio stood at 73.2% at the end of 2014, dropped to 66.3% at the end of 2015, and fluctuated up and down to reach 77% at the end of 2025 (Figure 5-14).

FIGURE 5-14: TOTAL HOUSEHOLD RESIDENTIAL LOANS AND ACTUAL WEIGHTED AVERAGE LTV RATIO FOR HOUSEHOLD RESIDENTIAL LOANS (2005-2025) (JD MILLION)



With regard to the actual average of the LTV ratio for commercial real estate loans, it increased to 57.7% in 2025, against 57.5% in 2024. (Figure 5-15).

FIGURE 5-15: TOTAL COMMERCIAL REAL ESTATE LOANS AND ACTUAL WEIGHTED AVERAGE LTV RATIO FOR COMMERCIAL REAL ESTATE LOANS (2005-2025) (JD MILLION)



5.6 THE CBJ MEASURES TO MITIGATE BANKS' EXPOSURE TO THE RISKS OF THE REAL ESTATE MARKET AND ENHANCE BANKS' RESILIENCE TO WITHSTAND THESE RISKS

As mentioned in previous JFSRs, the CBJ has put in place certain controls, aiming at reducing banks' exposure to the real estate market risks and enhancing their resilience to ward off these risks as follows:

1. The effective CBJ's Instructions of Capital Adequacy in force weighted the risks of

residential loans with an LTV ratio not exceeding 80% at 35%; however, the weight increases to 100% if the LTV ratio exceeds 80%. To put it differently, if the LTV ratio is above 80%, residential loans are subject to higher capital requirements, which improves banks' ability to withstand these risks, and strengthens the financial stability in the Kingdom.

2. Enacting the Instructions for Large Exposure Limits and Credit Controls No. (2/2019) dated 4/3/2019, which repealed the Instructions of Credit Concentrations No. (9/2001). These Instructions set the maximum limit of credit provided by banks for construction or purchasing real estates at 20% of total customer deposits in JD. These Instructions came into effect on 30/6/2019.

5.7 THE REAL ESTATE ASSETS PRICE INDEX IN JORDAN (REPI)

The total value of real estate assets is a backstop for investment activities in the economy, as they are highly interlinked with other investment sectors, and the real estate prices have implications on inflation, the monetary policy, and the financial stability. Drawing on the high importance of calculating a price index for real estate assets (REPI), and as already mentioned in previous JFSRs, an REPI for Jordan was jointly developed by the CBJ and the Department of Lands and Survey at the beginning of 2014, according to international best practices taking into consideration the data available at the Department of Lands and Survey. Currently, in order to keep pace with international best practices for calculating REPI, the index is no longer calculated since the of end 2021, however, the calculation of this index is under progress using the administrative value (the real value of real estates) to calculate this index.

The REPI is significant to interpret several developments such as detecting price bubbles of the real estate assets, thus estimating the real estate market risks, in addition to forecasting economic growth, estimating the value of houses, which is used to estimate wealth, and it can be used as a benchmark for international comparisons.

Figures (5-16) illustrate the REPI in Jordan and the changes in this index during the period (2005-2021). As the calculation of the REPI is not finalized yet, changes in real estate prices cannot be figured in 2025.

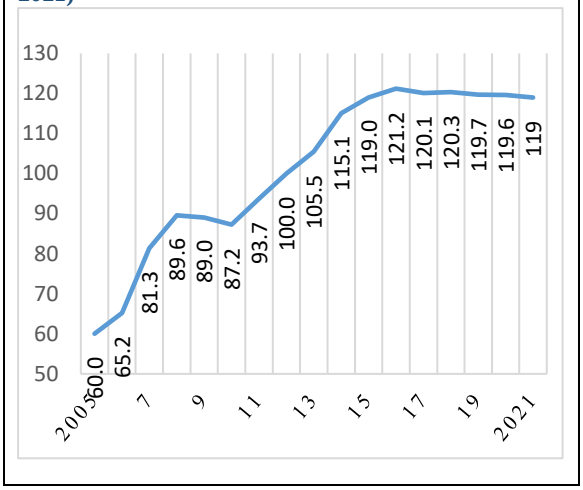
However, the figure indicates that the REPI in Jordan dropped from 119.6 points in 2020 to 119.0 points in 2021, declining slightly by 0.5%, compared to a decline of 0.1% in 2019, and 0.5% in 2020. That slight decline in REPI in 2021, is attributed to the increase in the lands price index by 0.08%, and the decline in the residential and non-residential indices by (2.3%) and (1.1%), respectively. In this regard, and as mentioned in previous reports, the REPI went through several stages, which are summarized in four phases as follows:

The first phase, pre-global financial crisis (2005-2008): the demand for real estate especially by non-Jordanians was considerably high, and the prices of residential and non-residential real estates increased substantially. While the second phase (2009-2010) was prevailed by the repercussions of the global financial crisis and uncertainty, and loans extended by banks were declining; these factors apparently contributed to weaken the demand for real estate assets, which brought their prices down. Accordingly, the government in mid-2009 expanded the scope of the exemptions for apartments, and lands were included also to boost the real estate market. During the third phase (2011-2016), the real estate investments bounced back, yet at a slower pace than pre-global financial crisis era.

During the period (2017-2021), the real estate assets prices dropped again due to the slowdown of economic activity in the Kingdom and its impacts on the real estate sector, the worsening conditions of Jordanian workers in the Gulf countries, who are the most willing to purchase real estates, as well as the implications of the

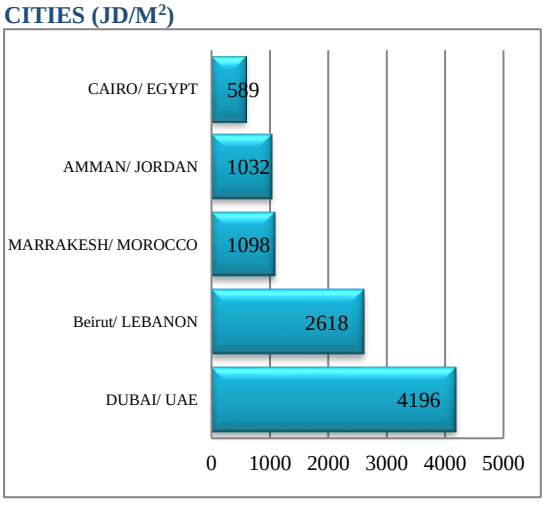
COVID-19 pandemic which had a toll on most sectors including the real estate.

FIGURE 5-16: THE REPI (RESIDENTIAL, COMMERCIAL, AND LANDS) IN JORDAN (2005-2021)



As for the average residential price per square meter in Amman, and according to the information available (for the most attractive areas for investment), the average residential price per square meter reached to JD 1,032. It is noteworthy that the prices per square meter in several Arab cities such as Marrakech, Beirut and Dubai are higher than in Amman, (Figure 5-17 and Figure 5-18).

FIGURE 5-17: SQUARE METER PRICES IN AMMAN COMPARED TO SELECTED ARAB CITIES (JD/M^2)



Source: http://www.globalpropertyguide.com

FIGURE 5-18: THE PRICE OF A SQUARE METER IN SELECTED AREAS IN AMMAN (JD/M^2)

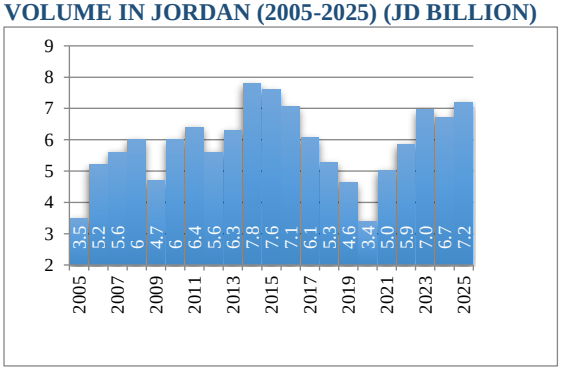


Source: www.qoshan.com

5.8 TRADING VOLUME IN THE REAL ESTATE MARKET IN JORDAN

The real estate publication of the Department of Lands and Survey 2025, revealed that the trading volume in the real estate market in Jordan increased by 7% at the end of 2025, to reach JD 7,180 million compared to JD 6,692 million in 2024. Figure (5-19) indicates the developments of the real estate trading volume during the period (2005-2025).

FIGURE 5-19: THE REAL ESTATE TRADING VOLUME IN JORDAN (2005-2025) (JD BILLION)



Source: the real estate bulletin, Department of lands and Survey 1/2026.

In addition, sales to non-Jordanians reached to JD 210.5 million at the end of 2025, accounting for just 2.9% of the real estate trading volume, compared to JD 221.8 million in 2024 (3.3% of total real estate trading volume). Sales to Iraqis accounted for the largest share in 2025 with an investment of JD 77.7 million, or 37% of total estimated sales to non-Jordanians in 2025 (Table 5-1).

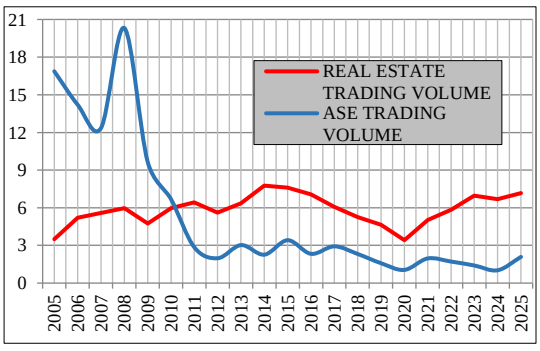
TABLE 5-1: SALES TO NON-JORDANIANS DURING (2017-2025) (JD MILLION)

Nationality	2017	2018	2019	2020	2021	2022	2023	2024	2025
Iraqi	157.2	111.5	86.1	76.7	107.6	118.9	75.4	79.5	77.7
Saudi	63.4	44.0	30.9	34.9	46.4	62	19.2	15.5	15.5
Syrian	18.1	17.5	N.A.	11	20.3	22.7	23	27.9	14.5
American	N.A.	N.A.	N.A.	N.A.	12.7	N.A.	N.A.	17.8	20.4
Gaza	N.A.	N.A.	30.2	16	9.6	N.A.	N.A.	N.A.	N.A.
Other	83.1	111.4	89	40.4	60.4	99.4	84.6	81.1	82.4
Total	**321.8**	**284.4**	**236.2**	**179**	**257**	**303**	**202.2**	**221.8**	**210.5**

Source: Real Estate Bulletin-Department of Lands and Survey 1/2026.

Comparing the real estate trading volume to the trading volume in ASE, indicates that the trading volume in the financial market was much higher than the real estate market during 2005-2009, due to the boom of the ASE during that period, accompanied by a large inflow of liquidity to the financial market by Arabs, especially Iraqis. This led prices to increase immensely in the financial market, which also attracted many Jordanian investors to join. However, after the deepening of the global financial crisis and the significant decline of prices in the financial market, the trading volume dropped sharply in the financial market, much below the trading volume in the real estate market; the real estate investments are safe haven compared to financial investments. (Figure 5-20).

FIGURE 5-20: THE REAL ESTATE TRADING VOLUME AND THE ASE TRADING VOLUME (2005-2025) (JD BILLION)



Source: the real estate bulletin- Department of lands and Survey 1/2026, ASE 2025.

To stimulate the real estate and housing sector, the Cabinet in 2022 and 2023 decided on the following:

- Enact Amending Law of the Land Registration Fees Law No. (26) of 1958, and the annex attached to the law. Under this law, fees on 17 types of transactions were brought down, the most important of which are:

1. Reduce sales fees between ancestors and descendants, as well as sales between partners from 1% to 0.5%.

2. Reduce sales fees among citizens from 5% to 3%.

3. Reduce delegation fees from 5% to 4%, and transfer fees from 1% to 0.5%.

4. Reduce inheritance fees from 0.5% to 0.2%.

5. Reduce alienation fees from 1% to 0.5%.

6. Reduce fees for allotment between partners and combined separation from 0.5% to 0.3%.

7. Reduce new registration fees from 5% to 4%.

8. Reduce insurance fees from 1% to 0.08%

- The single houses and apartments (irrespective of the seller) not exceeding 150 m^2 are exempted from registration fees, and remaining area exceeding the 150 m^2 are subject to lower fees of 3%.

- Enact the Amending Law of the Tax on Real Estate Sales Law of 2023, aiming to stimulate investment in the real estate and housing sector, as well as increasing the trading volume in real estates. Under the law, the property sales tax was reduced from 4% to 3%. This is in addition to enabling the Department of Lands and Survey to refund the property sale tax collected for incomplete transactions to avoid judicial claims. Under the law, subsequent sales transactions conducted through Murabaha contracts conducted by Islamic banks and financial institutions practicing Murabaha for real estates will be exempted from the property sales tax.

- Enact the Amending Law of the Real Estate Ownership Law of 2023, to enable the Department of Lands and Survey to receive and approve all applications for its transactions and services electronically, with the exception of signing disposal contracts, and to empower appraisal committees to evaluate real estate values based on certain criteria and standards. The Law also grants the Cabinet the authority to

transfer ownership of state-owned lands to public investment funds or state-owned companies to enable them to run their business or provide some plots as in-kind shares in investment projects, and to ease restrictions on foreign ownership in the Kingdom to stimulate investment.

- At the end of 2024, the Cabinet decided to exempt residential apartments with an area up to 150 meters from 50% of registration fees. This extends the previous decision of exempting apartments with area less than 150 meters from the registration fees by 100%. This is in addition to the 50% exemption on the property tax for a period of three years for first-time apartment buyers.

5.9 CONCLUSION

The trading volume in the real estate market and the REPI in Jordan indicate that the real estate market was affected by the slowdown of the economic activity in the Kingdom and the economic and political developments in the region more apparently in 2017. In 2020, the ramifications of the COVID-19 pandemic deepened the slowdown of the real estate sector; the real estate trading volume decreased by 26% in 2020. However, in 2021 the real estate sector improved significantly, as the trading volume increased by 46.9%, and improved further in 2022 and 2023 by 17% and 19%, respectively, as discussed earlier. However, in 2024 the trading volume declined by 3.9% due to the geopolitical and economic tensions in the region, in particular the war on Gaza which had a toll on most sectors including the real estate. However, in 2025 the trading volume in the Jordanian real estate market increased by 7% to reach JD 7,180 million, despite elevated geopolitical tensions in the region, which reflects the relative resilience of the real estate sector performance, and its ability to adapt to economic and regional challenges.

The REPI declined slightly in 2021 by 0.5% compared to 2020; this index is relatively stable (with a small tendency to decline) during the past five years, which indicates that a price bubble in the real estate market in Jordan is unlikely in the short and medium terms. This is a positive sign that reduces the risks of the real estate sector, and strengthen the financial stability in the Kingdom. At the end of 2021, REPI is no longer calculated; however, calculating the index is currently in progress using a new methodology that considers international best practices, and reflects precisely the actual developments in the real estate sector.

CHAPTER SIX: STRESS TESTING

6.1 INTRODUCTION

Stress testing is an important tool used by regulatory authorities and banks to assess banks' ability to withstand shocks and high risks they may confront. The objective of these tests is to evaluate the financial position of a bank under severe yet plausible scenarios, accordingly the tests results are used to determine the levels of capital and liquidity that banks must hold to withstand financial shocks and high risks.

These tests are forward-looking risk assessments that use sophisticated tools rather than statistical methods that use historical information, and help senior management to understand a bank's conditions in times of crises. Stress testing is crucial for risk management and the planning for capital and liquidity, nonetheless, it cannot cover all aspects of a bank's vulnerabilities; it is useful within an integrated risk management policy intended to enhance the soundness and robustness of banks, and strengthen the entire financial system.

❖ STRESS TESTING FOR THE BANKING SECTOR- BRANCHES IN JORDAN

6.2 SENSITIVITY ANALYSIS

The sensitivity analysis tests are typically used to measure the impact of changes in single risk factors on a bank's financial position, such as the increase of NPLs ratio, changes in interest rates, fluctuations of exchange rates, and changes in stock prices. Generally, the source of the shock (i.e., the source of the risk) is not identified in these tests. The sensitivity analysis conducted by banks operating in the Kingdom for several risk factors are illustrated next:

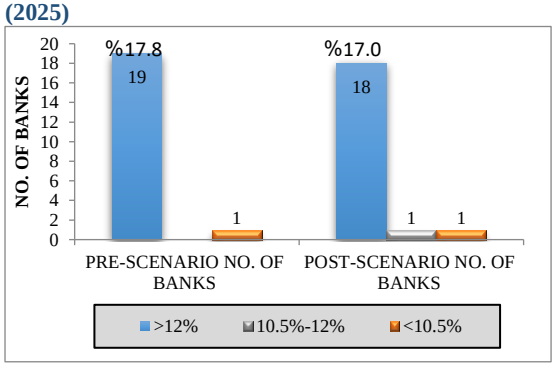
6.2.1 SENSITIVITY ANALYSIS FOR CREDIT RISK

The sensitivity analysis for credit risk assumed an increase in probability of default (PD) by 100%, and a decline in banks' profits by 50% in 2025 compared to their levels in 2024. The loss Given Default (LGD) ratio was also supposed to reach 65% of NPLs. In this case, the Capital Adequacy Ratio (CAR) of the banking sector in Jordan will drop from 17.8% to 17%, which implies that the banking sector is broadly capable to withstand this shock; the post-shock CAR remains higher than the 12% minimum requirement applied in Jordan. The ability of the banking sector to withstand this shock is attributed to the following:

1- High CARs for banks in Jordan, which are considered among the highest in the region.
2- High profits of banks, which enable them to handle additional provisions and losses resulting from the shock when it occurs, without significantly affecting the capital, which in turn protects banks' capital.

At the individual level, the CAR will remain higher than 12% for (18) banks, while it will decline below 12% for one bank, yet it will remain higher than 10.5%, which validates the ability of most banks in Jordan to withstand this shock (Figure 6-1).

FIGURE 6-1: THE CAR PRIOR AND POST INCREASING CREDIT LOSSES SCENARIO (2025)

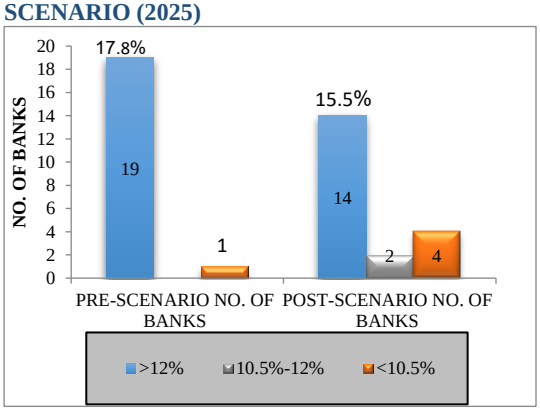


6.2.2 SENSITIVITY ANALYSIS FOR CREDIT CONCENTRATION RISKS

As for credit concentrations risks, and in case of the default of top three borrowers (excluding credit facilities provided to the government of Jordan and the government-guaranteed facilities) at the individual bank level, the CAR for the banking sector will decline from 17.8% to 15.5%, which is sufficiently higher than the minimum requirement. At the individual level the CAR will remain higher than the minimum requirement of 12% for (14) banks, while it will fall below 12% for (5) banks, two of which will maintain a CAR

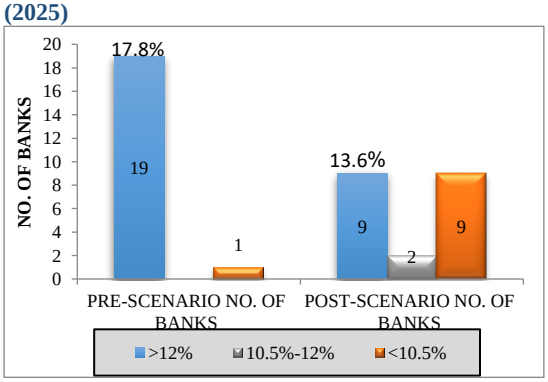
above the international minimum requirement of 10.5%. (Figure 6-2).

FIGURE 6-2: THE CAR PRIOR AND POST THE DEFAULT OF TOP THREE BORROWERS SCENARIO (2025)



However, under the assumption of the default of top six borrowers (excluding credit facilities provided to the government of Jordan and the government-guaranteed facilities) for each single bank, the CAR of the banking sector will decline from 17.8% to 13.6%, yet it remains above the minimum requirement. At the individual bank level, the CAR will remain above 12% for (9) banks, while it will fall below 12% for (10) banks, which validates that some banks are required to reduce their concentration risks. It is worth mentioning that the CBJ constantly monitors banks' concentration risks through the Instructions of Credit Limits and the Instructions for Large Exposure Limits and Credit Controls. (Figure 6-3).

FIGURE 6-3: THE CAR PRIOR AND POST THE DEFAULT OF TOP SIX BORROWERS SCENARIO (2025)



6.2.3 SENSITIVITY ANALYSIS OF MARKET RISKS

A number of tests were conducted to assess banks' sensitivity to market risks and their impact on capital adequacy. The analysis used only three types of shocks: interest rates, exchange rates, and stock prices, which are the most commonly, used variables thereupon.

6.2.4 INTEREST RATE SHOCK

Assuming an interest rate hike by 200 basis points, the CAR of the banking sector will remain unchanged at 17.8%[1]. Likewise, at the individual bank level, the shock impact will be immaterial, which indicates the ability of banks in Jordan to withstand this shock.

6.2.5 FOREIGN EXCHANGE RATE SHOCK

Assuming a 25% decline in the exchange rate of the Jordanian dinar[2] against all foreign currencies, the banking sector's post-shock CAR will remain unchanged at 17.8%. This indicates that the banking sector is highly capable to withstand this shock, thanks to the comfortable coverage of foreign currency assets to banks' foreign liabilities; long foreign currency positions for most banks.

6.2.6 EQUITY PRICE SHOCK

Assuming a 30% decline in the stock prices in the financial market, the CAR of the banking sector in Jordan will remain unchanged at 17.8%, which implies that this shock will not affect the banking sector in general. At the individual bank level, the shock will not impact any of banks. This indicates that banks in Jordan are able to withstand the shock of equity price risks due to the low exposure of banks to the financial market in Jordan.

[1] The impact of the shock was calculated using gap analysis test that examines the status at banks in terms of the balance of assets and liabilities sensitive to interest rate risk.

[2] This is a hypothetical scenario that aims primarily to examine banks' exposure to exchange rate risk, noting that the CBJ's foreign currency reserves at the end of July 2026 approached USD (26.6) billion, sufficient to cover 8.7 months of the Kingdom's imports, which is a very comfortable level and significantly strengthens the stability of the dinar exchange rate.

6.3 MACRO-STRESS TESTING FOR BRANCHES IN JORDAN

Credit risk is one of the main significant risks facing banks, which has the most influence on their solvency. Therefore, a Satellite Model was used to predict the PDs of borrowers from banks for the period 2026-2028. In this context, a number of scenarios were assumed; medium and severe macro-stress scenarios, which represent hypothetical scenarios designed to assess banks' ability to withstand shocks. The tests assume the challenges and the regional geopolitical tensions facing Jordan's economy to linger, in terms of the continuous increase in the prices of energy and primary commodities, setting the economy to significantly slow down compared to projections, and fueling inflation rates. Moreover, the interest rates are also assumed to increase in lieu of decreasing to curb inflationary pressures and to preserve the attractiveness of the Jordanian dinar as a saving currency. To measure the impact of these assumptions on banks, the output gap was calculated through estimating the Gap between the growth rate and the GDP growth historical trend using HP filter; this gap was used as one of the macroeconomic variables that affect the PDs; the impact on the regulatory CAR and Tier1 capital[3] for a bank was measured. Economic research suggests that the decline in growth rate will increase the PDs due to economic slowdown, as it affects the clients' ability to repay their debts. Other variables were also used to predict the PDs, such as the average interest rates on loans, and inflation rates.

The stress testing methodology using the Satellite Model suggested three scenarios to predict the value of the dependent variable (PD), and to examine their effect on the NPLs and CARs of banks for the coming years. These scenarios, in terms of severity, are classified as follows:

- Baseline Macro Stress Scenario.
- Medium Macro Stress Scenario.
- Severe Macro Stress Scenario.

To forecast the PD, the following model was used[4]:

$$PD_t = C + B_1\ GDP\ GAP_t + B_2\ LENDING\ RATE_{(t-1)} + B_3\ INFL_{(t-1)}$$

Where:

PD_t: projected probability of default at banks.

C: Constant

$GDP\ GAP_t$: output gap

$LENDING\ RATE_{(t-1)}$: Average interest rate on loans and advances.

$INFL_{(t-1)}$: inflation rate

The statistical tests revealed a significant inverse relationship between the output gap and the PDs, and a significant positive relationship between the average lending rate and inflation rate and the PDs at banks, according to the following equation:

$$PD_t = -0.86 - 0.18\ GDP\ GAP_t + 0.28\ LENDING\ RATE_{(t-1)} + 0.14\ INFL_{(t-1)}$$

The following table shows the results of the econometric analysis of the above-mentioned model:

TABLE 6-1: RESULTS OF THE ECONOMETRICS ANALYSIS

Variable	Coefficient	T-Statistic
C	-0.86	-0.84
$GDP\ GAP_t$	-0.18*	-5.39
$LENDING\ RATE_{(t-1)}$	0.28*	2.98
$INFL_{(t-1)}$	0.14*	7.9
Coefficient of Determination (R^2)	34%	
Adjusted R^2 Coefficient	31%	
(*): Statistically significant at 95% confidence level		

6.3.1 ASSUMPTIONS OF THE MODEL

The CBJ has developed stress tests so that the PDs and their effect on banks' CAR are predicted for several coming years (Multiple-Period Stress Testing), instead of a single year. Consequently, the PDs for 2026-2028 were projected based on output gap, the average lending rate, and the

[3] According to Basel III definition

[4] This model was estimated using the Panel Least Squares (PLS) method, which provides optimal estimates for cross-sectional data regressions by modifying the least squares to calculate the effects of autocorrelation and homoscedasticity in the dependent variables, which result from an autocorrelated relationship between the dependent variable and the independent variables.

inflation rate. The following scenarios were assumed, noting that the model used is based on the assumption that banks' profits in 2026 will drop by 50% compared to their levels in 2025, and the LGD will hit 65% of NPLs:

TABLE 6-2: MACRO STRESS TESTING SCENARIOS FOR 2026-2028

Year	Variable	Output Gap	Average Lending rate	Inflation rate
Scenarios of 2026	Baseline Scenario	1.8	7.9	2.2
	Medium Macro Stress Scenario	0.0	8.9	5.3
	Severe Macro Stress Scenario	-1.8	9.9	8.3
Scenarios of 2027	Baseline Scenario	2.2	7.9	2.2
	Medium Macro Stress Scenario	0.4	8.9	5.3
	Severe Macro Stress Scenario	-1.4	9.9	8.3
Scenarios of 2028	Baseline Scenario	2.4	7.9	2.2
	Medium Macro Stress Scenario	0.6	8.9	5.3
	Severe Macro Stress Scenario	-1.2	9.9	8.3

The scenarios were assumed according to the following methodology:

Medium Macro Stress Scenario: The projected GDP gap for 2026-2028 minus one standard deviation of GDP gap for (2002-2025), the projected inflation rate for 2026-2028 plus one standard deviation of the inflation data for (2002-2025).

Severe Macro Stress Scenario: The projected GDP gap for 2026-2028 minus two standard deviations of GDP gap for (2002-2025), the projected inflation rate for 2026-2028 plus two standard deviations of the inflation data for (2002-2025).

For average lending rate, the interest rates were assumed to increase by 100 basis points for medium scenario, and by 200 basis points for severe scenario in 2026-2028, as compared to the baseline scenario's interest rate for each year.

6.3.2 RESULTS FOR BRANCHES IN JORDAN

Table (6-3) and Figure (6-4) illustrate projected NPLs ratio and CARs for 2026 under scenarios suggested. Under the severe scenario, the NPLs will increase from 5.5% in 2025 to 8.4% in 2026, and the CAR will drop from 17.8% to 17.0% in 2026 accordingly.

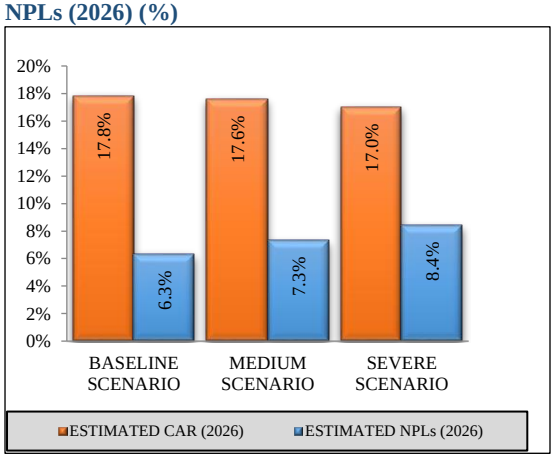
TABLE 6-3: MACRO STRESS TESTING RESULTS FOR 2026

Scenarios	Projected NPLs (2026)	Projected CAR (2026)
Baseline Scenario	6.3%	17.8%
Medium Macro Stress Scenario	7.3%	17.6%
Severe Macro Stress Scenario	8.4%	17.0%

* The NPLs ratio at the end of 2025 reached about (5.5%).

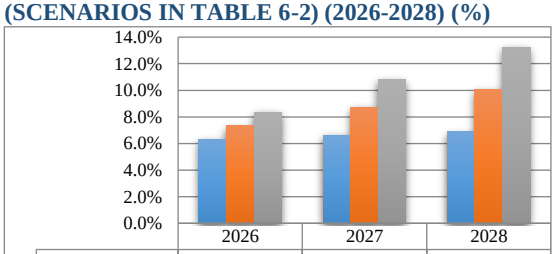
** The CAR at the end of 2025 reached to (17.8%).

FIGURE 6-4: THE POST SCENARIOS CAR AND NPLs (2026) (%)



If these scenarios occur (Table 6-3: Scenarios), the projected NPLs ratios for 2026-2028 assuming the (three) scenarios will be as illustrated in Figure (6-5).

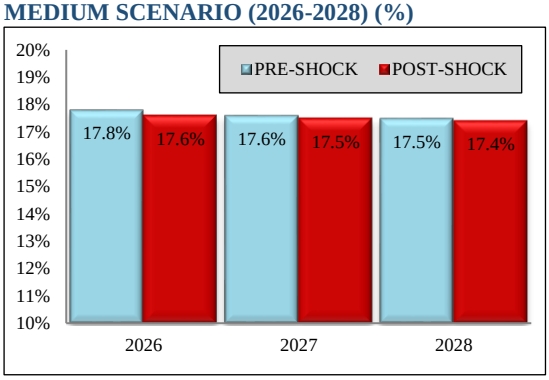
FIGURE 6-5: THE POST SCENARIOS NPLs (SCENARIOS IN TABLE 6-2) (2026-2028) (%)



	2026	2027	2028
PROJECTED BASELINE SCENARIO	6.3%	6.6%	6.9%
POST-SHOCK MEDIUM SCENARIO	7.3%	8.7%	10.1%
POST-SHOCK SEVERE SCENARIO	8.4%	10.8%	13.2%

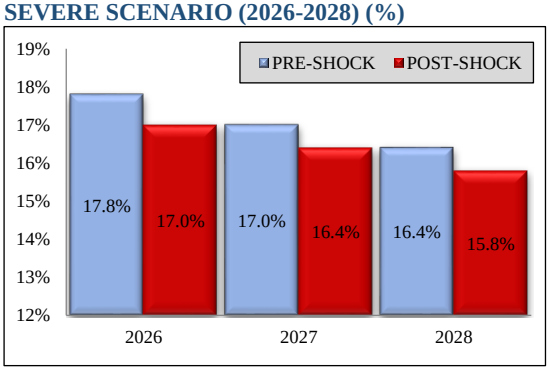
Accordingly, after applying the medium scenario, the CAR for 2026-2028 as indicated in (Figure 6-6) will decline to 17.4% in 2028, and remain sufficiently higher than 12% for the three years (2026-2028). This implies that the banking sector in Jordan is capable to withstand this shock (figure 6-6).

FIGURE 6-6: THE CAR PRIOR AND POST MEDIUM SCENARIO (2026-2028) (%)



In addition, implementing the severe scenario indicates that the CAR will drop to 15.8% in 2028, and remain sufficiently higher than 12% for the years (2026-2028), which means that the banking sector's CAR is high and capable to withstand this shock as well (Figure 6-7).

FIGURE 6-7: THE CAR PRIOR AND POST SEVERE SCENARIO (2026-2028) (%)



❖ STRESS TESTING FOR CONSOLIDATED BANKING SECTOR (BRANCHES AND SUBSIDIARIES IN JORDAN AND ABROAD)

6.4 SENSITIVITY ANALYSIS ON CONSOLIDATED LEVEL

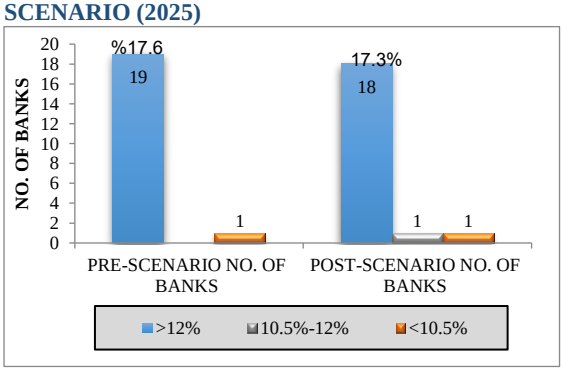
6.4.1 SENSITIVITY ANALYSIS FOR CREDIT RISK

The sensitivity analysis for credit risk assumed an increase in PDs (credit facilities defaults of banks) at the consolidated level by 100%, and a decline in banks' profits by 50% in 2026 compared to their levels in 2025. The LGD is also supposed to reach 65% of NPLs. In this case, the CAR of the consolidated banking sector in Jordan will drop from 17.6% to 17.3%, which implies that the banking sector is broadly capable to withstand this shock; the post-shock CAR remains adequately higher than the 12% minimum requirement applied in Jordan. The ability of the banking sector to withstand this shock is attributed to the following:

1- High consolidated CAR for banks.
2- Banks have high profits, which enable them to handle additional provisions and losses in case the shock occurs, without significantly affecting the capital, which in turn protects banks' capital.

At the individual bank level, the CAR will remain higher than 12% for (18) banks, while it will decline below 12% for one bank, which CAR will remain above 10.5%. This validates the ability of most banks in Jordan to withstand this shock (Figure 6-8).

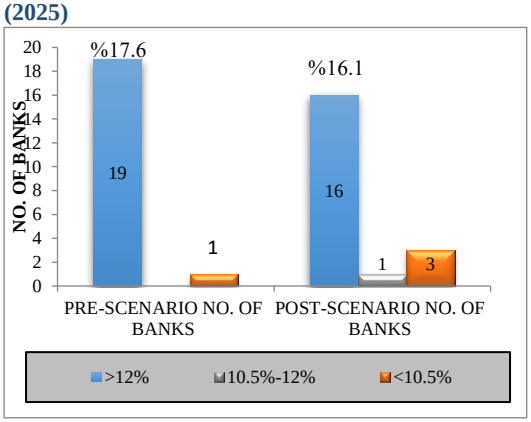
FIGURE 6-8: THE CONSOLIDATED CAR PRIOR AND POST INCREASING CREDIT LOSSES SCENARIO (2025)



6.4.2 SENSITIVITY ANALYSIS FOR CREDIT CONCENTRATION RISKS

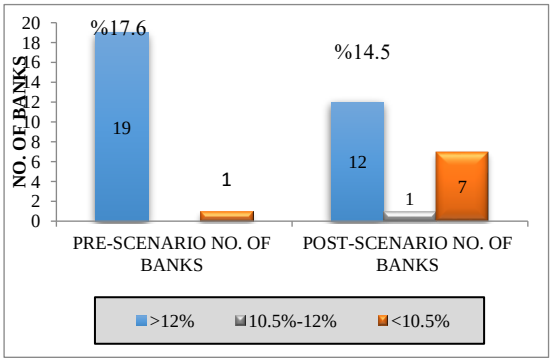
As for credit concentration risks, and in case of the default of top three borrowers (excluding credit facilities provided to the government of Jordan and government- guaranteed facilities) at the consolidated level, the CAR will decline from 17.6% to 16.1%, which is higher than the minimum requirement. At the individual level, the CAR for banks will remain higher than the minimum requirement of 12% for (16) banks, while it will fall below 12% just for three banks. (Figure 6-9).

FIGURE 6-9: THE CONSOLIDATED CAR PRIOR AND POST SCENARIO OF THE DEFAULT OF TOP THREE BORROWERS (2025)



Under the assumption of the default of top six borrowers (excluding credit facilities provided to the government of Jordan and government-guaranteed facilities) at the consolidated level of banks, the CAR of the banking sector will decline from 17.6% to 14.5%, yet will remain above the minimum requirement. At the individual bank level, the CAR will remain above 12% for (12) banks, while it will fall below 12% for (7) banks, which validates that certain banks need to reduce their concentration risks. It is worth mentioning that the CBJ constantly monitors banks' concentration risks through the Instructions of Credit Limits and the Instructions for Large Exposure Limits and Credit Controls (Figure 6-10).

FIGURE 6-10: THE CONSOLIDATED CAR PRIOR AND POST SCENARIO OF THE DEFAULT OF TOP SIX BORROWERS (2025)



6.4.3 SENSITIVITY ANALYSIS OF MARKET RISKS

A number of tests were conducted to assess consolidated banks' sensitivity to market risks and their impact on capital adequacy. The analysis used only two types of shocks: interest rates, and equity prices, which are the most commonly used variables thereupon.

6.4.4 INTEREST RATE SHOCK

Assuming an interest rate hike by 200 basis points, the consolidated CAR of the banking sector will decline from 17.6% to 17.2%[5]. However, at the individual bank level, the CAR will remain above 12% for all banks exactly as before the shock, except for one bank. This indicates that banks in Jordan are capable to withstand this shock.

6.4.5 EQUITY PRICE SHOCK

The test assumes a decline in the equity prices in the financial market by 30%, in this scenario the consolidated CAR of the banking sector in Jordan will remain unchanged at 17.6%, which implies that this shock will not impact the banking sector in general. At the individual bank level, the ratio will remain above 12% for all banks, exactly as before the shock, except for one bank. This indicates that banks in Jordan are capable to withstand the shock of equity price risks due to the low exposure of banks to the financial markets in general.

6.5 CONSOLIDATED MACRO-STRESS TESTING

Stress tests for consolidated banks were conducted; medium and severe macro-stress scenarios were assumed in order to assess banks' ability at the consolidated level to withstand shocks.

As most banks' operations abroad are based in the MENA region, challenges and geopolitical tensions resulting in the region are assumed to linger, which will set the economic growth to significantly slow down compared to projections, and fuel the inflation rates.

[5] The impact of the shock was calculated using gap analysis test that examines the status at banks in terms of the balance of assets and liabilities sensitive to interest rate risk.

To forecast the PD, the following model was used[6]:

$$PD_t = C + B_1\ GDP\ GAP_t + B_2\ LENDING\ RATE_t + B_3\ INFL_{(t-2)}$$

Where:

PD_t: the projected probability of default for consolidated banks.

C: Constant

$GDP\ GAP_t$: output gap for the MENA region.

$LENDING\ RATE_t$ = Average interest rate on loans and advances in the MENA region.

$INFL_{(t-2)}$ = inflation rate in the MENA region.

The statistical tests revealed a significant inverse relationship between the output gap and the PDs of banks, and a significant positive relationship between the average lending rate and the inflation rate and the PDs at banks, according to the following equation:

$$PD_t = -1.55 - 0.13\ GDP\ GAP_t + 0.26\ LENDING\ RATE_t + 0.13\ INFL_{(t-2)}$$

The following table illustrates the results of the econometric analysis of the above-mentioned model:

TABLE 6-4: RESULTS OF THE CONSOLIDATED ECONOMETRICS ANALYSIS

Variable	Coefficient	T-Statistic
C	-1.55	-1.5
GDP GAPt	-0.13*	-2.1
$LENDING\ RATE_t$	0.26**	1.7
$INFL_{(t-2)}$	0.13**	1.9
Coefficient of Determination (R^2)	45%	
Adjusted R^2 Coefficient	36%	
(*): Statistically significant at 95% confidence level (**): Statistically significant at 90% confidence level		

6.5.1 ASSUMPTIONS OF THE MODEL AT THE CONSOLIDATED LEVEL

The consolidated PDs for 2026-2028 were projected based on the output gap, the average lending rate, and the inflation rate in the MENA region. The following scenarios were assumed, noting that the model used is based on the assumption that banks' profits in 2026 will drop by 50% compared to their levels in 2025, and the LGD will hit 65% of NPLs:

TABLE 6-5: CONSOLIDATED MACRO STRESS TESTING SCENARIOS FOR 2026-2028

Year	Variable	Output Gap	Average Lending rate	Inflation rate
Scenarios of 2026	Baseline Scenario	-1.0	8.0	1.4
	Medium Macro Stress Scenario	-3.3	8.5	3.5
	Severe Macro Stress Scenario	-5.5	9.0	5.6
Scenarios of 2027	Baseline Scenario	2.8	8.0	1.4
	Medium Macro Stress Scenario	0.5	8.5	3.5
	Severe Macro Stress Scenario	-1.7	9.0	5.6
Scenarios of 2028	Baseline Scenario	1.8	8.0	1.4
	Medium Macro Stress Scenario	-0.4	8.5	3.5
	Severe Macro Stress Scenario	-2.7	9.0	5.6

The scenarios were assumed according to the following methodology:

Medium Macro Stress Scenario: The projected output gap for 2026-2028 minus one standard deviation for output gap of (2002-2025), the inflation rate of 2025 plus one standard deviation of the inflation for (2002-2025).

Severe Macro Stress Scenario: The projected output gap 2026-2028 minus two standard deviations of output gap for (2002-2025), the inflation rate of 2025 plus two standard deviations of the inflation of (2002-2025).

For average lending rate, the interest rates were assumed to increase by 50 basis points for medium scenario, and by 100 basis points for severe scenario during the period (2026-2028), compared to the projected baseline lending rate for each year.

6.5.2 CONSOLIDATED RESULTS

Table (6-6) and Figure (6-11) illustrate projected NPLs ratio and CARs for 2026 assuming suggested scenarios; under the severe scenario, the NPLs ratio will increase from 5.2% in 2025 to 9% in 2026, thus the CAR will drop from 17.6% to 16.8% in 2026.

TABLE 6-6: CONSOLIDATED MACRO STRESS TESTING RESULTS FOR 2026

Scenarios	Projected NPLs (2026)	Projected CAR (2026)
Baseline Scenario	6.1%	17.6%
Medium Macro Stress Scenario	7.6%	17.5%
Severe Macro Stress Scenario	9%	16.8%

* The consolidated NPLs ratio at the end of 2025 reached about (5.2%).

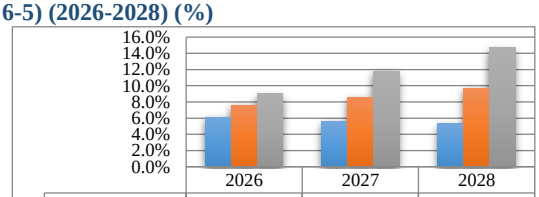
** The consolidated CAR at the end of 2025 reached to (17.6%).

If these scenarios occur (Table 6-5: Scenarios), the projected NPLs ratios for 2026-2028

[6] This model was estimated using the Ordinary Least Squares (OLS).

assuming the (three) scenarios will be as illustrated in Figure (6-11).

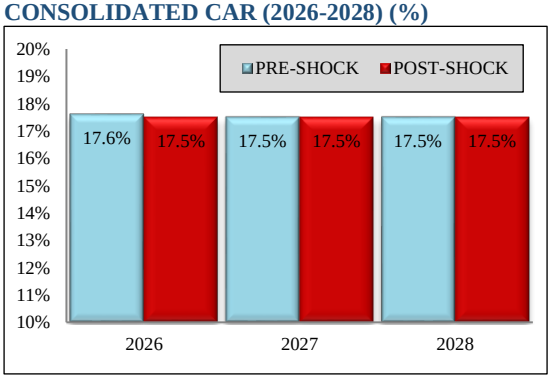
FIGURE 6-11: THE POST SCENARIOS CONSOLIDATED NPLs (SCENARIOS IN TABLE 6-5) (2026-2028) (%)



	2026	2027	2028
PROJECTED BASELINE SCENARIO	6.1%	5.6%	5.3%
POST-SHOCK MEDIUM SCENARIO	7.6%	8.6%	9.7%
POST-SHOCK SEVERE SCENARIO	9.0%	11.8%	14.7%

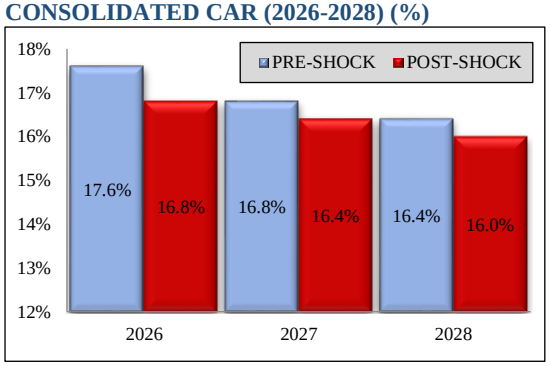
Accordingly, after applying the medium scenario, the CAR for 2026-2028 (Figure 6-12) will decline to 17.5% in 2028, and will remain sufficiently higher than 12% for (2026-2028). This implies that the consolidated banking sector in Jordan is capable to withstand this shock (Figure 6-12).

FIGURE 6-12: THE POST MEDIUM SCENARIO CONSOLIDATED CAR (2026-2028) (%)



In addition, implementing the severe scenario indicates that the CAR will drop to 16% in 2028, and remain sufficiently higher than 12% for (2026-2028), which means that the consolidated banking sector's CAR is high and capable to withstand this shock as well (Figure 6-13).

FIGURE 6-13: THE POST SEVERE SCENARIO CONSOLIDATED CAR (2026-2028) (%)



6.6 CONCLUSION

According to the results of (2026-2028), the banking sector at the branches in Jordan level and the consolidated level (branches and subsidiaries in Jordan and abroad) is broadly capable to withstand shocks and high risks resulting from lingering challenges and regional geopolitical tensions facing the national economy. **Assuming the severe scenario, the CAR of the banking sector for the branches in Jordan will reach to 17.0%, 16.4% and 15.8%, in 2026, 2027, and 2028, respectively, whereas, the consolidated CAR will reach 16.8%, 16.4%, and 16%, in 2026, 2027, and 2028, respectively**. These positive results are attributed to the high levels of capital and comfortable banks' profits, which enable them to handle additional provisions and losses resulting from the assumed shocks without significantly affecting the capital, thus providing a sufficient protection for banks' capital. Furthermore, the sensitivity analysis revealed that credit concentration risk has a greater impact on some banks compared to other risks, which requires these banks to mitigate their concentration risk. The CBJ will continue to conduct and enhance these tests taking into consideration developments of risks at the international, regional, and national levels to ensure the soundness and robustness of the banking sector in Jordan.

CHAPTER SEVEN: GREEN FINANCE AND CLIMATE RISK MANAGEMENT

7.1 INTRODUCTION

The pace and severity of climate change are amplifying markedly; therefore, climate-related risks have emerged as a source of systemic risks that may affect financial stability. The impact of these risks spills over across different economic sectors, affecting the quality of assets, the efficiency of resource allocation, and the sustainability of economic growth.

In this context, the financial sector responsibility has evolved beyond merely managing these risks; as the financial sector has become a main partner in supporting the transition toward a green low-carbon economy. Green finance is crucial for achieving this transition, in. addition to putting in place effective frameworks for managing and assessing climate-related risks.

7.2 THE CBJ ROLE IN GREEN FINANCE MOBILIZATION AND CLIMATE RISK MANAGEMENT

The CBJ has early recognized the importance of green finance, as global challenges are elevating which, require financial institutions to adopt policies contributing to achieving sustainable development. The CBJ played a pivotal role in steering the financial sector toward green finance mobilization, through strategies and regulations aiming at mitigating environmental impact and achieving sustainability. The CBJ launched several initiatives in green finance and sustainability, namely: including the renewable energy and energy efficiency projects in its financing program intended to support and finance economic sectors initiated in 2013, as the CBJ acknowledges the importance of this sector to preserve environment, and expand the use of clean energy in Jordan, as well as mitigate the impacts of climate change. Recently, the CBJ expanded the scope of eligible sectors to incorporate all green projects included in eligible economic sectors in its financing program.

Furthermore, the CBJ joined the Sustainable Banking and Finance Network (SBFN) in 2016, a voluntary community of financial sector regulators and industry associations from emerging markets, committed to advancing sustainable finance in line with international best practices. The SBFN is managed by the International Finance Corporation (IFC), serving as SBFN's Secretariat with support from the World Bank Group. The CBJ also joined the global Network for Greening the Financial System (NGFS) in October 2021, which includes over 100 central banks and supervisors, aiming at strengthening the global response to climate change and mobilize capital toward green investments.

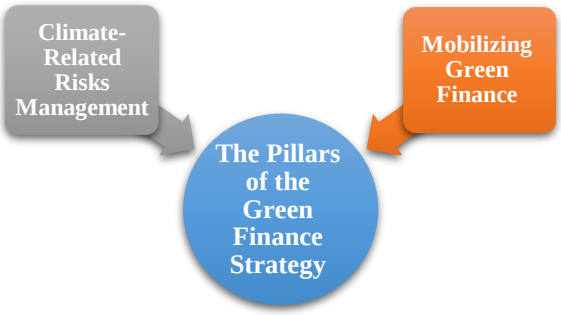
Furthermore, on 13/11/2023, the CBJ launched the Green Finance Strategy (2023–2028), to support ongoing efforts for green finance mobilization and climate risk management.

1-2-1 GREEN FINANCE STRATEGY

The CBJ continues to implement the Green Finance Strategy (2023-2028), which was launched on 13/11/2023 as a part of its endeavors to withstand climate change-related risks, and to keep pace with latest practices in green finance, which is directed towards environment responsive investments and projects that mitigate the effects of climate change on the national economy. In 2022, the CBJ in cooperation with the World Bank, embarked the preparation of this strategy in coordination and partnership with the banking and financial sector and relevant stakeholders in the public and private sectors. The strategy includes the banking sector, the insurance companies, and the MFIs. This strategy is the first of its kind in the MENA region, and represents a model to other Arab countries.

It also serves as a roadmap that enables the CBJ and the banking and financial sector to mobilize green finance, and mitigate the climate change-related risks. The strategy's vision is to transform Jordan's banking and financial sector into a leading force for green finance and enhanced resilience against environmental and climate-

related risks, while also enabling Jordan to become a regional leader in sustainable finance.
The strategy is developed around two major pillars:



The green finance strategy has three overarching objectives:



In this regard, the CBJ during the years 2023–2025 proceeded with achieving these objectives through a number of intermediate outcomes, including conducting the first comprehensive CRA for the financial sector in Jordan, implementing a comprehensive capacity building program in this field, developed the JNGT, and issuing supervisory guidance and regulations to assisting banks and financial institutions efforts to integrate climate-related considerations into their governance structures and risk management frameworks. The CBJ enacted the Climate Risk Management Regulations, and the Climate Risk Disclosure and Reporting Regulations.

7.2.1 GREEN FINANCE

Green finance refers to channeling financial resources toward investments and projects that contribute to reducing emissions, mitigating adverse environmental impacts, optimizing the use of environmental resources, and minimizing the effects of climate change. This is achieved through instructing banks and financial institutions toward eco-friendly lending, which takes environmental considerations into account, such as projects of renewable energy, energy efficiency, waste management, water management, and sustainable transport.
This type of financing aims to achieve development without harming the environment, making it a cornerstone for long-term sustainability. The green finance is particularly important for the following:
1. Support the transition toward a sustainable economy.
2. Mitigate environmental risks in the long run.
3. Create new investment opportunities for the financial sector.
4. Strengthen the financial stability by reducing exposure to climate risk.

7.2.1.1 JORDAN NATIONAL GREEN TAXONOMY

In line with national directions to strengthen sustainability, support the transition to a low-carbon economy, and mobilize green finance in the Kingdom, the JNGT was adopted and approved by the Cabinet on 5/2/2026. The JNGT was prepared under joint leadership of the CBJ and the Ministry of Environment, in collaboration with all relevant stakeholders from the public and private sectors, and the World Bank. The Taxonomy is intended to set clear criteria to classify green projects and environmentally sustainable economic activities, which contributes to mobilize domestic and international green finance, enhance transparency and investor confidence, align financing with Jordan's climate-related commitments and green growth plans, and strengthen reporting and oversight frameworks of green finance and climate risk. It also intended to support Jordan's transformation to a low-carbon economy, enhance the economy's resilience and create environmentally sustainable economy, and reduce greenwashing risks. Furthermore, the Taxonomy contributes to achieving domestic environmental goals alongside economic growth plans, by channeling finance toward priority sectors, including renewable energy, energy

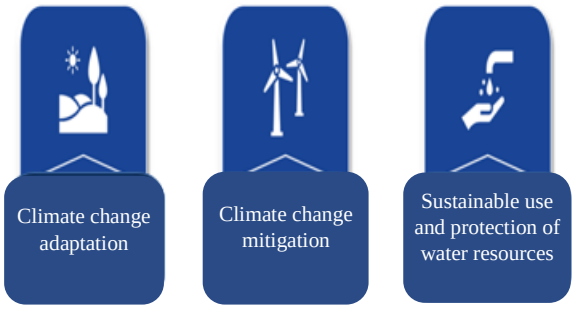
efficiency projects, water efficiency, sustainable buildings, waste management, and low-carbon transport. It also provides a national framework and a common reference point for the financial system, the public and private sectors, and the wider economy to support monitoring, verification, and reporting of green finance.

The taxonomy encompasses a set of strategic goals, namely:

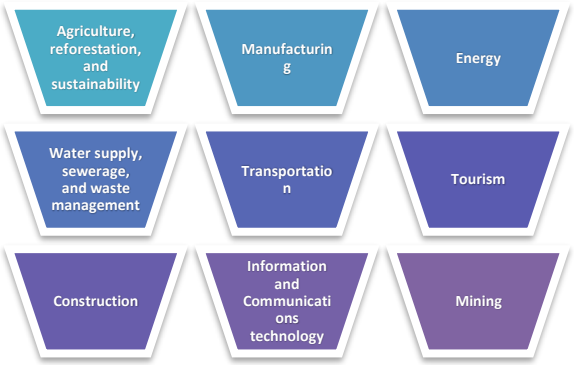
1. Transform Jordan's financial sector into a leading force for green finance.
2. Develop a standardized definition of what sectors and activities are considered "green" and "sustainable", to support and finance these sectors.
3. Deepen the green finance market through promoting the development of green finance products and services.
4. Reduce greenwashing risks and promote market transparency.
5. Support the monitoring and tracking of green investments.

The environmental objectives are a key component of the green taxonomy; they translate the environmental targets set out in national strategies, policies, and plans into operational targets across key sectors in the Jordanian economy, thereby supporting alignment of the taxonomy with Jordan's overarching policy framework. Furthermore, the taxonomy adopts a phased approach to environmental objectives; it has three priority environmental objectives: (climate change adaptation, climate change mitigation, and the sustainable use and protection of water resources), as they are considerably important for Jordan's national strategies and environmental challenges, and they are reflected in the Substantial Contribution (SC) Criteria. The Taxonomy also incorporates three additional environmental objectives, namely: (Circular economy, pollution prevention and control, biodiversity and ecosystems protection) through the Do No Significant Harm (DNSH) criteria.

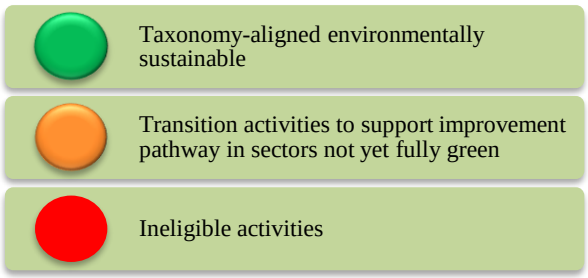
The Environmental Priority Objectives of the JNGT



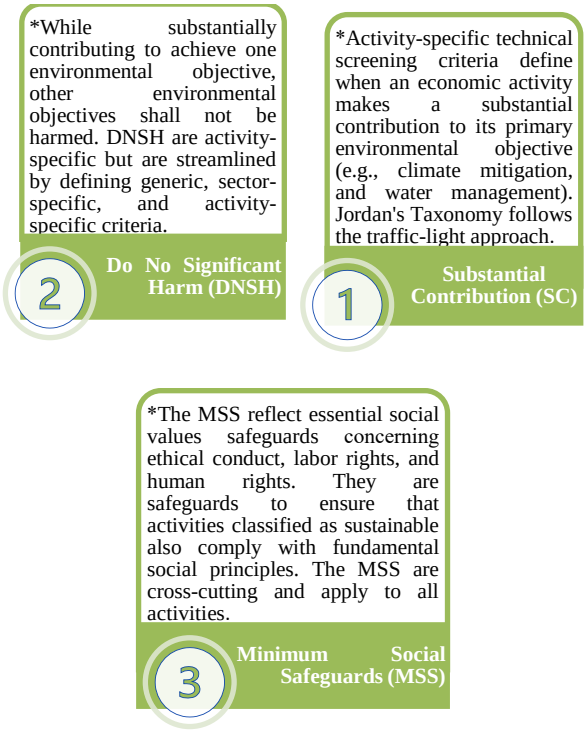
The Taxonomy covers nine key sectors, as illustrated below, and identifies fifty-one economic activities across these sectors.



The Taxonomy classifies economic activities into three categories: (green, amber, and red).



The Taxonomy is a clear and standardized framework for identifying environmentally sustainable economic activities in Jordan that meet the Taxonomy's green technical screening criteria, thereby enabling banks, financial institutions, companies, and policymakers to determine what qualifies as "Taxonomy-aligned green activities." An economic activity is Taxonomy-aligned if it incorporates the following three key internationally recognized pillars or criteria:



7.2.2 CLIMATE CHANGE RISKS MANAGEMENT

As challenges imposed by climate change on economies and financial systems are rising, the CBJ plays a crucial role in enhancing the financial sector's ability to manage climate risks and mitigate their potential impact on financial stability. This is through setting out supervisory and regulatory frameworks that ensure the integration of climate risks into climate management practices of banks and financial institutions.

Climate risk management is one of the main pillars to strengthen financial stability; financial institutions are exposed to two main types of these risks:

1. **Physical Risks:** arising from the direct impact of climate-related events on assets, operations, and supply chains. They include acute physical risks resulting from floods, earthquakes, storms, and wildfires, etc., and chronic physical risks, caused by water scarcity, rising temperatures, desertification, and sea-level rise, etc.

2. **Transition Risks:** associated with the transformation into a low-carbon economy, and its implications on high-carbon economic sectors, including policy changes, technological improvements, and market shifts.

Addressing these risks requires integrating them into institutional risk management frameworks, by developing appropriate metrics to assess climate-related risks, and applying scenario analysis to assess the potential impact on credit portfolios and investments.

It also entails enhancing disclosure and transparency according to international best practices, as well as institutional capacity building to increase readiness to withstand these challenges.

Furthermore, climate change risks management requires supervisors to take exceptional measures, including integrating these risks into supervisory and prudential policies. This is to direct banks and financial institutions to incorporate these risks into their business models, credit and investment policies, risk management policies, and committing to disclose these risks, while simultaneously enable banks and financial institutions to mobilize green finance.

As a supervisory authority, the CBJ has played a pivotal role in leading the financial sector to adopt effective climate risk management practices, thereby mitigating their impact on financial stability and supporting the economy's sustainable transition. The CBJ has also conducted a comprehensive CRA for the financial sector to assess banks and non-banking financial institutions exposure to these risks.

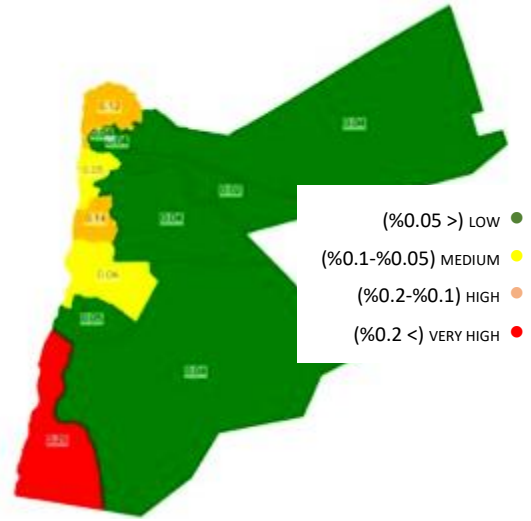
7.2.2.1 CLIMATE RISK ASSESSMENT (CRA) FOR THE FINANCIAL SECTOR

In the context of strengthening the financial sector's readiness to withstand climate change-related challenges, the CBJ conducted a comprehensive CRA for the financial sector in collaboration with the World Bank. The CRA aims to identify and analyze banks and MFIs exposure to physical and transition climate risks, and assess their potential implications on financial stability.

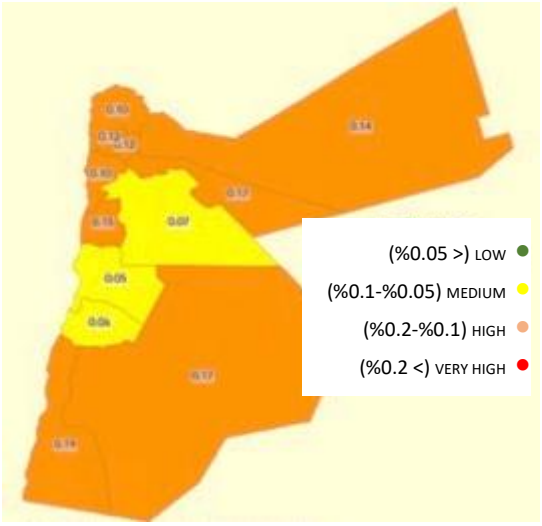
The CRA revealed that the impact of climate risks on the financial sector is immaterial. Major risks that may face banks and MFIs are chronic physical risks caused by water scarcity and rising temperatures, followed by acute physical risks caused by floods and earthquakes. This is in

addition to transition risks related to the transition to a low-carbon economy, and its impact on high-carbon economic sectors. The following figures illustrate certain physical risks that could affect governorates in the Kingdom.

Exposure of Governorates in Jordan to Earthquake Risks



Exposure of Governorates in Jordan to Flood Risks



The CRA also illustrated that the sectors most impacted by transition risks are those most dependent on petroleum products, as shown in the following table:

ECONOMIC SECTORS EXPOSED TO TRANSITION RISK	SCORE OF TRANSITION RISK EXPOSURE[1]
Petroleum Refining	1.00
Mining	1.00
Water and Electricity	0.83
Essential Mineral Products	0.83
Cement and Lime	0.83
Plastic Products	0.83
Aviation	0.83
Ports and Maritime Transportation	0.83
Glass and Glass Products	0.83
Paper and Paper Products	0.67
Diversified Manufacturing	0.50
Chemical Industry	0.50
Road Transportation and Railroads	0.50
Citrus Fruits, Grains, and Vegetables	0.50
Ready-to-Wear Clothing	0.33
Electrical Machinery and Equipment	0.33
Vehicles Trading, Spare parts, and Other Items	0.17
Hotels, Restaurants, and Amusement Parks	0.11

7.2.2.2 CLIMATE RISK MANAGEMENT REGULATIONS NO. (2/2025)

As part of the CBJ's efforts to enhance the financial sector's readiness to withstand climate change-related challenges, and to pursue the green finance strategy, the CBJ enacted the first Regulations for green finance and climate risk management titled "Climate Risk Management Regulations" No. (2/2025), dated 18/2/2025, directed to banks operating in the Kingdom depending on each bank's size, nature and complexity of its operations, and its risk profile. These Regulations aim at setting guiding principles for effective climate risk management in banks, which were set according to the Basel Committee's principles for the effective management and supervision of climate-related financial risks, as these principles shall form an integral part of corporate governance, business models, and risk management strategies of banks.

The Regulations outline the responsibilities of the bank's board of directors and senior executive management in terms of climate risk management, and capacity building related to climate risks. They also require integrating climate risks in banks' strategies, risk management strategies, internal control systems, the risk management process, and internal monitoring and reporting. Furthermore, within

[1] The score of exposure to transition risks ranging from (0) to (1), with (1) being the highest exposure, and (0) the lowest.

six months from the date of enacting these Regulations, banks shall furnish the CBJ with evidence on the establishment of a unit, division, or a task force dedicated for climate risk management in the risk Management Department, and amendments on banks risk management strategies so that climate-related financial risks management are included in these strategies.

7.2.2.3 THE CLIMATE RISK DISCLOSURE AND REPORTING REGULATIONS NO. (1/2026)

Providing clear, comprehensive, and useful information for policymakers regarding the impact of climate change, enables investors, customers, and regulators to better assess how climate-related risks affect banks. Furthermore, effective reporting of climate risks to supervisory authorities is essential for effective surveillance and risk assessment. Such reporting allows the CBJ to assess banks' resilience to withstand climate risks, monitor emerging vulnerabilities, and make informed decisions to safeguard the stability of the banking sector.

To achieve the aforementioned objectives, the CBJ issued detailed regulations for specific climate-related financial risks topics, namely, "the Climate Risk Disclosure and Reporting Regulations" dated 11/1/2026 for banks operating in the Kingdom, depending on each bank's size, nature and complexity of its operations, and its risk profile. These Regulations aim to establish guiding principles for the effective disclosure and reporting of climate risks by banks operating in the Kingdom. The Regulations are based on (IFRS S2), issued by the (ISSB) regarding climate-related disclosures, and the (BCBS)'s framework for climate-related financial risks disclosure.

The CBJ allowed banks to implement these Regulations in a transition period, to provide sufficient time for banks to put in place necessary systems and technical capabilities to comply with disclosure and reporting requirements. As for disclosure requirements, these Regulations shall enter into force on a voluntary basis beginning on end of 2026 data, and on a mandatory basis as of end 2027 data, taking into consideration the ASE's climate-related disclosure requirements for banks subject to such requirements. However, for reporting requirements, the Regulations shall come into force on a mandatory basis as of end 2026 data, and on an annual basis; with the exception of Form No. (3) of Annex No. (2) related to Taxonomy-aligned green finance, as reporting must begin as of end of June 2026 data, on a semi-annual basis.

7.3 GREEN AND SUSTAINABLE FINANCE CONCEPTS

7.3.1 GREEN LOAN FRAMEWORK

The Green Loan Framework is a regulatory framework that stipulates the rules and controls for providing, managing, and tracking loans for green projects by banks and financial institutions; it aims to ensure transparency and integrity in using funds. The Framework structuring is primarily based on the global Green Loan Principles (GLP), issued by the three leading associations in global loan market (LMA, LSTA, and APLMA),[2] which is built around the Green Bond Principles of the International Capital Market Association (ICMA). The Framework also incorporates eligibility criteria for determining economic sectors eligible for financing according to their alignment with the Green Taxonomy, which in turn combat Greenwashing.

7.3.1.1 GREEN LOANS PRINCIPLES

The GLPs mentioned above were issued to ensure the allocation of loans to environmentally eligible projects. The GLPs include the following:

1. Use of Proceeds: loans must be allocated exclusively to environmentally eligible projects, such as renewable energy and energy efficiency.

[2]LSTA: Loan Syndications and Trading Association, APLMA: Asia Pacific Loan Market Association, LMA: Loan Market Association.

2. Project Evaluation and Selection: well-defined criteria must be in place to assess the environmental impact of eligible projects before providing the loan.

3. Management of Proceeds: proceeds of a green loan should be credited to a dedicated account or otherwise tracked appropriately so as to remain separate from other financing. This is to ensure that these loans are allocated and disbursed for the purpose designated thereto.

4. Reporting: borrowers of green loans must make available periodic data on the environmental outcomes achieved through the financing provided, which enhances the ability to assess the carbon footprint of credit portfolio.

7.3.2 SUSTAINABILITY LINKED LOANS (SLL)

As preserving environment and environmental risks are receiving ongoing and increasing attention, the focus on rigid "green loans" which only target eco-friendly green assets or projects, has strategically shifted towards the more flexible and inclusive model namely; "Sustainability Linked Loans" (SLL). The SLLs largely emphasize linking loan terms to sustainability measurable outcomes and performance, which reflects the financial sector's maturity in recognizing that financial stability is not only achieved by financing specific green projects, rather by ensuring a broader transition of all economic activities toward sustainability, in order to mitigate climate change-related systemic risks.

This strategic shift is particularly important in strengthening the financial stability through several dimensions including "the sectoral inclusivity." This type of financing enables sectors with no green projects to engage in the sustainability path through improving their overall performance indicators, and "encourage behavioral change" through linking the cost of financing (interest rates) to the borrowing company's or project's achievement of ambitious sustainability targets. This redefines the relationship between the borrower and the lender from asset financing to a strategic partnership aiming at mitigating the risks of unsustainability, thus, enhancing the long-term quality of the lender's credit portfolio. Furthermore, this financing model plays a vital role in enhancing "flexibility of liquidity management," as it allows borrowers to use funds for general corporate purposes while adhering to specific environmental and social objectives, which reduces the operational constraints and complexities related to tracking funds in traditional green projects, while at the same time enable tracking this financing through Key Performance Indicators (KPIs).

7.3.2.1 SUSTAINABILITY-LINKED LOAN PRINCIPLES (SLLP)

As previously mentioned, and in light of the strategic shift toward adopting a sustainability-linked financing model, several financial institutions are required to adopt performance-based framework rather than financing the assets, which is represented by the following SLLPs:

1.Selection of (KPIs): represent the cornerstone of this shift. The lender and the borrower must select relevant KPIs to the company's activity, which shall not be limited to environmental aspects, rather, they shall include social and governance aspects. These KPIs must be:
-Quantifiable.
-Externally Verifiable.
-Able to be benchmarked to facilitate the assessment of improvement achieved.

2. Calibration of Sustainability Performance Targets: sustainability targets must be determined for each KPI, which shall be ambitious and beyond a "business as usual" trajectory, and align with national strategies, such as the Economic Modernization Vision (2022-2033), and the Energy Sector Strategy (2025-2035) issued by the Ministry of Energy and Mineral Resources, to ensure the private sector contribution to achieve national goals.

3.Financial Instrument Characteristics: the instrument's financial characteristics, such as the interest rate or coupon are linked to the achievement of specific targets.

4.Reporting: borrowers shall provide periodic reports to the lenders, including up-to-date information on the KPIs, and progress achieved.

5. Verification: borrowers shall obtain independent and qualified external verification (such as an auditing firm, or a sustainability rating agency) of their performance against sustainability targets before any adjustment of financing characteristics, which in turn underpins confidence in the financial system, as incentives are provided based on tangible and documented achievements.

7.3.3 SOCIAL LOANS

In parallel with focusing on environmental risks, social loans are essential for the sustainable finance ecosystem. Social loans are intended to channel and use funding exclusively for projects delivering tangible social benefits, such as supporting education, affordable housing, employment generation, financing projects for vulnerable segments, and food security.

The benefits of focusing on social loans go beyond the humanitarian and development aspects, to include broadening the financial inclusion base, supporting socioeconomic stability, and employment generation. Furthermore, social loans contribute to boosting the confidence of investors and financial institutions, by providing a finance framework that is based on transparency and clear disclosure of the use of funds and the social impact achieved.

7.3.3.1 SOCIAL LOANS PRINCIPLES

The regulatory framework developed by the three leading global associations in loan market (LMA, LSTA, APLMA), indicates that social loans are built on a set of principles aiming at ensuring that financing is channeled towards an evident and measurable social impact. These principles include; the use of loan proceeds in specific social projects, clear process for project evaluation and selection, the sound management of proceeds, and the commitment to clear disclosure and periodic reporting of impact achieved. These principles largely intersect with the GLPs, as they both are intended to direct funds towards specific sustainability targets and focus on transparency, governance, and impact measurement. However, social loans emphasize on the humanitarian and social dimension, such as improving the standard of living and supporting vulnerable groups, while green finance focuses on the environmental dimension, such as reducing emissions and climate change. Together, they constitute an integrated framework within the sustainable financing ecosystem.

7.3.4 BLUE ECONOMY

Blue economy is a new sustainable development related concept emerged in recent years, which refers to the sustainable use of marine, oceanic, and river resources to achieve economic growth, increase income, and generate employment, while preserving the ecosystems and natural resources for future generations. The blue economy encompasses a wide range of economic activities related to water and oceans, including sustainable fisheries, maritime transport, marine renewable energy, coastal tourism, water resource management, and protecting marine biodiversity and pollution reduction. The blue economy is particularly significant in supporting water and food security, as well as contributing to withstand climate change and enhance accommodation with environmental challenges.

7.3.4.1 BLUE FINANCE

In light of the growing global attention to environmental sustainability and the risks related to water scarcity and marine ecosystems degradation, blue finance has emerged as a financial instrument to support the blue economy. Blue finance is an evolving component of the sustainable finance ecosystem, which is intended to channel financial resources toward the sustainable protection and management of water resources and marine ecosystems. This form of financing is becoming more important due to its direct link to water security, food security, and environmental sustainability, as well as its role in preventing systemic risks arising from the depletion of natural resources.

From a financial stability perspective, blue finance is particularly important as it relates to

the management of long-term risks that could affect the entire financial system. Water scarcity and marine ecosystems degradation can lead to substantial economic losses in vital sectors, such as agriculture, manufacturing, and tourism, which in turn dampen the ability of corporates and individuals to repay, hence, affecting the quality of financial institutions' credit portfolios. Therefore, investing in blue finance projects is not considered as an environmental commitment only, but also mitigates future financial risks.

Blue finance also contributes to enhancing financial sustainability through attracting investments toward projects with positive environmental and economic impacts, which aligns with investors disposition toward sustainable finance instruments. Similar to green bonds, several international financial institutions and governments have commenced issuing financing instruments such as blue bonds, which are used to finance water and ocean-related projects. Furthermore, the IFC has put in place blue finance guidelines aiming at providing a reference checklist of eligible blue activities, which help financial institutions to direct investments toward projects that support environmental sustainability and the blue economy, in alignment with the SDGs (Goal (6) Ensure availability and sustainable management of water and sanitation for all, and Goal (14) Conserve and sustainably use the oceans, seas, and marine resources for sustainable development). As blue finance is a sub-category of green and sustainable finance, it is based on the GLPs issued by the three leading global loan market associations (LMA, LSTA, and APLMA) mentioned previously.

In this regard, the JNGT launched in February 2026, contributes to defining priority environmental targets, including the sustainable use and protection of water resources, which focuses on ensuring long-term water security, and effective water management in households and production sectors. This in turn assists financial institutions to identify sustainable economic activities eligible for financing.

7.4 CONCLUSION

Amidst the global challenges related to sustainability, the CBJ recognizes the importance of green finance. It becomes essential for banks and financial institutions to adopt policies that contribute to sustainable development. In this regard, the CBJ has played a pivotal role in guiding the financial sector through the strategies and legislations aiming at mobilizing green finance. On another front, the CBJ prioritizes the climate change-related risks as they threaten the financial stability, whether through physical risks related to acute weather events, or transition risks related to the transition toward a more sustainable economy and its impact on high-carbon economic sectors. In this context, the CBJ continues its efforts to strengthen climate risk management by promoting the integration of climate and environmental considerations into risk management frameworks of financial institutions, and enhancing institutional capacities in this area.