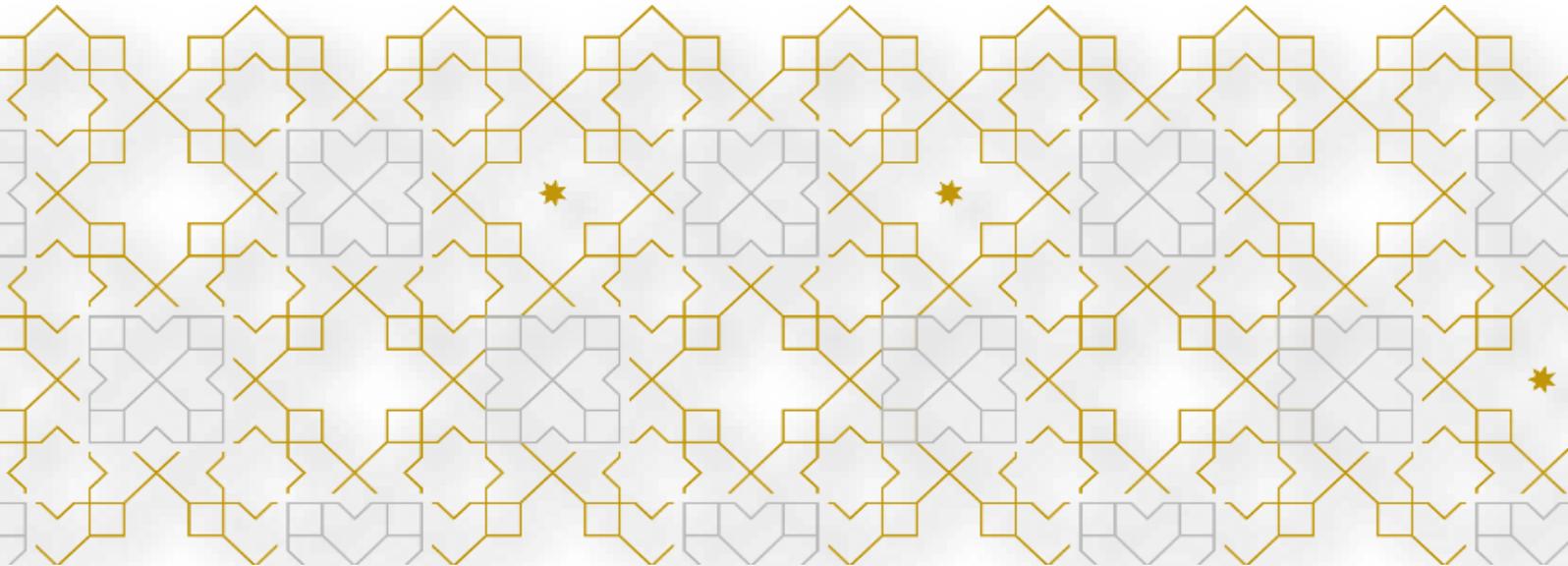


# FINANCIAL STABILITY REPORT

## 2024

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FINANCIAL STABILITY DEPARTMENT





## PREFACE

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The Financial Stability Report 2024 (JFSR 2024) complements the Central Bank of Jordan's (CBJ) endeavors to provide a comprehensive assessment of the financial sector and macroeconomic conditions in the Kingdom, including analyzing the risks and opportunities that may generally 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. In the context of the soft-landing policy, inflationary pressures were curbed and inflation declined toward targets, without a major downturn in global growth. Despite tight monetary policies implemented by several central banks, growth in employment and income held steady, reflecting supportive demand developments including greater-than-expected government spending and households' consumption. However, the public finances outlook is more complex as uncertainty increases about tariffs and new economic measures.

In 2024, Jordan's economy proved high resilience and great capacity in maintaining the stability of macroeconomic conditions, despite escalating geopolitical instability in the region due to the repercussions of the prolonged war on Gaza. The growth recorded 2.5% in 2024, compared to 2.9% in 2023. However, according to the CBJ's projections, the growth is expected to recover further in 2025 and 2026 to reach 2.7% and 3.0% respectively. The inflation continues to decline for the second year in a row to reach 1.56% compared to 2.1% in 2023. This is in addition to the sound monetary stability in the Kingdom, which is supported by foreign reserves increase 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 international standards, as confirmed by the Financial Sector Assessment Program (FSAP) conducted by the IMF and the World Bank in 2022 and the first quarter of 2023.

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](http://www.cbj.gov.jo).

**The Governor**  
**Dr. Adel Al-Sharkas**

## EXECUTIVE SUMMARY

### GLOBAL FINANCIAL STABILITY:

In the wake of the pandemic, the global economy has shown remarkable resilience, and inflation declined toward central banks targets. Monetary policies in many advanced economies experienced paradigm shifts, and central banks worldwide have adopted diverse strategies to address the challenges of inflation and economic slowdown; this divergence reflects ongoing efforts to manage global economic imbalances. Meanwhile, geopolitical tensions continued to weigh on energy and food prices and supply chains. Labor markets normalized, with unemployment and vacancy rates returning to pre-pandemic levels. The global growth hovered around 3% in recent years, and the global output came close to potential.

**Ongoing efforts worldwide to confront challenges of inflation and economic slowdown**

The global growth increased slightly in 2024 to reach 3.3%, up from 3.2% in 2023. As for projections, the swift escalation of trade tensions and the high levels of trade policy uncertainty are expected to have a substantial impact on global economic activity. The IMF's April 2025 projections indicate that the global growth is expected to drop to 2.8% and 3.0% in 2025 and 2026, respectively.

**The global economy is projected to grow modestly, by 2.8% and 3.0% in 2025 and 2026, respectively.**

### JORDAN ECONOMY:

The growth improved at 2.5% in 2024, compared to a growth of 2.9% in 2023, Jordan's economy remained resilient despite the external headwinds and high uncertainty. In addition, the growth is expected to reach 2.7% and 3.0% in 2025 and 2026, respectively.

**Jordan's economy remained resilient despite of external headwinds and rising uncertainty**

Despite the adversities in Jordan and countries worldwide due to the COVID-19 pandemic, and the subsequent global geopolitical tensions, in particular the war on Gaza and the Russian-Ukrainian crisis, and the resulting global, regional, and domestic hikes in interest rates and tariffs, Jordan proved high resilience and soundness in front of external shocks, thanks to Jordan's prudent 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.

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

## THE BANKING SECTOR IN JORDAN:

Despite the geopolitical tensions that affected Jordan, the region, and the world due to the ramifications of the war on Gaza and the Russian-Ukrainian crises, 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 improved markedly in 2024, and the first half of 2025, compared to their levels in 2023, as indicated below:

A remarkable improvement in most banks' financial ratios and indicators

- **CAPITAL ADEQUACY:**

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 increased to reach 18% at the end of 2024 and the end of June 2025, compared to 17.9% at the end of 2023, sufficiently higher than the minimum requirement of 12%.

The CAR of the banking sector in Jordan increased to 18% at the end of 2024 and June 2025, compared to 17.9% at the end of 2023; sufficiently higher than the minimum requirement of 12%

- **QUALITY OF ASSETS:**

The Non-Performing Loans (NPLs) ratio increased slightly to 5.6% at the end of 2024, compared to 5.1% at the end of 2023. This indicates that despite the prevailing geopolitical tensions, especially the war on Gaza and the Russian-Ukrainian crisis, the increase was slight, which validates that banks' assets are of high quality. The NPLs ratio recorded 5.8% at the end of June 2025.

The NPLs of banks reached 5.8% at the end of June 2025, of which 71.3% are covered by provisions

As for the provisions coverage ratio of NPLs, it increased to around 74.5% at the end of 2024, compared to 75.6% at the end of 2023; the provisions are sufficient to cover almost 74.5% of banks' NPLs. In addition, it reached to 71.3% at the end of June 2025.

- **LIQUIDITY:**

The liquidity of the Jordanian banking sector is adequate and safe as evident by the liquidity ratios recorded at the end of 2024 and June 2025. It reached to 144.7% at the end of 2024, and 142.4% at the end of June 2025, compared to 142.5% at the end of 2023; sufficiently higher than the CBJ's minimum requirement of 100%.

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

- **PROFITABILITY:**

In 2024, banks' profits improved, as net profits after tax of banks operating in Jordan reached JD 689 million, compared to JD 659.4 million in 2023, increasing by JD 29.6 million, or 4.5%. In addition, in 2024 the Return on Assets (ROA) maintained the same level of 2023 of 1.1%, yet it increased to 1.3% at the end of June 2025.

Banks' profits improved in 2024 and the first half of 2025

- **CONCENTRATION 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 56.6% of licensed banks' total assets at the end of 2024, compared to 59.6% at the end of 2006. This indicates the decline in concentration, and the improvement in level playing field of the banking sector.

The concentration level declined and the competitiveness improved in the banking sector.

- **CREDIT GROWTH:**

Direct credit facilities grew by 4.2% in 2024 to reach around JD 34.4 billion, compared to a growth of 2.5% in 2023. It is noteworthy, that total credit facilities accounted for 90.8% of GDP at the end of 2024, compared to 91.5% in 2023; Jordan ranked second after Kuwait in terms of credit to GDP ratio as compared to a number of countries in the region, which reflects the vital role of banks in the economic development in Jordan.

Credit continued to grow reflecting the gradual recovery of the national economy

- **STRESS TESTING:**

Stress testing results of the financial data of the 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 is suggested assuming prolonging adversities and geopolitical tensions facing the national economy due to the war on Gaza and the Russian-Ukrainian crisis. This is including the continuous increase of prices of energy and primary commodities, which will 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 16.5%, 15.4% and 14.6% in 2025, 2026, and 2027, respectively, while at the consolidated level it is expected to record 16.8%, 16.5%, and 16.2% in 2025, 2026, and 2027, respectively. Accordingly, under the severe scenario, the CAR will remain higher than the minimum requirement of 12% applied in Jordan, 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.

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

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

The JFSI was developed in 2016, supported by countries best practices. The index increased from 0.44 in 2020 to reach 0.47 in 2021, 50% at the end of 2022, 0.56 at the end of 2023, and 0.57 at the end of 2024. This indicates that the financial system in Jordan is highly stable and constantly

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

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 to reach JD 14 billion at the end of 2024, compared to JD 13.3 billion at the end of 2023, increasing by 5.4%, compared to 2.3% in 2023 and 10% in 2022. As mentioned in the previous JFSR, a large part of the increase in households' indebtedness in 2021 and 2022 is explained by the postponements of debt installments due on stressed clients affected by the COVID-19 pandemic, or postponements during the occasions of Eid, thus it is not a real growth. The NPLs in the households' loans portfolio increased slightly from 4.9% at the end of 2023 to 5.1% at the end of 2024, still lower than the aggregate NPLs ratio to total credit facilities of banks at the end of 2024 of 5.6%. This indicates that defaults in the household's portfolio is relatively low, which reflects positively on the financial stability in the kingdom.

**The NPLs of the households' loans portfolio is lower than the aggregate NPLs ratio for banks operating in Jordan**

#### **THE CORPORATE SECTOR:**

The performance of public listed companies (financial and non-financial) improved significantly during the last period. The after-tax profits of listed companies, which submitted their annual financial data to Amman Stock Exchange (ASE) reached to JD 2,072.3 million in 2024, compared to JD 1,948.5 million in 2023, supported by the monetary and financial stability and the positive economic indicators of several vital economic sectors. Despite the profits of 2024 were the second highest level recorded historically, several challenges still weigh on these corporates, especially those related to the economic ramifications of the war on Gaza and the Russian-Ukrainian crisis.

**The corporate sector performance improved significantly supported by the monetary and financial stability and the positive economic indicators in several vital economic sectors, However, several challenges are looming large due to the repercussions of the war on Gaza and the Russian-Ukrainian Crisis.**

#### **THE REAL ESTATE SECTOR:**

In 2024, the trading volume of the real estate market declined by 3.9% to reach JD 6,692 million, due to the geopolitical tensions in the region in particular the war on Gaza which affected most sectors including the real estate sector.

It is worth mentioning that credit facilities extended to the real estate sector for residential and commercial purposes reached to JD 5.92 billion at the end of 2024 (accounting for 17.4% of total credit facilities extended by banks), compared to JD 6.17 billion at the end of 2023.

**The credit facilities extended to the real estate sector totaled JD 5.92 billion, accounting for 17.4% of total facilities extended by banks**

## ENHANCING GREEN FINANCE AND CLIMATE CHANGE RISK MANAGEMENT:

The CBJ continues implementing the Green Finance Strategy (2023-2028) which was launched on 13/11/2023 as a part of the CBJ's endeavors to confront the risks of climate change and to keep pace with latest practices in green finance, which are directed towards climate responsive investments and projects that reduce 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. This strategy covers the banking sector, the insurance companies, and 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 climate change risk management requires supervisory authorities to take exceptional measures including integrating these risks into their supervisory and prudential policies, which contributes to instruct 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, alongside 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 is proceeding with achieving these objectives through a number of intermediate results, including (a) co-leading the development of the National Green Taxonomy which will be prepared by the end of 2025, (b) conducting the first comprehensive climate risk assessment (CRA) for the financial sector in Jordan, (c) implementing a comprehensive capacity-building program, and (d) issuing supervisory guidelines and regulations that help supporting the efforts of banks and financial institutions to integrate climate-related considerations into their governance structures, risk management frameworks, and introducing green finance products and services, etc.

Furthermore, during the period 2023-2025, several of the aforementioned objectives and intermediate outcomes were implemented. The CBJ conducted a number of capacity-building programs in green finance and climate risk management. Furthermore, the first regulations entitled "Climate Risk Management" were enacted on 18/2/2025 for banks operating in the Kingdom, aiming to establish guidelines for effective climate risk management in banks. These guidelines are based on the Basel Committee's principles for the effective management and supervision of climate-related financial risks, which should form an integral part of banks' corporate governance, business models, and risk management strategies. The regulations for climate risk disclosure and reporting are underway, which will further enhance banks' climate risk management in Jordan.

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

This strategy is the first in the MENA region

The issuance of the first climate risk related instructions for banks operating in the Kingdom entitled "Climate Risk Management"

## **THE FINANCIAL INCLUSION:**

Over the past years, the CBJ has played a leading role in promoting the financial inclusion in the Kingdom, supported by partners from the public and private sectors, to achieve the desired goals. Since the formulation and implementation of the first National Financial Inclusion Strategy (2018–2020) (NFIS), the CBJ’s approach encouraged cooperation among all stakeholders. The roles and responsibilities were defined which fostered a shared understanding and coordination, and brought all initiatives and efforts across the Kingdom under a single umbrella. This ensures the achievement of the desired objectives and the optimal allocation of resources toward priority sectors and target groups to enhance the financial inclusion in the Kingdom.

Based on the CBJ’s vision to promote financial inclusion in the Kingdom, in a way that contributes to achieving economic and social development by enabling all segments of society (individuals and businesses) to access appropriate and affordable financial services and products, including payment and transfers, finance, savings, and insurance services provided by formal financial institutions, in a way that meets their needs and helps them improve their living standards in a safe and sustainable manner, the CBJ launched the second NFIS (2023-2028) in March 2024. It serves as 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, and supports the Kingdom’s efforts to achieve the United Nations Sustainable Development Goals (SDGs) for 2030.

The general framework of this 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. Savings was added as a main pillar in the strategy to enhance savings products that help financial consumers in proper financial planning and encourage the use of savings products. The above-mentioned pillars are supported by cross cutting enablers that will enhance

access to and effective and sustainable use of financial services and products, namely: financial

**In March 2024, the CBJ launched the second 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 targeted groups in the NFIS (2023-2028)**

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

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 assigning the responsible body for implementing and following-up all actions, to ensure 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 preparing and developing 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 2023 and 2024, 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 2023 and 2024, namely:

Amended Bylaw for the Finance Companies Bylaw No. (111) of 2024, Banks Licensing Fees Bylaw No. (38) of 2024, a number of bylaws governing the business of insurance companies, instructions for classifying credit exposures and calculating impairment provisions, instructions of Net Stable Funding Ratio (NSFR), the financial consumer protection instructions for the banking sector, instructions for controls on advertisement of products, services and prizes offered by financial and banking services providers, and the climate risk management instructions which were enacted in the context of implementing the Green Finance Strategy (2023-2028).

On another front, as mentioned in the JFSR 2023, the Financial Action Task Force (FATF) announced the removal of Jordan from the list of countries under increased monitoring in combating money laundering and terrorist financing, the "Gray List", at its plenary meeting held during the period October 23-27, 2023 in Paris, in the presence of the CBJ's Governor, Dr. Adel Al-Sharkas, the Chairman of the National Committee for combating money laundering and counter terrorist financing, and the head of the Anti-Money Laundering and Counter-Terrorist Financing Unit. During this meeting, Al-Sharkas delivered a speech in which he stressed that this announcement comes as recognition of the Kingdom's success in strengthening the national system to combat money laundering, counter terrorist financing, and the proliferation of weapons of mass destruction, and aligning it with international standards, and completing the implementation of all items of the action plan adopted by the FATF in October 2021.

**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 instructions of climate risk management are intended to establish guidelines for the effective climate risk management in 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

In the wake of the pandemic, the global economy has shown remarkable resilience, and inflation declined steadily toward central banks targets. Monetary policies in many advanced economies experienced paradigm shifts, and central banks worldwide have adopted diverse strategies to address the challenges of inflation and economic growth; this divergence reflects ongoing efforts to manage global economic imbalances. Meanwhile, geopolitical tensions continued to weigh on energy and food prices and supply chains. Labor markets normalized, with unemployment and vacancy rates returning to pre-pandemic levels. The global growth hovered around 3% in recent years, and the global output came close to potential.

However, in February 2025, a series of new tariff measures have been announced and implemented by the United States, which was followed by countermeasures by its trading partners, ending up in escalating the trade war and the US tariffs being imposed on April 2, 2025, nearly affecting all countries worldwide. The effective tariff rates reached to levels not seen in a century, bringing a significant negative shock to growth. The unpredictability of these measures also negatively impacted economic activity and outlook.

The increasing downside risks are prevailing the global economic and financial outlook, amid escalating trade tensions and corrections in financial markets. Divergent and substantial policy shifts could lead to increased global financial tightening. The swift escalation of trade war and extremely high levels of trade policy uncertainty are expected to further dampen growth rates in the near and the long term. This requires countries to act constructively to foster a stable, transparent, and predictable trade environment and facilitate international cooperation, while simultaneously addressing policy gaps and structural imbalances at the

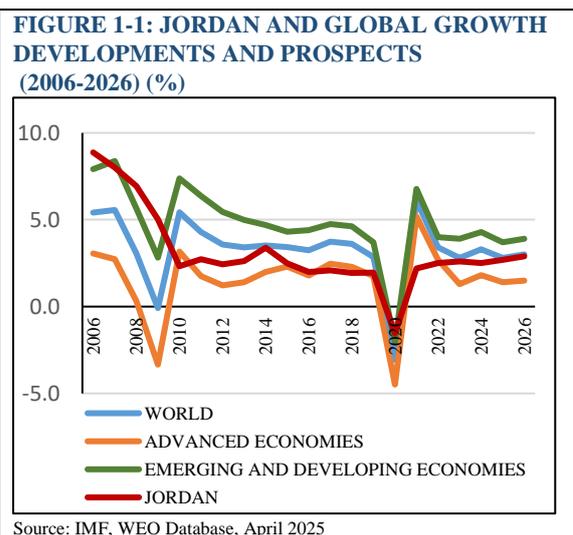
domestic level to ensure their internal and external economic stability. The priority for central banks remains fine-tuning of monetary policy stances and ensuring monetary and financial stability, as well as implementing comprehensive structural reforms, and activating macroprudential policy tools as needed to contain the buildup of vulnerabilities. This will help rebalance growth and stability while maintaining financial sustainability.

Furthermore, the April 2025 (WEO) Report indicates that the global growth increased slightly in 2024 to reach 3.3%, up from 3.2% in 2023. As for projections, the swift escalation of trade tensions and the high levels of trade policy uncertainty are expected to have a substantial impact on global economic activity. The IMF’s April 2025 projections indicate that the global growth is expected to drop to 2.8% and 3.0% in 2025 and 2026, respectively; the forecasts for 2025 and 2026 were revised down by 0.5 and 0.3 percentage points respectively, from the projections of January 2025. (Table 1-1 and Figure 1-1).

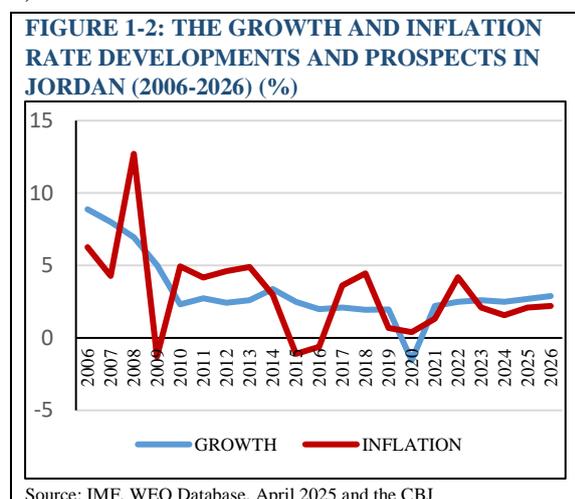
**TABLE 1-1: WORLD ECONOMIC OUTLOOK AT A GLANCE 2025**

	Year	The World	Advanced Economies	Emerging Economies
Actual Data	2023	3.2	1.6	4.3
	2024	3.3	1.8	4.3
Latest Estimates April 2025	2025	2.8	1.4	3.7
	2026	3.0	1.5	3.9
Estimates of January 2025	2025	3.3	1.9	4.2
	2026	3.3	1.8	4.3

Source: IMF, WEO Database, January 2025 and April 2025



As for Jordan's economy, the economy recorded a slight slowdown of 2.5% in 2024, down from 2.9% in 2023, yet Jordan's economy is still resilient despite tremendous external headwinds and rising uncertainty, thanks to the sound macroeconomic policies drawn and conducted by authorities. According to the CBJ's projections, the growth is expected at 2.7% and 3.0% in 2025 and 2026, respectively. (Figure 1-2).



However, the domestic financial stability remained steady, propelled by 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 to maintain a robust and sound financial sector despite significant existing challenges.

### 1.1.1 PUBLIC FINANCE DEVELOPMENTS

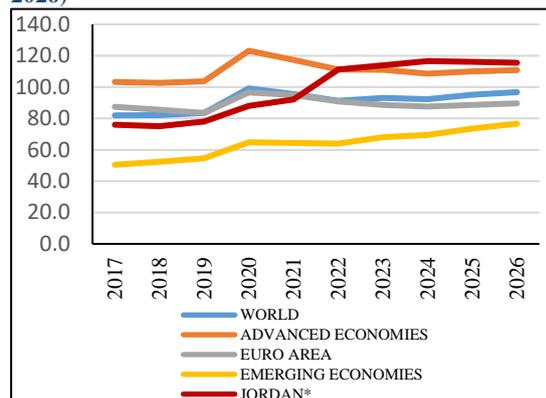
Heightened uncertainty regarding tariffs and economic policies are complicating the fiscal outlook. Fiscal policy faces a sharper trade-off between reducing debt and building buffers against uncertainty and accommodating spending pressures, amid weaker growth prospects, higher financing costs, and escalating risks. The IMF's April 2025 Fiscal Monitor Report highlighted the considerable uncertainty regarding the fiscal outlook given the rapid escalation of trade tensions and high levels of policy ambiguity. Global public debt is projected to increase by an additional 2.8 percentage points of GDP in 2025, and approach 100% of GDP by the end of the decade; surpassing levels recorded during the

pandemic. A one-third of countries are expected to see their public debt increases in 2025 compared to 2024, and debt levels are likely to continue to rise as revenues and output decline due to higher tariffs and heightened uncertainty. The report also illustrated that amid this uncertain and challenging landscape, countries must first put their fiscal conditions in order. Most countries need a credible gradual fiscal adjustment in the medium-term to reduce debt while building buffers against increased uncertainty. Countries with limited fiscal space should prioritize public spending and allow automatic stabilizers to operate fully, such as increasing unemployment benefits during recessions or reducing taxes during slowdown, to help stabilize the economy without the need for additional fiscal legislations and policies. Moreover, countries with room for fiscal space maneuver facing significant spending pressures and public investment needs, can utilize this space within well-defined medium-term fiscal frameworks.

The report also indicated that the recent volatility in financial markets confirms the need to prepare against severe economic disruptions. In times of financial instability, fiscal policy can play a vital role in supporting central banks efforts through direct lending to companies and communities affected by trade imbalances, providing guarantees, and equity injections while ensuring transparency and careful cost management, which help mitigate deleveraging and restore confidence.

### 1.1.2 PUBLIC DEBT

The IMF's Fiscal Monitor Report of April 2025 revealed that the average global public debt increased in 2024 to record 92.3% of GDP, compared to 91.3% in 2023. However, it is set to increase in the coming years to stand at 95.1% and 96.7% in 2025 and 2026, respectively. (Figure 1-3).

**FIGURE 1-3: PUBLIC DEBT (% OF GDP) (2017-2026)**

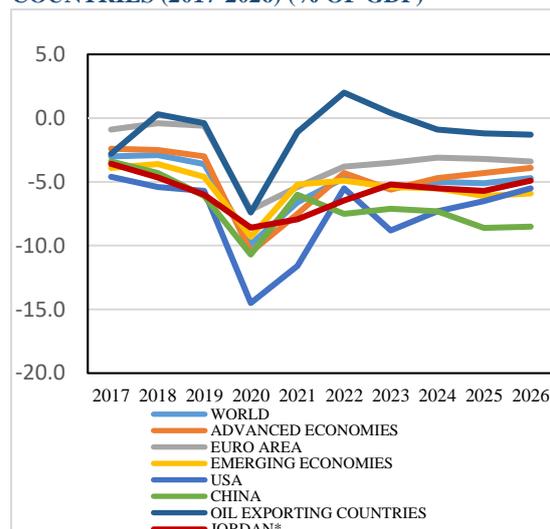
Source: IMF, Fiscal Monitor Database, April 2025

\*Jordan's public debt projections: WEO Database, IMF, April 2025

In advanced economies, the public debt to GDP ratio increased to 108.5% in 2024, up from 108.2% in 2023, and it increased in emerging markets from 67.4% in 2023, to reach 69.5% in 2024, and is expected to increase to 76.7% by the end of 2026. Furthermore, the Report emphasized the need to support fiscal and structural reforms to revive medium-term economic growth and reduce the difficulty of trading off between growth and debt sustainability, as well as prioritizing the enhancement of fiscal policy flexibility and prioritization as economic reforms and effective governance remain crucial factors for enhancing resilience and achieving sustainable long-term economic growth.

### 1.1.3 FISCAL DEFICIT

According to the IMF's Fiscal Monitor Report of April 2025, the fiscal deficits were divergent across major countries and economies. The global fiscal deficit increased to reach 5.0% of GDP in 2024, compared to 4.9% in 2023. However, it is expected to increase to 5.1% in 2025, and to decline to 4.7% in 2026. (Figure 1-4).

**FIGURE 1-4: FISCAL DEFICIT IN JORDAN AND SELECTED MAIN ECONOMIES AND COUNTRIES (2017-2026) (% OF GDP)**

Source: IMF, Fiscal Monitor Database, April 2025

\*Jordan: IMF, WEO Database, April 2025

In advanced economies, the fiscal deficit increased to 4.7% of GDP at the end of 2024, compared to 4.6% in 2023, and is set to decline to approach 3.9% by the end of 2026. However, in emerging markets, the fiscal deficit increased to reach 5.5% at the end of 2024, compared to 5.2% in 2023. However, it is expected to increase to 6.1% in 2025, and to drop again to 5.9% in 2026.

## 1.2 FINANCIAL SYSTEM STABILITY

### 1.2.1 GLOBAL FINANCIAL STABILITY

The IMF's Global Financial Stability Report of April 2025 indicated that a sharp repricing of high-risk assets in financial markets followed the series of tariffs announcements imposed by the United States in February, and accelerated following the April 2 release of plans for even larger than expected tariffs. The Report also illustrated a significant increase in volatility across financial markets, including stock, currency, and bond markets, as the response by other countries further amplified uncertainties.

In light of heightened volatility of asset prices, the report indicated that the global financial stability risks have increased significantly, mainly due to the tightening of global financial conditions.

The report highlights three key vulnerabilities threatening the global financial stability. First, the high valuations in some key segments of equity

and corporate bond markets despite the turmoil in markets. Second, some financial institutions are likely to come under pressure in volatile markets, particularly highly leveraged ones, such as the hedge funds. Third, further turmoil could take place in sovereign bond markets, especially in countries where government debt levels are high. The report also illustrates that heightened policy uncertainty may also affect corporates and households. Global corporate bond spreads have widened recently, reflecting investors' concerns over the negative impacts of a possible economic slowdown on corporate earnings in the coming year. Furthermore, a significant share of soon-maturing corporate debt carries fixed interest rates below the prevailing market yield. As for households, sudden and sharp repricing in equities and other assets may affect households' wealth, especially as many of them are allocating a larger portion of their financial assets to equities and investment funds as compared to what they did before the pandemic.

As for the real estate, the weaker-than-expected commercial real estate values and the still-high interest rates may further complicate loan refinancing efforts, particularly for properties with negative equity (the market value falls below the outstanding balance of the loan).

### **1.3 DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS AND PROSPECTS:**

#### **1.3.1 OVERVIEW**

During the last years, the Middle East was challenged by political and security instability, which deepened political and security unrest, besides subsequent economic implications which set the national economy to slow down; growth was relatively stable at rates not exceeding 2%.

The COVID-19, the war on Gaza, and the Russian-Ukrainian crises added new economic burdens to the already existing challenges, yet the government actions and the CBJ's monetary and banking measures helped to subdue these crises and to maintain the monetary and financial stability pillars in the Kingdom.

The CBJ's monetary policy, which was in line with the global and regional monetary policies,

contributed to maintaining monetary and financial stability in the Kingdom, as one of a cornerstone to the economy, represented by maintaining stable inflation rates, and the exchange rate peg of the Jordanian dinar to the US dollar, supported by high record of foreign reserves which hit USD (22.8) billion in August 2025, in addition to the sound and robust banking sector with a strong and stable financial structure. Subsequently, the credit rating was upgraded by Moody's on 9/5/2024 from B1 to Ba3 with a stable outlook for the first time in 21 years, thanks to the economic policies pursued by the government and the CBJ, as well as Jordan's efforts, flexible economic performance, and prudent financial and monetary policies. This upgrade reflects the effective macroeconomic management and risk mitigation measures, and the resilience of the national economy and its high ability to withstand shocks, which demonstrates the strength of the macroeconomy and the resilience of the banking sector in Jordan.

#### **1.3.2 ECONOMIC GROWTH**

Jordan's economy recorded a slight slowdown of 2.5% in 2024, compared to 2.9% in 2023. However, the Jordanian economy remains resilient despite tremendous external adversities and high uncertainties. (Table 1-2).

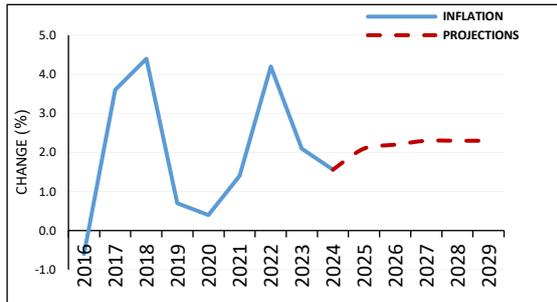
#### **1.3.3 UNEMPLOYMENT**

Supported by the gradual improvement of economic conditions in the Kingdom, the unemployment rate declined by 0.6 percentage points to reach 21.4% at the end of 2024, compared to 22.0% in 2023, however, it is still high figure.

#### **1.3.4 INFLATION**

The inflation rate in Jordan, measured by the consumer price index declined to reach 1.56% in 2024, compared to 2.1% in 2023. The inflation is projected to increase in 2025 to 2.1%. (Figure 1-5).

**FIGURE 1-5: INFLATION RATE IN JORDAN (END OF PERIOD) FOR THE PERIOD 2016-2024, AND PROJECTIONS FOR 2025-2029 (%)**



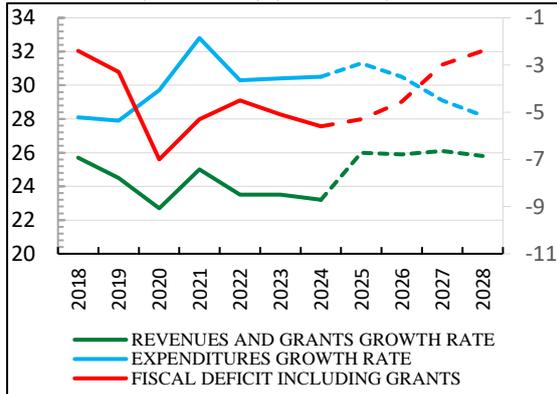
Source: CBJ Statistical Database, March 2025  
IMF's forecasts for inflation in Jordan, WEO database, April 2025

**1.3.5 PUBLIC FINANCE DEVELOPMENTS**

The overall fiscal deficit including grants increased by JD 238.2 million to reach around JD 2,098.5 million in 2024 (5.6% of GDP), compared to a deficit of JD 1,860.3 million in 2023 (5.1% of GDP) in 2023. (Figure 1-6).

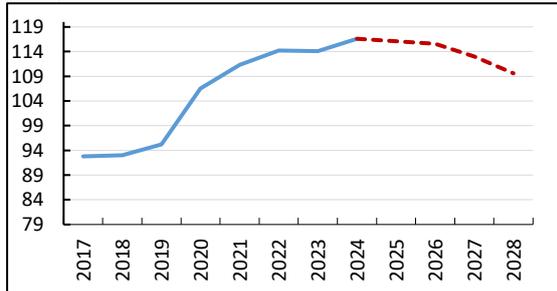
At the end of 2024 total public debt reached to JD 44,162.4 million, or 116.6% of GDP, compared to JD 41,181.7 million, or 114.1% of GDP at the end of 2023. (Figure 1-7).

**FIGURE 1-6: PUBLIC FINANCE DEVELOPMENTS IN JORDAN (2018-2024) AND OUTLOOK (2025- 2028) (% of GDP)**



Source: Monthly bulletin/ Ministry of Finance, January 2025  
IMF estimates, WEO database, April 2025

**FIGURE 1-7: TOTAL PUBLIC DEBT IN JORDAN (2017-2024) AND OUTLOOK (2025-2028) (% of GDP)**

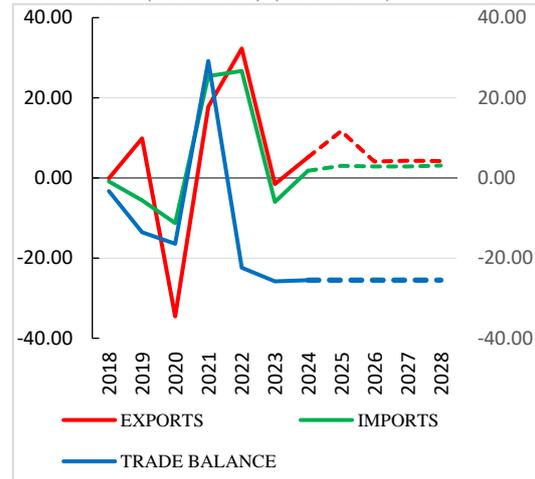


Source: Monthly bulletin/ Ministry of Finance, January 2025  
IMF Projections for public debt in Jordan, WEO database April 2025

**1.3.6 EXTERNAL SECTOR**

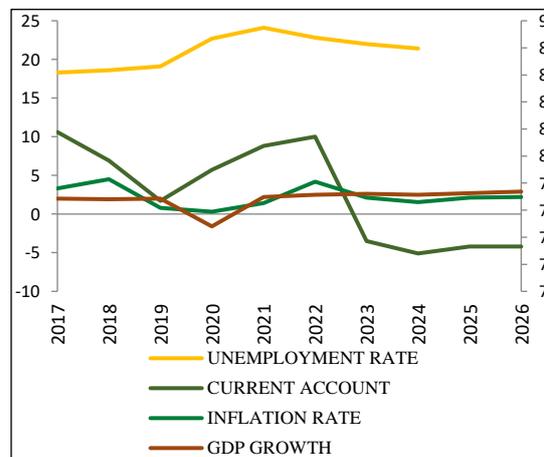
In 2024, total exports declined by 3.6% to reach JD 8,619 million, and imports also declined by 5.3% to reach JD 17,285 million. Accordingly, trade balance deficit in Jordan recorded JD (8,666) million, declining by 7.02% compared to its level in 2023. Trade deficit formed 25.5% of GDP at the end of 2024. (Figure 1-8) and (Figure 1-9).

**FIGURE 1-8: SUMMARY OF EXTERNAL TRADE IN JORDAN (2018-2024) AND OUTLOOK (2025-2028) (% of GDP)**



Source: Fiscal Statistical Bulletin 2024.  
IMF Projections, WEO database, April 2025  
\*No projections for trade balance

**FIGURE 1-9: SELECTED ECONOMIC INDICATORS IN JORDAN 2017-2024 AND PROSPECTS (2025-2026) (%)**



Source: CBJ Monthly Statistical Bulletin, April 2025

**TABLE 1-2: SELECTED ECONOMIC INDICATORS FOR JORDAN & PROSPECTS (2009-2026)**

Year	Growth (%)	Inflation (End of Period) (%)	Unemployment Rate (% of Labor Force)	Population (Growth Rate)	Total Public Debt (% of GDP)	Current Account (% of GDP)
2009	2.0	-0.7	12.9	3.1	64.4	-5.1
2010	3.5	4.8	12.5	3.2	66.9	-6.9
2011	3.3	4.2	12.9	4.3	70.6	-10.0
2012	2.0	4.5	12.2	6.0	80.2	-14.9
2013	2.2	4.8	12.6	8.8	86.6	-10.2
2014	3.5	2.9	11.9	8.2	88.5	-7.1
2015	2.8	-0.9	13.0	7.9	92.4	-9.0
2016	2.0	-0.8	15.3	2.8	92.8	-9.7
2017	2.0	3.3	18.3	2.6	93.2	-10.6
2018	1.9	4.5	18.6	2.5	93.3	-6.9
2019	2.0	0.8	19.1	2.3	95.2	-1.7
2020	-1.6	0.3	23.2	2.4	106.5	-5.7
2021	2.2	1.4	24.1	2.3	111.3	-8.8
2022	2.4	4.2	22.8	2.2	114.2	-10
2023	2.9	2.1	22.0	1.9	114.1	-3.5
2024	2.5	1.56	21.4	1.9	116.6	-5.9
2025	2.7	2.1	-	-	116.1	-4.5
2026	3.0	2.2	-	-	115.6	-4.7

Source: CBJ, Monthly Statistical Bulletin. IMF projections, WEO Database, available forecasts of April 2025

**1.3.7 MONETARY DEVELOPMENTS**

In 2022 and 2023, the CBJ raised the interest rates on all monetary policy instruments for 11 times, the last one was on 30/07/2023. Raising interest rates was intended to maintain the monetary stability in the kingdom, and to preserve the attractiveness of assets denominated in JD. Afterwards, the CBJ maintained the interest rates unchanged, as the national economic environment was stable and the economy restored the momentum of positive performance despite the prevailing conditions in the region, and the strong and resilient Jordanian banking system. However, the CBJ lowered the interest rates on all monetary policy instruments for three times in 2024 by 100 basis points, the last one was on 22/12/2024. This came in light of the monetary policy objectives being achieved as confirmed by monetary indicators, namely preserving the strength and attractiveness of the Jordanian dinar supported by the CBJ’s high foreign reserves. In addition, the CBJ’s and government’s balanced economic policies in last years helped to curb the inclusionary pressures in the Kingdom.

The CBJ’s total foreign reserves, including gold and Special Drawing Rights (SDRs) reached to USD 22,758.5 million at the end of August 2025. This is a comfortable level sufficient to cover Jordan’s imports of goods and services for 8.7

months, which is safe and exceeds the acceptable limits set by international standards.

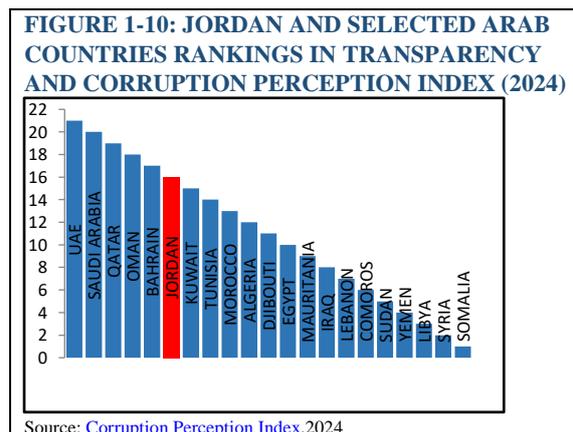
**1.4 JORDAN IN SELECTED INTERNATIONAL INDICATORS**

**1.4.1 TRANSPARENCY AND CORRUPTION PERCEPTION INDEX**

The 2024 Corruption Perception Index assesses a set of public interest issues, including reducing bribery, activating accountability mechanisms, monitoring the use of public funds and reducing embezzlement of public funds, abuse of power for personal gain, corruption and bureaucratic red tape that triggers corruption, nepotism, and favoritism in hiring for government vacancies.

The 2024 Annual Report, indicates that more than two-thirds of the world’s countries included in the index (180 countries) scored less than 50 out of 100, while the global average of the index remained unchanged, reflecting the increasing challenges in combating corruption. Jordan recorded an improvement of three points in 2024 compared to 2023, as it recorded 49 out of 100 points on the 2024 index, noting that the scale starts from zero (most corrupt) to 100 (least corrupt).

In comparison with Arab countries, Jordan ranked 6<sup>th</sup> compared to 21 Arab countries; UAE, Qatar, Saudi Arabia, Oman, and Bahrain scored the highest with (68) points for UAE, (59) points for Qatar and Saudi Arabia, (55) points for Oman, and (53) points for Bahrain. While Libya and Yemen scored (13) points, Syria (12) points, and Somalia (9) points. (Figure 1-10).



### 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: healthy life and high life expectancy rate, being knowledgeable and educated, and having a decent standard of living.

In 2023/ 2024 Report, Jordan ranked (99) 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).

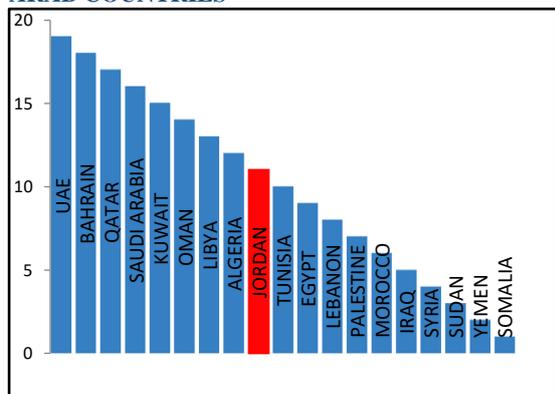
**TABLE 1-3: JORDAN'S RANKING IN THE HDI DIMENSIONS 2022\***

Rank	HDI Ranking	HDI (net)	Inequality Adjusted HDI (IHDI)	Gender Development Index** (GDI)	Gender Inequality Index*** (GI)	Multidimensional Poverty Index (2011-2022)
		Value				
99	High Human Development	0.736	0.615	0.863	0.449	0.002

Source: UNDP, Human development Report 2023/ 2024  
 \*Jordan is classified in group 5 in terms of the HDI gender equality index.  
 \*\* Jordan ranked 111 out of 193 countries in Gender Inequality Index

In addition, Jordan ranked in the middle, compared to 19 Arab countries included in the Report, outperforming a number of Arab countries including Tunisia, Egypt, Lebanon, Palestine, Morocco, Iraq, Syria, Sudan, Yemen, and Somalia. (Figure 1-11).

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



### 1.4.3 THE COMPETITIVENESS INDEX

The World Competitiveness Ranking issued by the International Institute for Management

Development (IMD) is a worldwide reference point on competitiveness of countries; it analyzes and ranks countries according to how they manage their competencies to create sustainable value in the long term.

The Yearbook of World Competitiveness ranking of 2024, which provides coverage of 67 countries, revealed that Jordan ranked 6<sup>th</sup> compared to Arab countries, following UAE, Qatar, Saudi Arabia, Bahrain, and Kuwait; Jordan ranked (48) higher by 6 scores compared to last year.

Furthermore, the Yearbook highlighted that the main economic challenges facing Jordan which set back growth are the conflicts in the region and the geopolitical tensions, high unemployment rates, exposure to external shocks including volatility of primary commodities prices, as well as climate change which exaggerates water scarcity.

### 1.5 CONCLUSION

Despite the increasing economic, regional and international challenges, and the global geopolitical tensions, especially the war on Gaza and the Russian-Ukrainian crisis, and the subsequent rise in interest rates globally, regionally and locally, and the US tariffs, Jordan has proven its ability to withstand external shocks and remain resilient, and to achieve relative stability indicators. Jordan's prudent monetary and fiscal policies have maintained monetary, financial, and economic stability and ensured Jordan's continued access to international markets, thanks to Jordan's high solvency and comfortable levels of liquidity. Despite the significant economic challenges facing most exporting countries, Jordan is adapting through strategies aimed at improving the competitiveness of its exports in global markets.

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

### 2.1 INTRODUCTION

A proper infrastructure and regulatory 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, enhancement of green finance and climate change risk management, and strengthening the legislative framework of the financial system.

### 2.2 PROMOTING FINANCIAL INCLUSION

Financial inclusion is a crucial element that is aligned with the goals outlined in the Economic Modernization Vision of the Kingdom, and other national development objectives. Financial inclusion aims to leverage comprehensive financial services to stimulate economic activity, especially among financially excluded groups, by 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 gained paramount significance amid recent events affecting countries, institutions, and households, as well as arising challenges that need to be addressed by decision-makers at the national, regional, and international levels. This is including recurring financial crises affecting low-income segments, climate change and its impact on rural communities, and international wars and their implications on increasing prices and volatility in energy prices, which negatively affects the business and industrial sector. Therefore, the CBJ has prioritized 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 achieving economic and social development by enabling all segments of society, individuals and businesses, to access appropriate and affordable financial services and products, such as payment and transfers, finance, savings, and insurance services through formal financial institutions, in a way that meets their needs and helps them improving their living standards in a safe and sustainable manner, the CBJ launched the second NFIS (2023-2028) in March 2024. The new NFIS serves as a roadmap to promote financial inclusion in the Kingdom, which ensures the efficient allocation of possible resources to achieve economic growth and sustainable development, and enable financially excluded groups to engage 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 services sector, and supporting the Kingdom's efforts to achieve the United Nations' 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 achieving economic and social development in the Kingdom.”**

In last 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 fostered a shared understanding and coordination, and brought all initiatives and efforts across the Kingdom under a single umbrella. This ensures the achievement of the desired objectives 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 role in society and to participate effectively in achieving the economic growth. 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 main pillars: finance, savings, insurance, and payment and transfers. Savings was added as a main pillar in the strategy to enhance savings products that help financial consumers in proper financial planning and motivate the use of savings products to improve living standards and utilize available financial resources efficiently and in a responsible manner. Furthermore, the inclusion of the insurance sector as a new pillar in the strategy stems from 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 an effective and sustainable use of financial services and products, including: financial consumer empowerment and market conduct, FinTech and innovation, data and research, regulatory and legal frameworks, and institutional coordination and commitment.

### 2.2.1.2 NATIONAL GOALS

1. Increase the account ownership of individuals and MSMEs in formal financial institutions.
2. Increase the use of different financial products and services offered by formal financial institutions by individuals and MSMEs, including finance, savings, payments and transfers, and insurance.
3. Improve the quality of financial services and products for consumers, and empower these consumers through acting appropriately to enhance financial consumer protection and build financial capacity.

### 2.2.1.3 NFIS (2023-2028) ACTION PLANS

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 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).

### 2.2.2 SMEs

The SMEs are cornerstones in most economies worldwide, and one of the most 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 future crises.

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. To support the SMEs 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 for the SMEs sector, at competitive interest rates and suitable tenors. The funds transferred to Jordan amounted to USD 320 million, which were provided as loans to more than 24 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 27 thousand jobs; the CBJ intends to withdraw remaining amounts in the next coming three years. 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 SMEs; the CBJ supports and facilitates banks' access to the credit line. Furthermore, the EBRD has signed USD 90 million agreements with three banks.

In 2024, 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 provide financing to specialized lending institutions and the Jordan Loan Guarantee Corporation (JLGC) as follows:

1. **The CBJ's program of financing and supporting economic sectors (medium term advances program):** in 2024, the total financing provided under this program reached to JD 450.3 million; 663 projects have benefited from these loans, and contributed to create 2,141 jobs. These loans were provided mainly to the manufacturing sector accounting for 56.5% of the total financing provided for projects in the program in 2024, followed by the tourism sector, which accounted for 12.3%, the exporting sector 6.9%, the agriculture sector 6.0%, and 18.3% for remaining eligible projects in the program. The total outstanding financing reached to JD 2,137 million as of end 2024, benefiting 2,986
- projects, and contributed to create 17,652 jobs. Meanwhile, the outstanding balance of advances provided reached to JD 969.3 million as of end 2024, accounting for 69.2% of the program limit of JD 1.4 billion.
2. **The National Self-Employment Program "INHAD":** the financing provided under the program reached to JD 0.793 million in 2024, provided to 10 projects, and contributed to create 66 jobs. The total financing provided since the initiation of the program in 2019 reached to JD 10.2 million as of end 2024, provided to 290 projects, and contributed to create 949 jobs. The outstanding balance of extended loans reached to JD 5 million as of end 2024
3. **Financing provided to the Agricultural Credit Corporation:** the financing provided to the corporation in 2024 reached to JD 21.5 million, bringing the total financing provided to the corporation to JD 114 million, accounting for 99% of the financing limit allocated for the corporation of JD 115 million.
4. **Financing provided to the JLGC:** in 2024, 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 2024 (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). Therefore, the outstanding balance of the CBJ's advances provided to all banks, specialized lending institutions, and the JLGC reached to JD 1,756.2 million at the end of 2024 (including the outstanding loans extended within the CBJ's program to support SMEs to withstand the COVID-19 pandemic in the amount of JD 117.9 million; the program was terminated in April 2023), compared to JD 1,709.9 million at the end of 2023, increasing by JD 46.3 million (2.7%).

### 2.2.3 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, 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 to license finance companies, whereby all companies carrying out any of the financing activities stipulated in the Bylaw are subject to the CBJ's supervision. In addition, the Bylaw allows the outstanding finance companies to fulfill licensing requirements by 30/5/2024 according to the Bylaw's provisions. In this regard, the following actions were undertaken:

- According to article (20/ b) of the Finance Companies Bylaw No. (107) of 2021, the CBJ has extended the period of fulfilling licensing requirements (not applied for MFIs) until 12/1/2025.
- Based on the feedback and continuous follow up of the impact of the legislations during the compliance period, some amendments to the provisions of the Bylaw were required, which would lead to strengthening the legislative framework for the finance sector and improving the competitiveness of the sector. Accordingly, an amended Bylaw for finance companies was drafted, aiming at strengthening and improving the regulatory framework for finance companies. In its session held on 30/11/2024, the Cabinet decided to approve the amended Bylaw for finance companies in line with the amendments outlined in the economic modernization vision with regard to financing projects and creating jobs. The amendments aim to govern the business of finance companies, and strengthen the legislative framework governing these companies. The amended Bylaw No. (111) of 2024 was published in the Gazette on 31/12/2024.
- The deadline for fulfilling licensing

requirements for specialized finance companies and lending-based crowdfunding companies has been extended in accordance with the provisions of the Finance Companies Bylaw No. (107) of 2021, and its amendments to end on 13/7/2025, pursuant to Circular No. (28/2/560) dated 12/1/2025. Therefore, the CBJ has extended the deadline twice consecutively, in order to allow existing companies to fulfill the requirements of licensing, thereby ensuring their legal positions and protecting the rights of their clients.

- In 2024, 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. A number of these applications are currently being verified in terms of submitting complete documents and their consistency with the requirements of the Finance Companies Bylaw No. (107) of 2024 and its amendments. Up to this date, the CBJ's Board of Directors approved the licensing of (9) specialized finance companies to practice financial leasing.
- Coordinating with the Ministry of Industry, Trade and Supply regarding the procedures related to implementing the provisions of the Finance Companies Bylaw No. (107) of 2021. This involves requesting existing finance companies which objectives include practicing any of the activities stipulated in the Finance Companies Bylaw as a "financing activity" to fulfill the licensing requirements, and the Ministry shall take the necessary procedures thereto.

With regard to the microfinance sector, which joined the formal financial system in 2018, it comprises of (9) licensed MFIs (one of which is under liquidation currently). 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 boards,

strengthening the internal control and risk management systems, and enhancing the financial consumer protection according to international best practices and guidelines. In addition, Circular No. (28/1/2408) dated 30/1/2025 disseminated the forms and reports designated for MFIs' "Social Performance Indicators" to MFIs, as data must be collected at the beginning of 2025.

Furthermore, the financial indicators of the microfinance sector for 2024 was published on the CBJ's website.

#### 2.2.4 FINANCIAL CAPABILITIES AND FINANCIAL EDUCATION

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 capability 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 to 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 that target 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 7<sup>th</sup> grade curriculum in 2015/2016, for the 8<sup>th</sup> and 11<sup>th</sup> grades curricula

in 2016/2017, for the 9<sup>th</sup> and 12<sup>th</sup> grades curricula in 2017/2018, and for the 10<sup>th</sup> 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 education through media.
- c- Financial education for startups.
- d- Financial education at workplaces.
- e- Financial education for women and rural areas.
- 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 that included 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 education curriculum, set criteria for teaching it, and identify relevant performance indicators. The committee has completed its work, and the special framework was approved in June 2024. Afterwards, the National Center for Curriculum Development formed a specialized working group to develop new financial literacy curricula for all targeted grades.

#### 2.2.5 FINANCIAL CONSUMER PROTECTION

To extend the CBJ's endeavors to strengthen the financial consumer protection scheme in Jordan, which ensures the consumers being treated fairly and transparently by banks and financial institutions, and 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 making informed financial decisions, the CBJ has enacted a number of legislations, mainly the following:

- Issuing Financial Consumer Protection Instructions for the Banking Sector No. (14/2024), which were formulated and enacted to ensure implementing the principles of financial consumer protection and keeping pace with all the developments and updates in the banking sector in the Kingdom, in line with the practices of central banks and leading international institutions. The instructions set a clearer and more detailed framework and controls to regulate the relationship between banks and customers, and define banks' responsibilities and duties to ensure the protection of customers' rights.
- A statement was issued to warn citizens about dealing with companies promoting their services through social media, which allege opportunities to unreasonably double cash within a short period of time, and falsely claiming to be licensed and holding deposits at the CBJ. Another statement was issued to warn citizens against interacting with any suspicious links or communications requesting personal or financial details to update their e-wallets or conducting any financial transfers. Furthermore, a statement was issued to warn citizens to avoid dealing with any unlicensed institutions that allege to offer fake loans or facilitate access to loans from banks and financial institutions, to avoid exposure to financial scams.
- A circular was issued to all banks and financial institutions under the CBJ's supervision and oversight to conduct financial awareness and education activities. These activities shall focus on key topics important to financial consumers, using different tools and channels that suit all segments of society in all governorates of the Kingdom, providing that banks must differentiate between marketing for products and services and financial education. The circular also requires banks and financial institutions to furnish the CBJ annually with all activities

implemented, using a form designated for this purpose.

**As for studies**, the financial consumer protection department at the CBJ conducted the following studies:

- An online survey was carried out for the third year in a row, to conduct a market study to assess the satisfaction of consumers with disabilities and the holders of basic bank account, regarding the financial services and products provided to them.
- Conduct an online survey for the fourth year in a row to gauge the financial health of individuals 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 and improve the resilience to withstand any financial crises and to recover from these crises. The survey results were published on the CBJ's website.
- Conduct a study on the consumer-centric approach by sending an online assessment to all licensed financial and banking service providers (excluding exchange companies), to determine whether the financial and banking services and products are provided according to a thorough understanding of consumer needs, preferences, and behavior.

**As for supervision**, in 2024 the department conducted several inspection visits (off-site and on-site) on banks and non-banking financial institutions as follows:

- **Off-site supervision:** review and monitor the websites and advertisements of banks, all e-payments and money transfer companies and MFIs to ensure their compliance with the provisions of the financial consumer protection instructions in force.
- **On-site supervision:** a number of visits

were conducted on banks, exchange companies, and e-payments and money transfer to assess their compliance with the provisions of effective instructions of financial consumer protection. Furthermore, mystery shopping visits were conducted on a number of bank branches and exchange companies to assess their readiness to deal with customers, and the employees' knowledge about the products and services offered, as well as the disclosure of commissions, fees, and relevant details.

**With regard to promoting financial awareness and literacy, the following was conducted:**

- Roll out several campaigns in cooperation with external stakeholders dedicated for raising financial awareness and literacy of different segments of society (women, children, youth, persons with disabilities, elderly, and military personnel) in all governorates, on several occasions. This is expected to reflect on their financial literacy, help them learn sound financial behaviors, and assist them to build sound financial health in the future.
- Design tools oriented to each segment of society and cover priority topics, including warning against dealing with unlicensed institutions and the safe use of e-wallets, in addition to distributing various publications in several campaigns implemented, some of which were published on the CBJ's website and its official pages on social media platforms.

**With regard to complaints handling,** the complaints handling division at the financial consumer protection department has handled all complaints submitted to the CBJ from the clients of banks and non-banking financial institutions, according to the instructions in force. In addition, clients' inquiries submitted to the central bank through all available channels were answered.

Furthermore, in light of increasing financial scams via clients' accounts, the division examined and addressed the cases received; customers were compensated and refunds were made to their accounts.

**With respect to reports,** the financial consumer protection department issued the report of clients' complaints against banks and non-banking financial institutions for 2023 and the first half of 2024; these reports were submitted to banks and non-banking financial institutions. Furthermore, the department also issued the financial consumer protection of 2023.

**As for monitoring unsafe market practices,** several ads on social media (Facebook, Instagram) were monitored as they allege to unreasonably double cash within a short period of time, and falsely claim that they are licensed and holding deposits at the CBJ; these practices were reported to the Public Security Directorate and the Anti-Cyber Crimes Unit to take necessary actions.

## 2.2.6 INFRASTRUCTURE REQUIRED TO PROMOTE FINANCIAL INCLUSION

### 2.2.6.1 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:

	2023		2024	
	Number (thousand)	Value (million )	Number (thousand)	Value (million )
JD	462	74,852	493	68,341
USD	40	53,567	46	54,783
Euro	4	1,952	5	1,909
GBP	0.6	354	0.7	497
Secondary Market Transactions (Number)	7,264 transactions		7,110 transactions	
Secondary Market Transactions (Value)	JD 3,568 million		JD 1,880 million	

On 29/10/2024, the CBJ launched the Unified Government Payment Interface (UGPI-JO), which aims to automate inward transfers from the government clients. This is to reduce the risks associated with paper-based transfers and

contributes to the digital transformation of government payments. The system also enables faster, more secure, efficient, and effective execution of transfers by connecting them to the existing payment system in the Kingdom. This will enhance customer satisfaction and improve quality of e-banking services provided to the government clients.

The Ministry of Justice was the first ministry to sign the electronic connectivity agreement with the CBJ's UGPI. This allows for the execution of financial transfers issued by courts and enforcement departments in three hours at maximum, starting from the time the transfer is being sent from the court to the beneficiaries' accounts via IBAN; it is free of charge and fees. The number of transfers processed through the system since its launch until the end of 2024 reached (4,390) transfers, with a total value of JD (8,623,593.588).

In 2024, the CBJ continued to provide digital banking services to its clients of ministries and governmental institutions and departments through the (E-Banking) system. In 2024, the system allowed the clients to use the inquiry service to check their accounts balances, and to obtain bank statements and notices. The CBJ also provided banking services to its clients.

#### 2.2.6.2 CREDIT BUREAU

CRIF-Jordan 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 of information providers included. CRIF signed agreements with around (68) providers as of end 2024, (20) banks, (13) financial leasing companies, (8) MFIs, (5) telecommunication companies, and (22) companies from other sectors. Credit providers can use the credit inquiry service.

- CRIF mainly provides the credit inquiry service, which was enhanced markedly since its launch in 2016; the total number of inquiries for all sectors amounted to around (1,824) thousand as of end 2024, 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 services. Furthermore, CRIF provides credit reports through digital channels, which are available through a number of banks applications.

## 2.3 ENHANCING GREEN FINANCE AND CLIMATE CHANGE RISK MANAGEMENT

On 13/11/2023, the CBJ launched the Green Finance Strategy (2023-2028), which complements the CBJ's endeavors to confront the climate change risks and to keep abreast with latest practices in green finance, which is directed towards climate 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 formulation of this strategy in coordination and partnership with the banking and financial sector as well as relevant stakeholders in the public and private sectors. This strategy is intended to include 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.

This strategy serves as a road map to enable the CBJ and the banking and financial sector to mobilize green finance and mitigate the risks of climate change. The vision of this strategy is to transform the banking and financial sector in Jordan into a leading force in green finance and enhance its resilience and adaptation to environmental and climate-related risks, while also enabling Jordan to become a regional leader in sustainable finance.

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, alongside enabling banks and financial institutions to mobilize green finance. The strategy encompasses three overarching objectives: (a) 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 will achieve these objectives through a number of intermediate results, including: (a) coleading the development of the National Green Taxonomy, (b) conducting the first comprehensive climate risk assessment (CRA) for the financial sector in Jordan, (c) implementing a comprehensive capacity-building program, and (d) issuing supervisory guidelines and regulations that help in supporting the efforts of banks and financial institutions to integrate climate-related considerations into their governance structures, risk management frameworks, and introducing green finance products and services.

Furthermore, during the period 2023-2025, several of the intermediate objectives and outcomes mentioned above were achieved. The CBJ implemented a number of capacity-building programs in green finance and climate risk management. In addition, on 18/2/2025, the first instructions entitled "Climate Risk Management", were enacted to banks operating in the Kingdom. These instructions aim to set guidelines for effective climate risk management at banks. They are based on the Basel Committee's principles for the effective management and supervision of climate-related financial risks, which shall constitute an integral part of corporate governance, business models, and risk management strategies adopted by banks.

Several other intermediate objectives and outcomes are in the process of being implemented, such as finalizing the first climate risk assessment to evaluate its impact on banks and financial institutions, developing the national green taxonomy, and issuing regulatory instructions related to the provision of green finance products and enacting instructions for climate-related financial reporting and disclosures.

## **2.4 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 effective laws, bylaws, regulations, and banking practices, and the requirements of sound banking, monetary and financial stability. In 2024, the CBJ 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 robust banking and financial industry, as follows:

### **2.4.1 LAWS AND BYLAWS**

#### **2.4.1.1 BANKS LICENSING FEES BYLAW**

This Bylaw shall be called (the Banks Licensing Fees bylaw) No. (38) of 2024, issued pursuant to Article (13) of the Banking Law No. (28) of 2000. It stipulates that the CBJ shall collect the following fees when licensing banks: (1) a non-refundable fee of JD 50,000 paid for the application for licensing upon submitting the application. (2) a fee of JD 5 million upon granting the final licensing, paid as determined by the CBJ.

The Bylaw also stipulates that the CBJ shall collect an annual fee from each bank before the end of February each year, which shall be credited to the bank's account with the CBJ. This Bylaw repeals the Banks Licensing Fees Bylaw No. (121) of 2004.

#### 2.4.1.2 AMENDED FINANCE COMPANIES BYLAW

This Bylaw shall be called (Amended Bylaw for Finance Companies Bylaw of 2024) No. (111), whereby, certain articles stipulated in the Bylaw No. (107) of 2021 were amended. The Cabinet decided to approve the amended Bylaw for finance companies in its session held on 30/11/2024, and it shall enter into force from the date of its publication in the Gazette on 31/12/2024.

#### 2.4.1.3 BYLAWS FOR INSURANCE COMPANIES

In 2024, several bylaws related to the supervision on insurance companies were enacted, mainly the following:

- A Bylaw No. (24) of 2024 repealing the minimum capital requirement for insurance and reinsurance companies, issued pursuant to Article (110) of the Insurance Regulatory Law No. (12) of 2021.
- Amended Bylaw of Insurance Companies Deposit Bylaw No. (25) of 2024.
- The Jordan Insurance Federation Bylaw No. (26) of 2024, issued pursuant to Paragraph (c) of Article (93) of the Insurance Regulatory Law No. (12) of 2021.
- The Unified Office for Compulsory Motor Insurance Bylaw No. (51) of 2024, issued pursuant to Paragraph (b) of Article (94) and Paragraph (a) of Article (109) of the Insurance Regulatory Law No. (12) of 2021.
- The Compulsory Motor Insurance Bylaw No. (52) of 2024, issued pursuant to Article (98) and Paragraph (a) of Article (109) of the Insurance Regulatory Law No. (12) of 2021.
- Policyholders and Insurance Beneficiaries Guarantee Fund Bylaw No. (53) of 2024, issued pursuant to Articles (79) and (81) and Paragraph (a) of Article (109) of the Insurance Regulatory Law No. (12) of 2021.

## 2.4.2 INSTRUCTIONS

### 2.4.2.1 THE INSTRUCTIONS FOR THE CRITERIA AND REQUIREMENTS OF CHARTERED ACCOUNTANTS

The Instructions for the Criteria and Conditions of Chartered Accountants (auditing licensed exchange companies) **No. (3/ 2024)** were enacted on 23/1/2024 according to the CBJ's Board decision No. (9/2024) dated 14/1/2024, pursuant to article (4/b/4) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments, and Article (23/a) of the Money Exchange Business Law No. (44) of 2015. These instructions are effective as of 23/1/2024.

According to these instructions, the exchange companies must put in place a policy for the external audit, which must be approved by the highest governing authority in the company. The instructions stipulate the minimum criteria and requirements for the audit team and the firm, taking into account the International Standards on Auditing and Quality Control Standards. The instructions require the rotation of the external audit firm at least every (7) years, as well as the independence and objectivity of the partner and the audit team throughout the contract period. The main duties of the partner were determined as well. The provisions of these instructions must be implemented taking into account the existing contractual obligations between exchange companies and chartered accountants.

### 2.4.2.2 INSTRUCTIONS FOR CLASSIFYING CREDIT EXPOSURES AND CALCULATING IMPAIRMENT PROVISIONS

The Instructions for Classifying Credit Exposures and Calculating Impairment Provisions **No. (8/2024)** were enacted on 30/6/2024 pursuant to the provisions of Article (32/e), Article (42/a/2 and 3), Article (61) and Article (99/ b) of the Banking Law No. (28) of 2000 and its amendments; these instructions entered into force on 1/1/2025.

These instructions aim to set a framework for classifying banks' credit exposures and hedging against credit risks in accordance with Basel Committee standards and international best practices.

These instructions complement the requirements of applicable accounting standards in classifying credit exposures and hedging against expected credit losses. They enhance the consistency in the criteria used to determine high-risk and non-performing credit exposures across banks operating in the Kingdom, for prudential purposes.

According to these instructions, credit exposures are classified into the following categories: standard exposures (performing), special mention exposures (performing), and non-performing exposures. The instructions also clarified the amendments of the contractual contracts with the clients due to financial difficulties, outlined the terms and conditions for transfers between credit exposures rating categories and probationary periods, explained the calculation of impairment provisions, and detailed the provisions for excluding credit exposures from the statement of financial position.

Effective on 1/1/2025, these instructions repeal the instructions for classification of credit facilities and calculating impairment provisions and the general banking risk reserve, No. (47/2009) dated 10/12/2009, and Circular No. (10/1/11084) dated 27/8/2018.

#### 2.4.2.3 INSTRUCTIONS OF NET STABLE FUNDING RATIO (NSFR)

The Instructions of Net Stable Funding Ratio **No. (10/2024)** were enacted on 15/9/2024, pursuant to the provisions of Article (99/b) of the Banking Law No. (28) of 2000 and its amendments. These instructions complement the implementation of Basel III reforms, which aim to strengthen liquidity risk management at banks; they shall be effective on 1/10/2024.

These instructions require banks to maintain a stable funding commensurate with the composition of their on-balance sheet assets and off-balance sheet activities. This ratio aims to enhance liquidity risk management at banks by reducing the reliance on unstable short-term funds, thereby mitigating liquidity risks arising from using these funds other than retail customers to finance their assets. This shall strengthen banks' ability to respond to liquidity shocks when they occur.

The (NSFR) is defined as the ratio of total available stable funding to total required stable funding. The instructions also stipulated that banks in all cases must maintain an NSFR not less than (100%) in all currencies, at all levels (consolidated, Jordan branches and branches abroad, and Jordan branches).

Furthermore, the instructions define the total available stable funding and the available stable funding coefficient required for stable funding sources; funding sources are weighted by available stable funding coefficient ranging from (0%) to (100%). The instructions also determine the required stable funding for assets and off-balance sheet exposures, including pledged assets, financing transactions with collaterals, and calculation of derivatives on the asset sides and the assets with a required stable funding coefficient ranging from (0%) to (100%).

These instructions repeal the Instructions for Liquidity Based on the Maturity Ladder No. (41/2008) dated 23/6/2008, and the Instructions for Liquidity Based on Maturity Ladder for Islamic Banks No. (43/2008) dated 31/8/2008.

#### 2.4.2.4 THE INSTRUCTIONS OF FINANCIAL CONSUMER PROTECTION FOR BANKS

The Instructions of Financial Consumer Protection for Banks **No. (14/2024)** were enacted on 26/9/2024, pursuant to the provisions of Articles (4/b), (43/ b), and (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments, and Articles (44) and (99/b) of the Banking Law No. (28) of 2000 and its amendments; these instructions apply to all banks operating in the Kingdom after (90) days form their publication in the Gazette.

These instructions put in place a clear legislative framework and controls to regulate the relationship between banks and customers, define the responsibilities and duties of banks, and ensure the adherence to international principles of financial consumer protection. These principles include: fair treatment of customers, disclosure and transparency, protection and privacy of customer data and information, responsible pricing, appropriate design and delivery of banking services,

responsible lending and prevention of excessive indebtedness, and raising financial awareness, education, and capacity building. Any instructions or circulars contradict with the provisions of these instructions are repealed.

Furthermore, amended instructions for the Financial Consumer Protection Instructions for the Banking Sector of 2025 were enacted, whereby certain articles stipulated in Instructions No. (14/2024) were amended.

#### 2.4.2.5 THE INSTRUCTIONS FOR CONTROLS ON ADVERTISING OF PRODUCTS, SERVICES, AND PRIZES OFFERED BY FINANCIAL AND BANKING SERVICES PROVIDERS

The Instructions for Controls on Advertising of Products, Services, and Prizes Offered by Financial and Banking Services Providers **No. (1/2025)** were enacted on 20/1/2025, pursuant to the provisions of Articles (4/b/13) and (65/b) of the Central Bank of Jordan Law No. (23) of 1971 and its amendments. These instructions aim to strengthen the principles of the financial consumer protection, in particular the principles of disclosure and transparency, and the appropriate design and provision of the financial and banking services. This contributes to increasing customers trust in services providers, thus, enhancing financial inclusion in the Kingdom.

These instructions outline the terms and conditions of advertising for products, services, or prizes, as well as prohibited practices related to advertising products, services, and prizes offered by financial and banking services providers. They also address matters related to removing expired advertisements, client notification, and the penalties and fines for breaching the provisions of these instructions.

#### 2.4.2.6 THE CLIMATE RISK MANAGEMENT INSTRUCTIONS

The Climate Risk Management Instructions **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 instructions aim at setting guidelines for effective climate risk management in banks operating in the Kingdom. In addition, these instructions 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 the corporate governance, business models, and risk management strategies of banks. These instructions are effective from the date of their issuance.

These instructions apply to all banks operating in the Kingdom, in proportion to the bank's size, the nature, and complexity of its operations, as well as its risk structure. The instructions outline the responsibilities of the bank's board of directors and senior executive management regarding climate risk management, and capacity building related to climate risks. They also require including climate risks in banks' business strategies, risk management strategies, internal control systems, the risk management process, and internal monitoring and reporting. This is in addition to the matters that banks must provide the CBJ within six months after the date of enacting these instructions, such as: establishing a unit, division, or a working group dedicated for climate risk management in the risk management department, as well as amending banks' risk management strategies to include climate-related financial risk management in these strategies.

#### 2.4.2.7 INSURANCE COMPANIES-RELATED INSTRUCTIONS

In 2024, the CBJ enacted several instructions related to the supervision on the insurance companies, namely:

- Instructions on Collecting the Contribution of Policyholders to the Policyholders and Beneficiaries Guarantee Fund, No. (11/2024), dated 15/9/2024.
- Instructions on the Conditions, Scope, and Duties of the External Auditor of Insurance Companies No. (15/2024), dated 7/10/2024.
- Instructions on the electronic system for

issuing compulsory insurance contracts for tenders or fleets and compulsory insurance contracts related to comprehensive insurance contracts, No. (18/2024), dated 31/12/2024.

- Instructions on the Terms and Conditions of the Traffic Accident Database, No. (19/2024), dated 31/12/2024.
- Instructions on the Duties, Responsibilities, and Functions of the Jordan Insurance Federation in Managing the Unified Insurance Office, No. (20/2024), dated 31/12/2024.
- Instructions on the Liability of Insurance Companies in Compulsory Motor Insurance, No. (21/2024), dated 31/12/2024.
- Instructions on the Basis of Determining the Subscription in Compulsory Motor Insurance, No. (22/2024), dated 31/12/2024.
- Instructions for Identifying Special Purpose Vehicles for Insurance No. (23/2024) dated 31/12/2024.
- Instructions for Refunding a Part of the Compulsory Insurance Premium in case of Contract Termination No. (24/2024) dated 31/12/2024.
- Instructions on the Basis for Collecting Premiums of the Compulsory Insurance for Non-Jordanian Vehicles No. (25/2024) dated 31/12/2024.
- Instructions for Compulsory Motor Insurance Premiums No. (26/2024) dated 31/12/2024.
- Instructions on the Basis and Procedures for Settlements and payments of Claims Resulting from Vehicle Accidents No. (27/2024) dated 31/12/2024.
- Instructions for the Accounting Policies and the Required Forms for Preparing and Presenting Financial Reports and Statements No. (28/2024), effective as of 26/12/2024.
- Instructions for the Basis of Calculating Underwriting No. (29/2024) dated 31/12/2024.

### 2.4.3 SUPERVISORY CIRCULARS

In 2024, and the first half of 2025, the CBJ has enacted several supervisory circulars; namely:

- Circular No. **(9/1/14747)** dated 22/8/2023, directed to exchange companies, which include a guiding manual for licensing exchange companies, and the forms designated for licensing and renewals of licenses of exchange companies, as well as temporary suspension of their operations. It also includes an annex for the minimum requirements for the location of the company. This is in light of enacting Licensing Exchange Companies Bylaw No. (39) of 2021 and its amendments, which stipulates the conditions and requirements of licensing. However, the instructions of licensing limited liability exchange companies issued pursuant to the CBJ's Board decision on 27/2/2007 and their amendments and the instructions and conditions of licensing exchange companies issued pursuant to the CBJ's Board decision on 30/7/1992 and their amendments were repealed.
- Circular No. **(23/2/3324)** dated 20/2/2024 directed to licensed banks in the Kingdom, whereby banks are requested to furnish the Financial Stability Department at the CBJ with detailed data on households' indebtedness and facilities extended by banks on a quarterly basis; maximum of two weeks after data release, beginning in the first quarter of 2024. This Circular repeals both Circulars No. (23/2/15009) dated 20/11/2016, and No. (23/2/14914) dated 3/12/2015, which are related households' indebtedness data.
- Circular No. **(9/4/9519)** dated 11/6/2024 directed to licensed exchange companies, which extends the prohibition of direct and indirect dealings or facilitating dealing with all types of virtual currencies/ assets in any form, subject to the most severe legal sanctions in case of

breaching.

- Circular No. **(17/2/11/9711)** dated 12/6/2024 directed to insurance services providers, whereby they are requested to not appoint new non-Jordanian employees unless a prior CBJ's approval is being obtained. In addition, they are required to furnish the CBJ with details about non-Jordanian employees and the justifications for having them employed, within one month after the date of this Circular.
- Circular No. **(10/1/10457)** dated 1/7/2024, directed to licensed banks in the Kingdom, regarding amending a number of clauses in the Instructions for Implementing IFRS (9) No. (13/2018), as well as amending a number of clauses in the Instructions of Applying Financial Accounting Standards Issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) No. (6/2020). This is in line with the CBJ's endeavors to keeping pace with best international practices and the Instructions for Classifying Credit Exposures and Calculating Impairment Provisions; these amendments shall enter into force as of 1/1/2025.
- Circular No. **(9/1/11187)** dated 14/7/2024, directed to licensed exchange companies in the Kingdom regarding some amendments to the Instructions of Financial Soundness Indicators and their Limits for Exchange Companies No. (13/2023), including amending the ratio of total fixed assets stipulated in Article (4) to become (25%) of paid-up capital or equity, whichever is higher, in lieu of (20%) of paid-up capital. This is in addition to amending the mechanism of calculating all ratios so that the denominator in the financial ratios stipulated in the aforementioned instructions shall be the equity or the paid-up capital, whichever is higher, rather than the paid-up capital, with the exception of

the liquidity indicator referred to in Article (3) of these instructions. Article (5) is also amended to become as follows: "Subject to the provisions of Article (4), the total assets- with the exception of assets recognized in accordance with the provisions of IFRS (16)/ Leases- shall not exceed at any time (5) times the paid-up capital or equity, whichever is higher; the ratio shall be calculated in accordance with Statement No. (3). These amendments shall enter into force as of the data of July/2024.

- Circular No. **(3/2/11294)** dated 14/7/2024, directed to licensed banks in the Kingdom, whereby the ceilings on Intraday Lending Facility (ILF) becomes the size of each banks' assets of acceptable collaterals for this purpose. This reflects the CBJ's keenness on enabling banks to manage their liquidity efficiently and effectively, in line with best international practices. This decision shall be effective as of its date.
- Circular No. **(10/2/15226)** dated 22/9/2024, directed to licensed Jordanian banks in the Kingdom regarding gender diversity in the composition of banks' boards of directors. Each bank must commit to include not less than (20%) of the board members of women, provided that they shall meet all the membership conditions stipulated in the Banking Law No. (28) of 2000, and the Corporate Governance Instructions for Banks No. (2/2023). This Circular shall come into force as of the beginning of 2026. If any bank did not commit to the aforementioned percentage of women representation in the Board, the bank must justify and disclose it in the annual report.
- Circular No. **(10/1/17937)** dated 4/11/2024, regarding certain amendments to the clauses of the Instructions of Liquidity Coverage Ratio (LCR) No. (5/2020) dated 22/6/2020. These

- Instructions were updated in accordance with the requirements of Basel III.
- Circular No. **(23/2/18439)** dated 11/11/2024, directed to licensed banks, whereby they are requested to furnish the CBJ with financial data and indicators for the top twenty non-financial institutions borrowers for the years 2022, and 2023. Banks are also requested to proceed with submitting these financial data and indicators on annual basis, up to May each year.
  - Circular No. **(9/2/70)** dated 31/12/2024, directed to licensed exchange companies regarding appointing non-Jordanians, whereby they are requested to provide the CBJ with their data.
  - Circular No. **(9/4/14/53)** dated 2/1/2025, directed to licensed exchange companies, whereby they are required to duly furnish the CBJ with the IFRS compliant final financial statements of their companies for 2024; maximum at the end of March. Exchange companies shall fully comply to these requirements, otherwise they will be subject to the penalties stipulated in the provisions of Article (26) of the Money Exchange Business Law No. (44) of 2015.
  - Circular No. **(28/2/560)** dated 12/1/2025, directed to specialized financing companies and lending-based crowdfunding, whereby the period to fulfill licensing requirements for these companies is extended to 13/7/2025.
  - Circular No. **(10/1/2204)** dated 28/1/2025, directed to licensed banks, whereby they are required to provide the CBJ with required data regarding the Instructions of Classifying Credit Exposures and Calculating Impairment Provisions No. (8/2024). They must furnish the CBJ with these data quarterly beginning on 30/6/2025, and shall not exceed the end of the month following the financial data release.
  - Circular No. **(2/3/3311)** dated 11/2/2025, directed to licensed banks, whereby they are requested to take necessary measures and procedures at headquarters and branches to meet customers' needs of banknotes and coins in all denominations. This is part of the CBJ's keenness on meeting banks and customers' needs of Jordanian banknotes and coins. The Circular also emphasizes the need to furnish branches with coins counting machines, and maintaining sufficient inventory of these coins.
  - Circular No. **(28/2/3923)** dated 26/2/2025, directed to MFIs in the Kingdom, whereby they are requested to adhere to the Corporate Governance Instructions for MFIs No. (10/2020) dated 6/12/2020, in particular provisions of Articles (11,13,17/a). This is due to practices involving temporarily appointing employees in senior management positions for a period exceeding one month without obtaining the CBJ's prior approval when required.
  - Circular No. **(23/2/4709)** dated 11/3/2025, directed to operating banks regarding sensitivity tests and stress testing that banks must conduct for data of 31/12/2024 pursuant to the Stress Testing Instructions for Banks No. (1/2021). Banks shall submit the required results on the CBJ's forms (either on paper or electronically) in a period not exceeding the end of April 2025.
  - Circular No. **(27/3/5395)** dated 20/3/2025, directed to all operating banks in the Kingdom, whereby the prizes linked to saving accounts are allowed until the end of 2027, providing that they are offered with certain qualitative and quantitative controls. The provisions of this Circular are effective as of 1/1/2026.



## CHAPTER THREE: DEVELOPMENTS AND RISKS OF THE FINANCIAL SECTOR

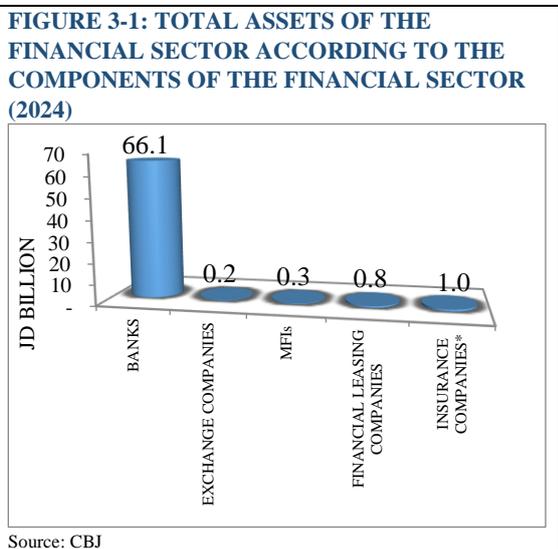
### 3.1 INTRODUCTION

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 and 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.

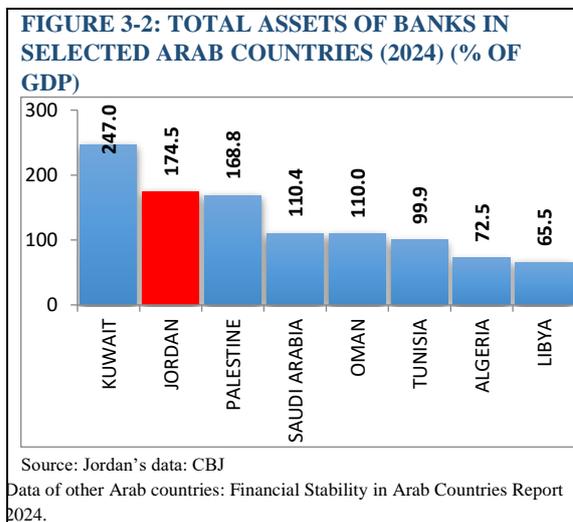
In addition, a Royal Decree was issued to pass the Insurance Regulatory Law No. (12) of 2021, published in the Gazette on 16/5/2021, whereby the CBJ is in charge of overseeing and supervising the insurance sector.

Banks dominate the financial sector in Jordan, with total assets of JD 66.1 billion, accounting for 96.6% of the financial sector’s total assets as of end 2024. (Figure 3-1).

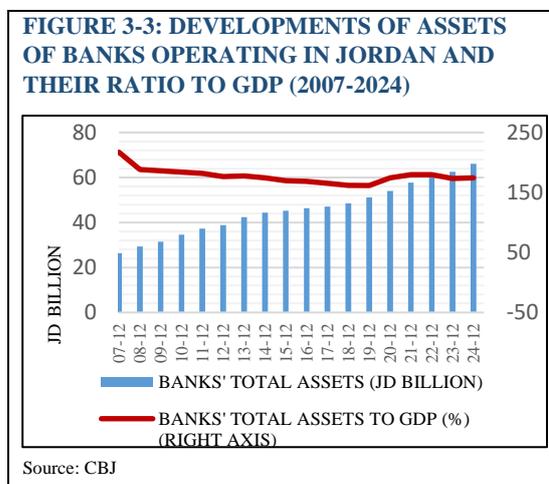


### 3.2 MAJOR DEVELOPMENTS OF THE BANKING SECTOR IN JORDAN (ASSETS AND LIABILITIES) OF BRANCHES OPERATING IN JORDAN

Assets of licensed banks reached JD 66.1 billion at the end of 2024, accounting for 174.5% of GDP, compared to 173.2% in 2023. Jordan ranked second in terms of this ratio as compared to selected Arab countries. (Figure 3-2).



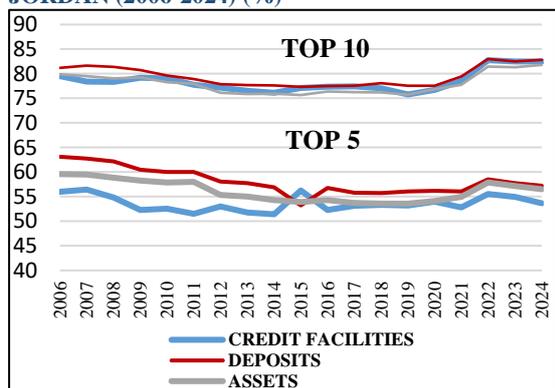
Although banks’ assets in percent of GDP increased in Jordan, they were on the decline during the period (2007-2019), as they reached to 217.2% at the end of 2007. However, they increased at the end of 2020, and then fluctuated to decline to 174.5% at the end of 2024. (Figure 3-3).



As for the market share of banks (concentration), the assets of the top five banks (out of 20 banks) accounted for 56.6% of licensed banks’ total assets at the end of 2024, compared to 59.6% at the end of 2006. However, the assets of the top

ten banks approximated 81.8% at the end of 2024, compared to 79.9% as of end 2006. (Figure 3-4).

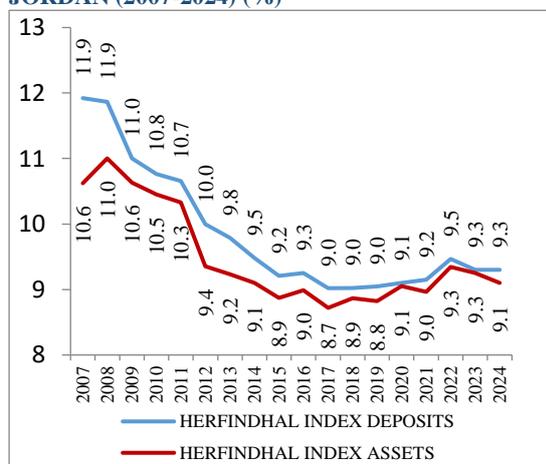
**FIGURE 3-4: THE CONCENTRATION RATIO FOR THE BANKING SECTOR OPERATING IN JORDAN (2006-2024) (%)**



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 9.1% by the end of 2024. These figures suggest that the competitiveness of the banking sector in Jordan is improving constantly, as banks are enhancing their businesses and products to boost their competitiveness. (Figure 3-5).

**FIGURE 3-5: HERFINDAHL INDEX FOR ASSETS AND DEPOSITS OF BANKS IN JORDAN (2007-2024) (%)**



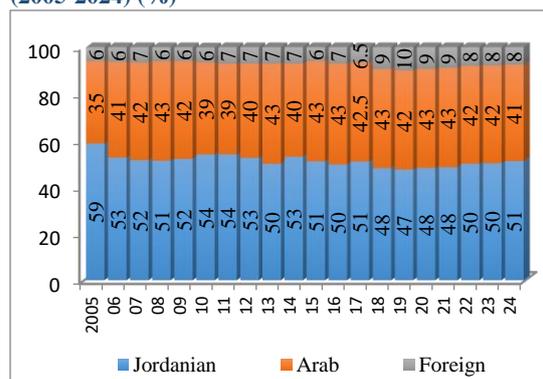
Source: CBJ

### 3.2.1 BANKS’ OWNERSHIP STRUCTURE

The share of foreigners (Arabs and Non-Arabs) in the capital of Jordanian licensed banks reached 49% at the end of 2024 compared to 50%, at the end of 2023, and 52% in 2020 and 2021. This 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 until the end of 2021, however, it declined slightly at the end of 2024 to reach 49% as mentioned previously. (Figure 3-6).

**FIGURE 3-6: OWNERSHIP STRUCTURE OF THE BANKING SECTOR OPERATING IN JORDAN (2005-2024) (%)**

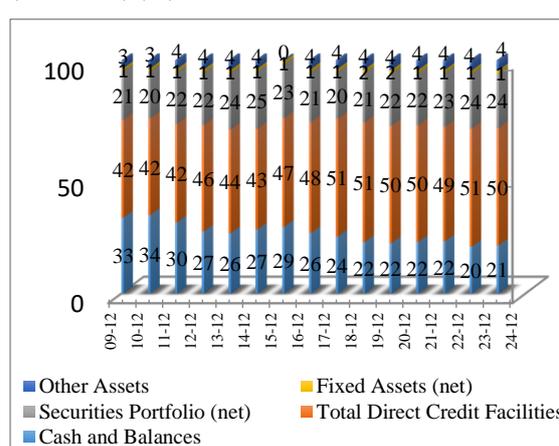


Source: CBJ

### 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 49.7% of banks’ total assets at the end of 2024, compared to 50.3% in 2023. This decline is due to the growth of credit facilities at slower rates than assets. (Figure 3-7).

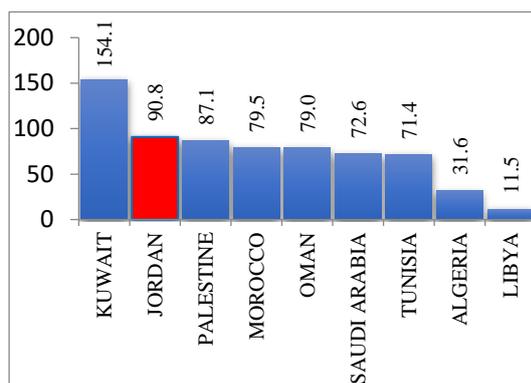
**FIGURE 3-7: ASSETS STRUCTURE OF BANKS OPERATING IN JORDAN- USES OF FUNDS (2009-2024) (%)**



Source: CBJ

Direct credit facilities grew by 4.2% at the end of 2024 to reach around JD 34.4 billion, compared to a growth of 2.5% in 2023. It is worth mentioning that total credit facilities accounted for 90.8% of GDP at the end of 2024, compared to 91.5% in 2023. In terms of this ratio, Jordan ranked second compared to a number of countries in the region following Kuwait, which validates the significant contribution of banks to the economic development in Jordan (Figure 3-8).

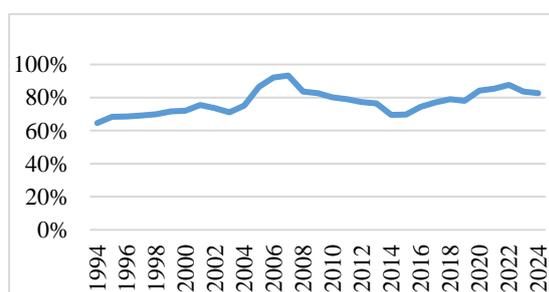
**FIGURE 3-8: CREDIT FACILITIES FOR JORDAN AND SELECTED ARAB COUNTRIES IN 2024 (% OF GDP)**



Source: Jordan's data: CBJ  
Data of other countries: Financial Stability in Arab Countries Report 2024

Credit gap analysis in Jordan revealed that, despite the increase in the ratio of credit extended to the private sector to GDP by 0.7% as compared to its historical trend, no additional capital buffers are required to be imposed on banks. According to Basel III Accord, a capital buffer shall be imposed on banks if credit growth is not proportionate with 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).

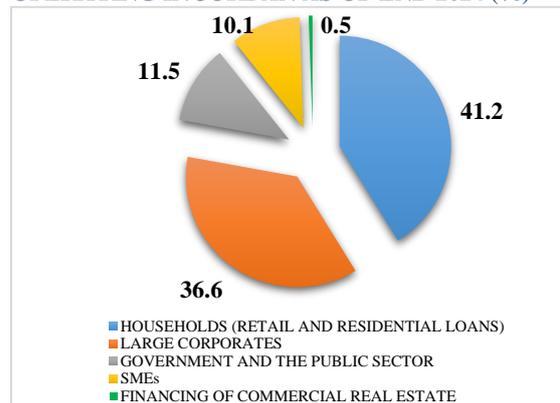
**FIGURE 3-9: CREDIT EXTENDED TO THE PRIVATE SECTOR (% GDP) (1994-2024) (%)**



Source: CBJ

With regard to the sectoral distribution of direct credit facilities as of end 2024, credit extended to households accounted for the largest share of 41.2%, followed by credit extended to corporates, which formed 36.6%. Credit extended to the government and the public sector accounted for 11.5% as of end 2024, compared to 11% at the end of 2023. Moreover, credit provided to SMEs increased to 10.1% as of end 2024, up from 9.6% at the end of 2023. However, the lowest share is for credit extended to financing commercial real estates, which accounted for 0.5% at the end of 2024. (Figure 3-10).

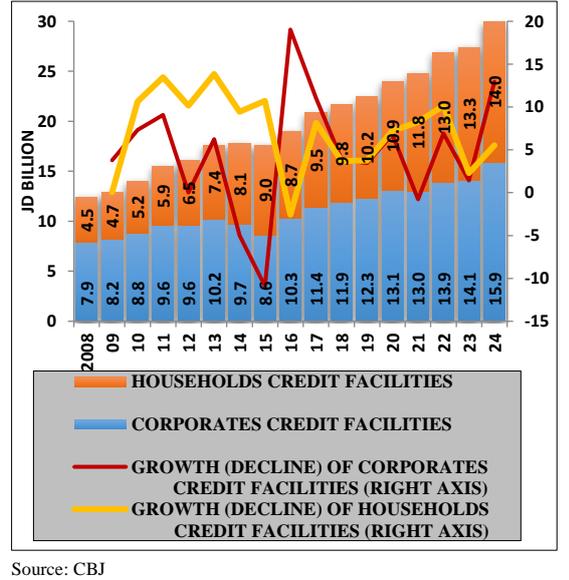
**FIGURE 3-10: SECTORAL DISTRIBUTION OF CREDIT FACILITIES EXTENDED BY BANKS OPERATING IN JORDAN AS OF END 2024 (%)**



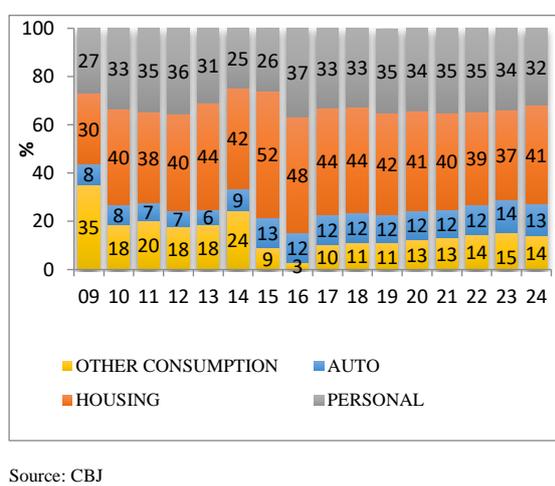
Source: CBJ

As for credit extended to households, which approximated JD 14 billion at the end of 2024; mortgages accounted for the largest share of around 40.9% of households' loans at the end of 2024, compared to 37% at the end of 2023, followed by personal loans, which formed 31.9% at the end of 2024, compared to 34.1% at the end of 2023. Furthermore, consumption loans accounted for 14.1% at the end of 2024, compared to 15.4% at the end of 2023. However, auto loans share declined from 13.5% at the end of 2023 to 13.1% at the end of 2024. In addition, credit facilities provided to corporates (large, MSMEs) increased by 13.2% at the end of 2024, to reach JD 15.9 billion, compared to 1% at the end of 2023. (Figures 3-11, 3-12).

**FIGURE 3-11: DEVELOPMENTS OF CREDIT FACILITIES EXTENDED TO HOUSEHOLDS AND CORPORATES (2008-2024) (JD BILLION)**



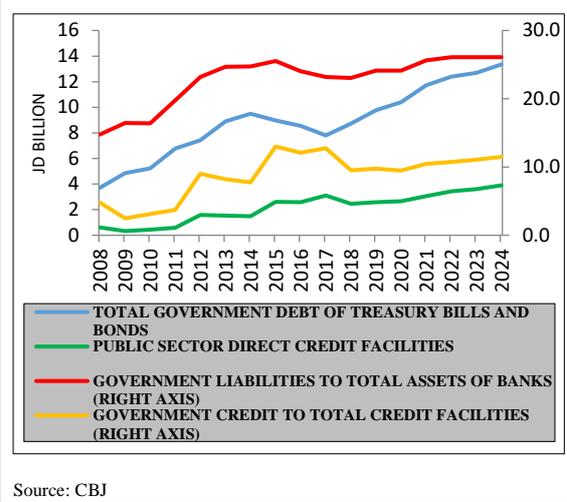
**FIGURE 3-12: CREDIT FACILITIES EXTENDED TO HOUSEHOLDS (2009-2024) (%)**



With regard to banks' exposure to government debt, in terms of investments in government bonds or providing government-guaranteed loans to certain public institutions, the government debt held by banks reached around JD 17.2 billion (accounting for 26.1% of banks' total assets) at the end of 2024, compared to JD 16.3 billion (accounting for 26.1% of banks' total assets) at the end of 2023. The increase in government debt was mainly due to the increase in government bonds from JD 12.7 billion in 2023 to JD 13.3 billion in 2024. It is worth mentioning that, government debt owed to banks as of end 2024

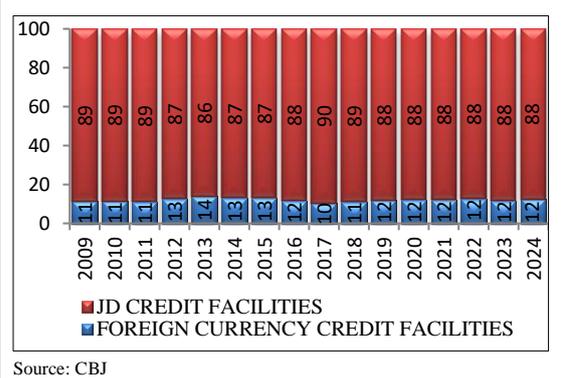
consists of JD 13.3 billion of government bonds, and JD 3.9 billion of credit facilities. (Figure 3-13)

**FIGURE 3-13: BANKS EXPOSURE TO JORDAN'S GOVERNMENT DEBT (2008-2024)**



As for credit facilities according to currency, they are primarily denominated in JD, which maintained its level of 88% of total credit facilities during the period (2019-2024). (Figure 3-14).

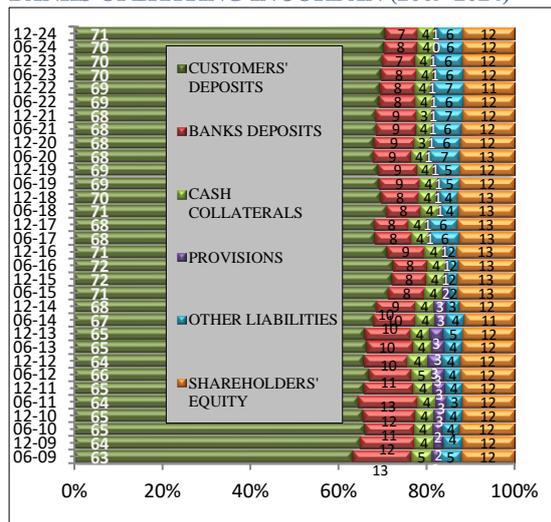
**FIGURE 3-14: CREDIT FACILITIES EXTENDED BY BANKS OPERATING IN JORDAN ACCORDING TO CURRENCY (2009-2024) (%)**



### 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 70.6% as of end 2024, compared to 70% at the end of 2023. (Figure 3-15).

**FIGURE 3-15: LIABILITIES STRUCTURE OF BANKS OPERATING IN JORDAN (2009-2024)**



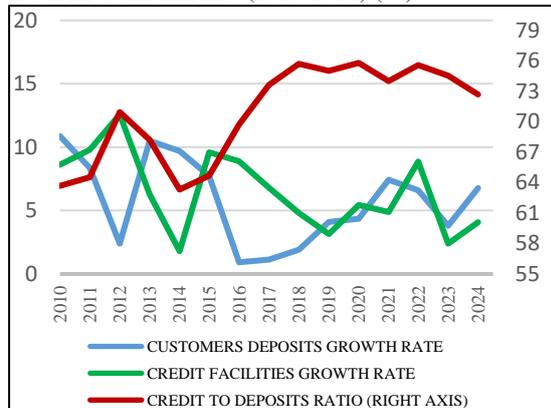
Source: CBJ

The second main source of funding is shareholders' equity, which increased from JD 7.4 billion at the end of 2023, to reach JD 7.7 billion at the end of 2024, accounting for 11.7% of total sources of funds.

Deposits of banks are the third source; which declined slightly from 7.5% of total deposits at the end of 2023, to 7.4% at the end of 2024.

Customers' deposits in the banking sector, increased by 6.8% in 2024, compared to 3.8% in 2023, to reach around JD 46.7 billion. The ratio of credit facilities to deposits at the banking system in Jordan declined from 74.6% at the end of 2023, to reach 72.7% at the end of 2024. (Figure 3-16).

**FIGURE 3-16: DEPOSITS AND CREDIT FACILITIES GROWTH RATES, AND CREDIT TO DEPOSIT RATIO (2010-2024) (%)**

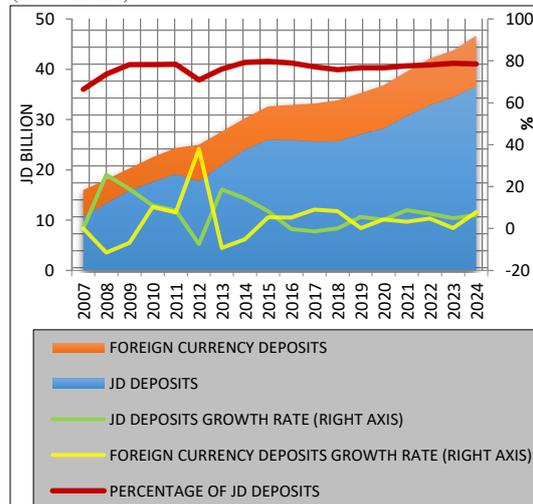


Source: CBJ

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 Jordan in 2012. Nevertheless, in 2013, 2014, and 2015, and due to the improving economic conditions, as 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 (2019-2024) to record 78.6% as of end 2024. 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 (2007-2024)**



Source: CBJ

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

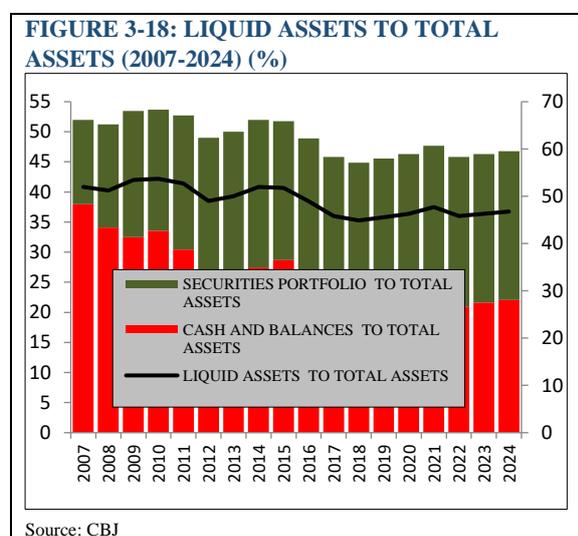
Despite the unprecedented adversities that hit Jordan and the world due to the ramifications of COVID-19 pandemic, the Russian-Ukrainian crisis, and the war on Gaza; the financial and administrative positions of the banking sector in Jordan were broadly sound and resilient. In 2024, most financial indicators and ratios of the banking sector showed a remarkable improvement, supported by the gradual recovery

from the implications of COVID-19 pandemic and the following crises. The main developments of banks' financial ratios and indicators are indicated below:

### 3.2.4.1 LIQUIDITY

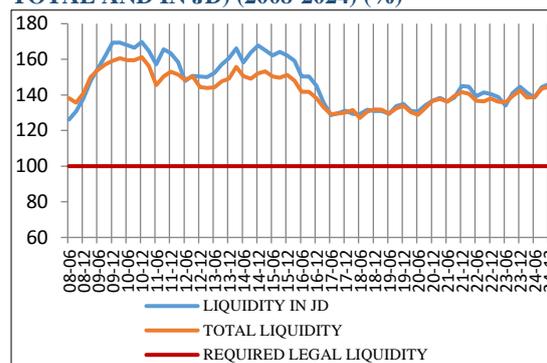
The banking sector in Jordan enjoys a safe liquidity position; the liquidity indicators at the end of 2024 evidenced that the liquidity position of banks is adequate and safe. The cash and balances accounted for 22% of total assets at the end of 2024, compared to 21.6% at the end of 2023, while the share of securities portfolio (highly liquid) to total assets reached to 24.8% at the end of 2024, compared to 24.7% at the end of 2023.

Accordingly, high-liquid assets accounted for around 46.8% of total assets at the end of 2024, compared to 46.3% at the end of 2023 (Figure 3-18).



The total legal liquidity ratio imposed by the CBJ on banks increased from 142.5% at the end of 2023, to 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) (2008-2024) (%)



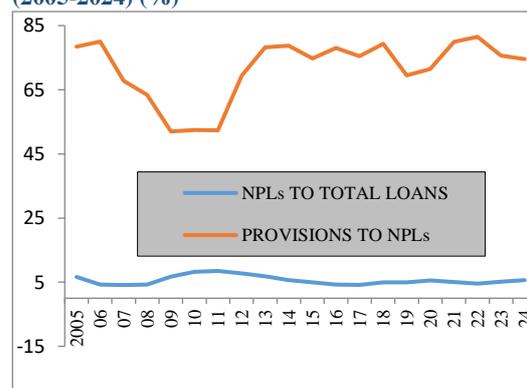
The Liquidity Coverage Ratio (LCR) also increased at the end of 2024 to reach 252.3%, compared to 243.9% at the end of 2023; the CBJ's minimum requirement of LCR is 100%.

### 3.2.4.2 QUALITY OF ASSETS

The ratio of NPLs to total loans increased slightly at the end of 2024 to reach 5.6%, compared to 5.1% at the end of 2023. However, despite the prevailing geopolitical tensions in particular the war on Gaza and the prolonged adversities of the Russian-Ukrainian crisis, the NPL increased only slightly, which validates that the quality of assets at banks in Jordan is excellent.

As for the provisions coverage ratio to NPLs, it reached to 74.5% at the end of 2024, compared to 75.6% at the end of 2023, which means that approximately 74.5% of NPLs are covered, (Figure 3-20). This indicates that provisions of banks are adequate to ward off credit risks.

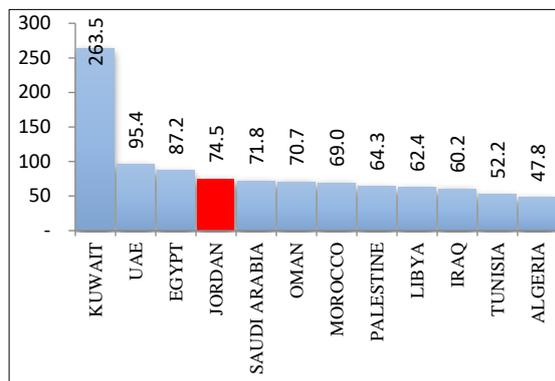
FIGURE 3-20: THE NPLs RATIO AND THE PROVISIONS COVERAGE RATIO OF NPLs (2005-2024) (%)



The banking system in Jordan ranked fourth compared to 12 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 (2024) (%)**

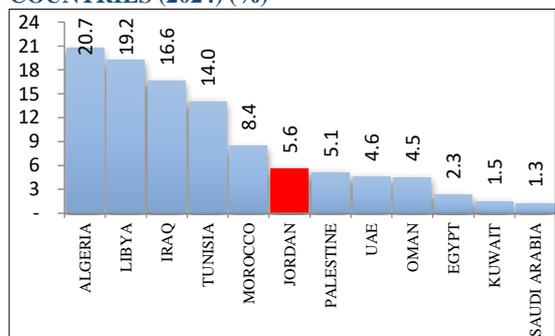


Source: Jordan's data: CBJ.  
Data of other countries: Financial Stability in Arab Countries Report 2024.

The outstanding balance of NPLs (excluding interest in suspense) at the banking system stood at JD 1,866.8 million at the end of 2024; increasing by JD 236.4 million compared to its level in 2023 of JD 1,630.4 million. Despite the increase in NPLs in numbers, the NPLs ratio to total loans increased only slightly, and 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 FOR JORDAN AND SELECTED ARAB COUNTRIES (2024) (%)**



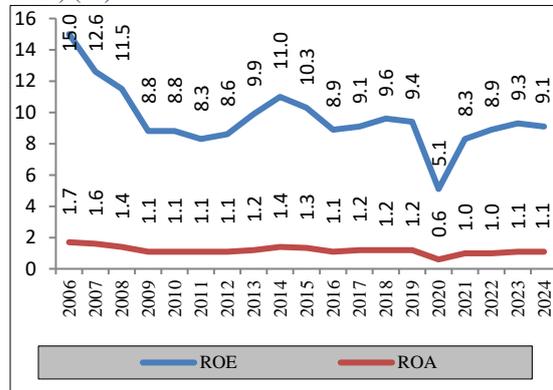
Source: Jordan's data: CBJ  
Data of other countries: Financial Stability in Arab Countries Report 2024

### 3.2.4.3 PROFITABILITY

In 2024, banks' profits improved as banks' net profits after tax reached to JD 689 million in 2024, compared to JD 659.4 million in 2023, increasing by JD 29.6 million, or 4.5%.

Furthermore, the ROA remained unchanged in 2023 and 2024 at 1.1%. Historically, the ROA of the banking system recorded 1.7% at the end of 2006, and declined gradually to 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, to increase 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 as mentioned earlier. (Figure 3-23).

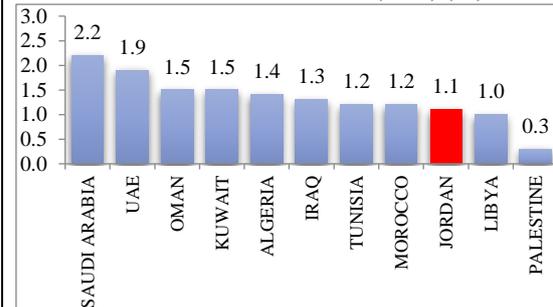
**FIGURE 3-23: BANKS' ROE AND ROA (2006-2024) (%)**



Source: CBJ

The comparison of Jordan to selected Arab countries (with available data) in terms of ROA, indicates that Jordan occupied a relatively low ranking; Palestine had the lowest ROA of 0.3%, while Saudi Arabia ranked the highest with 2.2% ROA. (Figure 3-24).

**FIGURE 3-24: ROA FOR JORDAN AND SELECTED ARAB COUNTRIES (2024) (%)**

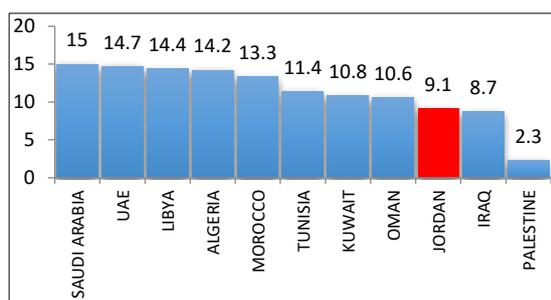


Source: Jordan's data: CBJ  
Data of other countries: Financial Stability in Arab Countries Report 2024

As for ROE, it declined slightly at the end of 2024 to reach 9.1%, compared to 9.3% in 2023 (Figure 3-23), due to the increase in owners' equity more than banks' profits in 2024.

In comparison with selected Arab countries, Jordan occupied a low ranking among 11 Arab countries in terms of the ROE. Palestine had the lowest ROE of 2.3%, while Saudi Arabia had the highest ratio of 15%. It is noteworthy that the modest ROE of banks in Jordan is attributed to the banks' low risk appetite, high levels of capital, and the income tax is relatively high. (Figure 3-25).

**FIGURE 3-25: BANKS' ROE FOR JORDAN AND SELECTED ARAB COUNTRIES (2024) (%)**



Source: Jordan's data: CBJ  
Data of other countries: the Financial Stability in Arab Countries Report 2024

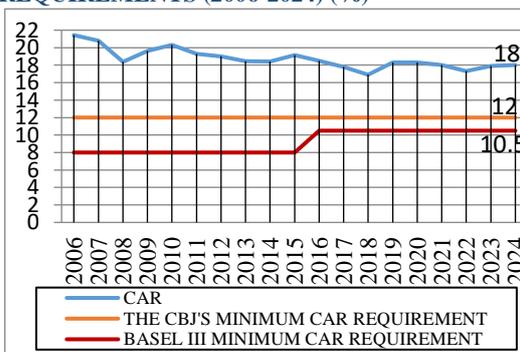
### 3.2.4.4 CAPITAL ADEQUACY

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, provided that

banks must achieve profits in 2020. Furthermore, these distributions shall not breach the CAR and liquidity ratios requirements stipulated in the law and the instructions. Limiting the distribution of dividends contributed to enhance the capital base of banks and to stable the CAR in 2020, which remained 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, which is well above the minimum requirement of 12%.

Furthermore, Tier I core capital ratio increased to reach 17.3% at the end of 2024, compared to 16.7% at the end of 2023. 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).

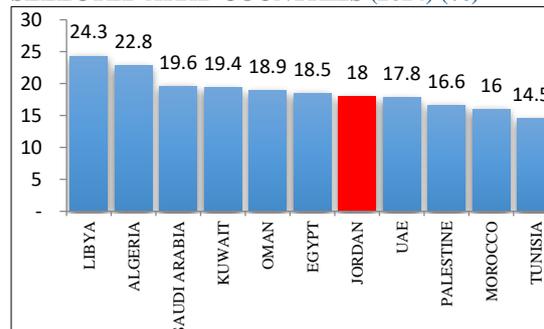
**FIGURE 3-26: ACTUAL CAR COMPARED WITH THE CBJ AND BASEL COMMITTEE MINIMUM REQUIREMENTS (2006-2024) (%)**



Source: CBJ.

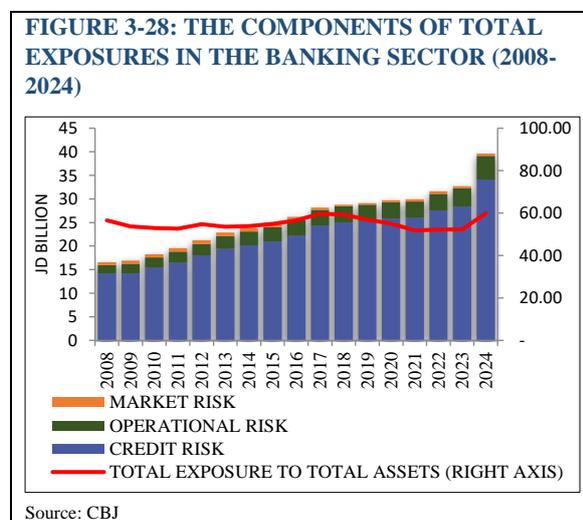
In comparison with selected Arab countries, the CAR in Jordan ranked approximately in the middle among 11 Arab countries with available data. (Figure 3-27).

**FIGURE 3-27: CAR FOR JORDAN AND SELECTED ARAB COUNTRIES (2024) (%)**



Source: Jordan's data: CBJ  
Data of other countries: the Financial Stability in Arab Countries Report 2024

With regard to banks' exposures, credit risk is the most significant risk forming 86.3% of total risks as of end 2024, followed by operational risks forming around 12.6%, and market risks 1.1%. These figures are close to their levels in 2023, which validates that the risks structure at banks is stable, and no substantial changes occurred. (Figure 3-28).



### 3.2.4.5 OPERATIONAL EFFICIENCY OF BANKS

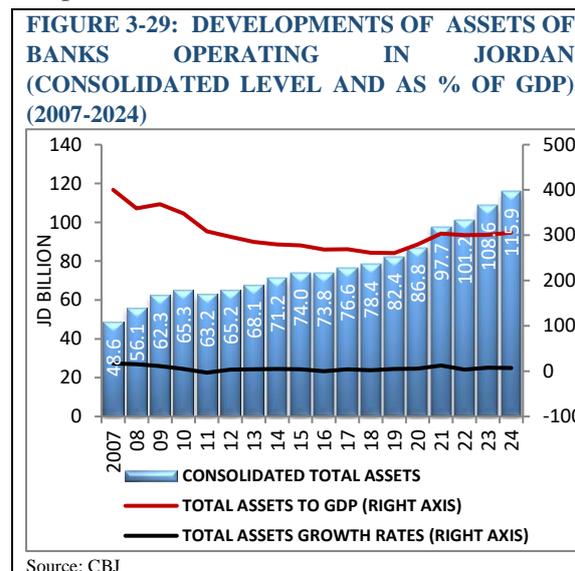
The operational efficiency for banks is measured primarily by the Cost (excluding interests) to Income Ratio (CIR). The CIR of banks declined from 74.4% at the end of 2020 to reach 58.7% at the end of 2024. This decline indicates improvement in the operational efficiency of banks as they are relying more on Fintech in providing their 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 are (7) banks, however, the Arab Bank's assets abroad constituted around 75.4% of these banks' total assets, and 74.3% of the Arab Bank's consolidated total assets as of end 2024. The consolidated total assets of banks approximated JD 115.9 billion at the end of 2024, compared to approximately JD 108.6 billion at the end of 2023, increasing by JD 7.3 billion or 6.7%.

Assets of branches in Jordan accounted for 57% of consolidated total assets at the end of 2024, compared to 57.5% at the end of 2023.

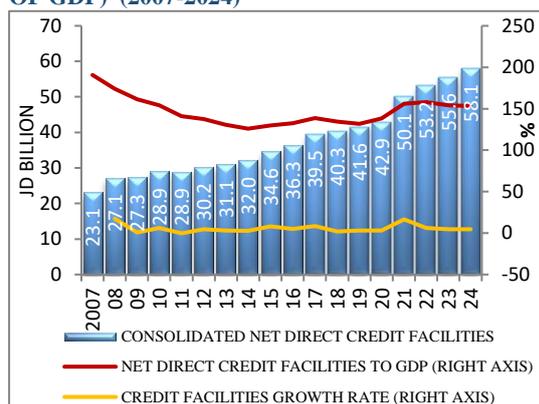


The consolidated assets of the banking sector relative to GDP ratio were on a continuous decline during the period (2007-2019), it declined from 400% in 2007 to around 260.7% at the end of 2019. Afterwards, it increased to reach 279.7% and 304% in 2020 and 2021, respectively, as assets grew significantly higher than the GDP, which was influenced by the repercussions of COVID-19 pandemic. However, it declined slightly again at the end of 2022 to reach 300.3% of GDP, and increased slightly in 2023 and 2024 to reach 301.1% and 306% of GDP, respectively, which is due to the assets being increasing at higher rates than the GDP affected the prevailing geopolitical tensions especially the war on Gaza and the Russian-Ukrainian crisis.

### 3.3.2 CREDIT FACILITIES

The net balance of consolidated credit facilities of the banking system grew by 4.5% to reach around JD 58.1 billion at the end of 2024, compared to JD 55.6 billion at the end of 2023 (a growth of 4.5%). The consolidated credit facilities as percent of GDP reached to 153.4% at the end of 2024, compared to 154.1% at the end of 2023. (Figure 3-30).

**FIGURE 3-30: DEVELOPMENTS OF CREDIT FACILITIES OF BANKS OPERATING IN JORDAN (CONSOLIDATED LEVEL AND AS % OF GDP) (2007-2024)**



Source: CBJ

### 3.3.3 DEPOSITS

Consolidated customers' deposits increased to JD 82.3 billion at the end of 2024, growing by 6.7% compared to JD 77.2 billion (a growth of 8%) at the end of 2023. (Figure 3-31).

**FIGURE 3-31: DEVELOPMENTS OF CONSOLIDATED CUSTOMERS' DEPOSITS AT BANKS (2012-2024)**



Source: CBJ

### 3.3.4 SHAREHOLDERS' EQUITY

The consolidated balance of shareholders' equity for banks totaled JD 16.2 billion at the end of 2024, compared to JD 15 billion at the end of 2023. It is worth mentioning that shareholders' equity was trending upward since 2009 (Figure 3-32), which enhances banks' solvency and resilience to withstand risks, and strengthens the stability of the financial sector.

**FIGURE 3-32: TRENDS OF CONSOLIDATED BANKS SHAREHOLDERS' EQUITY (2009-2024)**



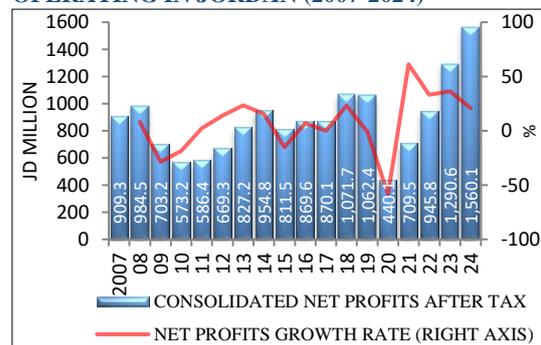
Source: CBJ

### 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 2024 to reach JD 1,560.1 million, compared to JD 1,290.6 million at the end of 2023, a growth of 20.9%. 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 NET PROFIT AFTER TAX FOR CONSOLIDATED BANKS OPERATING IN JORDAN (2007-2024)**



Source: CBJ

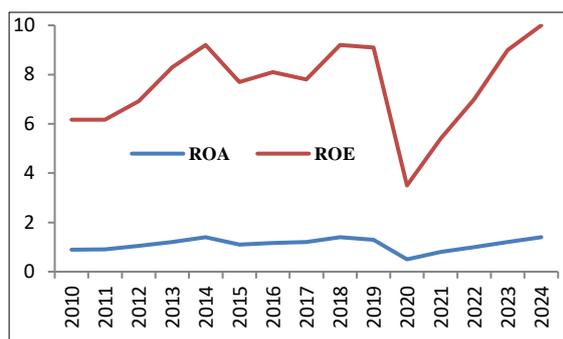
#### 3.3.5.2 ROA

Due to the increase in the consolidated banks' profits, the ROA of consolidated banks increased to 1.4% as of end 2024, compared to 1.2% at the end of 2023. (Figure 3-34).

#### 3.3.5.3 ROE

The ROE of consolidated banks also increased at the end of 2024 to reach 10%, compared to 9% at the end of 2023. (Figure 3-34).

**FIGURE 3-34: ROA AND ROE OF CONSOLIDATED BANKS (2010-2024) (%)**



Source: CBJ

### 3.4 FINANCIAL STABILITY INDEX

#### 3.4.1 INTRODUCTION

As mentioned in previous financial stability reports, the CBJ in 2017 introduced Jordan Financial Stability Index (JFSI) according to countries practices in designing similar index; countries use different approaches 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 Jordanian economic and financial system.

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 by using historical data for the period (2007-2024).

#### 3.4.2 THE METHODOLOGY

The methodology used to develop the JFSI is one of the most widely used by countries<sup>1</sup> calculating the same index. The JFSI was developed based on international best practices thereupon, however, 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

<sup>1</sup> Banking Stability Index: A Cross-Country Study.

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.

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

Where min<sup>2</sup> 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 professionals and 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):

$$Bsi = \frac{\sum_{i=1}^{10} W_B d_B}{10} \dots \dots \dots (2)$$

**Macroeconomics Index:**

$$Esi = \frac{\sum_{i=1}^7 d_E}{7} \dots \dots \dots (3)$$

**Capital Market Index:**

$$Msi = \frac{\sum_{i=1}^2 d_M}{2} \dots \dots \dots (4)$$

**Calculating the Composite Financial Stability Index:**

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

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

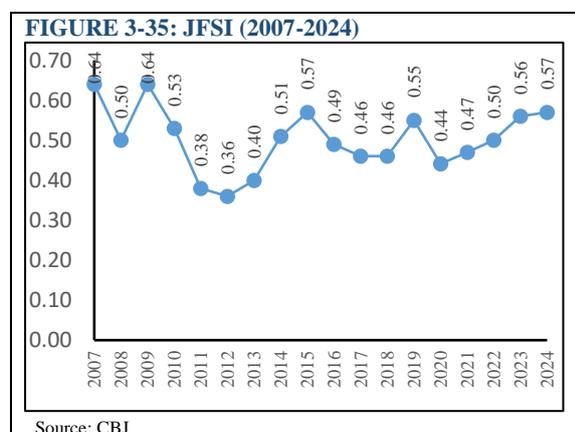
The JFSI's value ranges from zero to 1.

#### 3.4.3 THE JFSI RESULTS

The JFSI value ranges from zero to one, the closer the value to one, the greater the stability of the financial system. The pre-financial crisis JFSI was 0.64 at the end of 2007, and dropped to 0.5 at the end of 2008 due to the global financial crisis. However, it increased to 0.64 at the end of 2009 to fall again 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

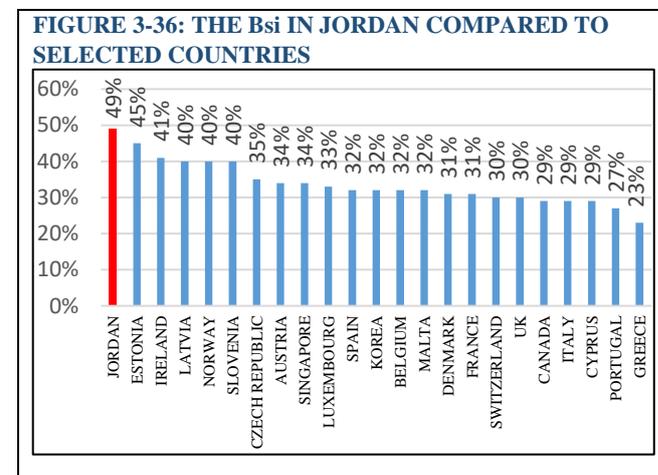
<sup>2</sup> The minimum value is determined according to the minimum values stipulated in respective regulations in force rather than the minimum values in the study.

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, and declined during the period (2016-2018) to reach 0.46 in 2018. In 2019, the JFSI improved markedly compared to the period (2016- 2018)<sup>3</sup> to record around 0.55, supported by improved liquidity ratios, CARs, and the financial leverage ratio of banks operating in Jordan, as well as 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 0.44. However, in 2021 and 2022, it increased to 0.47, and 0.50 respectively, and increased further to 0.56 and 0.57 in 2023 and 2024, respectively, reflecting the constant improvement in the stability of the financial system. This improvement is due to the notable increase of the (Esi) from (0.66) in 2023 to (0.70) in 2024, supported by the continuous improvement in most economic fundamentals including the increase in foreign reserves in 2024, in addition to the decline in households’ indebtedness and inflation rates as well as the credit-to-GDP gap in 2024, (Figure 3-35). Furthermore, the (Bsi) improved, as most financial ratios and indicators of banks were improved especially the CARs, Liquidity, and profitability.



<sup>3</sup> One of the main drawbacks of the FSI, which was acknowledged by most countries using such index is its high sensitivity to any changes in the values of the sub-indices included in the calculation, irrespective of how small these changes are.

As compared to 23 countries using similar index, Jordan ranked first in terms of the (Bsi), as indicated 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.



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

#### 3.5.1 THE INSURANCE SECTOR<sup>4</sup>

On 15-6-2021, the CBJ embarked the supervision on the insurance business, after issuing the Insurance Regulatory Law No. (12) of 2021. The supervision on insurance business department assumes regulating and overseeing the insurance sector including insurance companies and insurance services providers, to ensure the soundness of their financial positions, and to protect the rights of the policyholders, according to legislations in force. This is to provide the proper environment conducive to enhance and improve the insurance industry in the Kingdom, as the insurance sector is a vital component of the financial sector; it protects individuals and properties against risks, in addition to attracting and investing national savings to support economic development. The contribution of

<sup>4</sup> The 2024 data of insurance companies is preliminary and includes the data of 17 insurance companies out of 19, while the data of 2023 includes 19 insurance companies.

insurance premiums to the GDP reached around 2.05% in 2024.

The Insurance sector consists of (19) licensed companies operating in Jordan; one is licensed to provide life insurance; (3) companies are licensed to practice general insurance; while (15) companies are licensed to carry out both types of insurance (general insurance and life insurance), three of which are providing Takaful insurance (two are licensed to practice life and general insurance, while one company provides general insurance only). The insurance sector consists of (788) insurance services providers as of 31/12/2024, 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.

The CBJ continues to update its measures and instructions to ensure the optimal implementation of IFRS 17 which entered into effect on 1/1/2023, as determined by the International Accounting Standards Board (IASB). The IFRS 17 replaced IFRS 4, and meant to unify the accounting treatments in insurance companies worldwide, and to enhance transparency and accuracy through results measurement and recognition of actual revenues and financial obligations of the insurance company, making it more analyzable and comparable to other insurance companies.

#### Main indicators of the insurance sector:

- Total assets of the insurance companies in the Kingdom reached to around JD (973) million at the end of 2024, compared to around JD (1,064) million at the end of 2023; declining by (9) %. The return on average assets reached to around (2%) in 2024, compared to (2.9%) in 2023.
- The investments approximated JD (680) million at the end of 2024, accounting for (70%) of total assets of the sector, compared to around JD (668) million at the end of 2023, increasing by around (1%).
- The total equity of insurance companies in the Kingdom amounted to around JD (365) million at the end of 2024, compared to about

JD (366) million at the end of 2023, a decline of around (0.3%). The return on average equity reached to (5%) in 2024, compared to (9.3%) in 2023.

- The capital of insurance companies reached to around JD (243) million at the end of 2024, accounting for (67%) of total equity of the sector, compared to JD (246) million at the end of 2023, a decline of (1%).
- The net profits after tax of the insurance sector in the Kingdom reached around JD (18) million at the end of 2024, compared to JD (28) million at the end of 2023; declining by (36%). The technical profits constituted around JD (5) million, compared to JD (16) million in 2023, distributed as follows:

**TABLE 3-1: THE NET RESULTS OF THE INSURANCE BUSINESS AFTER FINANCING EXPENDITURES (JD MILLION)**

Portfolio	2023	2024
Motor	2.9	(19.7)
Marine and Transportation	2.7	4.6
Fire and Other Damages for Properties	4.1	1.1
Engineering	1.4	2.2
Civil Liability	(0.1)	0.1
Credit	0.1	0.1
Medical	8.2	8.3
Other Classes	2.4	2.5
Life Insurance	(5.6)	6.2
Total	16.1	5.4

In addition, all insurance policies generated technical profits from subscriptions, except Motor insurance.

### 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:

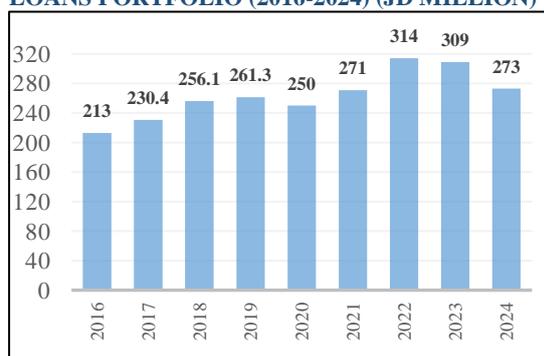
#### 3.5.2.1 MICROFINANCE SECTOR

The microfinance sector business started 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% in 2021, and 15.9% in 2021 and 2022 respectively, yet it declined notably in 2023 and 2024 by 1.6% and 11.7%, respectively. (Figure 3-37).

The MFI's total loans portfolio reached to JD 273 million at the end of 2024, compared to around JD 309 million at the end of 2023, declining by 11.7%. The number of borrowers declined by 15.7% to reach 376 thousand borrowers at the end of 2024, compared to 446 thousand borrowers at the end of 2023. However, the average value of loans increased from JD 874 at the end of 2023, to JD 891 at the end of 2024, an increase of 1.9%.

**FIGURE 3-37: DEVELOPMENTS OF THE MFIs LOANS PORTFOLIO (2016-2024) (JD MILLION)**



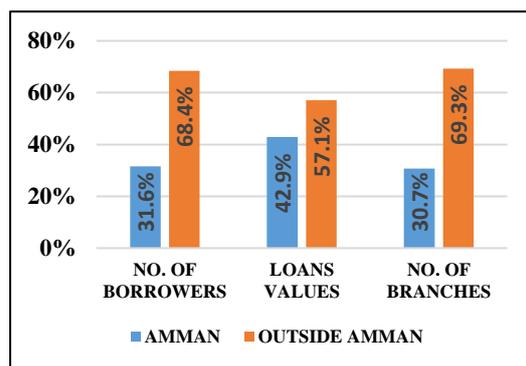
Source: CBJ

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 68.4% of borrowers, 57.1% of total loans, and 69.3% of MFIs branches are located outside Amman (figure 3-38).

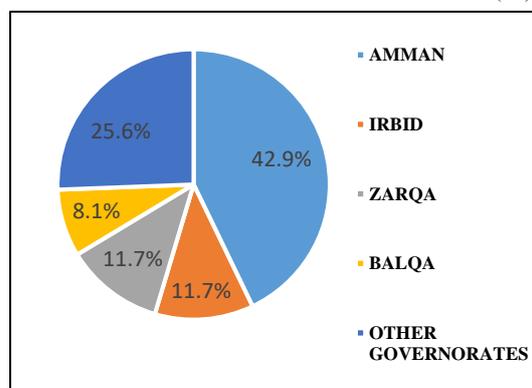
**FIGURE 3-38: THE MICROFINANCE SECTOR ACTIVITY INSIDE AND OUTSIDE AMMAN IN 2024 (%)**



Source: CBJ

The distribution of MFIs Loans according to governorates in 2024 (Figure 3-39), revealed that Amman received 42.9% of these loans, followed by Irbid 11.7%, Zarqa 11.7%, Balqa 8.1%, while other governorates received 25.6% of total loans.

**FIGURE 3-39: DISTRIBUTION OF MFIs LOANS ACCORDING TO GOVERNORATE IN 2024 (%)**



Source: CBJ.

### 3.5.2.1.2 THE MICROFINANCE SECTOR MAIN FINANCIAL INDICATORS (2021-2024)

The assets of the microfinance sector reached to JD 340 million at the end of 2024, compared to JD 366 million at the end of 2023, declining by 7.1%. Furthermore, the equity declined to reach JD 198 million at the end of 2024, compared to JD 199 million at the end of 2023. The sector's net profits after tax decreased from JD 16 million in 2023 to reach JD 8.9 million in 2024, declining by 44.4%. In addition, the ROE declined to reach 4.5% in 2024, compared to 8.4% in 2023, and the ROA declined from 4.4% in 2023 to reach 2.6% in 2024, (Table 3-2).

Item	2021	2022	2023	2024
Total assets	335	375	366	340
Equity	164	186	199	198
Net profit (loss) after tax	17	20	16	8.9
Return (after tax) on average assets	5.4%	5.6%	4.4%	2.6%
Return (after tax) on average equity	11.0%	11.3%	8.4%	4.5%
Bad debt ratio to total portfolio	3.3%	2.8%	3.7%	7.3%
Portfolio At Risk (PAR)/ over 30 days	5.3%	5.1%	7.4%	6.1%
Liquidity ratio	2.3	2.3	2.3	2.7

Source: CBJ

### 3.5.3 FINANCIAL LEASING COMPANIES<sup>5</sup>

Total assets of financial leasing companies which are subsidiaries of banks in Jordan reached to JD 778.2 million at the end of 2024, compared to JD 773.2 million at the end of 2023; an increase of 0.6%. With respect to financial results of these companies, net profits after tax increased in 2024 by 42.3% to reach JD 22.2 million, compared to JD 15.6 million in 2023. In addition, the ROE increased from 4.61% in 2023 to reach 6.25% in 2024, and the ROA also increased from 2.02% in 2023, to 2.85% in 2024. (Table 3-3).

Item	2018	2019	2020	2021	2022	2023	2024
Revenues	43.3	53.2	51.5	47.2	50.4	57.8	62.7
Paid-In Capital	175	210	212.5	195	197	201	207.5
Total Assets	582	604.6	649.4	620.6	682.1	773.2	778.2
Shareholders' Equity	309	323	333	322.3	340.9	338.1	355.4
Profit After tax	17.7	21.8	13.5	18.9	20.2	15.6	22.2
ROE (%)	6.8%	6.9%	4.1%	5.90%	5.93%	4.61%	6.25%
ROA (%)	3.5%	3.7%	2.1%	3.04 %	2.97 %	2.02 %	2.85%

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

### 3.5.4 THE EXCHANGE SECTOR

The number of licensed exchange companies in the Kingdom stood at 325; 106 headquarters and 219 branches located across governorates in Jordan (Table 3-4).

Governorate	No. of Companies	No. of Branches	Total
Amman	62	127	189
Zarqa	11	22	33
Irbid	6	28	34
Aqaba	4	7	11
Other Governorates	23	35	58
Total	106	219	325

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, and the records and books that must be retained by these companies, as well as 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 instructions issued by the CBJ, and strengthened the CBJ's authority to enact the instructions of 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 on-site and off-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

<sup>5</sup> The data covers (12) financial leasing companies, which are subsidiaries to banks and dominate the financial leasing activity in the Kingdom.

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 the 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 approximately JD 210.3 million in 2024, compared to JD 207.9 million in 2023. The ROA and return on capital declined in 2024 to reach 0.65% and 1.21% respectively, compared to 1.75%, and 3.13% respectively in 2023. (Table 3-5).

**TABLE 3-5: MAIN INDICATORS OF THE EXCHANGE SECTOR IN 2024**

Indicator	JD Million
Total Business size	210.3
Total Capital	119.1
Total Financial guarantees provided by exchange companies	40.5
Total Purchases of foreign currency	7,483.6
Total Sales of foreign currency	7,517.4
Return on capital	1.21%
ROA	0.65%

### 3.5.5 SOCIAL SECURITY CORPORATION<sup>6</sup> (SSC)

The SSC plays a pivotal role in the society; the social security covers 70,396 active firms, 60% of which are based inside Amman as indicated in the SSC annual report of 2024. The SSC umbrella is extended to cover more than 1.6 million insured persons working in more than 70 thousand active enterprises in the public and private sectors. The umbrella also expanded to cover the voluntary participation of Jordanians, which reached to around 100.7 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 the society, the SSC significantly contributes to achieving the 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 the risk premiums for various maturities. This policy is particularly important during financial crises when market suffers shortages of liquidity. The SSC's investments accounted for 40% of GDP 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, while 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

<sup>6</sup> Despite the SSC is not considered as a non-banking financial institution, financial stability reports in most countries often include social security corporations with them, as they are essential to achieve financial stability through their diversified investments in financial and non-financial assets.

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.

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 the sufficient liquidity to meet the SSC's obligations. The SSIF's assets reached to JD 16.2 billion at the end of 2024, compared to JD 14.8 billion at the end of 2023, increasing by 9%. In addition, the SSIF's income increased by JD 108.1 million, or 13.6% to reach JD 905.2 million at the end of 2024, compared to JD 797.1 million at the end of 2023. The SSIF's investment portfolios consist of seven major portfolios. (Table 3-6).

**TABLE 3-6: DISTRIBUTION OF THE SSIF INVESTMENT PORTFOLIOS (2023-2024) (JD MILLION)**

Investment Portfolios	2023	2024
Money Market Instruments Portfolio	2,023.3	2,354.6
Bonds portfolio	8,446.1	9,277.5
Loans portfolio	545.6	551.7
Equity portfolio	2,329.6	2,451.7
Real estate portfolio	851.1	865.9
Tourism portfolio	314.4	320.6
Other assets	327.9	353.3
Total	14,838	16,175.3

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. The allocation of the SSIF's

investments among these portfolios aims to diversify the investments, and to 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 966.7 million at the end of 2024, accounting for 12.6% of the market capitalization of banks shares in Jordan of JD 7.7 billion (Table 3-7).

**TABLE 3-7: THE SSC CONTRIBUTIONS IN JORDANIAN BANKS CAPITAL AS OF END 2024 (JD MILLION) (%)**

Bank	Contribution (JD Million)	Share (%)
Jordan Kuwait Bank	90.9	21.04%
Jordan Commercial Bank	26.4	19.84%
Arab Bank PLC.	495.5	17.18%
Housing Bank for Trade & Finance	162.2	15.42%
Bank al Etihad	38.1	11.03%
Jordan Ahli Bank PLC	21.3	10.38%
Safwa Islamic Bank	20.9	9.38%
Cairo Amman Bank	18.4	8.43%
Capital Bank	36.9	7.19%
Jordan Islamic Bank	46.6	5.82%
Arab Jordan Investment Bank	8	4.08%
ABC Bank	1.4	2.05%
Bank of Jordan	0.1	0.01%
Total	966.7	12.6%

Source: SSIF

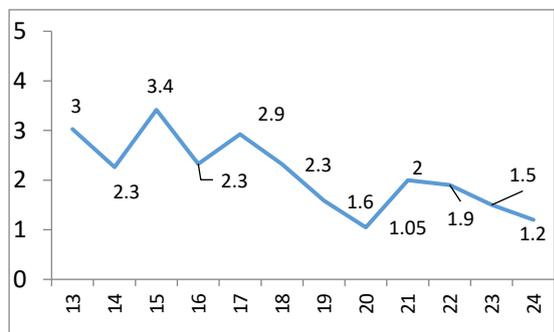
### 3.5.6 AMMAN STOCK EXCHANGE (ASE)

The ASE performance and market capitalization improved in 2024. Despite the challenges and adversities in the region, the ASE remained balanced; the free float share price index ASE100 improved slightly by 2.4% to reach 2,488.8 points at the end of 2024, compared to 2,431.2 points at the end of 2023. In addition, the free float share price index ASE20 reached to 1,344 points at the end of 2024, compared to 1,308.8 points at the end of 2023, increasing by 2.7%. The total return index ASETR increased by 10.3%. Furthermore, the market capitalization of listed shares increased by 4.2% at the end of 2024 compared to 2023, to reach around JD 17.7 billion, accounting for 48.9% of GDP.

The trading volume declined by JD 257.8 million to reach JD 1,199.2 million in 2024 (Figure 3-40), which is the outcome of the following:

- 1.The decline of the trading volume in the industrial sector by JD 259.2 million.
- 2.The increase of the trading volume in the financial sector by JD 27.8 million.
- 3.The decline of the trading volume in the services sector by JD 26.3 million.

**FIGURE 3-40: TRADING VOLUME IN ASE (2013-2024) (JD BILLION)**



Source: ASE

The number of shares traded in 2024 declined by 207 million shares to reach around 913.2 million shares, compared to 1,120.2 million shares traded in 2023. As for shares traded by sector, the financial sector accounted for 47.6% of the trading volume in 2024, followed by the services sector 35.1%, and the industrial sector 17.3%. (Table 3-8).

**TABLE 3-8: RELATIVE IMPORTANCE OF TRADING VOLUME BY SECTOR (2014-2024) (%)**

Sector	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Industrial	16.7	10.1	30.2	22.4	42.2	18.2	17.4	25.1	23.4	32	17.3
Services	16.5	21.2	18.2	12.8	9.8	16.2	20	24.7	32.8	30.7	35.1
Financial	66.8	68.7	51.6	64.8	48	65.6	62.6	50.2	43.7	37.3	47.6

Source: ASE

With regard to the transactions of non-Jordanian investors in ASE, they purchased around JD 234.9 million shares in 2024, and sold approximately JD 293.7 million shares (Table 3-9).

**TABLE 3-9: PURCHASES AND SALES OF SHARES BY NON-JORDANIAN INVESTORS IN ASE (2015-2024) (JD MILLION)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Purchases</b>	981.7	666.5	994.9	1231.8	528.7	96.8	220.2	274.2	151.1	234.9
Arabs	894.3	520.3	638.7	214.4	147.5	75.7	194.5	234.4	130	214.4
Foreigners	87.4	146.2	356.3	1,017.4	381.2	21.1	25.8	39.7	21.1	20.5
<b>Total Selling</b>	971.1	429.4	1329.2	747.3	414.6	164.4	281.1	342.2	181.2	293.7
Arabs	873.5	304.1	1177.6	177.1	374.8	94.1	186	263.2	106.9	223.5
Foreigners	97.6	125.3	151.6	570.2	39.8	70.3	95.1	79	74.3	70.2
<b>Net Investment</b>	10.6	237.1	-334.3	484.5	114.1	-67.5	-60.9	-68	-30.1	-58.8
Arabs	20.7	216.2	-538.9	37.3	227.3	-18.4	8.5	-28.8	23.1	-9.1
Foreigners	-10.1	20.9	204.7	447.2	341.4	-49.1	-69.3	-39.3	-53.2	-49.7

Source: ASE

### 3.5.6.1 THE FREE FLOAT WEIGHTED SHARE PRICE INDEX

As mentioned previously the ASE100 increased to reach 2,488.8 points at the end of 2024, compared to 2,431.2 points at the end of 2023; increasing by 2.4%. The ASE20 also increased to reach 1,344 points at the end of 2024, compared to 1,308.8 points at the end of 2023, increasing by 2.7%.

### 3.5.6.2 THE MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX

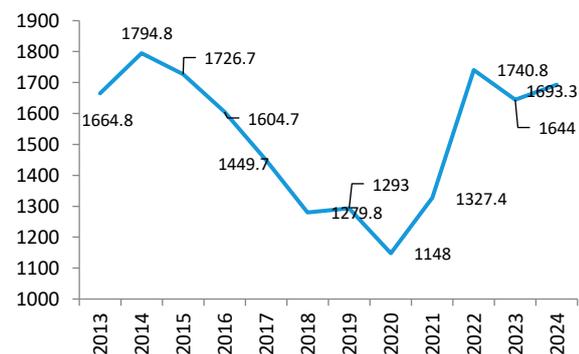
The market capitalization weighted share price index increased by 217.3 points (4.9%) in 2024, compared to its level at the end of 2023 to reach 4,633.6 points. This increase is due to the increase in the indices of the industrial companies and services companies.

**FIGURE 3-41: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2024) (POINTS)**



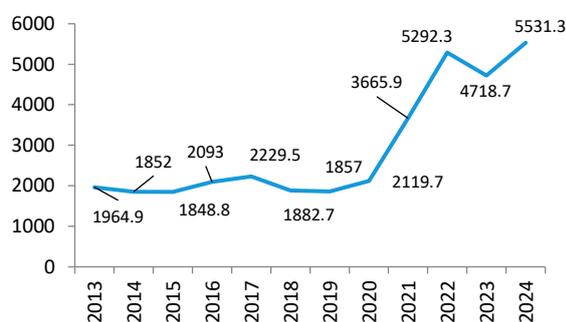
Source: ASE

**FIGURE 3-42: THE FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE SERVICES SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2024) (POINTS)**

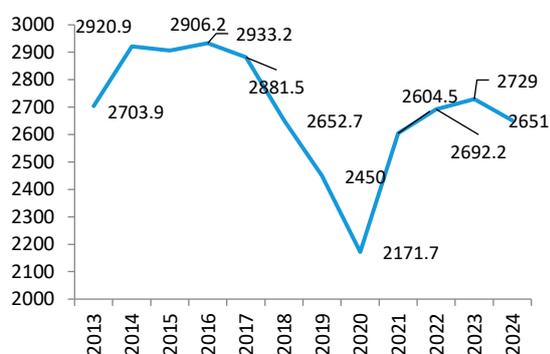


Source: ASE

**FIGURE 3-43: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE INDUSTRIAL SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2024) (POINTS)**



**FIGURE 3-44: FREE FLOAT MARKET CAPITALIZATION WEIGHTED SHARE PRICE INDEX OF THE FINANCIAL SECTOR (CLOSING PRICE OF DECEMBER 1999=1000) (2013-2024) (POINTS)**



Source: ASE

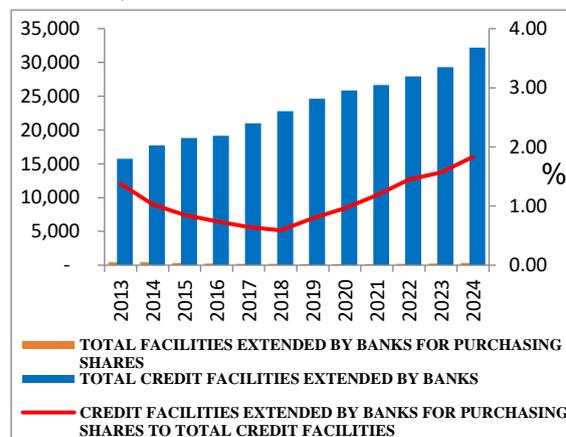
### 3.5.6.3 BANKS' EXPOSURE TO STOCK MARKETS RISKS

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 stock 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 624.1 million at the end of 2024, accounting for 1.8% of total credit facilities, compared to JD 517.7 million at the end of 2023, an increase of 20.6%. (Figure 3-45).

**FIGURE 3-45: CREDIT FACILITIES EXTENDED BY BANKS FOR PURCHASING SHARES & TOTAL CREDIT FACILITIES (2013-2024) (JD MILLION)**



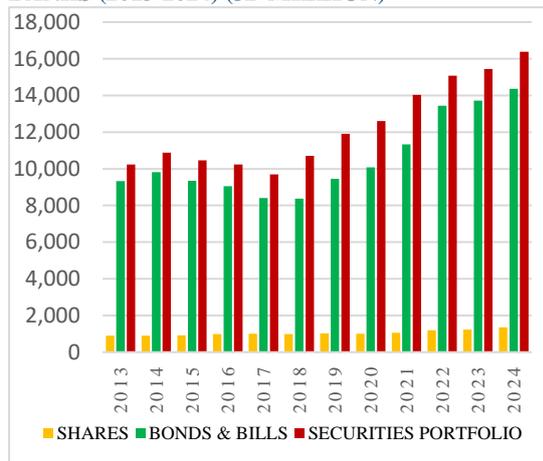
Source: CBJ

#### 3.5.6.3.2 BANKS' INVESTMENTS IN SHARES

The securities portfolio of banks in Jordan reached around JD 16,383.4 million at the end of

2024, compared to JD 15,449.5 million at the end of 2023, increasing by 6%. Banks' investments in shares accounted for 8.3% of total investments in securities at the end of 2024, which is almost the same level recorded during (2021-2023); they are much lower than banks' investments 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 (2013-2024) (JD MILLION)**



Source: CBJ





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

### 4.1 THE HOUSEHOLD SECTOR- 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 (2019-2024); it reached to JD 14 billion at the end of 2024, up from JD 13.3 billion at the end of 2023, increasing by 5.4%, which is higher than the growth registered in 2023 of 2.3%.

**TABLE 4-1: HOUSEHOLD INDEBTEDNESS TO BANKS (2019-2024) (JD MILLION)**

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

Table (4-2) illustrates the household indebtedness according to loan types provided by banks during the period (2019-2024):

**TABLE 4-2: HOUSEHOLD INDEBTEDNESS TO BANKS (2019-2024) (JD MILLION)**

Loan Type	2019	2020	2021	2022	2023	2024
Residential Loans	4277	4479	4722	5012	4,927	5,734
Personal Loans	3523	3746	4163	4517	4,542	4,481
Auto Loans	1232	1311	1408	1618	1,798	1,842
Credit Cards	242	256	304	417	480	540
Consumption Loans	671	885	1019	1223	1,282	1,312
Loans for utilities	9	10	10	13	15	16
Other	215	216	214	227	278	110
<b>Total</b>	<b>10,169</b>	<b>10,903</b>	<b>11,840</b>	<b>13,027</b>	<b>13,322</b>	<b>14,035</b>

The number of household loans provided by banks, reached to 1,637 thousand loans at the end

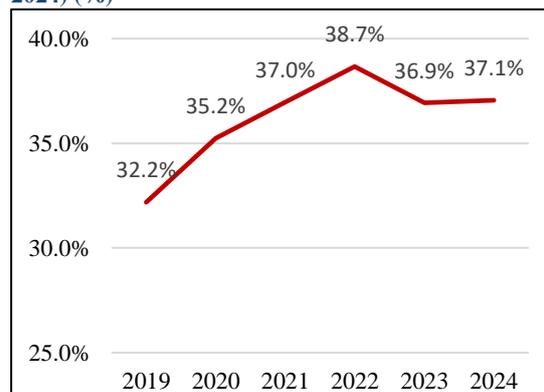
of 2024, while the credit cards provided from banks to households reached to 484 thousand. Therefore, loans extended to households excluding credit cards reached to 1,153 thousand at the end of 2024.

It is noteworthy, that male borrowers accounted for 78% of total loans extended to households, while the female borrowers accounted for 22% of total household loans. Furthermore, 71% of these loans are with fixed interest rates thus they are not affected by interest rates trends.

#### 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 started to increase since 2019, to reach 38.7% at the end of 2022, yet it declined at the end of 2023 to reach 36.9%, and increased slightly at the end of 2024 to reach 37.1%.

**FIGURE 4-1: CREDIT FACILITIES EXTENDED TO HOUSEHOLDS IN PERCENT OF GDP (2019-2024) (%)**



Source: CBJ

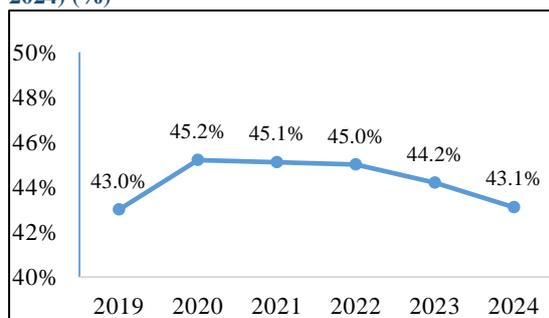
#### 4.1.4 DEBT BURDEN RATIO FOR HOUSEHOLD BORROWERS FROM BANKS

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, which in turn increases default rates, and weakens individuals' 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 (2019-2024). The DBR declined to reach 43.1% at the end of 2024, compared to 44.2 % at the end of 2023, 45% at the end of 2022, and 45.1% at the end of 2021. 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 (2019-2024) (%)**



Source: CBJ

The NPLs in the households’ loans portfolio declined from 4.9% at the end of 2020, to record 4.1% as of end 2021, and 3.8% at the end of 2022, yet it increased to 4.9% and 5.1% at the end of 2023, and 2024, respectively. However, it is still lower than the ratio of NPLs to total facilities provided by banks, which stood at 5.6% at the end of 2024. 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 (2019-2024) (%)**

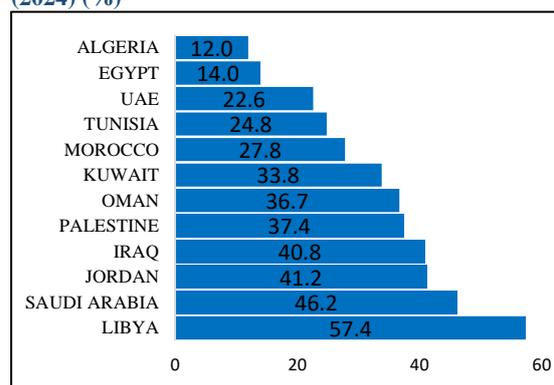


Source: CBJ

#### 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 2024, Jordan recorded (41.2%), ranking third among selected Arab countries in terms of this ratio below Saudi Arabia and Libya, and higher than Iraq, Palestine, Oman, Kuwait, Morocco, Tunisia, UAE, Egypt, and Algeria. (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 (2024) (%)**



Source: Financial Stability in Arab Countries Report 2024

#### 4.1.6 SUMMARY

The DBR figures of the household borrowers from banks during the last years (2019-2024), indicate that this ratio is declining constantly as it reached 43.1% at the end of 2024, compared to 44.2%, 45%, and 45.1% in 2023, 2022, and 2021, 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 2024 is still lower than the 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

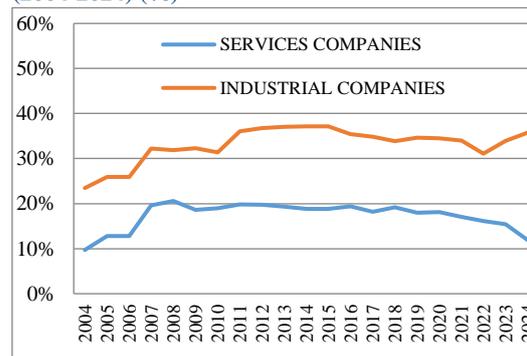
The corporate sector in Jordan consists of non-banking financial companies and non-financial companies. The non-banking financial companies sector consists of the insurance companies, securities companies, finance companies, financial leasing companies, and other companies providing diversified financial services. However, the non-financial companies include the industrial, services, and real estate companies, which are overseen by the Ministry of Industry, Trade, and Supply. In 2024, total assets of non-financial companies listed in ASE amounted to JD 12,613 million, compared to around JD 11,896.9 million at the end of 2023, growing by 6%, which is mainly due to the increase of services companies' assets by 10.8%.

According to the ASE's annual report, the listed companies in ASE reached to 162 at the end of 2024, compared to 167 companies at the end of 2023. 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 reached to 35.8% and 11.9%, respectively, at the end of 2024 (in the form of shares, bonds, and subscription rights), compared to 33.9% and 15.4%, respectively, at the end of 2023. 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 (2004-2024) (%)\***

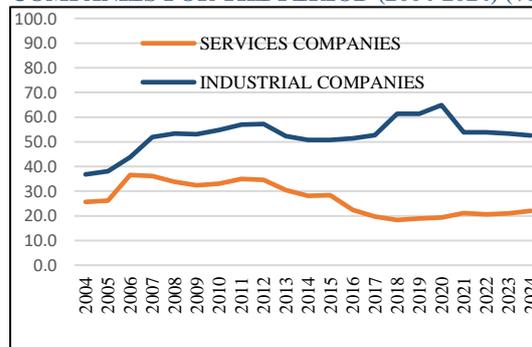


Source: Securities Depository Center website

\*Represent non-Jordanian ownership ratio according to the number of securities owned

With regard to sectoral non-Jordanian ownership in listed shareholding companies according to market capitalization, it reached to 52.6% for the industrial sector, and 22% for the services sector. (Figure 4-6).

**FIGURE 4-6: SECTORAL NON-JORDANIAN OWNERSHIP IN THE CAPITAL OF LISTED COMPANIES FOR THE PERIOD (2004-2024) (%)\***



Source: Securities Depository Center website

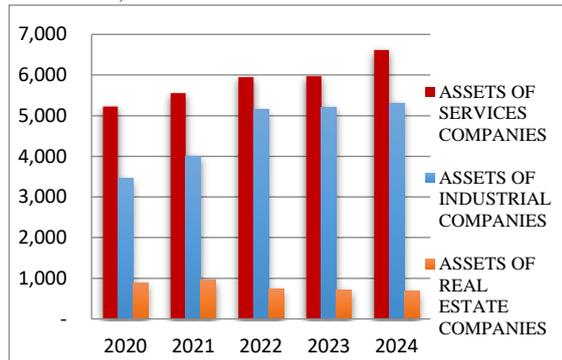
\*Represent non-Jordanian ownership according to market capitalization

### 4.2.3 ASSETS OF NON-FINANCIAL COMPANIES

Assets of non-financial companies listed in ASE approximated JD 12,613 million at the end of 2024, compared to JD 11,896.9 million at the end of 2023, increasing by 6%. The industrial companies' assets increased by 1.8% to reach JD 5,308.9 million at the end of 2024, compared with JD 5,213.6 million at the end of 2023. Furthermore, the assets of services companies increased by 10.8%, to reach JD 6,614.3 million at the end of 2024, compared to JD 5,970.9 million at the end of 2023, while assets of the real estate companies declined by 3.2% to reach JD

689.8 million at the end of 2024, compared to JD 712.5 million at the end of 2023. (Figure 4-7).

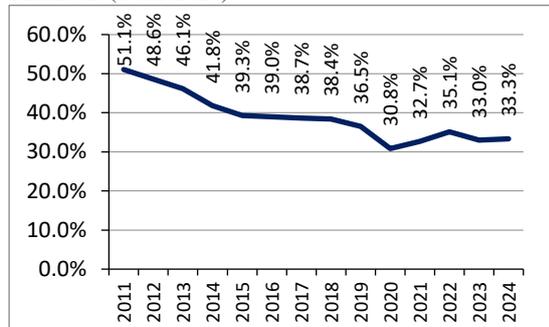
**FIGURE 4-7: ASSETS OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2024) (JD MILLION)**



Source: ASE

The assets of non-financial companies relative to GDP reached to 33.3% at the end of 2024, compared to 33% at the end of 2023; it recorded 51.1% at the end of 2011. (Figure 4-8).

**FIGURE 4-8: ASSETS OF NON-FINANCIAL COMPANIES AS PERCENT OF GDP FOR THE PERIOD (2011-2024)**

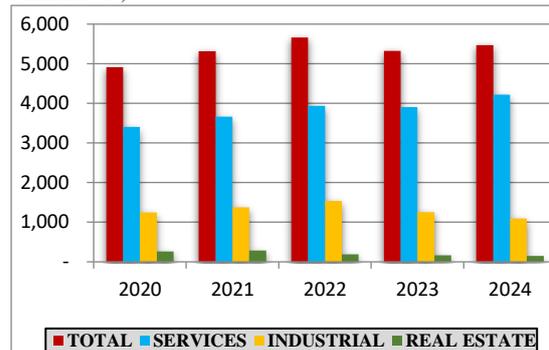


Source: ASE, and the CBJ

#### 4.2.4 LIABILITIES OF NON-FINANCIAL COMPANIES

Liabilities of non-financial companies reached to JD 5,466.9 million at the end of 2024, compared to JD 5,326.6 million at the end of 2023, an increase of 2.6%. The liabilities of the services companies reached approximately JD 4,221.6 million at the end of 2024, compared to JD 3,908.2 million at the end of 2023. However, liabilities of the industrial companies reached to JD 1,094.3 million at the end of 2024, compared to JD 1,251.2 million at the end of 2023. As for the liabilities of real estate companies, they reached to JD 150.9 million at the end of 2024, compared to JD 167.2 million at the end of 2023 (Figure 4-9).

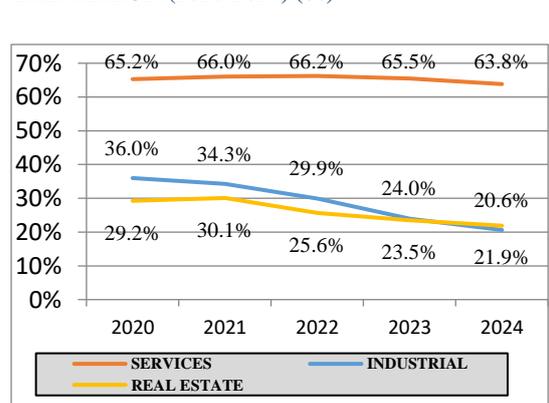
**FIGURE 4-9: LIABILITIES OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2024) (JD MILLION)**



Source: ASE

The liabilities to assets ratio declined slightly for the services companies at the end of 2024, to reach 63.8%, down from 65.5% at the end of 2023. In addition, the ratio for industrial companies declined from 24% at the end of 2023, to 20.6% at the end of 2024, and declined from 23.5% at the end of 2023 to 21.9% at the end of 2024 for the real estate companies. (Figure 4-10).

**FIGURE 4-10: LIABILITIES TO ASSETS RATIO OF NON-FINANCIAL COMPANIES DURING THE PERIOD (2020-2024) (%)**



Source: ASE

#### 4.2.5 PROFITABILITY OF NON-FINANCIAL COMPANIES

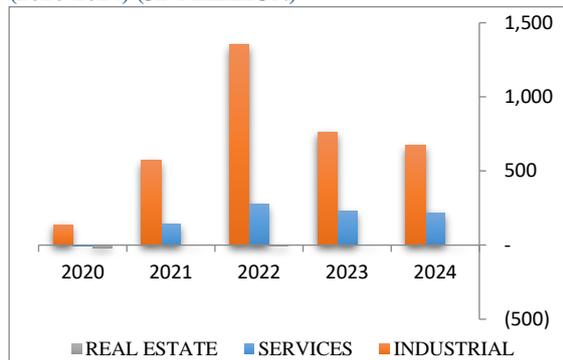
Profitability of non-financial companies declined compared to the previous year; net profits of non-financial companies declined to reach JD 887.3 million at the end of 2024, compared to JD 992.7 million at the end of 2023. It is noteworthy, that they increased drastically in 2022 to reach JD 1,621.4 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. This is owing to the increase in the profits of the extractive industries companies, especially the phosphate and potash.

Furthermore, industrial companies recorded profits of JD 671.9 million at the end of 2024, compared to JD 762.5 million at the end of 2023.

As for service companies (services sector), the profits recorded at the end of 2024 decreased slightly to reach JD 216.7 million, compared to JD 229 million at the end of 2023. As for listed real estate companies, they recorded losses of JD 1.3 million at the end of 2024, compared to profits of JD 1.2 million at the end of 2023. (Figure 4-11).

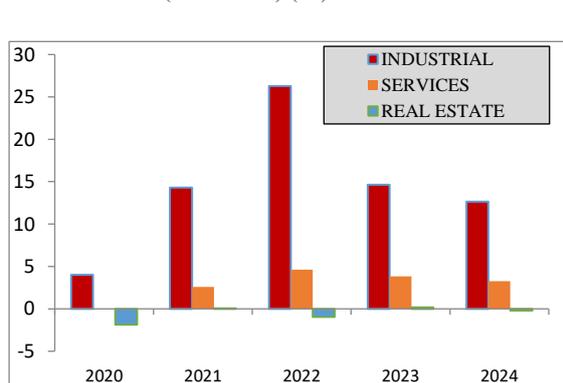
**FIGURE 4-11: NET PROFITS OF NON-FINANCIAL COMPANIES FOR THE PERIOD (2020-2024) (JD MILLION)**



Source: ASE

The ROA of the industrial companies dropped to 12.7% at the end of 2024, compared to 14.6% at the end of 2023, and declined for the services companies from 3.8% at the end of 2023, to 3.3% at the end of 2024. However, the ROA of the real estate companies declined from 0.17% at the end of 2023, to reach -0.2% at the end of 2024. (Figure 4-12).

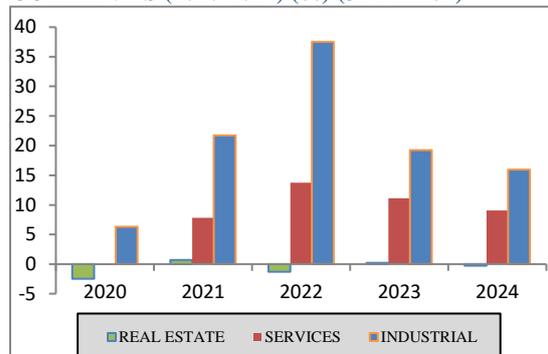
**FIGURE 4-12: ROA OF NON-FINANCIAL COMPANIES (2020-2024) (%)**



Source: ASE Website

Likewise, the ROE of the industrial companies declined from 19.2% at the end of 2023, to 15.9% at the end of 2024, and from 11.1% at the end of 2023, to 9.1% at the end of 2024 for the services companies. Meanwhile, it declined for the real estate companies from 0.2% at the end of 2023, to reach -0.2% at the end of 2024. (Figure 4-13).

**FIGURE 4-13: ROE OF NON-FINANCIAL COMPANIES (2020-2024) (%) (JD Million)**



Source: ASE Website

#### 4.2.6 STRESS TESTING FOR NON-FINANCIAL COMPANIES

In addition to listed shareholding companies, stress testing was broadened to include the top twenty nonfinancial companies borrowing from banks, regardless of being listed or not. 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 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 9,079.8 million at the end of 2024. The Financial Stability Department at the CBJ built a stress testing model for the corporate sector, using the Interest Coverage Ratio (ICR) for 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

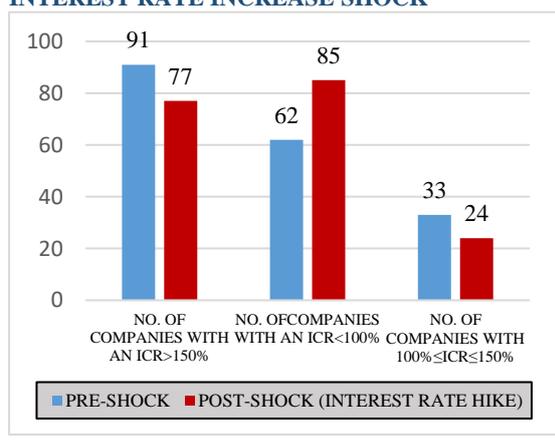
uncovered if the ICR declines below 100%. The tests assume certain shocks in terms of increasing interest rates or declines in companies' profits due to the potential economic implications of the global geopolitical tensions in particular the war on Gaza and the Russian-Ukrainian crisis. The tests estimate 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 221% to 180%, 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, (14) companies will have their ICRs below 150%, which will bring down the number of companies with a covered ICR from (91) to (77) companies. However, the number of companies with an ICR between (100%-150%) will decline from (33) to (24) companies, and the number of companies with an ICR below 100% will increase from (62) companies to (85) companies. (Figure 4-14).

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

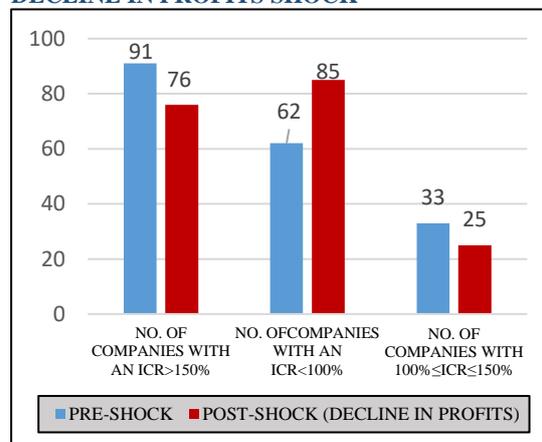


#### 4.2.6.2 A SHOCK OF A DECLINE IN PROFITS OF BORROWING COMPANIES

If the profits of borrowing companies declined by 25% due to probable economic implications of the global geopolitical tensions, especially the war on Gaza and the Russian-Ukrainian crisis, the ICR will decline from 221% to 150%; the effect of this shock will be higher than the interest rates hike shock.

On the individual level, (15) companies will have their ICR below 150%, which will bring down the number of companies with a covered ICR from (91) to (76) companies. The number of companies with an ICR between (100%-150%) will decline from (33) to (25) companies, while the number of companies with an ICR below 100% will increase from (62) 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 the 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 2024 for public shareholding companies listed in ASE (which provided their annual financial statements to the ASE) amounted to JD 2,072.3 million, compared to JD 1,948.5 million in 2023,

supported by the monetary and financial stability as well as the positive indicators in several vital economic sectors. However, despite the profits recorded in 2024 were the second highest figure historically, several challenges remain for the corporate sector, especially those related to the increase in energy and primary commodities prices, due to the supply chains disruptions after the COVID-19 pandemic as well as the ramifications of the Russian-Ukrainian crisis and the economic implications of the war on Gaza.



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

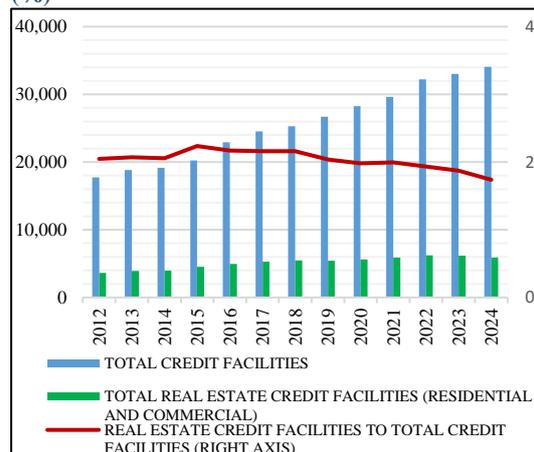
### 5.1 INTRODUCTION

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.

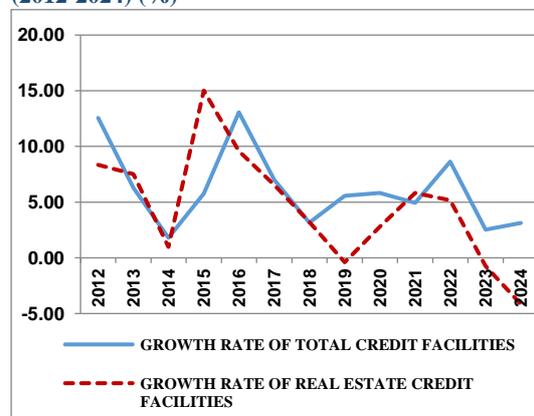
Credit facilities extended to the real estate sector for residential and commercial purposes declined by 4.2% to reach JD 5.92 billion at the end of 2024 (accounting for 17.4% of total credit facilities provided by banks), compared to JD 6.17 billion at the end of 2023 (a decline of 0.7%). It is noteworthy, that the average annual growth rate during 2012-2024 stood at 4.6% (Figure 5-1).

**FIGURE 5-1: DIRECT CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR AND THEIR RATIO TO TOTAL DIRECT CREDIT FACILITIES (2012-2024) (JD MILLION) (%)**



The average annual growth rate of facilities extended to the real estate sector during 2012-2024 was lower than the average annual growth rate of total facilities; 4.6% compared to 6.2% (Figure 5-2). In addition, the trading volume at the real estate market in Jordan declined by 3.9% in 2024 compared to its level in 2023, to reach approximately JD 6,692 million, due to geopolitical and economic tensions in the region especially the war on Gaza, which affected most sectors including the real estate<sup>1</sup>.

**FIGURE 5-2: THE REAL ESTATE CREDIT FACILITIES GROWTH RATES COMPARED TO TOTAL CREDIT FACILITIES GROWTH RATES (2012-2024) (%)**

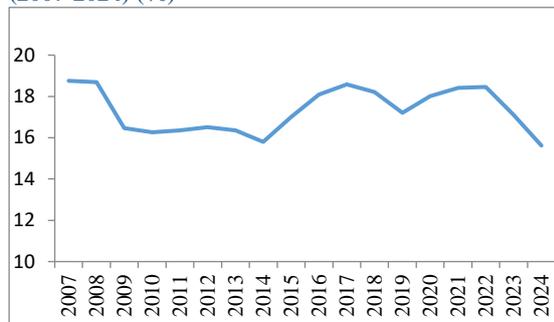


The ratio of credit facilities extended to the real estate sector in percent of GDP reached 15.6% in 2024, compared to 17.1% in 2023. Figure (5-3) illustrates the evolution of this ratio during the

<sup>1</sup> The real estate bulletin Jan/ 2025, the Department of Lands and Survey

period 2007-2024. The figure indicates that during 2007-2008, the ratio increased markedly to reach 18.7% at the end of 2008, and dropped afterwards to reach 15.8% 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 15.6% at the end of 2024 as mentioned earlier.

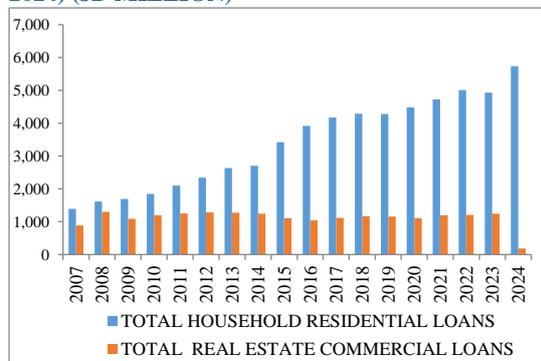
**FIGURE 5-3: FACILITIES EXTENDED TO THE REAL ESTATE SECTOR IN PERCENT OF GDP (2007-2024) (%)**



## 5.2 COMPONENTS OF CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR

With regard to the components of credit facilities extended to the real estate sector, the household residential real estate loans accounted for 96.9% of these facilities at the end of 2024, while the commercial real estate loans accounted for 3.1%, (Figure 5-4).

**FIGURE 5-4: HOUSEHOLD RESIDENTIAL AND COMMERCIAL REAL ESTATE LOANS (2007-2024) (JD MILLION)**

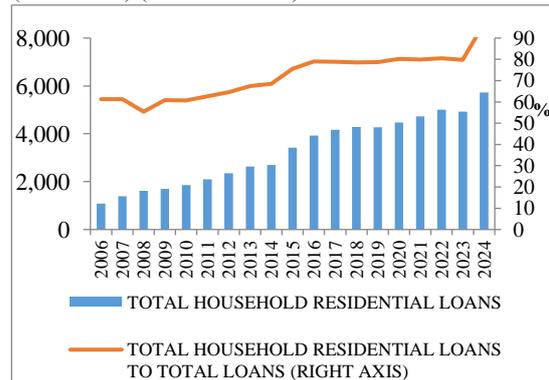


### 5.2.1 HOUSEHOLD RESIDENTIAL LOANS

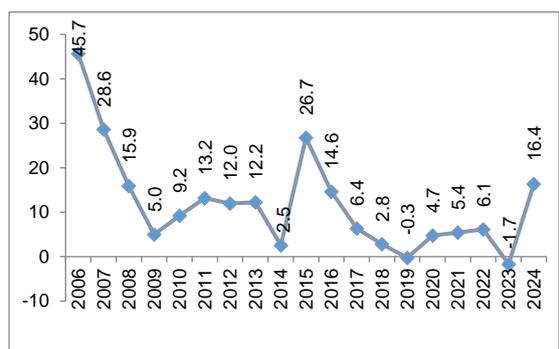
Total household real estate residential loans extended by banks increased by 16.4% to reach JD 5,734.1 million at the end of 2024, up from JD

4,927.4 million at the end of 2023. 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%. Thereafter, during (2009-2010), the growth pace started to slow down 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 (2011-2015) as the impacts of the global 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 (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 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, or postponements on Ramadan and the Occasions of Eid. Furthermore, the ratio declined slightly at the end of 2023, yet it increased again at the end of 2024 by 16.4% as mentioned earlier. This increase is 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. (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 (2006-2024) (JD MILLION)**

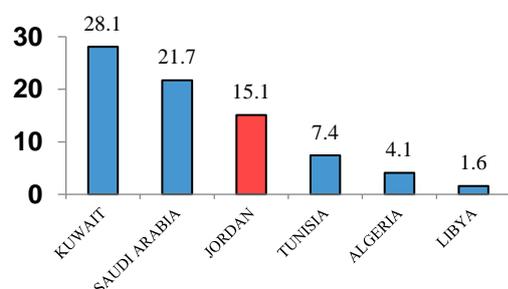


**FIGURE 5-6: HOUSEHOLD RESIDENTIAL LOANS GROWTH RATES (2006-2024) (%)**



The household residential loans in percent of GDP stood at 15.1% at the end of 2024, compared to 13.7% at the end of 2023. Jordan ranked in the middle among selected Arab countries in terms of this ratio; Jordan is lower than Saudi Arabia and Kuwait, yet it is higher than Tunisia, Algeria, and Libya (Figure 5-7).

**FIGURE 5-7: RESEDENTIAL REAL ESTATE LOANS IN PERCENT OF GDP IN JORDAN AND SELECTED ARAB COUNTRIES (%) (2024)**



Source: the Financial Stability in Arab Countries Report 2024, the Arab Monetary Fund

It is noteworthy that the number of apartments sold in 2024 approached 36,910, compared to 35,940 in 2023, increasing by 2.7%.

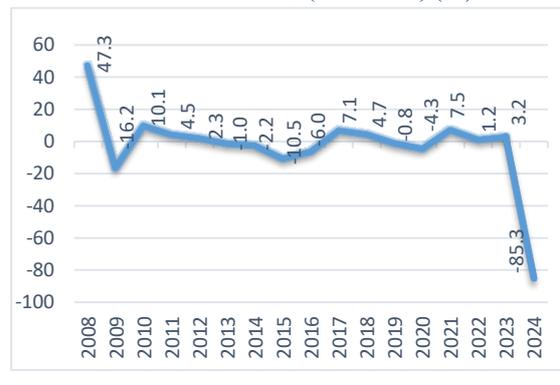
## 5.2.2 COMMERCIAL REAL ESTATE LOANS

Total commercial real estate loans extended by banks declined by 85.3%, to reach JD 183 million at the end of 2024 (3.1% of total credit facilities for the real estate sector), compared to JD 1,246.3 million at the end of 2023. This notable decline is due to the reclassification of corporate loans portfolio and commercial real estate loans by some banks so that the 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

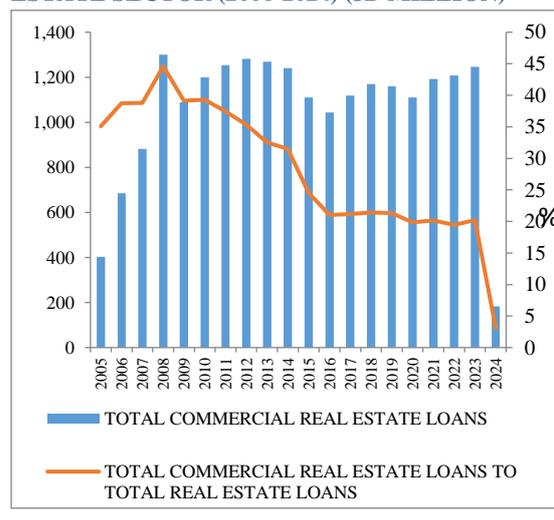
extended to large corporates was included in the portfolio of loans extended to large corporates.

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 (2010-2012), and declined further during (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 as mentioned earlier, and illustrated in figures (5-8) and (5-9).

**FIGURE 5-8: COMMERCIAL REAL ESTATE LOANS GROWTH RATES (2008-2024) (%)**



**FIGURE 5-9: COMMERCIAL REAL ESTATE LOANS AND THEIR RATIO TO TOTAL CREDIT FACILITIES EXTENDED TO THE REAL ESTATE SECTOR (2006-2024) (JD MILLION)**



### 5.3 THE LOAN TO VALUE (LTV) RATIO UPPER LIMIT FOR HOUSEHOLD RESIDENTIAL AND COMMERCIAL REAL ESTATE LOANS IN JORDAN

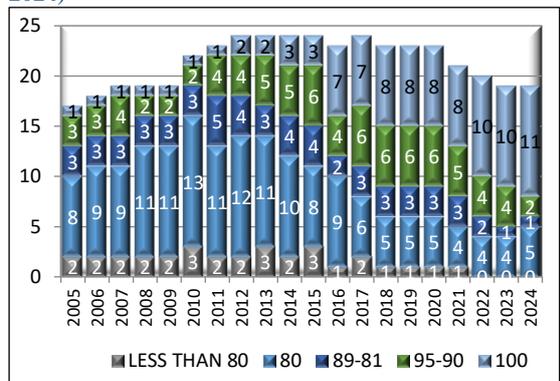
The LTV ratio is one of the most significant ratios and indicators that need to be monitored, in order to assess banks' exposure to the real estate market risks. The immense increase in this ratio may expose banks to high risks in case of real estate prices fall, thus deterring banks' ability to recover 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 (5-10) illustrates the upper limit of the LTV ratio for household residential loans. The figure illustrates that the LTV ratio for 5 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 (11) banks have a 100% LTV ratio.

**FIGURE 5-10: BANKS LTV RATIO UPPER LIMIT FOR HOUSEHOLD RESIDENTIAL LOANS (2005-2024)**

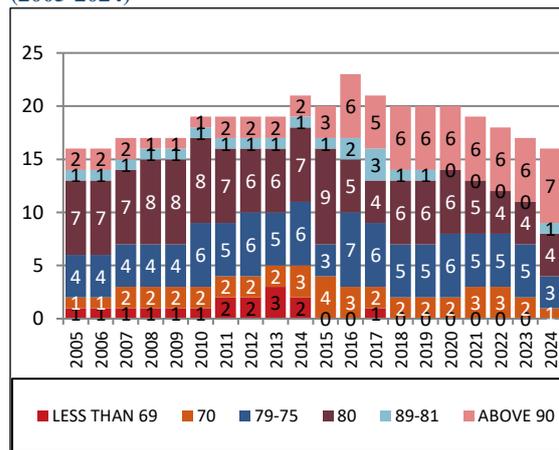


The figure above indicates that the number of banks with an LTV upper limit of 100% increased from (3) banks in 2015 to (11) banks in 2024,

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 2.6% at the end of 2024.

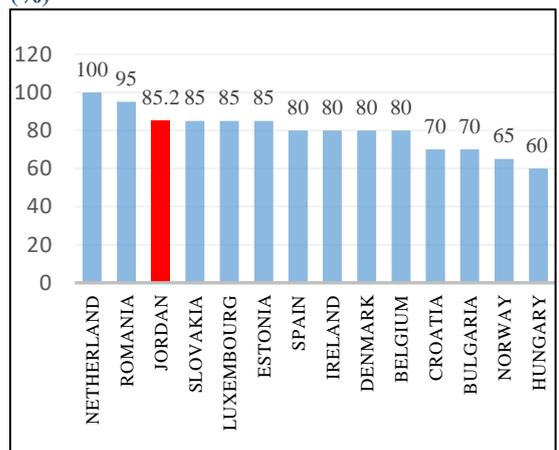
The majority of banks set their LTV upper limit for commercial real estate loans lower than the ratio for residential loans, as 50% of banks providing commercial real estate loans with an LTV ratio not exceeding 80% (Figure 5-11).

**FIGURE 5-11: BANKS LTV RATIO UPPER LIMIT FOR COMMERCIAL REAL ESTATE LOANS (2005-2024)**



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 85.2%, ranking third amongst 14 countries with available LTV data (Figure 5-12).

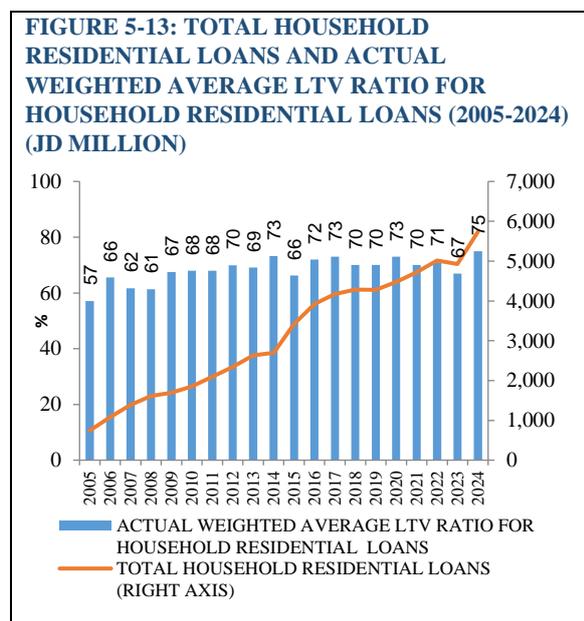
**FIGURE 5-12: LTV RATIO UPPER LIMIT FOR REAL ESTATE LOANS (RESIDENTIAL AND COMMERCIAL) FOR SELECTED COUNTRIES (%)\***



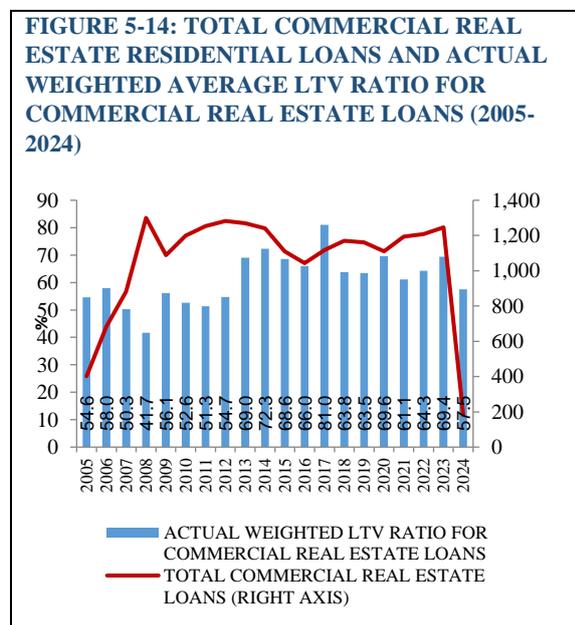
\*: European Mortgage Federation (EMF), November 2021  
-Jordan: data of 2024

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

Despite the increase of the LTV ratio upper limit 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 to reach 75% at the end of 2024 (figure 5-13).



With regard to the actual average of the LTV ratio for commercial real estate loans, it declined to 57.5% in 2024, against 69.4% in 2023. (Figure 5-14).



### 5.5 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 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 the construction of or purchasing real estates at 20% of total JD customer deposits. These Instructions came into effect on 30/6/2019.

### 5.6 THE REAL ESTATE ASSETS PRICE INDEX IN JORDAN

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 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, a database is under construction which uses the administrative value (the real value of real estates) to calculate this index.

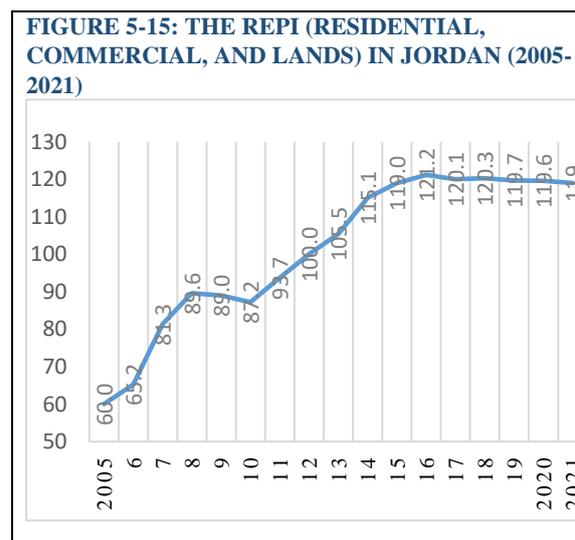
The REPI is significant to interpret several developments such as detecting price bubbles of the real estate assets, thus estimating the real estate market risks, in addition to forecasting economic growth, estimating the value of houses, which is used to estimate wealth, and it can be used as a benchmark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

Figures (5-15) illustrate the REPI in Jordan and the changes in this index during (2005-2021). As the database required to calculate the REPI using the new methodology is not finalized yet, accordingly, changes in real estate prices cannot be figured in 2024. 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.

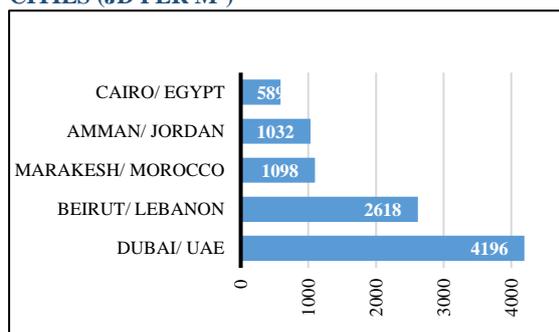
During the third phase (2011-2016), the real estate investments bounced back, yet at a slower pace than pre-global financial crisis era.

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.



As for the average residential price per square meter in Amman, and according to the information available (for the most attractive places 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 5-16 and Figure 5-17).

**FIGURE 5-16: SQUARED METER PRICES IN AMMAN COMPARED TO SELECTED ARAB CITIES (JD PER M<sup>2</sup>)**



Source: <http://www.globalpropertyguide.com>

**FIGURE 5-17: THE PRICE OF A SQUARED METER IN SELECTED AREAS IN AMMAN (JD PER M<sup>2</sup>)**

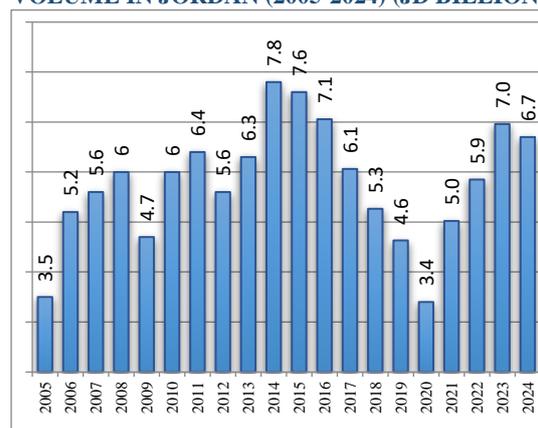


Source: [www.qoshan.com](http://www.qoshan.com)

### 5.7 TRADING VOLUME IN THE REAL ESTATE MARKET IN JORDAN

The real estate publication of the Department of Lands and Survey 2024, revealed that the trading volume in the real estate market in Jordan declined by 3.9% in 2024, to reach JD 6,692 million compared to JD 6,961 million in 2023. This is due to geopolitical and economic tensions in the region especially the war on Gaza, which affected most sectors including the real estate. Figure (5-18) indicates the developments of the real estate trading volume for Jordan during (2005-2024).

**FIGURE 5-18: THE REAL ESTATE TRADING VOLUME IN JORDAN (2005-2024) (JD BILLION)**



Source: the real estate bulletin, Department of lands and Survey 1/2025

In addition, sales to non-Jordanians reached to JD 221.8 million at the end of 2024, accounting for only 3.3% of real estate trading volume, compared to JD 202.2 million in 2023 (2.9% of total real estate trading). Sales to Iraqis accounted for the largest share in 2024 with an investment of JD 79.5 million, or 36% of total estimated sales to non-Jordanians in 2024 (Table 5-1).

**TABLE 5-1: SALES TO NON-JORDANIANS DURING (2016-2024) (JD MILLION)**

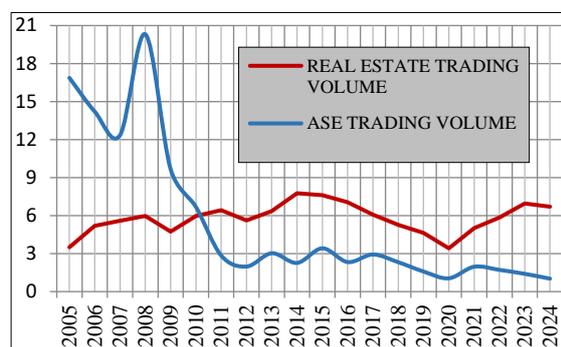
Nationality	2016	2017	2018	2019	2020	2021	2022	2023	2024
Iraqi	168.4	157.2	111.5	86.1	76.7	107.6	118.9	75.4	79.5
Saudi	50.2	63.4	44.0	30.9	34.9	46.4	62	19.2	15.5
Syrian	19.4	18.1	17.5	N.A.	11	20.3	22.7	23	27.9
American	21.5	N.A.	N.A.	N.A.	N.A.	12.7	N.A.	N.A.	17.8
Gaza	N.A.	N.A.	N.A.	30.2	16	9.6	N.A.	N.A.	N.A.
Other	115.6	83.1	111.4	89	40.4	60.4	99.4	84.6	N.A.
<b>Total</b>	<b>375.1</b>	<b>321.8</b>	<b>284.4</b>	<b>236.2</b>	<b>179</b>	<b>257</b>	<b>303</b>	<b>202.2</b>	<b>221.8</b>

Source: Real Estate Bulletin-Department of Lands and Survey 1/2025

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 5-19).

**FIGURE 5-19: THE REAL ESTATE TRADING VOLUME AND THE ASE TRADING VOLUME (2005-2024) (JD BILLION)**



Source: the real estate bulletin, Department of lands and Survey 1/2025, ASE 2024

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<sup>2</sup> are exempted from registration fees, and remaining area exceeding the 150 m<sup>2</sup> are subject to lower fees of 3%.
- Enact the Amending Law of the Tax on Real Estate Sales of 2023, aiming to stimulate investment in the real estate and housing sector

as well as increasing the trading volume of real estate trading. 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 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 property 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 the residential apartments with an area up to 150 meters from 50% of the 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.

## 5.8 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 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% to reach JD 6,692 million due to the geopolitical and economic tensions in the region, in particular the war on Gaza which affected most sectors including the real estate. 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, a new methodology that considers international best practices and reflects precisely the actual developments in the real estate sector is underway.

The slowdown in the real estate sector albeit minimal, requires some banks to reconsider the upper limit of the LTV ratio, especially banks with an LTV ratio exceeding 80%, to avoid any risks arising from falling real estate prices.

## 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

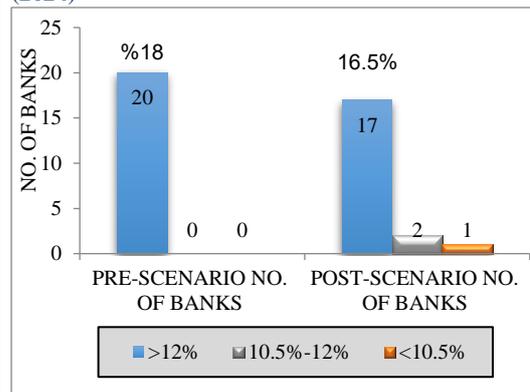
The sensitivity analysis for credit risk assumed an increase in probability of default (PD) by 100%, and a decline in banks' profits by 50% in 2025 compared to their levels in 2024. The loss Given Default (LGD) ratio is also supposed to reach 65% of NPLs. In this case, the CAR of the

banking sector in Jordan will drop from 18% to 16.5%, 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 limited impact of 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 bank level, the CAR will remain higher than 12% for (17) banks, while it will decline below 12% for (3) banks, two of which will remain higher than 10.5%, which validates the ability of most banks in Jordan to withstand this shock (Figure 6-1).

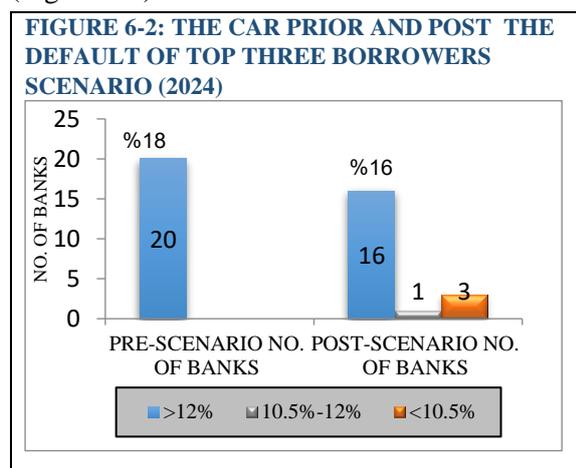
**FIGURE 6-1: THE CAR PRIOR AND POST INCREASING CREDIT LOSSES SCENARIO (2024)**



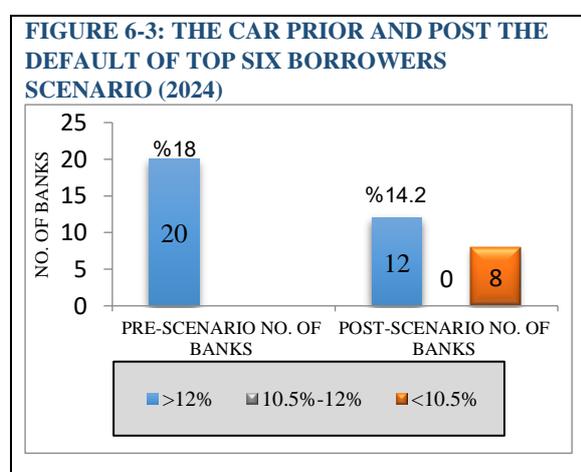
#### 6.2.2 SENSITIVITY ANALYSIS FOR CREDIT CONCENTRATION RISKS

As for credit concentrations risks, and in case of the default of the top three borrowers (excluding credit facilities provided to the government of Jordan and the government-guaranteed facilities) at the individual bank level, the CAR will decline from 18% to 16%, which is sufficiently higher than the minimum requirement. The CAR for the banking sector will remain sufficiently higher than the minimum requirement, however, at the individual level the CAR will remain higher than the minimum requirement of 12% for (16) banks,

while it will fall below 12% for (4) banks, one of which will maintain a CAR above the international minimum requirement of 10.5%. (Figure 6-2).



However, under the assumption of the default of the 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 18% to 14.2%, yet it remains 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 (8) banks, which validates that certain 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).



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

### 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 that the interest rates will hike by 200 basis points, the CAR of the banking sector will remain unchanged at 18%<sup>1</sup>. However, at the individual bank level, the CAR will remain above 12% for all banks exactly as prior to the shock, 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<sup>2</sup> against all foreign currencies, the banking sector's post-shock CAR will remain unchanged at 18%. 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

The test assumes a decline in the stock prices in the financial market by 30%, in this scenario the CAR of the banking sector in Jordan will remain unchanged at 18%, which implies that this shock will not affect the banking sector in general. At the individual bank level, the ratio will remain above 12% for all banks, exactly as before the shock. 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.

<sup>2</sup> 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 August 2025 approached USD 22.8 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

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 2025-2027. 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 geopolitical tensions due to the war on Gaza and the Russian-Ukrainian crisis facing Jordan's economy to remain, in terms of the continuous increase in the prices of energy and primary commodities, which will set the economy to significantly slow down compared to projections, and fueling the 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 trend using HP filter; this gap was used as one of the macroeconomic variables that affect the PDs, and measuring the impact on the regulatory CAR and Tier1 capital<sup>3</sup> for a bank. Economic research suggests that the decline in growth rate will increase the PDs due to economic slowdown, as it affects the customers' ability to repay their debts. Other variables such as the average interest rates on loans, and inflation rates, were also used to predict the PDs.

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.

<sup>3</sup> According to Basel III definition

<sup>4</sup> 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.

- Severe Macro Stress Scenario.

To forecast the PD, the following model was used<sup>4</sup>:

$$PD_t = C + B_1 \text{ GDP GAP}_t + B_2 \text{ LENDING RATE}_{(t-1)} + B_3 \text{ INFL}_{(t-1)}$$

Where:

PD<sub>t</sub>: projected probability of default at banks.

C: Constant

GDP GAP<sub>t</sub>: GDP gap

LENDING RATE<sub>(t-1)</sub>: Average interest rate on loans and advances.

INFL<sub>(t-1)</sub>: inflation rate

The statistical tests revealed a significant inverse relationship between the growth rate 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:

$$PD_t = -0.86 - 0.17 \text{ GDP GAP}_t + 0.29 \text{ LENDING RATE}_{(t-1)} + 0.13 \text{ INFL}_{(t-1)}$$

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

Variable	Coefficient	T-Statistic
C	-0.86	-0.99
GDP GAP <sub>t</sub>	-0.17*	-5.1
LENDING RATE <sub>(t-1)</sub>	0.29*	3.08
INFL <sub>(t-1)</sub>	0.13*	7.77
Coefficient of Determination (R <sup>2</sup> )	35%	
Adjusted R <sup>2</sup> 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 2025-2027 were projected based on output gap, the average lending rate, and the

inflation rate. The following scenarios were assumed, noting that the model used is based on the assumption that banks' profits in 2025 will drop by 50% compared to their levels in 2024, and the LGD will hit 65% of NPLs:

**TABLE 6-2: MACRO STRESS TESTING SCENARIOS FOR 2025-2027**

Year	Variable	GDP Gap	Lending rate*	Inflation rate
Scenarios of 2025	Baseline Scenario	1.2	8.1	2.2
	Medium Macro Stress Scenario	-0.6	9.1	4.0
	Severe Macro Stress Scenario	-2.4	10.1	8.4
Scenarios of 2026	Baseline Scenario	1.9	7.6	2.5
	Medium Macro Stress Scenario	0.1	8.6	5.6
	Severe Macro Stress Scenario	-1.7	9.1	8.7
Scenarios of 2027	Baseline Scenario	2.2	7.1	2.3
	Medium Macro Stress Scenario	0.4	8.1	5.4
	Severe Macro Stress Scenario	-1.4	8.6	8.5

The scenarios were assumed according to the following methodology:

**Medium Macro Stress Scenario:** The projected GDP gap for 2025-2027 minus one standard deviation of GDP gap for (2002-2024), the projected inflation rate for 2025-2027 plus one standard deviation of the inflation data for (2002-2024).

**Severe Macro Stress Scenario:** The projected GDP gap for 2025-2027 minus two standard deviations of GDP gap for (2002-2024), the projected inflation rate for 2025-2027 plus two standard deviations of the inflation data for (2002-2024).

**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 2025, and to increase by 100 and 150 basis points in 2026 and 2027, for both the medium and severe scenarios, respectively, compared to the projected baseline lending rate which is projected for each year and was calculated assuming the decline of interest rates by 50 and 100 basis points as compared to the baseline projected for 2025.

\*Represents the weighted average interest rates on credit facilities/ loans and advances of July 2025.

### 6.3.2 RESULTS FOR BRANCHES IN JORDAN

Table (6-3) and Figure (6-4) illustrate projected NPLs ratio and CARs for 2025 assuming the scenarios above. Under the severe scenario, the NPLs will increase from 5.6% in 2024 to 9.4% in 2025, thus the CAR will drop from 18% to 16.5% in 2025.

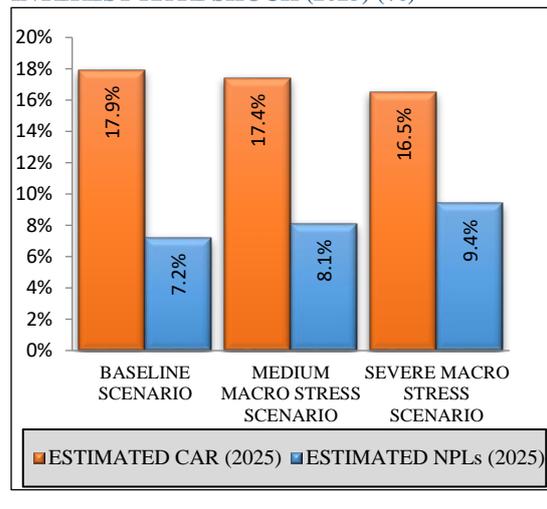
**TABLE 6-3: MACRO STRESS TESTING RESULTS FOR 2025**

Scenarios	Projected NPLs (2025)	Projected CAR (2025)
Baseline Scenario	7.2%	17.9%
Medium Macro Stress Scenario	8.1%	17.4%
Severe Macro Stress Scenario	9.4%	16.5%

\* The NPLs ratio at the end of 2024 stood at about (5.6%).

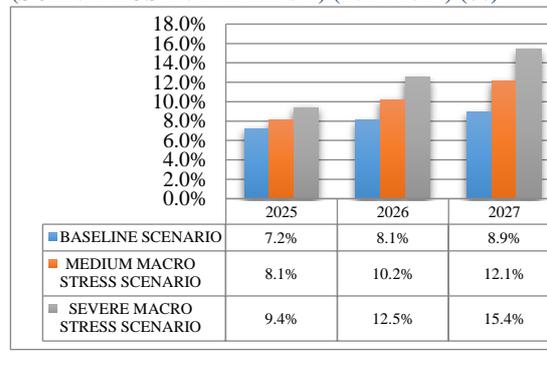
\*\* The CAR at the end of 2024 reached to (18%).

**FIGURE 6-4: THE CAR PRIOR AND POST AN INTEREST RATE SHOCK (2025) (%)**



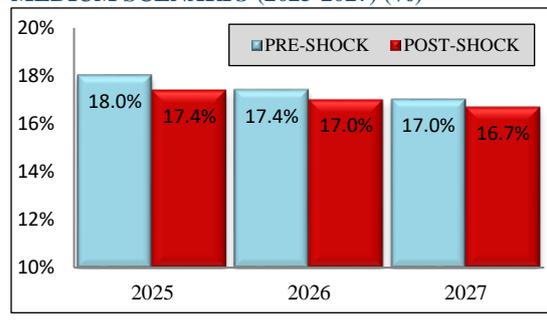
If these scenarios occur (Table 6-3: scenarios), the projected NPLs ratios for 2025-2027 assuming the (three) scenarios will be as illustrated in Figure (6-5).

**FIGURE 6-5: THE POST SCENARIOS NPLs (SCENARIOS IN TABLE 6-2) (2025-2027) (%)**

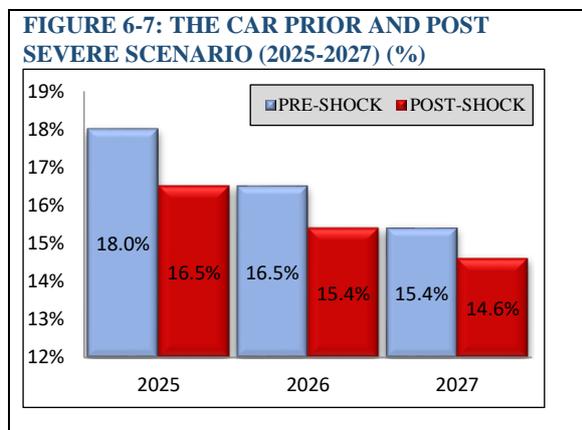


Accordingly, after applying the medium scenario, the CAR for 2025-2027 (Figure 6-6) will decline to 16.7% in 2027, which remain sufficiently higher than 12% for the three years (2025-2027). This implies that the banking sector in Jordan is capable to withstand this shock (figure 6-6).

**FIGURE 6-6: THE CAR PRIOR AND POST MEDIUM SCENARIO (2025-2027) (%)**



In addition, implementing the severe scenario indicates that the CAR will drop to 14.6% in 2027, and remain higher than 12% for the years (2025-2027), which means that the banking sector’s CAR is high and capable to withstand this shock as well (Figure 6-7).



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

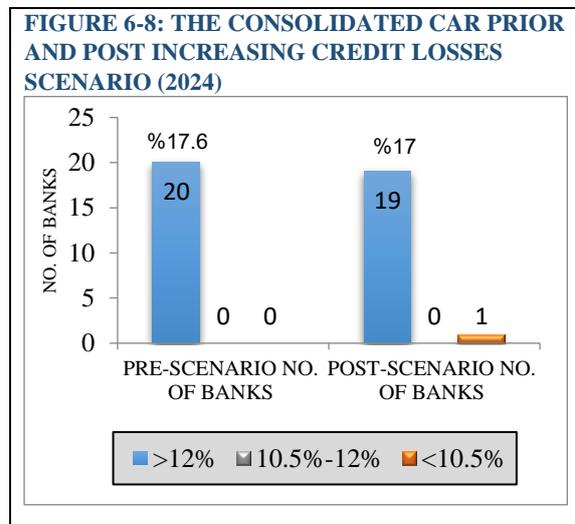
**6.4 SENSITIVITY ANALYSIS ON CONSOLIDATED LEVEL**

**6.4.1 SENSITIVITY ANALYSIS FOR CREDIT RISK**

The sensitivity analysis for credit risk assumed an increase in PDs at the consolidated level by 100%, and a decline in banks’ profits by 50% in 2025 compared to their levels in 2024. 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%, 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 limited impact of this shock is attributed to the following:

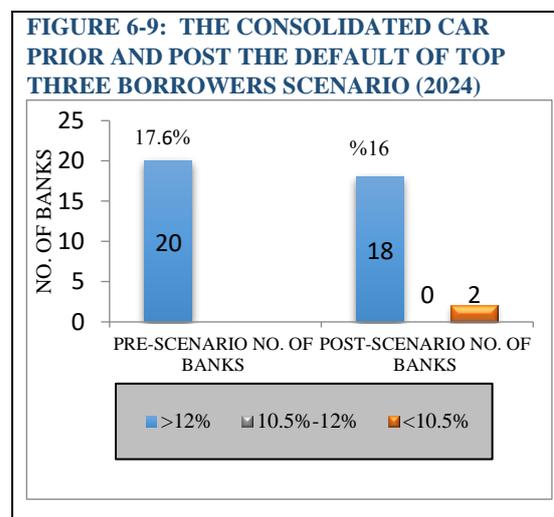
- 1- High consolidated CAR for banks in Jordan.
- 2- Banks have high profits, which enable them to handle additional provisions and losses resulting from the shock when it occurs, without significantly affecting the capital, which in turn protects banks’ capital.

At the individual bank level, the CAR will remain higher than 12% for (19) banks, while it will decline below 12% for one bank only, which validates the ability of most banks in Jordan to withstand this shock (Figure 6-8).



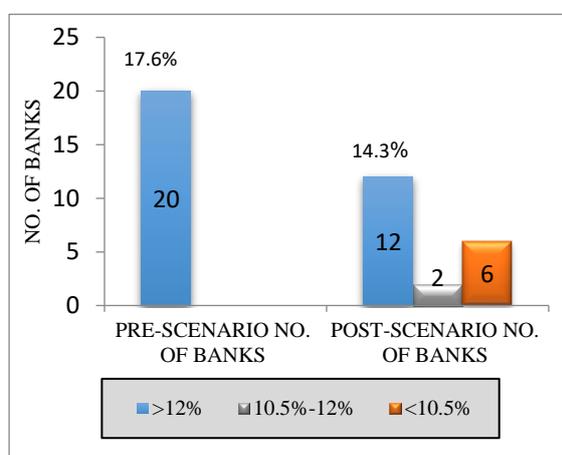
**6.4.2 SENSITIVITY ANALYSIS FOR CREDIT CONCENTRATION RISKS**

As for credit concentration risks, and in case of the default of the top three borrowers (excluding credit facilities provided to the government of Jordan and the government- guaranteed facilities) at the consolidated level, the CAR will decline from 17.6% to 16%, 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 (18) banks, while it will fall below 12% for two banks only. (Figure 6-9).



However, under the assumption of the default of the top six borrowers (excluding credit facilities provided to the government of Jordan and the government-guaranteed facilities) at the consolidated level of banks, the CAR of the banking sector will decline from 17.6% to 14.3%, 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 (8) banks (6 banks of which will have their CARs below the international minimum requirement of 10.5%), 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 THE DEFAULT OF TOP SIX BORROWERS SCENARIO (2024)**



### 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 two types of shocks only: interest rates, and equity prices, which are the most commonly used variables thereupon.

### 6.4.4 INTEREST RATE SHOCK

Assuming that the interest rates will hike by 200 basis points, the consolidated CAR of the banking sector will decline from 17.6% to 17.5%<sup>5</sup>. However, at the individual bank level, the CAR will remain above 12% for all banks, exactly as before the shock, which 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 on the banking sector in general. At the individual bank level, the ratio will remain above 12% for all banks, exactly as before the shock. 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 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, geopolitical challenges and tensions resulting from war on Gaza and the Russian-Ukrainian crisis are assumed to continue and affect the countries in the region in terms of the increase in the prices of energy and primary commodities, which will set the economic growth to significantly slow down compared to projections, and increase the inflation rates.

To forecast the PD, the following model was used<sup>6</sup>:

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

Where:

<sup>5</sup> The impact of the shock was calculated using the gap analysis that examines the balance of assets and liabilities sensitive to interest rate risk at banks.

<sup>6</sup> This model was estimated using the Ordinary Least Squares (OLS).

**PD<sub>t</sub>**: the projected probability of default for consolidated banks.

**C**: Constant

**GDP GAP<sub>t</sub>**: output gap for the MENA region.

**LENDING RATE<sub>t</sub>** = Average interest rate on loans and advances in the MENA region.

**INFL<sub>(t-2)</sub>** = 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:

$$PD_t = -2.02 - 0.13 GDP\ GAP_t + 0.29 LENDING\ RATE_t + 0.13 INFL_{(t-2)}$$

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

Variable	Coefficient	T-Statistic
C	-2.02	-1.4
GDP GAP <sub>t</sub>	-0.13*	-2.0
LENDING RATE <sub>t</sub>	0.29*	1.6
INFL <sub>(t-2)</sub>	0.13*	1.9
Coefficient of Determination (R <sup>2</sup> )	46%	
Adjusted R <sup>2</sup> Coefficient	32%	

(\*): Statistically significant at 90% confidence level

### 6.5.1 ASSUMPTIONS OF THE MODEL AT THE CONSOLIDATED LEVEL

The PDs for 2025-2027 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 2025 will drop by 50% compared to their levels in 2024, and the LGD will hit 65% of NPLs:

**TABLE 6-5: CONSOLIDATED MACRO STRESS TESTING SCENARIOS FOR 2025-2027**

Year	Variable	GDP Gap	Lending rate	Inflation rate
Scenarios of 2025	Baseline Scenario	0.4	8.2	2.1
	Medium Macro Stress Scenario	-1.9	9.2	4.2
	Severe Macro Stress Scenario	-4.2	10.2	6.3
Scenarios of 2026	Baseline Scenario	1.3	7.7	2.1
	Medium Macro Stress Scenario	-1	8.7	4.2
	Severe Macro Stress Scenario	-3.2	9.2	6.3
Scenarios of 2027	Baseline Scenario	1.4	7.2	2.1
	Medium Macro Stress Scenario	-0.9	8.2	4.2
	Severe Macro Stress Scenario	-3.1	8.7	6.3

The scenarios were assumed according to the following methodology:

**Medium Macro Stress Scenario:** The projected output gap for 2025-2027 minus one standard deviation for output gap of (2002-2024), the inflation rate of 2024 plus one standard deviation of the inflation of (2002-2024).

**Severe Macro Stress Scenario:** The projected output gap 2025-2027 minus two standard deviations of output gap for (2002-2024), the inflation rate of 2024 plus two standard deviations of the inflation of (2002-2024).

**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 2025, and to increase by 100 and 150 basis points in 2026 and 2027, for the medium and severe scenarios, respectively, compared to the projected baseline lending rate which is projected for each year and was calculated assuming the decline of interest rates by 50 and 100 basis points as compared to the baseline projected for 2025.

### 6.5.2 CONSOLIDATED RESULTS

Table (6-6) and Figure (6-11) illustrate projected NPLs ratio and CARs for 2025 assuming the scenarios above; under the severe scenario, the NPLs ratio will increase from 5.4% in 2024 to 8.8% in 2025, thus the CAR will drop from 17.6% to 16.8% in 2025.

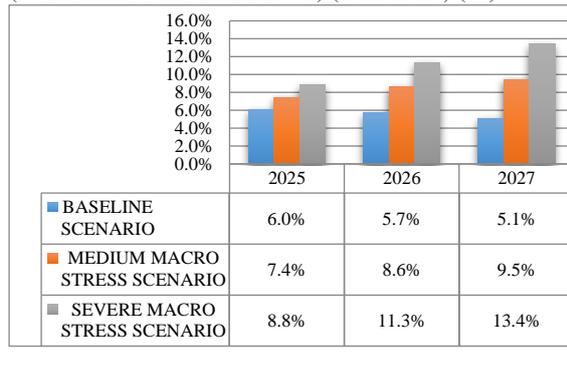
Scenarios	Projected NPLs (2025)	Projected CAR (2025)
Baseline Scenario	6.0%	17.6%
Medium Macro Stress Scenario	7.4%	17.5%
Severe Macro Stress Scenario	8.8%	16.8%

\* The consolidated NPLs ratio at the end of 2024 stood at about (5.4%).

\*\* The consolidated CAR at the end of 2024 reached to (17.6%).

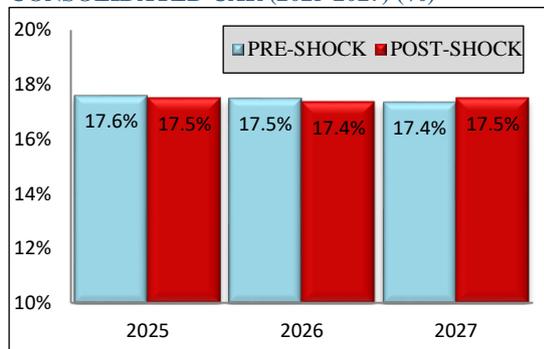
If these scenarios occur (Table 6-5: Scenarios), the projected NPLs ratios for 2025-2027 assuming the (three) scenarios will be as illustrated in Figure (6-11).

**FIGURE 6-11: THE POST SCENARIOS NPLs (SCENARIOS IN TABLE 6-5) (2025-2027) (%)**



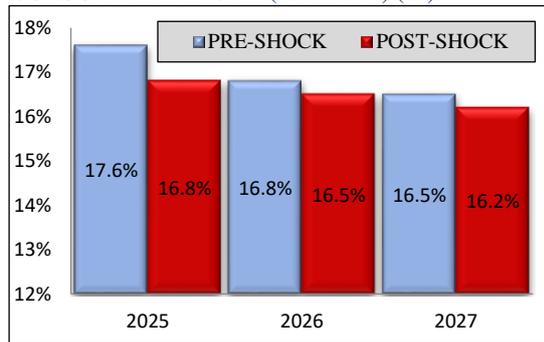
Accordingly, after applying the medium scenario, the CAR for 2025-2027 (Figure 6-12) will decline to 17.5% in 2027, still sufficiently higher than 12% for (2025-2027). This implies that the consolidated banking sector in Jordan is capable to withstand this shock (Figure 6-12).

**FIGURE 6-12: THE POST MEDIUM SCENARIO CONSOLIDATED CAR (2025-2027) (%)**



In addition, implementing the severe scenario indicates that the CAR will drop to 16.2% in 2027, and remain higher than 12% for (2025-2027), 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 (2025-2027) (%)**



## 6.6 CONCLUSION

According to the results of (2025-2027), 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 the shocks and high risks resulting from lingering geopolitical tensions arising from the war on Gaza and the Russian-Ukrainian crisis. Assuming the severe scenario, the CAR of the banking sector for the branches in Jordan will reach to 16.5%, 15.4% and 14.6%, in 2025, 2026, and 2027, respectively, whereas, the consolidated CAR will reach 16.8%, 16.5%, and 16.2%, in 2025, 2026, and 2027, respectively. These positive results are attributed to the high levels of capital and comfortable level of profits of banks, 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 reduce 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: CENTRAL BANKS DIGITAL CURRENCY (CBDCs)

### 7.1 INTRODUCTION

The global financial system is undergoing an unprecedented transformation, as using Fintech and digital innovations are on the rise; which trigger central banks to reconsider the role of sovereign money in the digital economy. In this context, the CBDCs have emerged as a possible tool to achieve several objectives, including enhancing the efficiency of payment systems, supporting financial inclusion, and maintaining monetary and financial stability. The CBDCs are the digital form of money issued directly by central banks, yet they are different from unregulated cryptocurrencies. By providing a secure and stable payment method, the CBDCs are intended to reduce dealing with cryptocurrencies that may encounter risks of price volatility and financial offenses.

However, issuing of the CBDCs by central banks implies complex challenges that require careful consideration. On the one hand, the adoption of the CBDCs could improve payments efficiency, particularly for high cost and time-consuming cross-border transactions. On the other hand, they could alter the dynamics of the conventional banking sector, which could impact liquidity and profitability, and increasing the risk of bank runs during financial crises. Furthermore, the design of the CBDCs raises questions about privacy and data protection.

While the digital currency offers the ability to track financial transactions, a balance must be made between the transparency needed to combat financial crimes and the need to protect the privacy of users.

Accordingly, developing and issuing the CBDCs require a comprehensive and integrated approach that considers the potential impacts on the monetary policy, the financial stability, the operational efficiency, and the role of the conventional banking sector.

This chapter highlights the pros and cons of the CBDCs, as well as the potential challenges and

risks, and illustrates some emerging international experiences in the field.

### 7.2 THE MAIN CHARACTERISTICS OF THE CBDCs

1. Issued officially by the regulatory/monetary authority (central bank) in the country, and they are subject to regulatory and supervisory controls. They also have a sound regulatory framework that builds the trust between individuals and companies, and are directly linked to the national currency.
2. Legal Tender: like conventional currency, these digital currencies are considered a legal tender, and are used to settle all types of transactions. This provides a high level of legal acceptance, making them a suitable digital alternative to physical cash.
3. Fully Digital: they exist only in electronic form, which facilitates their use in e-commerce, mobile applications, and online payment systems. They can also be designed to operate offline, thus enabling access to remote areas.
4. Stable and secure, unlike highly volatile cryptocurrencies, the CBDCs offer state-backed stability, and are subject to monetary policies set by central banks that control these CBDCs.
5. Financial inclusion: they facilitate access to financial services by financially excluded groups, especially in developing countries. They also play a significant role in including unbanked individuals or those facing difficulties to access conventional financial services provided by the formal financial system.
6. Advanced technology: the CBDCs rely on advanced technologies such as blockchain and Distributed Ledger Technologies (DLT), which provide a high level of transparency, security, and speed transactions.
7. Enhanced efficiency and reduced transaction costs: they reduce the costs of printing, storage, and transportation associated with conventional currencies.

They also enhance the efficiency of payment systems and reduce processing times and costs associated with transfers and settlement.

### 7.3 TYPES OF CBDCs

#### Retail CBDCs:

- Used by individuals and corporates for day to day transactions instead of cash. they also allow for making retail payments and e-commerce easily.

#### Wholesale CBDCs:

- Used only between banks and large financial institutions to settle large payments, as they emphasize enhancing efficiency and reducing risks in banking systems.

### 7.4 FORMS OF ISSUING CBDCs

#### Tier-one:

- The central bank issues the digital currency and use it directly with beneficiaries without the need for intermediaries; the central bank opens accounts or e-wallets for users and conduct inquiries.

#### Tier-two:

- In this model, the central bank issues the digital currency but no dealings are carried out with beneficiaries, yet financial intermediaries like commercial banks are responsible for promoting digital currency and settlements.

### 7.5 THE PROS AND OPPORTUNITIES OF CBDCs

1. **Promoting financial inclusion:** can help reach to financially excluded or unbanked persons.
2. **Enhancing the efficiency of payment systems:** enable real-time payments both domestically and across borders, reducing reliance on intermediaries, saving time and reducing costs, and increasing payment security.
3. **Combating financial offenses:** this type of currency provides a transparent and

better tracking for financial transactions, helping to combat money laundering, terrorist financing, and other illicit financial activities.

4. **Protecting monetary sovereignty:** help countries to control their financial systems, especially against cryptocurrencies or foreign stable currencies that could dampen the central bank's ability to control monetary policy.
5. **Enhancing the efficiency of monetary policy administration:** through controlling the money supply and improving monetary policy administration, which enables central banks to promote markets stability.

### 7.6 CHALLENGES AND RISKS ASSOCIATED WITH CBDCs

**Cybersecurity:** it is necessary to ensure that this type of digital currency is protected from cyber threats that could lead to significant financial and operational losses.

**Privacy Protection:** while central banks seek to enhance transparency, there must be a balance between monitoring transactions and protecting privacy of users.

**Impact on Commercial Banks:** issuing this type of currency could reduce commercial bank deposits, potentially impacting banks operations and their role in financial intermediation.

**Implementation Costs:** issuing this type of currency requires a robust digital and technological infrastructure with continuous updates of systems.

**Impact on Monetary Policy:** the CBDCs could complicate the transmission of monetary policy by affecting the demand for traditional monetary policy instruments. However, on the other hand, the CBDCs can enhance the effectiveness of monetary policy by improving the transmission of interest rate decisions. Central banks can apply a direct interest rate on digital currencies, making them a more controllable monetary tool compared to conventional money. This could also lead to cash-less transactions, which facilitate the fine-tuning of monetary policies. Nevertheless,

the use of CBDCs could lead to volatility in the demand for money, which may require reshaping traditional monetary policy tools to ensure monetary and economic stability.

**Financial stability risks:** the CBDCs could trigger a significant transfer of bank deposits from commercial banks to the central bank, which could decrease liquidity available for lending, making it difficult for banks to finance their operations and potentially set back economic growth. Furthermore, a secure digital means backed by the central bank could increase the risk of bank runs during financial crises, as customers could speedily convert their money into digital currencies rather than keeping them in commercial banks. In addition, cybersecurity challenges could directly impact the stability of the financial system, as any penetrations could affect the confidence in the digital currency which lead to widespread financial turmoil.

## 7.7 CBDCs INTERNATIONAL PRACTICES

### 7.7.1 COUNTRIES ISSUED CBDCs

#### - **Bahamas: Sand Dollar:**

In October 2020, the Bahamas issued its digital currency (the Sand Dollar), to become the first country to issue a CBDC. The Sand Dollar aims to promote financial inclusion, especially in remote islands, and to increase the efficiency of the payments system. However, the adoption of the Sand Dollar is limited, as the digital currency in circulation was less than 1% of the total currency in circulation by mid-2024. To address this issue, the Central Bank of the Bahamas is exploring options and formulating legislations to require commercial banks to allow customers to access the Sand Dollar, in order to support its use.

#### **2. Nigeria: eNaira**

In October 2021, Nigeria launched the eNaira; Africa's first CBDC. The eNaira aims to promote financial inclusion, facilitate payments, and streamline the delivery of financial aids to citizens. By 2024, approximately 13 million eNaira wallets had been created, albeit using the digital currency is limited.

#### **3. Jamaica: Jam-Dex**

In 2022, Jamaica launched its CBDC, Jam-Dex, to promote financial inclusion, reduce transaction costs, and transforming to digital economy. Despite the challenges associated with adoption, authorities are working to raise awareness and encourage the use of the digital currency among citizens.

### 7.7.2 COUNTRIES PILOTS TO ISSUE CBDCs

#### **1. China: Digital Yuan (e-CNY)**

China is a leading country in developing a CBDC to promote financial inclusion, update payment systems, and provide a government-backed alternative to private payment platforms like Alipay and WeChat Pay. China embarked a pilot of the digital yuan in 2019, and has since expanded the pilots to several major cities. By mid-2024, the total value of digital yuan transactions had reached approximately CNY 7.3 trillion (around USD 1 trillion). The digital yuan is used in a variety of transactions, including day-to-day payments and e-commerce.

#### **2. Sweden: e-Krona**

The Swedish central bank is developing the e-Krona to enhance the efficiency of digital payments and ensure the stability of the financial system in light of the declining use of paper cash in the country. Sweden started conducting pilots for the e-Krona in 2020, focusing on designing a secure and user-friendly digital currency.

#### **3. India: Digital Rupee**

India launched the digital rupee as a digital legal tender issued by the Reserve Bank of India (RBI); the pilots were embarked in December 2022. By mid-2023, more than 5 million users had participated, with plans to expand to include offline transactions. India is also seeking cooperation with the United States and the European Union in this area to promote the circulation of digital Rupee. The digital rupee pros include reduced cash management costs, instant settlement, and high security thanks to DLT.

#### **4. Brazil: DREX**

The Brazilian Central Bank (BCB) launched a

new initiative for a Brazilian digital currency pilot called DREX in 2022, aiming to facilitate financial transactions and promote the digital transformation in the economy. The BCB also seeks to provide a secure and regulated digital financial ecosystem, support innovation and new business development, as well as enhance financial inclusion by offering equal opportunities for individuals and businesses to benefit from the digital economy.

### 7.7.3 COUNTRIES EXPLORING CBDCs

#### 1. European Union: Digital Euro:

The European Central Bank launched a multi-year pilot to explore the feasibility of a digital euro. The pilot aims to provide a secure and efficient digital payment method for the Euro area and support its digital transformation. The project is in its development phases, focusing on the design of the digital currency and its potential impact on the Eurozone.

#### 2. United States: The Digital Dollar:

At the beginning of 2025, the administration of US President Trump signed an executive order to strengthen American leadership in digital FinTech, whereby all agencies were required to suspend any work underway on issuing a digital dollar or digital currencies. Under this order, a strategic Bitcoin reserve and a US digital asset stockpile were established by holding seized digital currencies from criminal and civil cases which amounted to more than USD 17 billion, so that the government will store them as a long-term strategic reserve, positioning them as digital gold.

### 7.8 OTHER PRACTICES

#### 1. The "m-Bridge" Multi-CBDC (a joint project between the UAE Central Bank and multiple international central banks).

In 2021, the "m-Bridge" Multi-CBDC was launched, which is a joint pilot between the Central Bank of UAE and several international central banks including China, Thailand, and Hong Kong, in partnership with the Bank for International Settlements Innovation Hub in Hong Kong. It aims to provide innovative and highly efficient cross-border payment solutions. Saudi Arabia joined the project in June 2024. The "m-Bridge" project aims to accelerate

cross-border payments and finance international trade between participating banks using CBDCs. The project also aims to create a more efficient and innovative CBDC infrastructure to address the challenges facing existing payment systems, including high costs, lack of transparency, low efficiency, and other operational complexities.

#### 2. Aber Project:

The "Aber" pilot is a joint initiative between the Saudi Central Bank (SAMA) and the UAE Central Bank. The project was announced in January 2019 as the first joint Arab pilot to address the possibility of issuing a CBDC using DLT. The pilot aims to enhance the efficiency and reliability of payment systems between Saudi Arabia and the UAE through a digital currency fully backed by the two banks and used as a settlement unit between participating banks. The results revealed that the technology adopted contributed to improving the speed and efficiency of payments, while maintaining the stability of the financial system during the trial period. The pilot also evidenced the possibility of reducing operational costs and enhancing financial integration between the two countries; the pilot is intended to be expanded to include other regional entities.

### 7.9 THE CBJ EXPERIENCE IN ISSUING CBDC

The CBJ is currently conducting a feasibility study to issue a national digital currency, known as the "Digital Jordanian Dinar", which would function and circulate similarly to the paper dinar, yet in a digital format. This study aims to assess the potential pros and cons associated with issuing such currency, as well as to examine the relevant legal, functional, and technical aspects. It also focuses on evaluating the associated risks, including operational risks, information security risks, and issues related to combating money laundering and terrorist financing, as well as the potential impact on the financial and monetary stability in the Kingdom.

The CBJ keeps abreast with latest global developments in terms of CBDCs. Among these initiatives, the CBJ has joined the "m-Bridge" pilot as an observer member. This pilot is a

multi-CBDC digital platform based on the DLT, which enables central banks to efficiently and securely issue and trade their own digital currencies. The “m-Bridge” project was launched in 2021 by the monetary authorities of China, Hong Kong, Thailand, and the UAE, in cooperation with the Bank for International Settlements (BIS). The project aims to fostering collaboration and developing cutting-edge technological infrastructure for CBDCs.

#### **7.10 CONCLUSION**

The CBDCs are a significant development in the future of money, combining digital efficiency with the stability of conventional currencies. However, countries must balance the potential economic benefits with the risks associated with these currencies, in particular, those related to cybersecurity and privacy. While these digital currencies offer advantages that make them more attractive to users and investors in terms of ease of use, low transaction costs, and rapid deployment and accessibility, they also raise international concerns about their potential misuse, especially in illicit financial activities.

The main challenge facing regulatory authorities is to be familiar with these new innovations, particularly in putting in place legislative and regulatory frameworks, and providing a robust, secure, and balanced infrastructure that leverage their benefits to the economy and the financial system. Meanwhile, they are required to ensure that the corresponding risks are managed appropriately. This balanced approach would enhance the safety and security of the financial system and ensure compliance with applicable laws and regulations, including laws related to combating money laundering and counter terrorist financing.