



IIRA reaffirms Shari'a Quality Rating of Jordan Islamic Bank (JIB)

Manama, March 28, 2024: Islamic International Rating Agency ("IIRA") has reaffirmed the Shari'a Quality Ratings of Jordan Islamic Bank ("JIB") at AA+ (SQ). JIB is a leading Islamic bank in the region and offers Shari'a-compliant products and services catering to a range of customers' banking needs.

The Bank's compliance with Shari'a principles has been evaluated through an analysis of underlying structures of its spectrum of products and services. The Bank has continuously avoided structures, which are not preferred by Shari'a scholars. The income purification mechanism yields minimal income to be forfeited to charity accounts, reflective of the bank's largely streamlined structures and processes.

A well-structured control system and diligent oversight of an experienced and long-standing Shari'a Board ensures adequate controls and timely Shari'a reporting. The acknowledgement of Shari'a non-compliance risk in the risk policy framework is also a positive feature of the Bank's commitment to Shari'a. The annual Shari'a report of the Bank is comprehensive, as is the Board's engagement with other control organs of the Bank including the Board of Directors, External Auditors and the shareholders. In light of the enhanced governance requirements issued recently by the Central Bank of Jordan, the Bank has strengthened its Shari'a control infrastructure in 2023, by also instituting a Shari'a compliance function.

The corporate governance framework puts into effect local regulations and best practices. High independent representation on the Board, gender diversity, effective internal controls, and mechanisms for protecting the investment account holders' rights contribute to a strong governance framework. Independent representation in key committees and inclusion of SSB in the governance oversight committee may further align the governance framework with best practices.

A high level of transparency is consistently maintained in terms of Shari'a disclosures. These cover relevant Shari'a governance related disclosures as well as comprehensive disclosures regarding the aspects that makes Islamic finance participative. JIB's commitment to Corporate Social Responsibility and Sustainability is evident from its products and services spectrum, donations for charitable causes, sustainable energy utilization, and participation in community building efforts. The Bank has developed financing products related to sustainable financing, which will support its sustainability initiatives and strategy.

Besides, adequate dispensation of fiduciary responsibility is evident from competitive returns paid to IAH, maintained asset quality reflecting conscientious management of funds, and relevant disclosures.

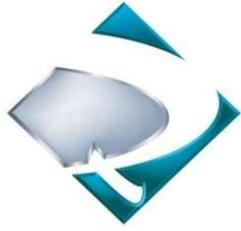
For further information on this rating announcement, please contact us via e-mail at iira@iirating.com.

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Shari'a Quality Rating Report
Jordan Islamic Bank
March 2024



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SHARI'A QUALITY RATING REPORT

Jordan Islamic Bank

Report Date:

March 28, 2024

Latest Rating (March 28, 2024)	Previous Rating (September 01, 2022)
Shari'a Quality Rating (SQR)	Shari'a Quality Rating (SQR)
AA+ (SQ)	AA+ (sq)

Company Information

- **Incorporation year:** 1978
- **Listed on:** Amman Stock Exchange
- **External Auditors:** PricewaterhouseCoopers
- **Key Shareholders:** Al Baraka Group
- **Chairman:** H.E Abdullah Ibrahim Al-Howaish
- **Chief Executive Officer:** H.E. Dr. Hussien Said Saifan
- **Branches & Banking offices as at September 2023: 111**
 - 89 Branches
 - 22 Banking Offices

CORPORATE PROFILE

Jordan Islamic Bank ('JIB' or 'the Bank') was established in 1978 as a public shareholding limited company and is considered one of the pioneering Islamic banks globally. With its participation in global events and think tanks promoting Islamic financial practice, the Bank has garnered a global franchise in the Islamic banking industry. As the first and largest Islamic Bank in Jordan, it constitutes 9.6% of total banking assets and almost 50% of the Islamic banking segment, rendering it systemically important for the stability of the domestic financial system. JIB is listed on the Amman Stock Exchange and complies with the exchange regulations, thereby meeting standards of maintaining strong stakeholder relations.

Broad-based domestic coverage through 89 branches, and 22 cash offices as of September 2023, along with a spread out ATM network, supports the Bank's retail footprint. The Bank's Board and senior management structure depicts exceptional stability. With the onboarding of a new Chairman in the latest Annual General Meeting, fresh perspectives may also be drawn upon. H.E. Dr. Hussein Said Saifan is the CEO/ General Manager of the bank and has had a long association with the institution, even prior to assuming office at the helm of the Bank in 2019. This makes evident a succession plan in effect at the Bank.

The organizational culture bears evidence of adherence to Islamic values in terms of inclusivity of all social segments within the customer base and other forms of beneficiaries, as well as a consciousness towards protecting the interests of all stakeholders. The bank reports on a system of complaints handling that is reviewed at the most senior level in the bank, with a customer feedback loop contributing to the uplift of services quality.

The Bank's mission statement articulates its commitment to its customers and providing state of the art technology driven services, in a Shari'a compliant manner. Operating as per the principles of Shari'a remains the foremost pillar of the Bank's mission. The organizational culture is also aligned with these goals, which demonstrates commitment to Islamic standards at all levels in terms of designated places for prayer, and a reflection of modesty in conduct.

In line with its stated mission and objectives, JIB has made continuous strides towards digitalization and reported 15% of its customers being active users of the bank's digital platforms and channels. The bank's digital transactions are expected to grow by 10% on a quarterly basis, as the Bank continues to make efforts to onboard new customers to its digital platforms.

Sponsors' profile

Al Baraka Group B.S.C. ("ABG" or "the group" and erstwhile Al Baraka Banking Group) is a major shareholder in JIB. ABG license has recently been converted from an Islamic wholesale bank to a 'category 1 - investment firm', following approval by the Central Bank of Bahrain. ABG has a global presence and operates through 17 subsidiaries, associates, and representative offices, providing investment and commercial banking services. Throughout the Group network, all subsidiaries are committed to Islamic principles of finance, giving the Group a prominent position in the global Islamic Banking Industry. ABG's reported assets decreased to about US\$24.98bn in 2022 (2021:US\$27.79bn), largely representing currency effects in several host jurisdictions. The Group's total net income for 2022 increased 52% and amounted US\$239mn (2021: US\$157mn).

THE ISLAMIC BANKING INDUSTRY IN JORDAN

The Islamic banking industry in Jordan has benefitted from the strong and supportive regulatory environment in the country. Islamic Banking windows are not permitted in the Kingdom, requiring entirely segregated and independent entities to conduct Islamic banking. The Central Bank of Jordan had issued corporate governance regulations for Islamic Banks in September 2016, and which have been superseded by Corporate Governance requirements for all Banks issued in February 2023, and effective immediately.

Shari'a compliant instruments are limited with sukuk issued to finance Government or Government entities. In the latest 2022 report, the Islamic Finance Development Report and Indicator (IFDI) maintained the ranking of Jordan at 13th globally for industry-wide quantitative development, knowledge, governance, corporate social responsibility, and awareness of Islamic banking and finance⁵, scoring high on sustainability and low on general industry financial performance.

The growth of Islamic banks in Jordan, having paced at almost 5% in 2022, puts Islamic Banking at above 19% of sector assets. The banking customer base depicts a preference for Shari'a compliant services, if quality of services is not compromised in any way. This augurs well for transition towards an increasingly Islamic financial system and growth of Shari'a Compliant financial services.

A. COMPLIANCE WITH SHARI'A PRINCIPLES AND RULES

Product Profile and Structure

The Bank offers all its services under Shari'a-compliant contracts. The Shari'a Board's approval is obtained for each new product developed or any modification to existing products, which is an ongoing process. Moreover, the General Fatwa Department of Jordan also concurs that all Jordan Islamic Bank products are compatible with Islamic Sharia.

Asset Side:

As of YE2022, Deferred sales receivables and Ijarah Muntahia Bitamleek depicted similar trends as previous years at 76.2% and 23% of the total financing portfolio, respectively (2021: 77% & 22%, respectively). The Bank utilizes Murabaha to cater to both short and mid-term needs in diverse areas including retail, corporate, and SMEs for car, house, celebration expenses, home appliances, projects, building materials, solar energy production, working capital – primarily for inventory and supplies financing - and agriculture financings. On the other hand, the bank does not offer an overdraft facility or receivable financing.

Table 1: Financing Portfolio

In millions of JD	2020	2021	2022
Deferred sales receivables and other receivables	2,590	2,811	2,962
% Contribution	77.80%	77%	76%
Ijarah Muntahia Bitamleek	706	803	888
% Contribution	21.2%	22%	23%
Musharakah	33	37	38
% Contribution	1%	1%	1%
Net Financing Portfolio	3,329	3,651	3,888

The Bank offers Ijarah Muntahia Bittamleek (IMB) for medium to long-term financing for residential and commercial property, mainly to residential retail sector. The Musharakah structure is utilized for professional and craftsmen financing projects and SMEs. Ownership is transferred to the customer at the end of the financing term, under the structure of Musharakah Muntahia Bitamleek, whereby the Bank's share is gradually transferred to the customer.

The utilization of Musharakah structures considered participative remains minimal. On the other hand, JIB offers Al Qard Al Hasan for social purposes such as education, health, and other social services.

Likewise, the Bank utilizes Istisn'a mainly for commercial property. Istisn'a can also be deployed for project financing and SME financing, whether for industrial, commercial, or agricultural projects. Interbank placements are made on Qard and Mudarabah and Wakala basis.

Reposessed assets in settlement of debt are not held for the purposes of self-ownership. These are booked at value on transfer date or fair value, whichever is less and are revalued at the date of financial statements; no profit is recorded due to increase in value except to the extent that a previous period loss is established.

Liability side:

The Bank offers deposit products for individual and corporate accounts in local and foreign currencies, including current, demand, joint investment accounts, savings, notice, term, and restricted investment accounts, on Wakala and Mudarabah basis. JIB mobilizes current and demand deposits on Qard and Trust (Amanah) basis. Investment accounts are taken on a profit-sharing basis under the Mudarabah basis and Wakala structure.

The Bank acts as a Wakeel to manage customers' funds for an annual fee under the structure of Wakala bil Istithmar. A 2% wakala fee is charged. For profits exceeding 3%, the bank may share excess profit equally with the customer, as incentive for superior performance.

Deposits may also be obtained on Mudarabah basis. The Bank's share of profits earned from Mudarabah accounts is 45% for local currency and 55% for foreign currency deposits for 2023. Mudarib share is determined ahead of the period of profits generated. The Bank may however, forego its share to compensate investment accountholders or holders of Wakala accounts.

A Charge card is offered to account holders where the Bank provides a ceiling limit for withdrawal and purchases for a month. The amount is deducted at the end of the period, and an issuance and renewal fee is charged annually.

Interbank borrowings, which represent 2.3% of deposits have been structured under Qard Hasan and on Mudarabah basis as well.

Off-balance sheet:

Other exposures include the Bank's guarantee and Letter of Credit ("LC") facilities. The Bank guarantees its clients under the Sponsorship (Kafala) agreement for an annual commission rate ranging from 1%-4% as of YE2022. LC commission rate ranged between 1.4% - 3.8% quarterly as at December 31, 2022. LC is structured under the Wakala structure.

Restricted Investment accounts are also taken and managed under Mudarabah and Wakala contracts.

New Products:

In 2023 the bank studied 4 new products for future launch, namely: Iqraa cards for financing youth education, complete car insurance financing on the basis of "Jualah", Children's bank accounts for those under 18 years of age on the basis of "Mudarabah", and lastly new financing program for youth between 18-30 years old. All 4 of these new products have been approved by the bank's Shari'a Supervisory Board.

Income Purification

Non-compliant Income: In line with approved policy, the Bank disposes off any income generated from Shari'a non-compliant sources for charitable causes. In 2022, the Bank forfeited a negligible amount around 1,000 JD, which is a sharp decrease from the previous year's already low amount of 18,000 JD, which is a fraction of the bank's income.

Zakat: The Bank is not authorized by law to deduct Zakah due from shareholders / unrestricted and restricted investment account holders and participants in Al Wakala Bi Al Istithmar at source. It declares that the responsibility to pay Zakah on these balances is vested directly with these stakeholders. The Bank calculates the Zakah per share for shareholders and publishes it in the annual report.

Summary: The Bank's compliance with Shari'a principles has been evaluated through an analysis of underlying structures of its spectrum of products and services. The bank has continuously avoided structures, which are not preferred by Shari'a scholars. The income purification mechanism yields minimal income to be forfeited to charity accounts, reflective of the bank's largely streamlined structures and processes.

SHARI'A GOVERNANCE FRAMEWORK

Regulatory Environment

Jordan has a robust regulatory framework governed by the Central Bank of Jordan (CBJ) and exercised under the Banking Law 2000, wherein detailed Islamic Banking regulations have been laid out. The CBJ periodically revises Islamic Banking regulations to incorporate the latest global principles and international best practices to continuously update the Islamic Banking environment, such as Basel III regulations, and introduce the concept of systemically important banks adopted worldwide. In February 2023, the CBJ issued the revised corporate governance requirements applicable to all banks, which further enhances governance requirements for Shari'a compliant banking.

As per the regulatory requirements all Islamic Banks operating in Jordan must appoint a board assigned as the Shari'a Supervision Board through the decision of its general assembly of shareholders. These instructions explicitly define SSB membership criteria and appointment process, SSB operation, roles and responsibilities, and the level of interaction with the Board and Executive Management. The Board should not have less than three members; it is considered binding on the Bank to follow any opinion given by the Shari'a board. The Board's primary responsibilities include monitoring the compliance of operations and activities of the Bank under Islamic jurisprudence rules, and providing an opinion on the contracts underlying processes and activities of the Bank.

Jordan has also adopted the Accounting and Auditing Organization standards for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board standards to strengthen further the regulatory and compliance environment in the Islamic Banking sector. AAOIFI standards are mandatory for compliance for all Islamic banks operating in Jordan.

In-house Shari'a Governance Framework

The Shari'a governance framework of JIB comprises a Shari'a Supervisory Board ("SSB") and an internal Shari'a audit department. In response to the recent corporate governance requirements referred to earlier, the Bank has also set up a Shari'a compliance department, distinct from general banking compliance. The Bank has documented charters for SSB and the Shari'a audit department. These documents set rules and principles for business supervision in compliance with Shari'a.

Shari'a Supervisory Board ("SSB")

Composition

Following our last review, no changes have been noted in the SSB, since the Bank elected Sheikh Yusef Hassan Yusef Khalawi in May 2022. Sheikh Yusef Hassan Yusef Khalawi is a noted scholar, having been represented on Shari'a Boards of several financial institutions including standard setting bodies like AAOIFI. As a member of the Unified Shari'a Board of the Al Baraka Group, he guides and oversees the activities of several of the Group's institutions. Following the onboarding of the new member, the Bank's SSB members increased from 3 to 4 against the minimum requirement of 3. The remaining three members were reelected for four years in 2023, . The General Assembly elects SSB members based on the Board recommendation, and subject to fulfilling all Fit and Proper Test requirements set forth by the CBJ. Dr. Mahmoud Ali Mosleh Sartwai continues to serve as the Chairman of the SSB.

Meetings and attendance

SSB met six times during 2022, complying with the minimum regulatory requirement. Three of the members posted full attendance, while the newly onboarded member attended 3 of the 4 meetings during his membership for the year. Overall

members have demonstrated commitment towards professional obligations. Meetings are also attended by members of the senior management. In addition, SSB meets twice annually with the Board of Directors, audit committee, and external auditors, in line with the CBJ requirement.

Table 2: SSB Composition and Meetings

Members	Role	Meetings attended as of Dec'2022	Active Since
Dr. Mahmoud Ali Mosleh Sartawi	Chairman	6	26/4/2005
Dr. Abdul Rahman Ibrahim Zaid Al Kelani	Vice-Chairman	6	28/4/2015
Dr. "Mohammad Khair" Mohammad Salem Al-Issa	Member	6	25/4/2012
Sheikh Yusef Hassan Yusef Khalawi	Member	3	21/5/2022

SSB Suitability and Independence

The CBJ requirements as reflected in the Bank's corporate governance guide, held the Board of Directors responsible for ensuring the independence of the SSB. The following criteria is employed to gauge the suitability and independence of the SSB members, and the Bank declares fulfilment of each of these:

- Each SSB member must hold a university degree in Shari'a sciences in the field of Islamic jurisprudence and its principles, Islamic economics, or Islamic finance.
- Each member must have no less than (3) years of experience in issuing fatwas and Sharia rulings and/or no less than four years of experience in the field of teaching or scientific research after graduation.
- No SSB member, his spouse and any of his family members up to the second degree, should be indebted to the Bank or its subsidiaries, during the time of his association as an SSB member.
- No SSB member has worked as an employee at the Bank or its affiliates over two years prior to nomination.
- No SSB member holds a similar position at any other licensed Islamic bank in the Kingdom. Also, an SSB member must not be represented in more than four non-deposit taking financial institutions operating in the Kingdom.
- The SSB member must not be a member in the BoD of the Bank or an owner of a company that conducts transactions with the Bank, except those which arise as a result of the services and/or regular business that the bank provides to its clients, and governed by the same conditions to which similar transactions with any other party are subject, and without any preferential terms.
- The SSB member must not have any first or second-degree family relationship with a Board member or any Senior Executive Management member in the Bank and must not receive from the Bank any salary, monetary amount, remuneration, benefits, or gifts, except for those received in return for membership in SSB or in return for any additional work assigned to him/her without affecting his/her autonomy.
- The SSB member shall not be a shareholder of the Bank or representative of a significant shareholder or a shareholder of any company affiliated to the Bank or a shareholder of the group owning the Bank.

Accordingly, the Bank publishes an acknowledgment duly signed by all SSB members that the above conditions are complied with.

Member's Term and Rotation

There is no written rotation policy, given that local regulation allows unlimited number of renewals of members' terms. Notwithstanding, the election of a new member in May 2022 may provide a fresh perspective, as best practices recommend.

Terms of Reference

SSB is primarily responsible for directing the Bank's operations, assuring compliance with Shari'a standards, and giving an independent assessment to stakeholders. Responsibilities also incorporate audit and endorsement of reports issued by the Internal Shari'a departments, issuing a yearly statement to shareholders, and semi-yearly reports to the BoD. Further the SSB keeps up liaison with other organs of control including shareholders, Board of Directors and External Auditors.

Assessment and Evaluation

A self-appraisal mechanism is in place to assess the SSB performance annually. Instituted by the Board Nomination and Remuneration Committee, it provides a measure of the effectiveness of the SSB.

Remuneration

Based on the Board's Nomination and Remuneration committee assessment framework, the BoD, with the consent of the general assembly, approves SSB remuneration. The Bank compensates SSB members through an annual fixed fee and travel and lodging expenses for foreign members. Only 1 of JIB's Board members is a foreign national. Notably, there's no link to bank performance in line with best practices. Accordingly, the Bank disbursed JD89.4k as SSB remuneration during 2022.

Shari'a Board Report

SSB presents an annual report to the general assembly that provides an independent opinion on the Bank's operations. The annual report of 2022 states that it has reviewed the transactions of the Bank through the Shari'a Internal Audit Department and confirms that after collecting due information, it has concluded that the Bank's contracts, transactions, financial statements, policies and procedures, and profit & loss distribution were in accordance with Shari'a provisions and that all the amounts received by the Bank that were from Sharia non-compliant sources or manner were excluded from the revenues and directed to charity. It also explains that dispensation of Zakat is the responsibility of the shareholders and further delineates the basis of zakah calculation, depending on intention to hold for dividends or price gains. The report is atypical in terms of its enhanced emphasis on zakah calculation.

Internal Shari'a Audit and Compliance

Organization & Reporting: The Bank has a separate internal Shari'a Audit function, which is integral to the Internal control environment at the Bank. The department has remained well-staffed with 10 employees at an average, rendering the function active and capable of close on-ground monitoring. A

number of these personnel have relevant certifications from AAOIFI. The department is headed by experienced personnel, having had a lengthy association with the Bank.

Also in accordance with the new corporate governance instructions, the Bank has set up a Shari'a compliance department separately from the Shari'a audit department and the general banking compliance department. The head of the Shari'a Compliance department serves as secretary to the SSB.

Scope and Independence: The scope of Shari'a audit spans the Bank's departments and branches. The department is independent, with full access to data, information, individuals, and other departments. The department is recognized as part of the third line of defense, behind risk owners and the risk management department, in protecting the interests of the bank and its stakeholders. The Shari'a compliance department carries out its duties with complete independence, with a reporting line to the general manager and dotted line reporting to the SSB.

Roles and Responsibilities: The department is responsible for oversight of transactions, using a risk based auditing approach and comprehensive reporting of the same to the SSB. In addition to the Fatwas of the Board, the department ensures that the Bank has abided by the standards of AAOIFI and IFSB. It is also responsible for preparing the annual Shari'a audit plan, approved by SSB and implemented accordingly to ensure effective and consistent practices followed by the Bank under the Shari'a guidelines and principles. The department is also responsible for managing the training needs of staff through periodic courses. The department is responsible for reviewing policies and procedures to ensure conformance with Shari'a rules and principles. The risk management system explicitly acknowledges Shari'a non-compliance risk as part of the operational Risk framework of the Bank.

Summary:

A well-structured control system and diligent oversight of an experienced and long-standing Shari'a Board ensures adequate controls and timely Shari'a reporting. The acknowledgement of Shari'a non-compliance risk in the risk policy framework is also a positive feature of the Bank's commitment to Shari'a. The annual Shari'a report of the Bank is comprehensive, as is the Board's engagement with other control organs of the Bank including the Board of Directors, External Auditors and the shareholders. In light of the enhanced governance requirements, the Bank has strengthened its Shari'a control infrastructure in 2023, by also instituting a Shari'a compliance function.

C. CORPORATE GOVERNANCE

Regulatory framework

CBJ has issued Corporate Governance (CG) guidelines No. 64/2016 for Islamic financial institutions. These were superseded by corporate governance guidelines applicable to all banks, issued in early 2023. These amendments were made effective immediately and the Bank has adopted the changes to governance practices in line with the requirements. JIB's Corporate Governance Guide (CGG), has been in effect since 2007, and is amended from time to time with the necessary updates, comprehensively reflects the current requirements of the CBJ. These guidelines set out corporate governance rules and regulations covering the Board and its committees' composition and operations, appointment criteria, responsibilities, remuneration, executive management, and internal control function of risk management, internal audit, and compliance. The guidelines further lay down standards for transparency and disclosures to enable stakeholders' decision-making and in keeping with their right to be kept informed.

The CGG delineates the responsibility of the Board of Directors and executive management and provides instructions regarding the control environment in a manner that reflects a conscious attempt at ensuring Shari'a relevant controls alongside general banking level controls as per international best practices. The Board Corporate Governance Committee monitors the CG framework at the Bank and updates the CG Guide to align with regulatory requirements.

Board of Directors ("The Board") ("BoD")

Composition

In 2022, the Board composition remained the same except for Mr. Hussam bin Al Habib bin Al Haj Omar having been inducted on the Board and the resignation of Mr. Mazin Khairy, the erstwhile CEO of ABG. In 2023, further changes took place, both amongst representatives of ABG and independent members.

The Board of Directors (BoD) comprises 11 members. Mr. Abdullah Ben Ibrahim Ben Suleiman Al-Howaish is the newly appointed Chairman and a representative of ABG. Independent representation remained high as almost half the members

comprise independent directors. The high number of independent members exceeds minimum regulatory requirements and one-third standard, as prescribed by best practices. As the largest shareholder, Al Baraka Group nominates five members. Enhanced female representation on the board is also noted as a positive development and in line with internationally evolving standards of Corporate Governance.

Table 3: Board Composition

Board Members	Role & Shareholder Representation
H.E. Mr. Abdullah Ben Ibrahim ben Suleiman Al-Howaish	Chairman /ABG
H.E Housseem Ben Haj Amor	Vice-Chairman /ABG
H.E Mr. Daham Ben Mashour Ben Daham Al-Fayez	ABG
H.E. Dr. Tayseer Radwan Saleem Al Smadi	Independent
H.E Mr. Ghassan ben Ahmed ben Mohammed Amodi	Independent
H.E Eng. Abed Al Rahim Fathi Salim Boucai	Independent
H.E Dr. Khawla Fareez Awad Al-Nobani	Independent
H.E Mr. Issa Haidar Issa Murad	ABG
H.E. Mrs. Malak F. R. Ghanem	ABG
H.E Dr. Jamal Ahmad Mufleh Al-Sarayrah	Independent
H.E Mr. Farouk Abdel Haleem Taher Al Hadidi	SSC (Social Security Corporation)

Board Responsibilities

The regulations hold the Board of Directors responsible for continuously ensuring that adequate controls are in place to protect the interest of all of the bank's stakeholders. In addition, the Board must ensure effective Shari'a control systems are in place and confirm that the management implements guidance, decisions, policies, and procedures issued and approved by SSB effectively. The Board is also responsible for appointing the head of the internal Shari'a audit, subject to CBJ's approval, and ensuring that the SSB remains independent and empowered to impose adequate controls enabling Shari'a compliant operations of the Bank.

Meetings

The Board met seven times in 2022 with a high average attendance level. The number of meetings convened by the Board exceeds regulatory requirements and reflects its high degree of involvement.

Remuneration

In line with the policy, the Bank compensates members in the form of annual fixed membership fees and traveling and lodging expenses.

Table 4: Board Remuneration

JD in thousands	2020	2021	2022
Membership and annual fee	55	55	55
Travel & lodging allowances	659	661	687
Total	714	716	742

Board Committees

The Board has formed eight committees, namely the Corporate Governance Committee ("BCGC"), Nomination & Remuneration Committee ("BNRC"), Risk Management Committee ("BRC"), Audit Committee ("BAC"), Credit Facility Committee ("BCFC"), Social Responsibility & Sustainability Committee ("BSRSC"), IT Governance Committee ("BITGC"), and Compliance Committee ("BCC"). No new committees were formed in 2022 or 2023.

Following our last review, there are significant changes to committee composition, reflective of the changes at Board level. However, these changes are not material in terms of the overall independence or representative skill sets available to committees. IIRA views that the inclusion of an SSB member in BCGC may harmonize the assessment of the governance framework in line with best practices recommended by AAOIFI and IFSB. The Board committee meetings during 2022 were in line with the TORs with a high level of attendance, as illustrated in Table 5.

Table 5: Board Committees Meetings

Committee	Meeting held as of 2022
Corporate Governance Committee "BCGC"	3
Nomination and Remunerations Committee "BNRC"	3
Risk Management Committee "BRC"	4
Audit Committee "BAC"	5
Credit Facilities Committee "BCFC"	6
Social Responsibility and Sustainability Committee "BSRSC"	1
IT Governance Committee "BITC"	1
Compliance Committee "BCC"	4

Table 6: Board Committees Composition

Committee	Members	Role	Comments
Corporate Governance Committee "BCGC"	Mr. ALHOWAISH ABDULLAH IBRAHIM S	Chairman	2 independent members, 1 non-independent (Chairman)
	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Vice-Chairman	
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Member	
Nomination and Remunerations Committee "BNRC"	Mr. AMODI GHASSAN AHMED M	Chairman	2 independent members, including the Chairman and 1 non-independent member
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Vice-Chairman	
	Mr. HOUSSEM BEN HAJ AMOR	Member	
Risk Management Committee "BRC"	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Chairman	3 Independent member including Chairman of the Committee, 1 non-independent member
	Mr. HOUSSEM BEN HAJ AMOR	Vice-Chairman	
	Mr. AMODI GHASSAN AHMED M	Member	
	Mrs. KHAWLA FAREEZ AWAD ALNOBANI	Member	
Audit Committee "BAC"	Mr. TAYSEER RADWAN SALEEM ALSAMDI	Chairman	3 independent members, including the Chairman and 1 Non-independent member
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Vice-Chairman	
	Mr. ISSA HAIDAR ISSA MURAD	Member	
	Mrs. KHAWLA FAREEZ AWAD ALNOBANI	Member	
Credit Facilities Committee "BCFC"	Mr. ALHOWAISH ABDULLAH IBRAHIM S	Chairman	4 non-independent members, including the Chairman and 1 independent member
	Mr. HOUSSEM BEN HAJ AMOR	Vice Chairman	
	Mrs. MALAK F R GHANEM	Member	
	Mr. ALFAYEZ DAHAM MASHOUR D	Member	
	Mr. AMODI GHASSAN AHMED M	Member	
IT Governance Committee "BITC"	Mr. ISSA HAIDAR ISSA MURAD	Chairman	4 non-independent members including chairman and 1 independent member
	Mr. TAYSEER RADWAN SALEEM ALSAMDI	Vice-Chairman	
	Mrs. MALAK F R GHANEM	Member	
	Mr. FAROUK ABDEL HALEEM TAHER ALHADIDI	Member	
	Mr. ALFAYEZ DAHAM MASHOUR D	Member	
Compliance Committee "BCC"	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Chairman	2 independent members, including the Chairman and 2 non-independent members
	Mr. ISSA HAIDAR ISSA MURAD	Vice-Chairman	
	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Member	
	Mr. FAROUK ABDEL HALEEM TAHER ALHADIDI	Member	

Management

Dr. Hussien Said Saifan has led the Bank's management team as the CEO/General Manager since May 2019. He has extensive banking experience and has served the Bank for over 30 years. The Bank's senior management is experienced and has generally had a long association with the Bank. Internal control functions directly report to the respective Board Committees.

Internal Control

The Bank's internal control environment comprises three lines of defense being with the originators of Risk, Risk Management Function and Internal Audit and Compliance. These independent departments have direct reporting to the respective committees at the Board level. Control infrastructure at the Bank is also supported by ABG level review.

Chief Risk Officer (CRO) leads the Risk Management Department; the scope covers all material risks and specifically acknowledges Shari'a non-compliance risk being integral to operational risk of the Bank. A Board level committee oversees the function of risk management and a Credit facilities Committee, keeps close monitoring of credit risk being undertaken.

The Internal Audit (IA) office is another independent department in line with best practices. The department is responsible for testing the adequacy of the internal control framework in line with internal policies and procedures and regulatory requirements. IA scope spans all branches, offices, and the Bank's subsidiaries and has full access to information, records and personnel. The department reports to BAC. Material observations are reported periodically. The Internal Audit department receives an external independent assessment every 3 years, the last review took place in 2022 and satisfied all requirements for a fully compliant department.

The Bank's Compliance Department is responsible for reviewing the Bank's policies and procedures as per global and local regulations, with focus on Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT). The head of the department functionally reports to the BCC and submits periodic reports to BCC and CBJ. The institution of a Board level Compliance Committee aligns with modern principles of requiring focus of the BoD on compliance related concerns. In 2022, the bank introduced a fully automated SAS system for compliance. In addition, all employees at the bank receive annual AML training besides the 23 personnel employed within the compliance department. Upon external review of the compliance department performed by PwC, the bank received no material adverse comments, which is indicative of the sound mechanism of compliance, instituted within the Bank.

Stakeholders' Relations

Protection of the Investment Account Holders' Rights

This is enabled through comprehensive disclosures regarding banking fee, share of profits, performance incentives, profits foregone in favor of investment accountholders and other details, allowing investment accountholders to gauge the performance of the Bank. Acknowledgement of the IAH rights is reiterated in the Corporate Governance Guide. SSB supervises the policies that administer the relationship between IAH and shareholders and is independently responsible for affirming the Shari'a compliant nature of operations.

Relationship with Employees

As of 2022, the Bank's total headcount increased and stood at 2,440 (2021: 2,439). The bank is not expecting to hire additional staff with its focus on online banking and e-branches for the foreseeable future, with the headcount having remained largely consistent in prior years. In line with its commitment to enhancing employees' knowledge and skills, 802 training programs were arranged in 2022, up from 505 in 2021, including in-person and interactive online training. The increasing number of training programs for the bank's employees and awareness programs for the general public indicates the bank's commitment to its employees and society.

Relationship with Customers

JIB expanded its branch network to 89 branches in 2022 (2021: 85) and served its clients through 22 offices. The Bank promoted an expanded set of services through the Mobile Banking application and continued enhancing its digital services spectrum. The Bank launched its second Islami Digital Self-Services Corner (Islami Digital) in Amman. Cash withdrawal was enabled using QR codes on ATMs, and a new set of services was launched through the I-Banking application. The ATM network was further enhanced to exceed 300 ATMs and represented about 15% of the operating ATMs in the Kingdom.

Summary:

The corporate governance framework puts into effect local regulations and best practices. High independent representation on the Board, gender diversity, effective internal controls, and mechanisms for protecting the investment account holders' rights contribute to a strong governance framework. Independent representation in key committees and inclusion of SSB in the governance oversight committee may further align the governance framework with best practices.

D. TRANSPARENCY AND DISCLOSURES

JIB conforms to high standards of transparency. Disclosures available on the website and in the annual report, allow insights into the performance of the Bank, the mechanisms employed to distribute fair share of profits to unrestricted and restricted investment accountholders of the bank, and the nature of the contracts used. Corporate governance related disclosures and disclosures relevant to systems and practices that ensure that operations are conducted in accordance with Shari'a are also sufficient.

Specifically financial disclosures related to Shari'a include the basis of sharing risks and returns with unrestricted investment accountholders, or alternatively the wakala fee to be charged, the maximum percentage of investor funds deemed invested in the joint investment pool by nature and term of funds placed, mudarib share of joint investment profits and profit foregone by the Bank as Mudarib or Wakeel. A consolidated statement of sources and uses of Al Qard Al Hasan Fund and beneficiaries are also given.

Shari'a specific disclosures, include the composition of the SSB along with members' brief profiles, meetings' attendance matrix, and annual remuneration. The Bank also issues a Governance Report, which forms part of its annual report. Moreover, the Shari'a Board's report is provided annually, which provides assurance that the Bank's operations have been conducted according to the principles of Shari'a.

Summary:

A high level of transparency is consistently maintained in terms of Shari'a disclosures. These cover relevant Shari'a governance related disclosures as well as comprehensive disclosures regarding the aspects that makes Islamic finance participative.

E. ETHICS AND VALUES

Code of Conduct

A formalized code of corporate governance embodies the ethics and values of the Bank, with an emphasis on serving the needs and addressing the rights of all stakeholders, including investment accountholders, in acknowledgement of their participative role in the Bank.

Corporate Social Responsibility (“CSR”)

Social Responsibility and regard for stakeholders of the Bank and society as a whole is fundamental to the principles of Shari'a. As such the bank, has been active in the area of environmental support and social initiatives, with several such practices, like accepting donations for the extension of qard al Hasan to needy segments of society, being a part of the Bank's corporate philosophy, since its inception.

While the Bank has been issuing its social responsibility and sustainability report since 2012, it issued its first sustainability report for the year 2022, under the framework of General Reporting Initiative (GRI) as regards the bank's undertaking for sustainability initiatives during the year and reinforcing its commitment to the 17 goals and 169 targets under the United Nations Sustainable Development Goals, for the year 2030. This report covers the bank's contribution to its employees by way of professional development, to the society in terms of banking services and also social financial services, participation in industry events and think tanks supporting specific professional groups and ultimately its contribution to the country both directly and indirectly.

In terms of contribution to a greener economy the Bank directs financing towards greener alternatives in various forms, amongst which are its financing of electric and hybrid cars, and through its Shamsuna project, towards solar cells and solar heaters. The bank also finances education, and health sectors that form the bedrock of social well-being.

A board-level “Social Responsibility and Sustainability Committee,” oversees the Bank's sustainability initiatives as well as the management level committee for the same tasks. It is also responsible for reporting on the Bank's sustainability endeavors. The Bank's key achievements on the sustainability front are as follows;

1. Fulfilling the requirements under sustainability report of the ASE20 Corporates
2. Committing to manage environmental, social, and governance risks in operations;
3. Putting in place financing mechanisms related to the use of sustainable refrigerants and exploring other options for financing
4. Encouraging economic empowerment of women
5. Delineating the role of financial Islamic institutions in bridging the current gaps;
6. Development of the CBJ's strategy for green financing;
7. Focusing on renewable energy and the innovative agricultural patterns to provide food security;
8. Protecting the environment and reducing the negative impact on it
9. Spreading sustainability and responsibility culture
10. Developing human resources through extensive training
11. Supporting SMEs, professionals, and handicrafts through Shari'a compliant financing.

Conferences and Seminars, Scientific Research, and Professional Training

In 2022, the Bank participated in various training workshops and conferences to raise awareness in collaboration with CBJ, professional groups and associations and other educational institutes. These seminars and conferences were related to implementation of Shari'a compliant practices, Sustainable Development Goals (SDGs), and health and safety.

Donations and Qard al Hasan

The Bank donated a total amount of JD 1.302mn to various charity organizations nationwide for different social causes, including human development, medical, science and culture, and religious organizations.

As of 2022, total Qard Hasan provided by the Bank for social purposes, like education, health, and marriage, reached JD 422mn

cumulatively, having benefited around 555k individuals, since its inception. During 2022, loans granted amounted to JD 16.4mn.

Table 6: Donations

In JD'000	Number	Amount
Jordanian Hashemite Fund for Human Development (JHFHD)	1	25
Jordan Hashemite Charity Organization (JHCO)	1	2
Al Aman Fund for the Future of Orphans	1	42.5
King Hussein Cancer Center	1	27.4
Charity Associations and Organizations and Zakah committees	14	77.7
Associations and competitions for memorizing the Holy Quran	1	2
Scientific Conferences and educational and cultural programs	4	161.5
Tkiyet Um Ali	1	5
Societal Financial Culture Dissemination Project	1	149.1
Waqfeyat Al Mostafa - A royal initiative	1	710
Waqf Thareed	1	100
Total	27	1,302.2

Funding Professionals and Craftsmen

In line with the Bank's CSR objectives, the Bank's Shari'a compliant financing of 241 small artisans' projects, professionals, and women projects stood at JD4.8mn. These financings are structured as Musharakah Muntahia Bittamleek (diminishing Musharakah).

Mutual Insurance Fund

In 2022, the number of indemnified cases reached 318, and the compensation paid amounted to JD2.8mn. Since the fund's establishment until the end of 2022, the total compensation cases reached 3823 cases, and the amount of paid compensation stood around JD20.4mn.

Interaction with local community

The Bank continued its efforts to spread awareness about Islamic finance through various channels of communication, and participating in community programs to support health and well being related causes, and arranging gifts for orphans and the needy.

Energy and Environment

In line with the Bank's CSR and Sustainability objectives, JIB continued its commitment to green energy and has increased renewable energy sources for its consumption continuously. The Bank has its own solar power generation plant to supply electricity to branches and Head Office. A new plant commissioned in 2021 took total branches with electricity consumption needs being met through Bank's own solar power plants to 59.

Summary:

JIB's commitment to CSR and Sustainability is evident from its products and services spectrum, donations for charitable causes, sustainable energy utilization, and participation in community building efforts. The Bank has developed financing products related to sustainable financing, which will support its sustainability initiatives and strategy.

F. FIDUCIARY RESPONSIBILITY AND PERFORMANCE

Profit Distribution Mechanism

The bank's ability to generate profits has withstood the challenging economic situation of the past few years, both in the domestic and international context. This is reflected in both the quality of assets, which remains sound, as well as return indicators, which have remained largely steady. Over the last three years, net non-performance has declined to 0.4% (2020:0.7%), and return on average assets has trended at a stable ROAA of 1.13% (2020: 1.1%)

The Bank's share as a Mudarib for both local and foreign currency accounts remained the same as last year at 50% and 60% respectively (2021: 50% & 60%). The remaining balance was distributed between each according to its percentage of contribution, taking into consideration that the priority for funds investment relates to the unrestricted investment accounts holders. The bank waived a portion of its share as Mudarib to become 38% instead of 50% (2021: 43.4% instead of 50%) to improve the overall share of profits distributed to all the Unrestricted investment account holders with an amount of JD 16,980,000 (2021: JD 7,000,000) and some of the Unrestricted investment account holders with an amount of JD 8,641,880 (2021: JD 6,062,412). The bank waived a portion of its share as Mudarib in foreign currencies to become 45.4% instead of 60% (2021: 60%) to improve the overall share of profits distributed to all the Unrestricted investment account holders with an amount of JD 1,060,000 and some of the Unrestricted investment account holders with an amount of JD 336,157.

The profit-sharing ratio (PSR) of Joint IAH is pre-agreed at the time of the agreement signed with the Bank. In 2022, there was no change in such proportion and remained consistent with last year at 40% of the annual average balance of saving accounts, 70% of notice accounts, and 90% of the minimum balance of term deposit accounts. In line with Shari'a principles, the Bank bears all the administrative expenses except for insurance expenses allocated against the joint investment accounts profit in Ijarah Muntahia Bitamleek.

The Bank charges Wakala Fee at a maintained rate of 2% for Wakala Bi al istithmar accounts. For profits above a certain pre-set limit of 3%, the bank may share surplus profit in equal parts with the investors, as consideration for its effort and superior performance. In this regard also, the bank has foregone a portion of its profit in favor of Investors in 2022.

The Bank utilizes Mudarabah and Wakalah contracts for managing restricted IAH accounts in separate investment pools, following each fund's specific investment policy and terms and conditions. There's no change in the Bank's share as a Mudarib, which remained between 7.7% and 25% in Jordanian Dinar and 45% for foreign currencies' profit during 2022. There was also no change in Wakala fee which ranged between 0.7% and 1.25% of the balance of funds managed under Wakala.

Summary: Adequate dispensation of fiduciary responsibility is evident from competitive returns paid to IAH, maintained asset quality reflecting conscientious management of funds, and relevant disclosures.

Shari'a Quality Rating Scales & Definitions

IIRA uses a scale of AAA (sq) to B (sq) to rate Shari'a Quality Compliance with AAA (sq) being the highest possible rating and B (sq) being the lowest possible rating.

AAA (sq) – In IIRA's opinion, an entity/instrument rated AAA (sq) conforms to highest level of standards of Shari'a requirements in all aspects of Shari'a quality analysis.

AA (sq) – In IIRA's opinion, an entity/instrument rated AA (sq) conforms to very high level of standards of Shari'a requirements in all aspects of Shari'a quality analysis.

A (sq) – In IIRA's opinion, an entity/instrument rated A (sq) conforms to high level of standards of Shari'a requirements and has very few weaknesses in some areas of Shari'a quality analysis.

BBB (sq) – In IIRA's opinion, an entity/instrument rated BBB (sq) conforms to moderately high level of standards of Shari'a requirements and has few weaknesses in some areas of Shari'a quality analysis.

BB (sq) – In IIRA's opinion, an entity/instrument rated BB (sq) conforms to satisfactory level of standards of Shari'a requirements and has some weaknesses in some areas of Shari'a quality analysis.

B (sq) – In IIRA's opinion, an entity/instrument rated B (sq) conforms to adequate level of standards of Shari'a requirements and has weaknesses in some areas of Shari'a quality analysis.

Note: IIRA appends modifiers + or - to each generic rating classification from AA through B. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier - indicates a ranking in the lower end of that generic rating category.



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