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السادة بورصة عمان المحترمين
عمان - الأردن

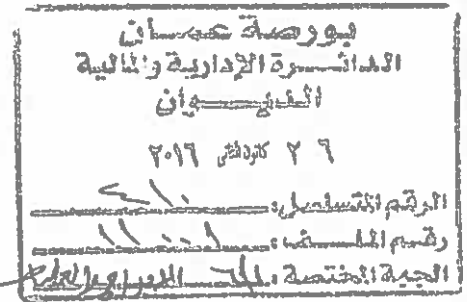
السلام عليكم ورحمة الله وبركاته،،،

الموضوع: تصنيف الجودة الشرعية لمصرفنا

بالإشارة إلى الموضوع أعلاه ، يسرنا أن نرفق لكم في طيه نسخة من تصنيف الجودة الشرعية الخاص بمصرفنا والصادر عن الوكالة الاسلامية الدولية للتصنيف إصدار كانون ثاني ٢٠١٦ حيث تم تثبيت التصنيف (SQR) AA.

وتفضلوا بقبول فائق الاحترام،،،

محمد علان
نائب المدير العام



ري لري

ع. محمد عيسى

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Shari'a Quality Rating Report
Jordan Islamic Bank
January 2016



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SHARI'A QUALITY RATING REPORT

Jordan Islamic Bank

Report Date:
January 19, 2016

Analysts:
M. Raza Lakhani, CFA
Syed Huzaifah Musharraf, ACA

	Latest (January 19, 2016)	Previous (Feb. 24, 2015)
Shari'a Quality Rating	AA (SQR)	AA (SQR)

CORPORATE PROFILE

Commencing operations in 1979 as a public limited company, Jordan Islamic Bank ('JIB' or 'the bank') is the third largest bank in the Hashemite Kingdom of Jordan ('Jordan' or 'the country'), with a market share of 11.5% in terms of total industry deposits (including restricted investment accounts) as of year-end 2014. As the oldest of the four Islamic banks operating in Jordan, JIB dominates the country's Islamic banking segment with more than half of the market share. As of end-2014, the bank had a wide network of 90 branches (including 19 cash offices) and 147 ATMs across Jordan, with total staff strength of 2,051 employees.

JIB is directly owned to the extent of 66% by the Bahrain-based Al Baraka Banking Group (ABG), a prominent multi-jurisdictional Islamic banking group operating mostly in developing economies. ABG operates through 11 subsidiary banking units in Algeria, Bahrain, Egypt, Jordan, Lebanon, Pakistan, Sudan, South Africa, Syria, Tunisia, and Turkey. Moreover, the group has financial services subsidiary in Saudi Arabia and a representative office in Indonesia and Libya.

JIB is the oldest of ABG's subsidiaries and is amongst the pioneers of Islamic finance in the world. It has garnered strong franchise as a retail Shari'a compliant bank in Jordan. JIB has also contributed towards the industry's development, being actively involved in product research and, by sharing its expertise through platforms provided by ABG and Islamic finance Infrastructure Institutions. The bank's drift to ensure Shari'a compliance in all aspects of its business operations emanates at the helm and is inculcated throughout the organization.

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Islamic International Rating Agency

Shari'a Governance Assessment

Regulatory Overview

Recognizing the specialized nature of Islamic banking, Central Bank of Jordan (CBJ) issues a specific license of incorporation to Islamic banks and has formulated distinct rules and regulations to supervise their operations. In line with this, CBJ also has a formal Code of Corporate Governance (CCG) for Islamic banks to serve as a reference document for instituting sound governance practices at bank level. The document provides specific guidelines on Shari'a governance and practices in addition to the overall corporate governance framework in Islamic banks. The revised CCG for Islamic banks was issued in May 2015.

It also comprises guidelines for instituting a Shari'a governance structure, which includes composition and structure of Shari'a Supervisory Board (SSB), its functions and responsibilities, Shari'a Audit and Compliance functions, and rules and procedures regarding Investment Account Holders. CBJ reviews the compliance status of banks with CCG through random inspection.

Shari'a Governance Structure

Shari'a framework at Jordan Islamic Bank is primarily governed by the CCG issued by the CBJ. The bank has also made efforts to incorporate some practices recommended by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB). The overall Shari'a governance and compliance is also supported by the regulatory push to adopt superior practices in the area. The recent amendments to the CCG for Islamic banks have in most part aligned the code with international best practices and in certain cases exceeded norms. Key highlights of the revised CCG pertaining to Shari'a governance are presented in Table 1.

Table 1: SSB highlights of new code	
1	SSB must have a minimum three members. (In line with the previous code).
2	SSB members must meet six times during the year. (No guidance for this purpose was provided in earlier code)
3	SSB is required to meet BOD, Board Audit Committee and External Auditors semi annually. (No guidance for this purpose was provided in earlier code)
4	Foreign members on SSB should be less than 50% of the total members. (No guidance for this purpose was provided in earlier code).
5	SSB members must have a minimum qualification of bachelors in Fiqh or Shari'a sciences (In line with the previous code).
6	SSB members must have three years of experience in issuing Fatwa and Shari'a rulings, and for those involved in teaching, a minimum of four years of teaching (In line with the previous code)
7	<p>Independence guideline has been set for SSB members which includes:</p> <ul style="list-style-type: none"> No direct or indirect financing from the bank Was not in employment of the bank or its subsidiaries in previous two years Cannot be an SSB member of any other Islamic bank in the Kingdom Maximum four memberships in Non Deposit (Banking) Financial Institutions Not a member of BOD of the bank or substantial client of the bank Not direct or indirect relation with BOD members or Senior Management staff Cannot hold shares in the bank, its subsidiary or the group Should avoid all forms of conflict of interest <p>(No guidance for this purpose was provided in earlier code)</p>

8	SSB members to be appointed for a period of four years, and eligible for reappointment (as against earlier term of one year)
9	SSB members are required to personally attend each meeting. However, upon SSB Chairman's approval, the meeting may be attended through video / phone call while exercising voting rights. However, such a right is lost by a member with unaccepted absence or where personal attendances fall short of 50%. (No guidance for this purpose was provided in earlier code)

Shari'a governance structure at the bank is a two tiered structure consisting of a management executive function and an independent non executive supervisory and review body. The supervisory body, Shari'a Supervisory Board (SSB), establishes the principles under which the bank should operate and is supported by the executive level Shari'a controller in determining if the same have been adequately adopted by the bank. Shari'a requirements have been made part of the bank's overall governance and control framework. Likewise, Shari'a is treated as a bank wide responsibility, instead of a departmentalized function, as noted in some other institutions.

SSB Composition

SSB currently comprises four members, which is greater than the minimum requirement of three members as per code and AAOIFI recommendations. In 2015, Dr. Al-Sartawi who was previously the Vice Chairman of the SSB replaced Dr. Abu Goddeh as its Chairman. This was done keeping in view the busy schedule of Dr. Abu Goddeh who is now the Vice Chairman of the SSB. Other members of the SSB include Dr. Al-Isa and Dr. Alkilani. Dr. Alkilani was appointed as an SSB member in 2015, while other members have a long standing association with the bank. Dr. Abu Goddeh and Dr. Al-Sartawi are also present on the Shari'a board of the bank's affiliate, The Islamic Insurance Company Jordan.

SSB comprises eminent scholars, possessing notable, local as well as international experience and academic qualifications in the area of Islamic jurisprudence. With the exception of the Chairman, all members of the SSB are Jordanian nationals. This provides the management convenient access to SSB members and allows convening the meeting at a relatively short notice. SSB's composition is in compliance with the CBJ requirement that foreign nationals represent less than 50% membership on SSB.

Table 2: SSB Composition and Profile	
Name	Profile
H.E. Dr. Mahmoud Al-Sartawi (Chairman)	He holds a doctorate degree in Shari'a from Al Azhar University, specializing in Comparative Fiqh. He has a strong academic career and presently serves as a professor at the University of Jordan as well as on the Shari'a Council of AAOIFI. He is an active researcher, having published numerous research papers on Islamic finance. He is also a certified trainer, and is personally involved in Shari'a related trainings at JIB and other institutions.
H.E. Dr. Abd Sattar Abu Goddeh (Vice Chairman)	He is a notable Shari'a scholar holding a doctorate in Shari'a (Comparative Fiqh) from Al Azhar University in Egypt. Dr. Goddeh is also Chairman of the Shari'a Board of ABG, imparting a certain degree of alignment with the group's Shari'a philosophy and methodology. He is also present on several Shari'a boards of Islamic banks internationally.
H.E. Dr. Mohammad Khair Al-Isa	He holds a doctorate degree in Quran teachings and interpretations, and has attended institutions in Medinah Al Munnawara, Jordan and Sudan. Dr. Mohammed Khair served as the Mufti of Public Security and is also a board member in the Jordanian Fatwa Board.

Name	Profile
H.E. Dr. Abdelrahman Ibrahim Alkilani	He currently serves as the Professor of Fiqh (Islamic Jurisprudence) Department in University of Jordan, and has remained a faculty member and on boards of several academic committees of various educational institutions in Jordan and UAE. His past experiences also include association as Shari'a expert and consultant for several concerns, including his Central membership on the Shari'a Supervisory Board for Islamic Sukuk.

Appointment, Tenure and Termination

All SSB members are elected in the Annual General Assembly of shareholders, upon recommendation of the Board of Directors (BOD). Prior changes on the board, at least over the past five years, were solely attributable to inability of SSB members to attend meetings due to health reasons. It is recommended that gradual changes be brought in SSB's composition to ensure stability and to benefit from diversity in opinions. Termination of an SSB member requires a BOD resolution and subsequent ratification by the Annual General Assembly of shareholders. Any change in composition of SSB is required to be immediately reported to the Central Bank.

Terms of Reference and Independence

The bank's SSB is responsible for issuing edicts and guiding the management vis-à-vis product structures, investment criteria and profit purification, sharing of risks and rewards with investment account holders, and treatment of non-Shari'a compliant income, among other Shari'a related matters. The SSB is authorized, under its terms of reference, to provide an independent opinion on the bank's business practices and their compliance with Shari'a principles. It has an unrestricted access to senior management and Shari'a audit department to effectively perform its duties. However, the ultimate responsibility to ensure that business practices are in line with Shari'a rulings rests with the management.

SSB is not involved in the bank's business operations. SSB members are barred from holding any executive position, participating in decision making or having any material shareholding in the bank. SSB members are in compliance with these principles. Independence of SSB members is ascertained under the criteria determined by the CBJ in the revised CCG which encapsulates best practices and prescribes a new stringent test for independence.

Annual SSB Report

The SSB members are required to make a declaration on an annual basis in the form of a review report, stating that the bank's business operations for the year have been in accordance with Shari'a principles and any non-Shari'a compliant income has been taken to charity. The opinion is formed after a review of a random sample of transactions carried out during the year, with support from the internal and Shari'a audit department. The contents of SSB's annual Shari'a statement are in line with the prescribed format set out by AAOIFI. The statement is also presented in the AGM and is disclosed in the annual report. SSB has issued a clean report for the year 2014. SSB also issues an internal report on a half yearly basis for the executive management and the BOD.

Meeting, Quorum and Deliberation

SSB met 4 times during 2014 which is in compliance with the minimum regulatory requirement of two meetings as prevalent at the time. The revised CCG prescribes a minimum of 6 SSB meetings during a year. Quorum is determined as presence of majority members. Decisions are taken on the basis of simple majority of attendants. Chairman of the SSB casts the deciding vote in case of a split, as set out by the CCG. Three meetings of the SSB were held with full attendance, whereas, one meeting was not attended by a single member due to health reasons.

Meeting agenda usually includes deliberations on new products and related contracts, approval of proposed modifications to contractual documents of existing products, and a review of internal Shari'a audit reports. In case of specific management queries, the same also forms part of the agenda and is discussed for opinion or pronouncement by SSB. Year end meeting also involves preparation of the annual Shari'a review statement and approval of calculations determining the share of depositors in profit. Annual Shari'a audit report of JIB, prepared by the Al Baraka Banking Group, the bank's parent, is also discussed by SSB members. SSB also makes general inquiries about the bank's performance, and its overall financial health.

SSB may also require presence of General Manager, Deputy General Manager and other senior executives to attend SSB meetings as and when required. Overall, there is regular and cordial interaction between SSB members and executive management, supported by a positive management attitude towards Shari'a compliance.

Internal and Shari'a Audit

Shari'a audit responsibilities, including those of subsidiaries, fall within the purview of the internal audit department. The department's authority and responsibility in this regard are documented in the audit charter approved by the BOD. The charter empowers the audit staff to obtain any necessary information relevant for their analysis and allows them access to all employees for the purpose of making inquiries. The charter also addresses the independence of the internal audit function from the executive management, by establishing its functional reporting to the Board Audit Committee and administrative reporting to the General Manager. The department also liaises with the SSB in Shari'a matters.

The department houses a total of 24 employees that possess requisite Islamic banking & finance knowledge to perform their Shari'a audit responsibilities. Shari'a related findings form part of the internal audit report, and are compiled for a biannual Shari'a compliance report submitted to SSB. As per management, deviations from SSB guidelines are few and are mainly due to human error in operations. Issues are also discussed with the relevant staff members for correction and rectification. Frequent issues are reported to the HR department, to arrange training programs for relevant staff members. The SSB has also advised HR to incentivize Shari'a compliance in performance evaluation of employees.

Shari'a audit and review procedures are documented in a comprehensive manual, which serve as a reference for the audit team. The manual delineates audit objectives, scope of work, and specifies audit procedures for different business activities and product structures (Murabaha, Mudaraba, Musharaka, Ijara Muntahia Bittamleek, LCs, LGs etc), among other relevant areas. The audit methodology is approved by the SSB. The annual audit plan is submitted to the Board Audit Committee for approval.

Product Profile, Funding Structure and Profit Distribution Mechanism

The bank mainly utilizes murabaha and ijara structures to extend financing to its customers. Over the years, however, the share of murabaha has decreased and that of ijarah muntahia bittamleek has increased in the gross financings portfolio, as presented in Table 3. These structures collectively accounted for 98.6% of the gross financings portfolio as of end-2014. Participatory modes of financing comprise a very small portion of the financing mix. Greater utilization of participatory structures is recommended by Shari'a scholars as more in line with the true spirit of Islamic finance.

Net Financing Portfolio (%)	2014	%	2013	%	2012	%
Sales Receivables	1,773	79.9	1,762	82.6	1,753	85.5
Ijara Muntahia Bittamleek Assets	415	18.7	342	16.0	272	13.3
Musharaka	25	1.1	22	1.0	20	1.0
Al Qard Al Hasan	6	0.3	6	0.3	5	0.2
Total	2,219		2,132		2,051	

All product structures and relevant contractual documents are approved by the SSB and are closely aligned with the AAOIFI standards. Any modification in product structures and/or financing contracts require approval of the SSB, which is also consulted for clarifications in case of any ambiguity or query relating to existing products.

During 2014, structures for istisna, parallel istisna, musawamah and alimony card (usra/nafaqa) were approved by the SSB, in addition to amendments in the contracts for sales, deferred Sales, ijara, and ijara muntahia bittamleek. Amendments were also made in the application form of commodity murabaha, bargain (musharaka) sale and ijara muntahia bittamleek.

JIB offers various types of deposit products to corporate and individual customers, with terms and conditions set at the outset and as approved by the SSB. Deposit products include current and call accounts, unrestricted investment accounts (saving, notice and time deposits), and off-balance sheet restricted investment accounts.

Current and call accounts are raised under qard structure. The Mudaraba based unrestricted investment accounts are comingled with own funds (equity and current accounts) to form a joint investment pool for asset side deployment. Saving, notice and term accounts are deemed to be invested up to 50%, 70% and 90%, respectively, for determining investors' share in profit. The bank shares returns earned from the joint investment pool with investment account holders in proportion of their contribution to the fund, after charging a Mudarib fee (management fee), which was deducted at 40% for both LCY and FCY accounts in 2014 (2013: 37% for LCY and 40% for FCY) and as approved by the SSB. Notice and time deposit account holders forfeit accrued profit in case of early redemption. General profit percentage has ranged from 3.35% to 4.29% for local currency accounts and from 0.69% to 1.67% for foreign currency accounts between 2010 and 2014.

Restricted investment accounts are managed under separate investment pools in line with each fund's specific investment policy and terms and conditions, as agreed with the investors and as approved by the SSB. Mudarib fee for each fund is determined separately at the beginning of the year. Cards, ATMs, Remittances, and Letters of Credit and Guarantee are backed by the bank's own funds, and therefore, revenues generated or losses incurred from these sources are solely attributable to the shareholders of the bank. Concurrently, all the administrative expenditures are borne out of the bank's own account, and are not charged or appropriated to the investor account, while calculating net profit for the year.

The bank is in practice of maintaining an investment risk fund (IRF) which is deducted from the return earned by the joint investment pool before any profit distribution to depositors, in line with IFSB guidelines. The bank's internal policy dictates deduction of a minimum of 10% of the returns, until the size of the reserve reaches 2x of the paid-up capital. The reserve is utilized to set aside provisions against non performing assets, funded by the joint investment pool. The bank does not have a profit equalization reserve. For profit equalization, JIB adjusts the proportion of deposit amount under each category, deemed invested in the joint investment pool.

Protection of Rights of Investment Accountholders

In contrast to conventional banks, which guarantee repayment of deposit amount and accrued interest, Islamic banks manage investor deposits on the basis of sharing risks and rewards. It is hence particularly important for Islamic banks to have requisite policies and systems in place to protect the rights of investment accountholders. Islamic banks are expected to abide by superior transparency standards and risk management practices vis-à-vis their conventional counterparts. The bank by way of a documented policy recognizes the rights of investment accountholders and attempts to protect their interests. JIB's investment policy discourages undertaking unreasonable levels of risk and protects investors against losses incurred due to management's negligence. Requisite policy framework in the areas of profit sharing, investment criteria and profit purification and investment risk reserves has also been put in place.

Transparency and Disclosures

Transparency and disclosures regarding management of investors' funds are largely in line with the recommended practices of IFSB. Associated terms and conditions of investor accounts are mentioned in the account opening form, and include clauses specific to Shari'a compliant banking. It is brought to the customers' attention that the funds are managed under a risks and rewards sharing mechanism, and that the share is determined based on a proportion determined by the Board of Directors at the beginning of the year and announced at branches of the bank. Basic criteria for sharing of risks and returns with the unrestricted investment account holders is disclosed in the annual report, including the actual mudarib fee charged and the maximum percentage of investor funds deemed invested in the joint investment pool.

Other public disclosures vis-à-vis Shari'a and general governance practices are adequate, however, there remains room for improvement in the same. A few disclosures include profiles of BOD members and executive management team, composition of board committees and SSB, brief overview of the terms of the aforementioned high level supervision bodies, shareholding pattern, organizational structure, frequency of the meetings of BOD and its sub-committees, shares owned by directors and executives¹, board remuneration, and related party transactions. The fatwa book compiled in 2010 is also available on the bank's website. Profiles of SSB members and attendance of the meetings of BOD, board committees and SSB would further enhance governance related public disclosures. IFSB also recommends that incentive structure for executive management and code of ethics and conflicts of interest policies are also explicitly available. Moreover, public disclosure of total non-Shari'a compliant income and its break-up is a recommended practice.

The bank prepares financial statements under accounting standards promulgated by AAOIFI as applicable in Jordan. Details of several balance sheet and income statement items are presented in the notes to financial statements. There is room for enhancement in risk related disclosures in the financial statements. The external auditors of the bank have issued an unqualified report for 2014. Financial statements for the year were co-audited by Ernst & Young and Ibrahim Al-Abbassi & Co.

Investment Screening and Profit Purification

JIB's profit purification policy sets out a mechanism for dealing with non-Shari'a compliant income arising out of the bank's equity investment portfolio. In this regard, the policy states that equity investments are made in only those companies, which significantly operate in Shari'a compliant activities and their non-Shari'a compliant revenues do not exceed 5% of total revenues. Moreover, the policy stipulates that a minimum of 70% of the company's funding structure should comprise Shari'a compliant sources. The bank's share in non-Shari'a compliant income is taken to charity. In case the proportion of non-Shari'a compliant income cannot be accurately determined, profit purification is based on close estimates.

The profit purification policy also stipulates that income under wrongful execution of financing contracts be taken to charity. A few cases identified by the bank in this regard include when the financing contract is executed before goods come under the bank's ownership.

Social Initiatives

Monetary Contributions: The bank has made monetary contributions to several causes over the years including Jordan Hashemite Fund for Human Development, Al-Aman Fund for the Future of the Orphans, Jordan Hashemite Charity Organization, King Hussein Cancer Center, Princess Alia Foundation, and International Hashemite Quran Competition. In 2014, the value of donations amounted JD 690,000. Cumulative value of donations since the bank's inception reached JD 8.7m by end-2014.

¹ Including their close relatives

Al Qard Al Hasan: The bank provides Qard Al Hasan in areas relating to social welfare, including medical treatment, education, and marriage. The total outstanding value of Qard Al Hasan financing extended by the bank amounted JD 19.4m as of end-2014, with about 34,000 beneficiaries. Total disbursements since the beginning of the project is JD 216m, with 382,000 beneficiaries.

Mutual Insurance Fund: The bank maintains a takaful fund for its retail asset side customers, in collaboration with its affiliate, The Islamic Insurance Company. The fund pays the outstanding portion of financing in case of death, permanent disability or other extenuating circumstances faced by the borrower. As of end-2014, balance of the fund stood at JD 54m with about 126,000 participants. The fund had disbursed compensation in 1,855 cases, with a total sum of around JD 6m by the end of 2014.

Go Green: JIB became the first bank in Jordan to have successfully implemented solar energy systems at 18 of its branches. It plans to convert all of the remaining branches over the coming years.

Supporting Corporate Governance Framework

Shari'a governance and compliance is also strengthened by the institution's general governance framework, including adequate representation of independent directors at the board, stability and quality of board members and executive management, dual reporting structure of key control functions, and the overall internal control and risk management structure, among other areas of importance.

In line with IFSB recommendations, terms of reference of the BOD, board committees and SSB, are established and documented by the bank. Moreover although the responsibility of oversight vis-à-vis Shari'a matters rests with the SSB, the bank's policy documents dictate that BOD as an elected representative body of shareholders, also bear a fiduciary responsibility in this regard.

JIB has a documented corporate governance charter, which primarily takes guidance from the code of corporate governance issued by the central bank in addition to incorporating certain practices recommended by ABG. The recent amendments to the regulatory code of corporate governance have aligned it with international best practice in most areas.

JIB has proactively implemented many changes required in its governance structure to comply with the revised code of corporate governance. Some other areas requiring improvement in the wake of guidance provided by the central bank are also in the process of study and/or implementation by the bank. Major changes in relation to corporate governance are summarized in Table 4.

Table 4: Changes in the Code relating to Corporate Governance	
1	Minimum requirement of 11 directors on the Board as against a recommendation of 9-11 previously
2	Requirement that the Board of Directors shall only comprise non-executive directors
3	Minimum requirement of four independent directors on the Board as against the requirement of three previously
4	Revisions in the criteria for determining independence of directors most notably include the condition that the said director must not have been a Board member or member of a management committee of the bank or any of its subsidiaries for more than 8 consecutive years
5	Requirement for the position of Chairman and CEO/General Manager to be segregated
6	Requirement that the External Auditors be changed after every seven years as against the recommendation of changing external audit firm / engagement at a regular interval previously
7	Requirement for adoption of a policy on Board members & executive management qualifications, to be reviewed at least annually
8	Further guidelines issued in the areas of Board key roles & responsibilities; Board and executive management evaluation and remuneration; conflict of interest & protection of shareholders rights; internal audit, external audit, risk management & compliance; and disclosure & transparency

Board of Directors

In the board elections held in April 2015, six new board members were elected, all independent directors. Mr. Adnan Ahmad Yousif, who is also the President & Chief Executive of ABG, has retained his position as the Chairman of the board. Dr. Hatem Hafiz Al-Halawani, an independent director, has been appointed as the Vice Chairman of the board. Previously, Mr. Musa Shihadeh, the General Manager of the bank, was also the board's Vice Chairman. JIB's Board of Directors continues to comprise 11 members including 4 representatives of ABG and 7 independent directors, vis-à-vis 6 previously.

Table 5: Board of Directors

#	Name	Representation	Board Member Since
1	H.E Mr. Adnan Ahmad Yousif (Chairman)	ABG Representatives	Prior to 2008
2	H.E. Mr. Hamad Abdallah Eqab		Prior to 2008
3	H.E. Mr. Adnan Abdalla Al-Bassam		2012
4	H.E. Mr. Houd Hashem Ahmad Hashem		2011
5	H.E. Dr. Hatem Hafiz Al-Halawani (Vice Chairman)	Independent Directors	2015
6	H.E. Mr. Issa Haidar Issa Murad		2015
7	H.E. Mr. Nour "Mohammad Shafer" Mahaini		2011
8	H.E Mr. Salem Ahmed Jameel AlKhazaleh		2015
9	H.E Mr. Saleh Yacoub Mohammad Hussein		2015
10	H.E Dr. Nabeeh Ahmed Mahmoud Salameh		2015
11	H.E Miss Malak Fawzi Ghanem		2015

Composition of the BOD is in line with best practice, with significant proportion of independent directors, along with a stable representation of major shareholders, allowing for consistent implementation of strategy as well as protection of interest of small investors and other stakeholders. The board met six times during 2014. Deliberations in the meetings have included review of performance and approval of financial statements, amendments to policies and procedures, and determining strategic goals and targets, among other statutory matters. BOD also keeps an eye on matters relating to Shari'a, including compliance and product development and modification; board members formally meet SSB members at least once a year.

Board Committees

The revised CCG requires that at least four committees i.e. audit, governance, risk committee and nomination & remuneration committees, function at the BOD level. JIB is compliant with this requirement, and has in place two additional board committees, namely, social responsibility and credit facilities committee. Composition of JIB's board committees is mostly in line with best practices, with independent directors comprising a majority in key control committees, including corporate governance, audit, and remuneration & nomination committees. Committees that monitor the bank's key business decisions, i.e. credit and risk, are controlled by ABG representatives who possess relevant banking experience. Areas of improvement include representation of an SSB member on the governance committee as recommended by IFSB and increasing the frequency of meetings of this committee. Composition and frequency of the meetings of board committees is presented in Table 6.

Table 6: Board Committees

Committee	Members (Representation)	Meetings during 2014	Meetings during 2013
Corporate Governance (BCGC)	Chairman - Dr. Hatem Hafiz Al-Halawani (Ind., BOD VC) Mr. Salem Ahmed Jameel AlKhazaleh (Ind.) Mr. Adnan Ahmad Yousif (ABG, BOD CM)	1	1
Remuneration and Nomination (BRNC)	Chairman – Mr. Issa Haidar Issa Murad (Ind.) Mr. Adnan Ahmad Yousif (ABG, BOD CM) Miss Malak Fawzi Ghanem (Ind.)	3	3

Committee	Members (Representation)	Meetings during 2014	Meetings during 2013
Risk Management (BRMC)	Chairman – Mr. Saleh Yacoub Mohammad Hussein (Ind) Mr. Adnan Abdalla AlBassam (ABG) Mr. Houd Hashem Ahmad Hashem (ABG) <u>Executive Representation:</u> Mr. Musa Shihadeh (CEO/GM) Dr. Hussein Said E'mar Sai'fan (Deputy GM) Mr. Hosni Hussain Jaradat (Head of Risk Department)	4	4
Audit (BAC)	Chairman – Miss Malak Fawzi Ghanem (Ind.) Mr. Hamad Abdallah Eqab (ABG) Dr. Nabeeh Ahmed Mahmoud Salameh (Ind.)	4	5
Social Responsibility (BSRC)	Chairman – Mr. Salem Ahmed Jameel AlKhazaleh (Ind.) Mr. Nour "Mohammad Shafer" Mahaini (Ind.) Mr. Issa Haidar Issa Murad (Ind.) Mr. Hamad Abdallah Eqab (ABG) <u>Executive Representation:</u> Mr. Musa Shihadeh (CEO/GM)	1	1
Credit Facilities (BCFC)	Mr. Adnan Abdalla AlBassam (ABG) Dr. Hatem Hafiz Al-Halawani (Ind., BOD VC) Mr. Nour "Mohammad Shafer" Mahaini (Ind.) <u>Executive Representation:</u> Mr. Musa Shihadeh (CEO/GM)	5	5

Management Profile

Management team of the bank is spearheaded by Mr. Musa Shihadeh, who has been associated with JIB for over 30 years and with the banking industry for over 50 years. He is also represented on the boards of some other Islamic banks in the ABG network. Certain administrative duties have been delegated to two Deputy General Managers, Dr. Hussein Saeed and Mr. Muhammad Allan, both associated with the bank for over 25 years. Top management team of the bank has depicted stability over the years, allowing for continued and steady implementation of business strategy. No changes were noted in any departmental head position since IIRA's prior review.

Reporting lines of key control functions is in line with best practices, with the risk management and compliance departments under the risk management committee, and the internal and Shari'a audit department under the audit committee in addition to liaising with the Shari'a Supervisory Board. Moreover, the responsibility for appointment, remuneration and performance evaluation of the General Manager rests with the BOD, whereas, the same in case of other executive management² is with the nominations and remuneration committee. Approval of the board is also required to appoint and/or terminate the Chief Financial Officer and the Chief Internal Auditor.

The overall organizational culture encourages conformance with Islamic teachings. The motivation and direction herein emanates at the helm and is reflected in the approach of JIB's employees at all cadres. Management's responsibility to ensure that Shari'a compliance in all aspects of the bank is clearly documented, and organizational culture ensures that employees of the bank perform their duties regarding Shari'a

² Includes up to Assistant General Manager

compliance with diligence. In relation to this, the HR department actively develops capacity of employees by arranging training programs, both in the areas of general banking and Islamic finance. The annual training plan is developed at the beginning of the year, based upon training needs identified through the performance evaluation process.

Self Regulation

Internal controls at the bank are instituted under a documented policy framework, the effectiveness of which is tested on an annual basis internally as well as by the external auditors. Charters of control functions including risk management, compliance and internal and Shari'a audit, define the authority and responsibilities of these departments and form part of the internal control framework. These functions report at the board level, with which the ultimate responsibility to institute effective internal controls rests. The BOD publishes a statement on the adequacy of internal controls over financial reporting as part of the annual report.

Compliance department is responsible for ensuring that the bank's internal policies are aligned with the applicable laws, regulations, standards and guidelines of the supervisory bodies, in addition to ensuring operational compliance with the same. The department periodically prepares compliance reports for the BOD. A compliance policy is in place at the bank to this effect.

Risk Management department is responsible for identifying and monitoring all risks faced by the institution including market risk, operational risk, credit risk, currency risk and profit rate risk, among others. The department is also responsible for facilitating the board in developing the requisite policy and procedural framework to manage and control these risks. The department provides recommendations on the concentrations limits to the board's risk management committee, in addition to preparing periodic risk assessment reports for the committee's benefit. Credit approval authority matrix is identified and documented at the bank.

Awards and Recognitions during 2014

The bank received numerous global awards, recognizing its strong presence and appreciating its standing as the leading Islamic bank in Jordan. These include awards from Global Finance - New York, World Finance - London, Banker Magazine - London, EMEA Finance - London, Global Finance Award - London and Islamic Finance News - Malaysia.

The Chairman of the board and the General Manager received awards for "Business Leadership and Outstanding Contribution to Islamic Finance 2014".

The bank was also recognized for its Corporate Social Responsibility by London's EMEA Finance magazine compared to peers in the entire Middle East region. The bank also received a letter of appreciation as regards its social contributions by International Organization for Standardization.

Annexure 1: Profile of The Board of Directors

Name, Representation and Citizenship	Profile
Mr. Adnan Ahmad Yousif (Chairman) ABG Representative Bahraini	He started his professional career in the banking sector in 1975. He has been a director of Al-Baraka Banking Group since its inception and the President and Chief Executive Officer since August 2004. He also holds the position of Chairman at various banks. He has a Master's degree in Business Administration from University of Hull, UK.
Mr. Hamad Abdallah Eqab ABG Representative Bahraini	He has a varied banking experience in the fields of internal & external audit and financial control. At present, he is the Executive Vice President - Head of Financial Control at Al Baraka Banking Group. He also occupies the position of Vice Chairman at AAOIFI. He is a Certified Public Accountant (CPA) and a Certified Global Managerial Accountant (CGMA).
Mr. Adnan Abdalla AlBassam ABG Representative Bahraini	He has experience in the field of accounting and auditing. He is also a board member in a number of Al Baraka Banking Group-subsidary banks. He holds a business degree, majoring in accounting from Southern Oregon University, USA. He is also a Certified Public Accountant (CPA).
Mr. Houd Hashem Ahmad Hashem ABG Representative Bahraini	He has worked in the field of information technology management and systems analysis and at present, he is the Senior Vice President – Information Technology Management at Al Baraka Banking Group and a board member in a number of its subsidiary banks. He holds a Master's Degree in Business Administration. He is also a Certified International Projects Manager (CIPM) and a Certified Information Systems Auditor (CISA).
Mr. Issa Haidar Issa Murad Independent Jordanian	A businessman, he serves as chairman and director on the board of a number of companies. He is also the Chairman of Amman chamber of Commerce and a member on BOD of Jordan Chamber of Commerce. He holds a Bachelor's degree in Economics (Business Management and Accounting).
Mr. Nour "Mohammad Shaher" Mahaini Independent Jordanian	He is a prominent local businessman. He studied in the Faculty of Civil Engineering at Damascus University and also holds a Diploma in Accounting.
Dr. Hatem Hafiz Al-Halawani Independent Jordanian	Holding a PhD in Industrial Management and Environmental Impact Assessment, he currently holds memberships on board of various public shareholding companies, educational and social institutions. He has also served as a Minister of Industry & Trade and IT, among others, in addition to being a former Chairman of the Jordan Chamber of Industry and the Amman Chamber of Industry.

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Name, Representation and Citizenship	Profile
Mr. Salem Ahmed Jameel AlKhazaleh Independent Jordanian	He has previously served as a Minister of State in various capacities including Industry and Trade, Legal Affairs and Public sector development. He holds a Master's degree in Philosophy and Bachelor's in Law, and serves on the Boards of various other companies.
Miss Malak Fawzi Ghanem Independent Jordanian	She has a diversified experience having served as an Executive Director with the Central Bank of Jordan in the Banking Oversight Department and as International Expert for IMF. She was also involved as an advisor in the legislation of Islamic finance Sukuk. She was formerly also on the board of Islamic Insurance Company. She holds a Master's in Banking and Finance and a Bachelor's in Accounting.
Dr. Nabeeh Ahmed Mahmoud Salameh Independent Jordanian	A PhD in Economics, he is currently also a board member at Jordan Petrol Refinery Company. He has had prior association with Jordanian Petroleum Products Marketing Company and Arab Potash Company.
Mr. Saleh Yacoub Mohammad Hussein Independent Jordanian	Having a Bachelor's degree in Economics and Statistics, he has formerly served as Deputy Governor at the Central Bank of Jordan.

Annexure 2: Profile of The Senior Management Team

Name & Position	Profile
H.E. Mr. Musa Abdul Aziz Mohammed Shihadeh CEO/General Manager	He has more than 50 years of professional experience having joined the banking industry in 1961. He is also represented on the boards of several Islamic banks outside Jordan as well as other companies in varied sectors. He holds a Master's degree in Business Administration from University of San Francisco.
Mr. Mohammed Majed Mahmoud Rasheed Allan Deputy General Manager	He joined Jordan Islamic Bank in 1980 and holds a Bachelor's degree in Business Administration from Arab University of Beirut.
Dr. Hussein Said E'mar Sai'fan Deputy General Manager	He joined the bank in 1987. He holds a Master's Degree In Banking and Finance Sciences (Islamic Banking) and also received his PhD in 2006.
Mr. Nai'm Mohammad Najem AlKhmous Assistant General Manager	He rejoined the bank in 2009, having previously worked for the bank for 8 years. He holds a Bachelor's degree in Computer Engineering and a Master's degree in Business.
Dr. Abdulhamid Abdullah Ahmad Abu Saqri Executive Manager - Financial Dept.	He joined the bank in 1992. He holds a Master's degree in Islamic Banking and received his PhD in 2010. He is also a Certified Public Accountant (JCPA).
Dr. Hosni Abdul Aziz Hussein Jaradat Executive Manager - Risk Management	He joined the bank in 1987 and has also worked for investment and consulting enterprises in the past. He holds a Master's degree in Islamic Banking and also received his PhD in 2009.
Mr. Mohammad Fawaz Sudqi Sadiq Imam Executive Manager-Treasury and Banking Relations	He had joined Wahda Bank / Libya after working for 17 years at Jordan Islamic Bank's branches. He rejoined Jordan Islamic Bank in 2012. He holds a Master's degree in Banks and Finance Management.
Mr. Bashir Abde Rabo AlHaj Bashir Okasheh Executive Manager - Investment Portfolios	He joined the bank in 2003 and has also worked in local banks for 15 years. He holds a Bachelor's degree in Economics and Finance.
Mr. "Mohammad Khalil" Fahmi Al-Ja'abari Head- Internal Audit	He joined the bank in 1988. He holds a Master's Degree in Business Administration. He is also a Certified Islamic Public Accountant.
Mr. Mohammad Ahmad Mohammad Jebril Executive Manager - Strategic Planning	He had previously worked for the bank In the Information Technology Group for 18 years. He rejoined the bank in 2009. He holds a Bachelor's degree in Business Administration.
Mr. Ahmad Mustafa Mohammad Bahbough Executive Manager - Human Resources	He joined the bank in 1991 after having accumulated 15 years of experience by working in local and foreign banks. He holds a Bachelor's Degree in Business Administration/Accounting.

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Name & Position	Profile
Raafat Ismail Mohamed Abu Afifeh Head - Information Security	With more than 13 years of banking experience, he holds a Master's degree in Computer Science from University of Jordan.
Mr. Mosa Omar Mubarak Executive Manager – Corporate Finance Department	With 25 years of banking experience, he holds a PhD in Islamic Banking. He is also a member on the board of several companies.
Eng. Nazeeh Ehsan Nazal Executive Manager – Engineering Department	Starting as a supervisory engineer, he has been associated with the bank for over 25 years in the engineering department. He has Master's degree in Civil Engineering.

Shari'a Quality Rating Scales & Definitions

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

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

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

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

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

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

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



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