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السادة بورصة عمان المحترمين ،،،

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الشرعي للبنك الإسلامي الأردني من الوكالة الإسلامية الدولية
للتصنيف (IIRA)

بالإشارة إلى الموضوع أعلاه يسرنا أن نرفق لكم طيه نسخة من تقرير وخبر
التصنيف الشرعي الخاص بمصرفنا والصادر عن الوكالة الإسلامية الدولية للتصنيف
(IIRA) إصدار كانون الأول 2021.

المدير العام
د. حسين سعيد

المرفقات: نسخة من تقرير وخبر التصنيف الشرعي للوكالة الإسلامية الدولية للتصنيف (IIRA) إصدار كانون الأول 2021



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

Manama, December 01, 2021: 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 high level of independence at the Board, effective internal controls, and mechanisms instituted for protecting the investment accountholder's rights, have contributed to a robust governance framework. With an experienced Shari'a Board, the effectiveness of Shari'a controls instituted at the bank is evident from implemented policies and procedures and no instance of Shari'a non-compliant income. The oversight of Group-level Unified Shari'a Supervisory Boards' (USSB) also contributes to harmonization of practices and a strengthened supervisory mechanism. Representation of SSB in the governance oversight committee may further enhance the governance framework in line with best practices.

Information disseminated by the bank, both financial and governance related, conforms to a high standard of transparency and compliance with regulatory requirements. In addition, JIB is dedicated to Corporate Social Responsibility (CSR) and sustainability principles, having pursued green technologies and a social mandate for a number of years. The bank donates regularly for social causes. Likewise, competitive returns paid to IAH coupled with low management fees and adequate disclosures reflect the bank's sound and effective dispensation of its fiduciary responsibility.

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
December 2021



الوكالة الإسلامية الدولية للتصنيف
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SHARI'A QUALITY RATING REPORT

Jordan Islamic Bank

Report Date: December 01, 2021

Analysts:

Hikmatyar Gul, CSAA

M. Owais Atta Siddiqui, CSAA

Latest Rating (December 01, 2021)	Previous Rating (December 27, 2020)
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:** Ernst & Young
- **Key Shareholders:** AlBaraka Banking Group
- **Chairman:** H.E. Mr. Musa Abdul-Aziz Mohammad Shihadeh
- **Chief Executive Officer:** H.E. Dr. Hussien Said Saifan
- **Branches & banking offices at 2020 year-end:** 83 & 25, respectively.

CORPORATE PROFILE

With over 40 years of operations, Jordan Islamic Bank ('JIB' or 'the bank') is considered a pioneer in Islamic Banking globally. JIB is one of the largest banks in the Kingdom of Jordan ('Jordan' or the country), and the largest Islamic Bank domestically. Listed on Amman Stock Exchange, the Bank's market share has increased over the years to 9.0% in terms of total assets by end-2020 (2019: 8.7%) and it is designated as one of the systematically important financial institutions (D-SIB) in the country.

The Bank's strong franchise as a forerunner in Islamic Finance, and a broad-based geographical coverage of 83 branches and 25 cash offices across Jordan, support its extensive retail penetration. Added facilities offered to customers through a large ATM network and continued progress towards digitalization has also contributed to the bank's market position, with enhanced services offered through the Mobile Banking application. The bank's regional franchise is also noteworthy, as driven by its experience in Islamic Finance and continuous participation in thought leadership in international policy making groups, for the growth of Islamic banking.

With 2,434 employees, as of end-2020, the management has remained stable. H.E. Musa Shihadeh is currently the Chairman of the Board of Directors, having held leadership roles in the bank for the last thirty-nine years. H.E. Dr. Hussein Said Saifan is the CEO/ General Manager and has also had a lengthy association with JIB for over thirty years.

Sponsors' profile

JIB is owned in majority by the Al Baraka Banking Group ("ABG" or "the group") which holds a stake of 66.01% in the subsidiary. With a presence in 16 countries, ABG is one of the leading international Islamic banking groups globally and operates through 17 subsidiaries, associates and representative offices, providing investment and commercial banking services. ABG has a total asset base of USD 28.3b as of end-2020 (2019: USD 26.3bn), with a consolidated branch network of 697 branches and a workforce of 12,026. JIB has remained one of the Group's major subsidiaries constituting 24.1% of the Group's asset base.

THE ISLAMIC BANKING INDUSTRY IN JORDAN

Financial sector of Jordan has remained one of its key economic segments, contributing around 20% to GDP. The Banking sector is well capitalized, with an industry CAR of 17.9% as at June 2020 and an asset base of JD 53.6bn at end 2020 (2019: JD 51.2bn), having continued to post growth of 4.7% during the year.

As per the annual report issued by Central Bank of Jordan (CBJ), there are 24 banks in the Kingdom. Four of these are Islamic banks, including one foreign Islamic bank with an Islamic banking branch network of 171 and 28 small branches. Islamic Banking windows are not permitted in the Kingdom, requiring entirely segregated and independent entities to conduct Islamic banking, which accounts for 18.3% of banking assets in Jordan. In terms of the total number of deposits, Islamic banking holds 20% of the entire banking sector as a whole. Islamic investments represent 26.7% of all investments and lending of conventional and Islamic banking.

The Central Bank of Jordan rolled out the third issuance of Murabaha to purchase orderer Sukuk for the National Electric Power Company (NEPCO) in 2018 of JD150m with a yearly return pace of 5.47% and a tenor of five years. Three NEPCO Sukuk provide the only investment channel for Islamic financial institutions. In its 2020 edition, the Islamic Finance Development Report and Indicator (IFDI) maintained the ranking of Jordan at 6th globally for industry-wide quantitative development, knowledge, governance, corporate social responsibility, and awareness of Islamic banking and finance.

A. COMPLIANCE WITH SHARI'A PRINCIPLES AND RULES

Product Profile and Structure

JIB offers structured Islamic banking products and services and has innovated in product structures to provide a range of services to its customers in compliance with the standards of Shari'a. Furthermore, the Bank seeks Shari'a Board's direction and approval for modification in existing product structures on an ongoing basis, in addition to new product development. As briefly explained in this section hereunder, several new products have been developed to expand the Bank's Shari'a compliant product portfolio during 2020.

Asset Side:

The Bank extends financing facilities catering to its clients' needs under mainly two product structures: Murabaha and Ijarah Muntahia Bittamleek. Deferred sales receivables and other receivables constituted 77.8% of the entire financing portfolio, which comprises mostly Murabaha to the purchase orderer, deferred sales, Ijarah Mawsoofa Bill Thimma (Forward Ijarah), and Ijarah Muntahia Bittamleek receivable (lease-to-own). The Bank utilizes a diversified form of Murabaha catering to both short and long-term needs of retail, corporate, and SMEs for car, house, home appliances, projects, working capital, and agriculture financings. Likewise, Ijarah Muntahia Bittamleek (IMB) is the second highest deployed structure at 21.2% of the Banks' financing. The Bank offers IMB for medium to long term financing for residential property, project financings, and SME financings.

Table 1: Financing Portfolio

In millions of JD	2018	2019	2020
Deferred sales receivables and other receivables	2,054	2,252	2,590
% Contribution	76.30%	77.28%	77.80%
Ijarah Muntahia Bittamleek	606	630	706
% Contribution	22.50%	21.61%	21.2%
Musharakah	33	32	33
% Contribution	1.20%	1.10%	1%
Net Financing Portfolio	2,692	2,914	3,329

Musharakah is also utilized for new and existing professional and craftsman project funding and SMEs, which ends with the transfer of ownership to the customer under the structure of Musharakah Muntahia Bittamleek, whereby the Bank's share is gradually transferred to the customer. However, the proportion of Musharakah remains minimal at 1% (2019: 1.2%). JIB is among few local Islamic banks that offer an interest-free loan (Al Qard Al Hasan) for social purposes such as education, health, and other social services. Likewise, the Bank utilizes Istisna'a for residential property, project financing, and SME financing, whether for industrial, commercial, or agricultural projects. Interbank placements are made on Qard and Mudarabah basis.

Liability side:

The Bank offers various deposit products for both individual and corporate accounts in local and foreign currencies including current, demand, joint investment accounts, savings, notice, term, and restricted investment accounts. JIB mobilizes current and demand deposits on Qard and Trust (Amanah) basis and investment accounts on a profit-sharing basis, under the Mudarabah structure. The Bank also acts as a Wakeel (an agent) to manage and invest funds of the clients for an annual fee under the structure of Wakala bi Istithmar. A 'Charge card' is offered to accountholders where the Bank provides a ceiling limit for withdrawal and purchases for a month. The amount of all transactions is deducted at the end of the period and an issuance and renewal fee is charged annually. Interbank borrowings have been structured under the Qard Hasan basis as well.

Off-balance sheet:

Other exposures include the Bank's guarantee and Letter of Credit (LC) facilities. The Bank guarantees its client under Sponsorship (Kafala) agreement for an annual commission rate ranged 1%-4% as of Dec'2020. Letter of Credit ("LC") is structured under the Wakala structure for a fee, with rates varying between 0.25% -0.38% as of 2020.

New Products:

As per Shari'a department's representation, the following products were approved in 2020;

Zafafi: A package of products and services catering to celebration finance, usually weddings; It includes financing the cost of venues through an operating lease, financing purchase of furniture, and household items through Murabaha/Musawamah, and financing any related travel through rental services. However, *the product may not be used to purchase gold, since it is forbidden to sell gold through the Murabaha contract.* This is an illustration of finance packages by combining various Shari'a compliant structures.

Building Maintenance Financing: SSB approved the product for financing the maintenance and finishing works for buildings and covering workers' wages through the Ijarah Mawsoofa fi Zimmah (service leasing), while funding building materials through Murabaha, with the possibility of financing wages, if the price of materials constitutes 30% of the service price or less.

Financing of Solar Energy: The Bank approved the product for financing solar energy projects under the structure of Musawamah.

Charity Card: A card issued by the Bank to persons whose names and personal data appear in the approved list of poor families and orphans of the Islamic Center Charitable Society. The relationship is based on Wakala by paying cardholders from the association's account at the Bank.

Non-compliant Income

A policy for income purification has been instituted. Shari'a non-compliant income, if incurred during a period, is forfeited and accounted for under 'other liabilities' and then deployed only towards charitable causes. As per management representation, there was no Shari'a non-compliant income during 2020, reflecting the effectiveness of the Shari'a supervision in the Bank's operations.

For Zakah calculation, 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 for fulfilling pertinent Shari'a obligations at source. Hence, the responsibility is vested with the shareholders, unrestricted and restricted investment account holders.

Summary: *The bank utilizes structured products approved by SSB to cater to customers' needs, which are largely standard products. Avoidance of structures which are not preferred by Shari'a is also evident with some common banking services like credit cards, which are not offered. Adequate supervision is also evident from the declined level of Shari'a non-compliant earnings during the outgoing years.*

SHARI'A GOVERNANCE FRAMEWORK

Regulatory Environment

Jordan has a robust regulatory framework governed by the Central Bank of Jordan exercised under the Banking Law 2000, wherein detailed Islamic Banking regulations have been laid out. The law covers conditions and restrictions, acts and activities, and guidance related to development and maintenance of an investment risk account, liquidation procedures, and requirements. The CBJ periodically revises Islamic Banking regulations to incorporate the latest global principles and international best practices to continuously update the Islamic Banking sector environment such as Basel III regulations and introduce the concept of systemically important banks adopted worldwide.

CBJ has issued separate Instructions for Islamic Banks for good corporate governance, which was last amended in September 2016. 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. As per the regulatory requirements of CBJ, all Islamic Banks operating in Jordan are required to appoint, through a decision of its general assembly of shareholders, a board assigned as the Islamic Jurisprudence Supervision Board. 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 includes monitoring the compliance of operations and activities of the Bank under Islamic jurisprudence rules, providing an opinion on the contracts underlying processes and activities of the Bank, and considering any matters referred to it according to specific orders of the Central Bank. In addition, CBJ amended Article 55 during last year concerning investment risk funds in the Banking Law for Islamic banks, requiring that the annual allocation to the investment risk fund be discontinued.

According to 'AAOIFI Footprint Report 2020', Jordan has also adopted the Accounting and Auditing Organization standards for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board standards to further strengthen 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 a separate internal Shari'a audit department. Documented charters for both SSB and the internal Shari'a audit department are updated to align with regulatory changes and requirements. These documents set rules and principles for supervision and to ensure Shari'a compliance in business operations. There's a Shari'a Compliance/Control function under Compliance Department, in line with local regulations.

Shari'a Supervisory Board ("SSB")

Composition

There's no change in the SSB composition since our last review. SSB comprises three scholars. In line with the regulatory requirement, the general assembly elects SSB members based on the Board recommendation who fulfill all the Fit and Proper Test requirements set forth by the CBJ. Dr. Mahmoud Ali Mosleh Sartwai is the Chairman of the SSB. As shown in Table 2, the incumbent

members are renowned and well-versed scholars appointed in April 2019 for four renewable years (2019-23).

Meetings and attendance

During 2020, SSB convened six meetings with full quorum and fulfilling the minimum regulatory requirement of bi-monthly meetings. Furthermore, SSB met twice with the Board of Directors, audit committee, and external auditors during 2020 according to the CBI requirement. Likewise, JIB's senior executive management also attends SSB meetings, ensuring adequate information to and interaction with the SSB. However, the presence of senior management is arranged so as not influence SSB decision given that SSB independence is assured in terms of appointment by and reporting to the General Assembly.

Table 2: SSB Composition and Meetings

Members	Role	Meetings attended as of Dec'2020	Membership
Dr. Mahmoud Ali MoslehSartawi	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

SSB Independence

The Board of Directors is responsible to ensure the independence of the SSB. In addition, the rules also restrict the members of the SSB from obtaining any benefits from the Bank. The Bank publishes an acknowledgment duly signed by all SSB members that they do not receive benefits from the Bank, except those in lieu of fixed remuneration. In addition, the Bank discloses in the annual report that the SSB members do not hold any shares in the Bank. Furthermore, as per JIB's corporate governance guide, the following requirements are required to be met to ensure total autonomy of the SSB members:

- No SSB member has taken any financing for him/herself or his/her first-second degree relatives from the Bank or its affiliates.
- No SSB member has worked as an employee at the Bank or its affiliates over the past three years.
- 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, subject to no-conflict of interest.
- 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,
- 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.

While the SSB charter of the JIB limits the commercial relationship of SSB with the Bank there is no limit for the number of terms a member can serve. At present, some members have had a long-term

association with the SSB. In line with best practices, an institution of a rotation policy of SSB members may further enhance the independence of the Shari'a Board.

Terms of Reference

According to ToRs, SSB is responsible for setting up a procedural manual that incorporates the workflow SSB's relationship with the BoD and senior management, Shari'a oversight, and organization of meetings. Additionally, the SSB is allowed to supervise the Shari'a and administrative environment in Jordan under Banking laws. The ToRs also state assumptions from an SSB part, including keeping up value among stakeholders, safeguarding trustworthiness and honesty, and ensuring legitimate and lawful viewpoints and technical aspects of Shari'a while taking decisions. The Bank's CG guidelines additionally set explicit rules to follow while pronouncing Fatwa and undertaking Shari'a oversight.

SSB is primarily responsible for directing the Bank's operations, guaranteeing compliance with Shari'a standards, and giving an independent assessment. Responsibilities also incorporate audit and endorsement of reports issued by the Internal Shari'a departments and issuing a yearly statement to shareholders and semi-yearly reports to the BoD. SSB's primary responsibility lies in ensuring bank operations are conducted according to Shari'a. Moreover, SSB has been given the further obligation of affirming that any losses coming about because of the Bank's transactions for the IAH are not by negligence.

SSB Effectiveness Measures

The Bank has executed an annual self-appraisal mechanism for SSB and its members to ensure the effectiveness of the SSB. A checklist is designed by the nomination and remuneration committee, submitted to the Board and CBJ yearly. The checklist helps the Bank gauge SSB's capability and effectiveness; moreover, it also permits SSB to self-improve in areas including Shari'a supervision and Shari'a control framework of the Bank. While self-evaluation agendas are an accepted measure to survey adequacy, the Bank may also consider improving the effectiveness of measuring methods. For example, scorecards to utilize subjective components and additional quantitative elements (e.g. measure of non-Shari'a compliant income, etc.) may be used to gauge SSB's performance and effectiveness in a more comprehensive way.

SSB Remuneration

Under the CBJ guideline, remuneration of SSB members is approved by the BoD with the assent of general assembly, based on the Board's Nomination and Remuneration committee assessment framework of the Bank's remuneration policy.

All SSB members are remunerated in the form of an annual fixed fee and travel and lodging expenses. During 2020, the total remuneration of the SSB slightly decreased to JD 92k (2019: JD 99.9K). The applied remuneration structure creates no conflict of interest, as SSB's compensation has been delinked from the Bank's performance as per best practices.

Shari'a Board Report

SSB presents an annual report on the Bank's Shari'a compliance to the shareholders in the general assembly, and to be published in the annual report. In the report, SSB opines about reviews held

from a Shari'a perspective and the degree of compliance of all contracts and transactions, financial statements, external auditor report review, policy review, and allocation of profit or loss to investment accounts; and Zakah calculation.

Internal Shari'a Audit

In line with regulatory requirements and best practices, the Bank has instituted an independent and separate internal Shari'a audit function. The role of the Shari'a audit function is outlined in the Corporate Governance Guidelines of the Bank and primarily constitutes ensuring the Bank's operations are carried out as per the standards of the Islamic Shari'a, and SSB decisions and recommendations are effectively implemented. In addition, the Shari'a Audit department is governed under a written charter approved by the Board. The charter lays down the department's objectives, scope of work, department structure, reporting line, qualification requirements, and roles and responsibilities. The head of the department also serves as a secretary to the SSB. The staff strength is adequate and remained at 10 (2019: 10), including the head of the department. Five personnel have related certifications from AAOIFI.

Internal Shari'a Audit department has its own documented charter. The charter lays the concept, objectives, work area, organizational hierarchy, qualifications of the team and roles and responsibilities. The department is equipped with a qualified team to confirm the adequacy and effectiveness of the internal Shari'a supervisory system and follow up on the compliance with SSB's Fatwas. The department is considered independent in terms of its reporting lines with clear authority and direct reporting to the SSB as per the Bank's organizational structure. Besides, it also reports to the Board Audit Committee for reporting purposes and administratively to the Bank's CEO/General Manager.

According to the department's primary objective discussed in the charter, it is entrusted to complete oversight works by submitting reports to the SSB regarding the Bank's activities in line with Shari'a rules and principles. Besides, the department is responsible for enhancing staff knowledge about Islamic banking by arranging periodic training. The charter also covers a step-wise procedure to be followed to carry out the Shari'a audit process. The department ensures swift implementation of the standards adopted by the Bank, as issued by 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 as followed by the Bank under the Shari'a guidelines and principles. The approved plan for 2021 illustrates an on-site visit schedule with defined timelines of the audit process.

The contracts, operations, and transactions entered into by the Bank during the period are reviewed and audited based on the sampling method. For any material observation, the department seeks SSB guidance and takes necessary measures to avoid them in the future. Bi-annual reports are presented to the SSB. As per the Shari'a department representation, there were no adverse observations during 2020. In addition, the department also issued a performance and achievement report of 2020, enlisting some significant achievements as:

- ✓ Reduced the average Shari'a risk ratio for the Bank's business centers for the second year in a row, whereby the risk decreased by 12% in 2020 compared to 2019.

- ✓ Responded to 89 inquiries from branches and departments related to the legal aspects of transactions
- ✓ Provided 13 reports to the Branches Affairs Department showing the quality of performance of the branches.
- ✓ Participated in seven training programs specialized in Shari'a audit for the department's employees

Shari'a Compliance

A Shari'a compliance division has been instituted under the Bank's Compliance Department. The division comprises two staff with Shari'a-related knowledge and experience. The division is responsible for reviewing policies and procedures in line with Shari'a rules and principles.

Summary: JIB benefits from its experienced SSB members and ABG's Unified Shari'a Supervisory Boards' (USSB) oversight. SSB is highly involved in product development and its process flow, aiming for compliance with Shari'a principles

C. CORPORATE GOVERNANCE

Regulatory framework

CBJ acts as the regulatory authority in Jordan and governs all Islamic financial institutions in the country. Accordingly, CBJ has issued Corporate Governance (CG) guidelines No. 64/2016 for Islamic financial institutions. The guidelines are reviewed and updated to align with best practices and were last updated in September 2016. These guidelines set out corporate governance rules and regulations covering the Board and its committees' composition and operation, appointment criteria, responsibilities, remuneration, executive management, and internal control function of risk management, internal audit, and compliance. In addition, the guidelines also lay down rules for transparency and disclosures to uphold and protect the rights of the stakeholders.

JIB has its own documented Corporate Governance Guide ("CGG"), published on the banks' website to comply with the regulatory requirement. The CGG outlines principles regarding the Board of Directors, its committees, the responsibility of the executive management, control environment, internal control, transparency, and disclosures. The Guide complies with the Islamic Financial Services Board's Guiding Principles on Corporate Governance, the instructions of the CBJ, and 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

Following our last review, there are changes in the composition of the Board. Dr. Hatem Hafez Al Halawani Al Tamimi was elected in place of Mr. Saleh Yacoub Mohamed Hussein (late) in December 2020. The Board of Directors (BoD) comprises 11 members. The Chairman of the Board is a non-executive and non-independent member. *While there is no local regulatory requirement for the Chairman to be independent, independent Chairmanship is advised in line with global best practices.* Board composition exhibits a high level of independence as 6 out of 11 members are independent, which is above stipulation of local regulations and best practices recommendation. Among the 11 members, 4 are represented by the parent company AlBaraka Banking Group (ABG). In May 2020, two new representatives of ABG replaced Mr. Adnan Abdulla Al Bassam and Mr. Nour Mohamed Shafer, as listed in table 3.

Table 3: Board Composition

Board Members	Role & Shareholder Representation
H.E. Mr. Musa Abdul-Aziz Mohammad Shihadeh	Chairman / Non-Executive
H.E Mr. Hamad Abdulla Ali Al Oqab	Vice-Chairman / Non-Executive /ABG
H.E Dr. Jihad Abdel Hamid El-Nakla	Non-Executive & Non-Independent /ABG
H.E Mr. MazinKhairy Shaker Manna	Non-Executive & Non-Independent / ABG
H.E Mr. Nour "Mohamed Shafer" "Mohamed Lotfy" Mahayeni	Non-Executive & Non-Independent /ABG
H.E Mr. Salem Ahmad JamilAlkhaza'leh	Non-Executive / Independent
H.E Mr. Ayman Abdel Karim Bashir Hathat	Non-Executive / Independent
H.E Mr. IssaHaidarIssaMurad	Non-Executive / Independent
H.E. Mrs. Malak F. R. Ghanem	Non-Executive / Independent
H.E Dr. Nabeeh Ahmad Salama	Non-Executive / Independent
H.E Dr. Hatem Hafez Al Halawani Al Tamimi	Non-Executive / Independent

Meetings

During 2020, the Board convened 7 meetings well above the regulatory requirement with an average attendance of over 90%, exceeding the minimum 75% attendance as indicated by best practices. The high number of meetings exhibits active oversight from the Board.

Remuneration

The remuneration of the Board members is determined and governed under the Bank's remuneration policy, as per which, members are compensated in the form of annual fixed membership fee and traveling and lodging expenses. As shown in Table 4, total remuneration disbursed to the Board increased to JD 537k (2019: 469k) during 2020 on account of an increase in the Board committee membership fee.

Table 4: Board Remuneration

JD in thousands	2018	2019	2020
Membership fee	66	55	96
Travel & lodging allowances	314	414	440
Total	380	469	537

Evaluation

The Bank has instituted a Board's performance appraisal and assessment mechanism. Board Nomination and Remuneration Committee ("BNRC") conducts yearly performance assessments of the Board and the Board committees. The Committee also ensures that deliberations remain impartial and free from conflict of interest.

Board Committees

There are eight committees established at the Board-level, namely Corporate Governance Committee ("CGC"), Nomination & Remuneration Committee ("NRC"), Risk Management Committee ("RMC"), Audit Committee ("AC"), Credit Facility Committee ("CFC"), Social Responsibility & Sustainability Committee ("SRSC"), IT Governance Committee ("ITGC"), and Compliance Committee ("CC").

Since our last review, the composition of some Boards' committees underwent change. Members of the AC and BITC reduced to 3 from 4, while still fulfilling the minimum regulatory requirement. With changes to the Board, the new members have replaced outgoing members in the AC, CGC, CFC, ITGC, and CC. While the composition of the Board's key committees, such as AC, CGC, and NRC, comply in terms of independence with local regulation and best practices, albeit BRC's composition in terms of independent membership may be enhanced given the high level of independent members. Furthermore, IIRA views that the inclusion of an SSB member in BCGC may harmonize the assessment of the governance framework. During 2020, the Board committee meetings were in line with the TORs with a high level of attendance, as illustrated in Table 5.

Table 5: Board Committees

Committee	Members	Role	Meeting held as of 2020	Comments
Corporate Governance Committee "CGC"	H.E. Mr. Ayman Abdel Karim Bashir Hathat H.E. Mr. Musa Abdul-Aziz Mohammad Shihadeh H.E. Mr. Hamad Abdulla Ali Al-Oqab H.E. Mr. Issa Haider Issa Murad H.E. Dr. Hatem Hafiz Rahseed Halawani Al Tamimi	Chairman Vice Chairman Member Member Member	2	3 independent members, including the Chairman and 2 Non-Executive members
Nomination and Remunerations Committee "BNRC"	H.E. Mr. Issa Haider Issa Murad H.E. Mr. Ayman Abdel Karim Bashir Hathat H.E. Mrs. Malik Fawzi Ragheb Ghanem H.E. Mr. Musa Abdul-Aziz Shihadeh H.E. Mr. Hamad Abdulla Ali Al-Oqab	Chairman Vice-Chairman Member Member Member	3	3 independent members, including the Chairman and 2 Non-Executive members
Risk Management Committee "BRC"	Mr. Salem Ahmad Jamil Alkhaza'leh Mr. Adnan Abdullah Al-Suleiman Al-Bassam H.E. Mr. Hood Hashem Ahmed Hashem H.E. Dr. Hussein Said Mohammad Saifan H.E. Dr. Munawar Atallah Hassan Masadeh	Chairman Vice-Chairman Member Member Member	4	1 Independent member as a Chairman of the Committee, 2 Non-Executive member, 1 Executive member and Head of Risk Management Department also a member
Audit Committee "BAC"	Malak F. R. Ghanem Jehad Al Nakla Nabih Ahmad SalamehAlzenat	Chairman Vice-Chairman Member	4	2 independent members, including the Chairman and 2 No-Executive members
Credit Facilities Committee "BCFC"	Hamad Abdullah Ali Al-Oqab Musa Abdulaziz Mohammad Shihadeh Hood Hashem Ahmed Hashem Jehad Al Nakla Nour "Moh'dShaher" "Moh'dLutfy" Mahayni	Chairman Vice Chairman Member Member Member	6	5 Non-Executive members
Social Responsibility and Sustainability Committee "BSRSC"	Nour "Mohamed Shaher" "Mohamed Lotfy" Mahayni IssaHaiderIssaMurad Ayman Abdel Karim Bashir Hatahet Musa Abdulaziz Mohammad Shihadeh Hussein Said Mohammad Saifan	Chairman Vice-Chairman Member Member Member	1	2 Independent members, 2 No-Executive members, and 1 Executive member
IT Governance Committee "BITC"	MazinKhairy Shaker Manna Salem Ahmed JamilAlkhaza'leh IssaHaiderIssaMurad	Chairman Vice-Chairman Member	4	2 Independent members and 2 No-Executive members
Compliance Committee "BCC"	Dr. Hatem Hafiz RahseedHalawani Al Tamimi Jehad Al Nakla Nabih Ahmad SalamehAlzenat	Chairman Vice-Chairman Member	2	2 independent members, including the Chairman and 1 No-Executive member

Management

The Bank's management is spearheaded by Dr. Hussien Said Saifan, in his capacity as the CEO/General Manager since May 2019. He has substantial banking experience and has been serving the Bank for more than 30 years. In addition, the Bank's senior management is experienced and has generally had a long association with the Bank. Self-regulation functions report directly to the respective Board Committees and administratively to the CEO/GM.

There are five management level committees: Assets and Liabilities Committee, Executive Management Committee, IT Steering Committee, Credit Facility Schedule Committee, and Digital Transformation Committee.

Internal Control Function

The internal control system at JIB is aligned with global best practices and consistent with local guidelines. The Bank has established independent and separate departments for each, Risk Management, Internal Audit, and Compliance. Corporate governance at the Bank is also supported by ABG level review. The departments are adequately staffed and have updated relevant policies, duly approved by the Board, in 2020 to align with regulatory changes and updates. The Bank has also listed 31 other policies and procedures to be updated during 2021.

The Risk Management Department ("RMD") is led by Chief Risk Officer (CRO) and is liable for covering all material risks. An Enterprise Risk Management (ERM) has been established, which requires a periodic update of risk management related methodologies. The division has its own internal rating score framework to evaluate the financial soundness of the counterparty. The head of RMD functionally reports to BRC.

Secondly, Internal Audit (IA) office is responsible for observing and controlling the adequacy of the internal control framework. The scope of the IA department spans all branches, offices, and the Bank's subsidiaries. The department functionally reports to BAC and administratively to the CEO/GM. Moreover, the IA department submits periodic reports to the BAC about the most important observations and recommendations.

A Compliance Department is responsible for reviewing the Bank's policies and procedures as per the global and local regulations. The department mainly covers rules and guidelines concerning Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) and the Foreign Account Tax Compliance Act (FATCA). The Bank has developed and implemented related policies like AML/CFT, Know Your Customer (KYC) strategy in that capacity. The head of the department functionally reports to the BCC and officially to the CEO/GM. The office additionally submits occasional reports to BCC and CBJ.

Stakeholders' Relations

Protection of the Investment Account Holders' Rights

The Bank has a responsibility focused on securing the rights of the investment account holders. Therefore, the Bank discloses the rights of the Joint Investment Account Holders' (IAH) Equities and their relationship with the shareholders in the yearly report. According to the report, the Bank ensures the privileges of the joint IAH and reiterates this in the annual report, Corporate Governance Guide, and the website.

SSB also supervises the policies that administer the relationship between IAH and shareholders. The policies comprehensively cover the appropriation of profit and losses, creating risk reserves, and guidelines for managing Shari'a non-compliant earnings. The SSB is independently responsible for affirming that any losses from the Bank's operation regarding IAH are not on account of negligence.

"Shareholders - Investment Accountholders Relationship Regulation Policy" on the bank's website covers the relationship among shareholders and unrestricted IAH, strategies concerning the administration of unrestricted IAHs' and obligations of the Board. Besides, the Bank has consolidated rights of IAH in its Corporate Governance Guidelines, as accessible on its website. Further, in addition to the policies mentioned above, the Bank adopts a sound investment strategy commensurate with IAH's risk appetite to protect their financial interests.

Relationship with Employees

The Bank's commitment to its employees and upgrade of their skills is depicted from wide-ranging training programs and low turnover. The total headcount stood at 2,434 at the end of Dec'20 (2019: 2,440). The Bank has its own training academy where different courses and training programs are arranged to improve the employees' abilities and knowledge. Despite challenging conditions due to COVID-19, the Bank has organized 265 courses and seminars benefiting 3,917 participants. These programs were conducted in collaboration with the human resource department and external parties.

Relationship with Customers

JIB benefits from a strong franchise, indicated by a high portion of retail clients in the deposit base. JIB serves its clients through a network of 83 branches, 25 offices, 266 ATMs, and mobile banking. During 2020, the Bank has launched various digital services for retail and corporate clients such as international and local transfer, opening an additional account, making an e-finance application, requesting a cheque book, etc. In addition, an updated version of the I-Banking provides new services, such as online services for customers of the corporate sector, LCs / LGs requests, inquiries about credit cards, and other services. The Bank also launched its Facebook page and the digital assistant "Islami Messenger" for the Bank's customers, which provides instant service.

Summary:

A high level of independence at the Board, gender diversity, effective internal controls, and mechanism for protecting the investment account holders' rights have contributed to the robust governance framework of the Bank. Albeit, independent Chairmanship and representation of SSB in the governance oversight committee are advised, enhancing the governance framework in line with best practices recommendation.

D.TRANSPARENCY AND DISCLOSURES

Financial Disclosure

The Bank conforms to a high level of disclosures through its annual report and website. The disclosed information empowers stakeholders to screen the Bank's operational and financial position regarding Shari'a related matters. The annual report covers standard financial data pertinent to Shari'a compliant banking; disclosures include the essential criteria for sharing risks and returns with unrestricted investment accountholders and the maximum percentage of investor funds deemed invested in the joint investment pool. In addition, the Bank also publishes the Mudarib portion of joint investment profit, off-balance-sheet exposures, and a separate statement of Al Qard Al Hasan Fund and social responsibility.

Other Disclosures

Likewise, the Bank discloses non-financial information regarding corporate and Shari'a governance-related information. For example, the Bank publishes the Governance Guide of the Bank, which forms part of its annual report, Board and Board committee composition, ToRs, meetings and attendance, policies, and organizational structure with reporting lines. On the other hand, Shari'a governance relevant disclosures include the composition of SSB and members' brief profiles, meetings' attendance matrix, annual report, and remuneration as well as confirmation of each SSB members' independence.

Summary:

Information disseminated by the bank, both financial and non-financial as well as Shari'a related, conforms to a high standard of transparency, and is in line with regulatory requirements.

E. ETHICS AND VALUES

Code of Conduct

The Bank has a written Code of Ethics and Conduct policy approved by the Board IT Governance Committee. The policy is applied to the Board, senior management, employees, and internal & external auditors of the Bank to comply with the best international professional practices.

Corporate Social Responsibility ("CSR")

The Bank has shown strong commitment towards social responsibilities as covered in the "Social Role of the Bank" section. At the Board-level, the Bank has established the "Social Responsibility and Sustainability Committee." The Committee supervises the Banks' CSR-related initiatives and their implementation. JIB has won the Excellence Award in the field of CSR for Islamic Bank (commitment) for the year 2020. In addition, training programs were organized for employees related to CSR during 2020. Such programs include analyzing the social and environmental hazards for banks, the Islamic framework for banking awareness and protection of the financial customer, National Program for self-employment "Inhad" and protecting the financial consumer for customers with disabilities, and occupational health and safety, which focused on the novel corona virus.

The annual report covers various aspects, including major projects undertaken by the Bank during the year. In addition, JIB also publishes a yearly CSR report since 2012, with the latest publication in 2020. These reports state the CSR initiatives taken by the Bank. A few of which have been discussed below:

Conferences and Seminars, Scientific Research and Professional Training

The Bank participates in training and conferences to raise awareness in collaboration with CBJ and other educational institutes. The Bank also made contributions to scientific research and training. During 2020, a total of JD 72K was contributed to these activities. The Bank has also conducted various Shari'a related trainings during the year to promote awareness about Islamic banking.

Donations

Following its aim to support social and cultural events, the Bank continuously donates to different charitable organizations across the country. As shown in Table 6, JIB increased its contribution to JD 2.8m to various social causes, including human development, medical, science and culture, and religious organizations, among others, during 2020 (2019: JD 1.8m).

Table 6: Donations

In JD'000	Number	Amount
Jordanian Hashemite Fund for Human Development (JHFHD)	1	6
The Hashemite Charity Association	2	5.5
Princess Aliaa Foundation	1	20.2
Al Aman Fund for the Future of Orphans	1	42.5
King Hussein Cancer Center	1	25
Associations and competition of the Holy Quran Memorization	1	5
Charity Associations and Organizations and Zakah committees	22	189.1
Scientific Conferences and educational and cultural programs	4	118.2
Mosque Commissions	3	6.3
Tkiyet Um Ali	1	5
Societal Financial Culture Dissemination Project	1	149.1
Fund of Supporting the Military Forces Martyrs' Families	1	100
"HemmatWatan" Fund	1	2000
Crown Prince Foundation	1	50
Ministry of health	1	100
Total	42	2821.9

Al Qard Al Hasan "The Good Loan"

The Bank continued providing Al Qard Al Hasan for social purposes, like education, health, and marriage. As per the annual report 2020, the allocated loans added up to JD 382m, benefiting around 516k people.

Funding Professionals and Craftsman

As a part of CSR, JIB continued to fund professionals and craftsmen under the Musharakah Muntahia Bittamleek structure (diminishing Musharakah). The Bank also finances SMEs through joint investment funds or through investment by proxy accounts funds (investment portfolios) or through the special agreements signed with the CBJ in this regard. The Bank, in cooperation with its subsidiary 'Al Samaha Financing and Investment Company,' manages these projects. The subsidiary financed 191 projects amounting JD 3.6m during 2020.

Mutual Insurance Fund

The Bank has indemnified 3315 cases owing JD 14.5m, since creating a special Mutual Insurance Fund. The fund's objective is to repay participants' debt in case of death or insolvency. In 2020, the Bank paid an amount of JD 1.5m against 218 cases.

Other Social Initiatives

In 2020, the Bank supported several national social organizations, particularly the challenges faced due to the coronavirus pandemic. In addition, the Bank also contributes to various orphanages, wedding ceremonies, and provides support to the needs of elderly citizens. The Bank also sponsored focused programs on television and radio stations and several newspapers to promote awareness about Islamic banking.

Energy and Environment

JIB continues its commitment towards green energy while operating most of its branches and offices through electric power generation using solar cells, taking advantage of space on the roofs of units to install such cells. The Bank has arranged for environment-friendly power generation at its head office through solar power generation since May 2019, intending to generate more solar energy. The Bank has also initiated a similar solar power generation system in branches and offices in the central governorates. Sustainable power through the solar panels is given in 52 branches and workplaces, notwithstanding Head Office structures, the Information Technology building, and the Disaster Recovery Center.

Summary:

JIB has a firm dedication to CSR principles and has embraced pertinent approaches at the Board Level and Islamic banking obligations. Besides, the Bank proceeds with commitments regarding donations for social causes, sustainable energy utilization, and adequate disclosures, raising the Bank's adherence to CSR.

F. FIDUCIARY RESPONSIBILITY AND PERFORMANCE

Profit Distribution Mechanism

The Bank adequately discloses the profit distribution mechanism between owners' equity, unrestricted investment account holders, restricted investment account holders, and Wakala Bi Al Istithmar accounts holders (Investment portfolio) in its Annual Reports.

The Bank increased its share as Mudarib for both local and foreign currency accounts, recorded as 50% and 55% (2019: 45% and 50%) respectively during 2020. This was due to the suspension of deduction from the investment risk fund; the remaining balance was distributed between the unrestricted investment accounts and the Bank's invested funds, each according to its percentage of contribution, taking into consideration that the priority for funds investment, relates to the unrestricted investment account. The Bank also waived some portion of its share as Mudarib to 45.56% instead of 50% during 2020. The remaining balance was distributed between the unrestricted investment accounts and the Bank's invested funds, as per the contributed percentages. The aim was to improve the overall rate of profits allocated to all joint IAH with JD 3.4m, according to the CBJ instructions. A general Hiba to all depositors is considered acceptable under common principles of profit sharing.

The profit-sharing ratio (PSR) of Joint IAH is pre-agreed at the time of the agreement, signed with the Bank. In 2020, PSR 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 Ijarah Muntahia Bittamleek, the Bank bears all the administrative expenses except for insurance expenses allocated against the joint investment accounts profit.

The Bank manages restricted IAH under Mudarabah contracts in separate investment pools, following each fund's specific investment policy and terms and conditions. Accordingly, the Bank's share as Mudarib is determined for each fund separately at the beginning of the year. All administrative expenses are borne by the Bank and are not charged to investor accounts to calculate net profit. In 2020, the Bank's share as a Mudarib remained between 7.7% and 25% in Jordanian Dinar and 45% (2019: 45%) for foreign currencies' profit.

Profit to the investment portfolio was distributed after deducting the Bank's fee as an agent. Similarly, the Bank's fees as an agent (Wakeel) remained the same at a rate of 1.5% (2019: 1.5%) at end-2020. The Bank has also waived some portion of its share as Wakeel to increase the profit rate distributed to joint investment account holders, which amounted to JD 860k as of 2020.

Summary: Competitive returns paid to IAH coupled with low management fees, and adequate disclosures reflect the Bank's sound and effective fiduciary responsibility.

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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