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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 يشرنا أن نرفق لكم طيه نسخة من تقرير وخبر
التصنيف الشرعي الخاص بمصرفنا والصادر عن الوكالة الإسلامية الدولية للتصنيف
(IIRA) إصدار ايلول 2022.

وتفضلوا بقبول فائق الاحترام،،،

المدير العام
د. حسين سعيد

المرفقات: نسخة من تقرير وخبر التصنيف الشرعي للوكالة الإسلامية الدولية للتصنيف (IIRA) إصدار ايلول 2022



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

Manama, September 01, 2022: 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 corporate governance framework puts into effect local regulations and best practices. High independent representation on the Board, gender diversity, effective internal controls, and mechanisms for protecting the investment account holders' rights contribute to a robust governance framework. In addition to experienced SSB members and Unified Shari'a Supervisory Boards' (USSB) oversight, the Bank's Shari'a governance is enhanced through increased membership. Furthermore, SSB's independent supervision and high involvement in product development and its process flow further support the Shari'a governance framework and the Bank's objective of compliance with Shari'a principles.

JIB displays a high level of transparency in standards and discloses material information on financial and governance-related matters, including Shari'a governance, in line with regulatory requirements. The Bank's commitment to CSR and Sustainability is evident from its governance structure, donations for charitable causes, sustainable energy utilization, and relevant disclosures. However, the Bank may explore and develop products and services related to sustainable financing, which may support its sustainability initiatives and strategy. Besides, adequate dispensation of fiduciary responsibility is evident from competitive returns paid to IAH, adequate management fees / Mudarib Share in managing investment account holders' funds, and appropriate disclosures.

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

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Shari'a Quality Rating Report
Jordan Islamic Bank
September 2022



الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency
Serving the Islamic Ummah



الوكالة الإسلامية الدولية للتصنيف Islamic International Rating Agency

SHARI'A QUALITY RATING REPORT

Jordan Islamic Bank

Report Date:

September 01, 2022

Analysts:

Hikmatyar Gul, CSAA

Latest Rating (September 01, 2022)	Previous Rating (December 01, 2021)
Shari'a Quality Rating (SQR)	Shari'a Quality Rating (SQR)
AA+ (sq)	AA+ (sq)

Company Information

- **Incorporation year:** 1978
- **Listed on:** Amman Stock Exchange
- External auditors:** PricewaterhouseCoopers (PwC)
- **Key Shareholders:** Al Baraka Group
- **Chairman:** H.E. Mr. Musa Abdul-Aziz Mohammad Shihadeh
- **Chief Executive Officer:** H.E. Dr. Hussien Said Saifan
- **Branches & banking offices at 2021 year-end:** 84 & 25, respectively.

CORPORATE PROFILE

Jordan Islamic Bank ('JIB' or 'the bank') was established in 1978 as a public shareholding limited company and is considered one of the pioneering Islamic banks globally. The Bank is the oldest and the most prominent Islamic Bank in Jordan. It is also one of the largest banks in the Kingdom, representing 8.7% of the JD61.1b total banking assets and rendering it systemically important for the stability of the domestic financial system. JIB is listed on the Amman Stock Exchange.

Broad-based geographical coverage through (84) branches, (25) cash offices, an extensive ATM network with 288 ATM points, and 2,439 employees, at YE2021, supports the Bank's retail footprint. The management has remained stable with H.E. Musa Shihadeh currently being Chairman of the Board of Directors, having held leadership roles in the bank for 40 years. H.E. Dr. Hussein Said Saifan is the CEO/ General Manager and has also had a long-standing association with JIB for over/ thirty years.

JIB has been operating under the Shari'a principles since its inception in 1978. The principles of Islamic banking are evident in the Bank's vision and mission. The organizational culture is also aligned with these goals, which demonstrates commitment to Islamic standards at all levels.

With the number of clients' accounts reaching 1146k, the Bank has been in a premier position in its ranking amongst its peers. In addition, JIB has made progress in terms of digital transformation, which translates into easing retail and SME customer interaction through digital channels.

Sponsors' profile

Al Baraka Group ("the ultimate parent" or "the group") holds majority ownership in JIB with a stake of 66.01%. ABG is a leading international Islamic banking group with an extensive geographical presence in 17 countries through 17 subsidiaries, providing commercial and investment banking, retail, and treasury services. ABG has a total asset base of USD 28.18b at YE2021 (2020: USD 28.25bn), with a consolidated network at 688 branches and a workforce of 11,419. JIB has remained one of the Group's significant subsidiaries, constituting 26.5% of the Group's asset base.

THE ISLAMIC BANKING INDUSTRY IN JORDAN

The Islamic banking industry in Jordan has benefitted from the strong and supportive regulatory environment in the country. The 3 Islamic banks in the Kingdom comprise 17.1% of banking assets. At YE2021, the banking sector's total assets grew by 7% and stood at JD 61.05bn (2020: JD 57.03bn). Islamic Banking windows are not permitted in the Kingdom, requiring entirely segregated and independent entities to conduct Islamic banking.

Shari'a compliant instruments are limited with sukuk issued to finance Government or Government entities, sukuk being the only investment channel for Islamic financial institutions. In the latest 2021 report, 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 finance¹.

¹ Islamic Finance Development Report 2021

A. COMPLIANCE WITH SHARI'A PRINCIPLES AND RULES

Product Profile and Structure

The Bank offers standardized Shari'a-compliant products and services. The Shari'a Board's guidance and approval is obtained for each new product developed or any modification to existing products. As briefly explained in this section, some new products have been designed to expand the Bank's Shari'a compliant product portfolio during 2021. All contracts are also approved from the General Fatwa Department of the Hashemite Kingdom of Jordan.

Asset Side:

As of YE2021, Deferred sales receivables and Ijarah Muntahia Bitamleek depicted growth and represented 77% and 22% of the total financing portfolio, respectively (2020: 77.8% & 21.2%, respectively). Deferred sales receivables comprise mainly Murabaha to the purchase orderer, deferred sale, Ijarah Mawsoofa Bil Thimma, and Ijarah Muntahia Bitamleek receivable (lease-to-own). The Bank utilizes

Table 1: Financing Portfolio

In millions of JD	2019	2020	2021
Deferred sales receivables and other receivables	2,252	2,590	2,811
% Contribution	77.28%	77.80%	77%
Ijarah Muntahia Bitamleek	630	706	803
% Contribution	21.61%	21.2%	22%
Musharakah	32	33	37
% Contribution	1.10%	1%	1
Net Financing Portfolio	2,914	3,329	3,651

Murabaha to cater to both short and mid-term needs in diverse areas including retail, corporate, and SMEs for car, house, celebration expenses, home appliances, projects, building materials, solar energy production, working capital, and agriculture financings. Within working capital, Murabaha is used primarily for inventory and supplies financing. On the other hand, the bank does not offer an overdraft facility or receivable financing.

The Bank offers Ijarah Muntahia Bittamleek (IMB) for medium to long-term financing for residential and commercial property, mainly to residential retail sector. JIB utilizes the Musharakah structure for new and existing professional and craftsmen financing projects for funding and SMEs, which ends with the transfer of ownership to the customer under the structure of Musharakah Muntahia Bitamleek, whereby the Bank's share is gradually transferred to the customer. However, the proportion of Musharakah remains minimal at 1% (2020: 1%). JIB is among the 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 Istisn'a mainly for commercial property. In addition, Istisn'a can also be deployed for project financing and SME financing, whether for industrial, commercial, or agricultural projects. Interbank placements are made on Qard and Mudarabah and Wakala basis.

Liability side:

The Bank offers deposit products for individual and corporate accounts in local and foreign currencies, including current, demand, joint investment accounts, savings, notice, term, and restricted investment accounts. JIB mobilizes current and demand deposits on Qard and Trust (Amanah) basis and investment accounts on a profit-sharing basis under the Mudarabah and Wakala structure. The Bank also acts as a Wakeel (an agent) to manage and invest clients' funds for an annual fee under the structure of Wakala bil Istithmar. A 'Charge card' is offered to account holders where the Bank provides a ceiling limit for withdrawal and purchases for a month. The amount is deducted at the end

of the period, and an issuance and renewal fee is charged annually. Interbank borrowings which represent 2.3% of deposits have been structured under Qard Hasan and Mudarabah 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 the Sponsorship (Kafala) agreement for an annual commission rate ranging from 1%-4% as of Dec'2020. LC is structured under the Wakala structure for a fee, with rates varying between 0.25% -0.38% as of 2020. The pegged nature of the currency precludes the possibility of loss arising from exchange rate differences between payment dates to the foreign party and receipt from local customers.

New Products:

In 2021, the Bank had developed new products under a standardized structure, including 'Medical Clinic financing' with the underlying structure of IMB. The Bank also offers Qard Hasan for advanced salary with no benefit. The Bank has offered this product to outside employees with salary accounts at the Bank and charges a fixed fee.

Income Purification

Non-compliant Income: In line with approved policy, the Bank disposes off any income generated from Shari'a non-compliant sources for charitable causes. The Bank forfeited an amount of JD 18k in 2021 (2020: Nil), reflecting the effectiveness of Shari'a supervision in the Bank's operations.

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

Summary: The Bank's compliance with Shari'a principles is evident from utilizing structured products approved by SSB to cater to customers' needs. In addition, the income purification mechanism carried out under the SSB supervision and avoidance of not preferred product structures reflect the Bank's commitment to the Shari'a provisions.

SHARI'A GOVERNANCE FRAMEWORK

Regulatory Environment

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

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 must appoint a board assigned as the Shari'a Supervision Board through the decision of its general assembly of shareholders. The Board should not have less than three members; it is considered binding on the Bank to follow any opinion given by the Shari'a board. The Board's primary responsibilities include monitoring the compliance of operations and activities of the Bank under Islamic jurisprudence rules, providing an opinion on the contracts underlying processes and activities of the Bank.

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 strengthen further the regulatory and compliance environment in the Islamic Banking sector. AAOIFI standards are mandatory for compliance for all Islamic banks operating in Jordan.

In-house Shari'a Governance Framework

The Shari'a governance framework of JIB comprises a Shari'a Supervisory Board ("SSB") and an internal Shari'a audit department. The Bank has documented charters for SSB and the internal Shari'a audit department. These documents set rules and principles for business supervision in compliance with Shari'a. In addition, there's a Shari'a Compliance/Control function under Compliance Department, in line with local regulations.

Shari'a Supervisory Board ("SSB")

Composition

Following our last review, one change has been witnessed in the SSB composition as the Bank elected Sheikh Yusef Hassan Yusef Khalawi in May 2022. Following the onboarding of the new member, the Bank SSB members increased from 3 to 4 against the minimum requirement of 3. The remaining three members were elected for four years in April 2019, as shown in table 2. 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 continues to serve as the Chairman of the SSB.

Meetings and attendance

SSB met six times during 2021, complying with the minimum regulatory requirement with full attendance. In addition, SSB meets twice annually with the Board of Directors, audit committee, and external auditors, in line with the CBJ requirement. Besides, the Bank's senior management also attends SSB meetings.

Table 2: SSB Composition and Meetings

Members	Role	Meetings attended as of Dec'2021	Members hip
Dr. Mahmoud Ali Mosleh Sartawi	Chairman	6	26/4/2005
Dr. Abdul Rahman Ibrahim Zaid Al Kelani	Vice-Chairman	6	28/4/2015
Dr. "Mohammad Khair" Mohammad Salem Al-Issa	Member	6	25/4/2012
Sheikh Yusef Hassan Yusef Khalawi	Member		21/5/2022

SSB Independence

The Bank's corporate governance guide held the Board of Directors responsible for ensuring the independence of the SSB. In addition, the rules also restrict the members of the SSB from obtaining any benefits from 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 in line with CBJ's governance instructions for Islamic banks 2016:

- 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.

Accordingly, the Bank publishes an acknowledgment duly signed by all SSB members that they do not receive benefits from the Bank. In addition, the Bank discloses in the annual report that the SSB members do not hold any shares in the Bank.

Member's Term and Rotation

While the SSB charter of JIB limits the commercial relationship of SSB with the Bank, there is no written rotation policy, given that local regulation allows unlimited number of renewals of members' terms. Notwithstanding, the election of a new member in May 2022 may provide a fresh perspective, as best practices recommend.

Terms of Reference

According to ToRs, SSB is responsible for setting up a procedural manual that incorporates the SSB's relationship with the BoD and senior management, Shari'a oversight, and the organization of meetings. The SSB supervises the bank to ensure compliance with local Shari'a regulations. The ToRs also states the role of the SSB, including maintaining stakeholders' value, protecting trust vested in the Bank, and ensuring adherence to legitimate and lawful practices while taking decisions based on Shari'a. The Bank's CG guidelines additionally set explicit rules to follow while pronouncing Fatwas 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, issuing a yearly statement to shareholders, and semi-yearly reports to the BoD. Moreover, SSB has been obliged to affirm that any losses stemming from the Bank's transactions for the IAH are not by negligence.

Assessment and Evaluation

In line with the CBJ's governance instruction Article 16, a self-appraisal mechanism is in place to assess the SSB performance annually. This mechanism helps the Bank to measure the effectiveness of the SSB. Accordingly, a checklist is designed by the nomination and remuneration committee and submitted yearly to the Board and CBJ.

Remuneration

Based on the Board's Nomination and Remuneration committee assessment framework, the BoD, with the consent of the general assembly, approves SSB remuneration. The Bank compensates SSB members through an annual fixed fee and travel and lodging expenses. Notably, there's no link to bank performance in line with best practices. Accordingly, the Bank disbursed JD72k as SSB remuneration during 2021.

Shari'a Board Report

SSB presents an annual report to the general assembly that provides an independent opinion on the Bank's operations. The annual report of 2021 states that the Bank's contracts, transactions, financial statements, policies and procedures, and profit & loss distribution were in accordance with Shari'a provisions.

Internal Shari'a Audit

Organization & Reporting: The Bank has a separate internal Shari'a Audit function. In 2021, the staff reduced to 9 from last year's 10 employees due to a resignation. The Bank is in the process of hiring an employee as a substitute. Among the current members, five personnel have relevant certifications from AAOIFI. The head of the department also serves as a secretary to the SSB and directly reports to SSB and administratively to the Bank's CEO/General Manager. The Shari'a Audit department is governed under a written charter approved by the Board. The charter lays down the department's objectives, the scope of work, structure, reporting line, qualification requirements, and roles and responsibilities.

Scope and Independence: The scope spans the Bank's departments and branches. The department is independent, with full access to data, information, individuals, and other departments.

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 compliance with SSB's Fatwas. The department is also responsible for enhancing staff knowledge about Islamic banking by arranging periodic training. The charter also covers a step-wise procedure to carry out Shari'a audit. 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 followed by the Bank under the Shari'a guidelines and principles.

Key updates: The Department has an approved plan for 2022, which illustrates an on-site visit schedule with defined timelines for the audit process. The contracts, operations, and transactions entered into by the Bank during 2021 were reviewed and audited, based on the sampling method. As per the Shari'a department representation, there were no adverse observations during 2021.

Shari'a Compliance

As required under local regulation, the Bank has a Shari'a compliance division that has been instituted under the Bank's Compliance Department and comprises two staff with Shari'a-related knowledge and experience. The division is responsible for reviewing policies and procedures to ensure conformance with Shari'a rules and principles.

Summary:

In addition to experienced SSB members and ABG's Unified Shari'a Supervisory Boards' (USSB) oversight, the Bank's Shari'a governance is enhanced through increased membership. Furthermore, SSB's independent supervision and high involvement in product development and its process flow further support the Shari'a governance framework and the Bank's objective of compliance with Shari'a principles.

C. CORPORATE GOVERNANCE

Regulatory framework

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 in compliance 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

In 2021, the Board composition remained the same. The Board of Directors (BoD) comprises 11 members. Mr. Musa, Abdul Aziz Mohammad continued to serve as the Chairman of the Board as a non-executive and non-independent member. Independent representation remained high as more than half the members comprise independent directors. The high number of independent members exceeds minimum regulatory requirements and one-third standard, as prescribed by best practices. As the largest shareholder, Al Baraka Group () nominates four members.

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 Shaheer" "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 Hatham	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

Board Responsibilities

The regulations held the Board of Directors responsible for continuously ensuring SSB's independence. Besides, the Board must ensure effective Shari'a controls systems are in place and confirm that the management implements guidance, decisions, policies, and procedures issued and approved by SSB effectively. The Board is also responsible for appointing the head of the internal Shari'a audit, subject to CBJ's approval.

Meetings

The Board met eight times in 2021 with a high average attendance level. The number of meetings convened by the Board exceeds regulatory requirements and reflects its high degree of involvement.

Remuneration

In line with the policy, the Bank compensates members in the form of annual fixed membership fees and traveling and lodging expenses. However, as shown in Table 4, total remuneration disbursed to the Board was JD 716k (2020: 714k) during 2021.

Table 4: Board Remuneration

JD in thousands	2019	2020	2021
Membership fee	55	55	55
Travel & lodging allowances	659	659	661
Total	714	714	716

Evaluation

The Bank has instituted a Board 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

The Board has formed eight committees, namely the Corporate Governance Committee ("BCGC"), Nomination & Remuneration Committee ("BNRC"), Risk Management Committee ("BRC"), Audit Committee ("BAC"), Credit Facility Committee ("BCFC"), Social Responsibility & Sustainability Committee ("BSRSC"), IT Governance Committee ("BITGC"), and Compliance Committee ("BCC").

Following our last review, there is no change in the committees' composition. However, the composition of AC and RC may be enhanced in terms of independent members, in line with best practices. Furthermore, IIRA views that the inclusion of an SSB member in BCGC may harmonize the assessment of the governance framework. BCFC, overlooks facilities request, is an excess to the required key committee under local regulation, notwithstanding, credit review ideally should be within the preview of the bank's management. The Board committee meetings during 2021 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 2021	Comments
Corporate Governance Committee "BCGC"	Mr. Ayman Abdel Karim Bashir Hathat	Chairman	2	3 independent members, including the Chairman and 2 Non-Executive members
	Mr. Musa Abdul-Aziz Mohammad Shihadeh	Vice Chairman		
	Mr. Hamad Abdulla Ali Al-Oqab	Member		
	Mr. Issa Haider Issa Murad	Member		
	Dr. Hatem Hafiz Rahsead Halawani Al Tamimi	Member		
Nomination and Remunerations Committee "BNRC"	Mr. Issa Haider Issa Murad	Chairman	3	3 independent members, including the Chairman and 2 Non-Executive members
	Mr. Ayman Abdel Karim Bashir Hathat	Vice-Chairman		
	Mrs. Malik Fawzi Ragheb Ghanem	Member		
	Mr. Musa Abdul-Aziz Shihadeh	Member		
	Mr. Hamad Abdulla Ali Al-Oqab	Member		
	Mr. Salem Ahmad Jamil Alkhaza'leh	Chairman	4	

Risk Management Committee "BRC"	Mr. Jehad A Nakhla Mr. Mazin Khairi Manaa Dr. Hussein Said Mohammad Saifan Dr. Munawar Atallah Hassan Masadeh	Vice-Chairman Member Member Member	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"	Mr. Malak F. R. Ghanem Mr. Jehad Al Nakla Mr. Nabih Ahmad Salameh Alzenat Mr. Hamad Abdulla Ali Al Oqab	Chairman Vice-Chairman Member Member	4 2 independent members, including the Chairman and 2 No-Executive members
Credit Facilities Committee "BCFC"	Mr. Hamad Abdullah Ali Al-Oqab Mr. Musa Abdulaziz Mohammad Shihadeh Mr. Mazin Khairi Manaa Mr. Jehad Al Nakla Mr. Nour "Moh'dShaher" "Moh'dLutfy" Mahayni	Chairman Vice Chairman Member Member Member	5 Non-Executive members 6
Social Responsibility and Sustainability Committee "BSRSC"	Mr. Nour "Mohamed Shaher" "Mohamed Lotfy" Mahayni Mr. IssaHaiderIssaMurad Mr. Ayman Abdel Karim Bashir Hatahet Mr. Musa Abdulaziz Mohammad Shihadeh Mr. 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"	Mr. MazinKhairy Shaker Manna Mr. Salem Ahmed JamilAlkhaza'leh Mr. IssaHaiderIssaMurad Mr. Adnan Abdulla Al-Suleiman Al-Bassam	Chairman Vice-Chairman Chairman Member Member	4 2 Independent members and 2 No-Executive members
Compliance Committee "BCC"	Dr. Hatem Hafiz RahseedHalawani Al Tamimi Mr. Jehad Al Nakla Mr. Nabih Ahmad SalamehAlzenat	Chairman Vice-Chairman Chairman Member	2 2 independent members, including the Chairman and 1 No-Executive member

Management

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

The Bank's internal control comprises three lines of defense: Risk Management, Internal Audit, and Compliance. These independent departments have direct reporting to the respective committees at the Board level. Besides, corporate governance at the Bank is also supported by ABG level review.

Chief Risk Officer (CRO) leads the Risk Management Department; the scope covers all material risks. Enterprise Risk Management (ERM) has been instituted, which requires a periodic update of risk management-related methodologies. In addition, the department has its internal rating score framework to evaluate the financial soundness of the counterparty. The head of RMD functionally reports to BRC.

Besides, Internal Audit (IA) office is another independent department in line with best practices. The department is responsible for testing the adequacy of the internal control framework in line with internal policies and procedures and regulatory requirements. IA scope spans all branches, offices, and the Bank's subsidiaries. The department reports to BAC and administratively to the CEO/GM and submits periodic reports on material observations to the BAC.

The Bank's Compliance Department is responsible for reviewing the Bank's policies and procedures as per global and local regulations. The department also covers rules and guidelines concerning Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) and the Foreign Account Tax Compliance Act (FATCA). The head of the department functionally reports to the BCC and submits periodic reports to BCC and CBJ.

Stakeholders' Relations

Protection of the Investment Account Holders' Rights

The Bank adequately discloses the rights of the Joint Investment Account Holders' (IAH) Equities and their relationship with the shareholders in the yearly report, reiterated in the Corporate Governance Guide, and disclosures on the Bank's website. SSB supervises the policies that administer the relationship between IAH and shareholders, which comprehensively cover the appropriation of profits and losses, 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 operations, regarding IAH are not on account of negligence.

Relationship with Employees

As of 2021, the Bank's total headcount increased and stood at 2,439 (2020: 2,434). In line with its commitment to enhancing employees' knowledge and skills, 505 training programs were arranged, including in-person and interactive online training. The Bank also uses the 'Gamification' application for online training. Training courses covered IT, financial analysis and accounting, internal controls and Shari'a, and other soft skill programs. In addition, programs on social responsibility, sustainability, green recovery, eco-investing, and Islamic finance were arranged to increase awareness. The Bank also provided training to 215 new students and graduates of educational institutions.

Relationship with Customers

JIB expanded its branch network to 84 branches in 2021 (2020: 83) and served its clients through 25 offices. In addition, in 2021, the Bank launched a set of new services through the Mobile Banking application, including the CliQ, EKYC, requesting checks' details, activating and deactivating the debt cards, financing request, opening the online account (Customer on Boarding), Islamic program for rewards (customers' loyalty), data update, editing the username, and the protected e-signature, etc. In addition, following e-services were also launched;

- an updated version of the I-Banking application that provides new services to companies' customers, such as requesting and paying bills through eFAWATEER.com, the ACH service for salary transfers, direct transfers between customers' accounts, debit authorizations, inquiry and payment for the Social Security Corporation (DamanPay), etc.

- the Bank's pages on LinkedIn, Instagram, and YouTube; in addition to the Facebook page and "Islami Messenger" bot; allowing JIB to promote more for its products and services.
- Updating, installing, and operating new ATMs, and adding up more services to them; such as withdrawing the required money category, withdrawing money via NFC, making up a total of 288, and constituting 14% of the operating ATMs across the Kingdom.

Summary:

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

D. TRANSPARENCY AND DISCLOSURES

Financial Disclosures

JIB conforms to high standards of transparency and disclosures. Adequate disclosures are made on the website and in the annual report, enabling various stakeholders to monitor the Bank's operations, financial position, and commitment to Shari'a. In addition to standard financial information, disclosures include the essential criteria for sharing risks and returns with unrestricted investment accountholders, the maximum percentage of investor funds deemed invested in the joint investment pool, Mudarib share of joint investment profits, off-balance sheet exposures arising from commitments, contingencies and investment by proxy as well as the consolidated statement of sources and uses of Al Qard Al Hasan Fund and social responsibility.

Other Disclosures

Non-financial, Shari'a relevant disclosures, on the other hand, include the composition of the SSB along with members' brief profiles, meetings' attendance matrix, annual remuneration, and amounts paid in the form of travel expenses inside and outside the Kingdom. The Bank also issues a Governance Report, which forms part of its annual report, under the instructions given by the Jordan Securities Commission for the Public Shareholding Companies Listed on the Amman Stock Exchange for 2017.

Summary:

JIB displays a high level of transparency in standards and discloses material information on both financial and governance related matters, including Shari'a governance, in line with regulatory requirements.

E. ETHICS AND VALUES

Code of Conduct

JIB has a written Code of Ethics and Conduct, approved by the Board and 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")

Given that JIB has established both board-level and management-level "Social Responsibility and Sustainability Committee," it demonstrates a steady commitment to social responsibilities. The Bank describes its initiatives under the "Social Role of the Bank" section of the annual report. The Committees supervise the Bank's CSR-related initiatives and their implementation. The Bank has six strategic objectives for sustainability;

1. Depend on renewable energy for 50% of the Bank's consumption
2. Protect the environment and reduce the negative impact on it
3. Spread sustainability and responsibility culture
4. Develop human resources through extensive training
5. Support SMEs, professionals, and handicrafts through Shari'a compliant financing.

Furthermore, the Bank's annual report covers various aspects, including significant projects undertaken during the year. In addition, JIB has also published a yearly CSR report since 2012, with the latest publication in 2021. 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

In 2021, the Bank participated in various training workshops and conferences to raise awareness in collaboration with CBJ and other educational institutes. These seminars and conferences were related to Shari'a, Sustainable Development Goals (SDGs), and health safety.

Donations

The Bank donated a total amount of JD 560.2k to various charity organizations nationwide for different social causes, including human development, medical, science and culture, and religious organizations.

Table 6: Donations

<i>In JD'000</i>	Number	Amount
Jordanian Hashemite Fund for Human Development (JHFHD)	1	50
Al Aman Fund for the Future of Orphans	1	42.5
King Hussein Cancer Center	1	25
Charity Associations and Organizations and Zakah committees	25	114.4
Scientific Conferences and educational and cultural programs	5	174.2
Tkiyet Um Ali	1	5
Societal Financial Culture Dissemination Project	1	149.1
Total	35	560.2

Qard Al Hasan

As of 2021, total Qard Hasan provided by the Bank for social purposes, like education, health, and marriage, was recorded at JD 405mn, benefiting around 535k individuals.

Funding Professionals and Craftsmen

In line with the Bank's CSR objectives, the Bank's Shari'a compliant financing of 246 small artisans' projects, professionals, and women projects stood at JD4.2mn. These financings are structured as Musharakah Muntahia Bittamleek (diminishing Musharakah).

Mutual Insurance Fund

In 2021, the number of indemnified cases reached (370), and the compensation paid amounted to JD3.1mn. Since the fund's establishment until the end of 2021, the total compensation cases reached 3505 cases, and the amount of paid compensation stood around JD17.7mn.

Energy and Environment

In line with the Bank's CSR and Sustainability objectives, JIB continued its commitment to green energy and has increased renewable energy sources for its consumption. The Bank, for example, spent JD 807k on solar equipment. *In addition to such initiatives for its consumption, the Bank may explore viable Shari'a compliant financing products for 'green projects' in line with "National Green Growth Plan (NGGP) 2021-25."*

Summary:

JIB's commitment to CSR and Sustainability is evident from its governance structure, donations for charitable causes, sustainable energy utilization, and relevant disclosures. However, the Bank may explore and develop products and services related to sustainable financing, which may support its sustainability initiatives and strategy.

F. FIDUCIARY RESPONSIBILITY AND PERFORMANCE

Profit Distribution Mechanism

In the annual report, JIB discloses profit-sharing ratios for owners' equity, unrestricted investment account holders, restricted investment account holders, and Wakala Bi Al Istithmar accounts holders (Investment portfolio).

While the Bank's share as a Mudarib for local currency accounts remained the same at 50%, the percentage in foreign currency was increased to 60% in 2021 (2021: 55%). The Bank shared the remaining balance with investment account holders according to its contribution percentage, considering that the priority for funds investment relates to the unrestricted investment accounts holders. Besides, the Bank waived a portion of its share as Mudarib, which fell to 43.4% from 50% in 2021. The aim was to improve the overall rate of profits allocated to all joint IAH with JD 7m, according to the CBJ instructions. A general Hiba to all depositors is considered acceptable under standard 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 2021, there was no change in such proportion and remained consistent with last year at 40% of the annual average balance of saving accounts, 70% of notice accounts, and 90% of the minimum balance of term deposit accounts. In line with Shari'a principles, the Bank bears all the administrative expenses except for insurance expenses allocated against the joint investment accounts profit in Ijarah Muntahia Bitamleek.

The Bank utilizes Mudarabah contracts for managing restricted IAH accounts 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 term. In line with Shari'a principles, administrative expenses are borne by the Bank and are not charged to investor accounts to calculate net profit. There's no change in the Bank's share as a Mudarib, which remained between 7.7% and 25% in Jordanian Dinar and 45% (for foreign currencies' profit during 2021).

The Bank also acts as an agent for managing the investment portfolio. In 2021, the Bank slightly decreased its fee and set it between 0.7-1.25% (2021: 1.5%).

Summary: Adequate dispensation of fiduciary responsibility is evident from competitive returns paid to IAH, adequate management fees / Mudarib Share in managing investment account holders' funds, and appropriate disclosures.

Shari'a Quality Rating Scales & Definitions

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

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

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

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

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

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

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

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



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