



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

Manama, May 04, 2025– Islamic International Rating Agency (“IIRA”) has reaffirmed the Shari'a Quality Ratings of Jordan Islamic Bank (“JIB”) at AA+ (SQ). JIB is a leading Islamic bank in the region and offers Shari'a-compliant products and services catering to a range of customers' banking needs.

The bank has innovated continuously on product range and has avoided products where structures available are not recommended. The bank's product range is largely based on Murabaha and Ijarah, with limited use of participative products. Tawaruq is not used as a basis for any product.

Guided by a sound regulatory framework and a Shari'a Supervisory Board, the Bank has instituted a system of checks and balances to ensure compliance with Shari'a principles, including an internal Shari'a audit and Shari'a compliance function. The departments are adequately staffed to provide a comprehensive review of practices and transactions and report according to designated lines of reporting. An annual report by the Shari'a Supervisory Board declares the adequacy of sample checks and expresses satisfaction of the SSB regarding the bank's compliance with Shari'a principles.

The corporate governance framework is comprehensive and 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 system of governance. The framework allows for the organizational structure and reporting lines to vest the ultimate responsibility of ensuring Shari'a controls with the Board of Directors. The BoD and management are responsible to ensure that the departments effecting Shari'a controls are integrated within the Bank's internal control system with a feedback loop that informs and guides the management and Board of Directors, regarding Shari'a governance system at the Bank.

A high level of transparency is consistently maintained in terms of Shari'a disclosures. These cover relevant Shari'a governance related disclosures as well as comprehensive disclosures regarding the aspects that makes Islamic finance participative, such as disclosures regarding Mudarib share, wakala fee and portion foregone to all or some account holders.

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

Adequate dispensation of fiduciary responsibility is evident from strong outreach and sustained customer loyalty, whereby the bank has maintained a considerable share in SME and retail markets. Returns paid to IAH are competitive. Moreover, asset quality has been maintained reflecting conscientious management of funds, and prudent reserving policies.

For further information on this rating announcement, please contact IIRA at iira@iirating.com.

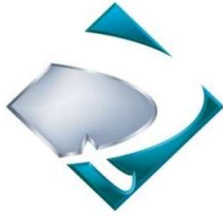
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Shari'a Quality Rating Report
Jordan Islamic Bank
May 2025



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SHARI'A QUALITY RATING REPORT

Jordan Islamic Bank

Report Date:

May 04, 2025

Latest Rating (May 04,2025)	Previous Rating (March 28, 2024)
Shari'a Quality Rating (SQR)	Shari'a Quality Rating (SQR)
AA+ (sq)	AA+ (sq)

Company Information

- **Incorporation year:** 1978
- **Listed on:** Amman Stock Exchange
- **External Auditors:** PricewaterhouseCoopers
- **Key Shareholders:** Al Baraka Group - 66%
Social Security Corporation – 5.8%
- **Chairman:** H.E Abdullah Ibrahim Al-Howaish
- **Chief Executive Officer:** H.E. Dr. Hussien Said Moh'd Saifan
- **Branches & Banking offices as at September 2024:** 111 (89 Branch and 22 cash Office)

CORPORATE PROFILE

Jordan Islamic Bank ('JIB' or 'the Bank') was established in 1978 as one of the first few Islamic banks in the world. A clear mission and vision statement guides the institution, stating the Bank's commitment to adherence with Shari'a principles, and equitable treatment to all stakeholders including shareholders and investors. A commitment to modernization of banking services and innovative services for its customers, is evident. As the first and largest Islamic Bank in Jordan, JIB constitutes 9% of total banking assets and 45.6% of the Islamic banking segment, rendering it systemically important for the stability of the domestic financial system. JIB is listed on the Amman Stock Exchange and complies with the exchange regulations. Moreover, being regulated by the Central Bank of Jordan, the Bank is monitored under applicable laws and regulatory guidance, comprising prudential requirements and governance standards.

With a pan-country network through 111 customer outreach points (branches and cash offices), in addition to an expansive ATM network, the bank has a strong footprint in the domestic market. An articulated focus on digital banking and innovation in product offering, allows the bank to maintain superior access to a large customer base. The management team has remained stable over the years, and is currently led by H.E. Dr. Hussein Said Saifan as the CEO of the bank.

Organizational and physical infrastructure of the Bank confirms institutional commitment to Shari'a governance in compliance with best practices and local regulations that require the establishment of dedicated departments for oversight in matters pertaining to Shari'a. The organizational culture is also aligned with these goals, with designated places for prayer, and a reflection of modesty in conduct.

Sponsors' profile

Al Baraka Group B.S.C. ("ABG" or "the group" and erstwhile Al Baraka Banking Group) holds majority shareholding in JIB and is licensed as a 'category 1 - investment firm'. Through subsidiaries, associates, and representative offices, providing investment and commercial banking services, ABG maintains wide-spread presence in MENA and South Asia. Throughout the Group network, all subsidiaries are committed to Islamic principles of finance. ABG reported consolidated assets at US\$25.3bn at YE2023 (2022:US\$24.98bn) and a net income of US\$283mn (2022: US\$239mn) for the year. ABG maintains group-wide oversight over control systems and Shari'a infrastructure of subsidiary banks, reinforcing the supervisory mechanism instituted in these institutions.

THE ISLAMIC BANKING INDUSTRY IN JORDAN

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

Shari'a compliant instruments are still limited with sukuk issued to finance Government or Government entities only with limited participation of private sector as issuers. Having grown by almost 5.8% in 2023, Islamic Banking assets comprise above 19.7% of sector assets, indicating gradual growth over the years.

A. COMPLIANCE WITH SHARI'A PRINCIPLES AND RULES

Product Profile and Structure

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

Asset Side:

As of YE2023, deferred sales receivables and Ijarah Muntahia Bitamleek depicted similar trends as previous years comprising 75.5% and 23.5% of the total financing portfolio, respectively (2021: 76% & 23%, respectively), and being the dominant

Table 1: Financing Portfolio

In millions of JD	2020	2021	2022	2023
Deferred sales receivables and other receivables	2,590	2,811	2,962	2,967
% Contribution	77.80%	77%	76%	75.5%
Ijarah Muntahia Bitamleek	706	803	888	922
% Contribution	21.2%	22%	23%	23.5%
Musharakah	33	37	38	40
% Contribution	1%	1%	1%	1%
Net Financing Portfolio	3,329	3,651	3,888	3,929

structure underlying asset exposures. The use of risk and profit participative structures remains limited. However, tawarruq is not being used as a structure for financing. The bank also does not undertake receivable financing, offer an overdraft facility or cash financing products. Moreover, Qard Hasan is extended to needy sections of the society, to allow for eased access for finance.

Table 2: Products & Services

#	Product and Services	Structure* ⁱ
A	Asset side	
1	Placement with Central Bank	<i>Current Accounts as Qard Hasan</i>
2	Placement with other commercial Banks	<i>Current Accounts as Qard</i>
3	Working Capital financing and trade financing	<i>Murabaha, with the Bank being the seller and the customer being the buyer</i>
4	Long-term corporate Loans	<i>Murabaha Istisna and Parallel Istisna Ijarah</i>
5	Agricultural Financing	<i>Murabaha Ijarah Muntahia Bittamleek, whereby the bank leases the parcel of land to the farmer and ends with transfer of ownership</i>
6	Personal Financing Only household appliances, asset backed finance. The Bank does not undertake cash finance	<i>Murabaha /Musawamah Service Ijarah</i>
7	Consumer Housing and Land Purchase Financing	<i>Ijarah Muntahia Bitamleek Murabaha</i>
8	Charge Cards	<i>Qard-e-Hasan: A fee is charged annually upon renewal. There is no link between fee schedule and the amount of the limit. Loyalty points are awarded to the customer as hiba</i>
9	Student financing	<i>Service Ijarah- A seat is purchased by the Bank on behalf of the student. The service is leased to the student/(customer), who repays in periodic installments, as rentals.</i>
10	Advance Salary	<i>Qard-e-Hasan. A new product approved with a fixed service charge, intended to cover actual cost incurred on transaction origination (credit appraisal, follow ups, etc.) regardless of underlying amount of exposure.</i>
11	Securities Murabaha	<i>Murabaha: The bank purchases on the client's behalf and in the client's name, securities which are then deposited in the client's portfolio. The decision to liquidate and responsibility thereof is that of the client's. Underlying securities are restricted to Shari'a compliant equities, with exclusions such as banking equities, considered.</i>
12	Staff Finance – Only for Housing	<i>Diminishing Musharaka</i>
13	Rescheduled Murabaha	<i>The Bank does not charge late payment fees. Murabaha is extended, without change in pricing terms.</i>
14	Rescheduled Ijarah	<i>The bank enters into a new ijarah contract with the remaining unpaid amount, a different tenor and different rental amount</i>
15	Reposessed assets	<i>These are held at value on transfer date or fair value, whichever is less. No profit is booked except to the extent that a prior period loss is established</i>
B	Liability Side	

1	Current Account	<i>Qard Hasan</i>
2	Saving Account	<i>Mudarabah</i> <i>The Bank offers deposit products for individual and corporate accounts in local and foreign currencies. Investment accounts are taken on a profit-sharing basis under the Mudarabah structure.</i>
3	Term Deposit	<i>Mudarabah/Wakalah</i> <i>The Bank offers deposit products for individual and corporate accounts in local and foreign currencies. Investment accounts are taken on a profit-sharing basis under the Mudarabah basis and Wakala structure.</i>
C	<u>Off balance sheet</u>	
1	Letter of Credit	<i>Self: Guarantee/ agency for a fee</i>
2	Letter or Guarantee	<i>Guarantee/Agency for a fee</i>

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. Unlike common practice globally, the Bank does not impose late payment charges on customers who have been financed. Non-compliant receipts therefore do not comprise late payment charges as in case of most other banks, rather these arise from dividend income from Shari'a compliant equity investments, which require partial purification. It may also arise from errors and omissions in the execution of transactions. The Bank's non-halal receipts amounted JD 13,280 in 2023, of which JD 12,390 arose from purification of dividend income and JD 890 pertains to transactional errors.

Profit Distribution Mechanism

The profit-sharing ratio (PSR) of Joint IAH is pre-agreed at the time of the agreement signed with the Bank. In 2023, 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 Bittamleek.

The profit distribution mechanism is automated. Share of profit to unrestricted or restricted account holders is calculated as per terms of the underlying contract and any waived wakala fee or foregone share as Mudarib (as applicable uniformly to all accountholders) can be distributed to accountholders directly through the system. However, waivers or share of mudarib fee foregone and to be selectively applied to accountholders is manually computed. The Bank will be graduating to T24 (Temenos) as a core banking application, which is certified by AAOIFI and will provide enhanced capability for booking and distribution of profits as per Shari'a compliant contracts.

The Bank's share as a Mudarib for both local and foreign currency accounts is capped at 45% and 55% respectively (2022: 50% & 60%). The remaining balance was distributed between each according to its percentage of contribution, taking into consideration that the priority for funds investment relates to the unrestricted investment accounts holders. The bank waived a portion of its share as Mudarib to become an average of 29.2% (30.2% in H1'2023 and 28.2% in H2'2023), to improve the overall share of profits distributed to all the Unrestricted investment account holders with an amount of JD 26,083,500 (2022: JD 16,980,000) and some of the Unrestricted investment account holders with an amount of JD 10,796,404 (2022: JD 8,641,880) in the full year. The bank waived a portion of its share as Mudarib in foreign currencies to become 35.5% (33% in H1'2023 and 38% in H2'2023) to improve the overall share of profits distributed to all the Unrestricted investment account holders with an amount of JD 2,269,000 and some of the Unrestricted investment account holders with an amount of JD 519,931 during 2023. As evident from the numbers above, over time, the Bank has waived an increasing proportion of Mudarib share both generally for all investment accountholders and also for specific categories of accountholders.

The Bank charges Wakala Fee at a maintained rate of 2% for Wakala Bi al istithmar accounts. For profits above a certain pre-set limit of 3%, the bank may share surplus profit in equal parts with the investors, as consideration for its effort and superior performance. In this regard also, the bank has foregone a portion of its profit in favor of Investors in 2023. The Bank may waive a part of its Wakala fee at both profit levels (below and above 3%).

The Bank utilizes Mudarabah and Wakalah contracts for managing restricted IAH accounts in separate investment pools, following each fund's specific investment policy and terms and conditions. There is no change in the Bank's share as a Mudarib, which remained between 7% and 25% in Jordanian Dinar and 20% to 45% for foreign currencies' profit during 2023. There was also no change in Wakala fee which ranged between 0.7% and 1.25% of the balance of funds managed under Wakala.

Summary: The bank's product range is largely based on Murabaha and Ijarah, with limited use of participative products. Mudarabah and Wakala based placements are restricted in large part to highly credible institutions like IFIs. Tawaruq is not used as a basis for any product. The bank has innovated continuously on product range and has avoided products where structures available are not recommended.

SHARI'A GOVERNANCE FRAMEWORK

Regulatory Environment

The Shari'a Governance framework of Jordan derives strength from the regulatory environment, which has adapted to evolving standards in banking. As one of the first few countries to have hosted a viable and robust Islamic banking sector, the regulatory framework has kept pace with development in governance standards for Shari'a compliant entities. In 2023, the Central Bank of Jordan issued a combined code of governance applicable to both banking and Islamic banking institutions. Specific provisions of the code relate to institution of controls and separate and independent departments to ensure compliance with Shari'a principles, integrated with a system of checks and balances.

In addition to the requirement of an apex body of controls formed as the Shari'a Supervisory Board, which reports to the general assembly of shareholders, the new code requires the institution of two distinct departments charged with audit and compliance respectively. The Internal Shari'a audit department reports to the audit committee, with a dotted line to CEO and the Shari'a Supervisory Board; the compliance department reports to top management with a dotted line of reporting to SSB.

Jordan has also adopted the Accounting, Shari'a and Governance standards issued by the Accounting and Auditing Organization standards for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB) 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

Based on the new guidance by the CBJ, the organizational structure was amended to incorporate a Shari'a compliance department as distinct from the Shari'a Audit department. The Shari'a compliance division currently comprises 3 personnel including the Head of the department, whereas the Shari'a audit department is manned by 10 personnel, including the head of the department and 2 senior officers. Given the range of products and physical network, the number of staff is sufficient. The Shari'a audit department is charged with the responsibility to ensure the effectiveness of Shari'a control systems through periodic audits, as well as special reviews requested by the Audit committee to which it reports annually.

The Shari'a audit department reviews activities of the Bank to reduce Shari'a risks by helping to correct errors, and proposing improvements, promoting bank-wide performance and investor trust. The department follows up on its observations to install controls and avoid recurrence of errors. Particular emphasis is given to studying non-performing accounts to ensure no negligence on the Bank's part, given its implications to any loss that may have to be transferred to investors. The department participates in employee trainings also to assure the Board of Directors' of their general suitability to tasks assigned. A Shari'a compliance function is tasked with providing reasonable assurance that Shari'a principles are being adhered to. Moreover, as per CBJ direction, it prepares a Shari'a Compliance guide and a Shari'a compliance policy, which has been approved by the Board and duly instituted at the Bank.

The organizational structure for Shari'a Compliance is in principle led by the Shari'a Supervisory Board ("SSB"). The Bank has documented charters for SSB and the Shari'a audit department, as well as the recently instituted Shari'a compliance department. These documents set rules and principles for business supervision in compliance with Shari'a. The Unified Shari'a Board of the Al Baraka Group, maintains regular interaction with JIB, as it does with all group subsidiaries, and guides and oversees the activities of several of the Group's institutions.

Shari'a Supervisory Board ("SSB")

Composition

Following our last review, no changes have been noted in the SSB. Against a requirement of a minimum of 3 members, JIB has appointed 4 members to the SSB, with all members having been associated with the institution for a long period, and with Sheikh Yusef Hassan Yusef Khalawi being the most recent appointment in 2022.

The remaining three members were re-elected for four years in 2023, with the next election due in 2026. The General Assembly elects SSB members based on the Board recommendation, and subject to fulfilling all Fit and Proper Test requirements set forth by the CBJ. Dr. Mahmoud Ali Mosleh Sartawi continues to serve as the Chairman of the SSB.

Meetings and attendance

SSB met six times during 2023, complying with the minimum regulatory requirement, which also stipulates 6 meetings. Three of the members posted full attendance, while one member attended 4 of the 6 meetings during the year. However, in

Table 3: SSB Composition and Meetings

Members	Role	Meetings attended as of Dec'2023	Active Since
Dr. Mahmoud Ali Mosleh Sartawi	Chairman	6	26/4/2005
Dr. Abdul Rahman Ibrahim Zaid Al Kelani	Vice-Chairman	6	28/4/2015
Dr. "Mohammad Khair" Mohammad Salem Al-Issa	Member	6	25/4/2012
Sheikh Yusef Hassan Yusef Khalawi	Member	4	21/5/2022

the current year, the SSB is scheduled to meet 9 times. Meetings are also attended by members of the senior management, including generally the CEO, Head of Internal Audit and Head of Compliance. SSB meets twice annually with the Board of Director, audit committee, and external auditors.

SSB Suitability and Independence

To ensure independence and credibility of the SSB, the bank publishes an acknowledgement by the SSB, that no member received any benefit, in cash or in-kind that was not specifically declared to stakeholders. The SSB complies with strict guidelines for ensuring independence as required by the CBJ and as reproduced below, and duly confirms its adherence to these each year:

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

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

Member's Term and Rotation

The SSB reappoints members every 4 years. There is no maximum number of terms that a member may remain on Board.

Terms of Reference

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

Assessment and Remuneration

A self-appraisal mechanism is in place to assess the SSB performance annually. The process is overseen by the Board Nomination and Remuneration Committee, with the appointment and remuneration practices pertinent to the SSB being specifically mentioned in the terms of reference of the audit committee.

SSB members are compensated through a fixed sitting fee and reimbursement for attendance related expenses. Most importantly, the remuneration structure of the SSB is independent of the bank's financial performance, which reflects best practices. The Bank's compensation to SSB members collectively amounted to JD103.2k during 2023.

Shari'a Board Report

The SSB's annual report, conforming to the guidelines of presentation as given by the IFSB and AAOIFI is published as part of the annual report. The annual report for 2023 states that the SSB has reviewed the principles and the contracts utilized by the Bank underlying transactions necessary to formulate an opinion as to the degree of Shari'a compliance. Each type of transaction was reviewed through the support of the Internal Shari'a Audit and Shari'a compliance department.

The SSB was given access to all necessary information required to validate Shari'a compliance in procedures, processes and transactions undertaken by the Bank, to the satisfaction of the SSB to conclude:

All contracts, operations and transactions executed within the year were in compliance with principles of Islamic Shari'a.

Distribution of profits and charging of loss is as per the applicable Shari'a principles.

Any receipts not in full compliance with Shari'a were excluded from revenues and duly disposed off as charity.

A declaration as to the responsibility of paying zakat being vested with shareholders and the owners of the unrestricted accounts is provided as part of the report and goes on to explain the basis of zakat payable and the amount payable per dinar of investment and per share.

Summary:

Guided by a sound regulatory framework and a Shari'a Supervisory Board, the Bank has instituted a system of checks and balances to ensure compliance with Shari'a principles, including an internal Shari'a audit and Shari'a compliance function. The teams in these two departments are adequately staffed to provide a comprehensive review of practices and transaction and report according to designated lines of reporting. An annual report by the Shari'a Supervisory Board declares the adequacy of sample checks and expresses the satisfaction of the SSB regarding the bank's compliance with Shari'a principles.

C. CORPORATE GOVERNANCE

Regulatory framework

The corporate governance related instructions applicable to the Bank, were issued by the CBJ in February 2023, consolidating all general corporate and Shari'a governance requirements, applicable to Banks. JIB's Corporate Governance Guide (CGG), has been in effect since 2007, and is amended from time to time with the necessary updates. The recent updates in the guide reflect the recent regulatory adjustments. As per management representation, the Bank has not breached any of the stipulations of the Guide and stands fully compliant with requirements.

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

In addition to the acknowledgement of rights of shareholders, the Bank's corporate governance guide identifies the rights of investment accountholders and their relationship with shareholders, given also the commingling of funds, integral to Islamic banking.

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

Composition

The Board was reconstituted in 2023, following elections. Following the demise of the ex-Chairman, a new Chairman - Mr. Abdullah Ben Ibrahim Ben Suleiman Al-Howaish- was inducted as a representative of ABG.

The Board of Directors (BoD) still comprises 11 members. Independent representation exceeds minimum regulatory requirements and one-third recommendation as per best practices.

The CBJ governance requirements call for a system and frequency of interaction between the Board and the SSB.

Table 4: Board Composition

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

Board Responsibilities

The regulations hold the Board of Directors responsible for establishing that adequate controls are in place to protect the interests of all of the bank's stakeholders and to ensure that Shari'a non-compliance risks are averted, with an effective Shari'a control system in place. Direct reporting of the internal Shari'a audit to the Audit committee of the Board assures direct Board supervision. As such the Board is also responsible for appointing the head of the Internal Shari'a audit, subject to CBJ's approval. The periodic interaction of the Board with the SSB ensures that the Board is conscious of its responsibility towards an effective Shari'a control framework.

Meetings

The Board met 11 times in 2023 with a high average attendance level. The number of meetings convened by the Board exceeds regulatory requirements and confirms the members' commitment to the Bank.

Board Committees

The Board has formed seven committees, namely the Corporate Governance Committee ("BCGC"), Nomination & Remuneration Committee ("BNRC"), Risk Management Committee ("BRC"), Audit Committee ("BAC"), Credit Facility Committee ("BCFC"), IT Governance Committee ("BITGC"), and Compliance Committee ("BCC"). No new committees were formed in 2022 or 2023, although the social responsibility committee was disbanded in 2023.

An explicit reference to the Shari'a control infrastructure of the Bank as part of the terms of reference of key committees of the Board would ensure consistent stringent monitoring. The appointment and remuneration of the SSB members as well as annual appraisal through a process of self-regulation has been given due mention in the terms of reference of the committee. Following our last review, there are significant changes to committee composition, reflective of the changes at Board level. However, these changes are not material in terms of the overall independence or representative skill sets available to committees. IIRA views that the inclusion of an SSB member in BCGC may harmonize the assessment of the governance framework in line with best practices recommended by AAOFI and IFSB. The Board committee meetings during 2023 were in line with the TORs with a high level of attendance, as illustrated in Table 5.

Table 5: Board Committees Meetings

Committee	Meeting held as of 2023
Corporate Governance Committee "BCGC"	3
Nomination and Remunerations Committee "BNRC"	5
Risk Management Committee "BRC"	4
Audit Committee "BAC"	4
Credit Facilities Committee "BCFC"	8
Social Responsibility and Sustainability Committee "BSRSC"	1
IT Governance Committee "BITC"	4
Compliance Committee "BCC"	4

Table 6: Board Committees Composition

Committee	Members	Role	Comments
Corporate Governance Committee "BCGC"	Mr. Abdullah Ben Ibrahim ben Suleiman Al-Howaish	Chairman	2 independent members, 1 non-independent (Chairman)
	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Vice-Chairman	
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Member	
Nomination and Remunerations Committee "BNRC"	Mr. Ghassan Bin Ahmed Bin Mohammed Amoudi	Chairman	2 independent members, including the Chairman and 1 non-independent member
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Vice-Chairman	
	Mr. HOUSSEM BEN AL-HAJ AMOR	Member	
Risk Management Committee "BRC"	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Chairman	3 Independent member including Chairman of the Committee, 1 non-independent member
	Mr. HOUSSEM BEN AL-HAJ AMOR	Vice-Chairman	
	Mr. Mr. Ghassan Bin Ahmed Bin Mohammed Amoudi	Member	
	Mrs. KHAWLA FAREEZ AWAD ALNOBANI	Member	
Audit Committee "BAC"	Mr. TAYSEER RADWAN SALEEM ALSAMDI	Chairman	3 independent members, including the Chairman and 1 Non-independent member
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Vice-Chairman	
	Mr. ISSA HAIDAR ISSA MURAD	Member	
Credit Facilities Committee "BCFC"	Mrs. KHAWLA FAREEZ AWAD ALNOBANI	Member	4 non-independent members, including the Chairman and 1 independent member
	Mr. Abdullah Ben Ibrahim ben Suleiman Al-Howaish	Chairman	
	Mr. HOUSSEM BEN AL-HAJ AMOR	Vice Chairman	
	Mrs. MALAK F R GHANEM	Member	
	Mr. Daham Ben Mashour Ben Daham Al-Fayez	Member	
IT Governance Committee "BITC"	Mr. Ghassan Bin Ahmed Bin Mohammed Amoudi	Member	4 non-independent members including chairman and 1 independent member
	Mr. ISSA HAIDAR ISSA MURAD	Chairman	
	Mr. TAYSEER RADWAN SALEEM ALSAMDI	Vice-Chairman	
	Mrs. MALAK F R GHANEM	Member	
	Mr. FAROUK ABDEL HALEEM TAHER ALHADIDI	Member	
Compliance Committee "BCC"	Mr. Daham Ben Mashour Ben Daham Al-Fayez	Member	2 independent members, including the Chairman and 2 non-independent members
	Mr. ABED ALRAHIM FATHI SALIM BOUCAI	Chairman	
	Mr. ISSA HAIDAR ISSA MURAD	Vice-Chairman	
	Mr. JAMAL AHMAD MUFLEH ALSARAYRAH	Member	
	Mr. FAROUK ABDEL HALEEM TAHER ALHADIDI	Member	

Management

Dr. Hussien Said Saifan has led the Bank's management team as the CEO/General Manager since May 2019. He has extensive banking experience and has served the Bank for over 30 years. The Bank's senior management is experienced and has generally had a long association with the Bank. Internal control functions directly report to the respective Board Committees. The management is tasked with ensuring that all transactions, policies and contracts are approved by the Shari'a Supervisory Board and that the organizational structure supports the independence of the Internal audit and the internal Shari'a audit department.

Internal Control

The Corporate Governance guidelines of the Bank provide guidance for a comprehensive internal control system. The Bank's internal control environment comprises three lines of defense being with the originators of Risk, Risk Management Function and Internal Audit and Compliance. The latter two departments are also supplemented by the Internal Shari'a Audit and Shari'a compliance departments. The performance of the internal Sharia audit staff is monitored by the Internal Shari'a Audit Manager in accordance with the performance evaluation policy approved by the Board.

The primary commitment of the internal control system is to ensure the integrity of financial data being produced, compliance to all laws and regulations, protection of the Bank's properties and assets and efficient conduct of banking operations.

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

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

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

Stakeholders' Relations

Protection of the Investment Account Holders' Rights

Acknowledgement of the IAH rights is emphasized in the Corporate Governance Guide and effective disclosures allow stakeholders to assess the bank's financial strength. The bank has maintained a loyal customer base, which is heavily dominated by a retail clientele.

Relationship with Employees

As of 2023, the Bank's total headcount decreased and stood at 2,437 (2022: 2,440). Staff remains range bound with increasing reliance on digitization of operations. The bank has remained committed to training programs, which depict a balance between Shari'a and general banking knowledge. Training programs numbering 826 were arranged in 2023, up from 802 in 2022, including in-person and online training. The number of staff benefitting from the training has also increased to 10,744 from 7,863 in 2022. The bank's own Academy for Human Resource training and development organizes and conducts training, with select staff also sent abroad for this purpose.

Summary: The corporate governance framework is comprehensive and 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 system of governance. The framework allows for the organizational structure and reporting lines to vest the ultimate responsibility of ensuring Shari'a controls with the Board of Directors. The BoD and management are responsible to ensure that the departments effecting Shari'a controls are integrated within the Bank's internal control system with a feedback loop that informs and guides the management and Board of Directors, regarding Shari'a governance system at the Bank.

D. TRANSPARENCY AND DISCLOSURES

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

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

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

Summary:

A high level of transparency is consistently maintained in terms of Shari'a disclosures. These cover relevant Shari'a governance related disclosures as well as comprehensive disclosures regarding the aspects that makes Islamic finance participative, such as disclosures regarding Mudarib share, wakala fee and portion foregone to all or some account holders.

E. ETHICS AND VALUES

Code of Conduct

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

Corporate Social Responsibility ("CSR")

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

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

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

Conferences and Seminars, Scientific Research, and Professional Training

In 2023, the Bank participated in various training workshops and conferences to raise awareness in collaboration with CBJ, professional groups and associations and other educational institutes. These seminars and conferences were related to implementation of Shari'a compliant practices, Sustainable Development Goals (SDGs), and health and safety.

Donations and Qard al Hasan

The Bank maintains its practice of making donations which have been increasing over the years. These include receipts not considered compliant with Shari'a principles.

In 2023, total Qard Hasan provided by the Bank for social

Table 7: Donations

In JD'000	Number	Amount
Jordanian Hashemite Fund for Human Development (JHFHD)	1	502
Al Aman Fund for the Future of Orphans	1	25
King Hussein Cancer Center	1	24.4
Holy Quran Associations and Competitions	1	2
Charitable and medical associations and bodies, and zakat committees	19	241.3
Academic conferences, educational and cultural programs	2	10.6
Tkiyet Um Ali	1	5
Waqfiat Al Mostafa - Royal Initiative	1	710
Total	27	1,520.3

purposes, like education, health, and marriage, reached JD 443mn cumulatively, having benefited around 579k individuals, since its inception. During 2023, loans granted amounted to JD 20.6mn.

Funding Professionals and Craftsmen

In line with the Bank's CSR objectives, the Bank's Shari'a compliant financing of 306 small artisans' projects, professionals, and women projects stood at JD6.3mn. These financings are structured as Musharakah Muntahia Bittamleek (diminishing Musharakah).

Mutual Insurance Fund

In 2023, the number of compensated cases reached 254, and the compensation paid amounted to JD1.8mn. Since the fund's establishment until the end of 2023, the total compensation cases reached 4077 cases, and the amount of paid compensation stood around JD22.2mn.

Interaction with local community

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

Energy and Environment

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

Summary:

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

F. FIDUCIARY RESPONSIBILITY AND PERFORMANCE

The Bank has maintained asset quality over the years and held reserves to protect investors from unexpected losses. Profitability has been maintained over the years through periods of global and domestic economic volatility. Return on average assets has trended at a stable ROAA of 1.1% (2022: 1.1%). The bank's activities benefit the society as a whole, with its higher participation in retail financing at 69% of the portfolio at YE2023 and 7% in SME financing in addition to 24% in corporate financing (excluding government). The bank has upheld investor trust and avoided displaced commercial risk by foregoing a part of its Mudarib's share, distributed to account holders both generally.

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

Summary: *Adequate dispensation of fiduciary responsibility is evident from strong outreach and sustained customer loyalty, whereby the bank has maintained a considerable share in SME and retail markets. Returns paid to IAH are competitive as our returns to shareholders. Moreover, asset quality has been maintained reflecting conscientious management of funds, and prudent reserving policies.*

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.



الوكالة الإسلامية الدولية للتصنيف Islamic International Rating Agency

The rating assignment has been carried out with cooperation of the rated entity. The information contained herein is obtained by IIRA from sources believed to be accurate and reliable. IIRA does not audit or verify the truth or accuracy of any such information. As a result, the information herein is provided "as is" without any representation or warranty of any kind. IIRA, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s) mentioned. Rating is an opinion and not a warranty of a rated entity's current or future ability to meet contractual obligations, nor it is a recommendation to buy, sell or hold any security.