



# Safwa Islamic Bank

## Investor Report

### Q1.2021

Prepared by Strategic  
Finance Department

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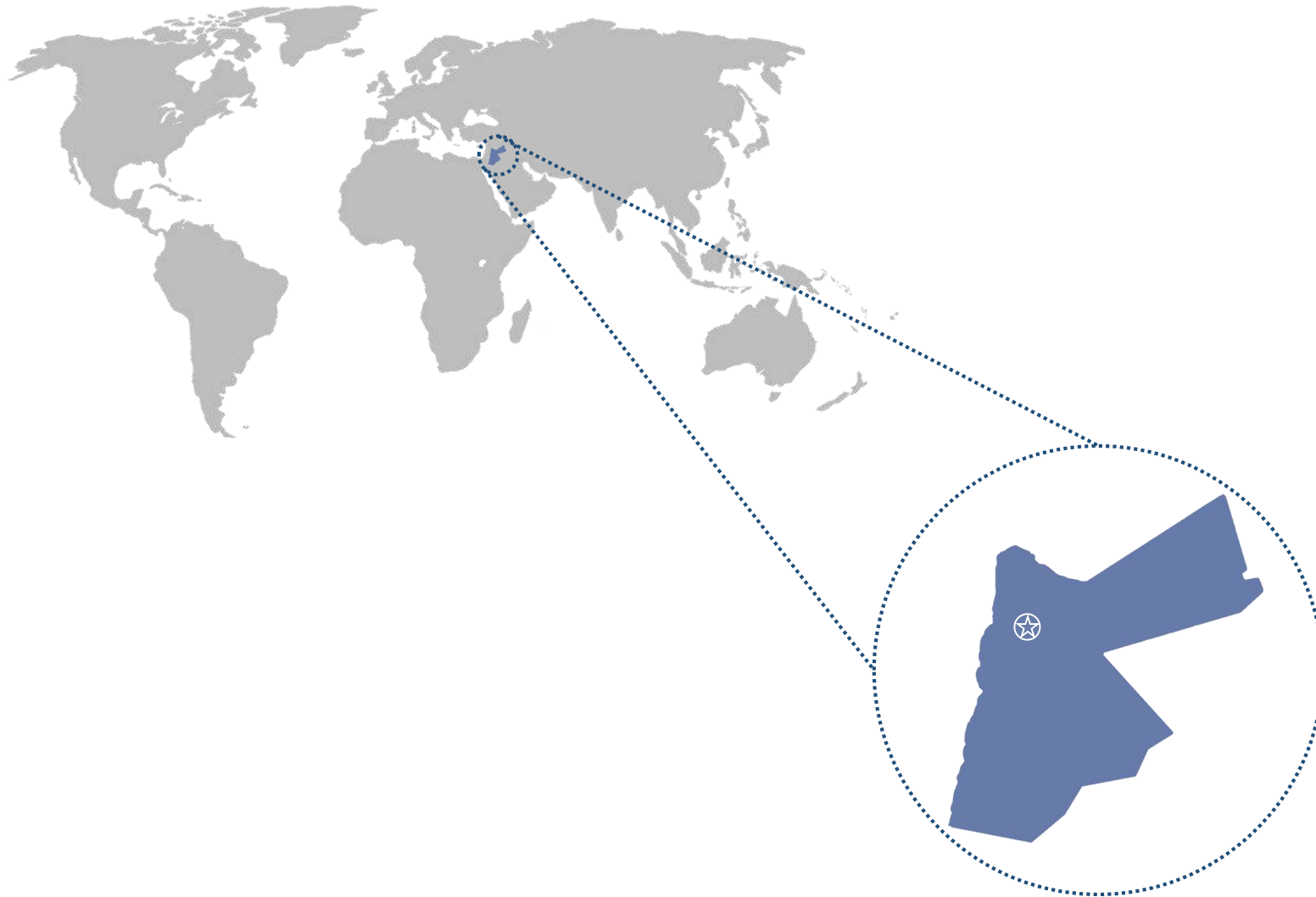
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# Jordan

Facts and Economy



 **Area :** 89.3 thousand km<sup>2</sup>

 **Population :** 10.2 million

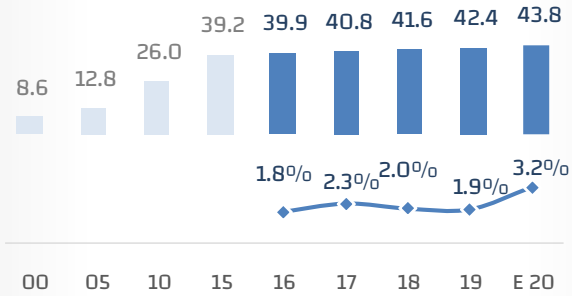
 **Capital :** Amman

 **Religion :** Islam (95%)

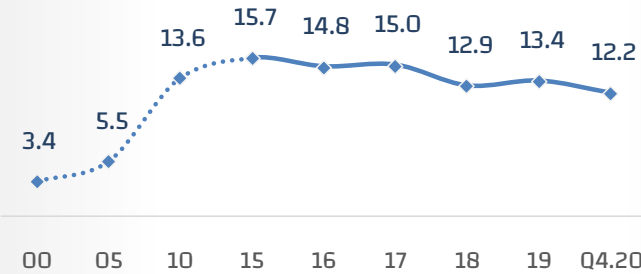
 **GDP :** USD 44.4 billion

 **GDP Per Capita :** USD 4,156

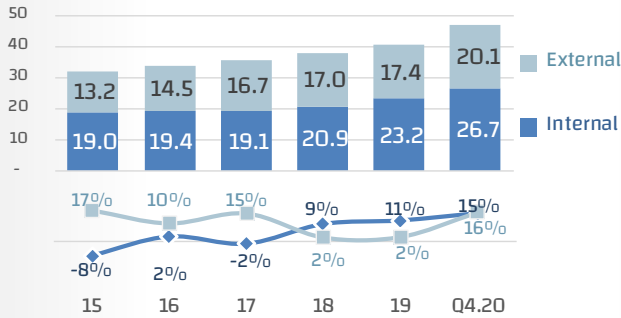
GDP (Bn JDs)



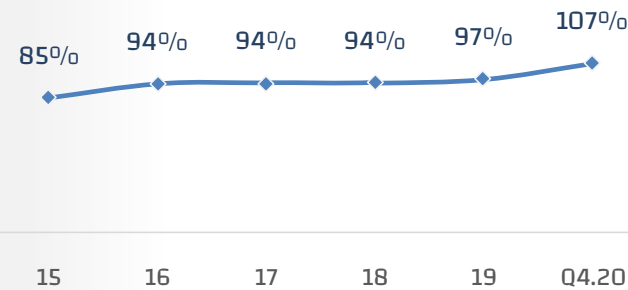
Foreign Reserves (Bn USD)



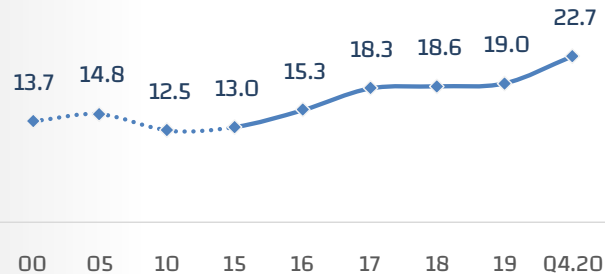
Public Debt (USD bn)



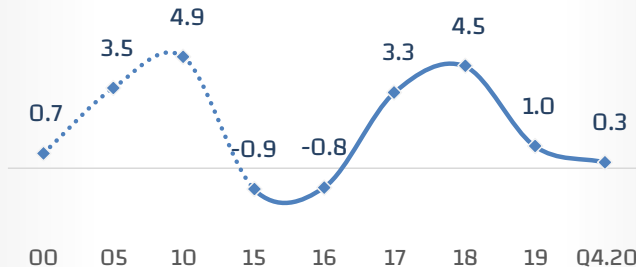
Public Debt / GDP



Unemployment Rate (%)



Inflation (%)



## Highlights

- ▶ Foreign reserves decreased during the first quarter 2021 and reached JD 12.2 mn; these reserves cover the imports needs for 8.9 months. Jordanian Dinar has a fixed exchange rate against USD since 1994 with a middle price of (USD 1 = JOD 0.709)
- ▶ Increased Unemployment rate trend put a pressure on Jordanian economy
- ▶ GDP showed slight increases during last years, however it is expected this year to decrease by 3.5% due to corona virus pandemic (World bank)
- ▶ Low Inflation trend in recent years reflect the low growth of GDP rates. Also, the unemployment rate was affected negatively by the low GDP growth
- ▶ The public debt to GDP ratio reached a record of 107% at EOY 2020, the CAGR since 2015 for public debt reached 8% while the GDP CAGR for the same period is 1% only.

## Why to Invest in Jordan



Political stability despite the unrest in the surrounding countries



Business capital of Levant



Growing and booming tourism sector



Advanced Indicators regionally for competitiveness and corruption indexes

The number '2022' is rendered in a large, stylized font. The digits are filled with a pattern of small, overlapping circles in various shades of blue, green, and grey, resembling bubbles or a mosaic. The numbers have a slight drop shadow, giving them a 3D appearance. The background features diagonal blue lines and triangular shapes in a darker blue shade.

**Banking Sector**

**CBJ, Islamic Banks**

## Objectives

Verify the safety of the financial positions of banks

Monitor, and supervise the banks to ensure the soundness of their financial situations

Protecting the rights of depositors and shareholders in accordance with corporate governance set by CBI

Works on the rules and regulations necessary to deal with customers fairly and

Contribute in protecting the banks from the reputation risk,

Ensure banks' positive contribution to the sustained economic development of the national economy

The preparation of plans and programs necessary to achieve its tasks

## Tasks

Regulate credit and credit risks resulting from concentrations for bank's customers

Study banks licensing and branching requests inside and outside the Kingdom

Control the information and its accompanying technology in the banks

Prepare statistical and analytical studies and reports relating to the business of banks

Monitor the performance of banks , organize and evaluate their business

Analyze and follow- up banking and financial stability of banks

Study the related laws, regulations, and instructions

Modernize and develop methods of control and inspection



## Working Banks In Jordan

### Local Islamic Banks

- Safwa Islamic Bank
- Jordan Islamic Bank
- Islamic International Arab Bank

### Foreign Islamic Banks

- Al-Rajhi Bank

### Local Commercial Banks

- Arab Bank
- Housing Bank
- Cairo Amman Bank
- Ahli Bank
- Al Etihad Bank
- Commercial Bank
- Capital Bank
- Bank of Jordan
- Jordan Kuwait Bank
- Jordanian Arabic Investment Bank
- Invest Bank
- Société General
- ABC Bank

### Foreign Commercial Banks

- BLOM Bank
- Egyptian Arab Land
- Citibank
- Standard Chartered
- National Bank of Kuwait
- Rafidain Bank

## Financial Soundness Indicators (CBJ 06.2020)

### Capital Adequacy

18<sup>0</sup>%

### Regulatory Liquidity

129<sup>0</sup>%

### NPL Ratio

5.4<sup>0</sup>%

### ROA

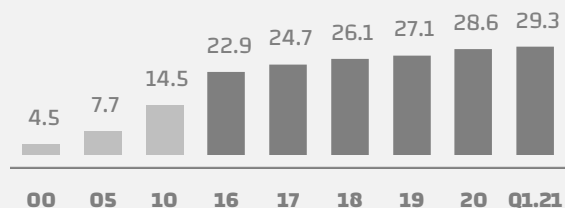
0.6<sup>0</sup>%

### ROE

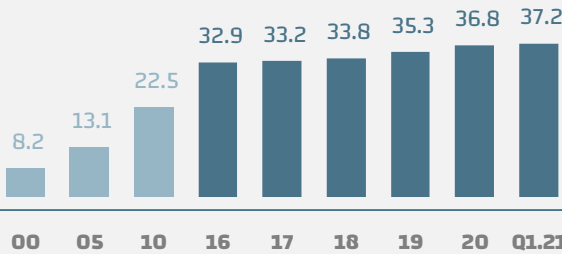
5.2<sup>0</sup>%

## Sector Figures (bn JDs)

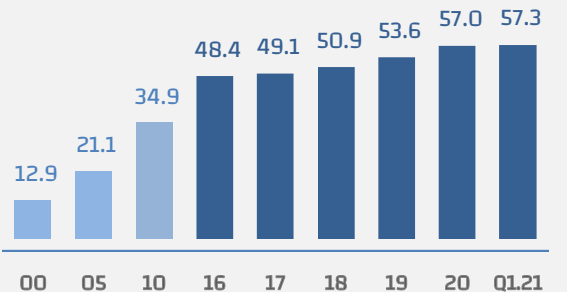
### Deposits

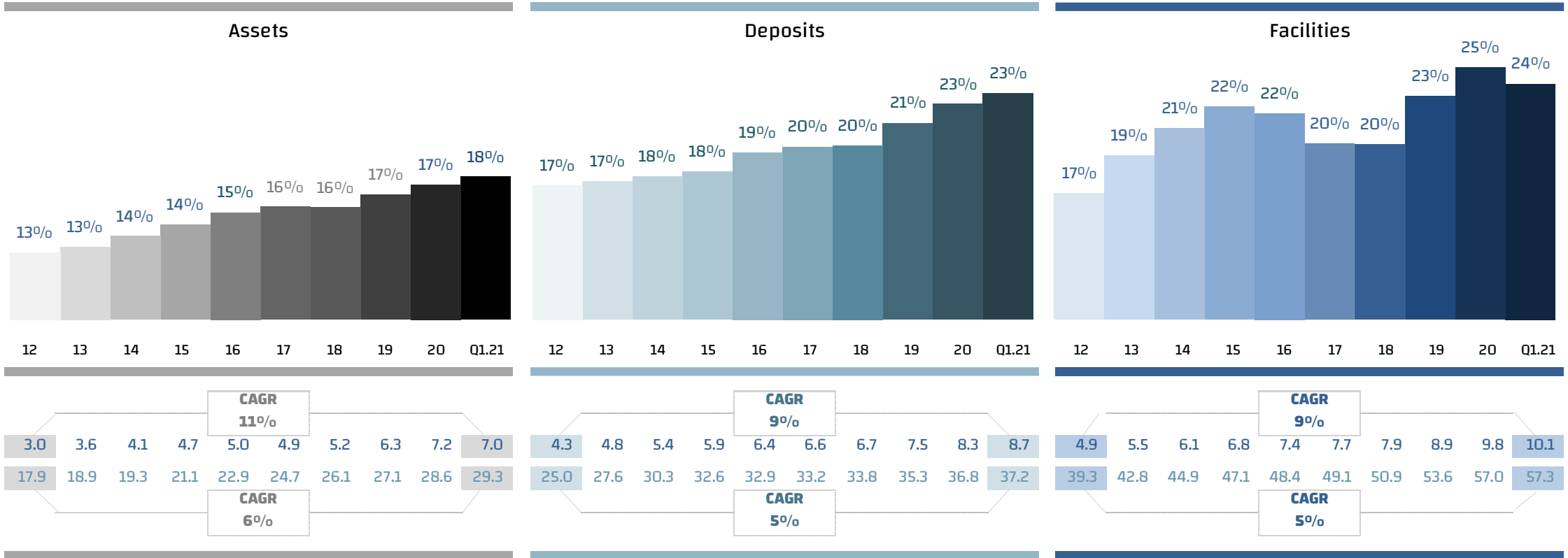


### Financing



### Assets





## Highlights

- The Islamic banks' market share trend shows upward trend reflects the increasing needs of Jordanian society for sharia-compliant products and services
- The CAGR growth ratios for Islamic banks since 2011 witnessed better ratios than banking sector specially the assets, the Assets CAGR during this period was 11% for Islamic banks and 6% for the banking sector
- The increasing trend was broken in rare years such as facilities in year 2016-2017 when Islamic Banks showed a decreased facilities, Islamic banks regained its share in year 2019 and enhanced it in Q2.2020



OSB

Safwa Islamic Bank

## Assets

**JOD 1,972 mn**  
 (JOD 1,820 mn EOY 2020)  
 8% ↗

## Deposits

**JOD 1,709 mn**  
 (JOD 1,582 mn EOY 2020)  
 8% ↗

## Financing

**JOD 1,439 mn**  
 (JOD 1,201 mn EOY 2020)  
 20% ↗

## ROAE

**8.1%**  
 (6.8% as of Q1.2020)  
 1.3% ↗

## Cost to Income

**43%**  
 (50% as of EOY 2020)  
 7% ↘

**B+**  
 Rated, Capital Intelligence

**11**  
 Years as an Islamic Bank

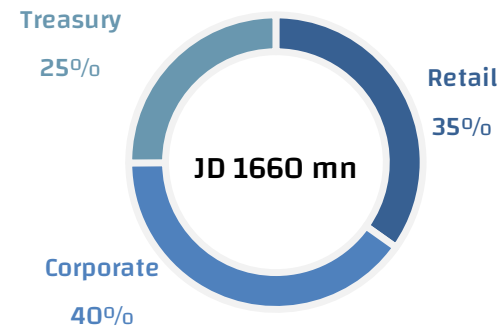
**628**  
 Employees

**38**  
 Branches

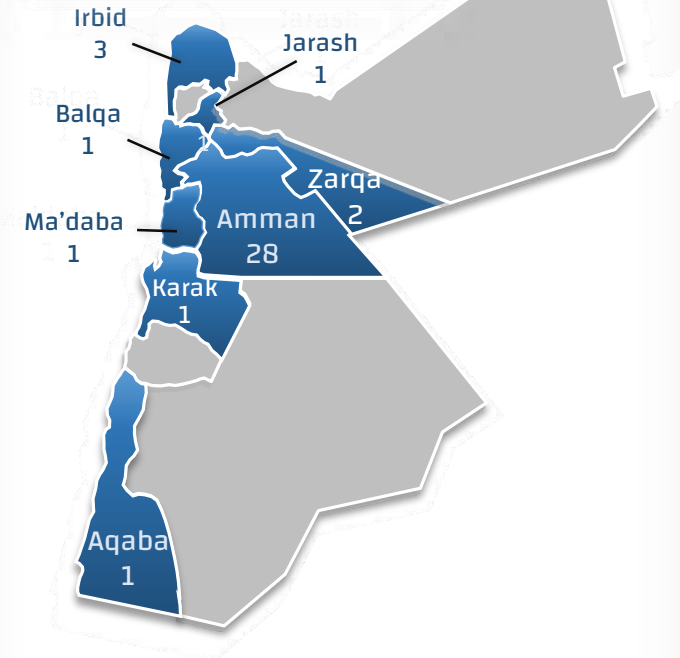
**79**  
 ATMs



## Well Diversified Financing and Investments Portfolio



## Branches Network





**1965**

The bank founded under special law as a specialized bank "**Industrial Development Bank (IDB)**"



**2010**

IDB became an Islamic bank under the name "**Jordan Dubai Islamic Bank**"



**2017**

DIB sold its share to **Al-Etihad Islamic for Investment Co.** who became the new major shareholder

The new identity **Safwa Islamic Bank** launched to reflect the coming new vision of the bank



**2018**

**New Management, New Ambitious Goals, New Strategy that will be the Address for the Coming Era**

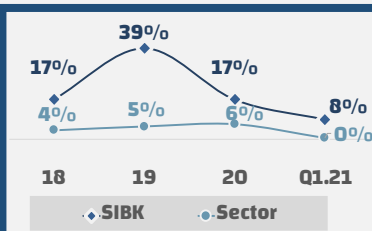


**20XX**

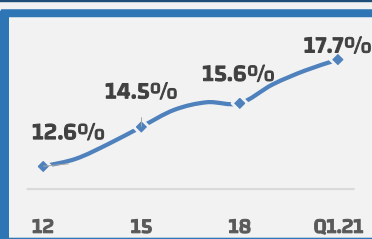
- **First Community Bank in Jordan**
- **Fair and Responsible Banking**

1  
2  
3  
4  
5

The Best Growing Bank in Jordan



Permanent growth of Islamic banking market share, which reflects increasing needs for sharia compliant products and services



Clean diversified financing portfolio, balanced risks profile

**NPL = 2.7%**  
**Coverage % = 165%**  
**CAR = 18.5%**

Islamic modern bank strongly adherent to digitization and technological developments



Fair and Responsible Banking





## Mission

To provide distinctive and innovative services emanating from the divine principles of Islam to build lasting and solid partnerships and to maximize benefits to all stakeholders.

The best option in providing integrated and comprehensive customer services through a coherent team working in one spirit through innovative ways and committed to best practices, to become the first community bank in the Kingdom within five years

## Vision



## Teamwork

- Harmony cross and within units
- Put the bank and clients' interests ahead of your own
- Communicate respectfully
- Create professional culture within the bank

”Working effectively with one team spirit will produce the best outcomes “



## Exceptional Services

- Anticipate clients needs and find solutions
  - Respond rapidly and follow through
  - Treat others as you want them to be treat you
  - Sell solutions, not products
- ”if we serve our clients well, our success will follow“



## Creativity

- Find solutions, not excuses
- Be a change agent.. Think outside the box
- Ask: Is there a better or more efficient way to do this?
- Pursue new opportunities

”Creativity and initiative make the difference to excellence the bank from other competitors “



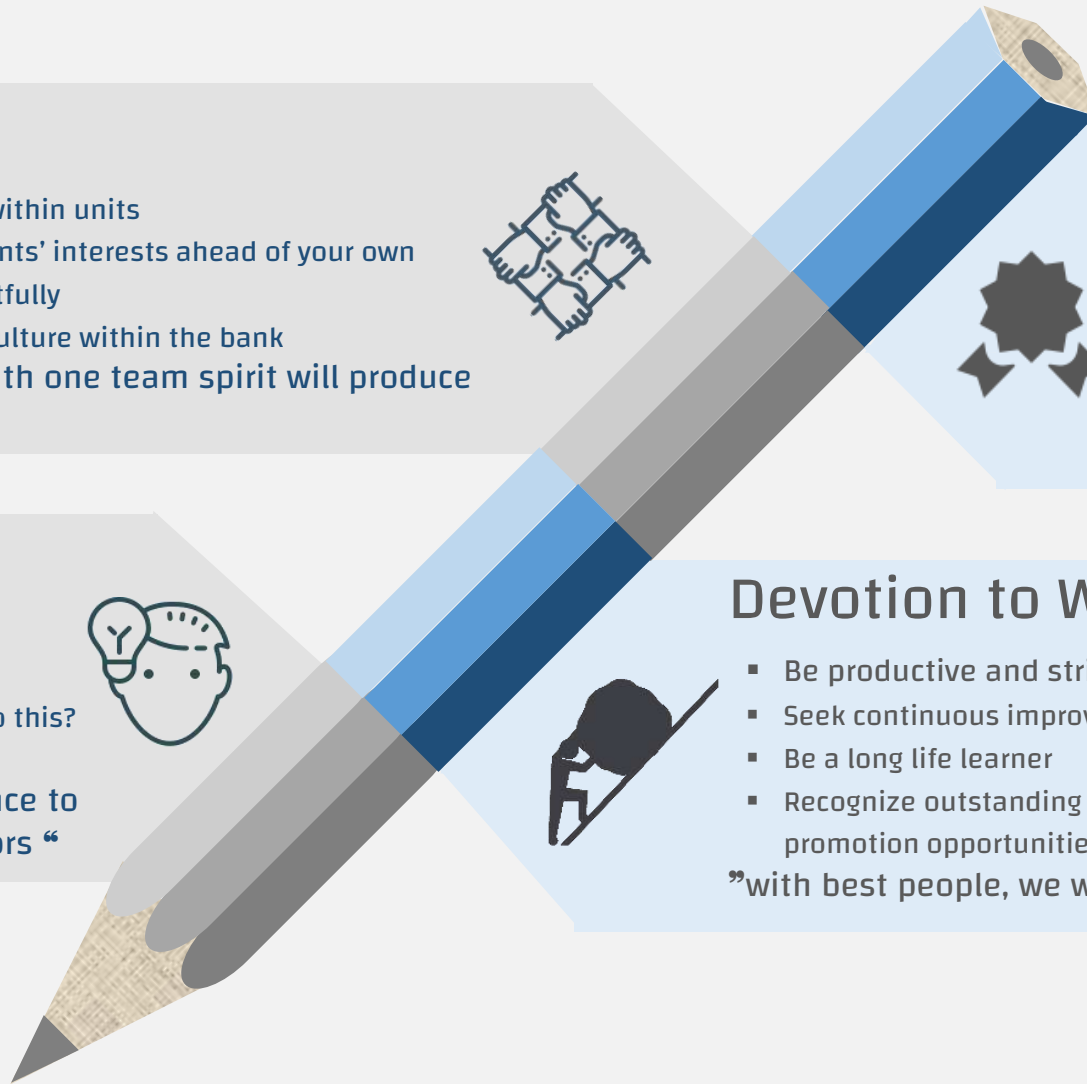
## Devotion to Work

- Be productive and strive with passion to reach excellence
- Seek continuous improvement
- Be a long life learner
- Recognize outstanding performance by rewards and promotion opportunities

”with best people, we will be the best bank“



*Our Values*





**First Community Bank in Jordan**



**Sustain** the ambitious growth, improving shareholders returns and values for clients



**Simpler Bank**  
More digitally enabled bank, services and products are done faster



**Clients Growth**  
Close relation to our clients, Attracting new clients, meet their expectations



**Keep Clean Financing Portfolio**  
Sustain the healthy financing portfolio by sound policies and continuous monitoring



**Efficiency**  
Adherence to reduce cost to income ratio through optimal use of our resources



## Client Centric

- Full Package of Electronic Services
- Speed Up Process
- New Services for Corporate Clients (COSO, CDM, ..)
- Call Center 24/7
- Extensive Visits to Clients
- New Products



## Reorganized Internal House

- Update Policies & Procedures
- Reengineering Process
- Branches Profitability Reports
- Better Methodologies to Measure Risks
- Promote and Encourage Cross Selling between Business Sectors



## Optimal use of Resources

- Automate Many Processes
- Depending on Internal Resources Instead of External
- Enhancement IT Infrastructure
- Increase Human Capital Efficiency
- Cost Control and Green Environment
- Review the Organizational Structure

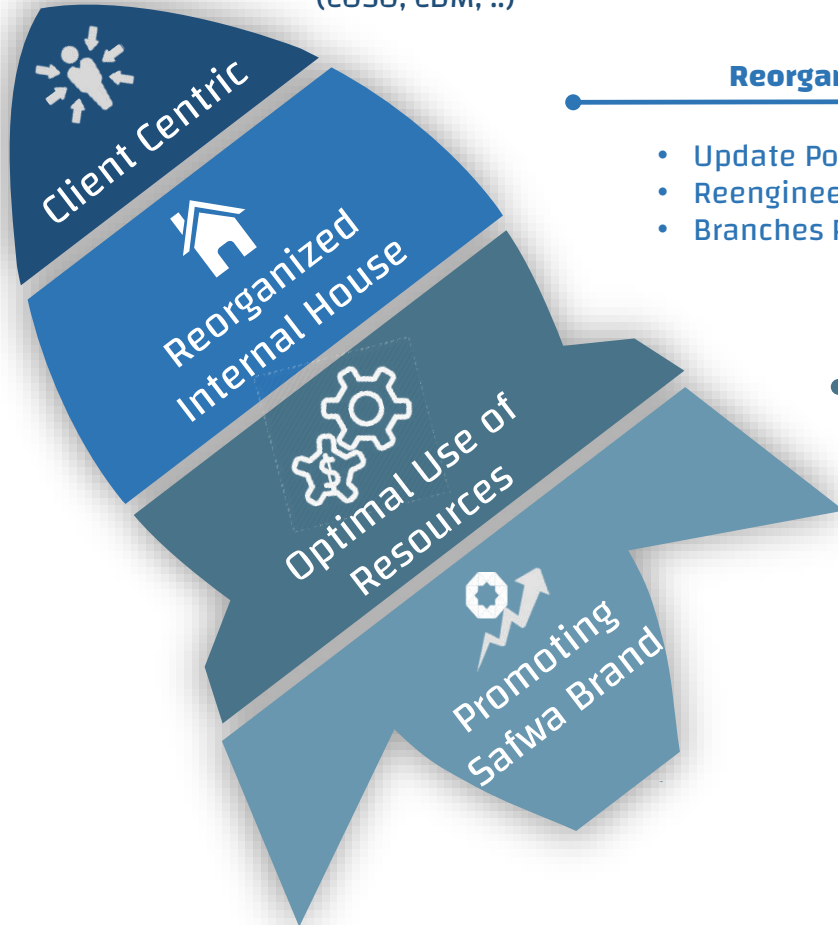
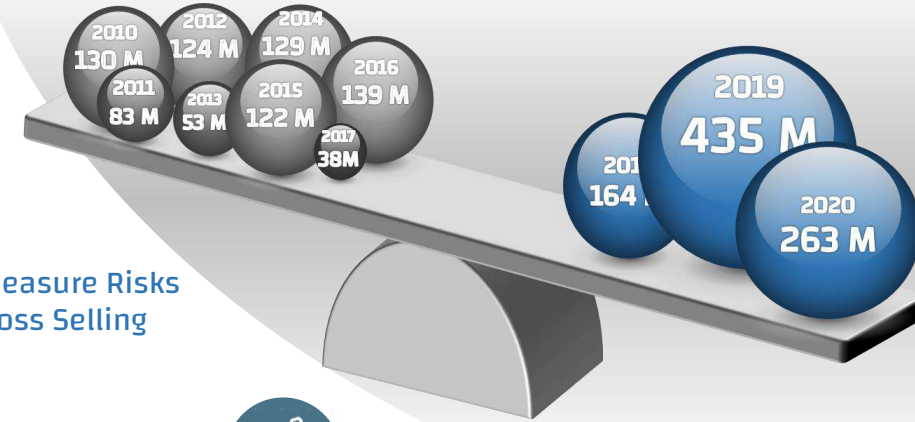


## Promoting Safwa Brand

- Promotional Campaigns and Videos
- Special Offers for Most Sacrificing and Needy Jordanian Sectors
- Use of Social Media Sites
- Smart and Creative Promotions



Ambitious growth, steady steps since 2018, we achieved a growth during this period exceeds the total growth from 2010 to 2017 shortening long years reflecting clear vision and goals

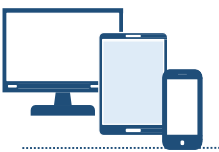




Basic Bank Account	Current Accounts Regular Salary	Saving Accounts Regular Harir (Women) Kanzi (kids)
Investment Deposit	Investment Certificate	Hajj Sukuk Deposit Box



Pre Paid Cards	Murabaha Credit Card	ATM Cards	Debit Cards
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Safwa Mobile	Safwa Online	Safwa SMS	Call Center
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01 Accounts

03 Retail

02 Cards

06

03 E Channels

05 Small Business

06 Treasury

Real Estate Ijarah	Personal Murababaha	Musawamah
Yusur For Refinancing	Auto Murababaha	

Facilities	Cash Deposit Machines	Cash Management System
Corporate Savings Account	Corporate Current Account	

Financing Goods	Real Estate Financing	Start-up Financing
Financing for Renewable Energy	Indirect Financing	

Safe Custody	Management and issuance of Sukuk
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Customer Centric

Solid Principles, Innovative Solutions

Digitization

Simple Processes

“ Anytime, Anywhere ”

## E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

## E Services



Contactless Card



Transfers



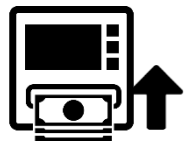
E-Pay Bills



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



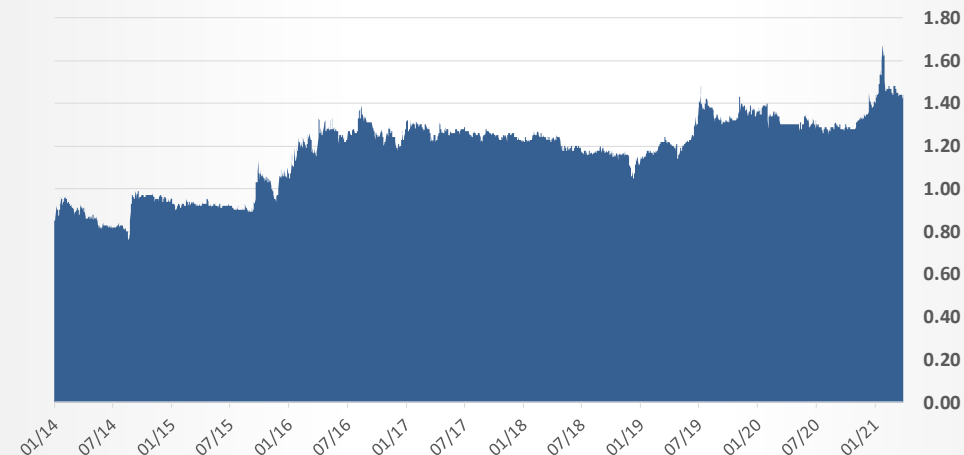
Points & Loyalty



## Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 17.8 %
- ▶ **Closing Price:** JOD 1.44
- ▶ **Market Value :** JOD 144 mn

## Share Price Since 2014

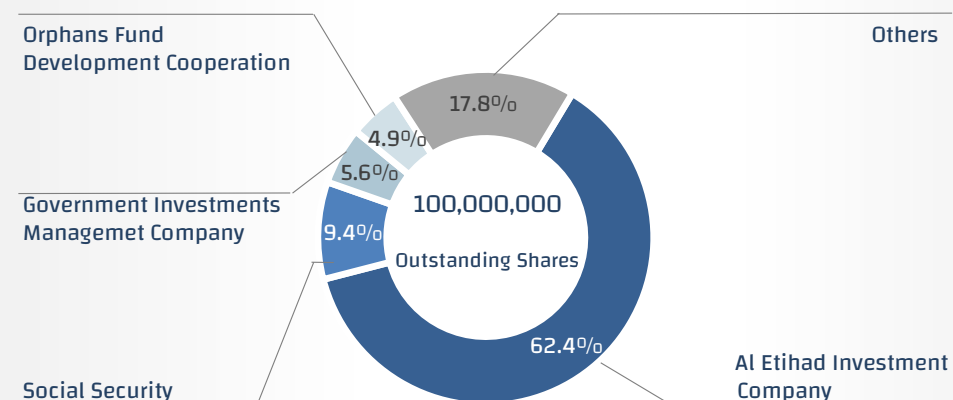


## Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.35
- ▶ **PE Ratio** 11.60 X
- ▶ **PB Ratio** 0.91 X
- ▶ **Volatility** JOD 0.08
- ▶ **Payout Ratio** 60% \*

\* 2020 dividends: 6%

## Shareholders Composition





**Dr. Mohammed Abu Hammour, Chairman**  
Rep.: Al Etihad Islamic for Investment Co.



**Abd Al-Rahim Al-Hazaymeh**  
Rep.: Orphans Fund Development Foundation  
Independent



**Basem Salfiti**  
Rep.: Al Etihad Islamic for Investment Co.



**Deema Aqel**  
Rep.: Al Etihad Islamic for Investment Co.



**Khaled Al-Gonsel**  
Rep.: Al Etihad Islamic for Investment Co.



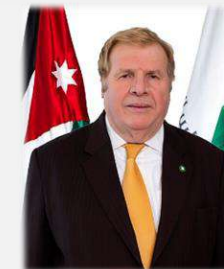
**Dr. Ibrahim Saif**  
Rep.: Al Etihad Islamic for Investment Co.



**Ahmed Amneisi**  
Rep.: Al Etihad Islamic for Investment Co.



**Dr. Nofan Al-Aqeil**  
Rep.: Social Security Corporation



**Dr. Khaled Al Zantouti**  
Independent



**Salem Burgan**  
Independent



**Samir Abu Lughod**  
Independent

Ziad Kokash  
Head of Credit  
Admin.



Ahmad Tartir  
Head of  
Compliance



Rami Khayat  
Head of  
Corporate



Wael Bitar  
Head of Treasury



Mohammed Hawari  
Head of Human  
Capital



**Samer Tamimi**  
CEO



Masoud Saqf Al Heit  
Head of Legal Dep.



Ahmad Jafar  
CRO



Hani Zarari  
Head of  
Operations



Rami Kilani  
Head of IT



Khaled Issa  
Head of Audit



Nesfat Taha  
Head of Retail



Munir Feroanyah  
Head of Shareea'a



Priorities were ranked according to importance and necessity







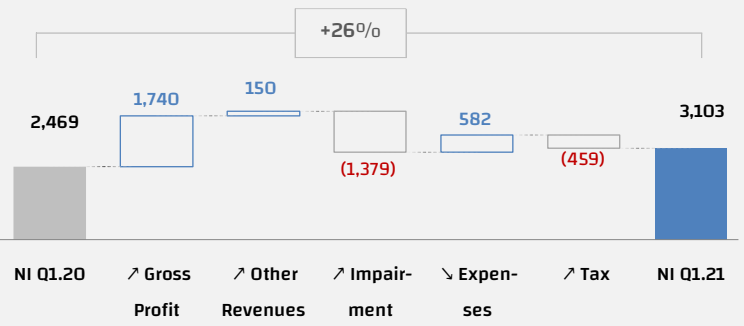
04

# Safwa Islamic Bank

## Financials

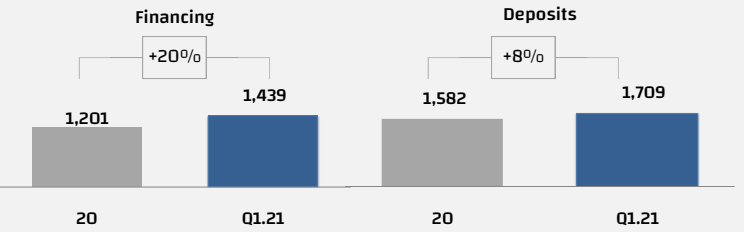


## Profit & Loss



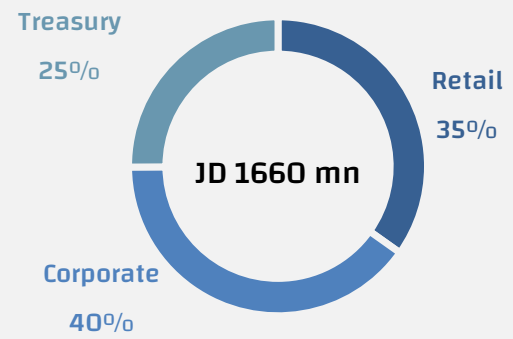
- NI Increased by 26% (JD 634 K) in Q1.21 compared to Q1.20
- The positive change is a net of increase of gross profit (driven by B5 increase), and decrease of G&A expenses (nonrecurring expense of JD 1.0 mn donation in Q1,20) in one sight and a increase of JD 1.4 mn of ECL impairment loss (as a result of Covid 19 effects) and tax expense increase in the other sight

## Financial Position



- Safwa continued the increasing trend and was able to increase the deposits base by 8%; JD 127 mn.
- At the assets side, the financing increased by JD 238 mn (20%) driven by granting JD 150 mn to Military Credit Fund.

## Credit Quality & Liquidity Indicators

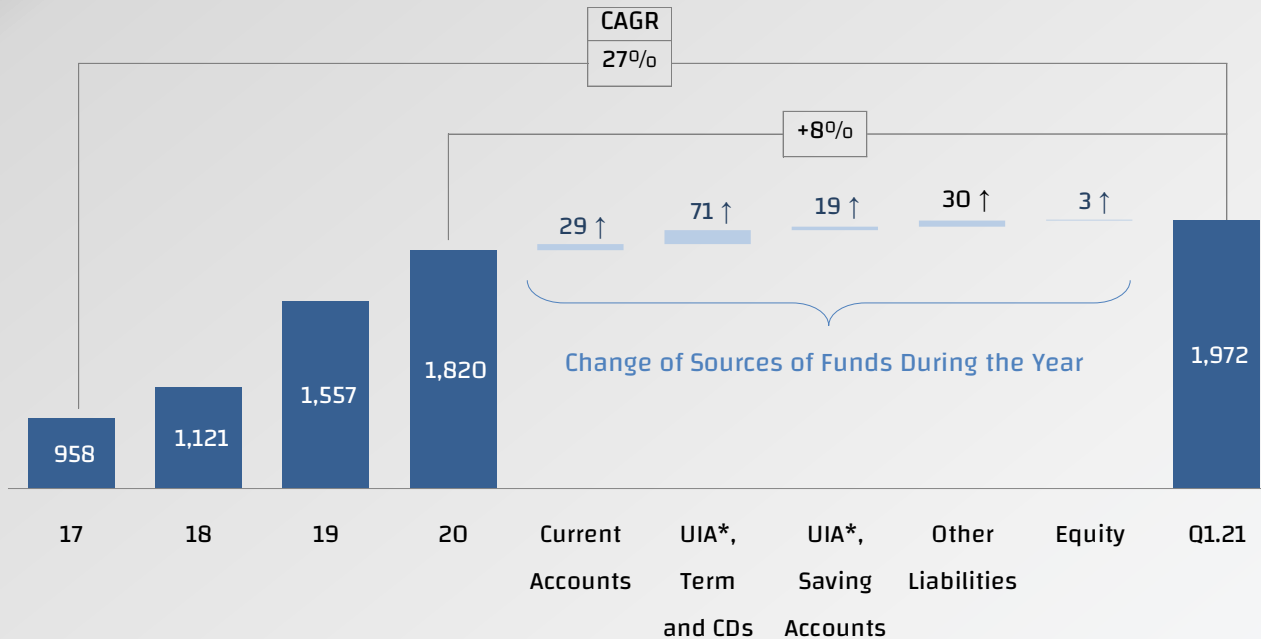


- Well diversified financing & investment portfolio
- NPL% at 2.7%
- Coverage ratio of 134% without considering the tangible collaterals
- Capital adequacy ratio 18.5%

## Trends (JD mn)



## Volume Trends and Movement During the First Half of 2020 (JD mn)



### Management Commentary

- Ambitious growth with a CAGR of 27% since 2017
- During the first quarter, the bank attracted new deposits causing its funding to raise by 8% despite the pandemic.
- The funding growth of JOD 152 mn was mainly driven by an increase of term deposits and CDs by JD 71 mn, CASA by JD 49 mn, and other liabilities by JD 30 mn (increase of FIs deposits by JD 14 mn.)

\* UIA: Unrestricted Investment Accounts

## Funding Structure

Funding Structure, JOD 1,972 mn, as of Q1.2021

Time Deposits, 66%	CASA, 23%	Equity, 8%
		Current, 13%
		Equity, 8%
Term Deposits, 59%	CDs, 7%	Saving, 10%
		Other, 3%

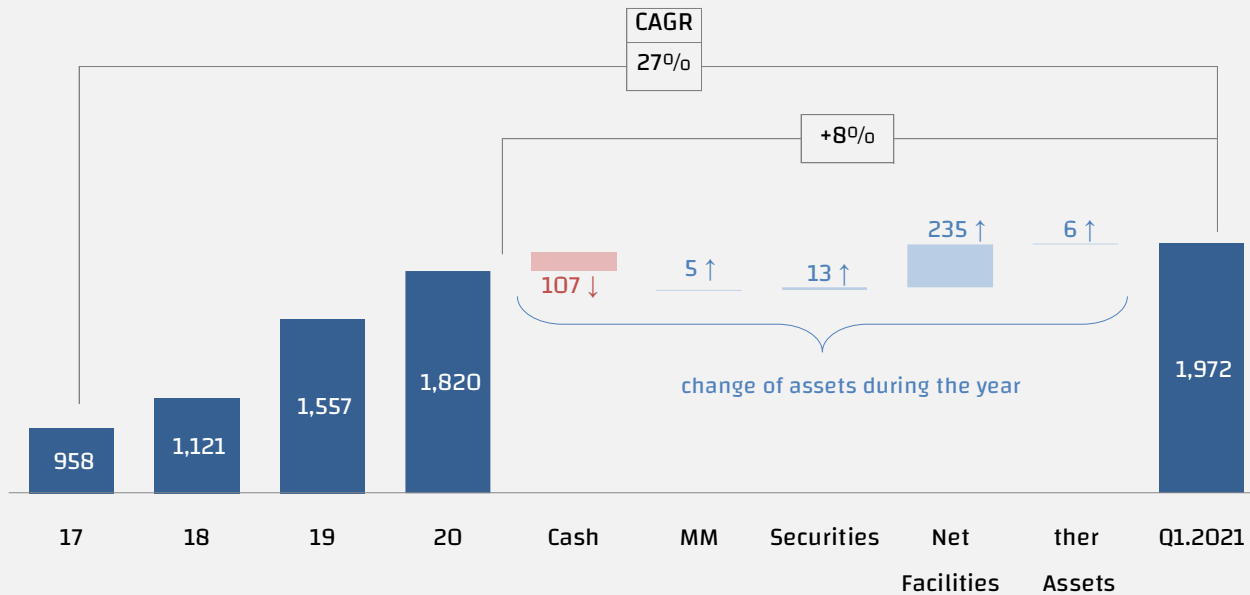
Funding Structure, JOD 1,820 mn, as of EOY 2020

Time Deposits, 66%	CASA, 22%	Equity, 8%
		Current, 13%
		Equity, 8%
Term Deposits, 59%	CDs, 7%	Saving, 9%
		Other, 3%

### Management Commentary

- The funding structure witnessed enhancement of cheap sources of fund contribution (CASA) from 22% in 2020 to 23% in Q1.2021.

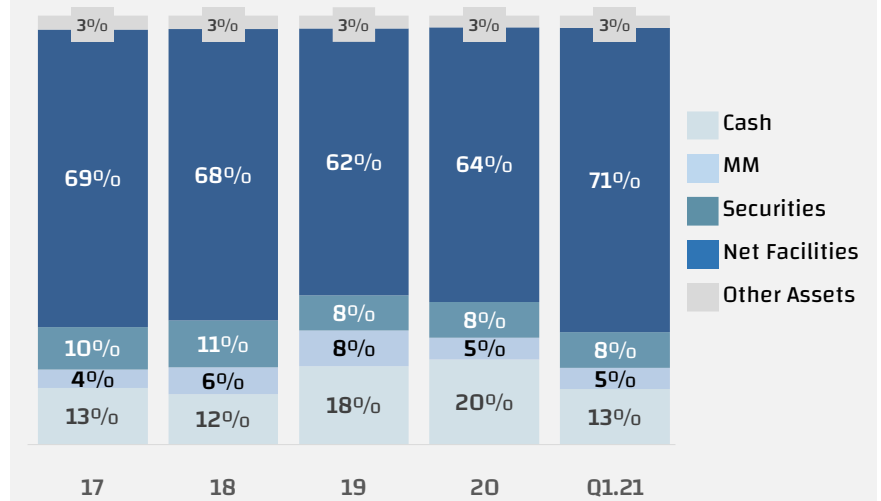
## Volume Trends and Movement During this Year (JD mn)



### Management Commentary

- Ambitious growth with a CAGR of 27% since 2016
- Movement during the first quarter witnessed an increase of net facilities by JD 235 mn, mainly after granting the Military Credit Fund MCF JD 150 mn and increase of retail facilities by JD 34 mn.
- Despite the decrease of cash by JD 107 mn, the liquidity did not affected as the bank had approval from CBJ to treat the MCF financing as part of liquid assets with weighted average of zero.

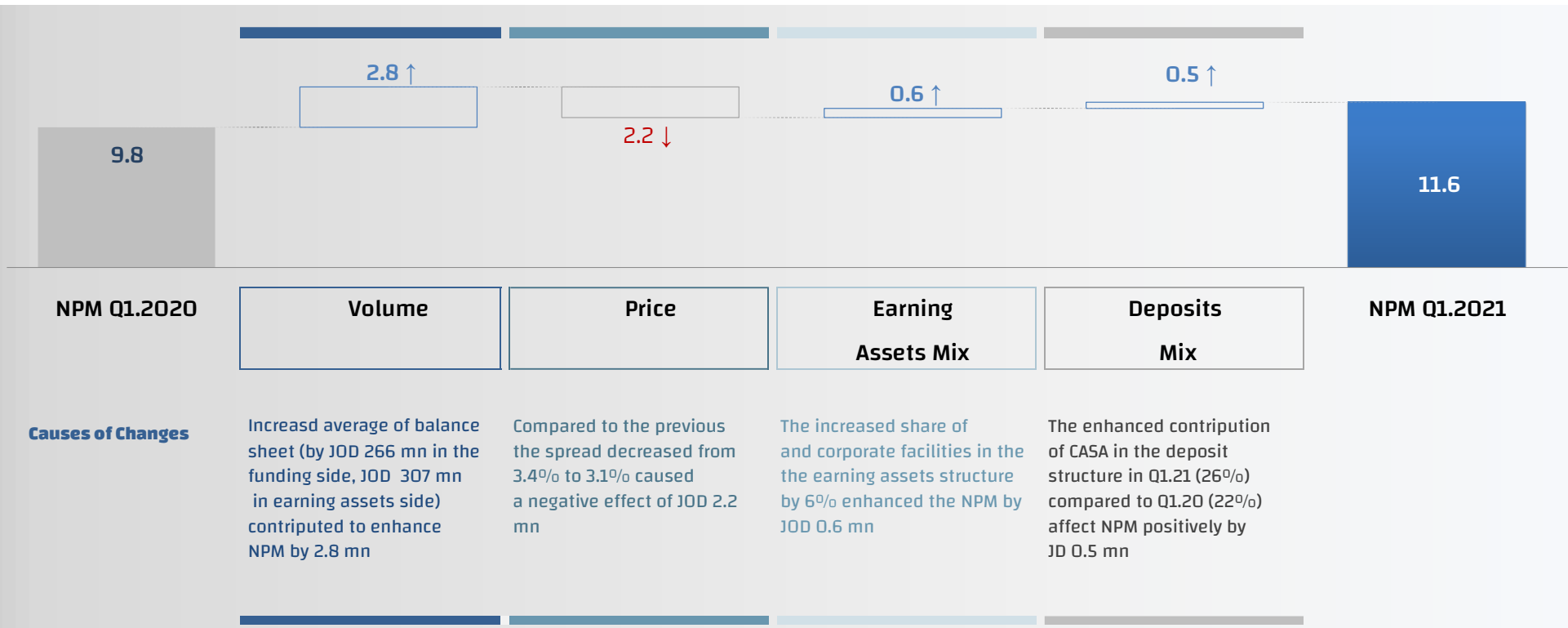
## Asset Structure Trend



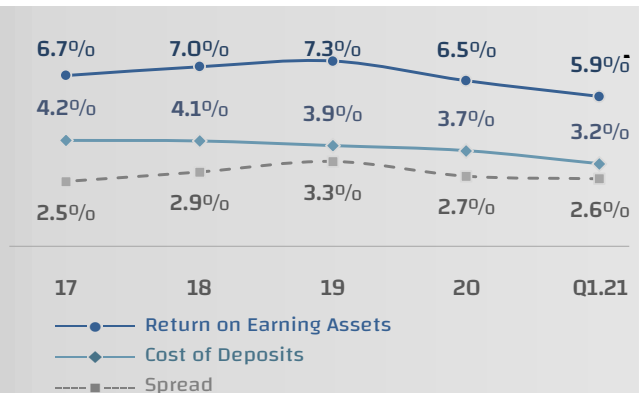
### Management Commentary

- The asset structure during 2020 showed change with offset of 3% of MM instruments contribution for favor of facilities and cash which contributions increased by 2%
- Since 2016, asset structure changed by increased contributions of MM and securities and decreased contribution of cash

## Net Profit Margin Analysis, Causes of Change



## Return on Earning Assets, Cost of Deposits, and Spread



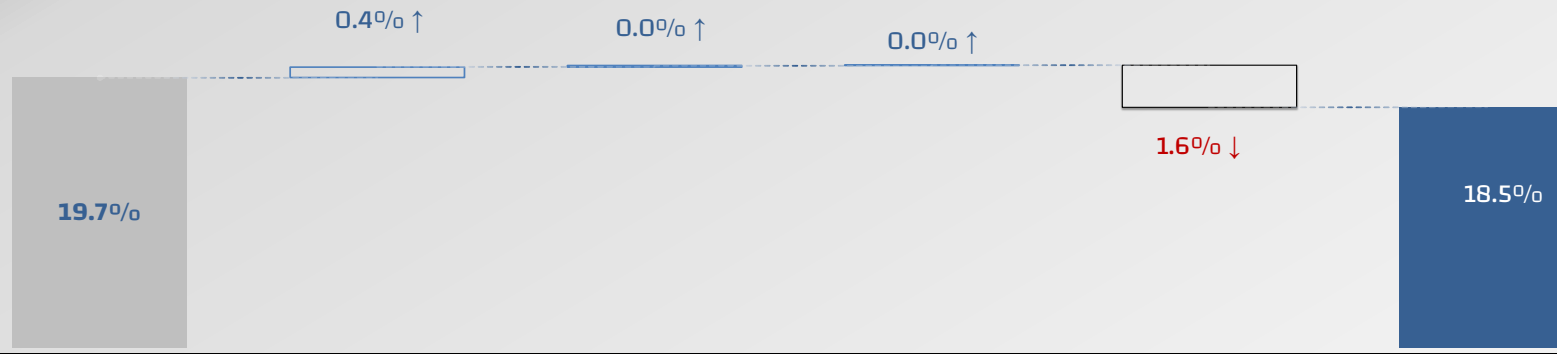
### Management Commentary

- Jordanian Dinar return is highly correlated with USD,
- The return on earning assets is affected by Covid 19 pandemic as the bank in line with CBJ instructions postponed the installments during the months 4, 5, 6, and 12 in 2020 and in 4 in 2021.
- The decline in return of JOD, beside the procedures of postponing facilities installments affected the assets (return on earning assets) side more than liabilities side (cost of deposits) caused the spread to decrease by 50 points

# Financial : Profitability, ROAE, Du Pont Analysis YoY

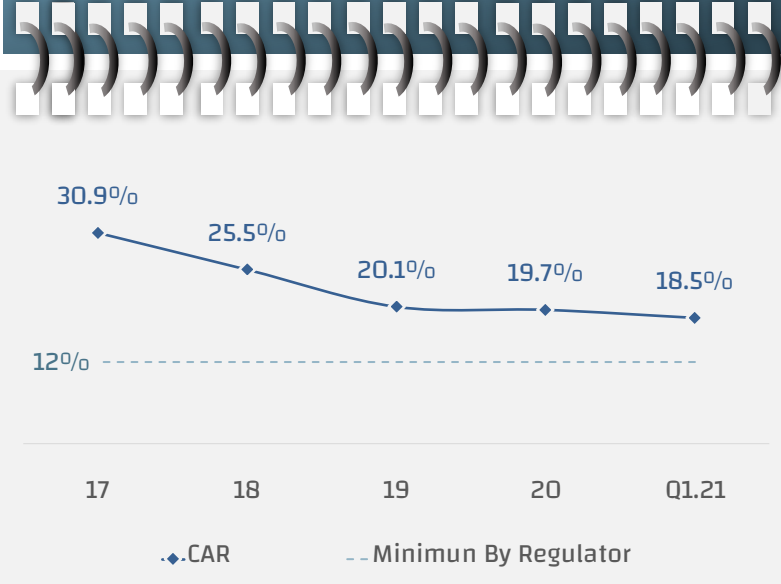
6.8%						8.1%	
ROAE Q1.2020	Tax Effect	Effect of COD*, Provisions, G&A	Return on Earning Assets	Earning Assets to Total Assets	Equity Multiplier	ROAE Q1.2021	
ROAE	= $\frac{NI}{EPT}$	x	x	x	x	=	
	$\frac{NI}{EPT}$	x	x	x	x	=	
ROAE Q1.2021	62%	x	6.5%	x	81%	x	8.1%
ROAE Q1.2020	63%	x	7.7%	x	78%	x	6.8%
Change	1% ↓		1.2% ↓		3% ↑		1.3% ↑
Explanation	<p>The previous period effective tax rate was 58% due to prior years settlement, in 2020 the effective tax rate enhanced</p>	<p>As a result of enhanced COD to total revenues and G&amp;A to total revenues which had a positive effect of 2.5% and 1.3% respectively lead to offset the negative impact of provisions to total revenues</p>	<p>Decreased return on earning assets caused ROAE to decrease by 1.3% Pandemic caused business cycle to stop and affected both direct income and nonfunded income</p>	<p>Earning assets increased from 78% to 81% caused ROAE to be higher by 0.3%</p>	<p>The increase of the balance sheet volume enhanced the equity multiplier which had a positive effect on ROAE by 0.80%</p>		

## Movement of Capital Adequacy Ratio during the year



CAR, Q4.20	Change in Returned Earning	Change in Subordinated Capital	Effect of Change in Other Factors (Inrangible Assets, Def. Tax Assets, ..)	Effect of Change in RWA	CAR, Q1.21
	Retained earning and reserves increased by JD 10 mn had a positive effect in CAR by 1.1%	Change in subordinated capital had a minimal effect in CAR%	Other factors had a minor effects on CAR	The increased volume of RWA from JD 738 mn to JD 804 mn affected the CAR by a decrease of 1.6%	

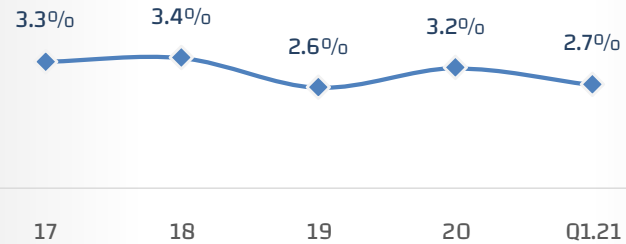
## CAR Trend



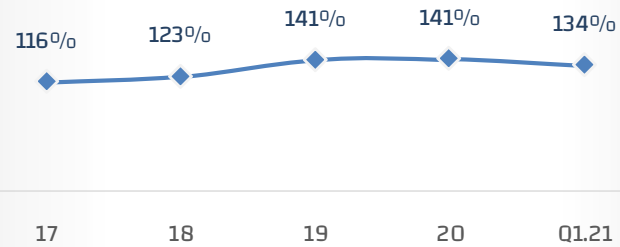
### Management Commentary

- CAR showed decreased trends as a normal result of the continuous growth of assets volume in the last years
- The bank's rank for this ratio is one of the best in Jordanian banking sector
- The bank is in healthy position with a comfort zone by 6.5% (CBJ minimum CAR is 12%)

### NPL<sup>0/0</sup>



### Coverage Ratio

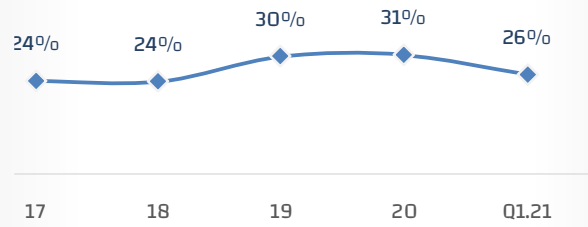


### Management Commentary:

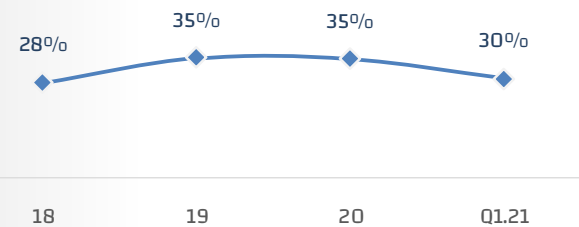
- ▶ Safwa maintained healthy NPL percentage below the market average, NPL ratio is lowered by 0.5% to reach 2.7% compared with end of year 2020
- ▶ For long years, the bank preserved an adequate allowance for doubtful accounts which covers more than the NPL balances, the coverage ratio reached 134 % as of Q3.21



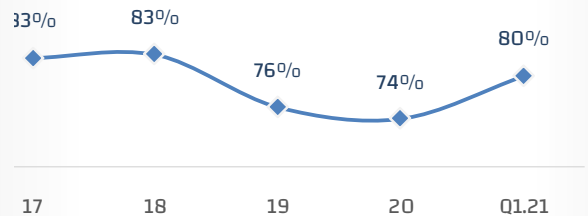
Liquid Assets / Assets



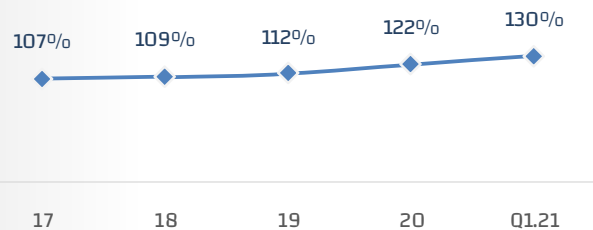
Liquid Assets / Deposits



Advances To Deposits (AD<sup>o</sup>%)



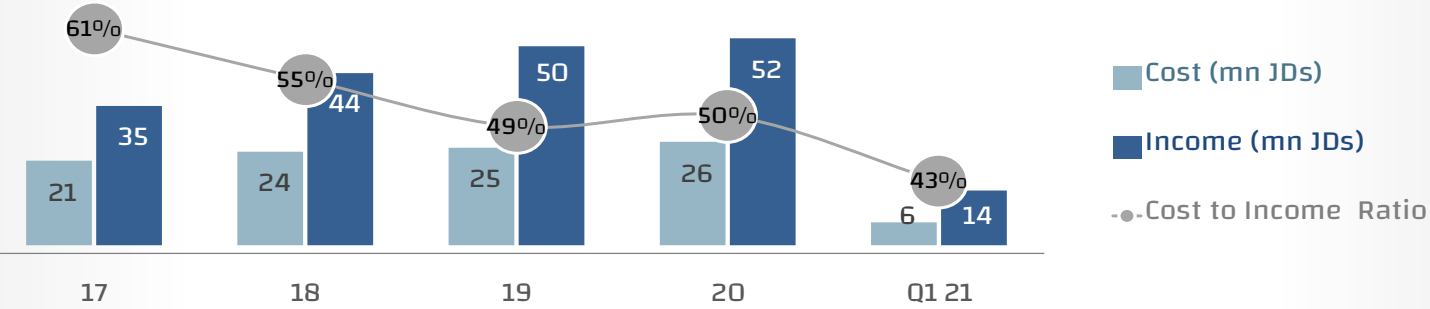
Regulatory Liquidity



## Management Commentary:

- ▶ Advances to deposits ratio showed an increase after granting JD 150 mn to MCF, if this financing is treated as money instrument, AD ratio would be 71%.
- ▶ The liquid assets (cash, balances with banks, and money market instruments (int'l Murabaha and int'l Wakala)) contributed to reasonable percentage of total assets and these liquid assets covers 30% of deposits. Also, these ratios showed enhancement trends during last years
- ▶ This comfortable liquid position will help the bank to face any emergency situation in the future

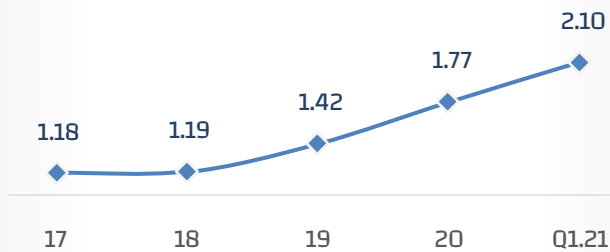
Cost & Income Trend



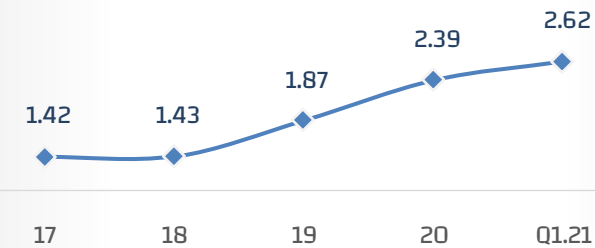
## Management Commentary:

- ▶ Trend of cost to income ratio (CTI) showed continuous enhancement reflecting the effective and efficient way to manage its resources
- ▶ Other efficiency indicators showed notable continuous improvement as Safwa bank continued to expand and grow with careful use of its resources, these indicators related to employees are one of the best in the market.

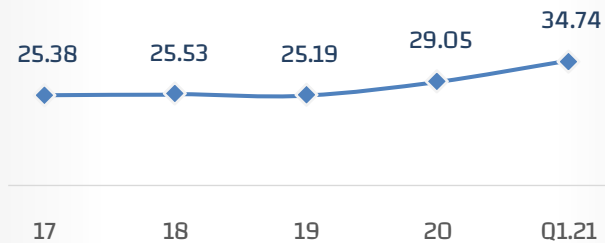
Financing / Employee (JD mn)



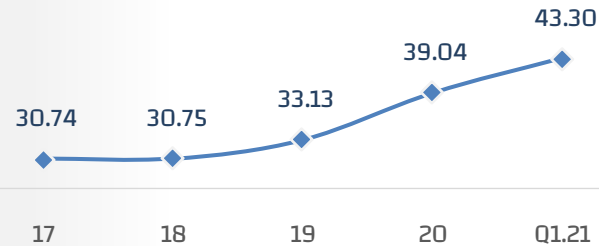
Deposits / Employee (JD mn)



Financing / Branch (JD mn)



Deposits / Branch (JD mn)



In order to understand the financial statements for Safwa Islamic bank, the following explanations are necessary and important:

## Facilities (Financing)

Facilities appears in the Safwa Islamic Bank's financial statements (financial position) as the sum of:

- Deferred sales receivables and other receivables-net (excluding international Murabaha)
- Ijarah muntahia bittamleek assets-net.
- Qard Hasan

## Money Market Instruments

Safwa Islamic Bank invests the extra funds in money market instruments, these instruments mainly consists of

- international Murabaha (appeared within "Deferred sales receivables and other receivables-net")
- international wakala

## Cost of Deposits

The cost of deposits expense in Safwa's statement of income includes the following items:-

- Share of unrestricted investment accounts holders'
- Deposit Insurance corporation fees, jointly financed
- Deposit Insurance corporation fees, self financed
- Changes in PER (Profit equalizer reserve)

## Provisions for Doubtful Accounts

The concept of this provision includes the sum of :-

- Expected credit loss on jointly items
- Expected credit losses provision for facilities - self financed

## Direct Income

The concept of direct revenues in Safwa's statement of income includes the following items:-

- Differed sales revenues
- Ijara muntahia bittamleek assets revenue
- Gains from International wakala investments
- Gains from all financial assets
- Share of Joint Funds from Profits of associate company
- Bank's self financed revenue
- Depreciation of Ijara muntahia bittamleek assets- self financed

ATM	Automated Teller Machine
CAGR	Compound Annual Growth Rate
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Saving Accounts
CBJ	Central Bank of Jordan
CDM	Cash Deposit Management
COSO	Corporate Service Office
COD	Cost of Deposits
G&A	General and Administrative Expenses
GDP	Gross Domestic Products
MM	Money Market Instruments
JD	Jordanian Dinar
NI	Net Income
NPL	Non Performing Financing
NPM	Net Profit Margin
PB <sup>o</sup> / <sub>o</sub>	Price to Book Ratio
PE <sup>o</sup> / <sub>o</sub>	Price to Earnings Ratio
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RWA	Risk Weighted Assets

Advances to Deposits	AD <sup>o/o</sup>	The average of facilities divided by average sum of deposits and cash collaterals.
Capital Adequacy Ratio	CAR <sup>o/o</sup>	A measurement of a bank's available capital expressed as a percentage of a bank's risk weighted assets (RWA) exposures
Current and Saving Accounts <sup>o/o</sup>	CASA <sup>o/o</sup>	Sum of current and saving accounts divided by total deposits and cash collaterals
Compound Annual Growth Rate	CAGR	The mean annual growth rate of an financial figure over a specified period of time longer than one year
Cost of Deposits	COD	Annualizes profit expenses divided by deposits average (CASA and term deposits, and margins)
Cost to Income Ratio		G&A divided by (Gross Income + Non-funded Income)
Coverage Ratio		Sum of allowance of expected credit loss provisions and suspended profits divided by non performing financing
Liquid Assets		High liquid assets that can be converted to cash within reasonable cost and short time
Net Profit Margin (NPM)	NPM	The Direct Income of earning assets minus the cost of deposits
Non-Performing Financing		Financing that is in default or close to being in default, due to the fact that they have not made the scheduled payments for a specified period, most financing become non-performing after being default for 90 days
Payout Ratio		Proportion of earnings a company pays shareholders in the form of cash dividends
Per Capita Income		GDP divided by population
Price to Book Ratio	PB	Market value of outstanding shares to total equity
Price to Earnings Ratio	PE	Closing price to the annualized earning per share
Return on Average Assets	ROAA	Annualized net income after tax divided by average assets
Return on Average Equity	ROAE	Annualized net income after tax divided by average equity
Risk Weighted Assets	RWA	The banks' assets or off balance sheet exposures weighted according to risk used in deterring capital adequacy
Spread		Difference between return on earning assets and cost of deposits

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