



# Safwa Islamic Bank

Investor Report  
Q3.2022

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# Safwa Islamic Bank

## Financials



**Safwa Bank is the fastest organically growing bank in Jordan**



Efficient Bank



Digitally Enabled



Serve All Customers



Trusted Bank



Full Suite Products

## Financial Position

JD **2,549** mn in Assets  
9% ↗

JD **2,283** mn in Deposits  
9% ↗

JD **1,905** mn in Financing  
16% ↗

## Key Ratios

ROE **9.3%** 0.3% ↗

CTI **44%** 1% ↗

CAR **17.1%** 1.0% ↘

## Ratings

**B+** Capital Intelligence

## Market Share %



## Performance

JD **40.2** mn in Operating Income  
8% ↗

JD **11.5** mn in Net Income  
9% ↗

## Efficient Network

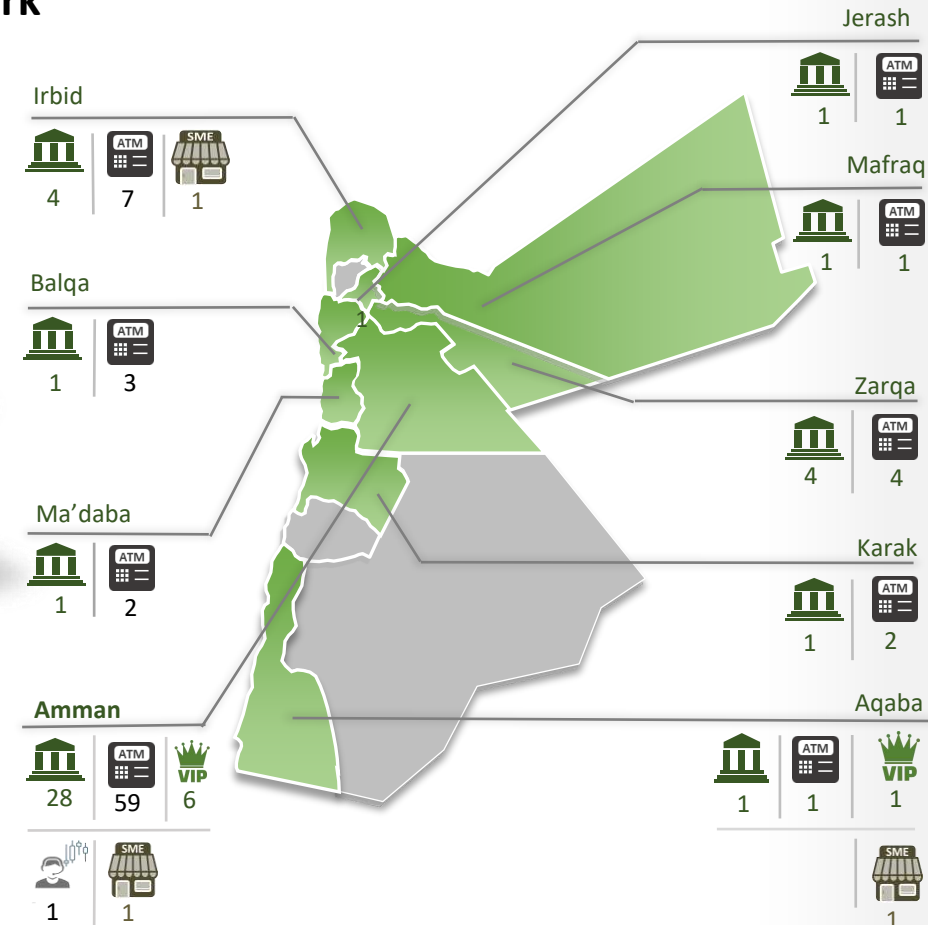
**42** Branches

**80** ATMs

**7** VIP Safwa Gold

**3** SME Centers

**1** Brokerage Company



# Safwa .. Key Ratios

4

## Key Ratios

### Stand Alone

### YTD

Q3.22

Q2.22

QoQ (bps)

YTD, Q3.22

YTD, Q3.21

YoY (bps)

## Profitability

Net Interest Margin

2.7%

2.7%

(1)

2.7%

3.0%

(34)

Return on Average Equity

9.4%

9.8%

(43)

9.3%

9.0%

28

Return on Average Assets

0.6%

0.7%

(4)

0.6%

0.6%

(4)

Return on Average Capital

15.6%

16.2%

(62)

15.4%

14.2%

124

## Assets Quality and Capital

Non-performing loan ratio

2.3%

2.2%

14

2.3%

2.3%

5

Provision coverage

124%

131%

(664)

124%

125%

(86)

CAR

17.1%

17.0%

3

17.1%

19.0%

(194)

CET1

16.7%

16.8%

(12)

16.7%

18.7%

(198)

## Efficiency

Cost to Income

43%

44%

(132)

44%

43%

65

## Liquidity

LCR

333%

313%

2,000

333%

491%

(15,770)

Financing to Deposits

76%

73%

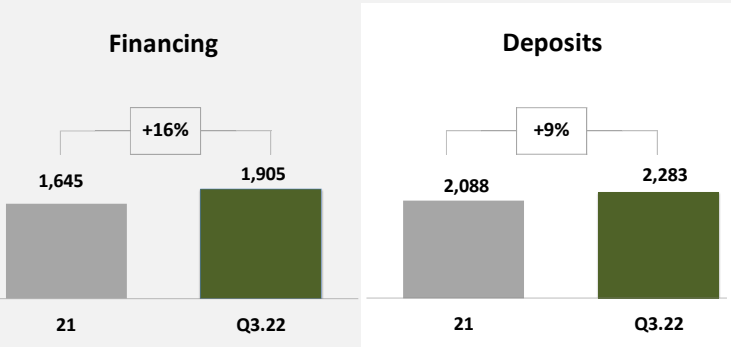
270

76%

74%

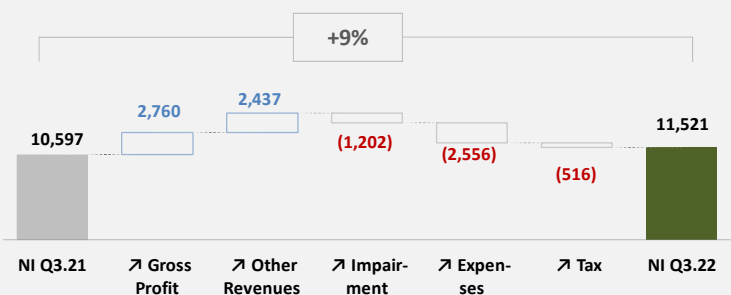
236

## Financial Position



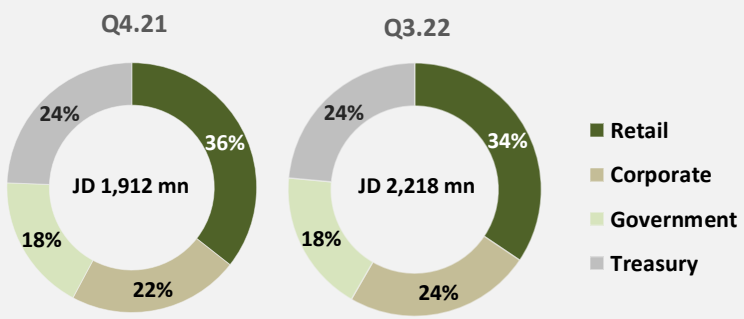
- Safwa continued the increasing trend and was able to increase the financing by 16%; JD 260 mn.
- At the other side, the deposits increased by JD 195 mn (9%).

## Profit & Loss



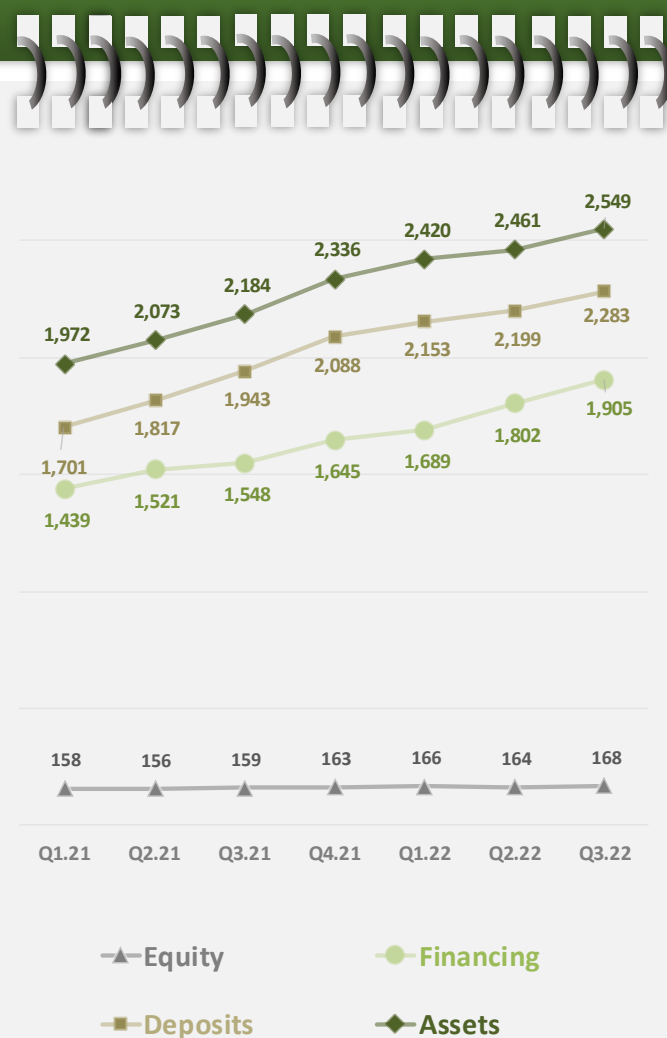
- NI Increased by 9% as end of Q3.2022 compared to Q3.2021 (from JD 10.6 mn to JD 11.5 mn)
- The positive change is a net of increase of gross profit (driven by BS increase), other revenues (driven by business increase), versus increase of expenses, impairment, and tax expense increase.

## Credit Quality



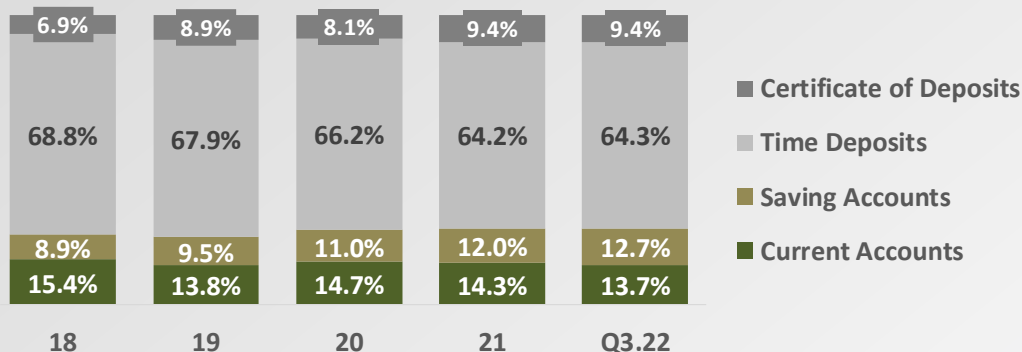
- Well diversified financing & investment portfolio
- NPL% at 2.3%
- Coverage ratio of 124% without considering the tangible collaterals
- Capital adequacy ratio 17.1%

## Trends (JD mn)



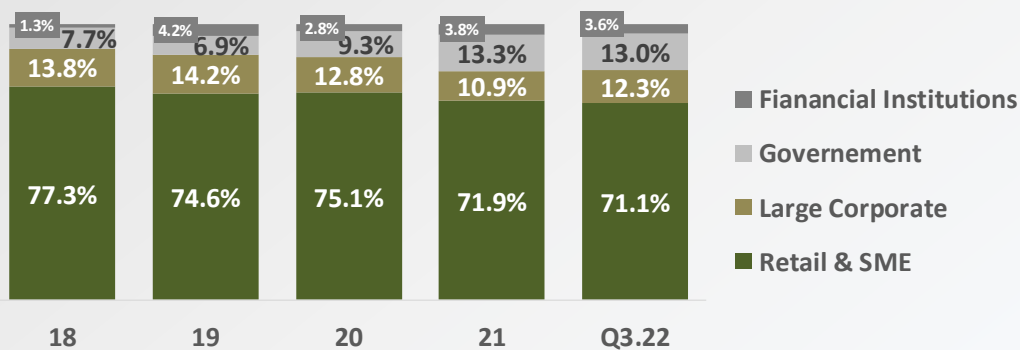
## Deposits Structure

### By Product



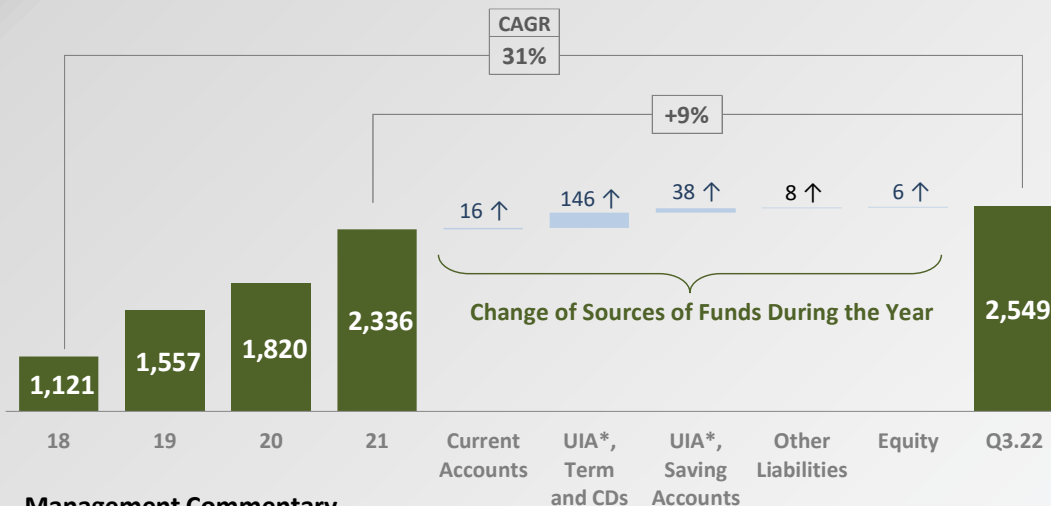
- Increasing trend of CASA contribution over the years

### By Sector



- Stability of deposits structure over the years.

## Volume Trends and Movement During the First Nine Months of 2022 (JD mn)

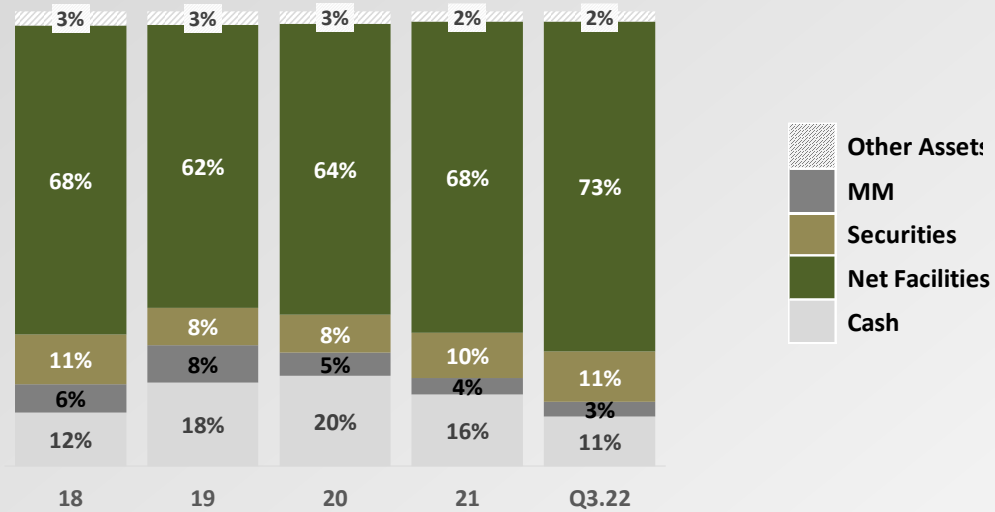


### Management Commentary

- Ambitious growth with a CAGR of 31% since 2018
- During the first nine months of 2022, the bank attracted new deposits causing its funding to increase by 9%
- The funding growth of JOD 213 mn was mainly driven by an increase of term deposits and CDs by JD 146 mn, CASA by JD 54 mn, and other liabilities by JD 8 mn

\* UIA: Unrestricted Investment Accounts

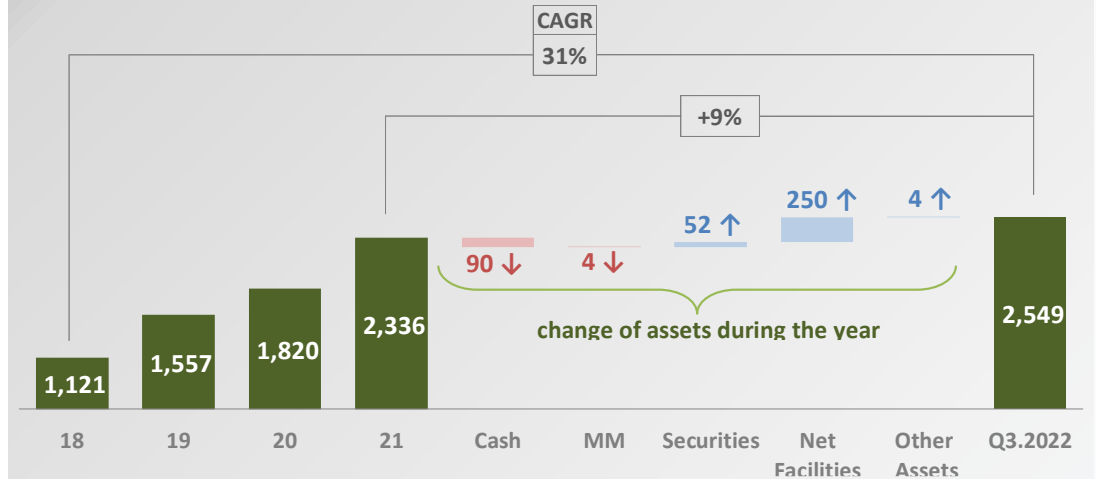
## Deposits Structure



### Management Commentary

- The assets structure showed a notable enhancement of net facilities' contribution during the first nine months of 2022.
- Since 2018, asset structure changed mainly as a result of increased contribution of facilities versus decreased contributions of MM instruments.

## Volume Trends and Movement During the First Nine Months of 2022 (JD mn)

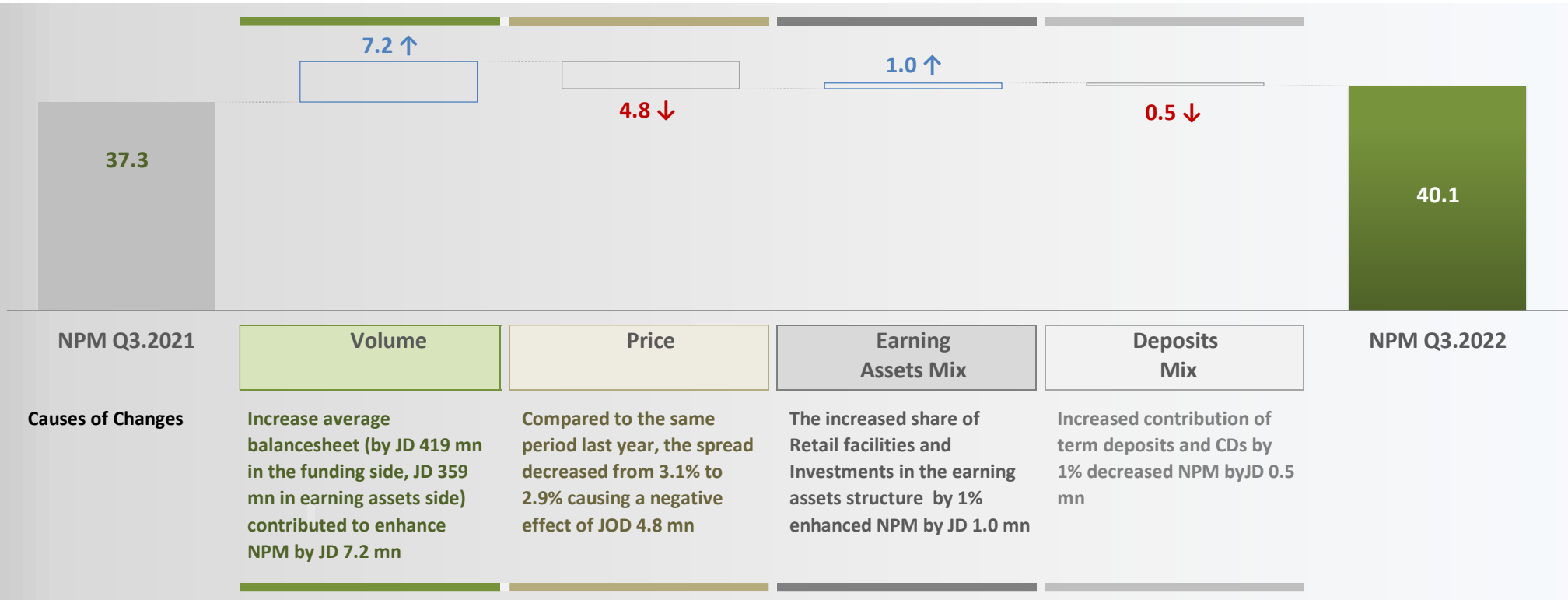


### Management Commentary

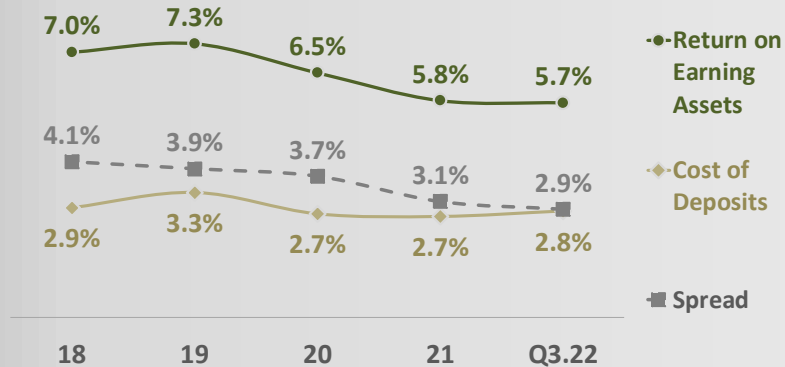
- Ambitious growth with a CAGR of 31% since 2018
- Movement during the first nine months of 2022 witnessed an increase of 9% driven mainly by net facilities; JD 250 mn, and securities by JD 52 mn.



## Net Profit Margin Analysis, Causes of Change



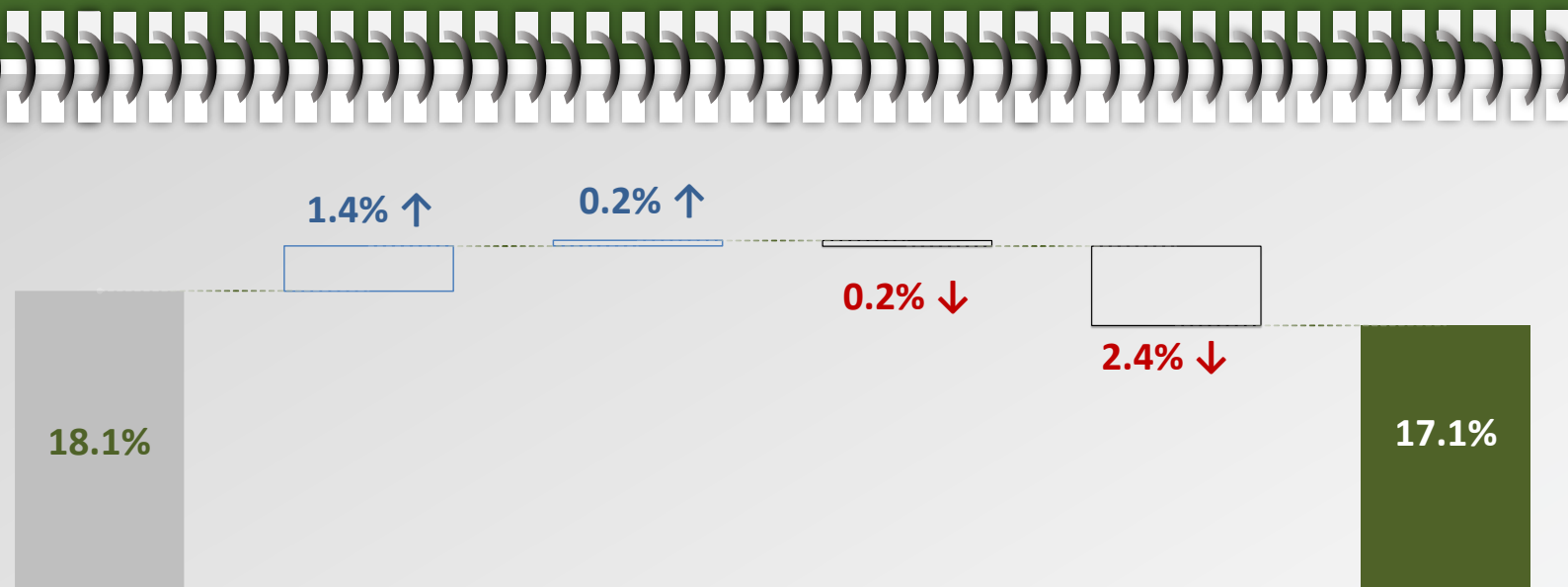
## Return on Earning Assets, Cost of Deposits, and Spread



### Management Commentary

- Jordanian Dinar return is highly correlated with USD.
- The return on earning assets showed decreasing trend mainly as a result of Covid 19 pandemic effect, hence the bank adopted a more risk averse strategy with more focus on GREs
- Cost of fund showed stability during the first nine months of 2022.
- As a result, the spread had decreased 0.2% as of end of Q3.22 compared to 2021
- In the future, It is expected that the spread will be pressured by the forecasted interest rate increase. However, management has taken measures such as repricing of assets and financing more non-GREs/high yielding assets in due course.

## Movement of Capital Adequacy Ratio during the year



CAR, Q4.21

**Change in Returned Earning**

Retained earning and reserves increased by JD 11.5 mn had a positive effect on CAR by 1.4%

**Change in Tier 2 (Supporting) Capital**

Change in tier 2 capital had a minor effect on CAR%

**Change in Other Factors (Inrangible Assets, Def. Tax Assets, ..)**

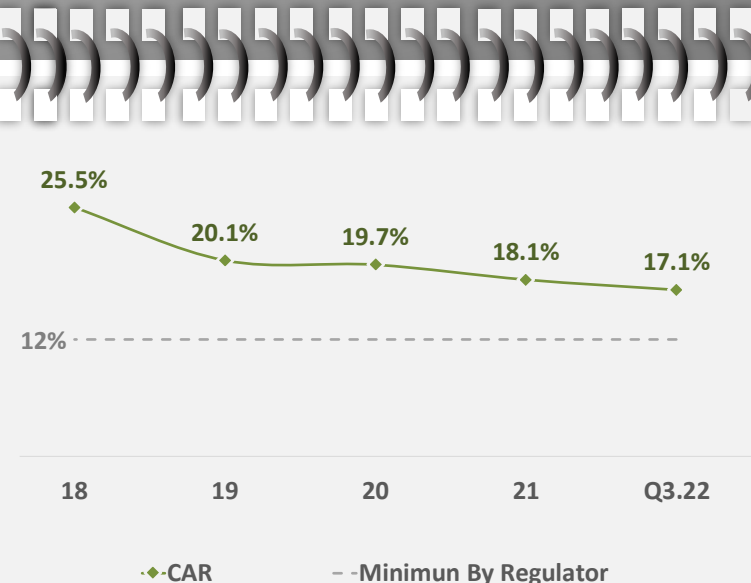
Other factors had a slight effects on CAR

**Change in RWA**

The increased volume of RWA by JD 119 mn from JD 847 mn to JD 966 mn affected the CAR by a decrease of 2.4%

CAR, Q3.22

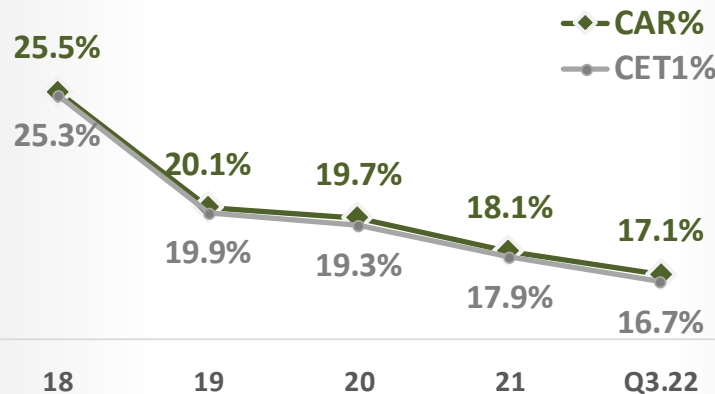
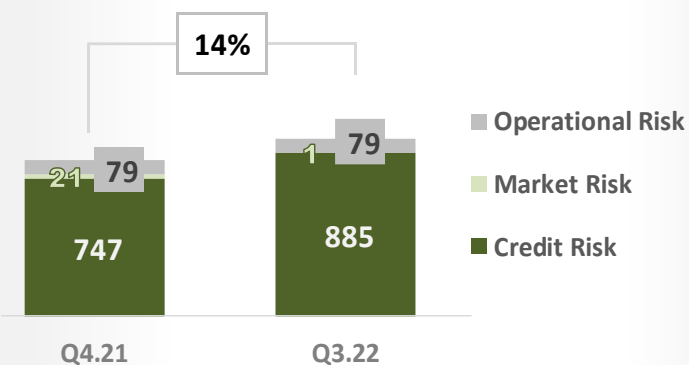
## CAR Trend



### Management Commentary

- CAR showed decreased trends as a normal result of the continuous growth of assets volume in the last years
- The bank is in healthy position with a comfort zone of 5% (CBJ minimum CAR is 12%)

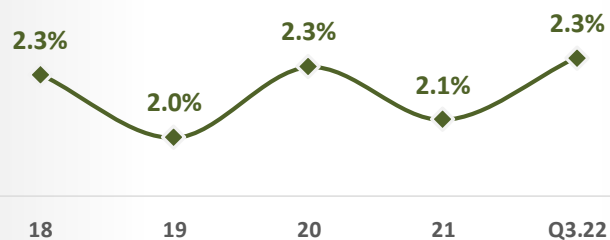
Risk Weighted Assets (JD mn)



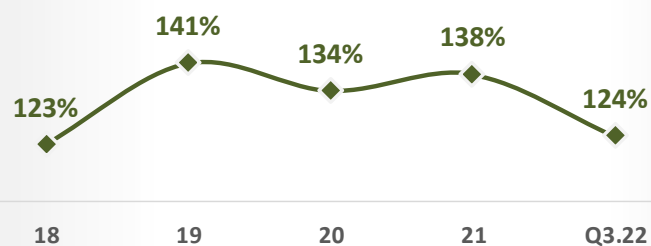
### Management Commentary:

- ▶ Risk weighted assets increased during the first nine month of 2022 by 14% mainly due to credit risk.
- ▶ Safwa maintained healthy NPL percentage below the market average, NPL ratio reached 2.3%
- ▶ For long years, the bank preserved an adequate provisions for doubtful accounts which covers more than the NPL balances, the coverage ratio reached 124% as of end of Q3.2022 without considering collaterals

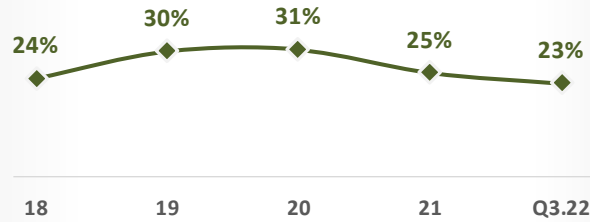
NPL%



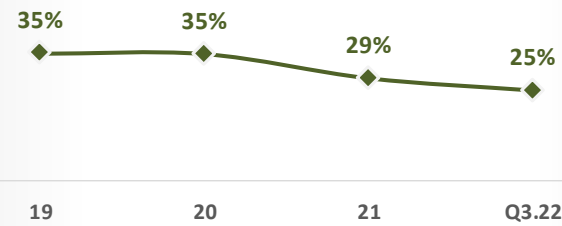
Coverage Ratio



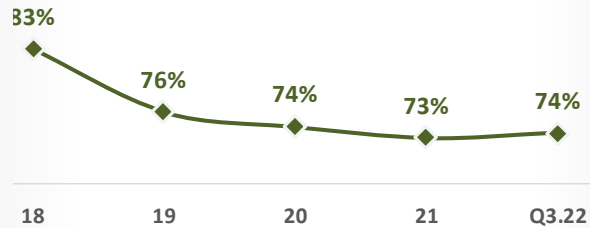
### Liquid Assets / Assets



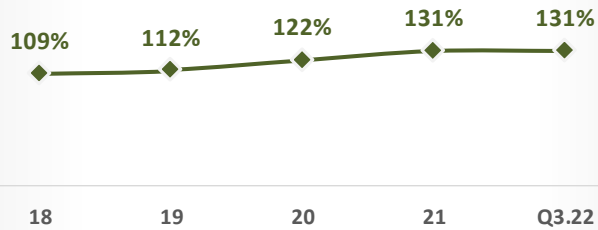
### Liquid Assets / Deposits



### Advances To Deposits (AD%)



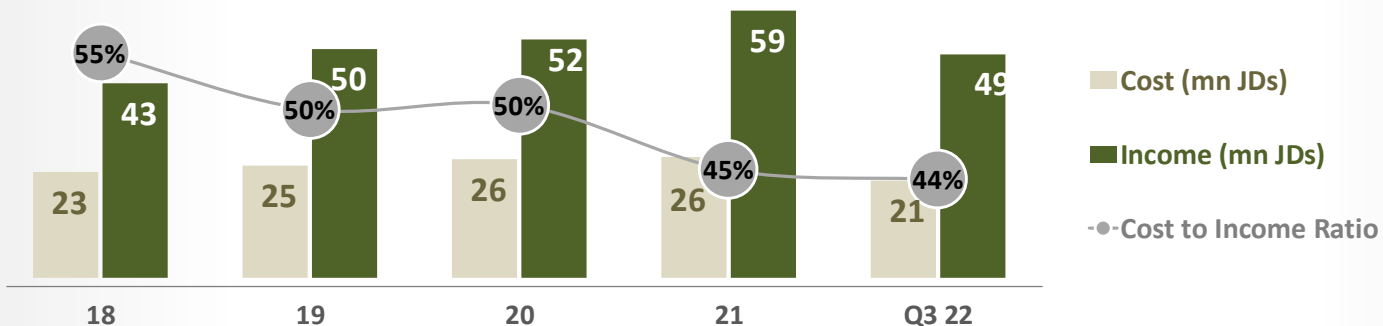
### Regulatory Liquidity



### Management Commentary:

- ▶ 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 25% of deposits.
- ▶ Advances to deposits ratio showed enhanced trend during recent years
- ▶ LCR reached comfortable level of 333%; (minimum regulatory level of 100%)

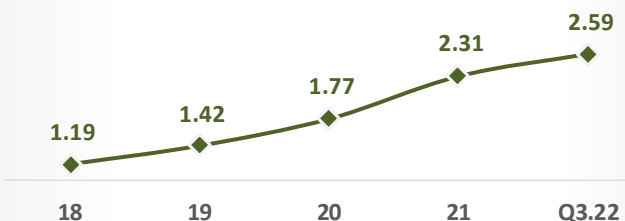
## Cost & Income Trend



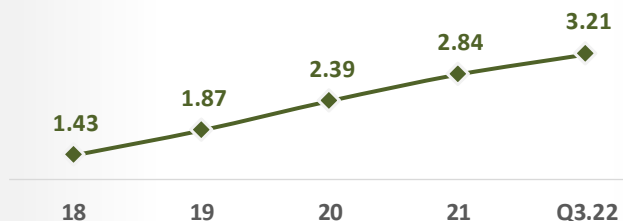
## Management Commentary:

- ▶ Trend of cost to income ratio (CTI) showed continuous enhancement reflecting the effective and efficient way to manage its resources, specially fixed costs
- ▶ 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.

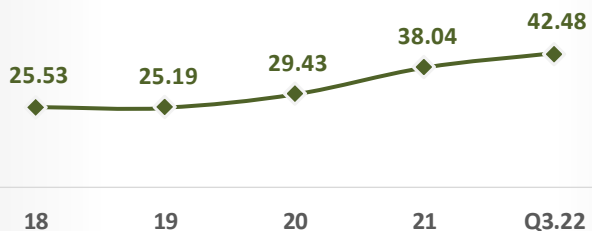
## Financing / Employee (JD mn)



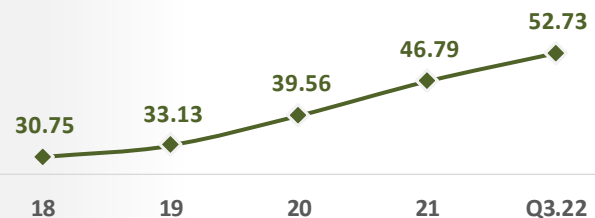
## Deposits / Employee (JD mn)



## Financing / Branch (JD mn)



## Deposits / Branch (JD mn)



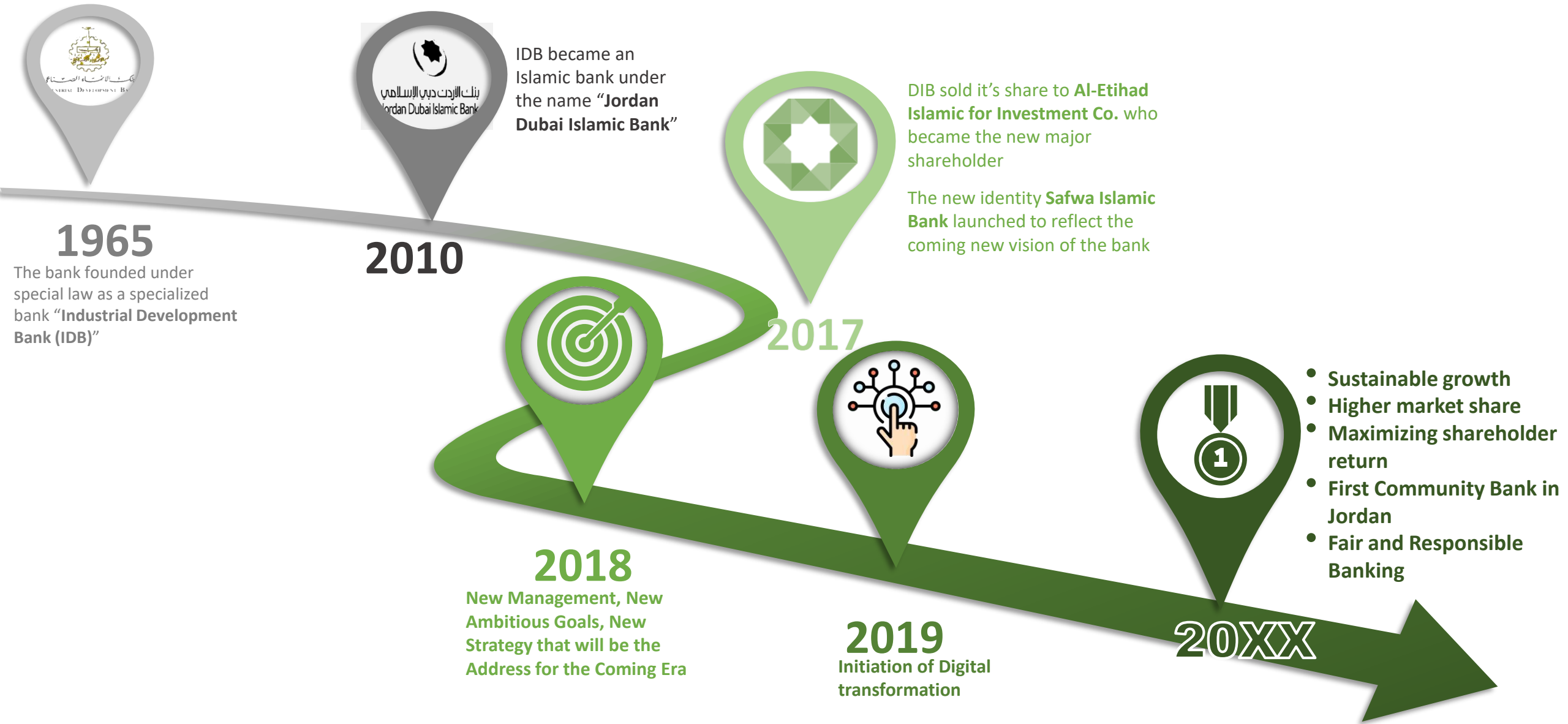
Summary Income Statement (Mn JDs)	Q3.22	Q2.22	QoQ	QoQ%	YTD, Q3.22	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	14.2	13.2	1.0	8%	40.2	2.9	8%
Other Revenues	2.8	3.0	(0.3)	9%	8.6	2.3	36%
Net Revenues	17.0	16.3	0.7	4%	48.8	5.2	12%
Impairment Charges	(3.3)	(2.5)	(0.8)	33%	(8.9)	(1.2)	16%
G & A Expenses	(7.4)	(7.3)	(0.1)	2%	(21.3)	(2.6)	14%
Net Income Before Tax	6.3	6.5	(0.2)	3%	18.6	1.4	8%
Taxes	(2.4)	(2.5)	0.1	4%	(7.1)	(0.5)	8%
Net Income	3.9	4.0	(0.1)	3%	11.5	0.9	9%
Summary Balance Sheet (Bn JDs)	Q3.22	Q2.22	QoQ	QoQ%	EOY, Q4.21	YoY	YoY%
Financing	1.90	1.80	0.10	6%	1.65	0.26	16%
Investments	0.37	0.29	0.08	27%	0.32	0.05	15%
Deposits & Cash Collaterals	2.28	2.20	0.08	4%	2.09	0.20	9%
Total Assets	2.55	2.46	0.09	4%	2.34	0.21	9%
Total Equity	0.17	0.16	0.00	2%	0.16	0.01	3%



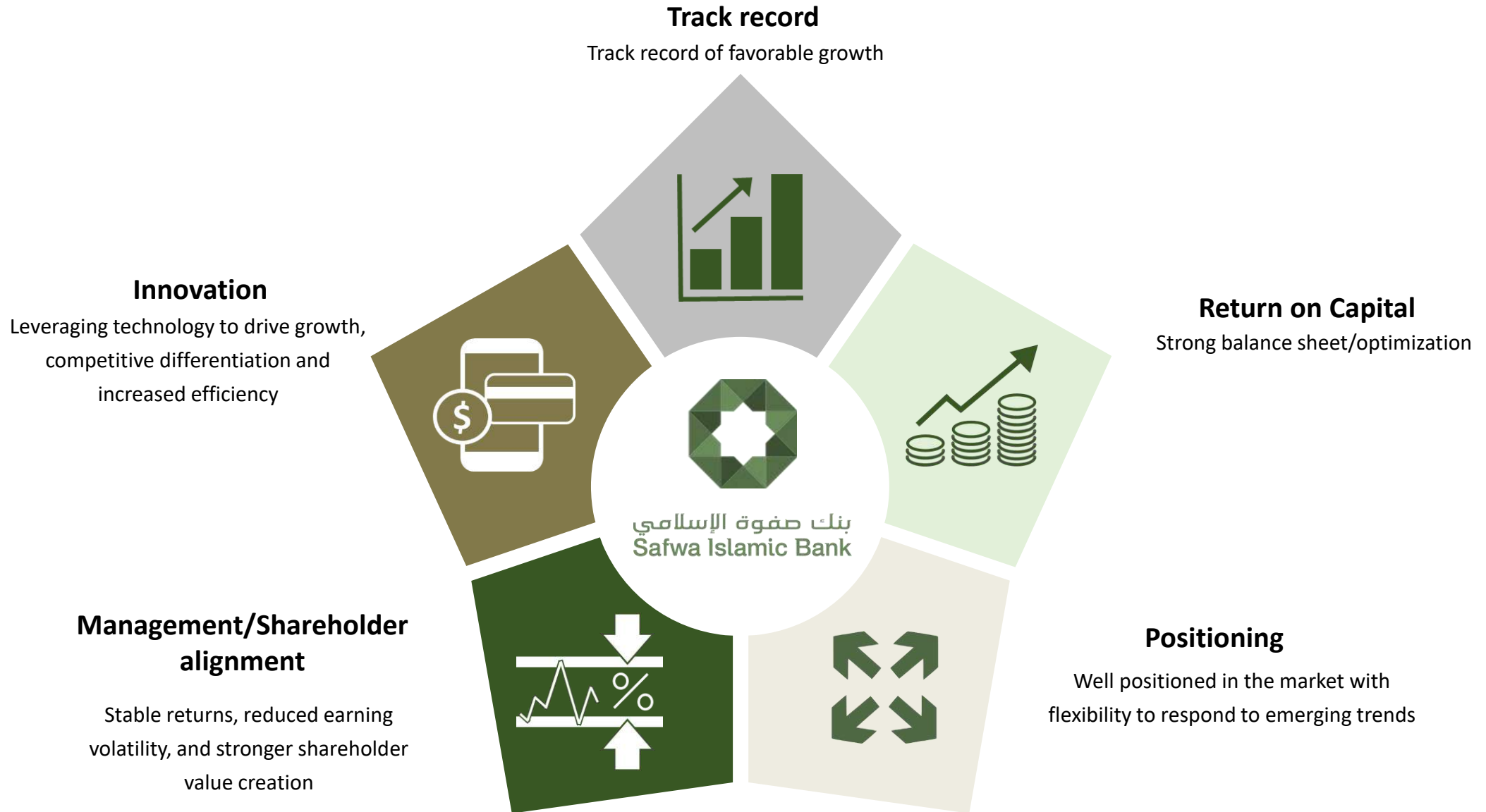
OS

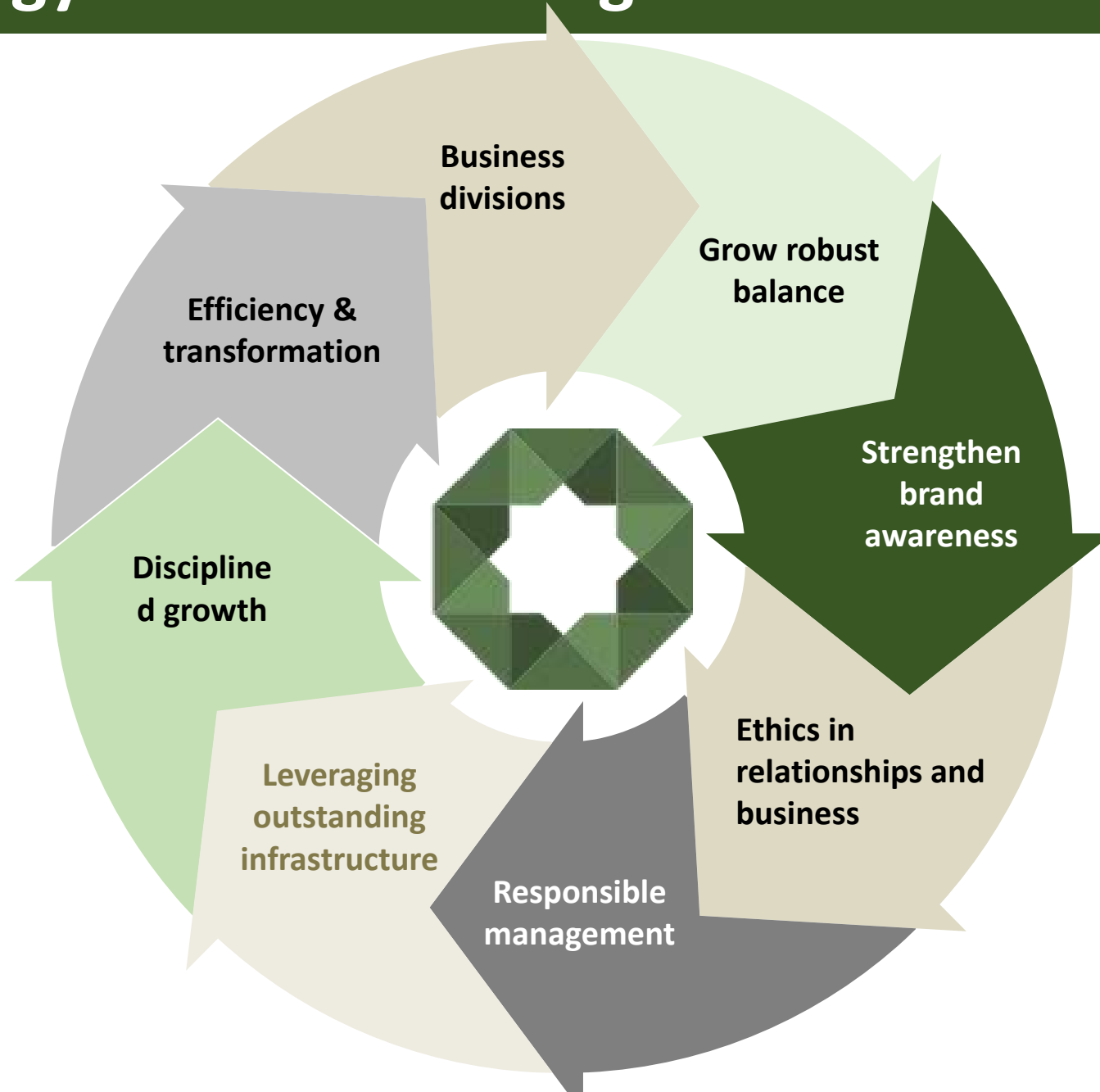


Stronger Safwa









## Teamwork

- Harmony across 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 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 new initiatives differentiate 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*

## 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 Report
- Better Methodologies to Measure Risks
- Promote and Encourage Cross Selling between Business Sectors

## Optimal use of Resources

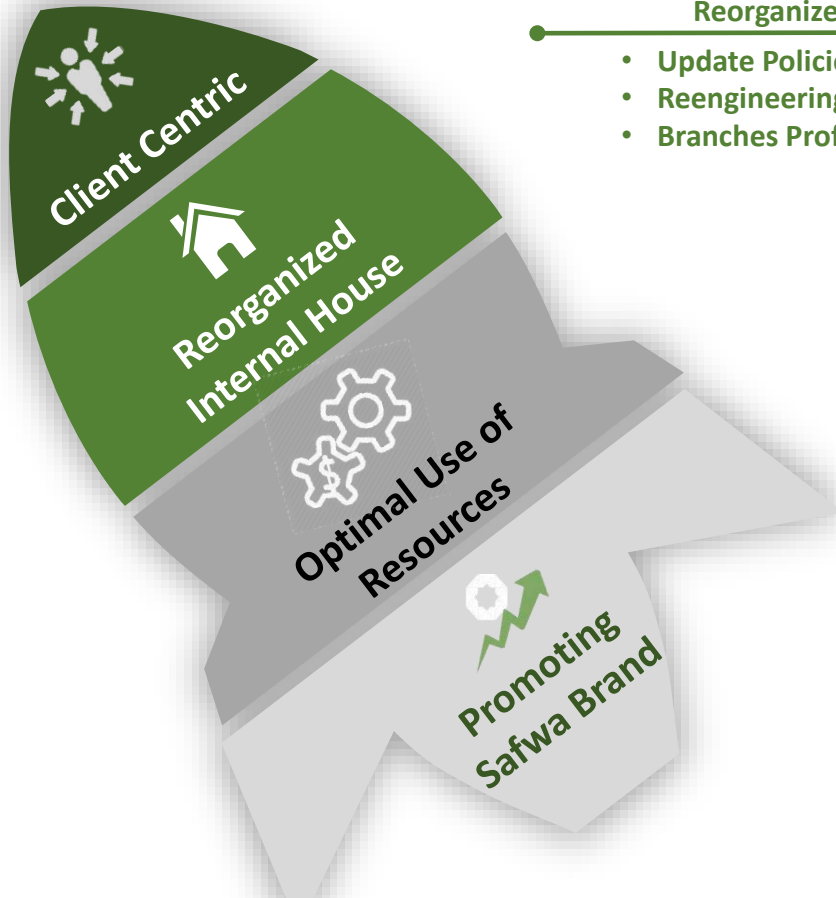


- Automate Processes
- Depending on Internal Resources Instead of External
- Enhance IT Infrastructure
- Increase Human Capital Efficiency
- Cost Control and Green Environment
- Review the Organizational Structure

## 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



Priorities were ranked according to importance and necessity

## Priority

## Critical Success Factors

**Customer First**

Network Service Product



**Momentum**



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

**First Community Bank in Jordan**



### **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**

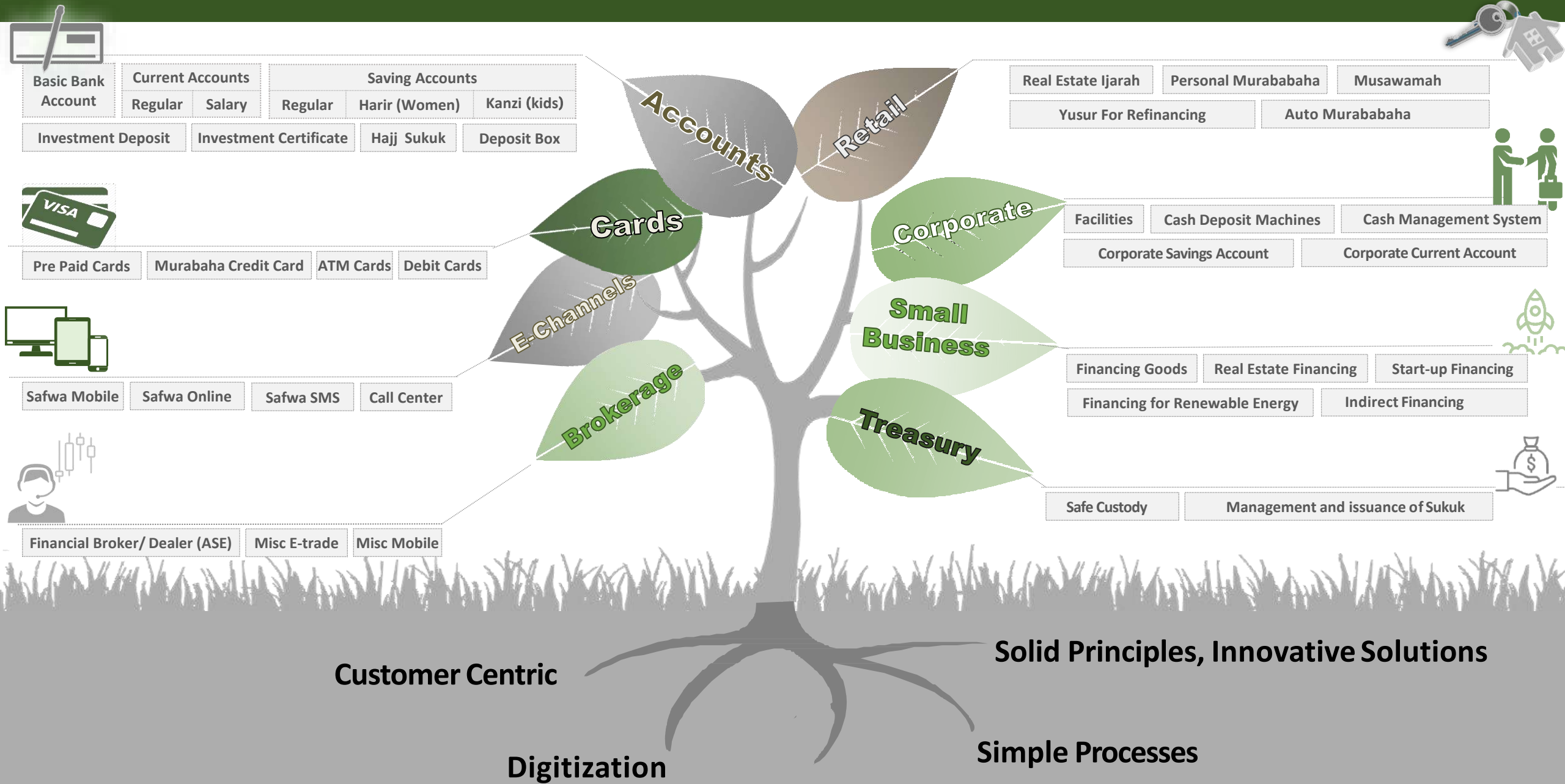
Sustain the healthy financing portfolio by sound policies and continuous monitoring



### **Efficiency**

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

# Safwa Bank .. Our Products and Services



## E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

## E Services



Contactless Card



Transfers



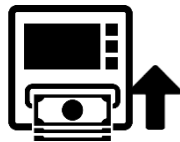
E-Pay Bills



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



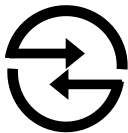
Points & Loyalty



QR Payment



Biometric Authentication



“CliQ” Instant transfers

“ Anytime, Anywhere ”

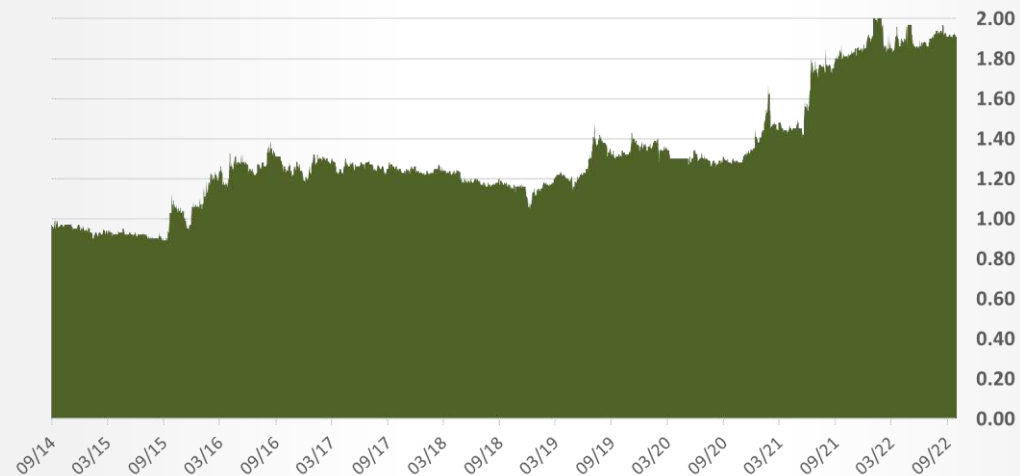




## Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 17.7 %
- ▶ **Closing Price:** JOD 1.91
- ▶ **Market Value :** JOD 191 mn

## Share Price Since 2014

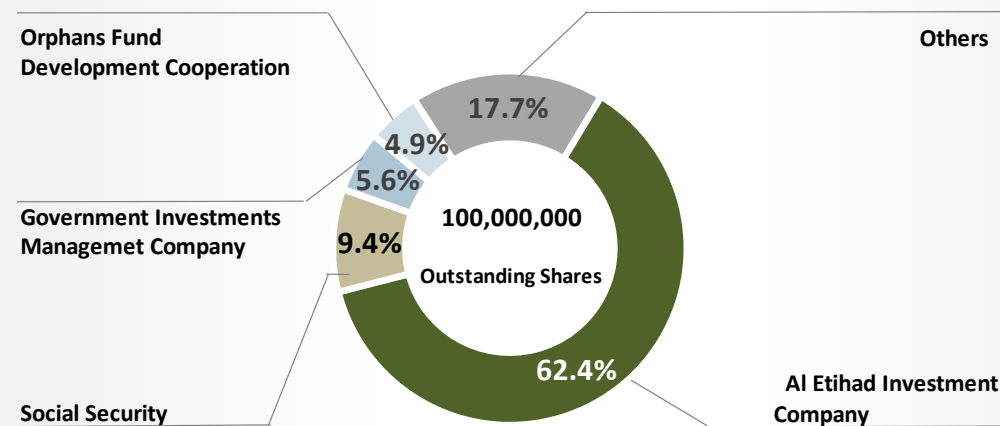


## Share Key Ratios

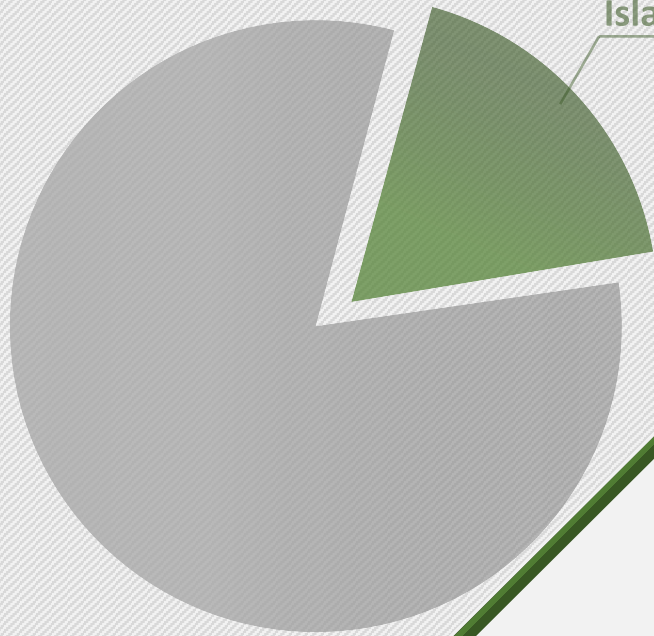
- ▶ **Average Price (52 weeks):** JOD 1.90
- ▶ **Return (last 52 weeks)** 8.8%
- ▶ **PE Ratio** 12.4 X
- ▶ **PB Ratio** 0.88 X
- ▶ **Volatility** JOD 0.07
- ▶ **Payout Ratio** 43% \*

\* 2021 dividends: 6%

## Shareholders Composition



Islamic Banks share



QIB

# 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 CBJ

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

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
- Rafidain Bank

## Financial Soundness Indicators (CBJ 12.2021)

### Capital Adequacy

**18%**

### Regulatory Liquidity

**142%**

### NPL Ratio

**5.0%**

### ROA

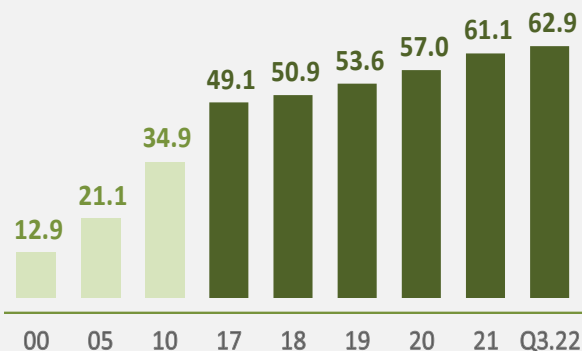
**1.0%**

### ROE

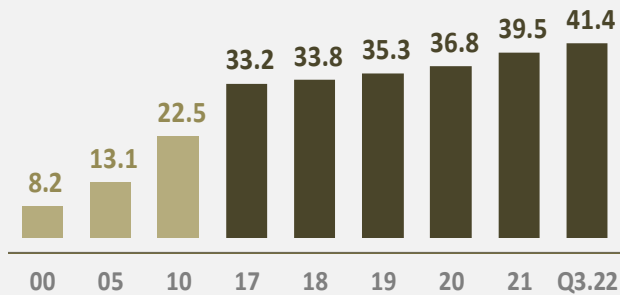
**8.3%**

## Sector Figures (bn JDs)

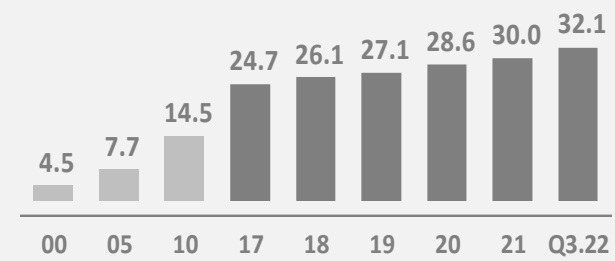
### Assets



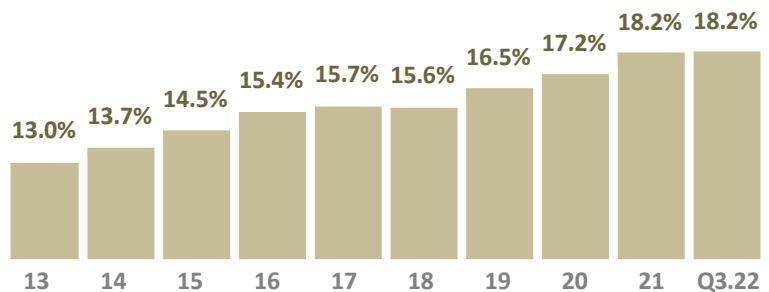
### Deposits



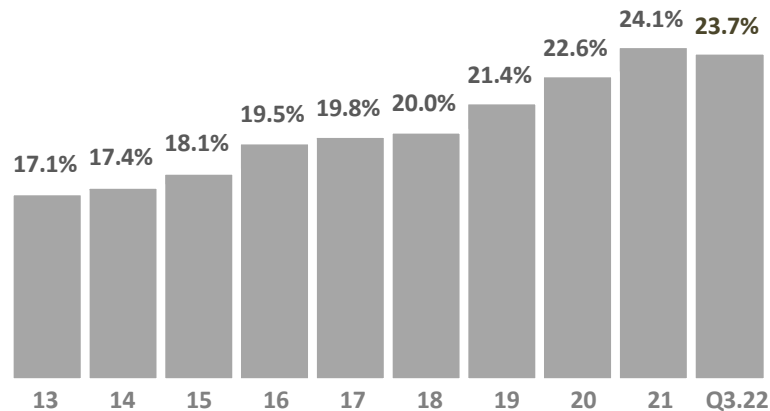
### Financing



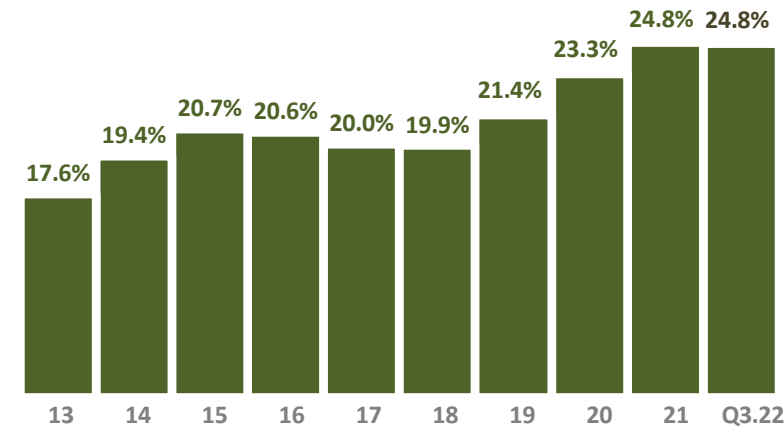
Assets



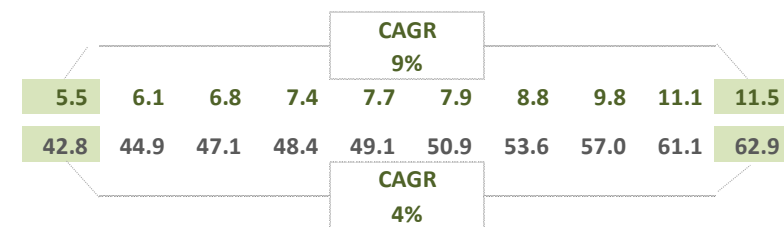
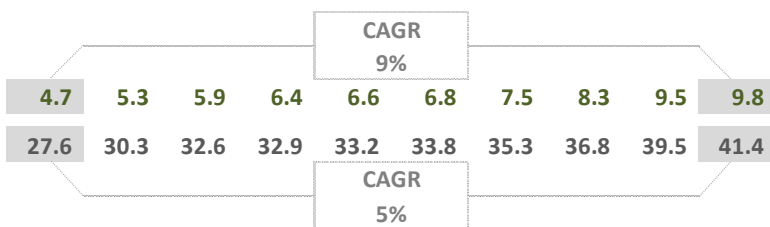
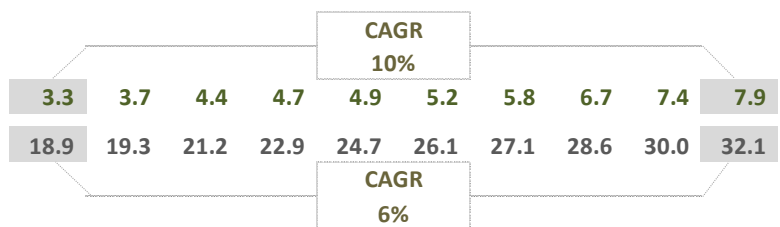
Deposits



Facilities



Islamic Banks (JD bn)  
Banking Sector (JD bn)



## Highlights

- Islamic banks' market share trend shows upward trend reflecting the increasing needs of Jordanian society for Sharia compliant products and services
- The CAGR growth ratios for Islamic banks since 2013 witnessed better ratios than banking sector specially on the assets side, the assets' CAGR during this period was 10% for Islamic banks and 6% for the banking sector
- The increasing trend was abruptly infrequently, such as facilities in years 2016 to 2018 where Islamic Banks showed a decrease in facilities or slight increase
- During the first nine months of this year, the Jordanian Islamic Bank showed stability in their market share for assets and facilities, and slight decrease in deposits.

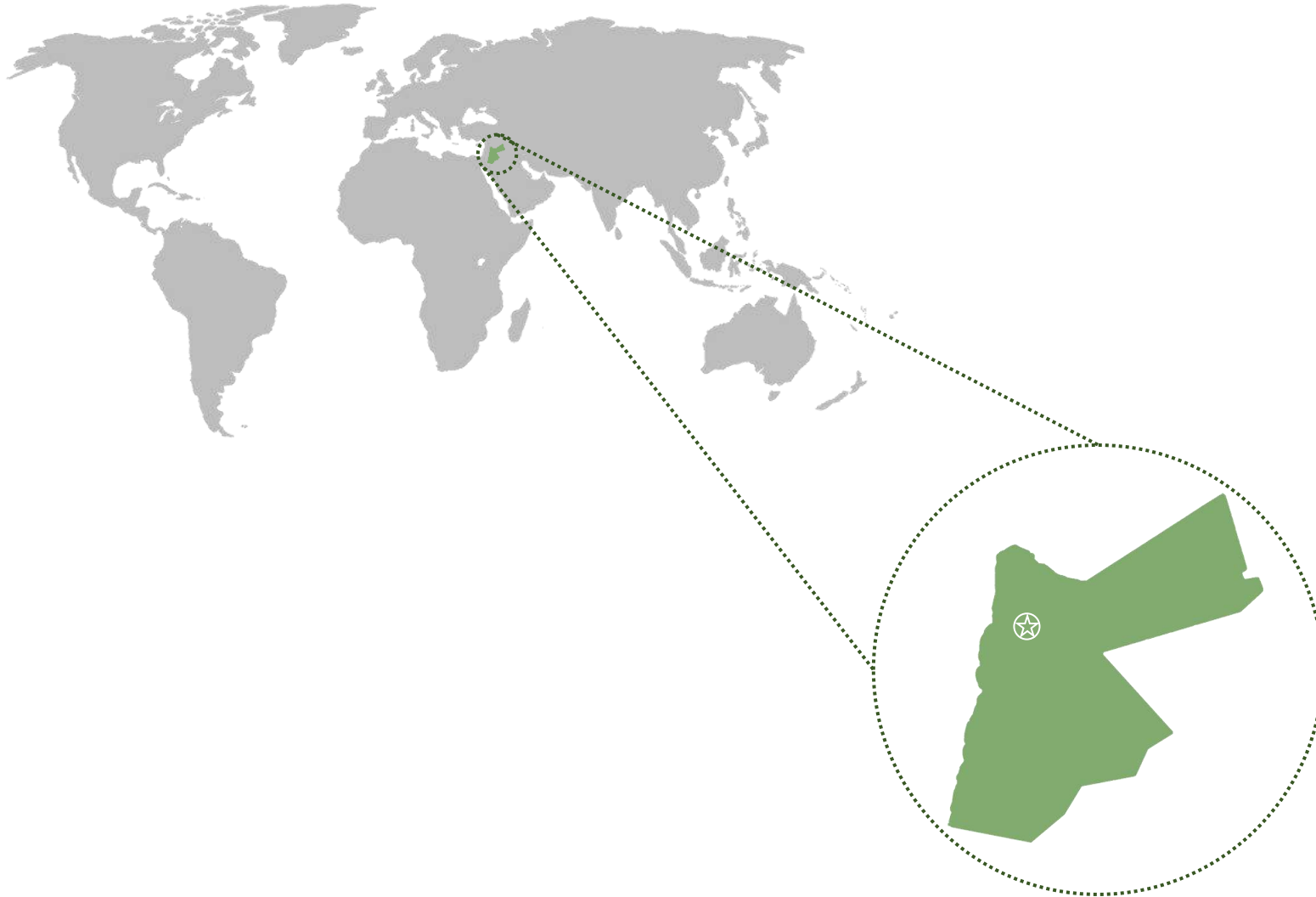


04



# Jordan

Facts and Economy



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



**Population :** 11.1 million



**Capital :** Amman



**Religion :** Islam (95%)

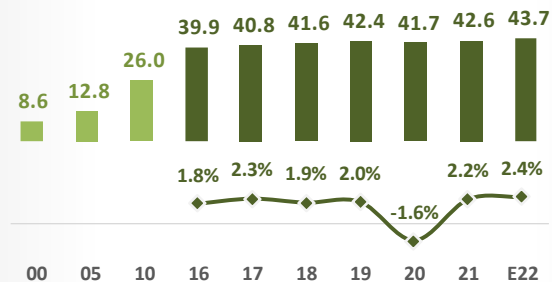


**GDP :** USD 43.1 billion

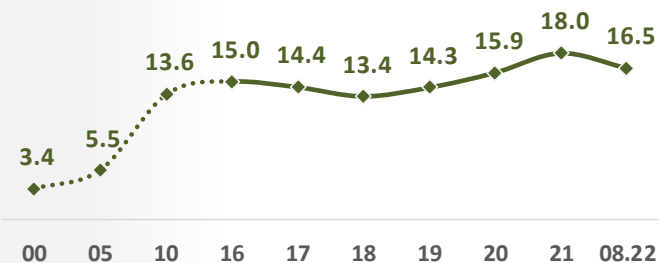


**GDP Per Capita :** USD 4,394

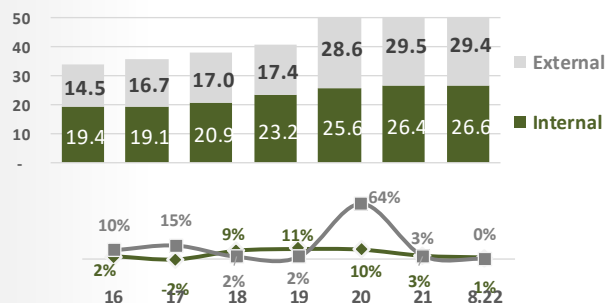
## GDP (Bn USD)



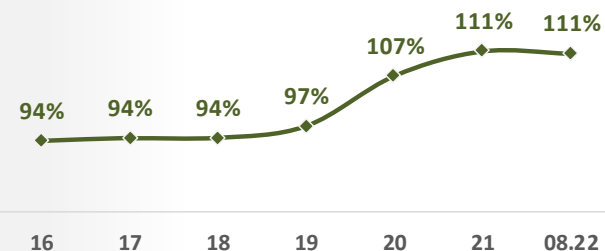
## Foreign Reserves (Bn USD)



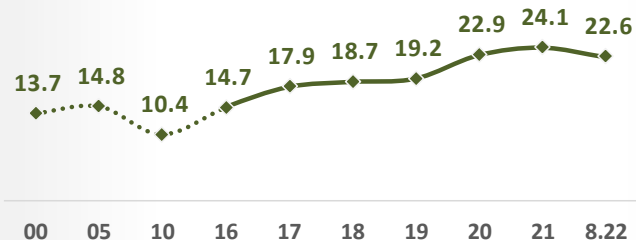
## Public Debt (USD bn)



## Public Debt / GDP



## Unemployment Rate (%)



## Inflation (%)



## Highlights

- ▶ Foreign reserves decreased slightly as of 08.2022 reaching JD 16.5 bn (JD 18.0 bn at the beginning of the year); these reserves cover the imports needs for 8.5 months. Jordanian Dinar has a fixed exchange rate against USD since 1994 with a middle price of (USD 1 = JOD 0.709)
- ▶ Slight decrease of unemployment rate from 24.1% to 22.6% as end of 08.22
- ▶ GDP showed slight growth over the last years, with the exception of year 2020 which was impacted by the Covid 19 pandemic, it is expected to reach 2.4% in 2022
- ▶ Low Inflation trend in recent years reflect the low growth of GDP rates, inflation reached 2.8% during the first eight months of 2022. In addition , the unemployment rate was affected negatively by the low GDP growth
- ▶ Current public debt to GDP remained stable at 111%



## Why to Invest in Jordan



**Security and stability**



**Investment incentives, tax exemptions, and ability to repatriate capital/profits**



**Growing tourism sector**



**Regionally advanced indicators for competitiveness and corruption indexes**



**Competitive Human Resources**



**Strong Financial Sector**

## 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)

## Impairment Charges

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

<b>ATM</b>	Automated Teller Machine
<b>ASE</b>	Amman Stock Exchange
<b>CAGR</b>	Compound Annual Growth Rate
<b>CAR</b>	Capital Adequacy Ratio
<b>CASA</b>	Current Accounts and Saving Accounts
<b>CBJ</b>	Central Bank of Jordan
<b>CDM</b>	Cash Deposit Management
<b>COSO</b>	Corporate Service Office
<b>COD</b>	Cost of Deposits
<b>CTI</b>	Cost to Income Ratio
<b>G&amp;A</b>	General and Administrative Expenses

<b>GDP</b>	Gross Domestic Products
<b>MM</b>	Money Market Instruments
<b>JD</b>	Jordanian Dinar
<b>NI</b>	Net Income
<b>NPL</b>	Non Performing Financing
<b>NPM</b>	Net Profit Margin
<b>PB %</b>	Price to Book Ratio
<b>PE %</b>	Price to Earnings Ratio
<b>ROAA</b>	Return on Average Assets
<b>ROAE</b>	Return on Average Equity
<b>RWA</b>	Risk Weighted Assets

<b>Advances to Deposits</b>	<b>AD%</b>	The average of facilities divided by average sum of deposits and cash collaterals.
<b>Capital Adequacy Ratio</b>	<b>CAR%</b>	A measurement of a bank's available capital expressed as a percentage of a bank's risk weighted assets (RWA) exposures
<b>Current and Saving Accounts %</b>	<b>CASA%</b>	Sum of current and saving accounts divided by total deposits and cash collaterals
<b>Compound Annual Growth Rate</b>	<b>CAGR</b>	The mean annual growth rate of an financial figure over a specified period of time longer than one year
<b>Cost of Deposits</b>	<b>COD</b>	Annualizes profit expenses divided by deposits average (CASA and term deposits, and margins)
<b>Cost to Income Ratio</b>		G&A divided by (Gross Income + Non-funded Income)
<b>Coverage Ratio</b>		Sum of allowance of expected credit loss provisions and suspended profits divided by non performing financing
<b>Liquid Assets</b>		High liquid assets that can be converted to cash within reasonable cost and short time
<b>Net Profit Margin (NPM)</b>	<b>NPM</b>	The Direct Income of earning assets minus the cost of deposits
<b>Non-Performing Financing</b>		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
<b>Payout Ratio</b>		Proportion of earnings a company pays shareholders in the form of cash dividends
<b>Per Capita Income</b>		GDP divided by population
<b>Price to Book Ratio</b>	<b>PB</b>	Market value of outstanding shares to total equity
<b>Price to Earnings Ratio</b>	<b>PE</b>	Closing price to the annualized earning per share
<b>Return on Average Assets</b>	<b>ROAA</b>	Annualized net income after tax divided by average assets
<b>Return on Average Equity</b>	<b>ROAE</b>	Annualized net income after tax divided by average equity
<b>Risk Weighted Assets</b>	<b>RWA</b>	The banks' assets or off balance sheet exposures weighted according to risk used in deterring capital adequacy
<b>Spread</b>		Difference between return on earning assets and cost of deposits

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