



Safwa Islamic Bank

Investor Report
Q1.2022

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01

Safwa Islamic Bank

Safwa Bank is the fastest organically growing bank in Jordan



Efficient Bank



Digitally Enabled



Serve All Customers



Trusted Bank



Full Suite Products

Financial Position



Performance



Key Ratios

ROE **8.8%** 0.8% ↗

CTI **43%** 2% ↘

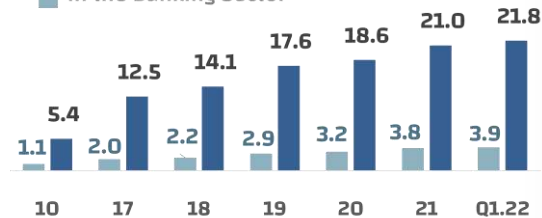
CAR **17.3%** 0.8% ↘

Ratings

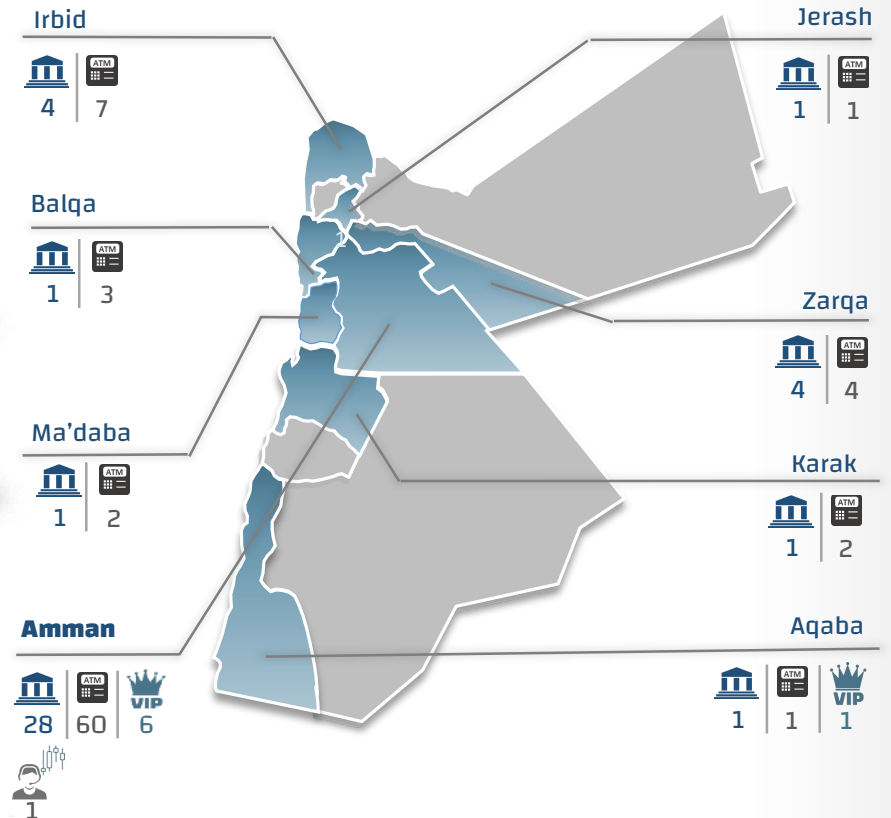
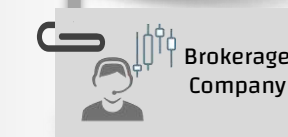
B+ Capital Intelligence

Market Share %

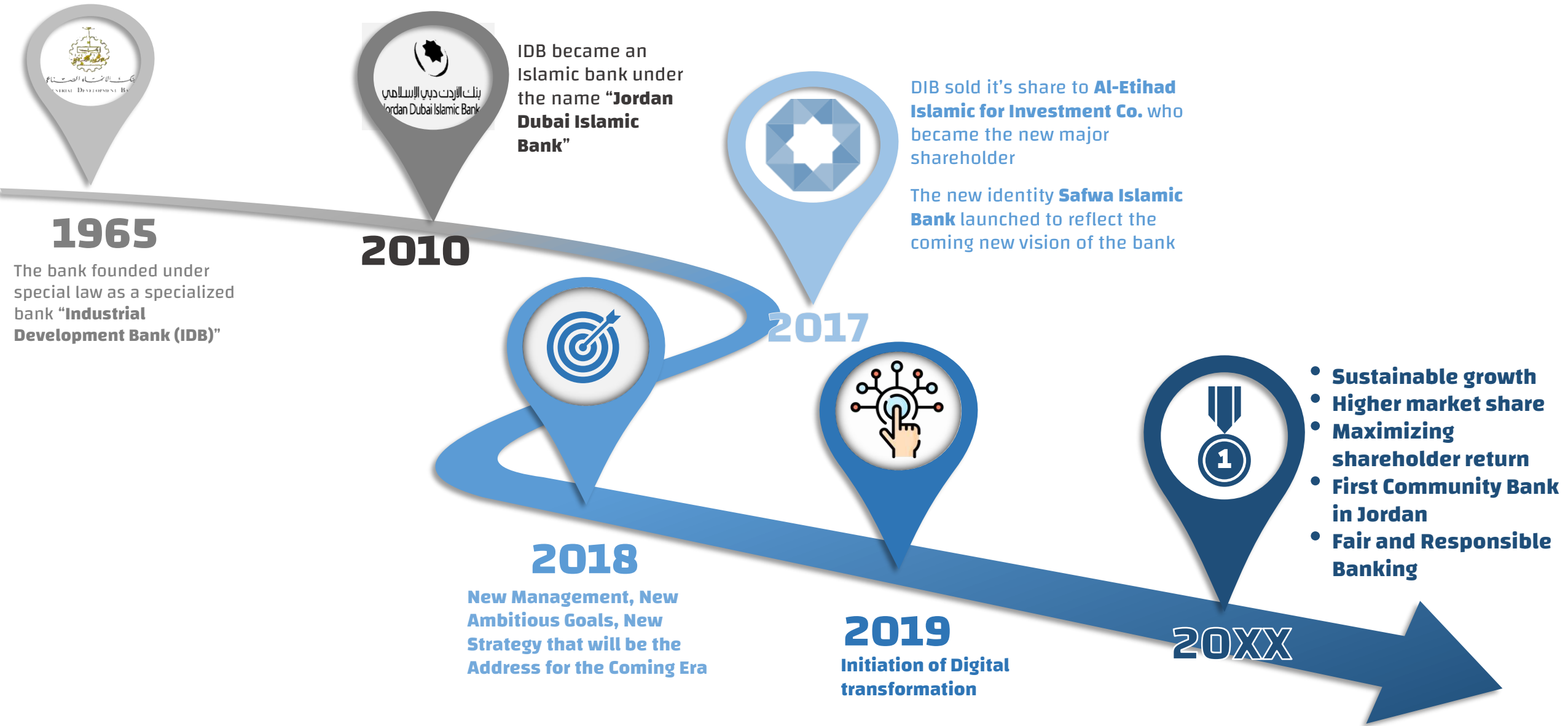
■ In the Islamic Banking Sector
■ In the Banking Sector

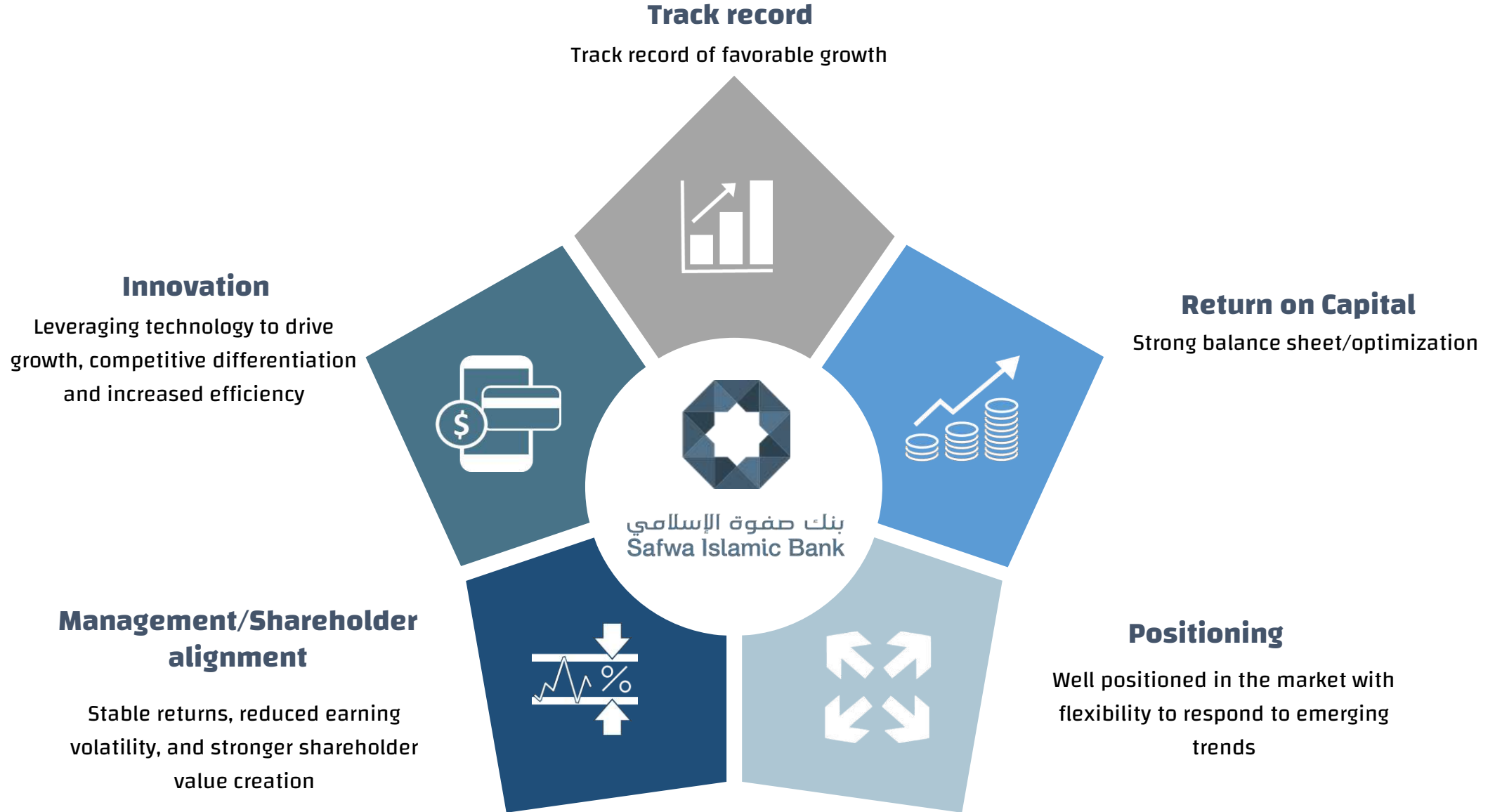


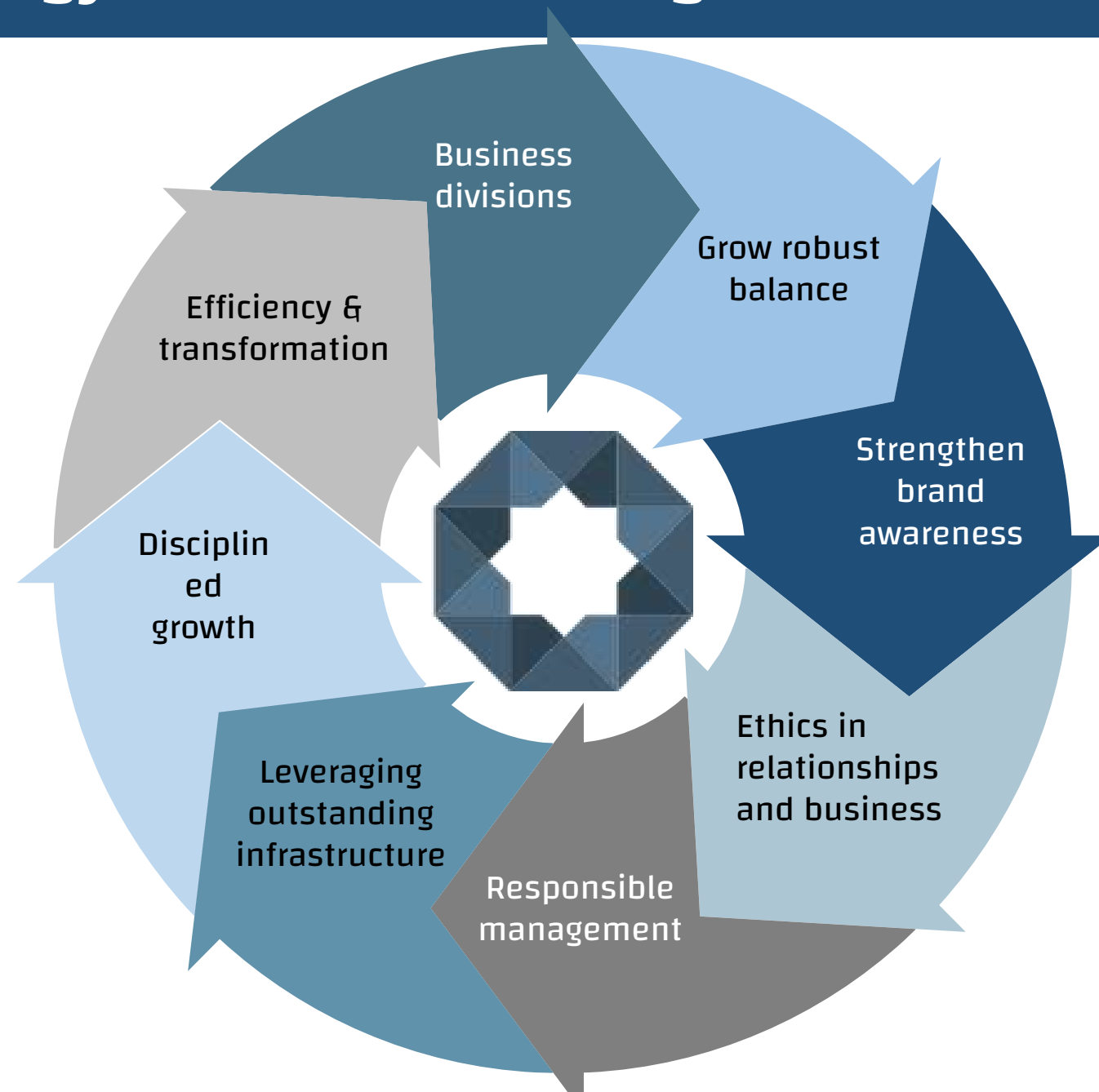
Efficient Network



Safwa .. Our Journey to become stronger







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 “



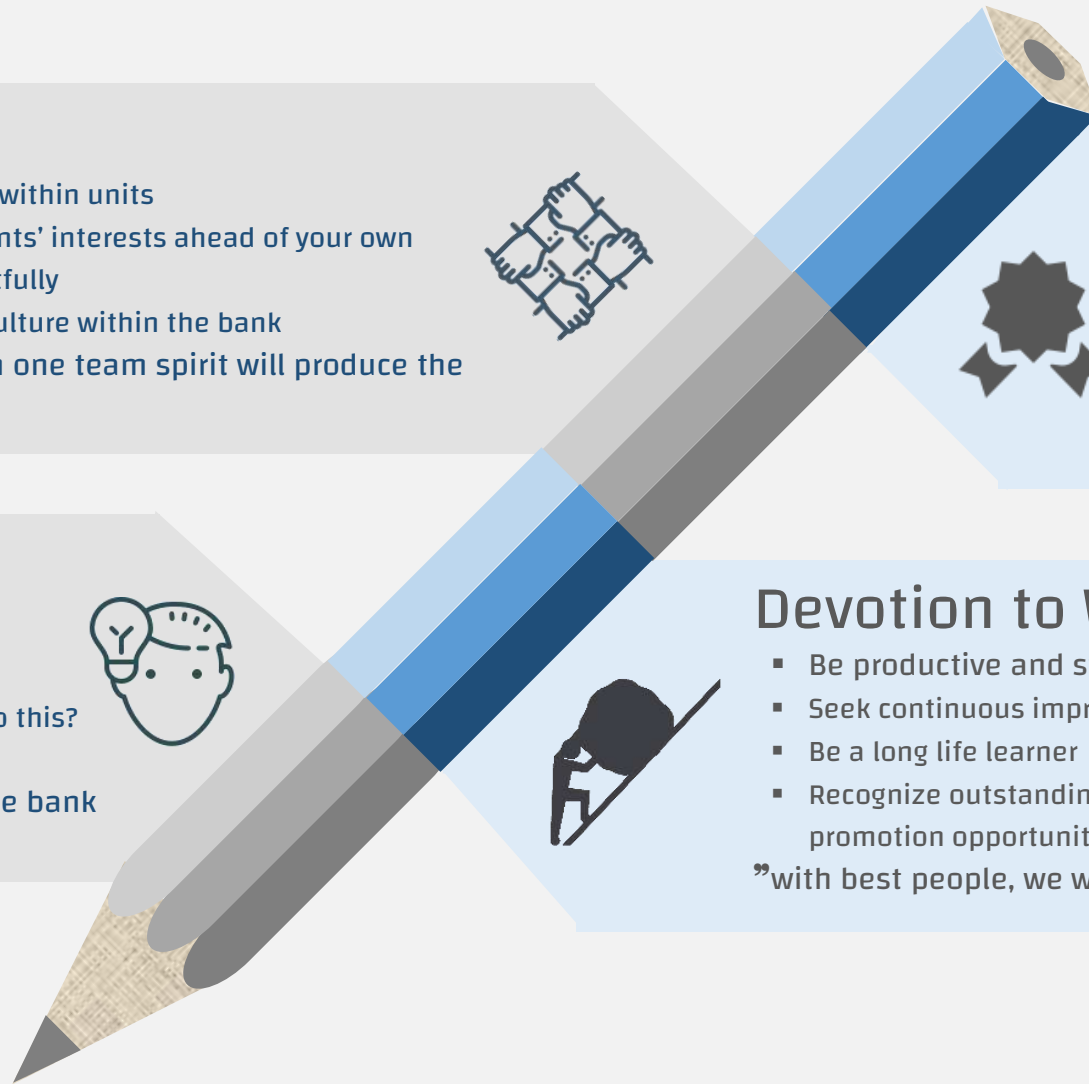
Devotion to Work

- 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

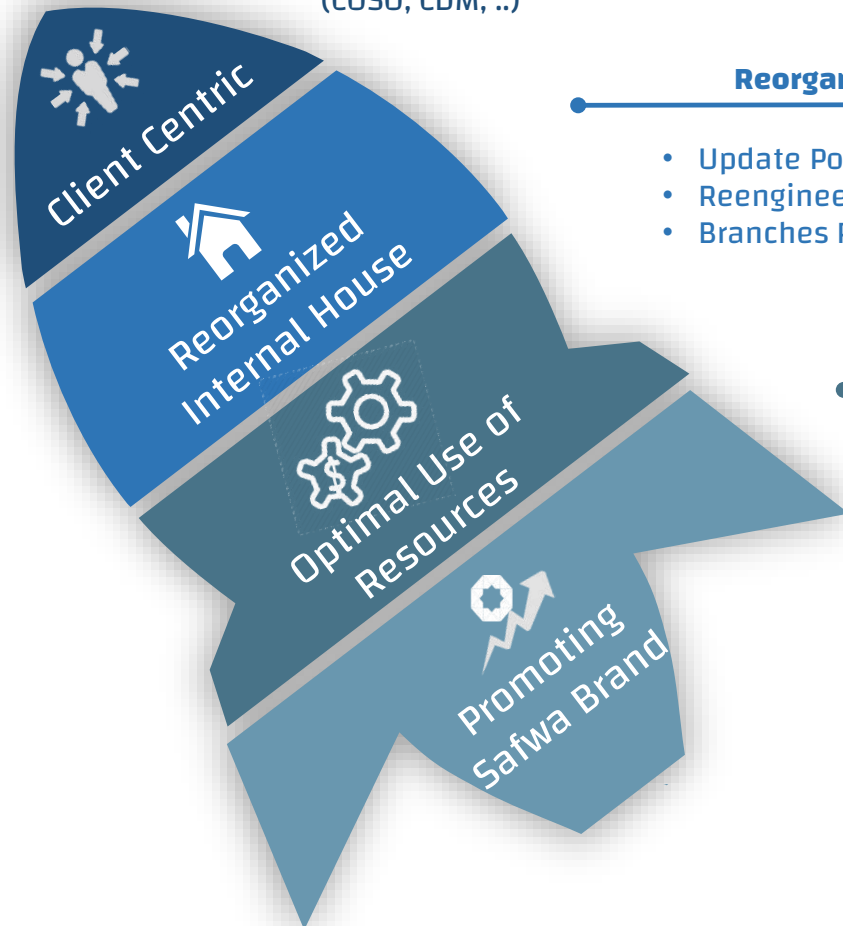


- Automate Processes
- Depending on Internal Resources Instead of External
- Enhance IT Infrastructure
- Increase Human Capital Efficiency
- Cost Control and Green Environment
- Review the Organizational Structure

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

Superior Customer Experience

Enhancing CASA^{o/o}

Differentiated Products

Digital Capabilities

Expand Network
(Branches, ATMs, Investments)

Momentum



Leverage Value of our Brand

Job Satisfaction

Enhance Profitability and Cost Control Indicators

Targeting Healthy Indicators for Risk Levels

Improving Internal Control Environment and Measuring Risks Methods

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



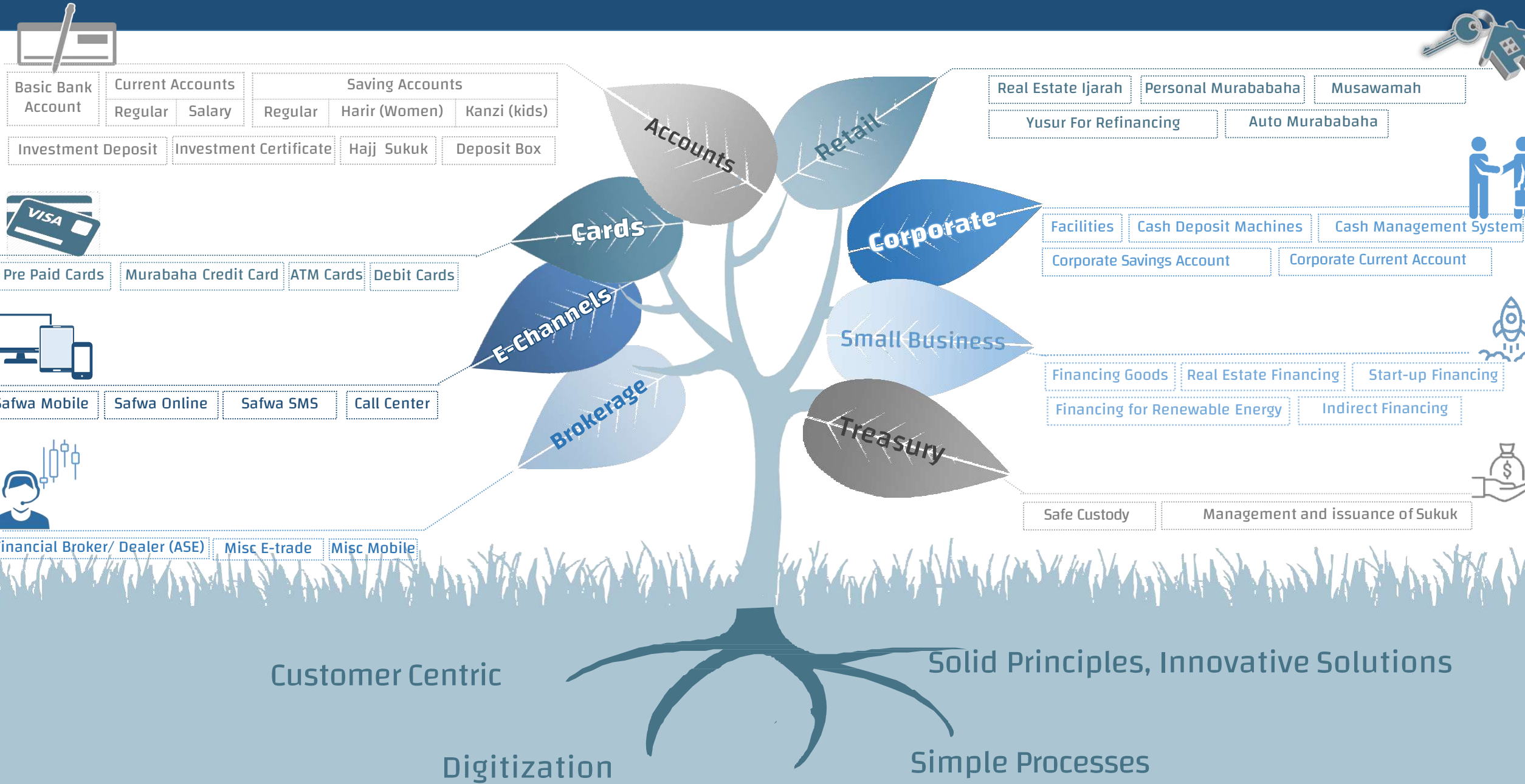
Keep Clean Financing Portfolio
Sustain the healthy financing portfolio by sound policies and continuous monitoring



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



Safwa Bank .. Our Products and Services



E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

“ Anytime, Anywhere ”

E Services



Contactless Card



Transfers



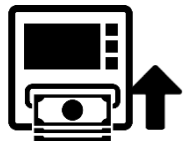
E-Pay Bills



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



Points & Loyalty



QR Payment



Biometric Authentication



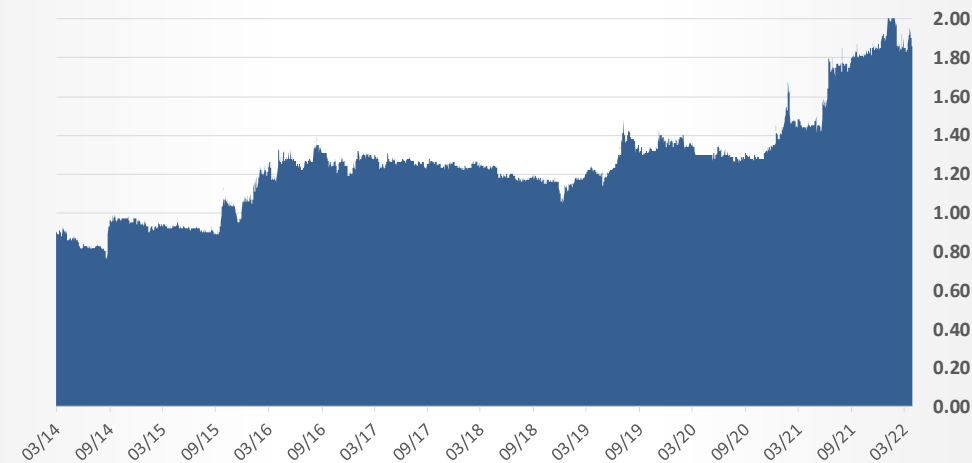
“QliQ” Instant transfers



Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 17.8 %
- ▶ **Closing Price:** JOD 1.86
- ▶ **Market Value :** JOD 186 mn

Share Price Since 2014

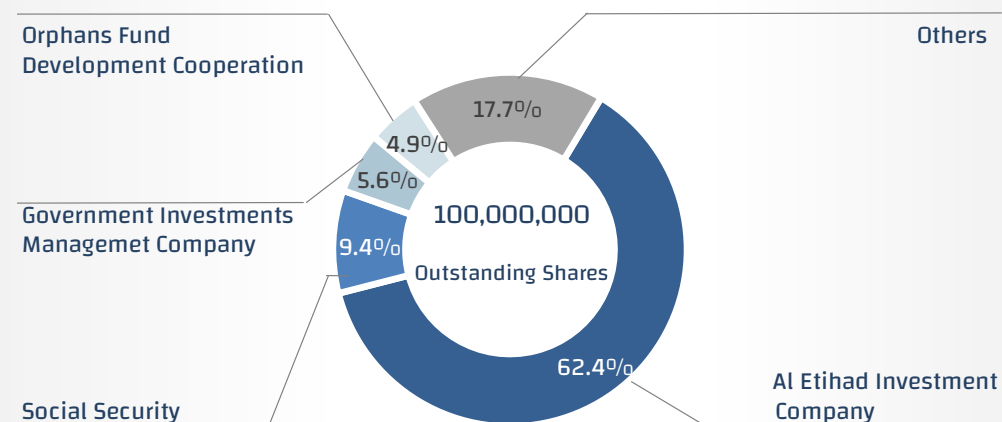


Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.77
- ▶ **Return (last 52 weeks)** 33.3%
- ▶ **PE Ratio** 12.9 X
- ▶ **PB Ratio** 0.89 X
- ▶ **Volatility** JOD 0.16
- ▶ **Payout Ratio** 43% *

* 2021 dividends: 6%

Shareholders Composition





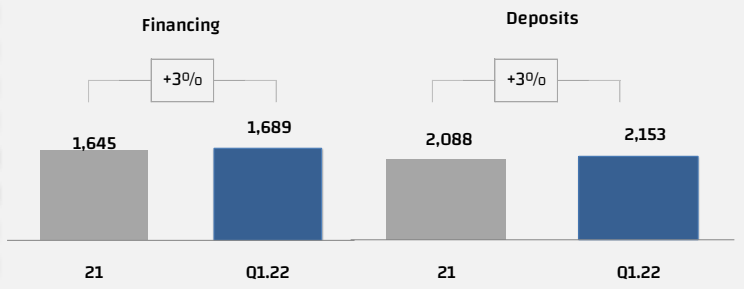
2022

Safwa Islamic Bank

Financials

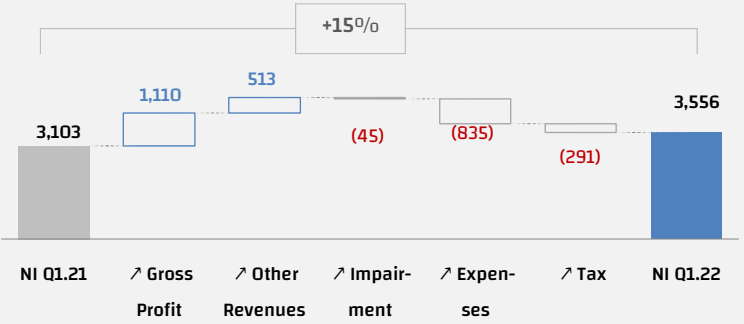


Financial Position



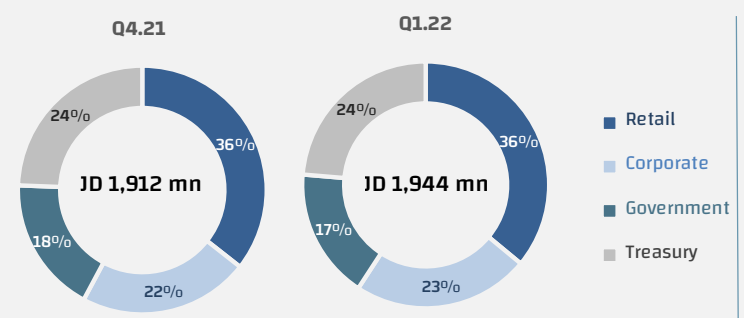
- Safwa continued the increasing trend and was able to increase the deposits base by 3%; JD 65 mn.
- At the assets side, the financing increased by JD 44 mn (3%).

Profit & Loss



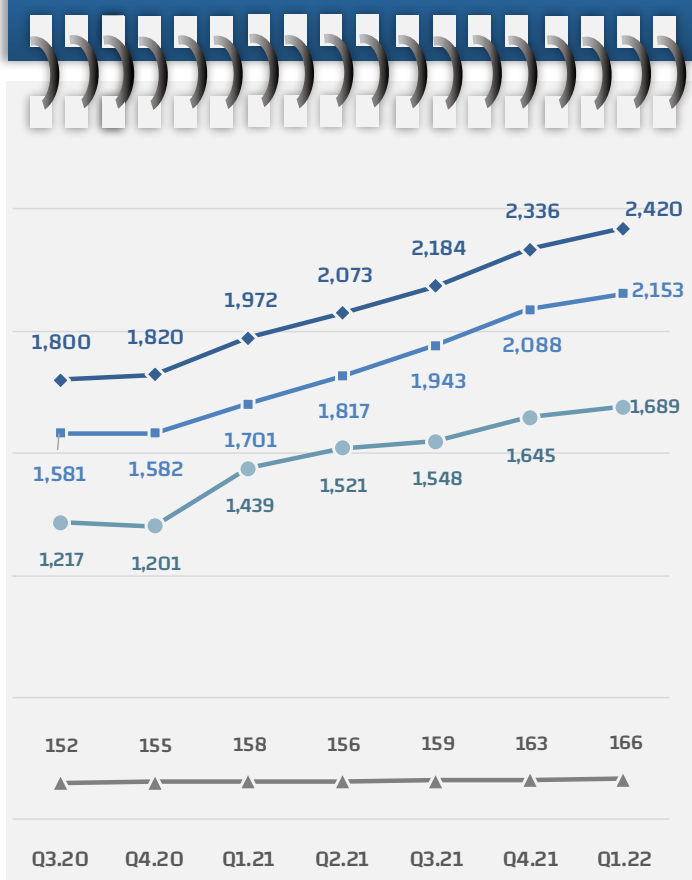
- NI Increased by 15% in Q1.2022 compared to Q1.2021 (from JD 3.1 mn to JD 3.6 mn)
- The positive change is a net of increase of gross profit (driven by BS increase), other revenues (driven by business increase), versus increase of expenses and tax expense increase.

Credit Quality



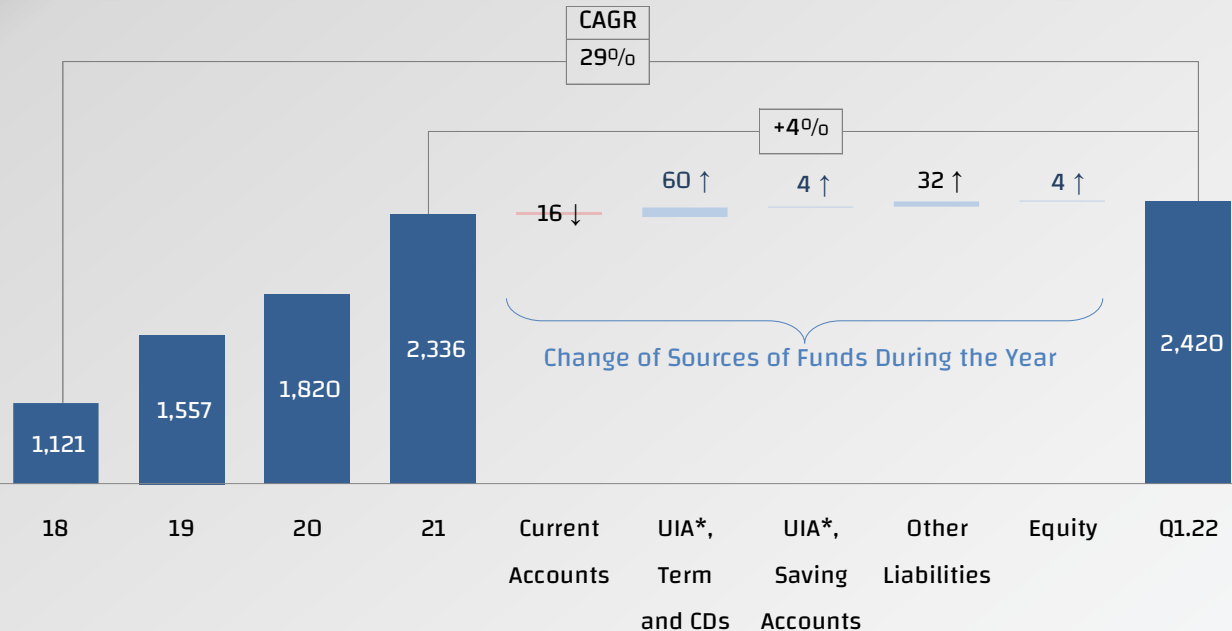
- Well diversified financing & investment portfolio
- NPL% at 2.3%
- Coverage ratio of 129% without considering the tangible collaterals
- Capital adequacy ratio 17.3%

Trends (JD mn)



▲ Equity ● Financing
 --- Deposits ◆ Assets

Volume Trends and Movement During the First Quarter of 2022 (JD mn)



Management Commentary

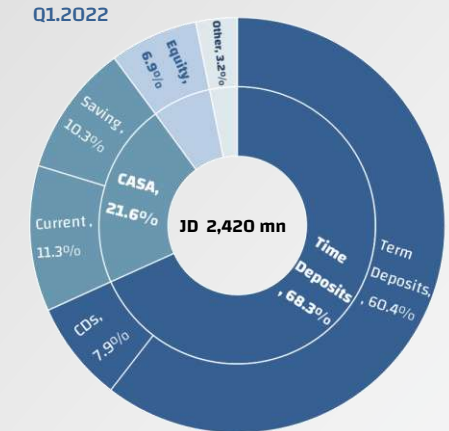
- Ambitious growth with a CAGR of 29% since 2018
- During the first quarter 2022, the bank attracted new deposits causing its funding to increase by 4%
- The funding growth of JOD 84 mn was mainly driven by an increase of term deposits and CDs by JD 60 mn, other liabilities by JD 32 mn (cash margins and banks by JD 23 mn) CASA decreased by JD 8 mn, and other liabilities by JD 31 mn.

* UIA: Unrestricted Investment Accounts

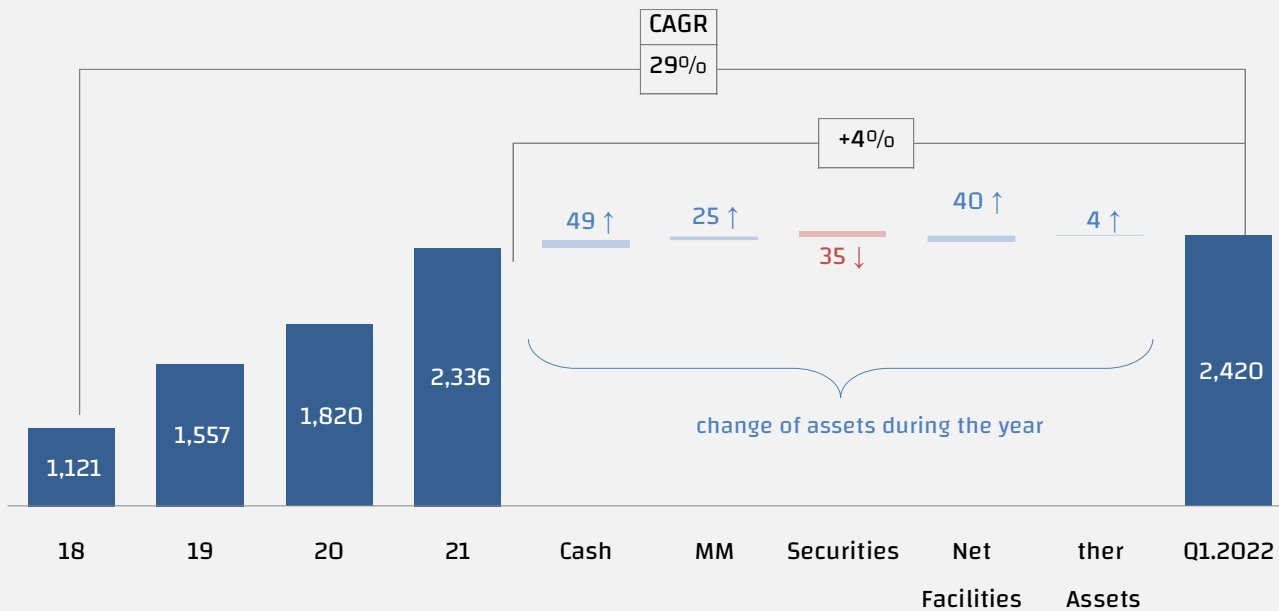
Funding Structure

Management Commentary

- The funding structure witnessed during the first quarter an increase of time deposits' contribution by 1% and a decrease of CASA contribution by 1%, other sources showed minor changes



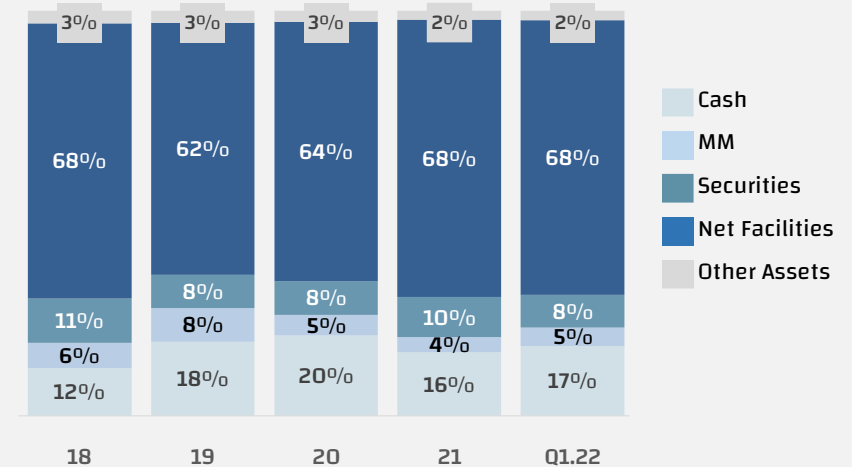
Volume Trends and Movement During this Year (JD mn)



Management Commentary

- Ambitious growth with a CAGR of 29% since 2018
- Movement during the first quarter of 2022 witnessed an increase of net facilities by JD 40 mn, and liquid assets (net of cash by JD 49 mn and money market instruments by JD 25 mn against decrease of securities by JD 35 mn)

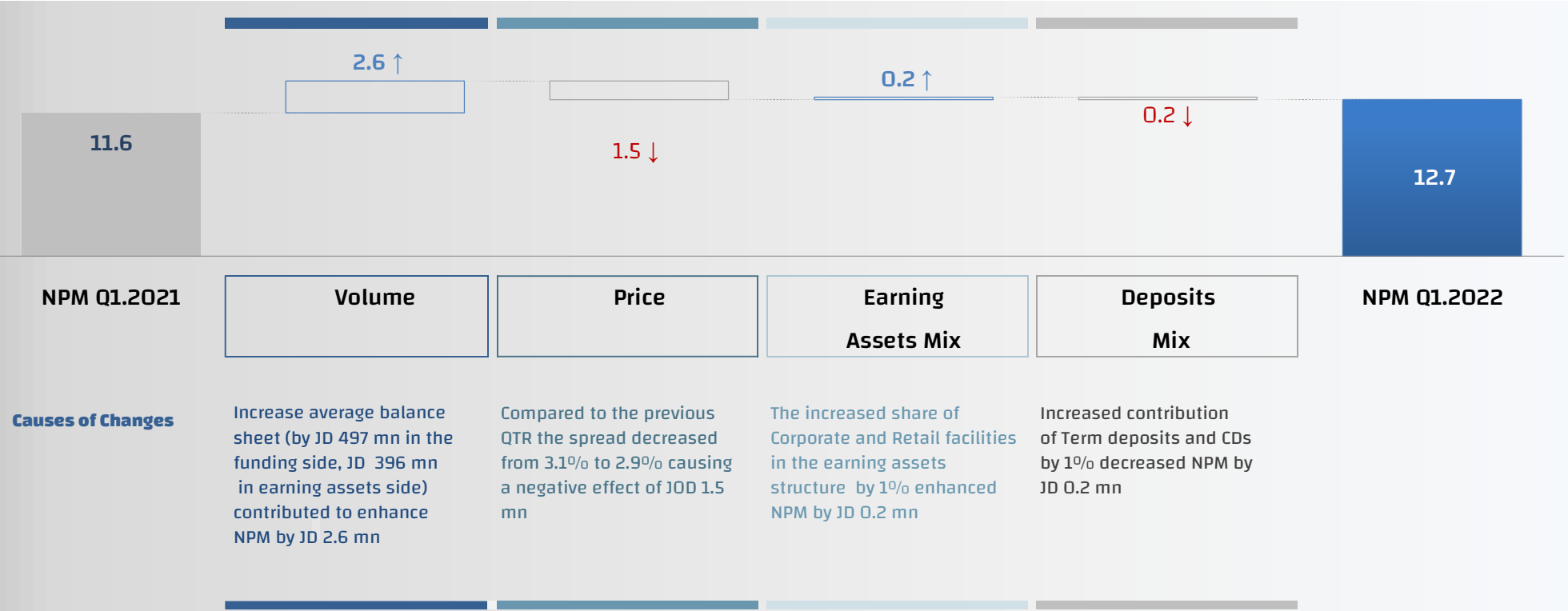
Asset Structure Trend



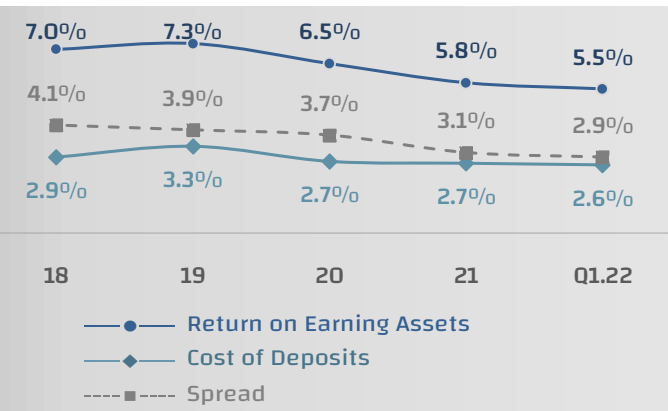
Management Commentary

- Stable contribution of earning assets in the asset structure during the first quarter 2022
- Since 2018, asset structure changed mainly as a result of decreased contributions of securities and increased contribution of cash

Net Profit Margin Analysis, Causes of Change



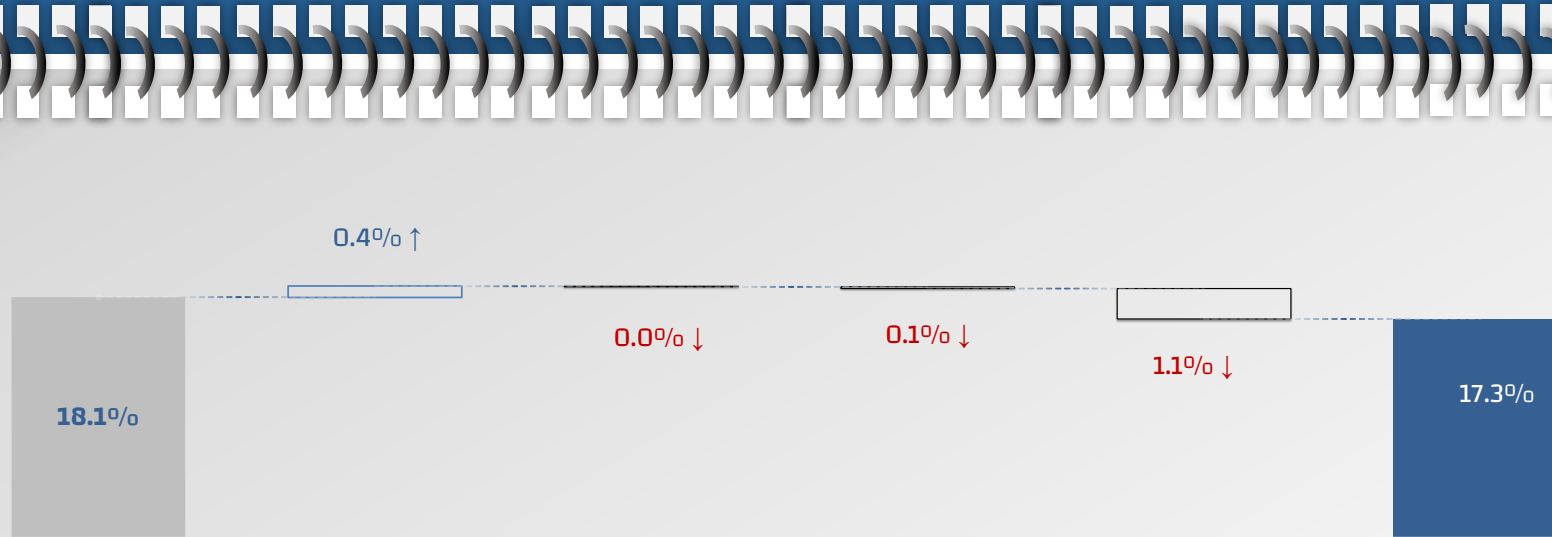
Return on Earning Assets, Cost of Deposits, and Spread



Management Commentary

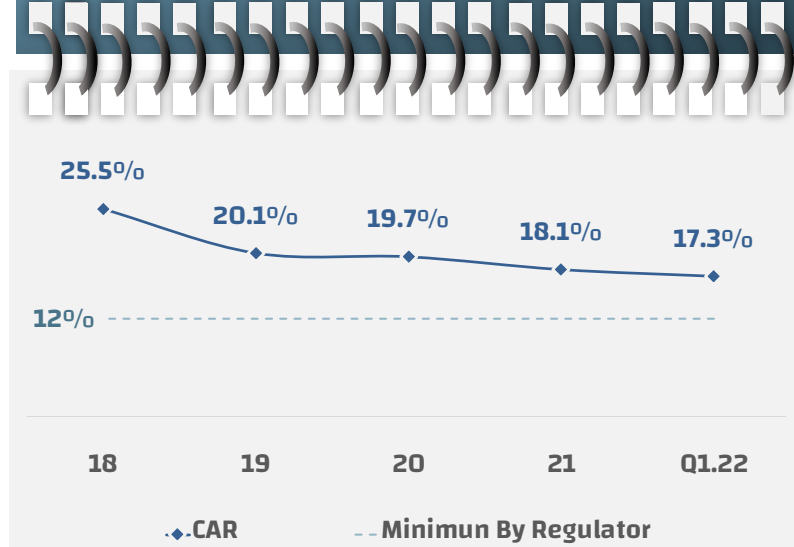
- Jordanian Dinar return is highly correlated with USD,
- The return on earning assets showed decreasing trend mainly as a result of Covid 19 pandemic effect, hence the bank adopted a more risk averse strategy with more focus on GREs in addition to postponement of loans as per CBJ instructions.
- Cost of fund showed slight decrease compared to 2021
- As a result, the spread had decreased 0.3% in the first quarter
- 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



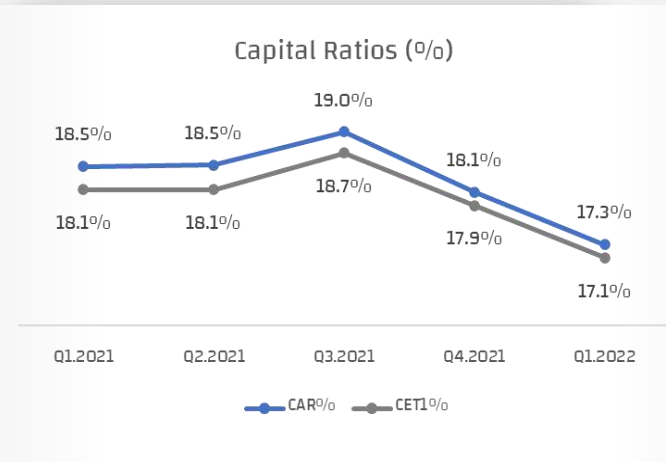
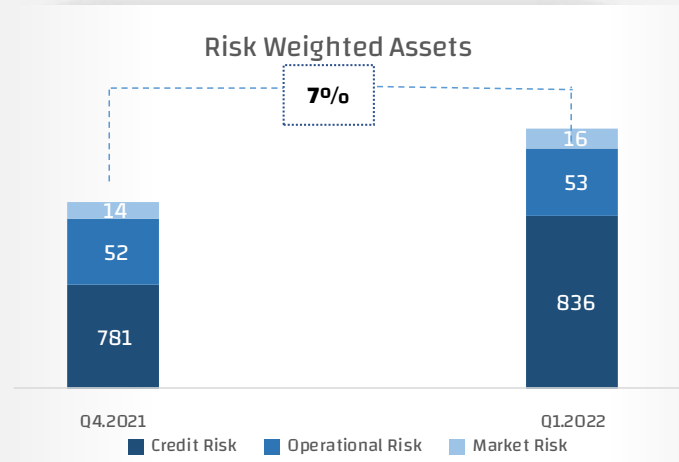
CAR, Q4.21	Change in Returned Earning	Change in Tier 2 (Supporting) Capital	Change in Other Factors (Inrangible Assets, Def. Tax Assets, ..)	Change in RWA	CAR, Q1.22
	Retained earning and reserves increased by JD 3.5 mn had a positive effect on CAR by 0.4%	Change in tier 2 capital had a minimal effect on CAR%	Other factors had a slight effects on CAR	The increased volume of RWA by JD 56 mn from JD 849 mn to JD 905 mn affected the CAR by a decrease of 1.1%	

CAR Trend



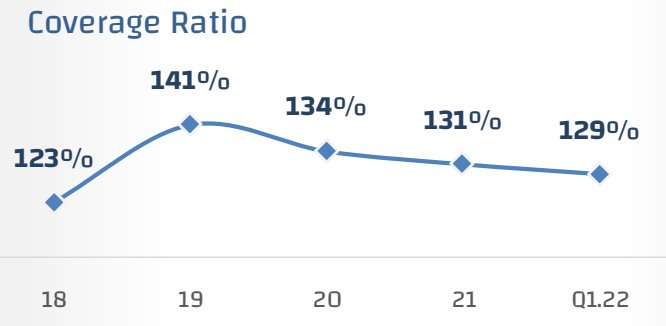
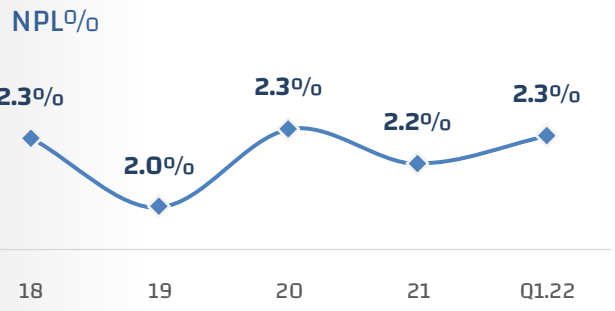
Management Commentary

- 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 by 5.3% (CBI minimum CAR is 12%)

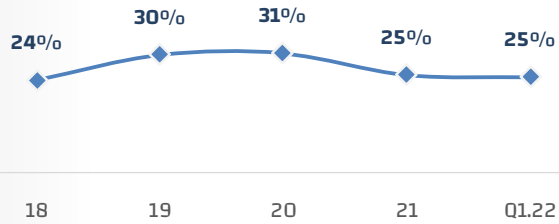


Management Commentary:

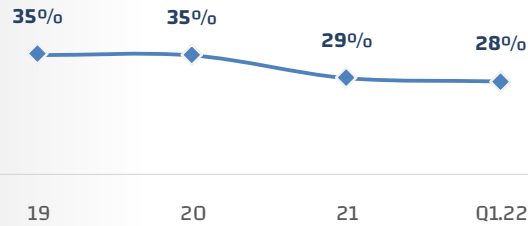
- ▶ Risk weighted assets increased during the first quarter of 2022 by 7% mainly due to credit
- ▶ Safwa maintained healthy NPL percentage below the market average, NPL ratio reached 2.3% after a slight increase during the first quarter
- ▶ For long years, the bank preserved an adequate provisions for doubtful accounts which covers more than the NPL balances, the coverage ratio reached 129% as of end of Q1.2022 without considering the collaterals



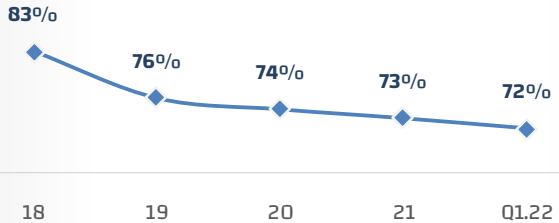
Liquid Assets / Assets



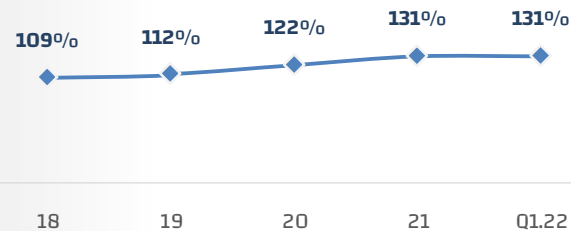
Liquid Assets / Deposits



Advances To Deposits (AD%)



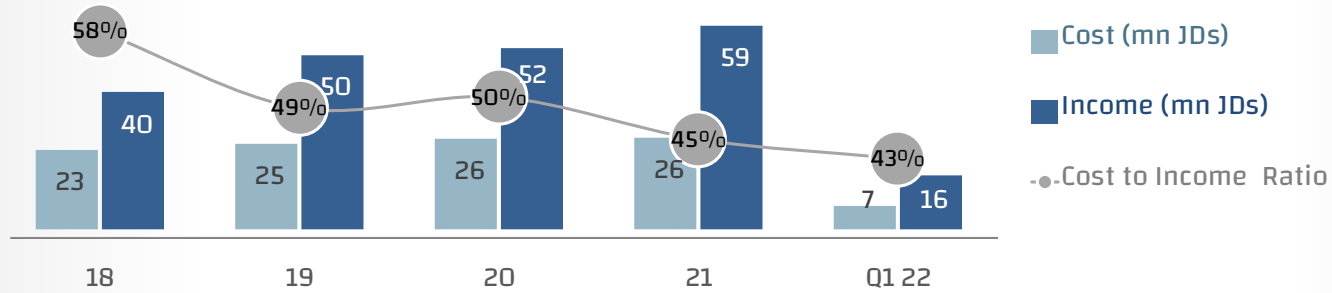
Regulatory Liquidity



Management Commentary:

- ▶ Advances to deposits ratio showed enhanced trend during the recent years
- ▶ 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 28% of deposits.
- ▶ This comfortable liquid position will help the bank to face any emergency situation in the future
- ▶ LCR reached comfortable level of 444% far away from minimum regulatory level of 100%

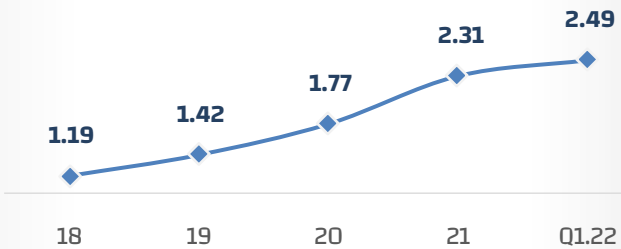
Cost & Income Trend



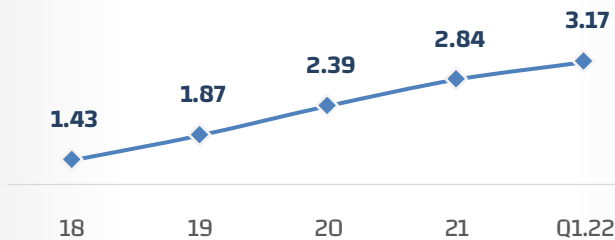
Management Commentary:

- ▶ 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.

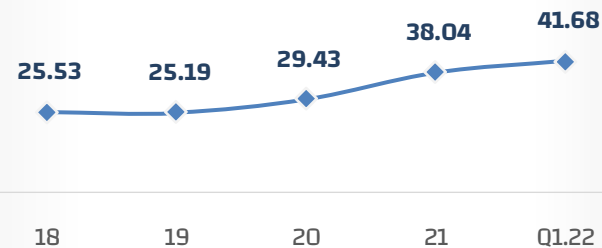
Financing / Employee (JD mn)



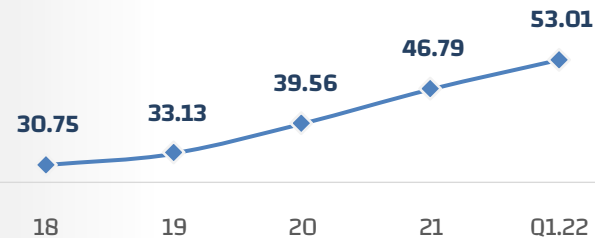
Deposits / Employee (JD mn)



Financing / Branch (JD mn)



Deposits / Branch (JD mn)



Summary Income Statement (Mn JDs)	Q1.22	Q4.21	QoQ	QoQ%	Q1.21	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	12.7	12.3	0.4	3%	11.6	1.1	9%
Other Revenues	2.8	2.4	0.4	16%	2.3	0.5	23%
Net Revenues	15.5	14.7	0.8	5%	13.9	1.6	12%
Impairment Charges	(3.0)	(1.8)	(1.2)	-65%	(3.0)	(0.0)	-2%
G & A Expenses	(6.7)	(7.2)	0.5	7%	(5.9)	(0.8)	-14%
Net Income Before Tax	5.8	5.7	0.1	2%	5.0	0.7	15%
Taxes	(2.2)	(2.2)	(0.0)	0%	(1.9)	(0.3)	-15%
Net Income	3.6	3.5	0.1	3%	3.1	0.5	15%

Summary Balance Sheet (Bn JDs)	Q1.22	Q4.21	QoQ	QoQ%	Q1.21	YoY	YoY%
Financing - Net	1.64	1.60	0.04	3%	1.40	0.24	17%
Investments	0.31	0.32	(0.01)	-3%	0.26	0.04	17%
Deposits	2.08	2.03	0.05	2%	1.67	0.41	24%
Total Assets	2.42	2.34	0.08	4%	1.97	0.45	23%
Total Equity	0.17	0.16	0.00	2%	0.16	0.01	5%

Key Ratios' %	Q1.22	Q4.21	QoQ (bps)	Q1.21	YoY (bps)
Net Interest Margin	2.7%	2.6%	2	3.1%	(40)
Cost to Income	43%	49%	(575)	42%	96
Non-performing loan ratio	2.3%	2.2%	12	2.2%	11
Provision coverage	129.0%	131.4%	(235)	128.1%	87
Return on Average Equity	8.8%	8.9%	(14)	8.1%	71
Return on Average Assets	0.6%	0.7%	(7)	0.7%	(6)

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



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 06.2021)

Capital Adequacy

18⁰%

Regulatory Liquidity

136⁰%

NPL Ratio

5.3⁰%

ROA

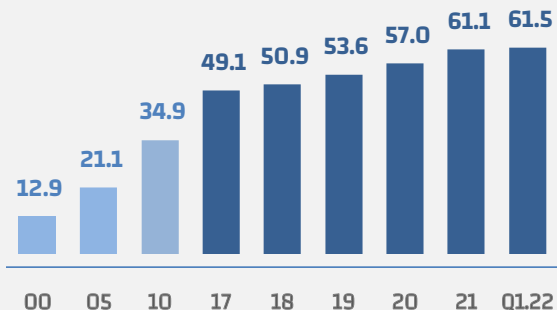
1.2⁰%

ROE

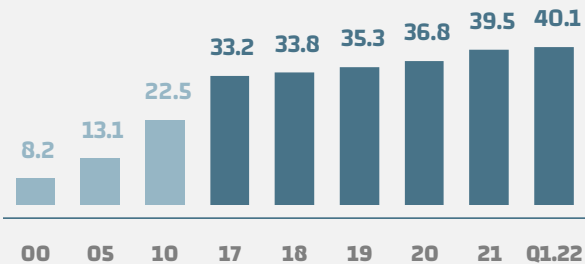
9.5⁰%

Sector Figures (bn JDs)

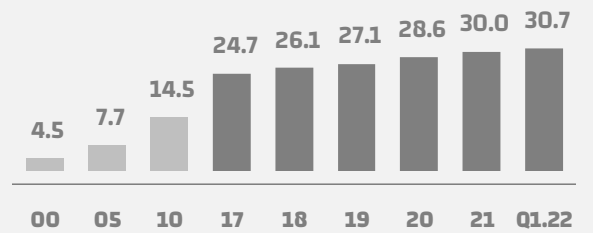
Assets

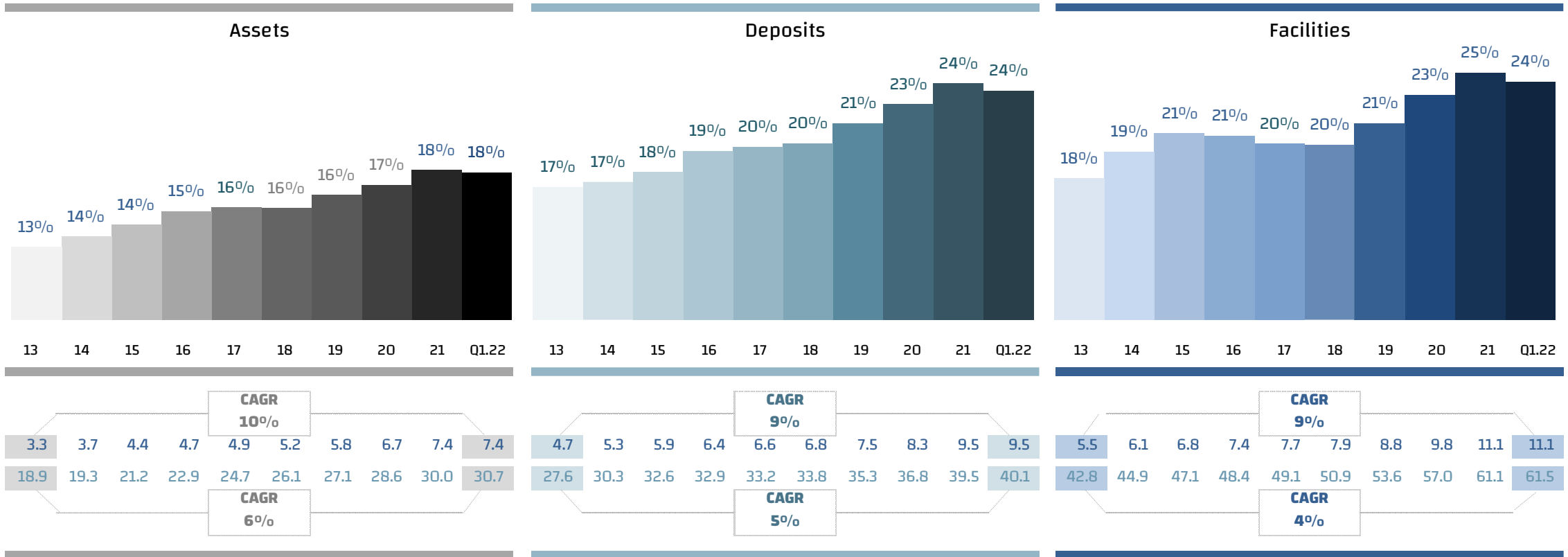


Deposits



Financing





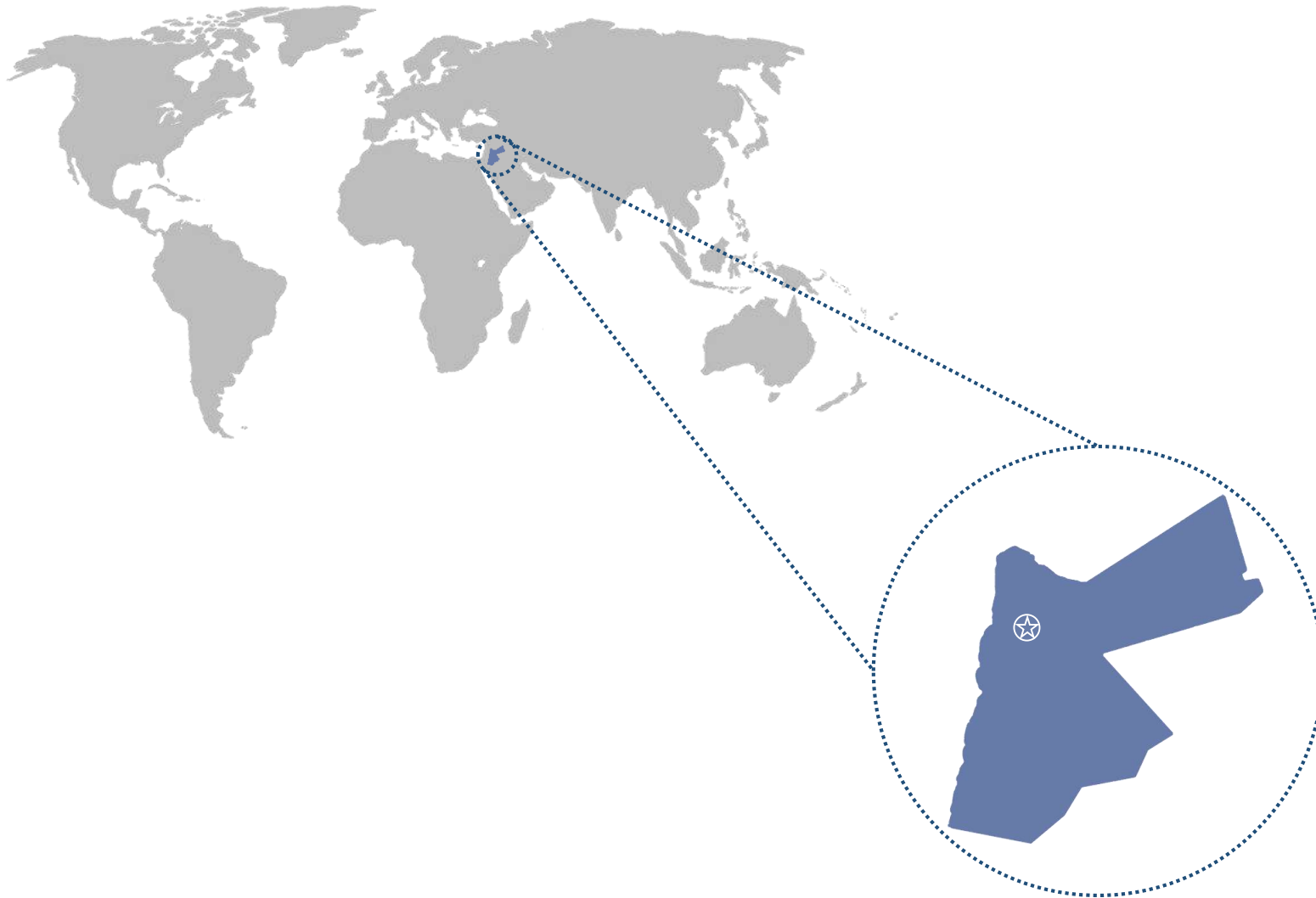
Highlights

- 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 2013 witnessed better ratios than banking sector specially on the assets, the assets' CAGR during this period was 9% for Islamic banks and 6% for the banking sector
- The increasing trend was abruptly infrequently, such as facilities in year 2016-2017 were this year was when Islamic Banks showed a decrease in facilities or slight increase
- During the first quarter of this year, the Jordanian Islamic Bank showed decline in assets and deposits, which cause the slight decline for Islamic banks share



Jordan

Facts and Economy



 **Area :** 89.3 thousand km²

 **Population :** 11.1 million

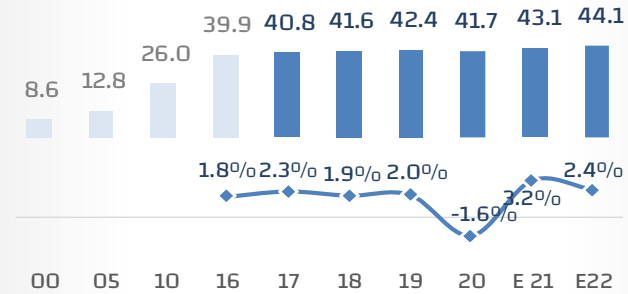
 **Capital :** Amman

 **Religion :** Islam (95%)

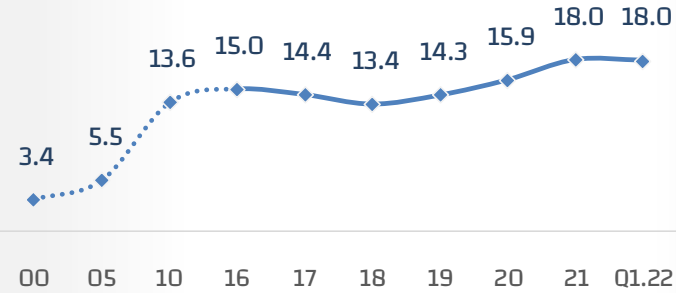
 **GDP :** USD 43.1 billion

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

GDP (Bn USD)



Foreign Reserves (Bn USD)



Highlights

- ▶ Foreign reserves stabled during the first three month of 2022 at USD 18.0 bn; these reserves cover the imports needs for 9.4 months.

Jordanian Dinar has a fixed exchange rate against USD since 1994 with a middle price of (USD 1 = JOD 0.709)

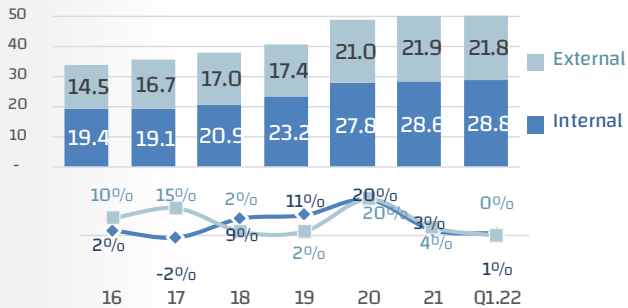
- ▶ Slight decrease of unemployment rate from 24.1% to 23.2%

- ▶ 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

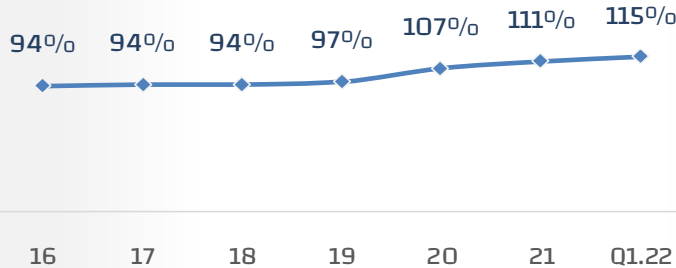
- ▶ Low Inflation trend in recent years reflect the low growth of GDP rates
Also, the unemployment rate was affected negatively by the low GDP growth

- ▶ Current public debt to GDP ratio is at a record high 115%

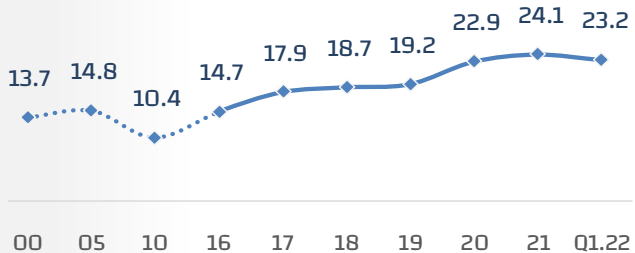
Public Debt (USD bn)



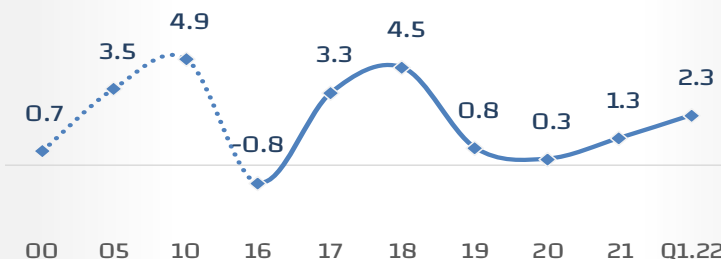
Public Debt / GDP



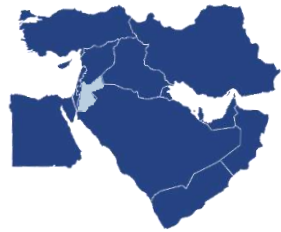
Unemployment Rate (%)



Inflation (%)



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

ATM	Automated Teller Machine
ASE	Amman Stock Exchange
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
CTI	Cost to Income Ratio
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 %	Price to Book Ratio
PE %	Price to Earnings Ratio
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RWA	Risk Weighted Assets

Advances to Deposits	AD ^{o/o}	The average of facilities divided by average sum of deposits and cash collaterals.
Capital Adequacy Ratio	CAR ^{o/o}	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 ^{o/o}	CASA ^{o/o}	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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