



# Safwa Islamic Bank

Investor Report  
Full Year 2023

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011

**Safwa Islamic Bank**  
Stronger Safwa





## Operating Group

Retail

Corporate

SME

Treasury & Investment

## Our Vision

To become the leading community bank in Jordan by offering integrated and comprehensive services through a "One-Group" that utilizes innovative methods and adheres to best practices

## Our Value

- Innovation
- Knowledge
- Quality
- Added Value
- Services up to the highest global standards

## Our Strategic Priorities

- Bank Transformation:** Change modes of operation and business execution
- Strategies for Growth:** Strengthen profitability  
Fit for purpose approach in proposing solutions to customers needs
- Structural Reforms:** Ensure business resilience  
Investment in organic growth while controlling expenses
- Efficiency & Effectiveness:** Implementation of business through a cohesive team that works in one spirit with the best solutions, at the lowest costs
- Risk Management:** Ensuring the application of the principles of the risk management plan, assessing risks and developing strategies to manage them

## Culture

- Instill owners mindset
- We are ALL IN “One Safwa”
- Constantly Innovate
- Customer-centricity

## Retail

- Expand Distribution channels
- Advance efficiency
- Customer-centricity
- Improve CX and Engagement
- Adapt Digital transformation to meet customer preferences
- Innovative products & services
- ESG initiatives
- Enhancing Credit card portfolio

## Corporate

- ESG & Contracting Finance
- Land Development Finance
- Bonded Finance
- Transactional banking and Trade Finance
- Enhance CX & Engagement
- Seamless process, Increase Efficiency

## Treasury

- Introduce new products
- Sukuk Issuance
- Wealth Management
- Expand dealers base

## Track record

Track record of favorable growth



## Return on Capital

Strong balance sheet optimization



## Positioning

Well positioned in the market with flexibility to respond to emerging trends



## Management/ Shareholder alignment

Stable returns, reduced earning volatility, and stronger shareholder value creation



## Innovation

Leveraging technology to drive growth, competitive differentiation and increased efficiency





## Retail

Real Estate Ijarah   Personal Murababaha   Musawamah  
Yusur For Refinancing   Auto Murababaha

## Accounts

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

## Corporate

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

## Cards

Pre Paid Cards   Murabaha Credit Card   ATM Cards   Debit Cards

## Small Business

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

## E-Channels

Safwa Mobile   Safwa Online   Safwa SMS   Call Center

## Treasury

Safe Custody   Management and issuance of Sukuk

## Brokerage

Financial Broker/ Dealer (ASE)   Misc E-trade   Misc Mobile

## E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

“ Anytime, Anywhere ”

## E Services



Contactless Card



Transfers



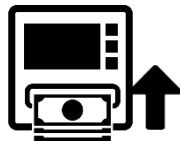
Apple Pay



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



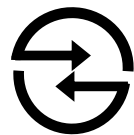
Points & Loyalty



QR Payment



Biometric Authentication



“CliQ” Instant transfers







Customer onboarding

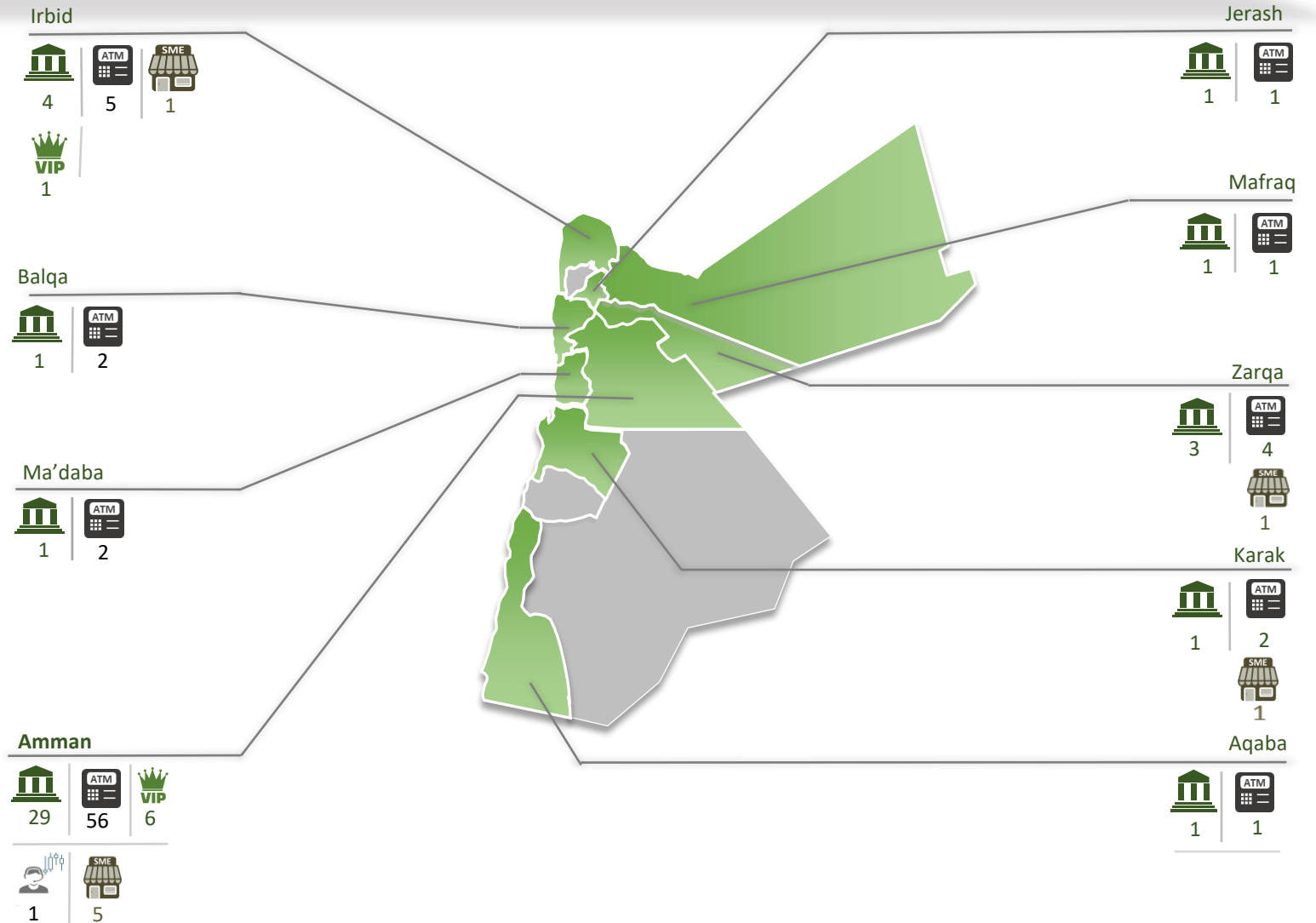


E-Pay Bills





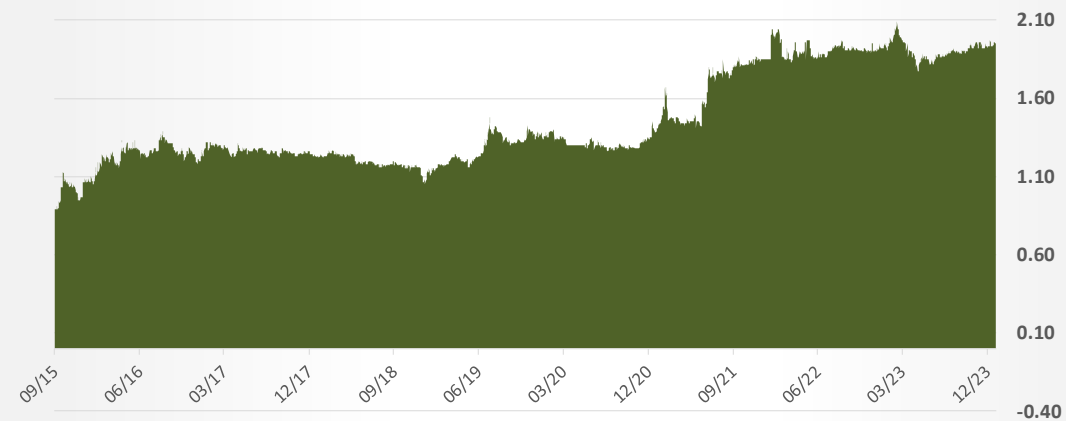
-  **42**  
Branches
-  **74**  
ATMs
-  **7**  
Safwa Gold
-  **8**  
SME Centers
-  **1**  
Brokerage Company



## Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 13.9 %
- ▶ **Closing Price:** JOD 1.94
- ▶ **Market Value :** JOD 194mn

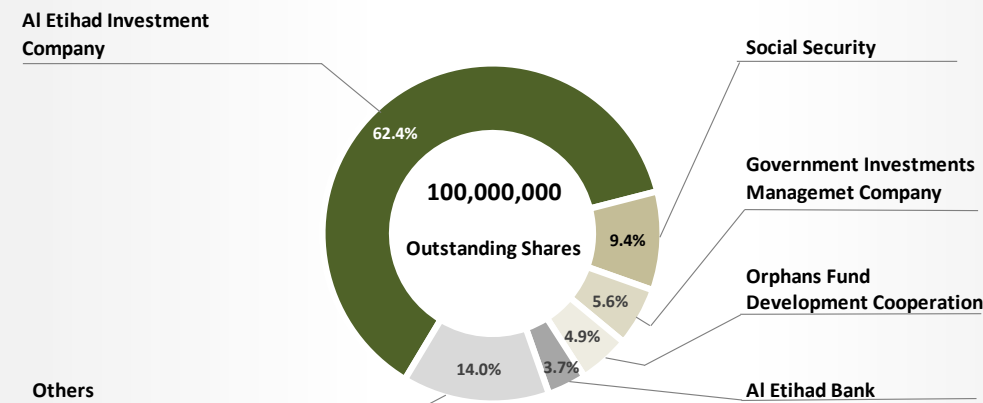
## Share Price Since 2015



## Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.91
- ▶ **Return (last 52 weeks)** 1.04%
- ▶ **PE Ratio** 11.1
- ▶ **PB Ratio** 1.02
- ▶ **Volatility** 0.05 JOD
- ▶ **Payout Ratio** 114%

## Shareholders Composition

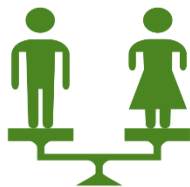


## Green Finance



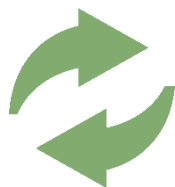
- ▶ Retail green financing during 2023 reached JOD 21 million.
- ▶ Signed a financing agreement to establish a solar power plant with a total value of JOD70.5 million. It is considered the largest solar energy project with an on-grid system in the MENA, and it is the first of its kind the region in terms of its shareholders.

## Gender Diversity



- ▶ Board of Directors – Increased female representation to 18% (2022 9%)
- ▶ Management – Female representation 29%

## Resource Efficiency & Waste Management



- ▶ Established waste reduction and recycling programs across our operations, focusing on paper, plastics, and electronic waste.
- ▶ Continuous monitoring and optimizing of our resource consumption, investing in energy-efficient equipment and technology, and implementing resource-saving measures.



## Products Energy Requirements Reduction

- ▶ Expanded our digital banking services to reduce the need for in-person branch visits and consequently lowers the energy consumption associated with physical banking operations.
- ▶ Encourage customers to opt for paperless transactions, to reduce the energy consumption associated with printing and mailing physical documents.

## Sustainability Reporting

- ▶ Safwa bank issued its first Sustainability Report for the year 2022



## Social Responsibility

- ▶ Renewed cooperation agreement with King Hussein Cancer Center
- ▶ Signed agreement with Injaz for Youth Education and Empowerment
- ▶ Donated to Tikyet Um Ali to support those in need
- ▶ Future Stars program to train university students
- ▶ Donated to Crown Prince Foundation to support schools in need
- ▶ Cooperated with King Hussein Cancer Foundation in their media campaign to fight cancer
- ▶ Providing support to women through agreements that support women's projects.



02

# Safwa Islamic Bank

## Financials





Upward move in Jordan Islamic banking total asset ranking to reach #2

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Record full year Profit Before Tax (JOD 28mio)

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Above market growth in assets and deposits (assets 10.1% vs. 1.8%; deposits 9.8% vs 2.8% - Sep 2023)

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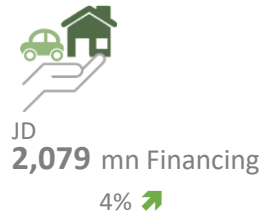
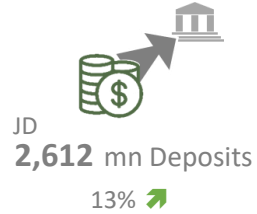
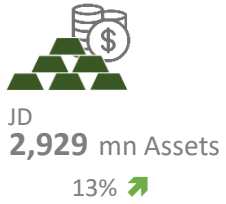
Dynamic transformation strategy reflected by up to date enhanced services

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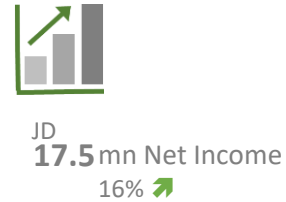
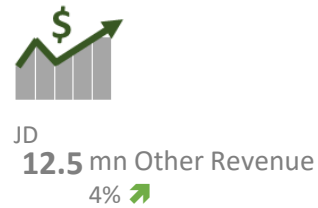
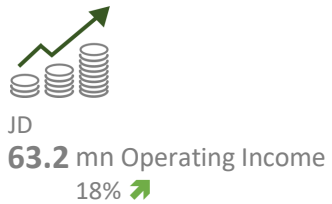


Future growth set with a solid capital base, sufficient reserves and risk appetite

## Organic Growth



## Sustainable Profitability



## Robust Credit & Capital Profile

**NPL | 2.4%**  
Strong Credit Quality

**CAR | 16.4%**  
Comfortable capital adequacy ratio

**Coverage Ratio | 127%**  
Adequate Coverage

## Market Share%



## Key Ratios

ROE **9.7%** 0.6% ↗

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CTI **42%** 2.9% ↘

## Credit Rating

**B+**

Employees  
**744**

## Strong Foundation for Growth

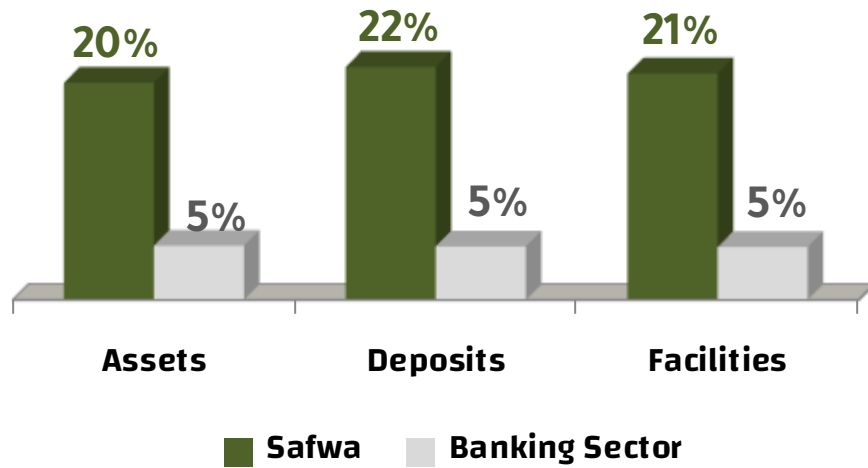
Balance sheet optimization

Disciplined expense management

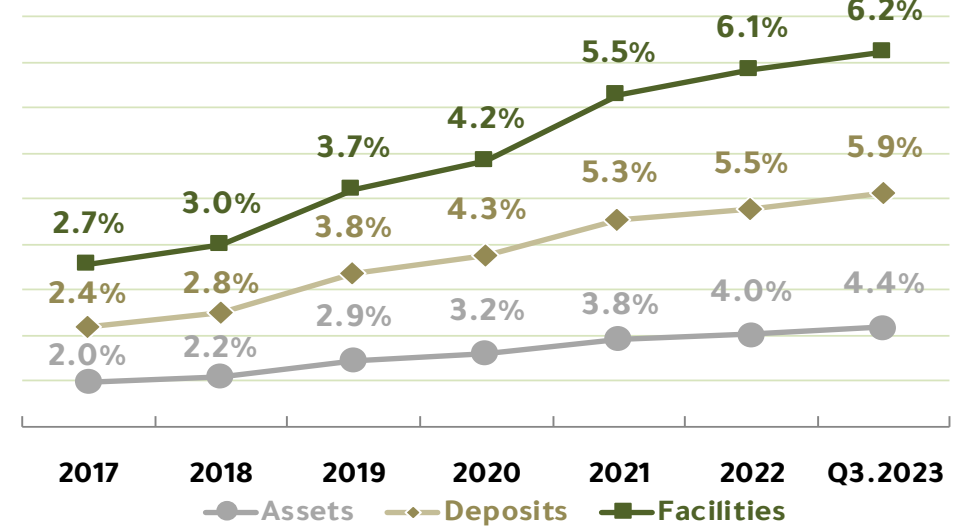
Diversification and scale

Strong Credit Quality

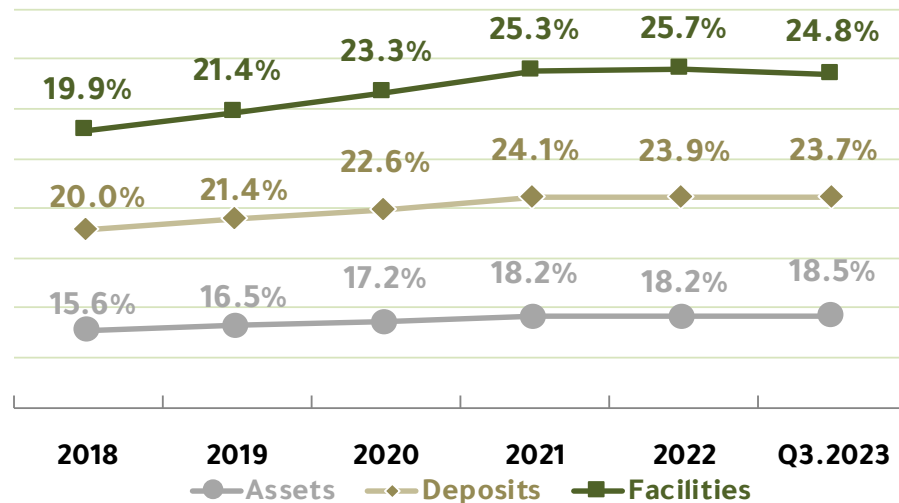
Safwa CAGR within 5 years Compared to Banking Sector



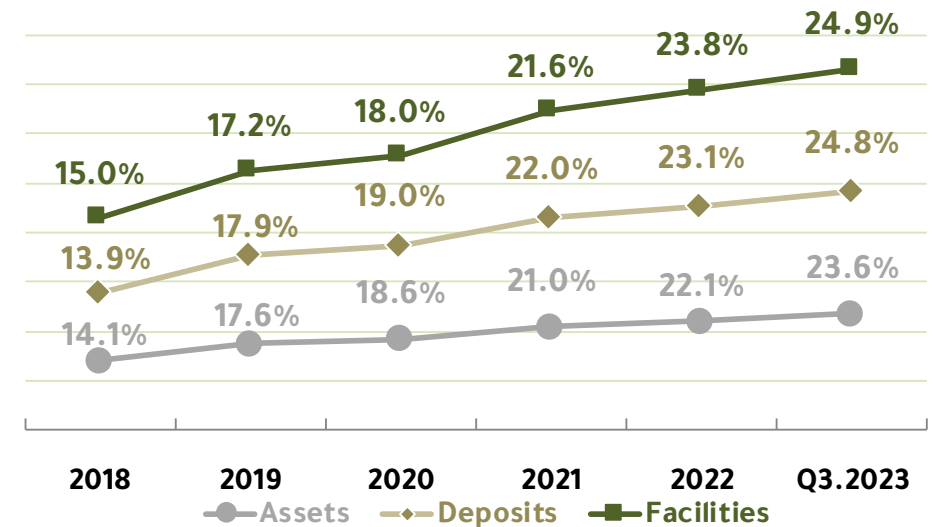
Safwa Market Share of Bank's Sector



Islamic Market Share of Bank's Sector

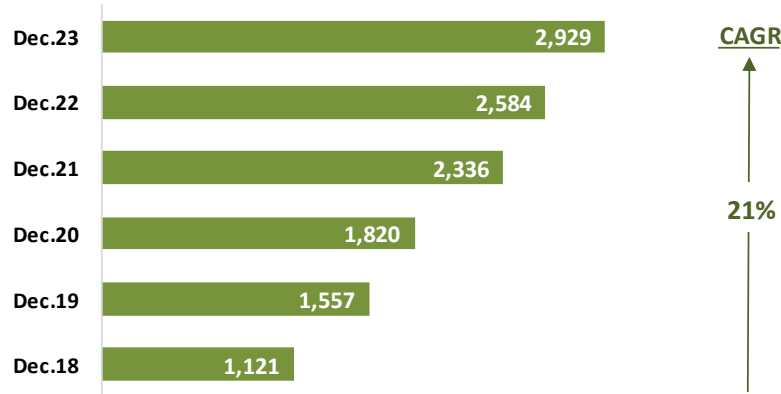


Safwa Market Share of Islamic Sector

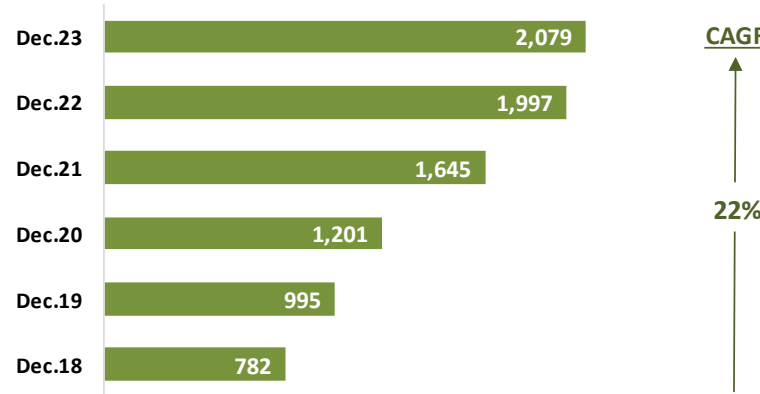




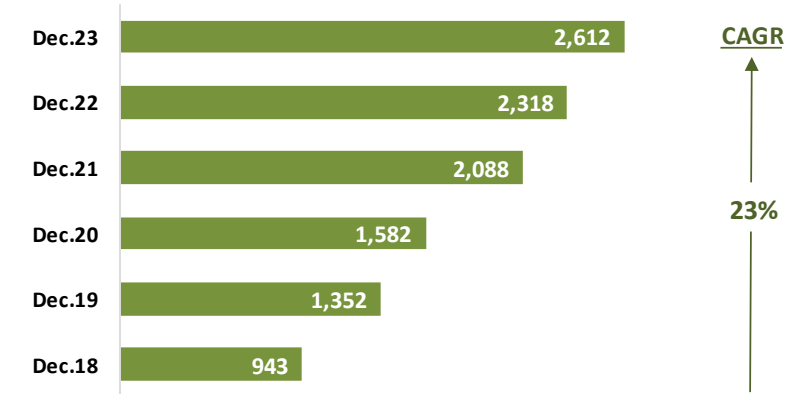
Total Assets (JOD mio)



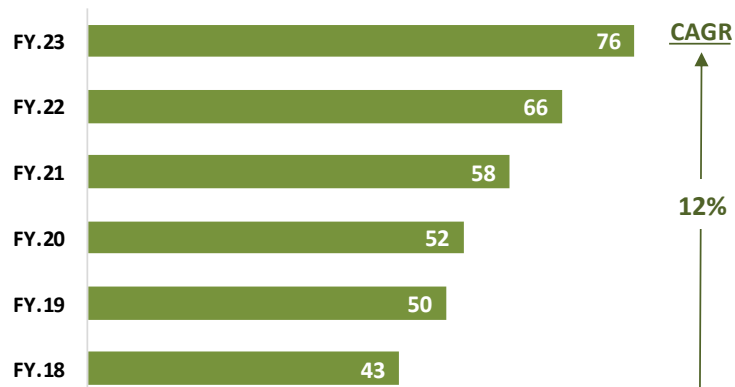
Total Facilities (JOD mio)



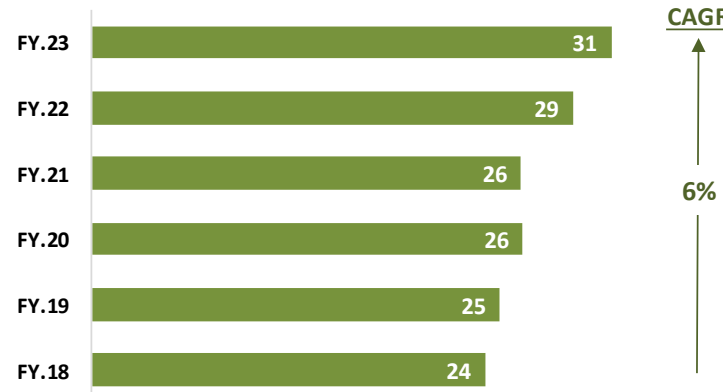
Total Deposits (JOD mio)



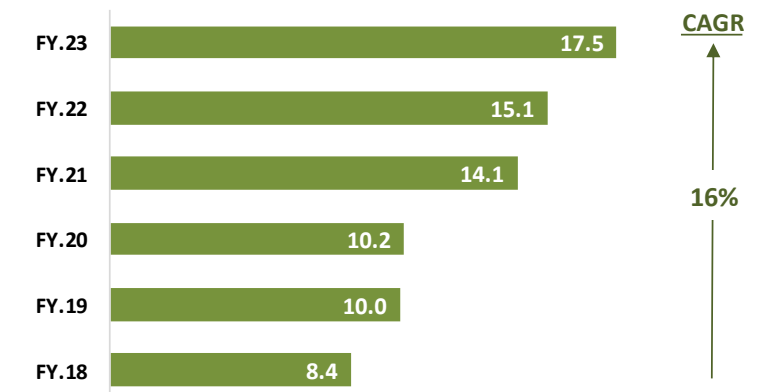
Gross Income & Other Fees (JOD mio)



Operating Expenses (JOD mio)



Net Income (JOD mio)



# Safwa .. Key Ratios

16

## Key Ratios

### Consolidated

### YTD

Q4.23

Q3.23

QoQ (bps)

YTD, Q4.23

YTD, Q4.22

YoY (bps)

## Profitability

Return on Average Equity

11.3%

8.7%

252

9.7%

9.1%

65

Return on Average Assets

0.7%

0.6%

16

0.6%

0.6%

1

Return on Average Capital

21.0%

15.9%

511

17.5%

15.1%

240

## Assets Quality and Capital

Non-Performing Loan Ratio

2.4%

2.4%

7

2.4%

2.4%

7

Provision Coverage

127%

123%

396

127%

125%

116

CAR

16.4%

17.3%

(89)

16.4%

16.9%

(49)

CET1

16.4%

16.8%

(43)

16.4%

16.5%

(14)

## Efficiency

Cost to Income

38%

44%

(581)

42%

44%

(287)

## Liquidity

LCR

350%

372%

(2,180)

350%

236%

11,390

Financing to Deposits (AVG)

80%

82%

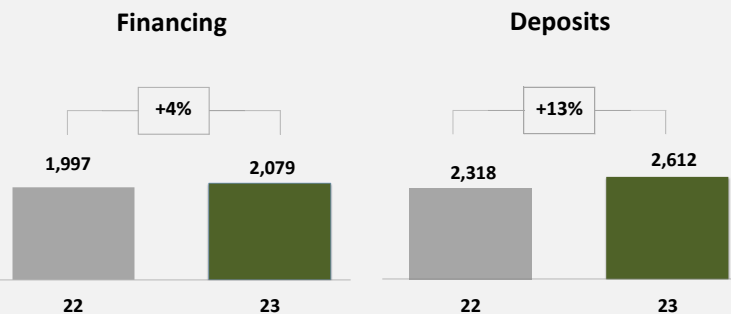
(195)

84%

75%

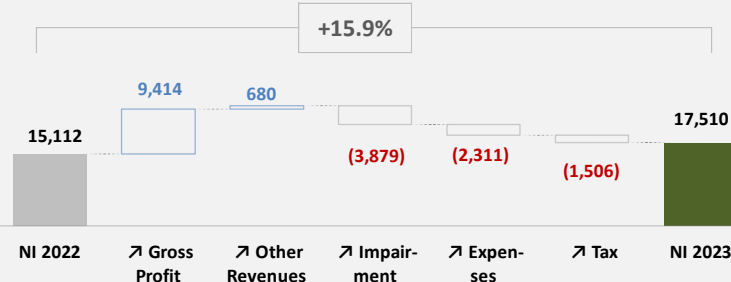
898

## Financial Position



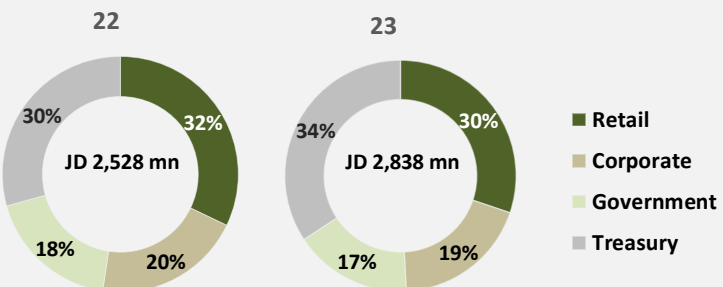
- Safwa continued with its growth momentum and increased financing by 4% JD 82 mn.
- On the other side, deposits increased by JD 294 mn (13%).

## Profit & Loss



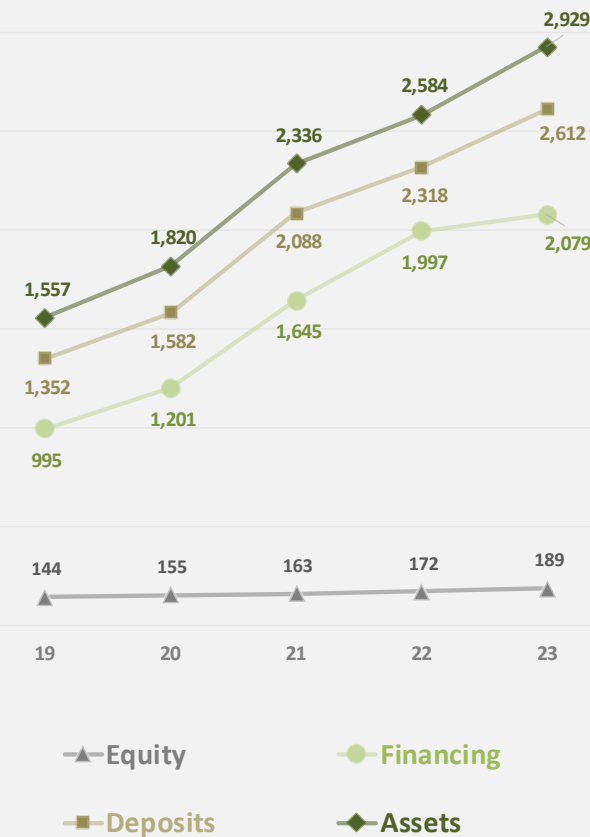
- NI Increased by 15.9% as of YE.2023 compared to YE.2022 (from JD 15.1 mn to JD 17.5 mn)
- The positive change is mainly a result of the increase of balance sheet volume average between YE.2023 and YE.2022

## Credit Quality



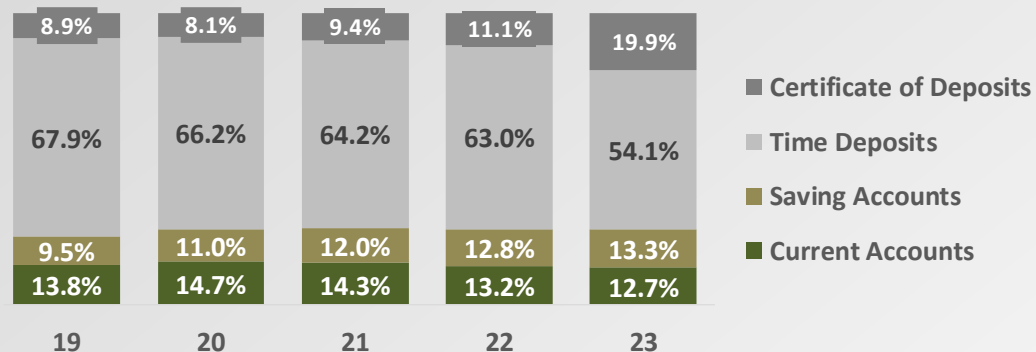
- Well diversified financing & investment portfolio
- NPL% at 2.4%
- Coverage ratio of 127% without considering tangible collaterals
- Capital adequacy ratio at 16.4%

## Trends (JD mn)



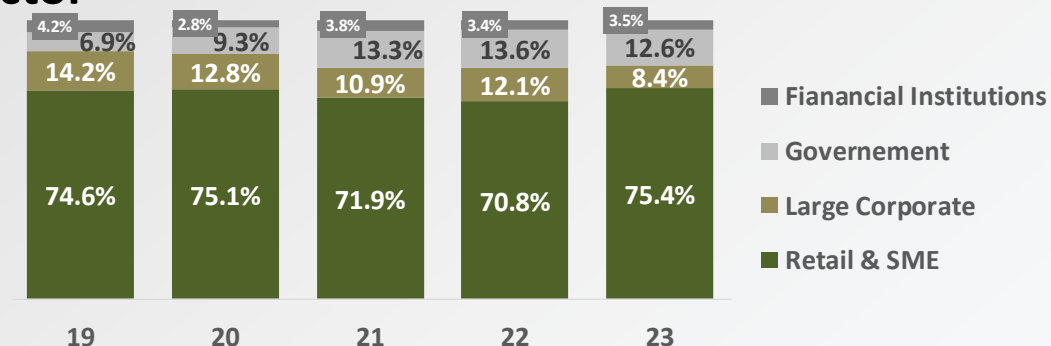
## Deposits Structure

### By Product



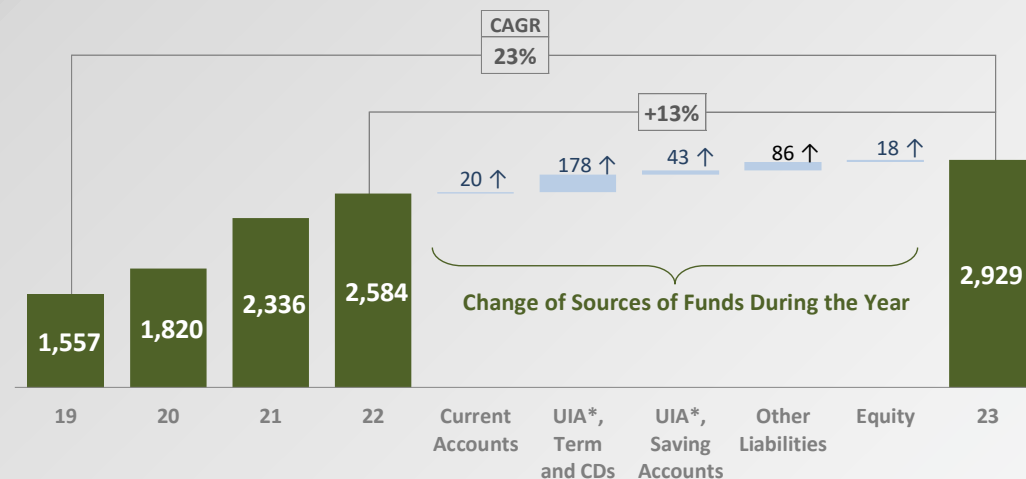
- Increasing trend of CDs contribution over the years and stability of CASA during recent years.

### By Sector



- Increased contribution trend of retail & SME sector.
- Decreased contribution trend of Government and large corporate sectors

## Volume Trends and Movement During 2023 (JD mn)

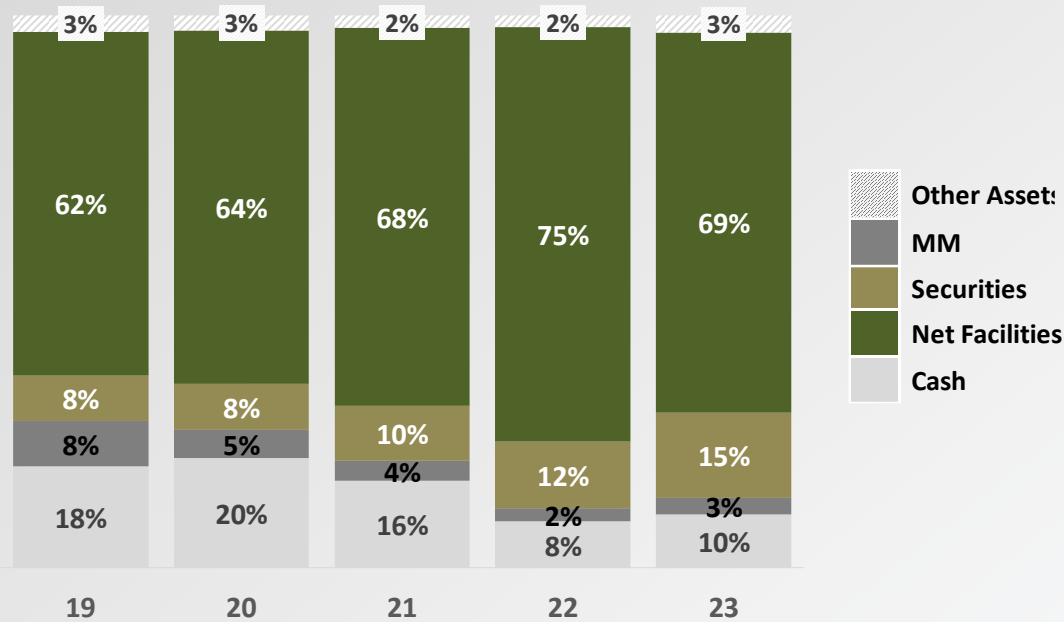


### Management Commentary

- Ambitious growth with a CAGR of 23% since 2019
- During 2023, the bank attracted new deposits resulting in funding increase by 13%
- The funding growth of JOD 345 mn was mainly driven by an increase of term deposits and CDs by JD 178 mn.

\* UIA: Unrestricted Investment Accounts

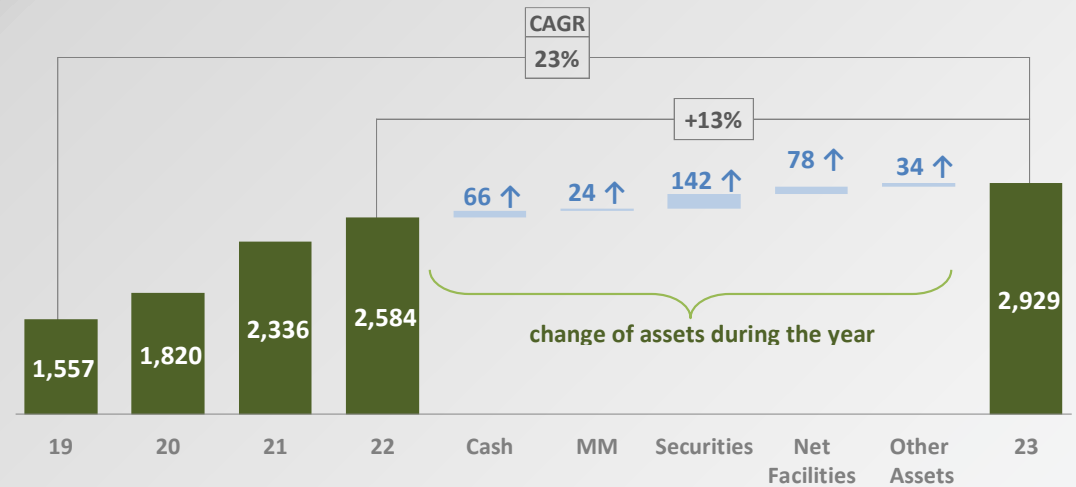
## Deposits Structure



### Management Commentary

- Since 2019, asset structure changed mainly as a result of increased contribution of facilities and securities versus a decreased contributions of current assets (cash and MM instruments).

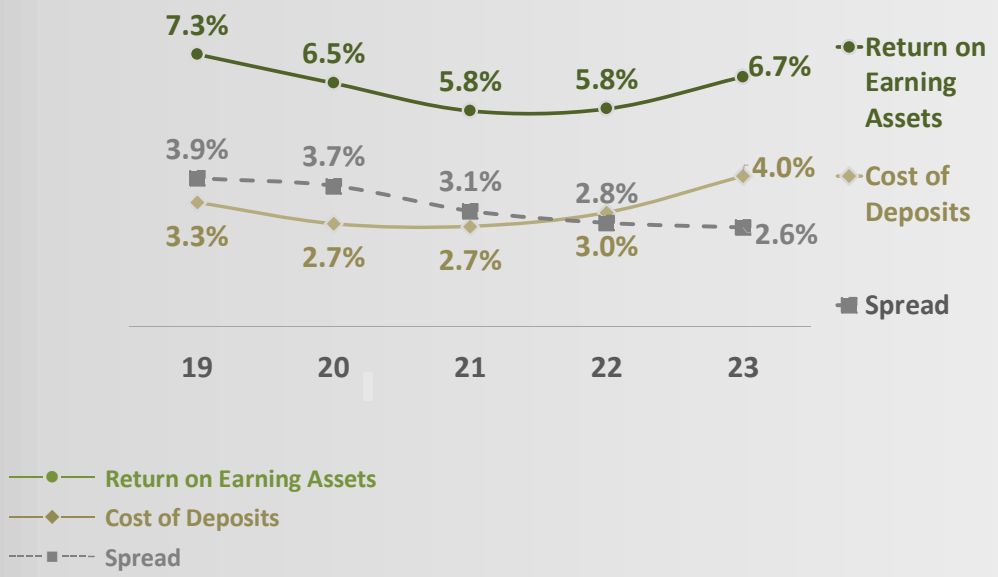
## Volume Trends and Movement During 2023 (JD mn)



### Management Commentary

- Ambitious growth with a CAGR of 23% since 2019
- Movement during 2023 witnessed an increase of 13%, Increase of earning assets by JOD 244 mn, and increase of non-earning assets by JOD 100 mn.

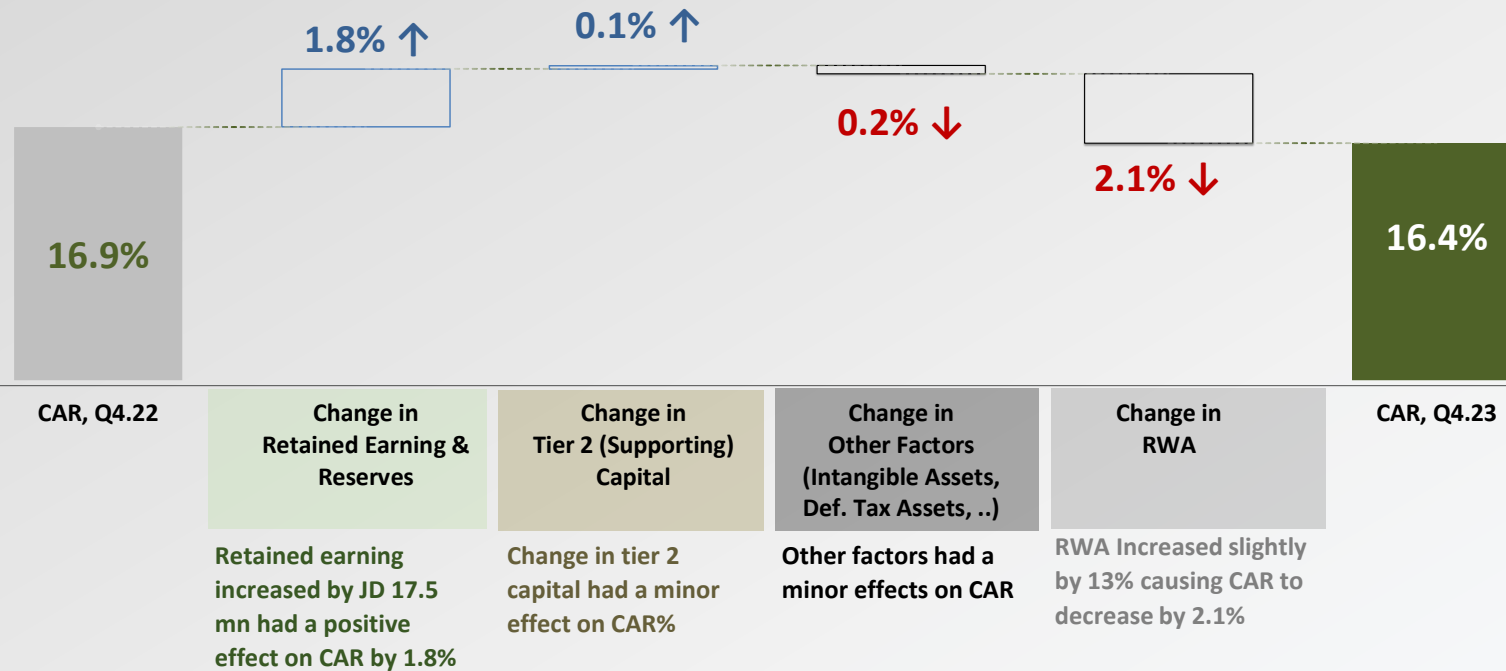
## Return on Earning Assets, Cost of Deposits, and Spread



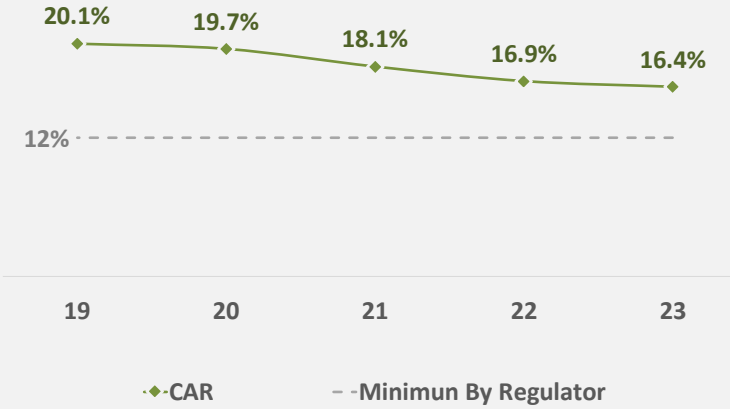
### Management Commentary

- Jordanian Dinar return is highly correlated with USD.
- Cost of fund increased as a normal result of consecutive increases of return on JOD and USD since early 2022.
- The bank managed to reprice the return of earning assets which had reflected in an increase by 0.9% (from 5.8% in Q4.2022 to 6.7% in Q4.2023) to compensate the increased cost of deposits.
- As a result, the spread decreased (from 2.8% in 12.2022 to 2.6% as of 12.2023)
- Management has taken measures such as repricing of assets and financing more high yielding assets in due course.

## Movement of Capital Adequacy Ratio during 2023



## CAR Trend

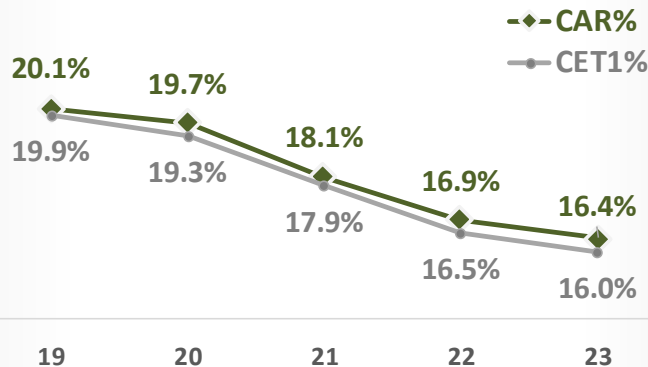
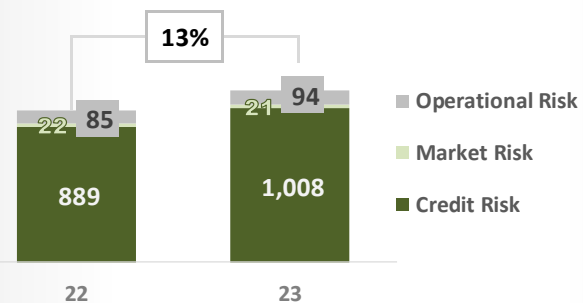


### Management Commentary

- CAR showed a decreasing trend 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 4.4% (CBJ minimum CAR is 12%)



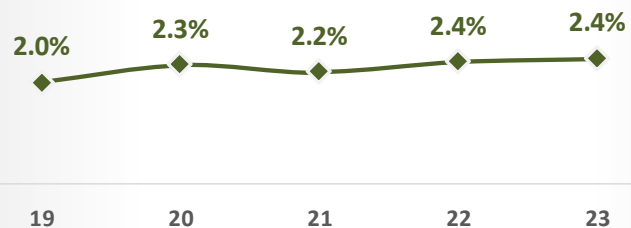
Risk Weighted Assets (JD mn)



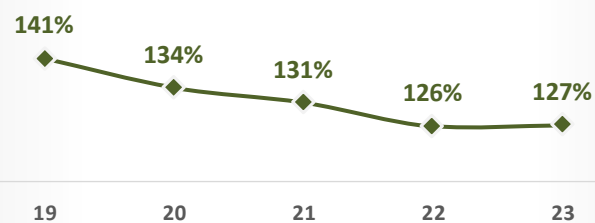
### Management Commentary:

- ▶ Risk weighted assets increased during 2023 by 13% driven by increase of credit risk
- ▶ Safwa maintained healthy NPL percentage below the market average, NPL ratio reached 2.4%
- ▶ For long years, the bank preserved an adequate provisions for doubtful accounts which covers more than the NPL balances, the coverage ratio reached 127% as of end of 2023 without considering collaterals

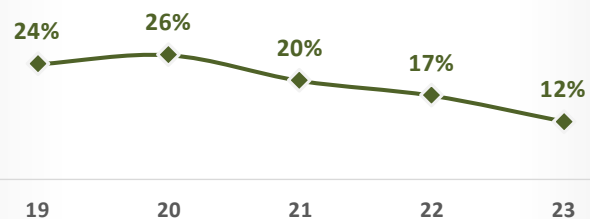
NPL%



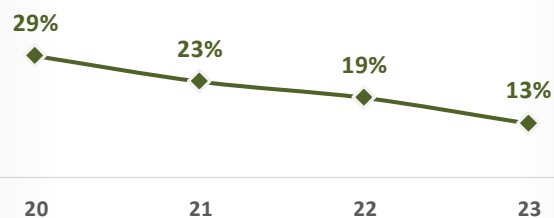
Coverage Ratio



### Liquid Assets / Assets



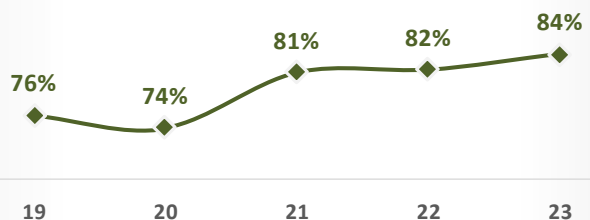
### Liquid Assets / Deposits



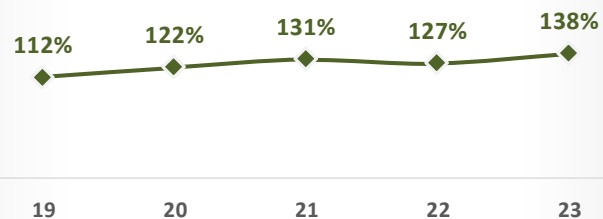
### Management Commentary:

- ▶ LCR reached comfortable level of 350%; (minimum regulatory level of 100%), in addition regulatory liquidity reached 138% (regulatory 100%)
- ▶ The liquidity ratios of liquid assets to assets and to deposits showed a decrease during the this year driven by the decrease of average balance of cash from JOD 319 during 2022 to JOD 225 million during the this year.

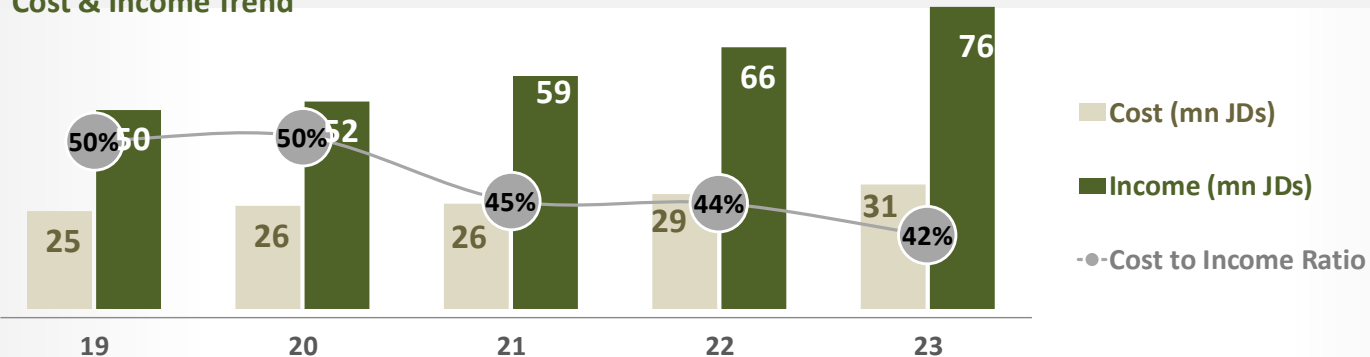
### Advances To Deposits (AD%)



### Regulatory Liquidity



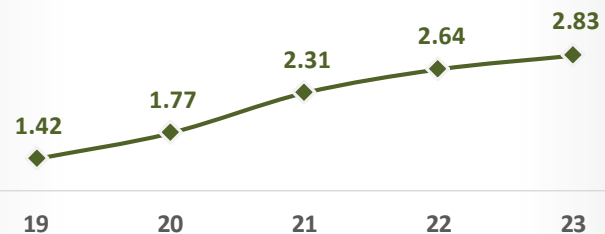
## Cost & Income Trend



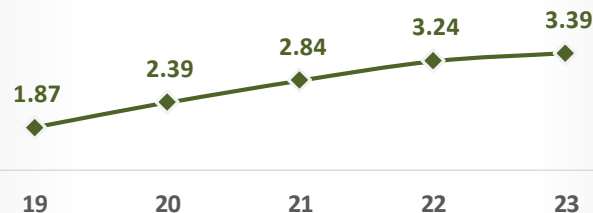
## Management Commentary:

- ▶ Trend of cost to income ratio (CTI) showed continuous enhancement reflecting the bank's 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.

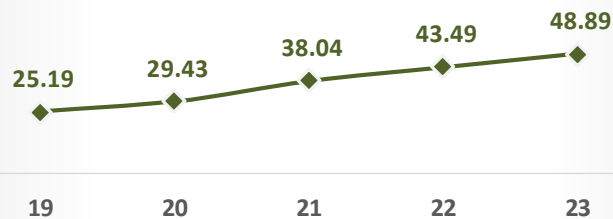
## Financing / Employee (JD mn)



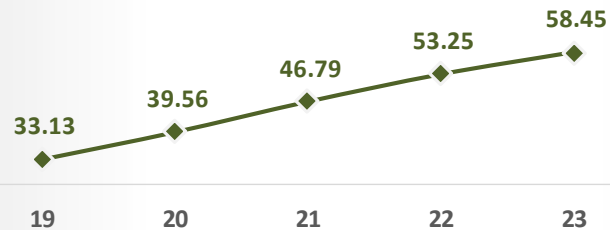
## Deposits / Employee (JD mn)



## Financing / Branch (JD mn)

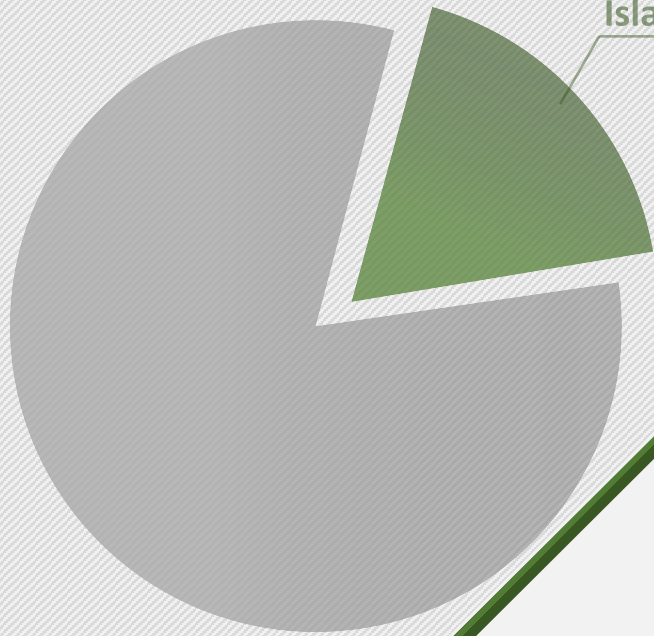


## Deposits / Branch (JD mn)



Summary Income Statement (Mn JDs)	Q4.23	Q3.23	QoQ	QoQ%	YTD, Q4.23	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	17.8	14.1	3.8	27%	63.2	9.6	18%
Other Revenues	3.3	3.6	(0.3)	9%	12.5	0.5	4%
Net Revenues	21.1	17.7	3.4	19%	75.6	10.1	15%
Impairment Charges	(4.4)	(3.4)	(1.0)	30%	(15.9)	(3.9)	32%
G & A Expenses	(8.1)	(7.8)	(0.3)	4%	(31.4)	(2.3)	8%
Net Income Before Tax	8.6	6.5	2.2	33%	28.3	3.9	16%
Taxes	(3.3)	(2.5)	(0.9)	36%	(10.8)	(1.5)	16%
Net Income	5.3	4.0	1.3	32%	17.5	2.4	16%
Summary Balance Sheet (Mn JDs)	Q4.23	Q3.23	QoQ	QoQ%	EOY, Q4.22	YoY	YoY%
Financing	2,079	2,057	23	1%	1,997	83	4%
Investments	540	511	30	6%	374	167	45%
Deposits & Cash Collaterals	2,612	2,544	67	3%	2,318	293	13%
Total Assets	2,929	2,845	84	3%	2,584	345	13%
Total Equity	189	184	5	3%	172	18	10%

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
- ABC Bank

### Foreign Commercial Banks

- BLOM Bank
- Egyptian Arab Land
- Citibank
- Rafidain Bank

## Financial Soundness Indicators (CBJ 06.2023)

### Capital Adequacy

**17.4%**

### Regulatory Liquidity

**136%**

### NPL Ratio

**5.0%**

### ROA

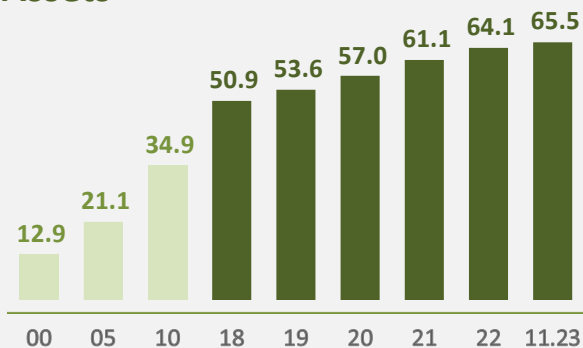
**1.2%**

### ROE

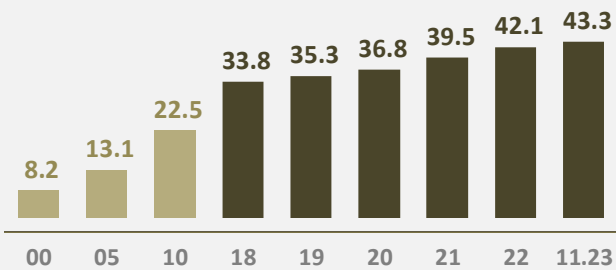
**10.2%**

## Sector Figures (bn JDs)

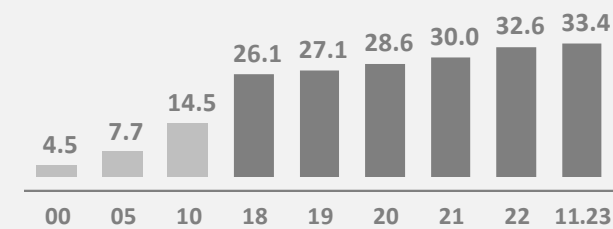
### Assets



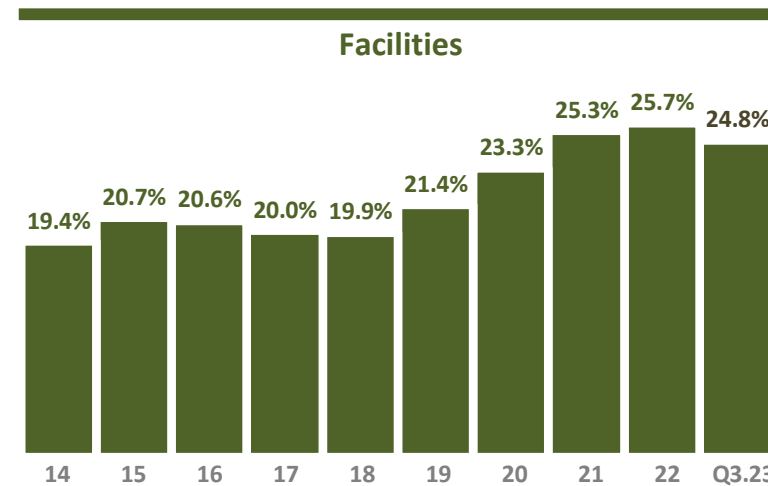
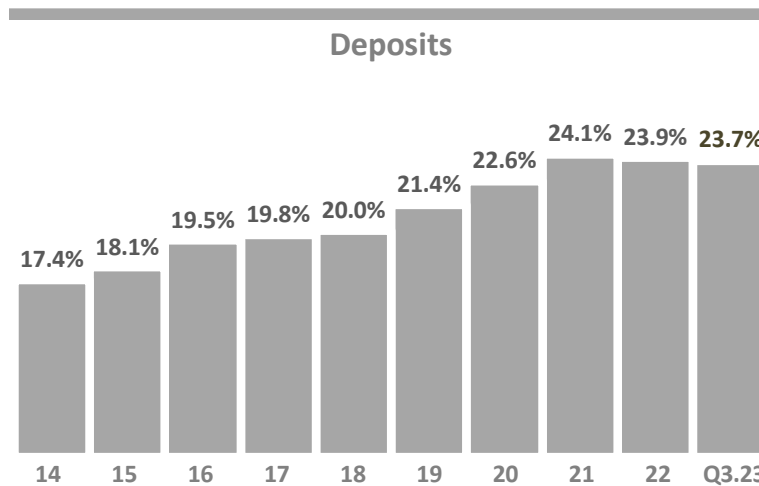
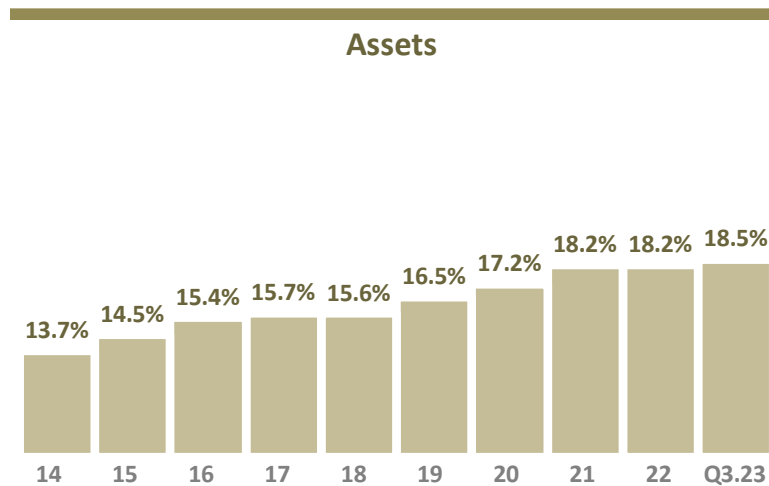
### Deposits



### Financing

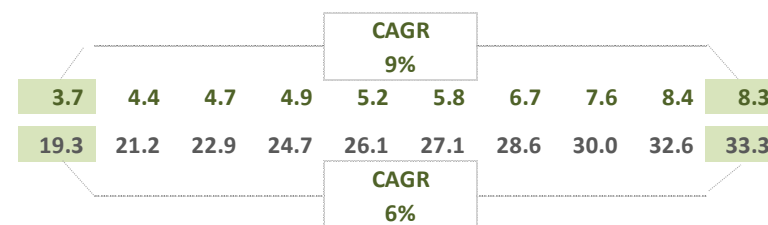
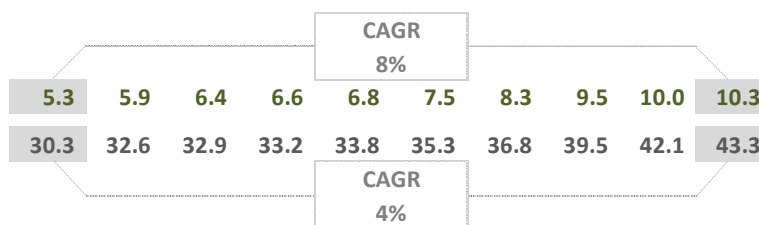
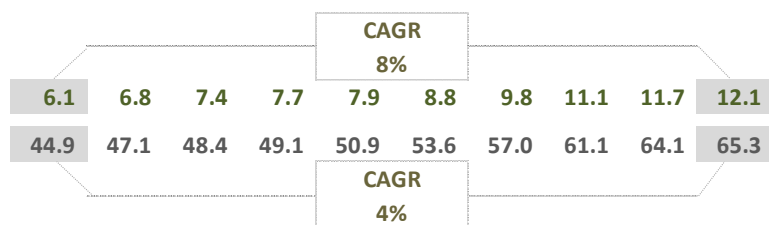






Islamic Banks (JD bn)

Banking Sector (JD bn)



\*CBI Banking Sector data not available for QTR 4.2023

## Highlights

- Islamic banks' market share shows upward trend reflecting the increasing needs of Jordanian society for Sharia compliant products and services
- The CAGR growth ratios for Islamic banks since 2014 witnessed better ratios than banking sector, the assets' CAGR during this period was 8% for Islamic banks and 4% for the banking sector
- The increasing facilities trend was abruptly infrequently, such as between years 2016 to 2018 where Islamic Banks showed a decrease or slight increase in facilities
- During 2023, the market share for Jordanian Islamic Banks in the banking sector showed an increase in assets and deposits driven partly by the performance of Safwa bank.

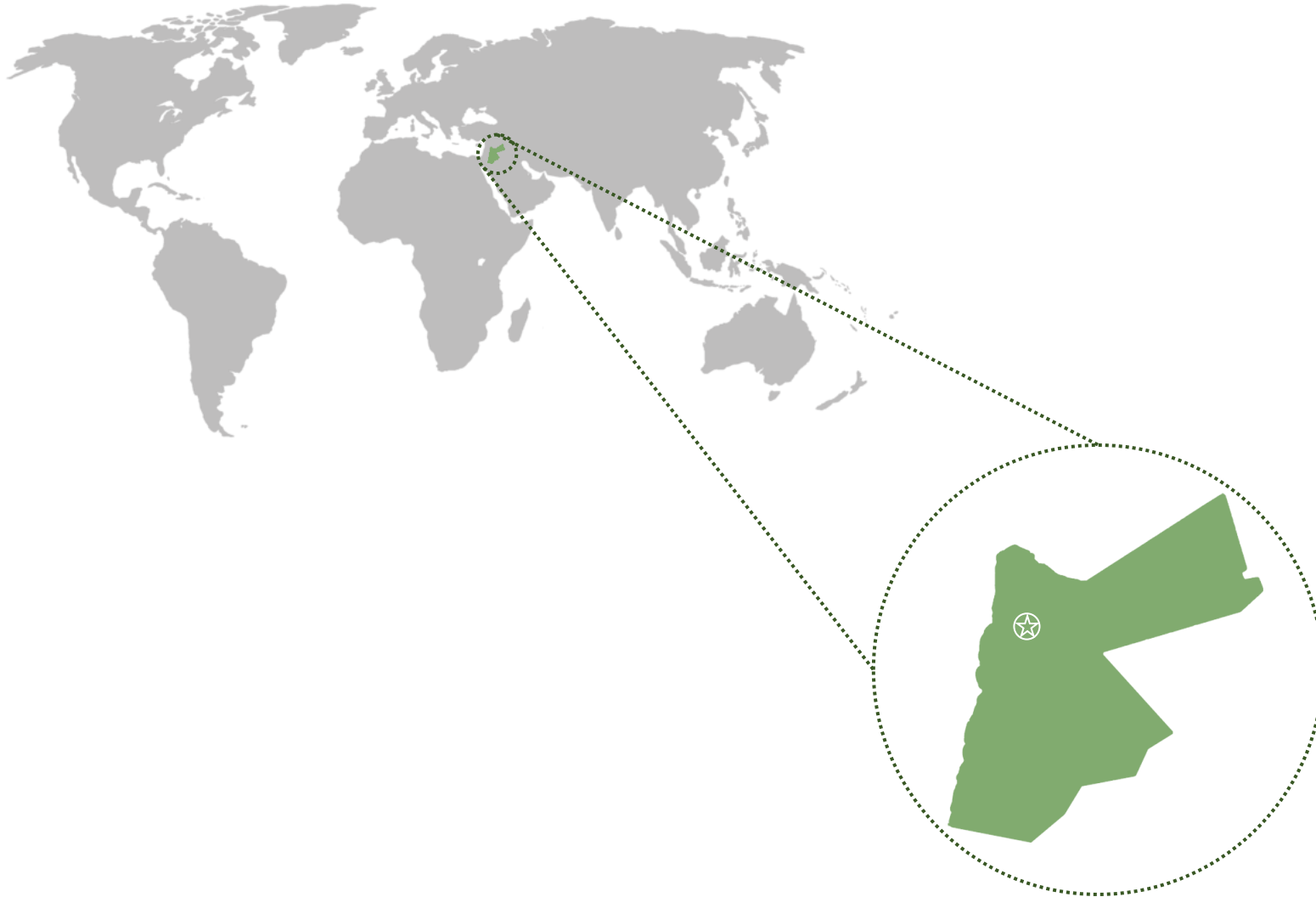


04

# Jordan

Facts and Economy





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



**Population :** 11.5 million



**Capital :** Amman



**Religion :** Islam (95%)

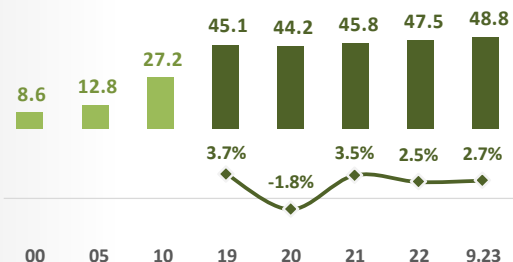


**GDP :** USD 48.7 billion

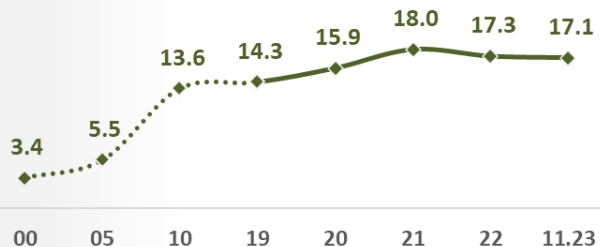


**GDP Per Capita :** USD 4,311

### GDP (Bn USD)



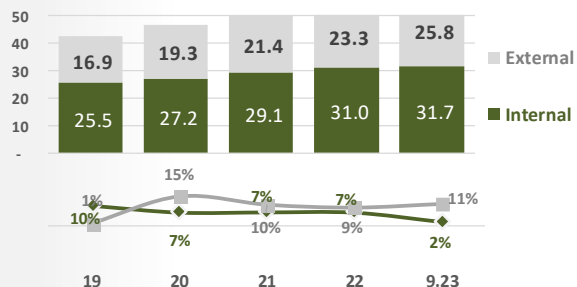
### Foreign Reserves (Bn USD)



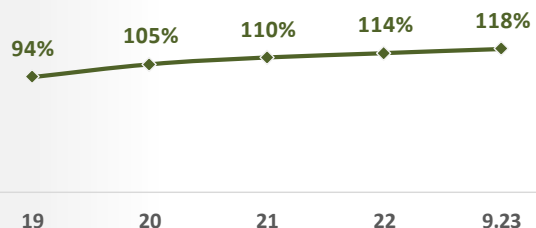
### Highlights

- ◆ GDP showed slight growth over the last years, with the exception of year 2020 which was impacted by the Covid 19 pandemic, GDP growth in June 2023 reached 2.7%
- ◆ Foreign reserves increased slightly at end of November 2023 reaching JD 17.1 bn (JD 17.3 bn at the beginning of the year); these reserves cover the imports needs for 7.6 months. Jordanian Dinar is pegged against USD since 1994 (USD 1 = JOD 0.709)
- ◆ Slight decrease of unemployment rate from 22.9% at the end of 2022 to 22.3% as end of September 2023
- ◆ Current public debt to GDP increased to 118%
- ◆ The inflation rate reached 1.6% at end of December 2023 with a notable decrease of 2.6% compared to 2022.

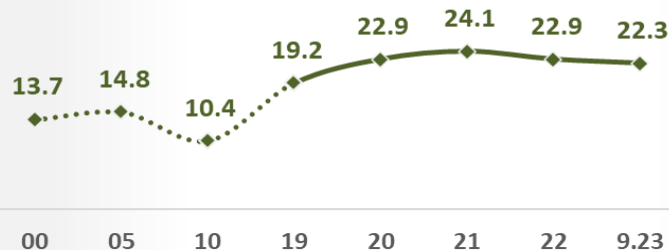
### Public Debt (USD bn)



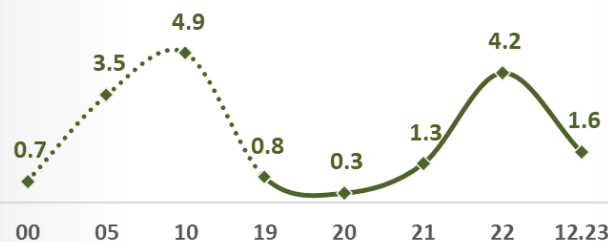
### Public Debt / GDP



### 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**

## 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>CET</b>	Common Equity Tier
<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>MoF</b>	Ministry of Finance
<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>	<b>CTI</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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