



Safwa Islamic Bank

Investor Report
Q3.2023

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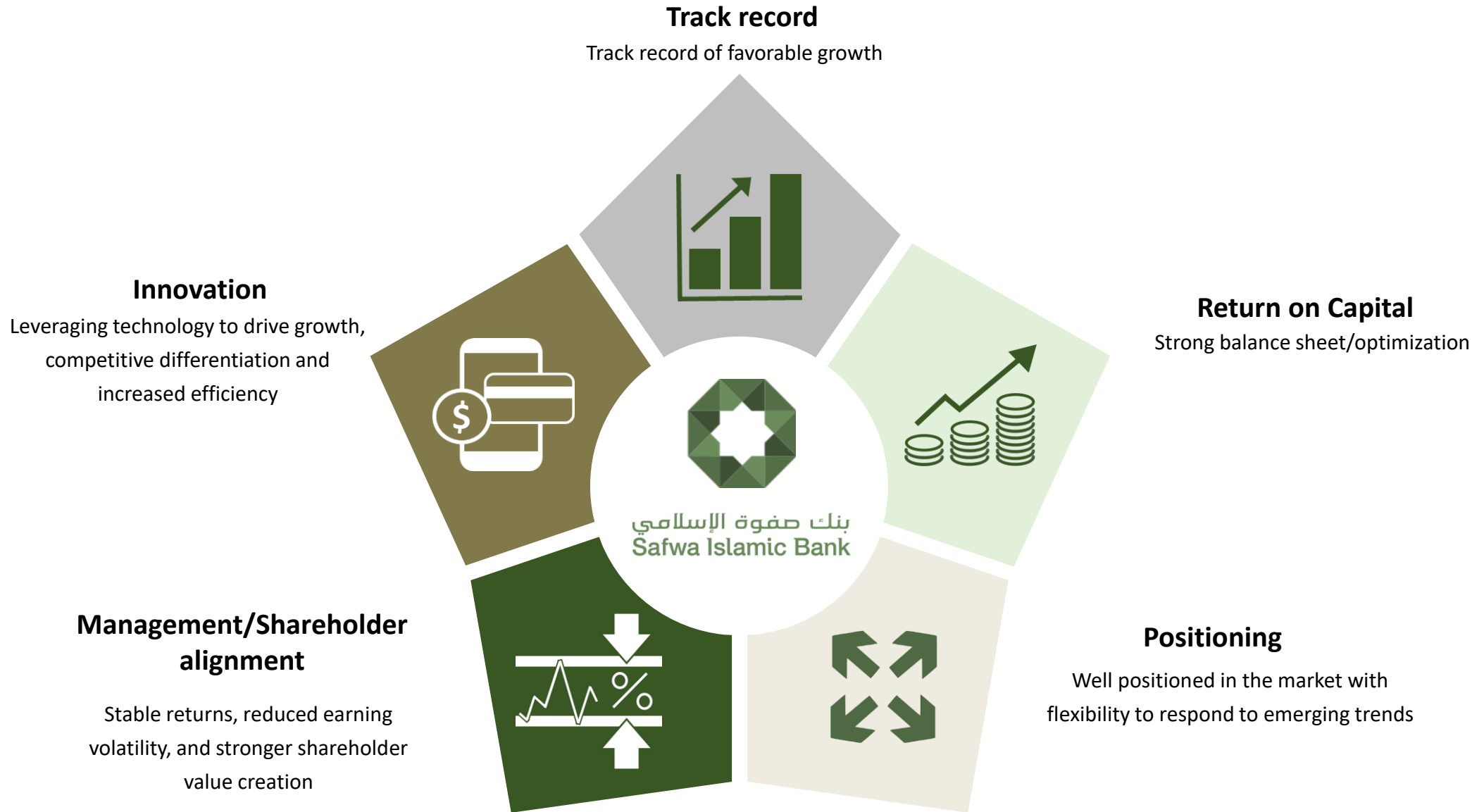




01

Safwa Islamic Bank
Stronger Safwa





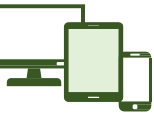
Safwa Bank .. Our Products and Services



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



Pre Paid Cards	Murabaha Credit Card	ATM Cards	Debit Cards
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Safwa Mobile	Safwa Online	Safwa SMS	Call Center
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Financial Broker/ Dealer (ASE)	Misc E-trade	Misc Mobile
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Accounts

Retail

Cards

Corporate

E-Channels

Small Business

Brokerage

Treasury

Real Estate Ijarah	Personal Murababaha	Musawamah
Yusur For Refinancing		Auto Murababaha

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

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

Safe Custody	Management and issuance of Sukuk
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Customer Centric

Solid Principles, Innovative Solutions

Digitization

Simple Processes

E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

“ Anytime, Anywhere ”

E Services



Contactless Card



Transfers



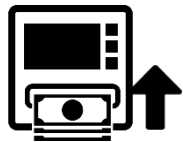
E-Pay Bills



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



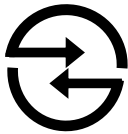
Points & Loyalty



QR Payment



Biometric Authentication

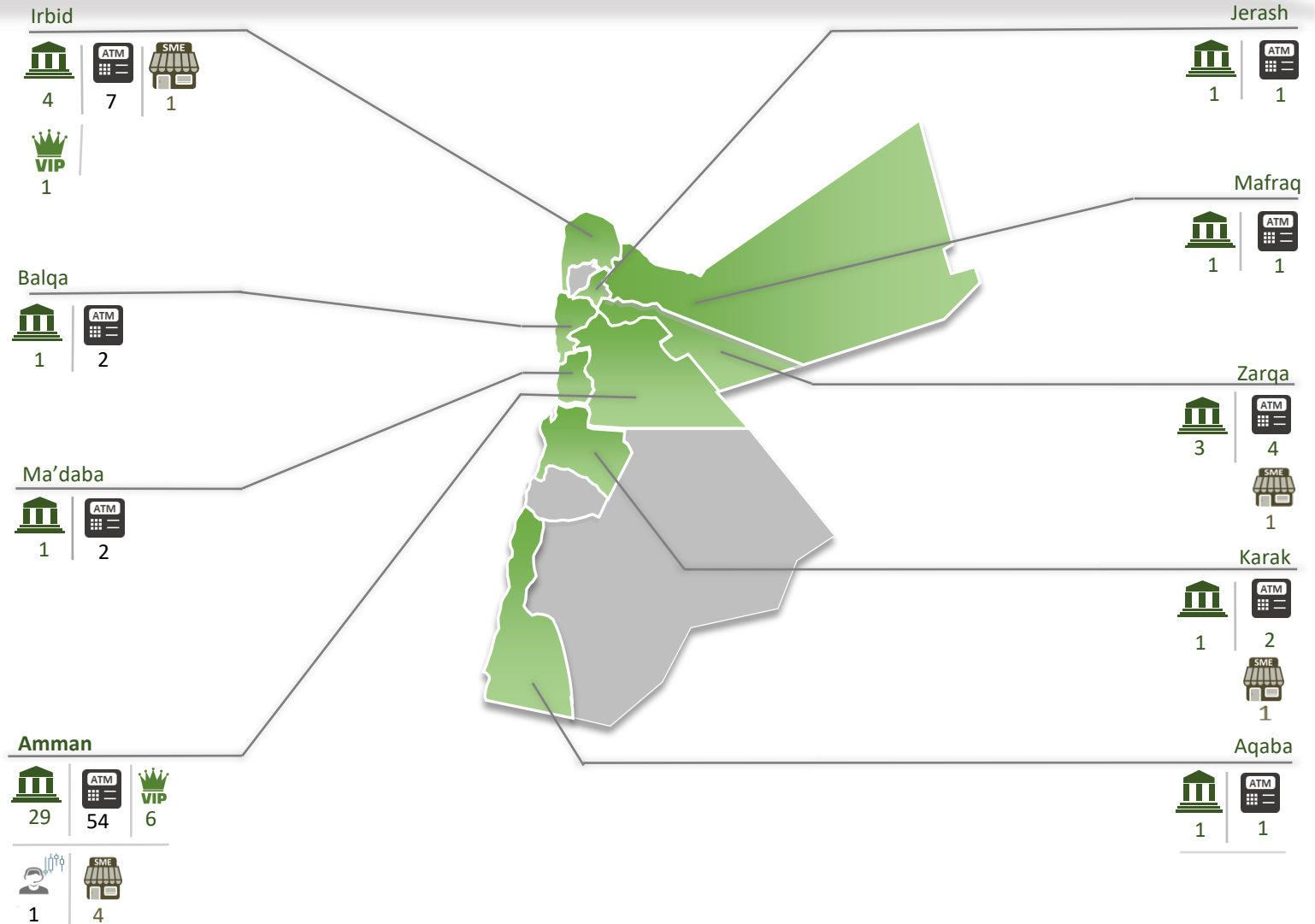


“CliQ” Instant transfers



Customer onboarding

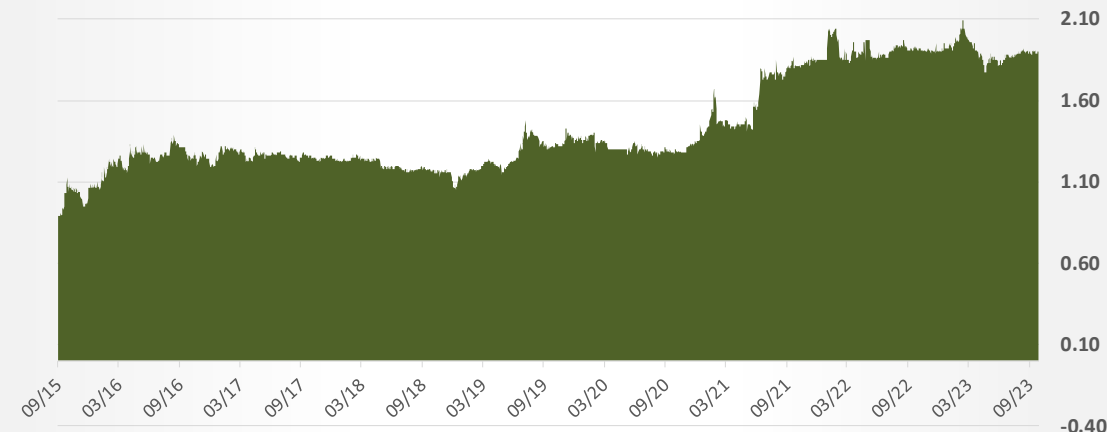




Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 14.3 %
- ▶ **Closing Price:** JOD 1.90
- ▶ **Market Value :** JOD mn

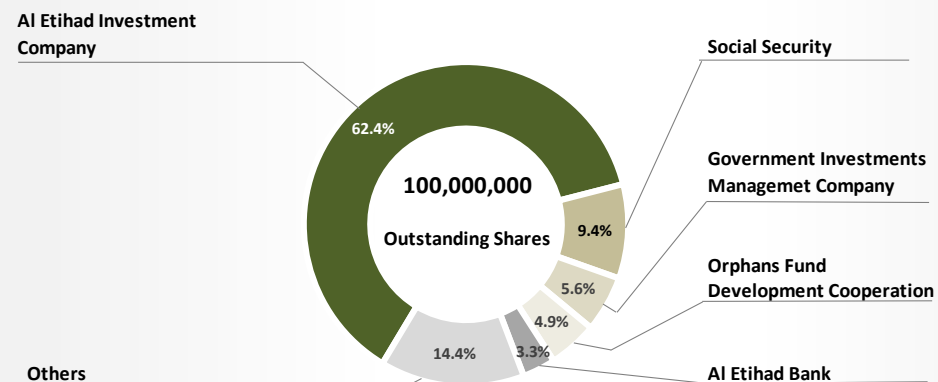
Share Price Since 2015



Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.90
- ▶ **Return (last 52 weeks)** 1.1%
- ▶ **PE Ratio** 11.6
- ▶ **PB Ratio** 1.03
- ▶ **Volatility** 0.05 JOD
- ▶ **Payout Ratio** 0%

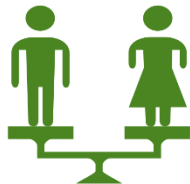
Shareholders Composition



Green Finance

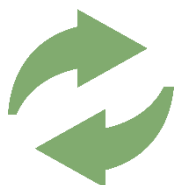


- ▶ Retail green financing during 2023 reached JOD 21 million.
- ▶ Signed a financing agreement to establish a solar power plant with a total value of JOD70.5 million, to provide the industrial sector with a capacity of 318 gigawatt-hours/year of clean energy. It is considered the largest solar energy project with an on-grid system in the Middle East and North Africa region, and it is the first of its kind in Jordan and the region in terms of its shareholders, which makes it a role model for more projects in the future.



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


Our future strategy revolves around the following main pillars.




Unbeatable Customer Service
SIB strives to provide high quality services and innovative products




Digital Evolution
Applying digital technologies to renew the way business is done and create and deliver new value



The Efficiency and Effectiveness
Implementation of business through a cohesive team that works in one spirit with the best solutions, at the lowest costs

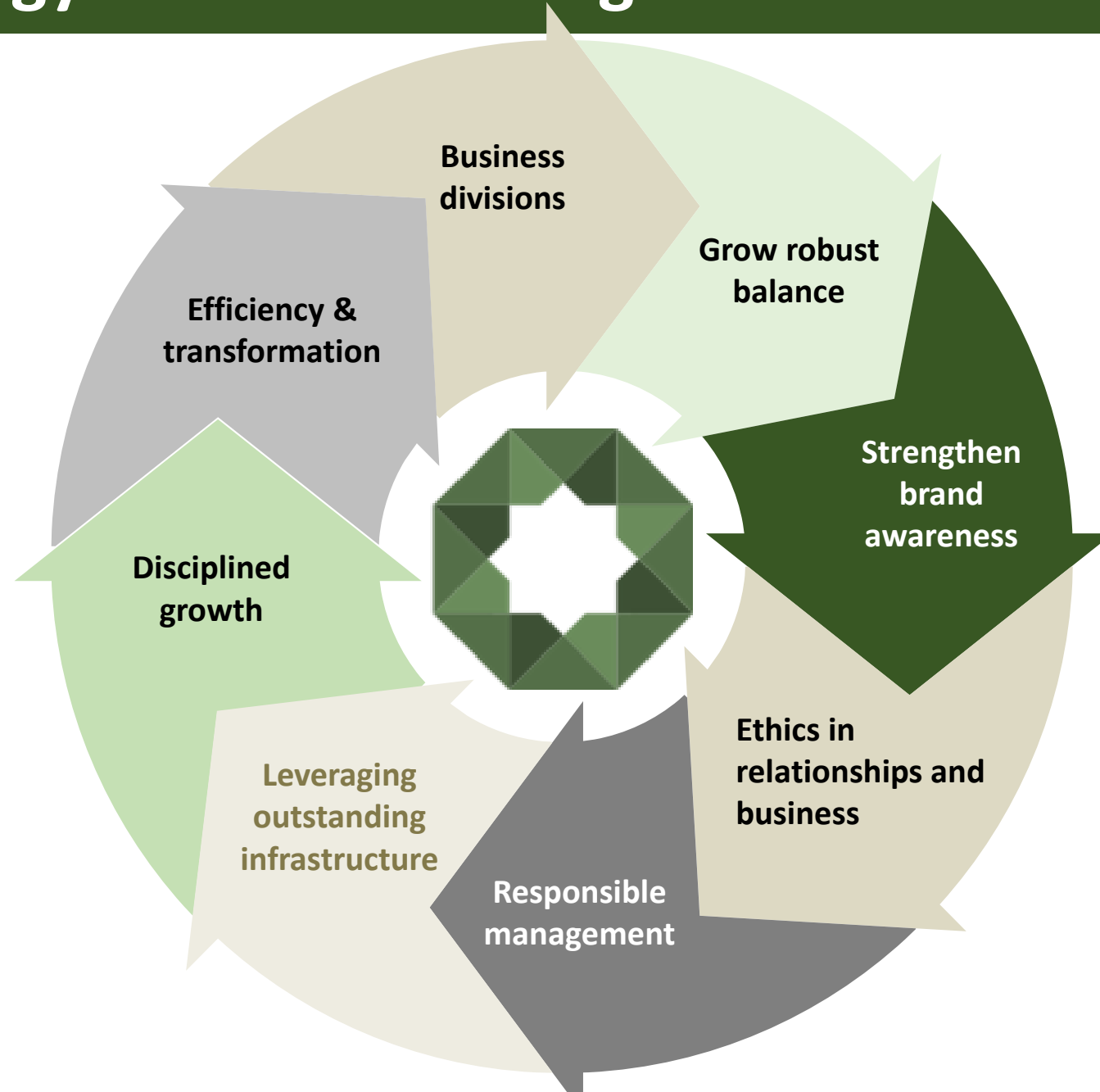


Accelerated Growth in All Sectors
Maintaining the pace of the ascending line aiming at a rounded growth in all sectors



Risk Management
Ensuring the application of the principles of the risk management plan, assessing risks and developing strategies to manage them





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



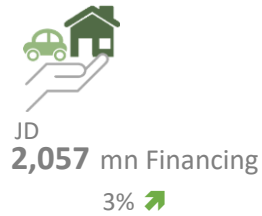
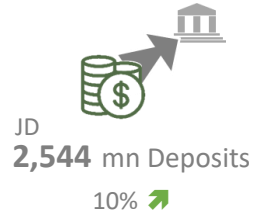
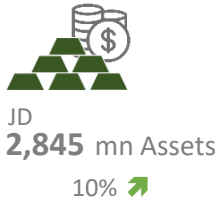
02

Safwa Islamic Bank

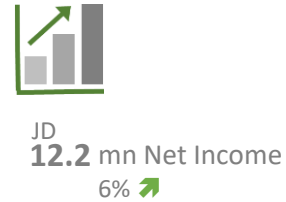
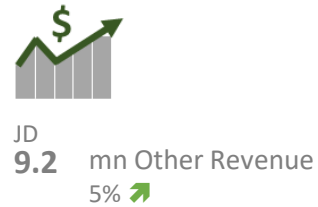
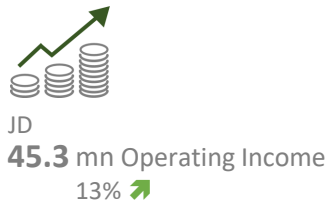
Financials



Organic Growth



Sustainable Profitability



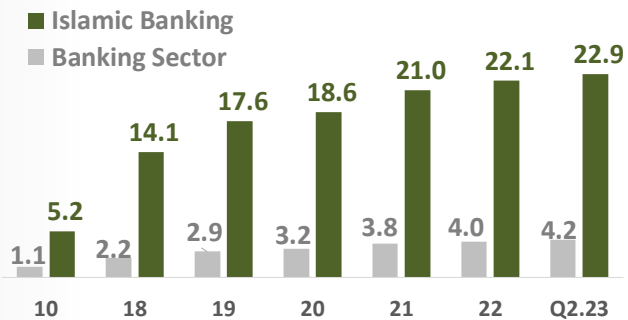
Robust Credit & Capital Profile

NPL | 2.4%
Strong Credit Quality

CAR | 17.3%
Comfortable capital adequacy ratio

Coverage Ratio | 123%
Adequate Coverage

Market Share%



Key Ratios

ROE	9.2%	0.1% ↗
CTI	43%	1.0% ↘



Our Strategy



Efficient Bank



Digitally Enabled



Serve All Customers



Trusted Bank



Full Suite Products

Key Ratios

Consolidated

YTD

Q3.23

Q2.23

QoQ (bps)

YTD, Q3.23

YTD, Q3.22

YoY (bps)

Profitability

Return on Average Equity

8.7%

9.9%

(119)

9.2%

9.3%

(14)

Return on Average Assets

0.6%

0.7%

(9)

0.6%

0.6%

(3)

Return on Average Capital

15.9%

17.7%

(175)

16.3%

15.4%

93

Assets Quality and Capital

Non-Performing Loan Ratio

2.4%

2.4%

(1)

2.4%

2.3%

1

Provision Coverage

123%

140%

(1,739)

123%

124%

(166)

CAR

17.3%

18.1%

(86)

17.3%

17.1%

18

CET1

16.8%

17.8%

(96)

16.8%

16.7%

9

Efficiency

Cost to Income

44%

44%

21

43%

44%

(97)

Liquidity

LCR

372%

355%

1,670

372%

333%

3,870

Financing to Deposits (AVG)

82%

86%

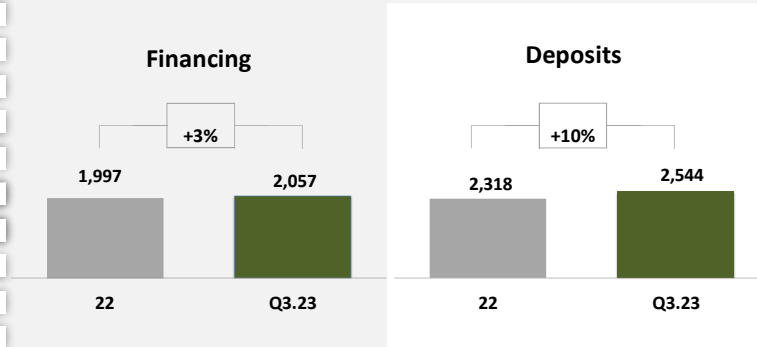
(357)

85%

81%

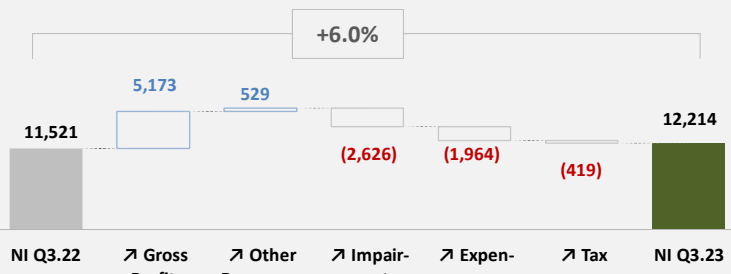
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Financial Position



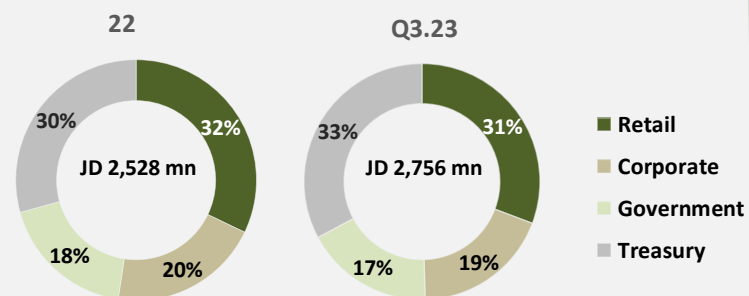
- Safwa continued with its growth momentum and increased financing by 3%; JD 60 mn.
- On the other side, deposits increased by JD 226 mn (10%).

Profit & Loss



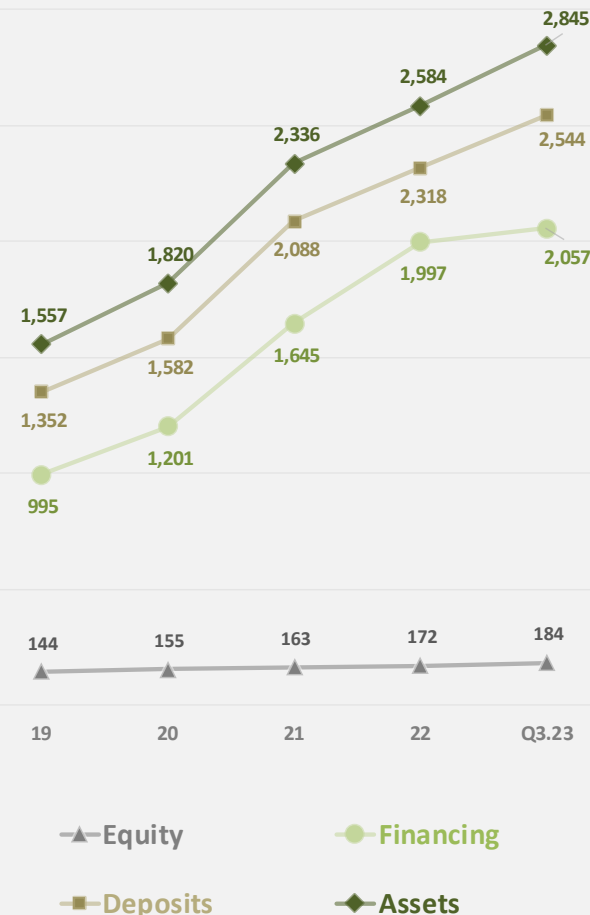
- NI Increased by 6.0% as end of Q3.2023 compared to Q3.2022 (from JD 11.5 mn to JD 12.2 mn)
- The positive change is mainly a result of the increase of balance sheet volume average between Q3.2023 and Q3.2022

Credit Quality



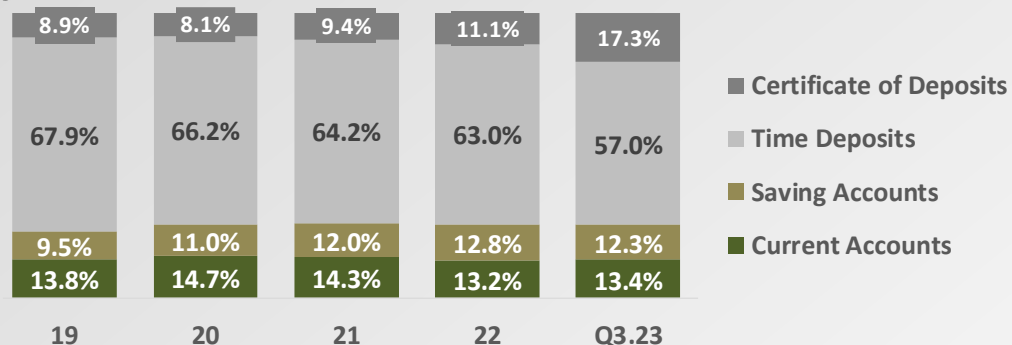
- Well diversified financing & investment portfolio
- NPL% at 2.4%
- Coverage ratio of 123% without considering tangible collaterals
- Capital adequacy ratio at 17.3%

Trends (JD mn)



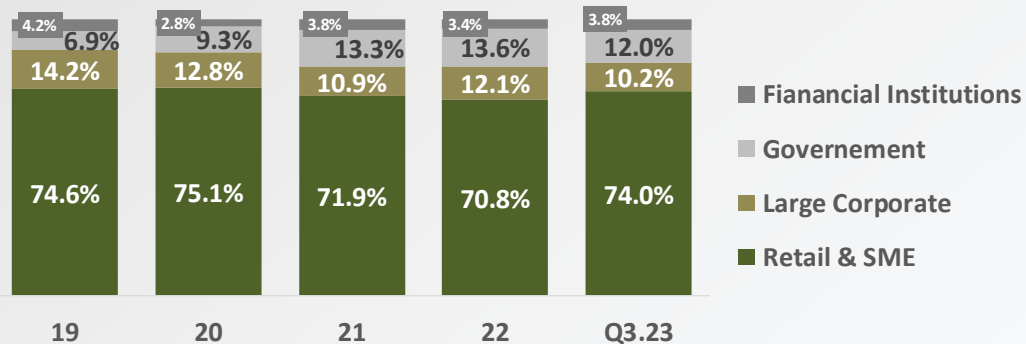
Deposits Structure

By Product



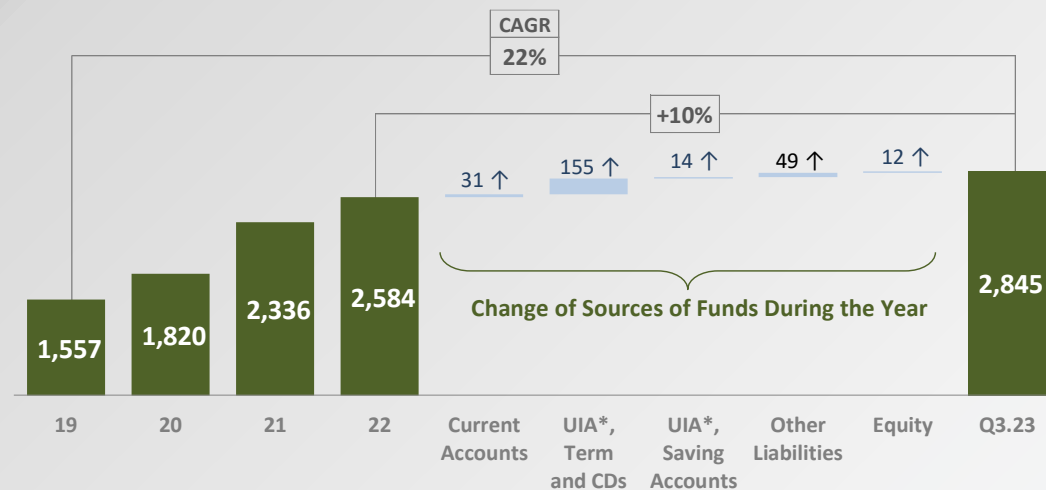
- Increasing trend of CDs contribution over the years and stability of CASA during recent years.

By Sector



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

Volume Trends and Movement During Q3.2023 (JD mn)

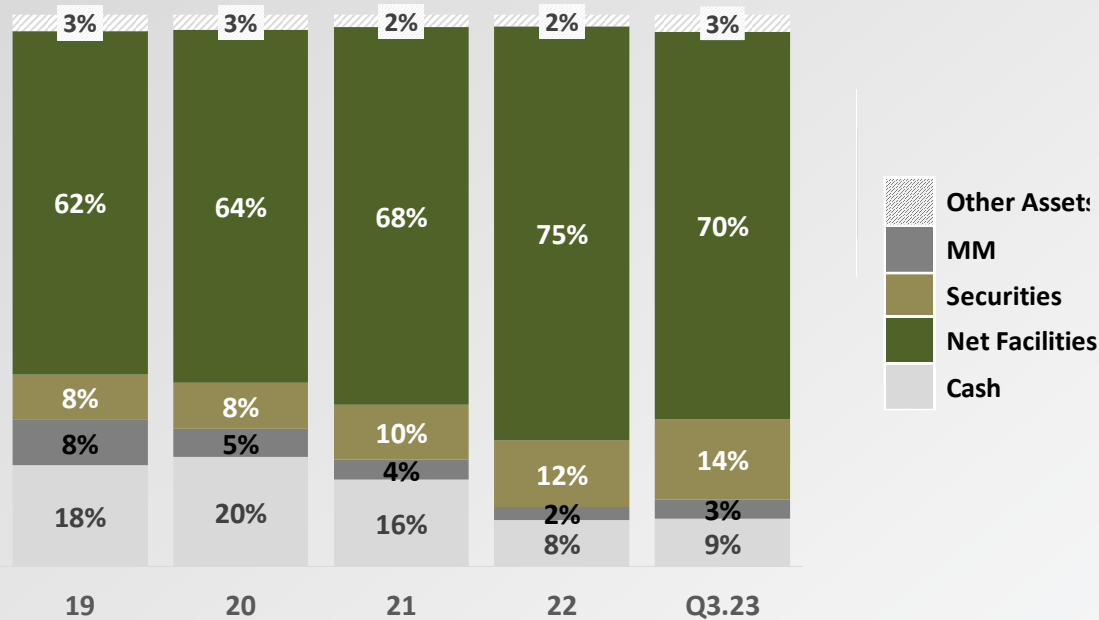


Management Commentary

- Ambitious growth with a CAGR of 22% since 2019
- During Q3.2023, the bank attracted new deposits resulting in funding increase by 10%
- The funding growth of JOD 261 mn was mainly driven by an increase of term deposits and CDs by JD 155 mn.

* UIA: Unrestricted Investment Accounts

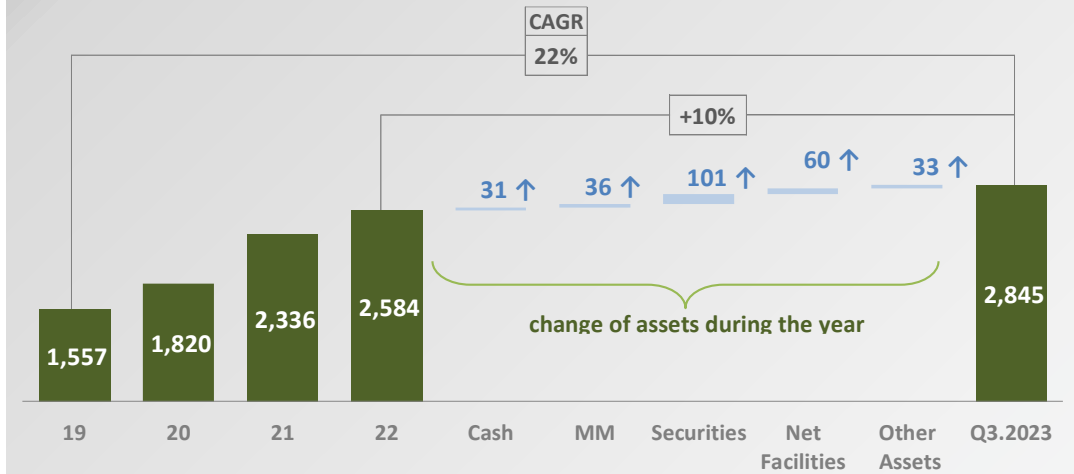
Deposits Structure



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).

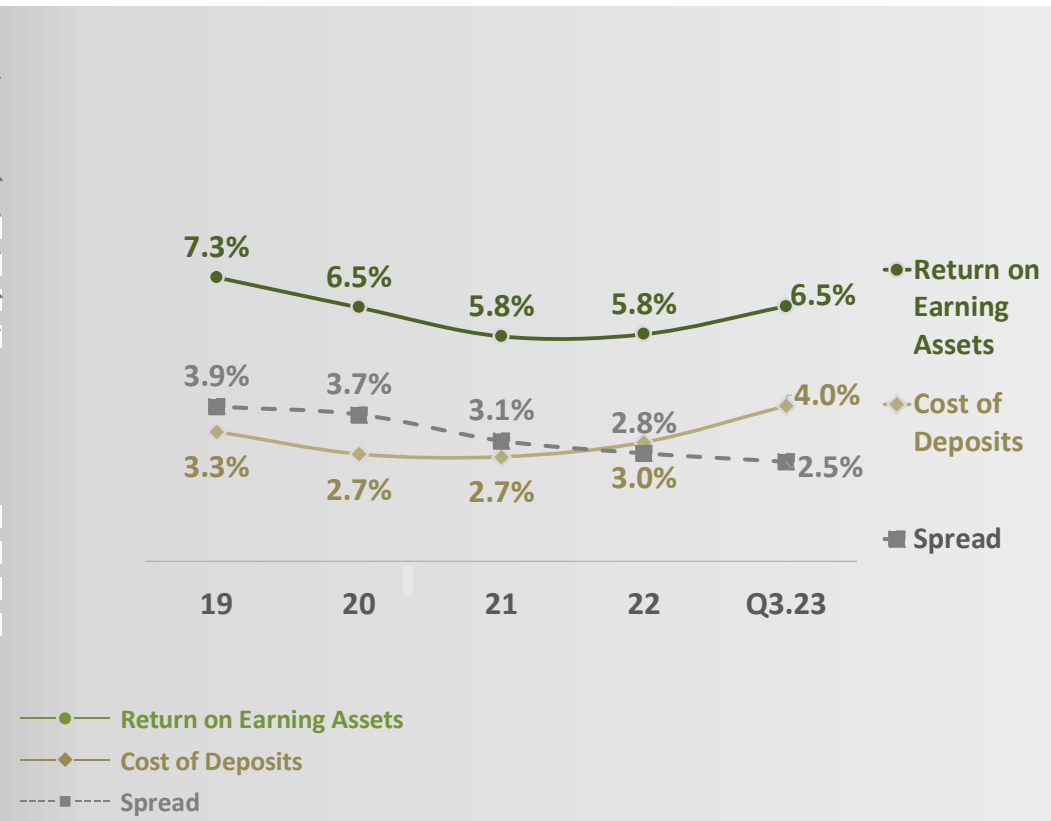
Volume Trends and Movement During Q3.2023 (JD mn)



Management Commentary

- Ambitious growth with a CAGR of 22% since 2019
- Movement during Q3 2023 witnessed an increase of 10%, Increase of earning assets by JOD 197 mn, and increase of non-earning assets by JOD 64 mn.

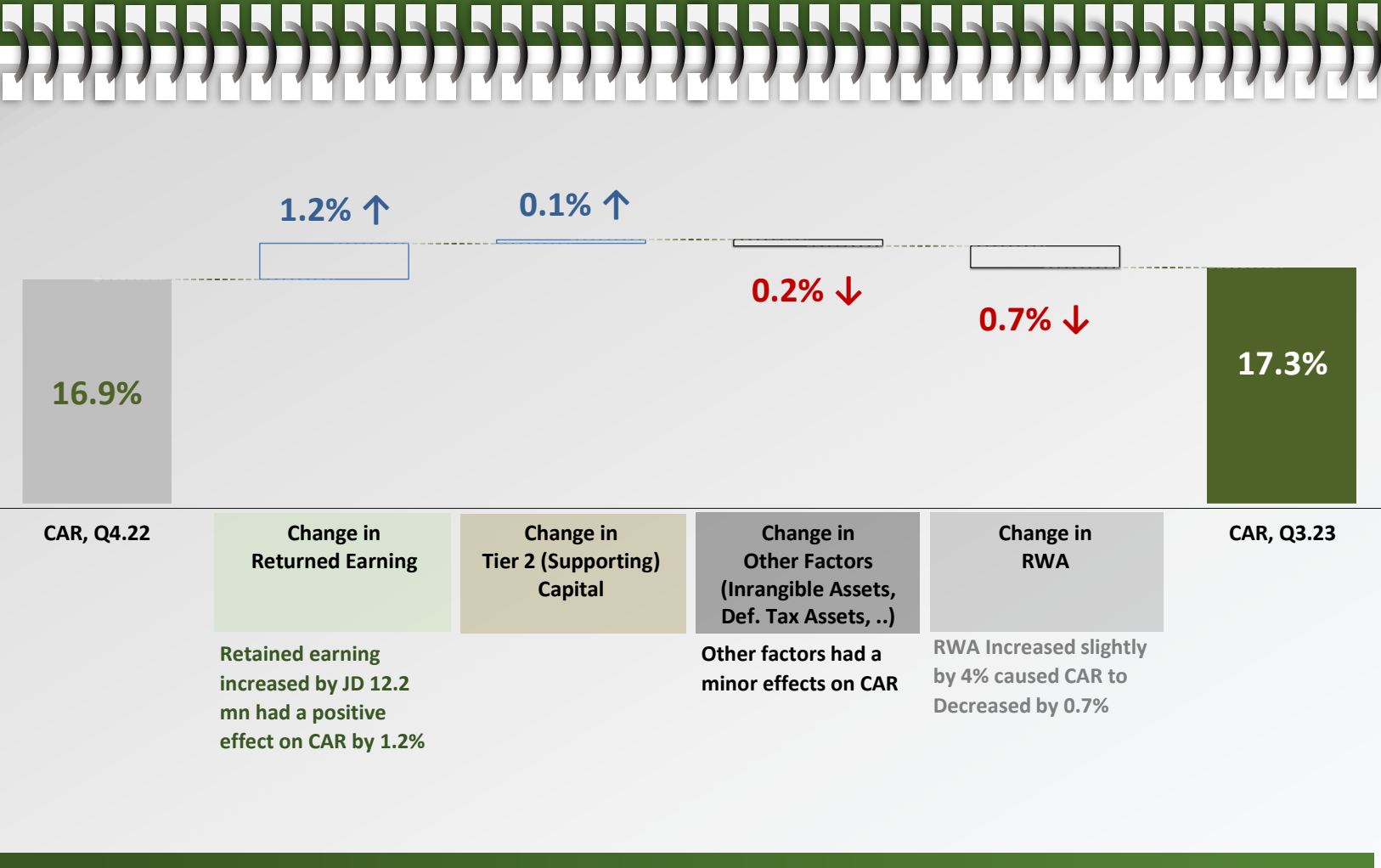
Return on Earning Assets, Cost of Deposits, and Spread



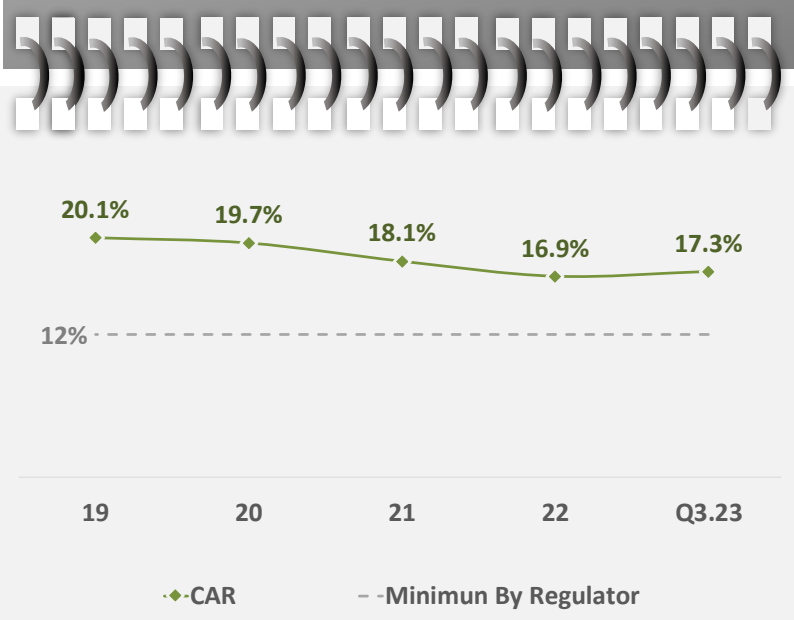
Management Commentary

- 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 0.8% (from 5.7% in Q3.2022 to 6.5% in Q3.2023) to compensate the increased cost of deposits.
- As a result, the spread decreased (from 2.9% in 09.2022 to 2.5% as of 9.2023)
- Management has taken measures such as repricing of assets and financing more high yielding assets in due course.

Movement of Capital Adequacy Ratio during the Third Quarter of 2023



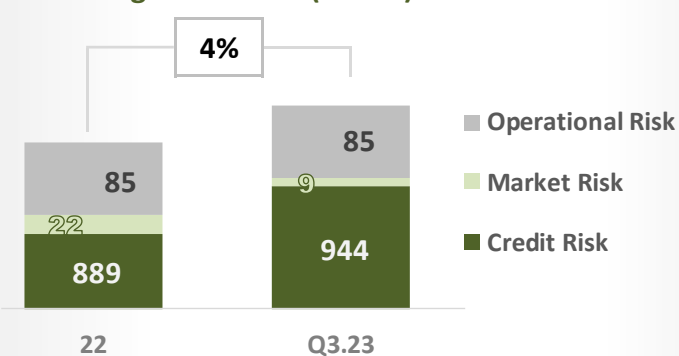
CAR Trend



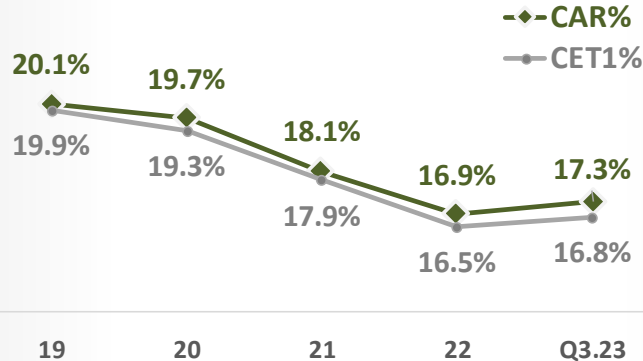
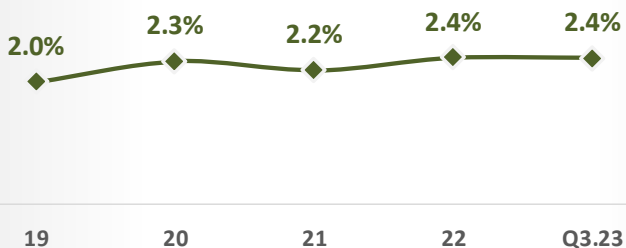
Management Commentary

- CAR showed a decreasing trend as a normal result of the continuous growth of assets volume in the last years except for this year; after BoD decision to retain profit for future growth & investing in lower risk weighted assets .
- The bank is in healthy position with a comfort zone of 5.3% (CBJ minimum CAR is 12%)

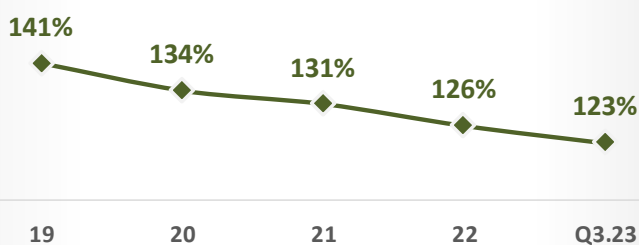
Risk Weighted Assets (JD mn)



NPL%



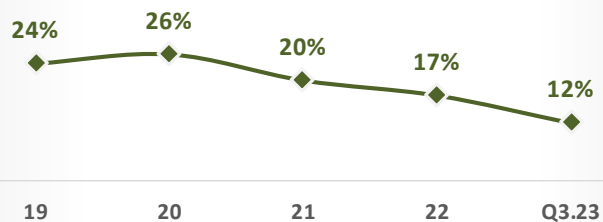
Coverage Ratio



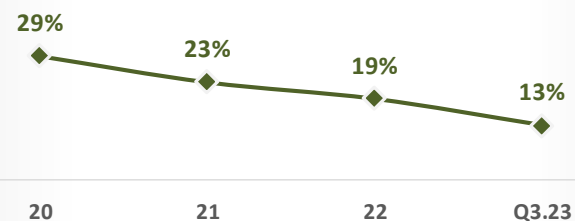
Management Commentary:

- ▶ Risk weighted assets increased during Q3.2023 by 4% 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 123% as of end of Q3.2023 without considering collaterals

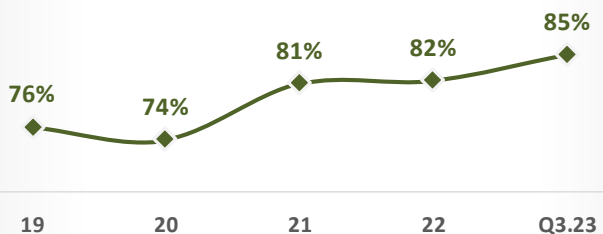
Liquid Assets / Assets



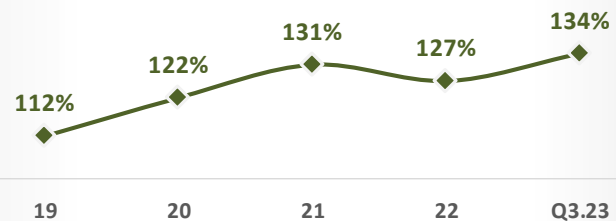
Liquid Assets / Deposits



Advances To Deposits (AD%)



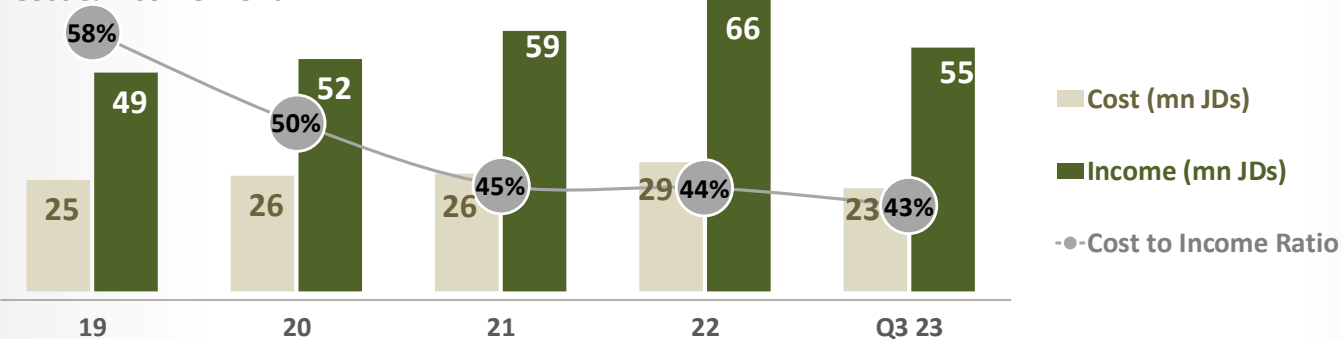
Regulatory Liquidity



Management Commentary:

- ▶ LCR reached comfortable level of 372%; (minimum regulatory level of 100%), in addition regulatory liquidity reached 134% (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 237 million during the this year.

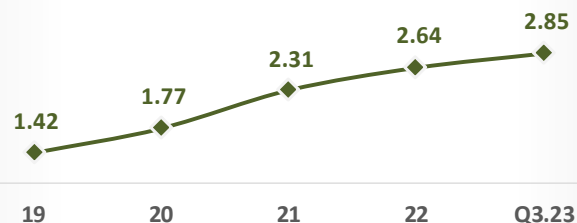
Cost & Income Trend



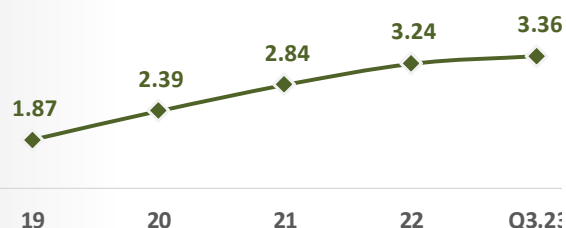
Management Commentary:

- ▶ 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.

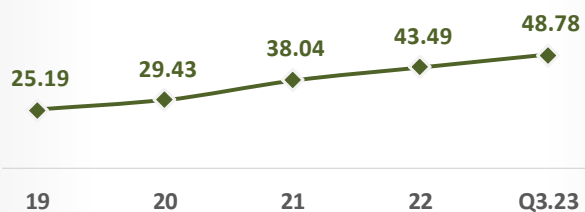
Financing / Employee (JD mn)



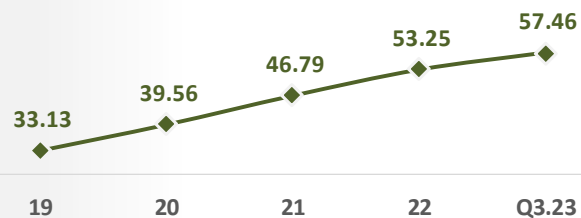
Deposits / Employee (JD mn)



Financing / Branch (JD mn)

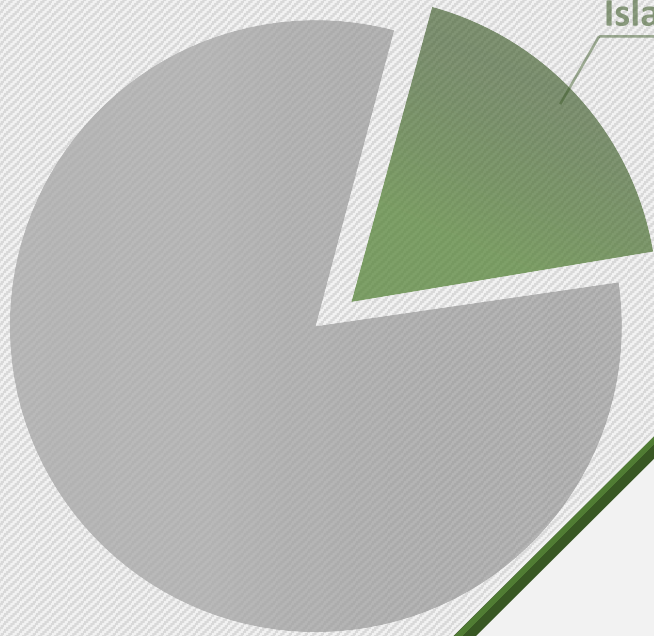


Deposits / Branch (JD mn)



Summary Income Statement (Mn JDs)	Q3.23	Q2.23	QoQ	QoQ%	YTD, Q3.23	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	14.1	14.9	(0.8)	5%	45.3	5.2	13%
Other Revenues	3.6	2.5	1.1	43%	9.2	0.5	5%
Net Revenues	17.7	17.4	0.3	2%	54.5	5.7	12%
Impairment Charges	(3.4)	(2.6)	(0.7)	28%	(11.5)	(2.6)	30%
G & A Expenses	(7.8)	(7.7)	(0.2)	2%	(23.3)	(2.0)	9%
Net Income Before Tax	6.5	7.1	(0.6)	9%	19.7	1.1	6%
Taxes	(2.5)	(2.7)	0.2	9%	(7.5)	(0.4)	6%
Net Income	4.0	4.4	(0.4)	9%	12.2	0.7	6%
Summary Balance Sheet (Mn JDs)	Q3.23	Q2.23	QoQ	QoQ%	EOY, Q4.22	YoY	YoY%
Financing	2,057	2,048	9	0%	1,997	60	3%
Investments	511	403	108	27%	374	137	37%
Deposits & Cash Collaterals	2,544	2,451	93	4%	2,318	226	10%
Total Assets	2,845	2,720	125	5%	2,584	261	10%
Total Equity	184	180	4	2%	172	12	7%

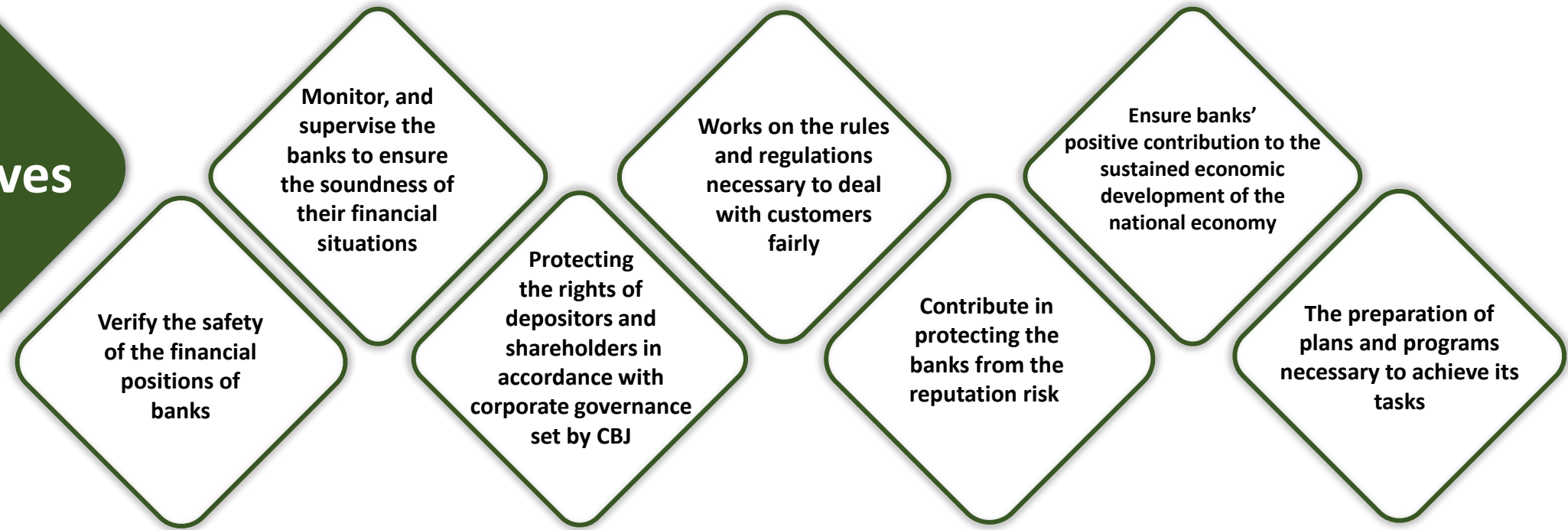
Islamic Banks share



Banking Sector

CBJ, Islamic Banks

Objectives



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 12.2022)

Capital Adequacy

17.3%

Regulatory Liquidity

138%

NPL Ratio

4.5%

ROA

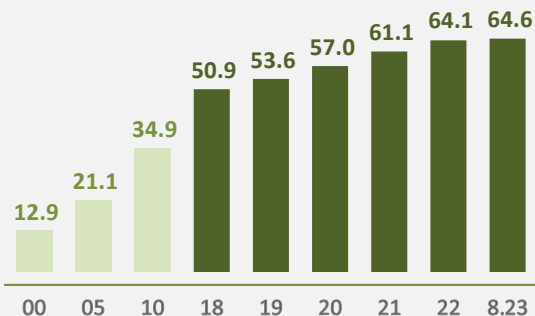
1.0%

ROE

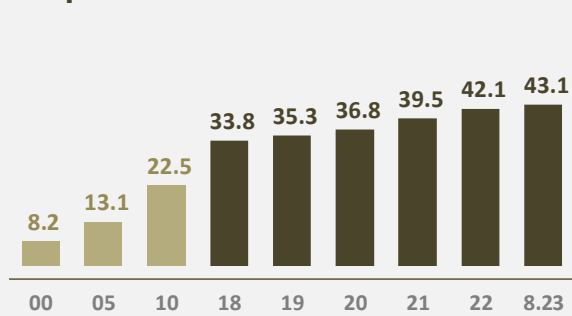
8.8%

Sector Figures (bn JDs)

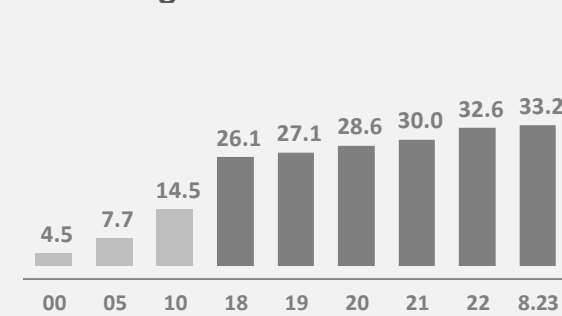
Assets



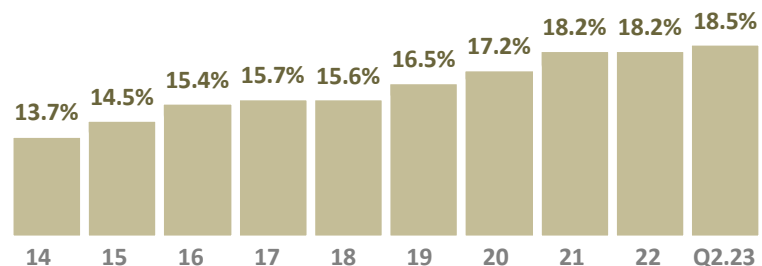
Deposits



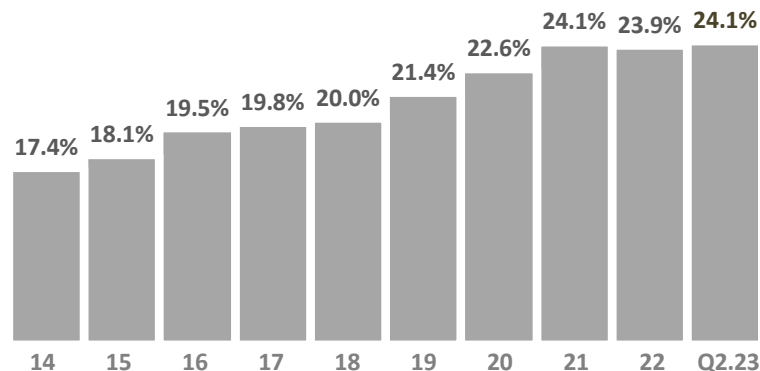
Financing



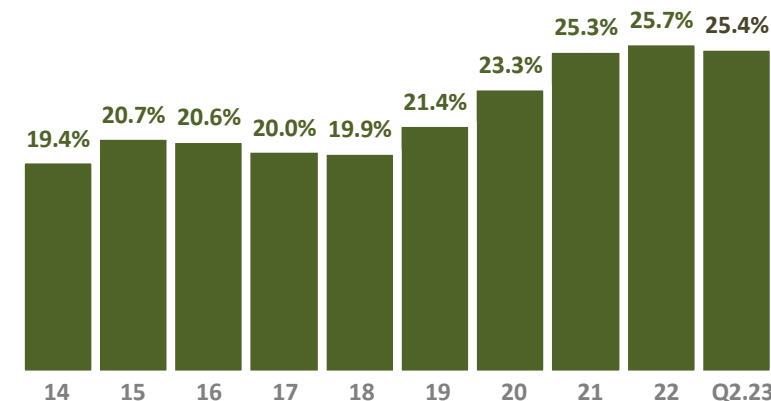
Assets



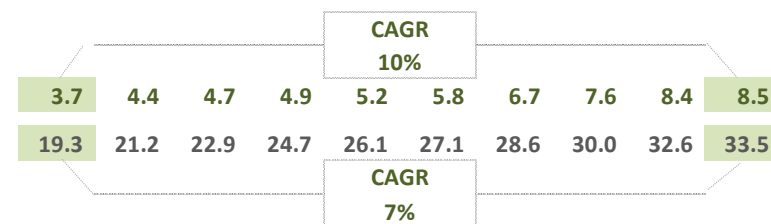
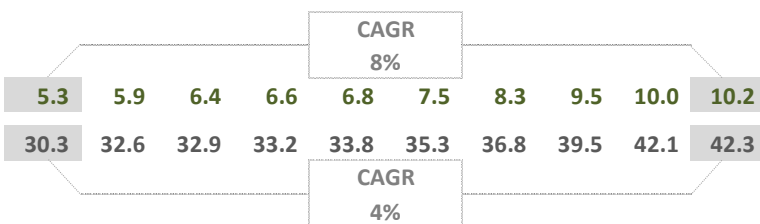
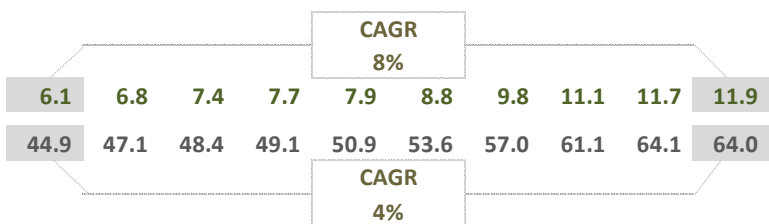
Deposits



Facilities



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



* CBJ Banking Sector data not available for QTR 3,2023

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 the first half of 2023, the market share for Jordanian Islamic Banks in the banking sector showed increase in assets and deposits driven partly by the performance of Safwa bank.

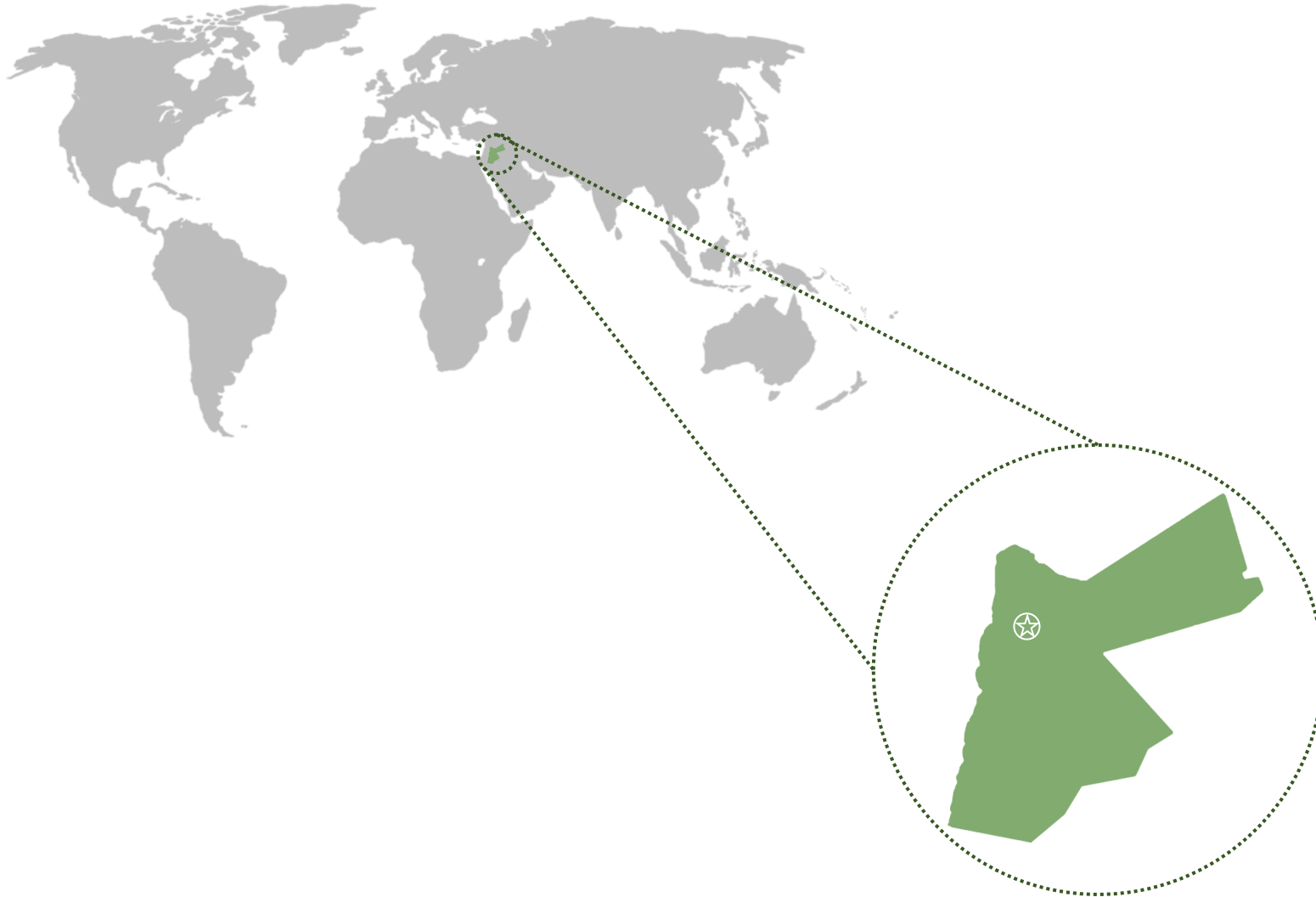


04



Jordan

Facts and Economy



Area : 89.3 thousand km²



Population : 11.5 million



Capital : Amman



Religion : Islam (95%)

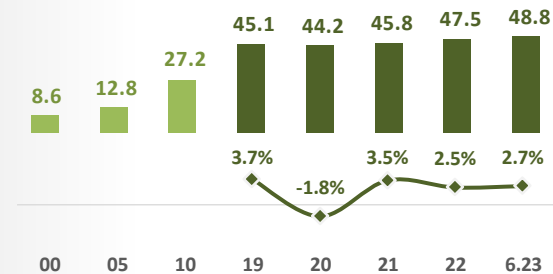


GDP : USD 48.8 billion

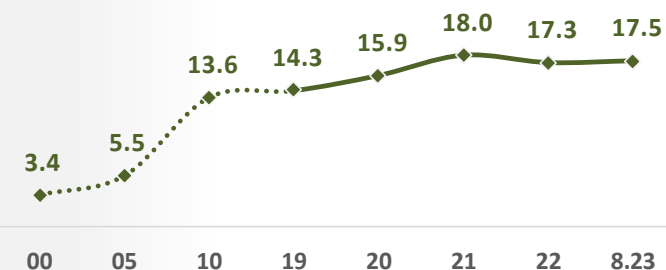


GDP Per Capita : USD 4,205

GDP (Bn USD)



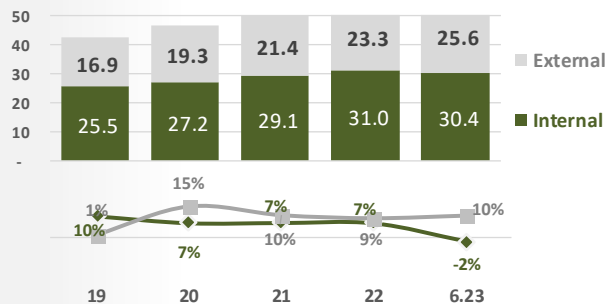
Foreign Reserves (Bn USD)



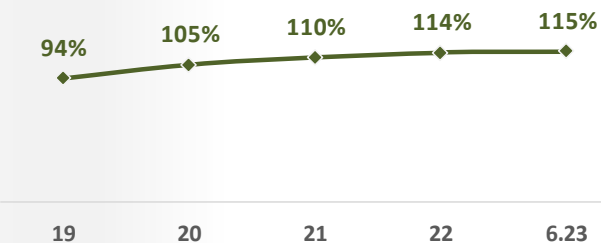
Highlights

- ◆ 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 August 2023 reaching JD 17.5 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 June 2023
- ◆ Current public debt to GDP increased to 115%
- ◆ The inflation rate reached 1.2% at end of September 2023 with a notable decrease of 3.0% compared to 2022.

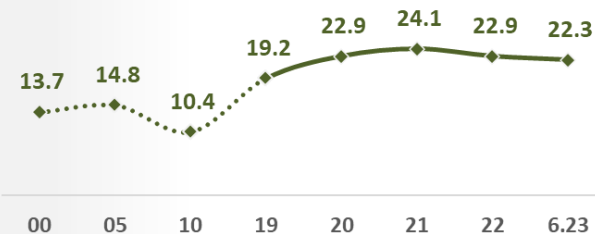
Public Debt (USD bn)



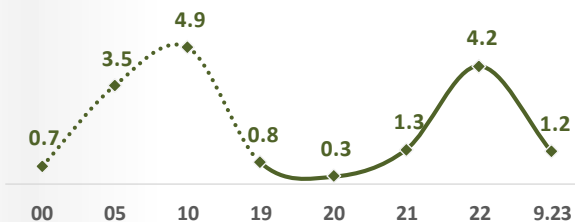
Public Debt / GDP



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

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
CET	Common Equity Tier
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
MoF	Ministry of Finance
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%	The average of facilities divided by average sum of deposits and cash collaterals.
Capital Adequacy Ratio	CAR%	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 %	CASA%	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	CTI	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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