



Safwa Islamic Bank

Investor Report

Q12024

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01

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
 - Regular
 - Salary
- Saving Accounts
 - 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

Safwa Bank .. Strategy Focus, Digitization

E Channels



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

“ Anytime, Anywhere ”

E Services



Contactless Card



Transfers



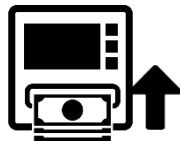
Apple Pay



Update Personal Data



Prepaid Cards



Cash Deposit



Cards Management



Accounts Management



New User Registration



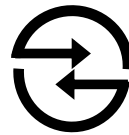
Points & Loyalty



QR Payment



Biometric Authentication



“CliQ” Instant transfers





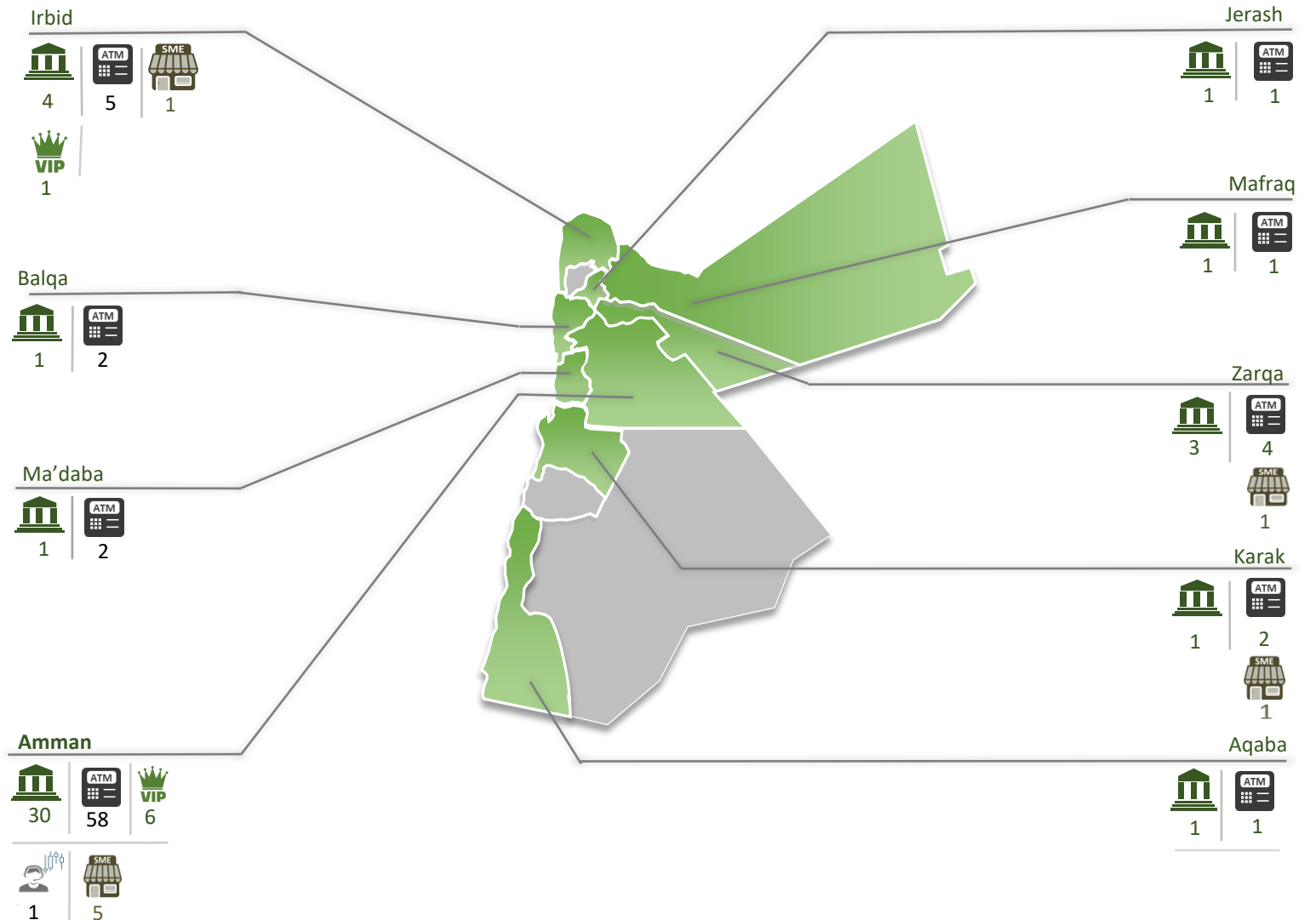
Customer onboarding



E-Pay Bills



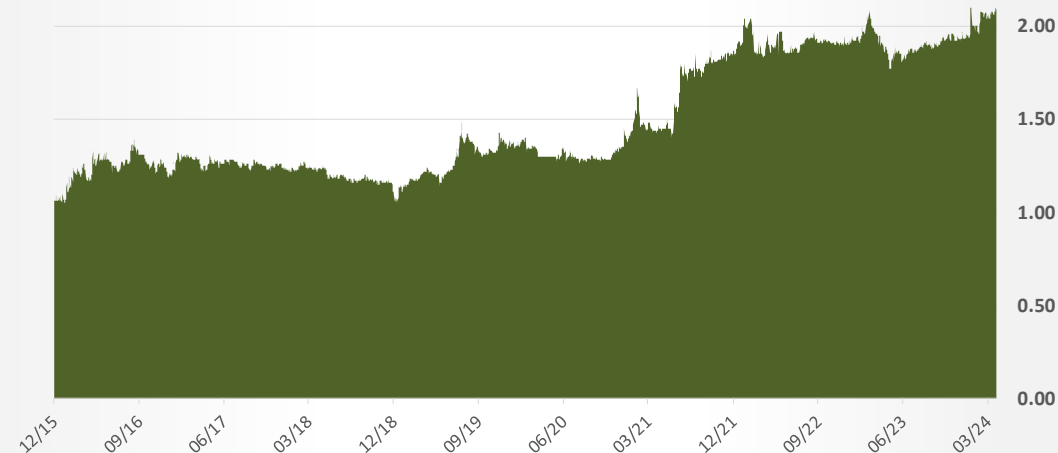
-  **43**
Branches
-  **76**
ATMs
-  **7**
Safwa Gold
-  **8**
SME Centers
-  **1**
Brokerage Company



Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 13.9 %
- ▶ **Closing Price:** JOD 2.09
- ▶ **Market Value :** JOD 193mn

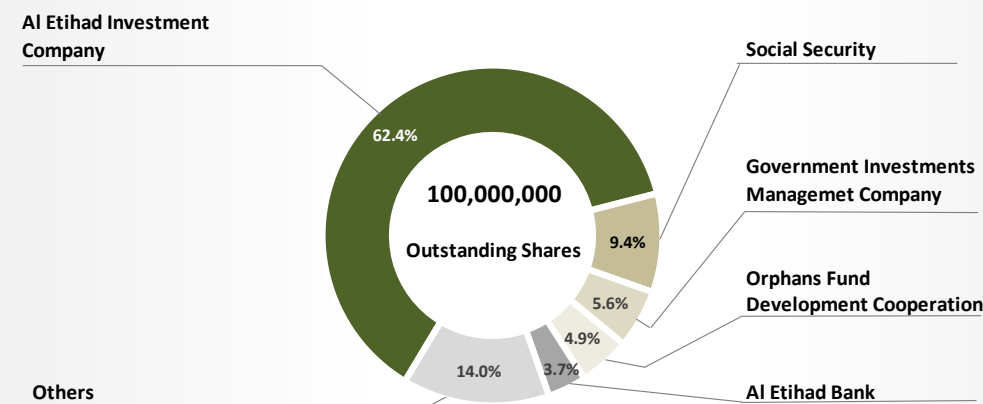
Historical Share Price



Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.93
- ▶ **Return (last 52 weeks)** 1.10%
- ▶ **PE Ratio** 13.2x
- ▶ **PB Ratio** 1.08x
- ▶ **Volatility** 0.08 JOD
- ▶ **Payout Ratio** -

Shareholders Composition





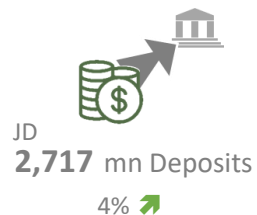
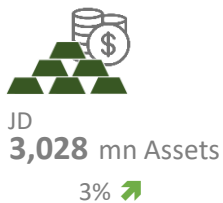
02

Safwa Islamic Bank

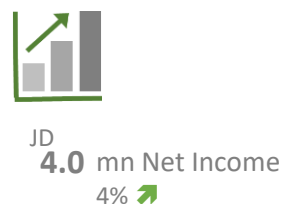
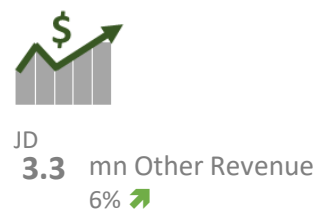
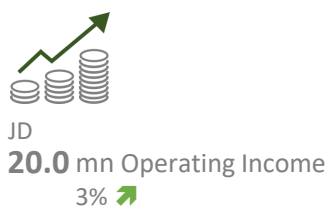
Financials



Organic Growth



Sustainable Profitability



Robust Credit & Capital Profile

NPL | 3.2%
Strong Credit Quality

CAR | 16.8%
Comfortable capital adequacy ratio

Coverage Ratio | 105%
Adequate Coverage

Key Ratios

ROC **15.9%**

CTI **41%**

Credit Rating

B+

Employees

760

Strong Foundation for Growth

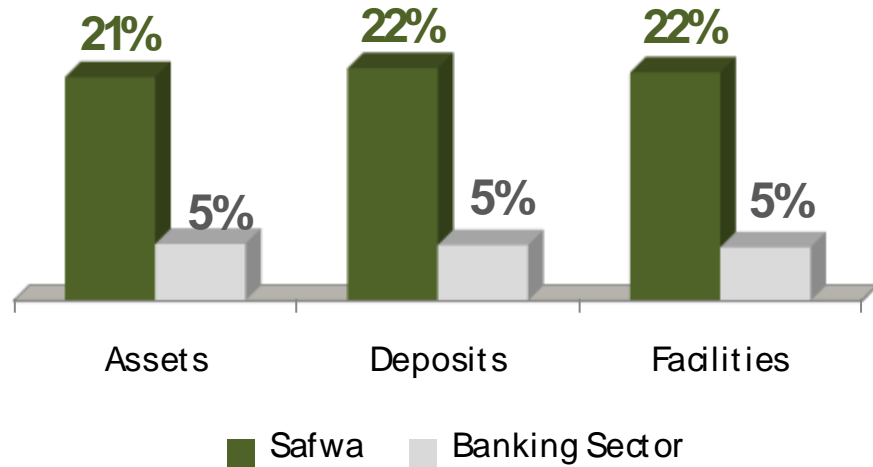
Balance sheet optimization

Disciplined expense management

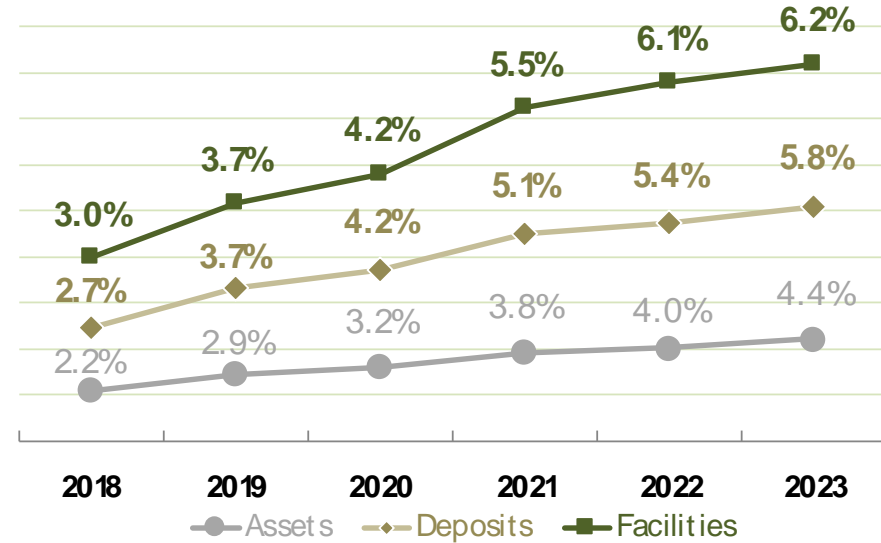
Diversification and scale

Strong Credit Quality

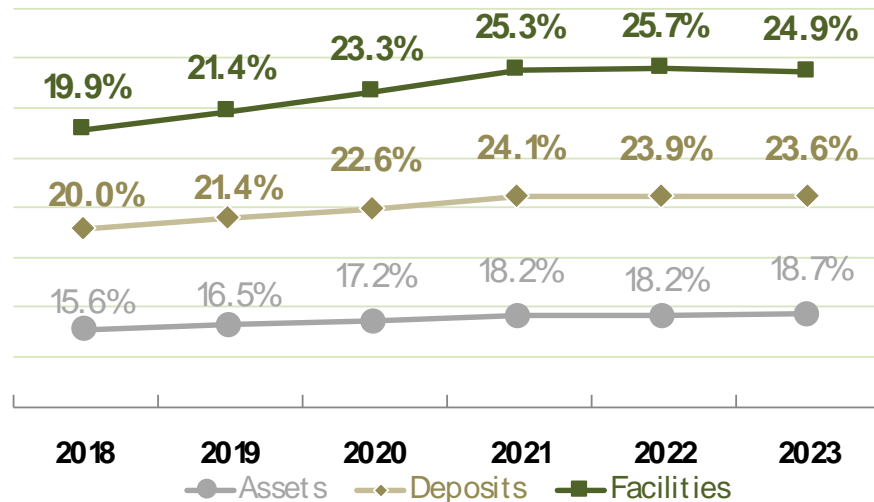
Safwa CAGR within 5 years Compared to Banking Sector



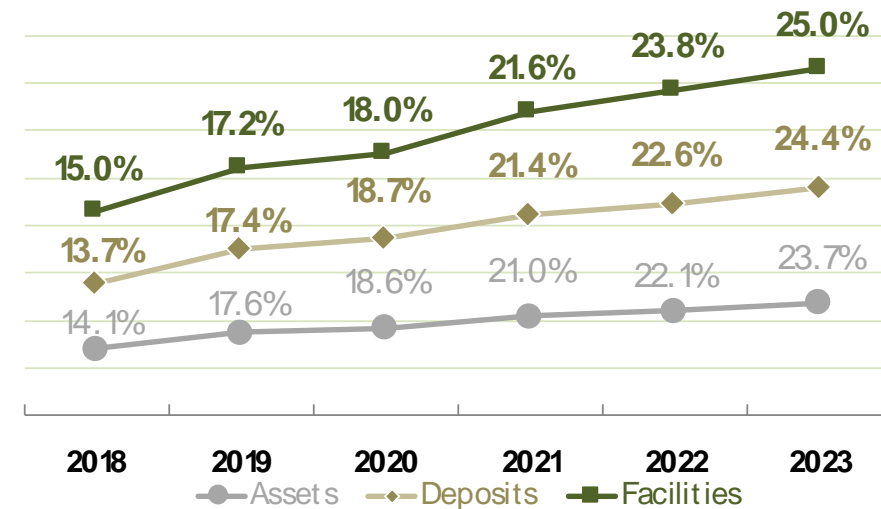
Safwa Market Share of Bank's Sector



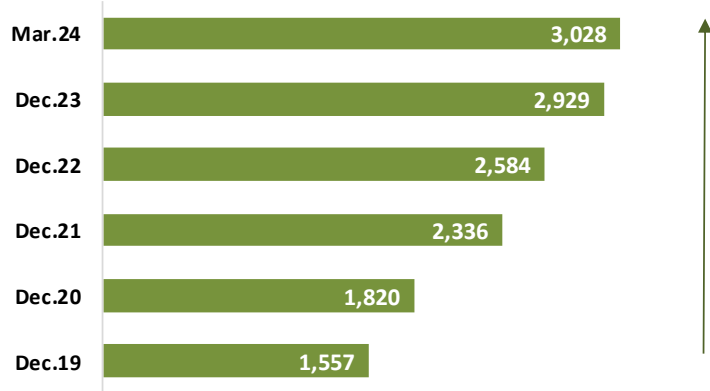
Islamic Market Share of Bank's Sector



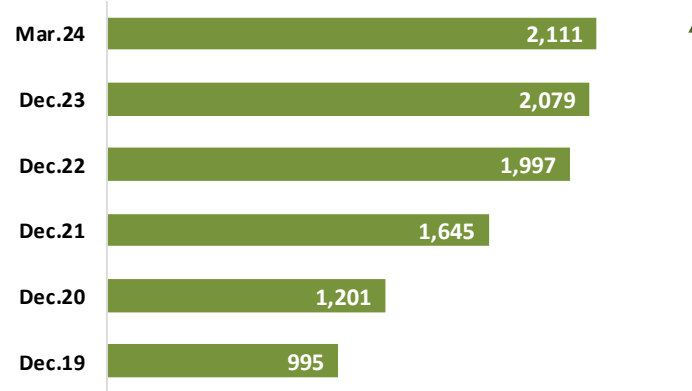
Safwa Market Share of Islamic Sector



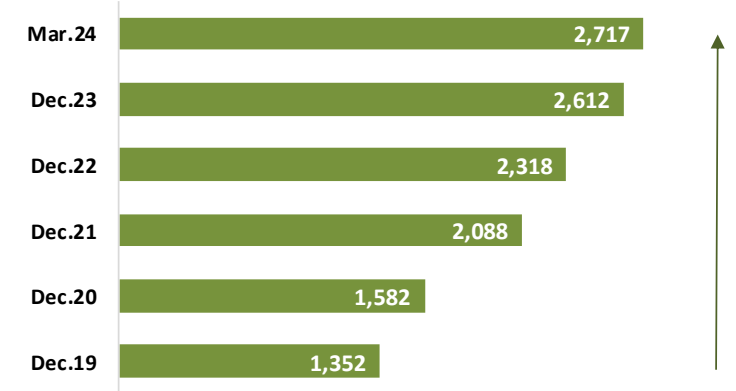
Total Assets (JOD mio)



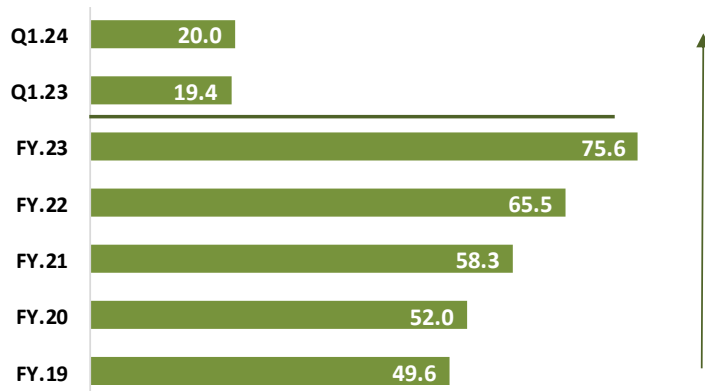
Total Facilities (JOD mio)



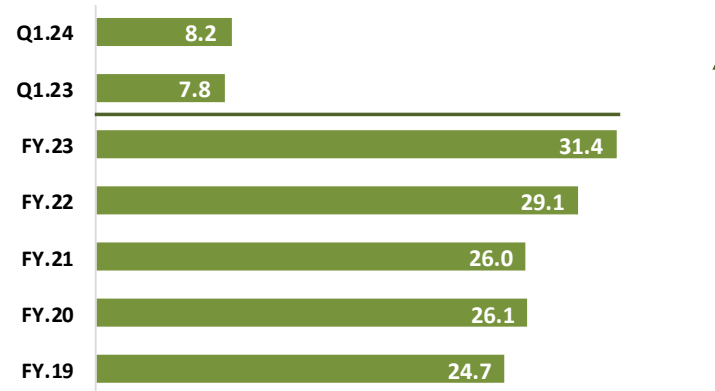
Total Deposits (JOD mio)



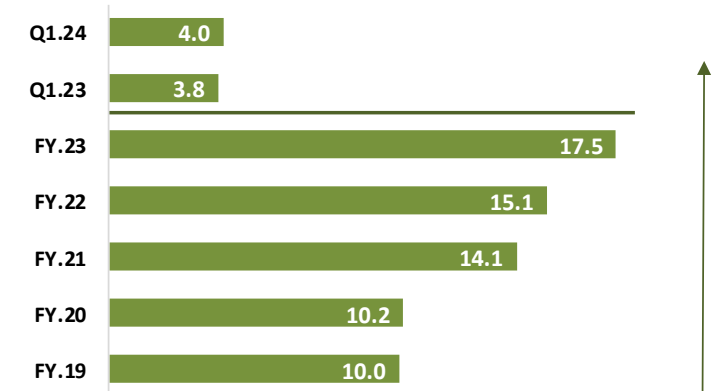
Gross Income & Other Fees (JOD mio)



Operating Expenses (JOD mio)



Net Income (JOD mio)



Key Ratios

Consolidated

YTD

Q1.24

Q4.23

QoQ (bps)

YTD, Q1.24

YTD, Q1.23

YoY (bps)

Profitability

Return on Average Equity

8.3%

11.3%

(297)

8.3%

8.9%

(59)

Return on Average Assets

0.5%

0.7%

(20)

0.5%

0.6%

(6)

Return on Average Capital

15.9%

21.0%

(515)

15.9%

15.4%

44

Assets Quality and Capital

Non-Performing Loan Ratio

3.2%

2.4%

76

3.2%

2.2%

95

Provision Coverage

105%

128%

(2,374)

105%

142%

(3,725)

CAR

16.8%

16.4%

46

16.8%

17.3%

(46)

CET1

16.3%

16.0%

36

16.3%

16.9%

(60)

Efficiency

Cost to Income

41%

38%

238

41%

40%

64

Liquidity

LCR

784%

350%

43,410

784%

265%

51,910

Financing to Deposits (AVG)

79%

80%

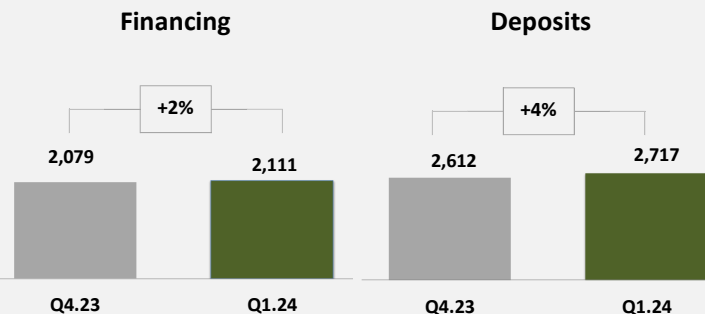
(159)

79%

80%

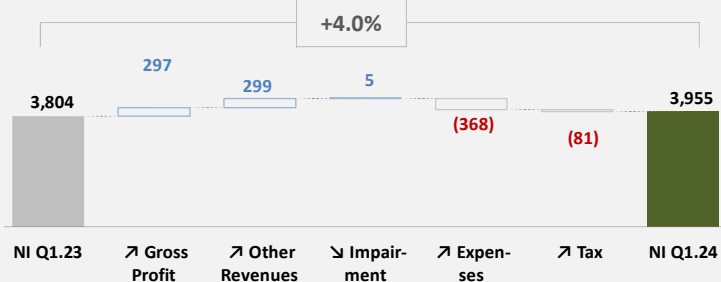
(145)

Financial Position



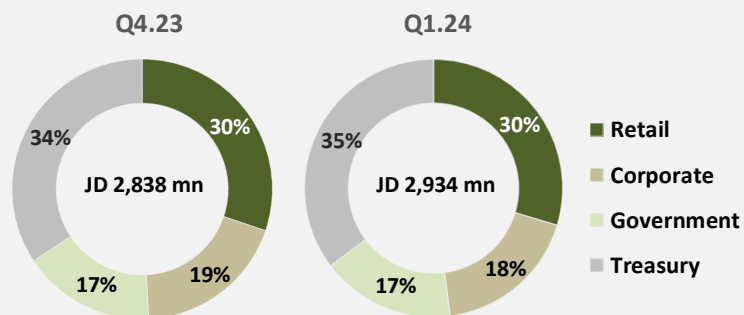
- Safwa continued with its growth momentum and increased financing by 2% JD 32 mn.
- On the other side, deposits increased by JD 105 mn (4%).

Profit & Loss



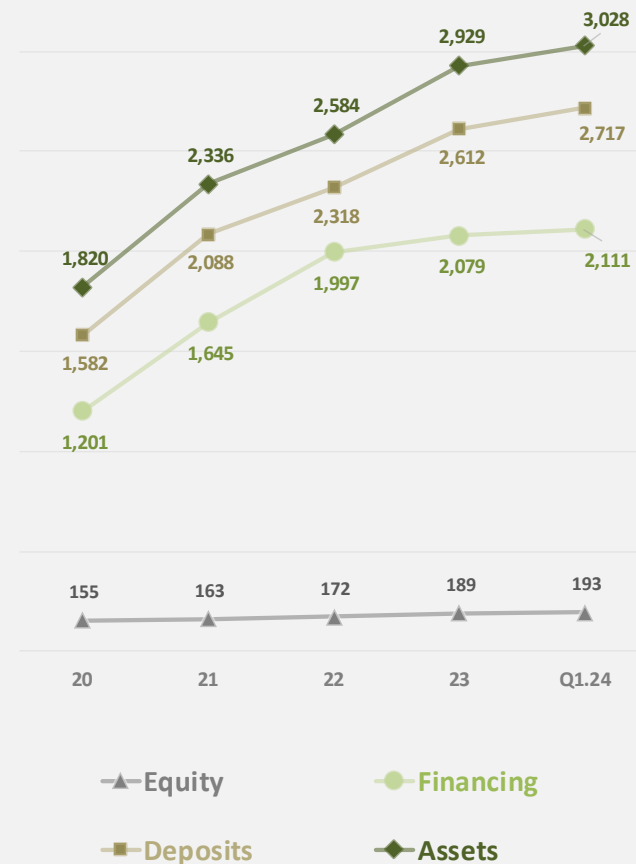
- NI Increased by 4% as of Q1.2024 compared to Q1.2023 (from JD 3.8 mn to JD 4.0 mn)
- The positive change is mainly a result of the increase of balance sheet volume average between Q1.2024 and Q1.2023

Credit Quality



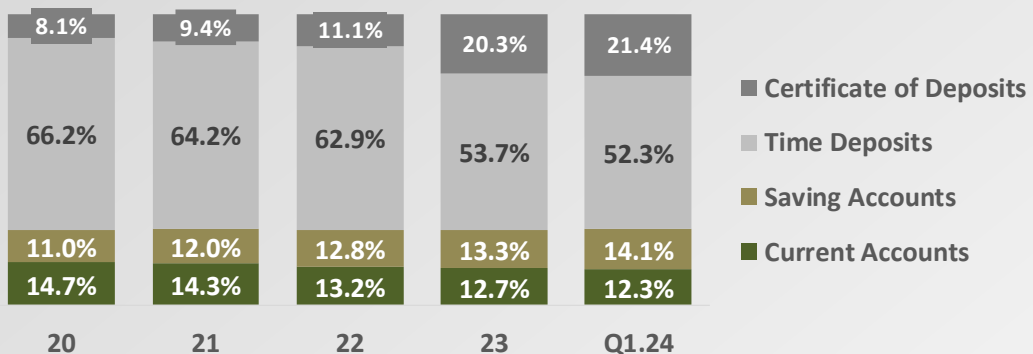
- Well diversified financing & investment portfolio
- NPL% at 3.2%
- Coverage ratio of 105% without considering tangible collaterals
- Capital adequacy ratio at 16.8%

Trends (JD mn)



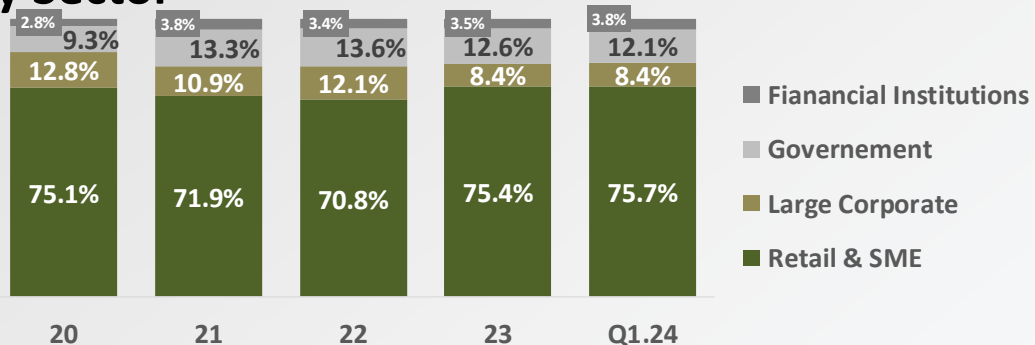
Deposits Structure

By Product



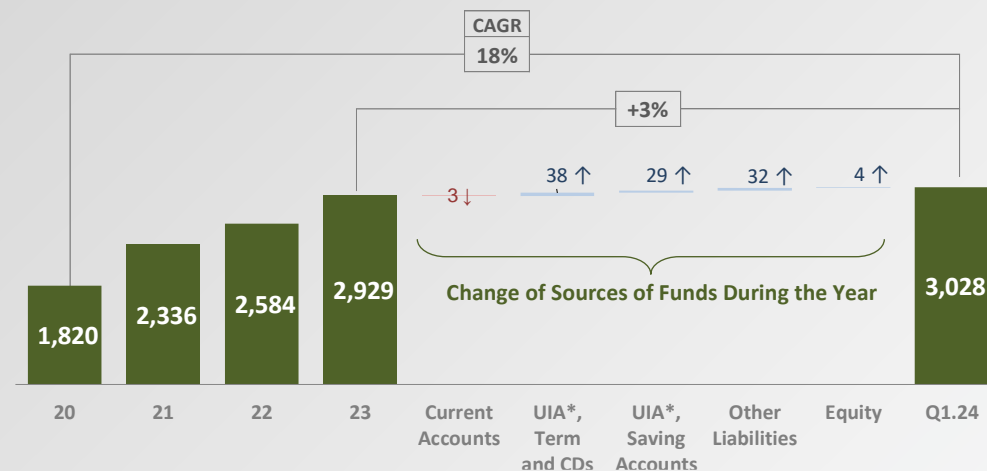
- Increasing trend of CDs contribution over the years and stability of CASA during recent years.

By Sector



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

Volume Trends and Movement During Q1.2024 (JD mn)

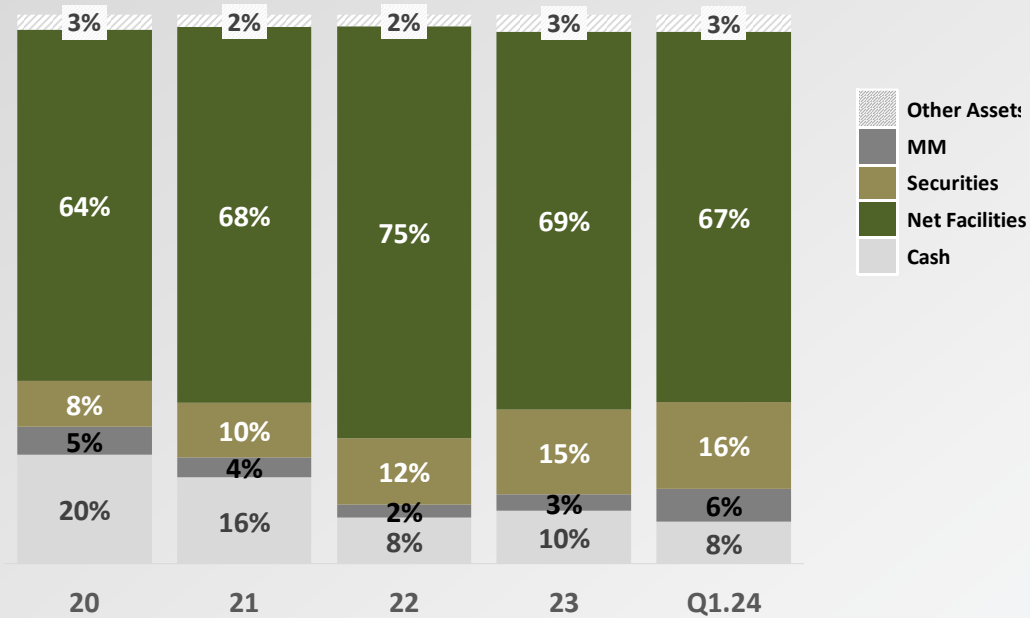


Management Commentary

- Ambitious growth with a CAGR of 18% since 2020
- Movement during Q1.2024 witnessed an increase of 3%, Increase of customer deposits by JOD 64 mn, while other liabilities and equity increased by JOD 36 mn.

* UIA: Unrestricted Investment Accounts

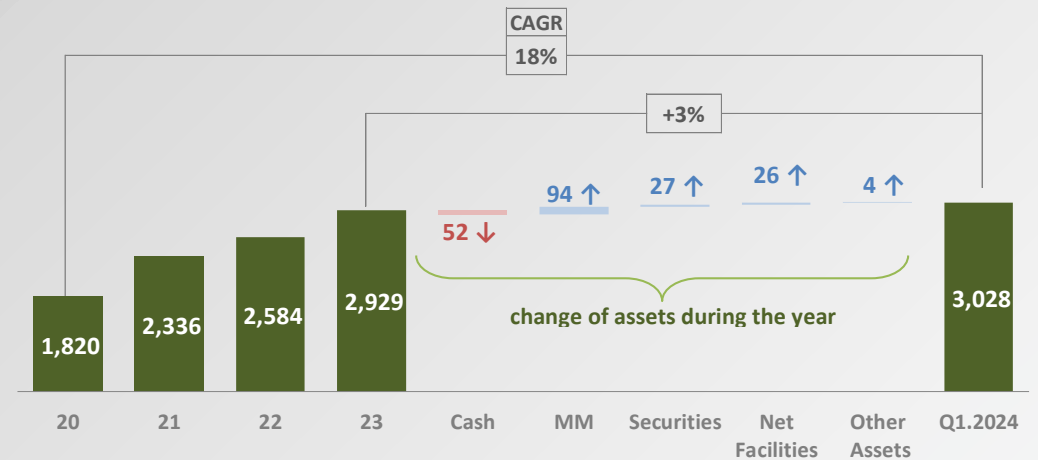
Assets Structure



Management Commentary

- Since 2020, 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).

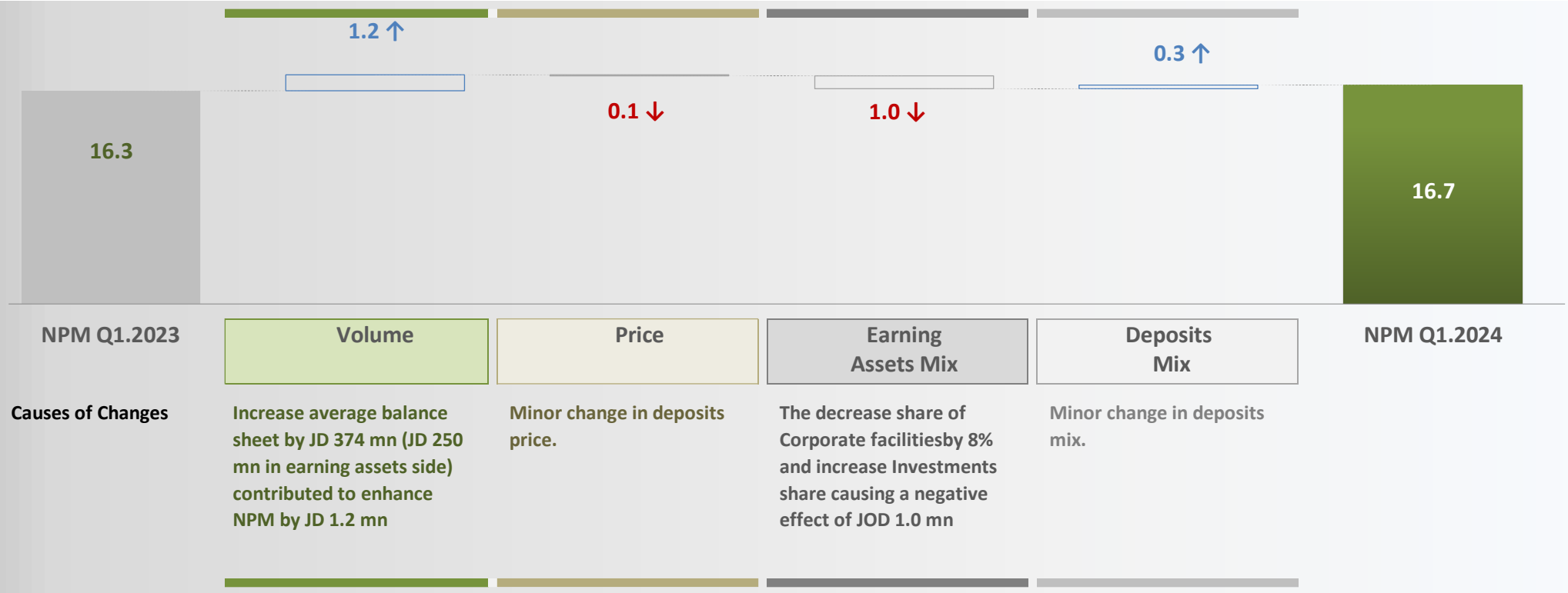
Volume Trends and Movement During Q1.2024 (JD mn)



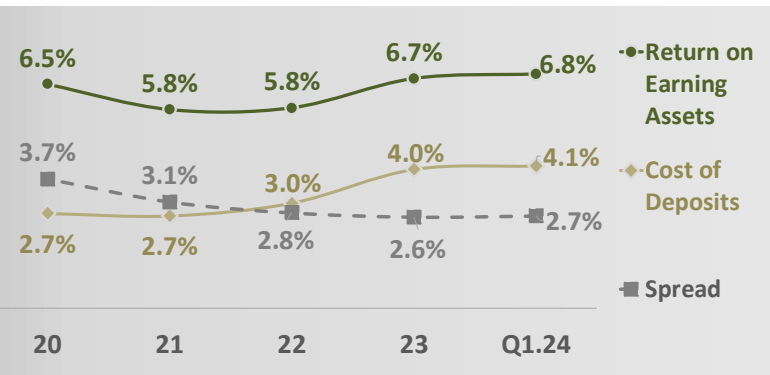
Management Commentary

- Ambitious growth with a CAGR of 18% since 2020
- Movement during Q1.2024 witnessed an increase of 3%, Increase of earning assets by JOD 147 mn, and decrease of non-earning assets by JOD 48 mn.

Net Profit Margin Analysis Causes of Change



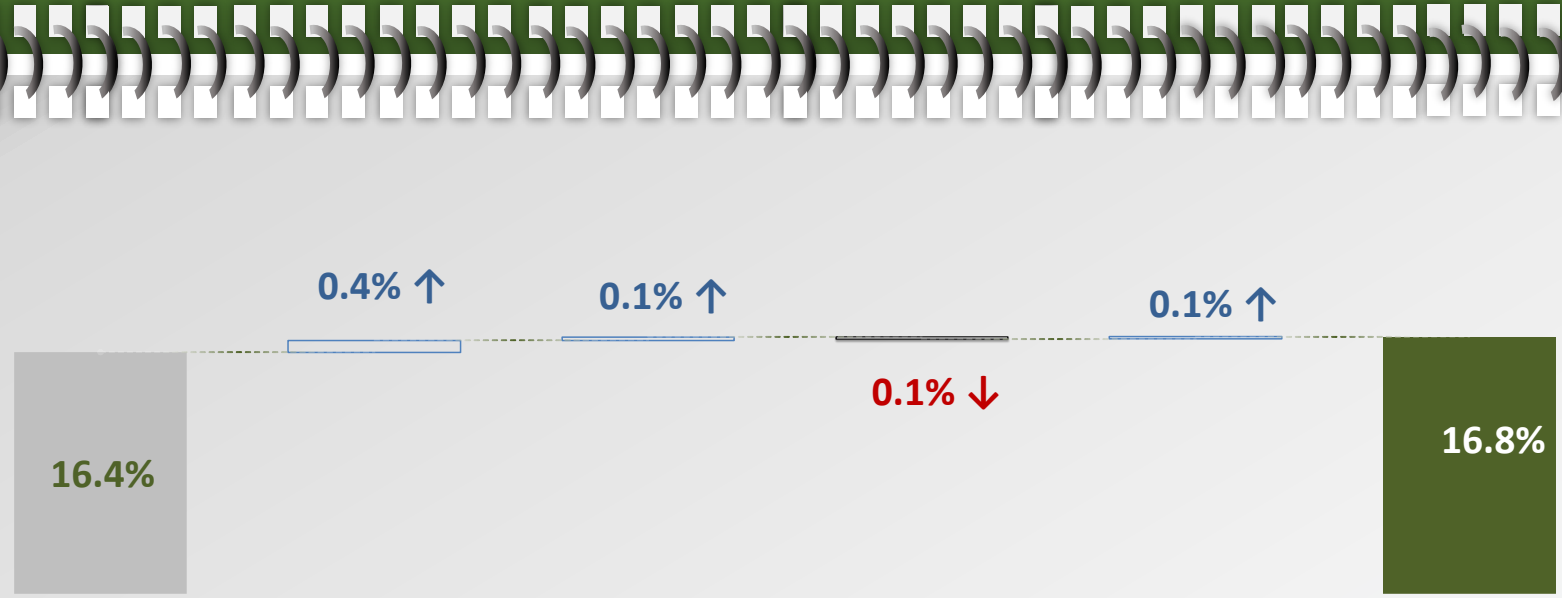
Return on Earning Assets, Cost of Deposits and Spread



Management Commentary

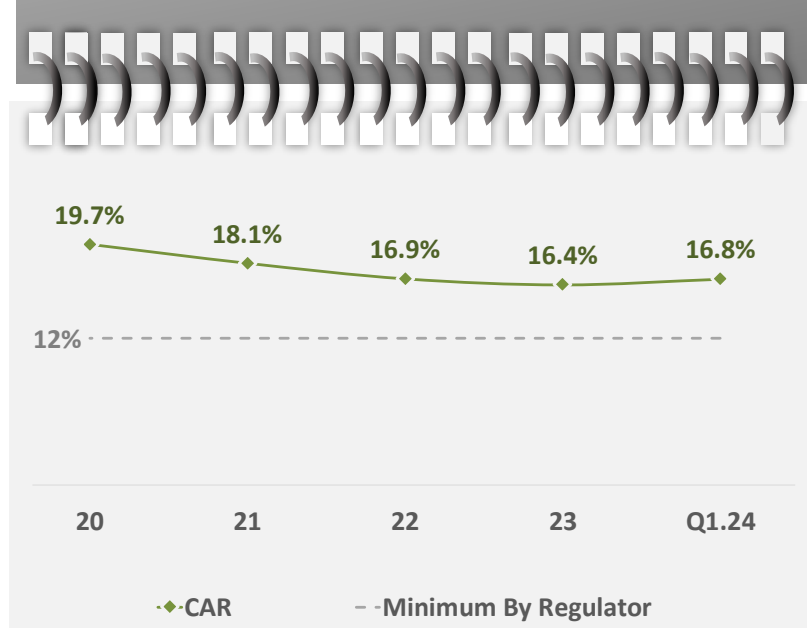
- Jordanian Dinar return is highly correlated with USD.
- Cost of fund increased as a normal result of consecutive increases of return on JOD and USD since early 2022.
- The bank managed to reprice the return of earning assets which had reflected in an increase by 1.0% (from 5.8% in 2022 to 6.8% in Q1.2024) to compensate the increased cost of deposits.
- As a result, the spread decreased (from 2.8% in 2022 to 2.7% as of 3.2024)
- Management has taken measures such as repricing of assets and financing more high yielding assets in due course.

Movement of Capital Adequacy Ratio during Q1.2024



CAR, Q4.23	Change in Retained Earning & Reserves	Change in Tier 2 (Supporting) Capital	Change in Other Factors (Intangible Assets, Def. Tax Assets, ..)	Change in RWA	CAR, Q1.24
	Retained earning increased by JD 4.0 mn had a positive effect on CAR by 0.4%	Change in tier 2 capital had a minor effect on CAR%	Other factors had a minor effects on CAR	RWA Increased slightly by 0.4% causing CAR to decrease by 0.1%	

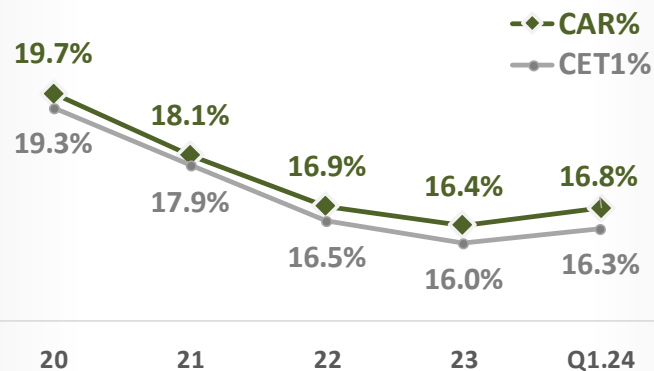
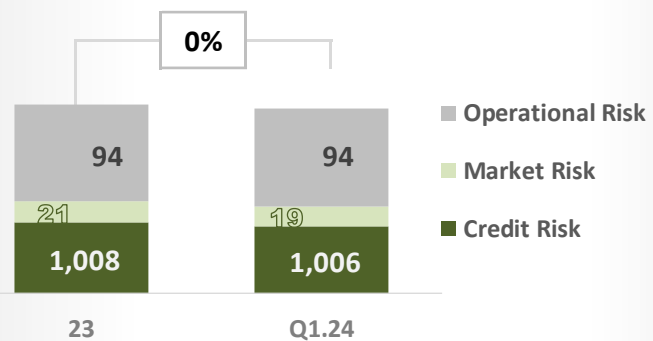
CAR Trend



Management Commentary

- CAR showed stable trend over the past two years
- The bank is in healthy position with a comfort zone of 4.8% above CBJ minimum requirement (12%)

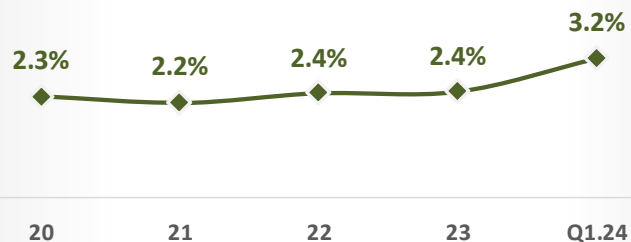
Risk Weighted Assets (JD mn)



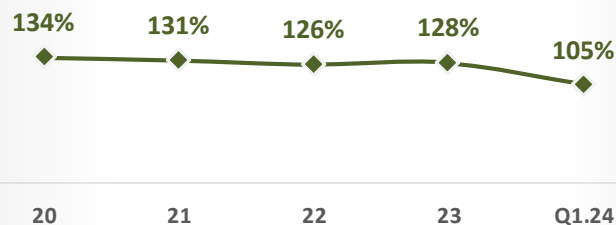
Management Commentary:

- ▶ Risk weighted assets decreased during Q1 24 by 0.4%.
- ▶ Safwa NPL of 3.2% is below market average
- ▶ Coverage ratio reached 105% (Q1 24) without considering collaterals

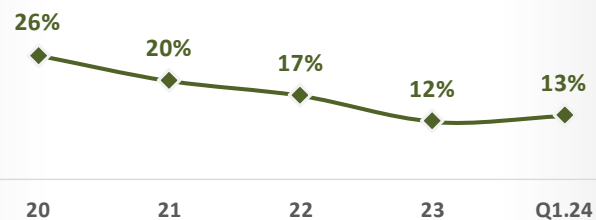
NPL%



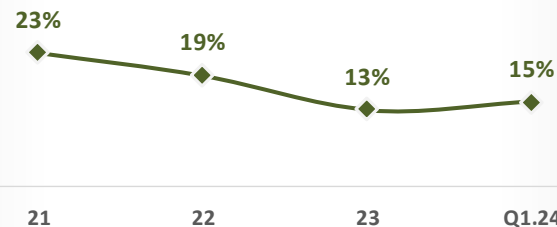
Coverage Ratio



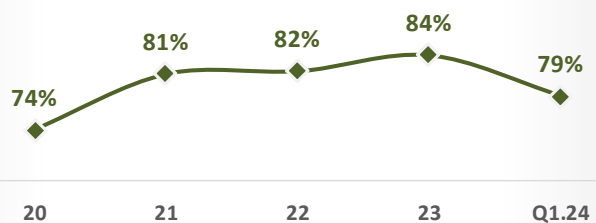
Liquid Assets / Assets



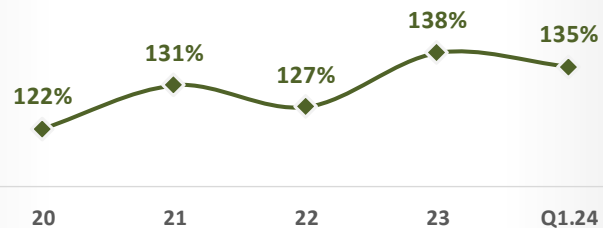
Liquid Assets / Deposits



Advances To Deposits (AD%)



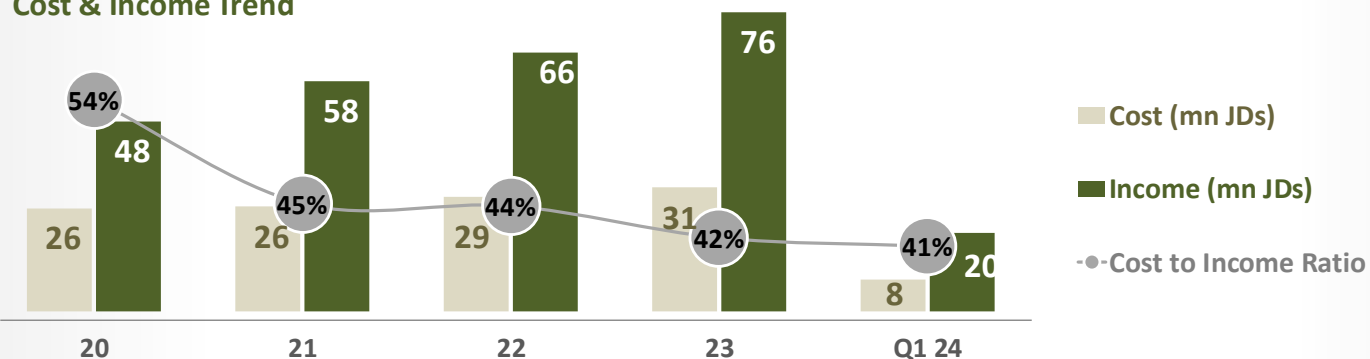
Regulatory Liquidity



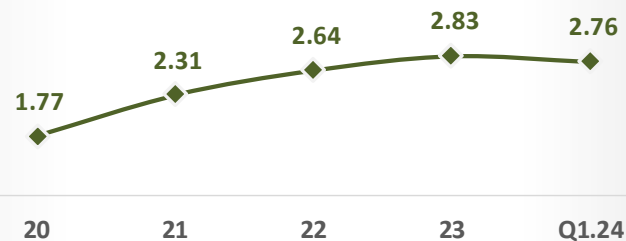
Management Commentary:

- ▶ LCR reached comfortable level of 784%; (minimum regulatory level of 100%), in addition regulatory liquidity reached 135% (regulatory 100%)
- ▶ The liquidity ratios of liquid assets to assets and to deposits showed a increase during the Q1 24 driven by the increase of average balance of cash from JOD 240 mn during 2023 to JOD 257 mn during Q1 24.

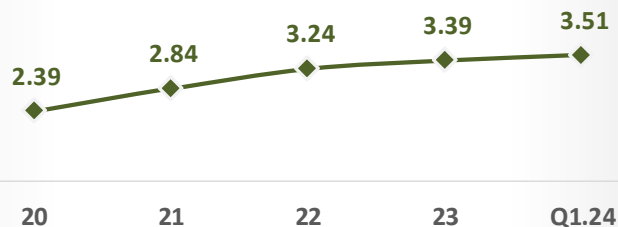
Cost & Income Trend



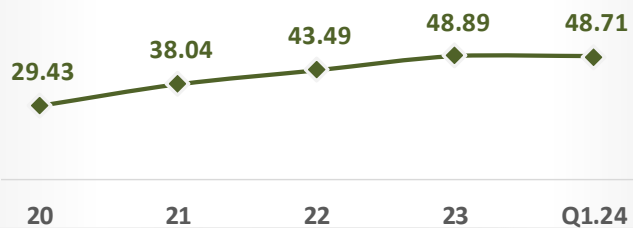
Financing / Employee (JD mn)



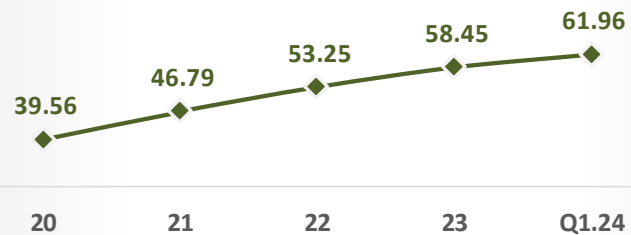
Deposits / Employee (JD mn)



Financing / Branch (JD mn)



Deposits / Branch (JD mn)

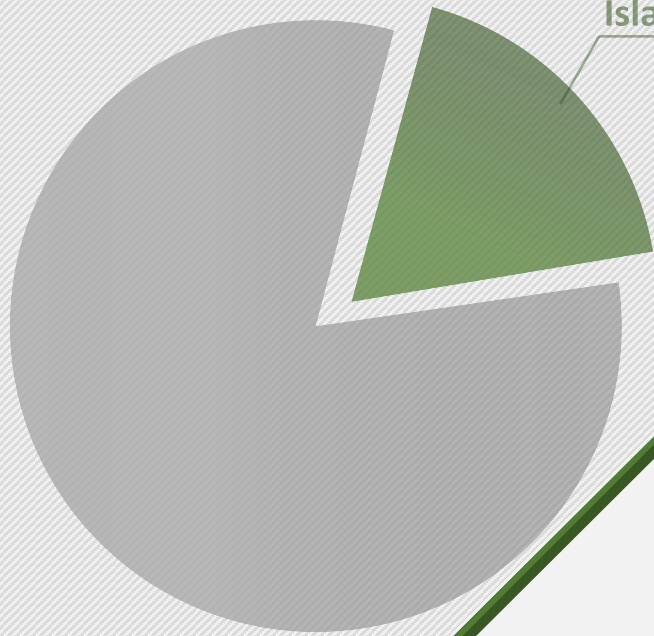


Management Commentary:

- ▶ 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.

Summary Income Statement (Mn JDs)	Q1.24	Q4.23	QoQ	QoQ%	YTD, Q1.24	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	16.7	17.8	(1.1)	6%	16.735	0.4	3%
Other Revenues	3.3	3.3	(0.0)	0%	3.3	0.2	6%
Net Revenues	20.0	21.1	(1.1)	5%	20.0	0.6	3%
Impairment Charges	(5.5)	(4.4)	(1.1)	24%	(5.5)	0.0	0%
G & A Expenses	(8.2)	(8.1)	(0.0)	1%	(8.2)	(0.4)	5%
Net Income Before Tax	6.4	8.6	(2.2)	26%	6.4	0.2	4%
Taxes	(2.4)	(3.3)	0.9	27%	(2.4)	(0.1)	3%
Net Income	4.0	5.3	(1.3)	25%	4.0	0.2	4%
Summary Balance Sheet (Mn JDs)	Q1.24	Q4.23	QoQ	QoQ%	EOY, Q4.23	YoY	YoY%
Financing	2,111	2,079	32	2%	2,079	32	2%
Investments	661	540	121	22%	540	121	22%
Deposits & Cash Collaterals	2,717	2,612	106	4%	2,612	106	4%
Total Assets	3,028	2,929	99	3%	2,929	99	3%
Total Equity	193	189	4	2%	189	4	2%

Islamic Banks share



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 12.2023)

17.9%

Capital Adequacy

143%

Regulatory Liquidity

5.1%

NPL Ratio

1.1%

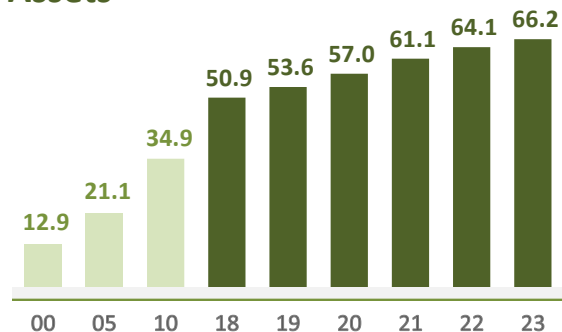
ROA

9.3%

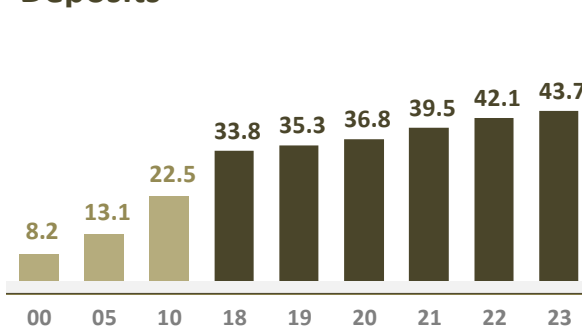
ROE

Sector Figures (bn JDs)

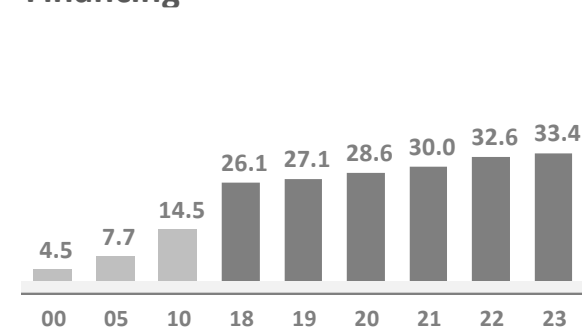
Assets

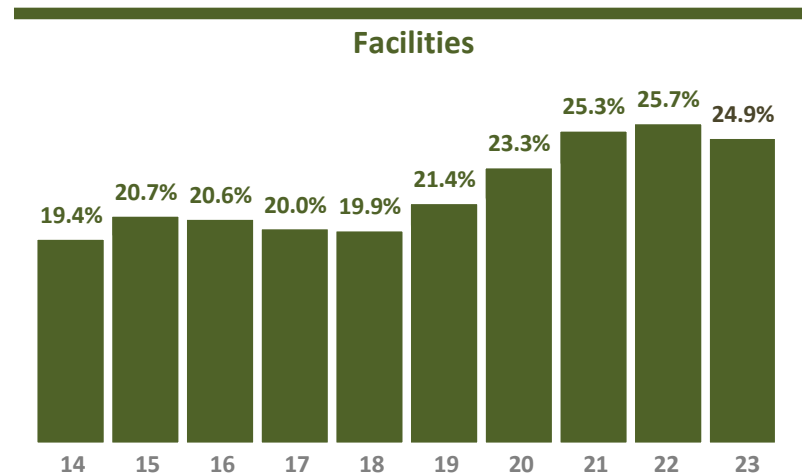
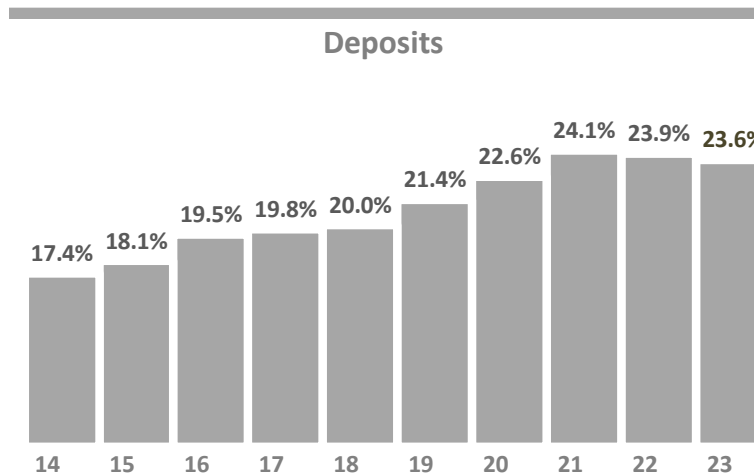
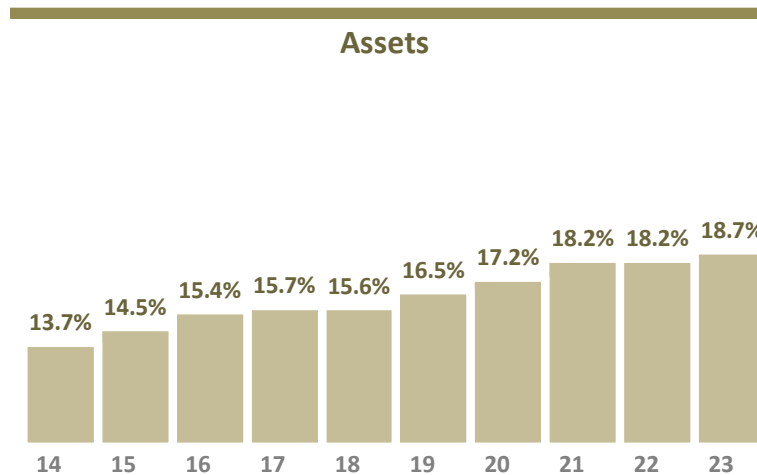


Deposits



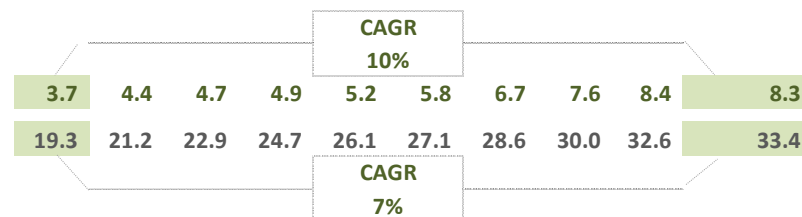
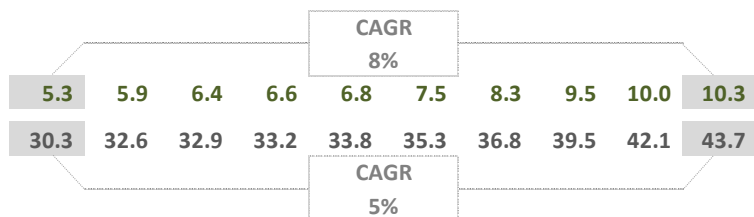
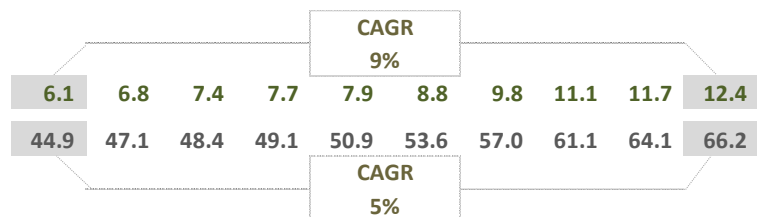
Financing





Islamic Banks (JD bn)

Banking Sector (JD bn)



Highlights

- Islamic banks' market share shows upward trend reflecting the increasing needs of Jordanian society for Sharia compliant products and services
- The increasing facilities trend was abruptly infrequently were Islamic Banks showed a decrease or slight increase in facilities
- The CAGR growth ratios for Islamic banks since 2014 witnessed better ratios than banking sector, the assets' CAGR during this period was 9% for Islamic banks and 5% for the banking sector
- During 2023, the market share for Jordanian Islamic Banks in the banking sector showed increase in assets driven partly by the performance of Safwa bank.

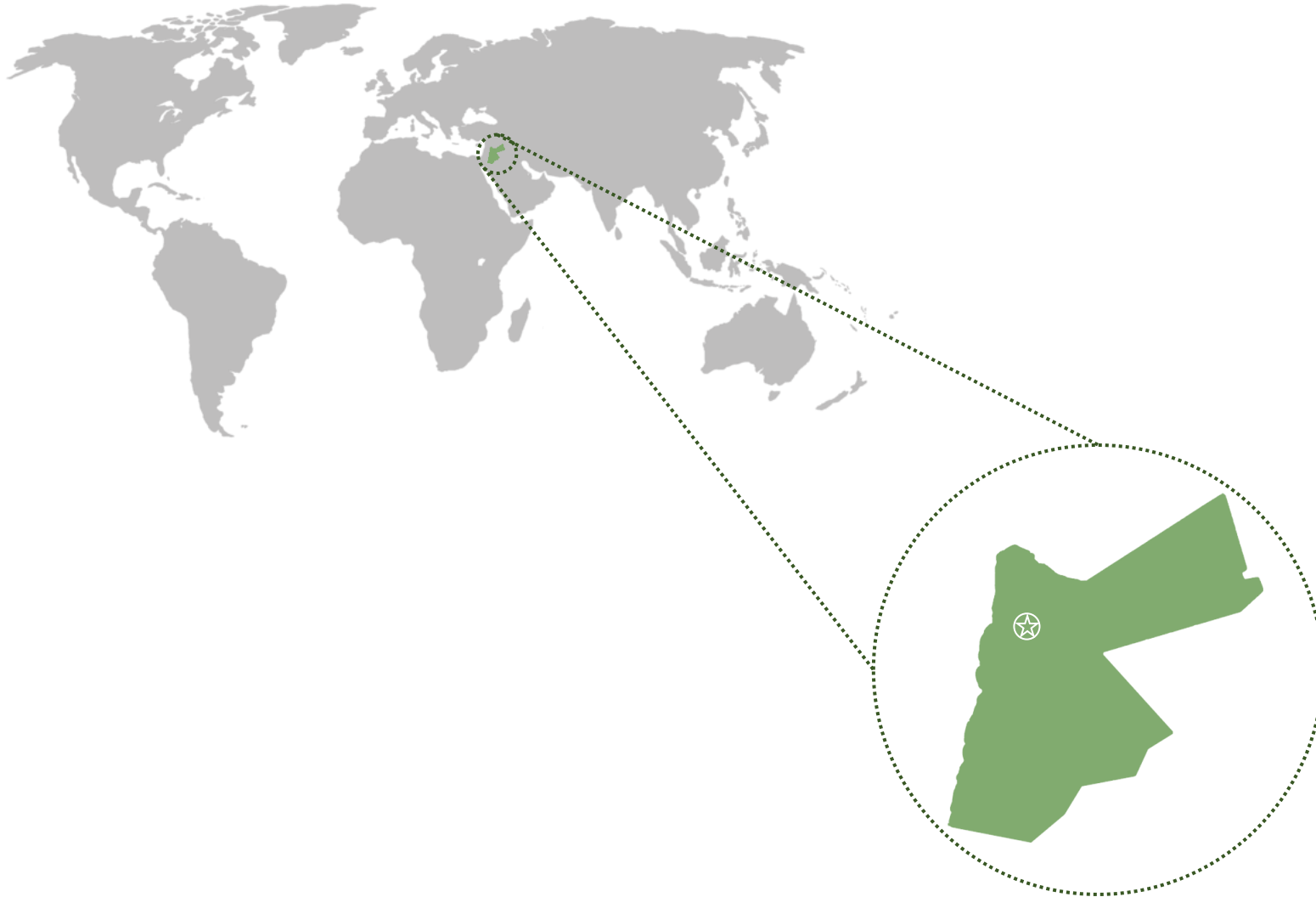


04



Jordan

Facts and Economy



Area : 89.3 thousand km²



Population : 11.5 million



Capital : Amman



Religion : Islam (95%)

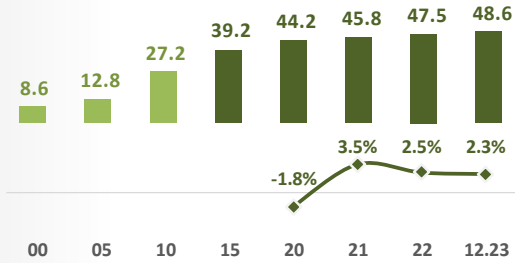


GDP : USD 48.6 billion

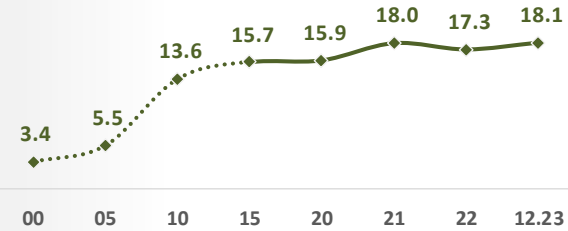


GDP Per Capita : USD 4,311

GDP (Bn USD)



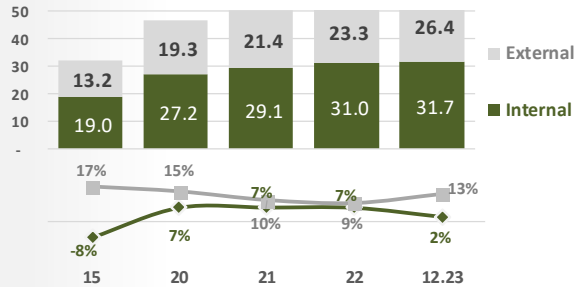
Foreign Reserves (Bn USD)



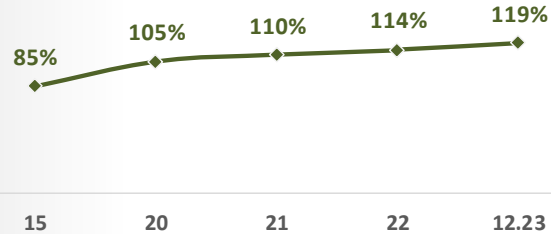
Highlights

- ◆ 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 Dec.2023 reached 2.3%
- ◆ Foreign reserves increased slightly at end of Dec.2023 reaching JD 18.1 bn (JD 17.3 bn at the beginning of the year); these reserves cover the imports needs for 7.9 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 21.4% as end of Dec.2023
- ◆ Current public debt to GDP increased to 119%
- ◆ The inflation rate reached 1.6% at end of Dec.2023 with a notable decrease of 2.6% compared to 2022.

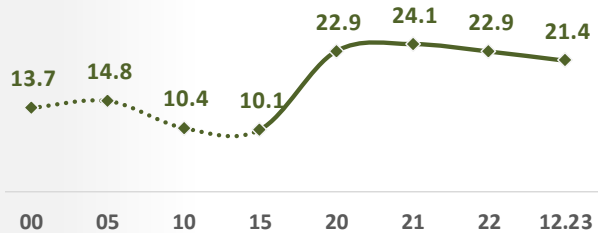
Public Debt (USD bn)



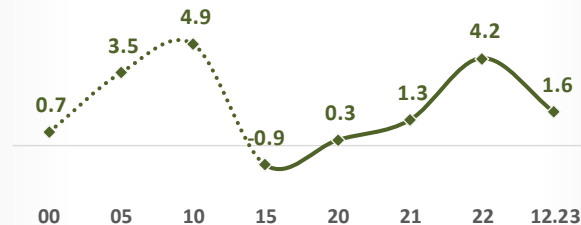
Public Debt / GDP



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

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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