



Safwa Islamic Bank

Investor Report

Q3.2024

Contents



01 | Stronger Safwa

About Safwa, Strategy, Reason to invest in Safwa, Our Products and Services, Network, Safwa Share, ESG

Pages:
2 to 10

02 | Safwa Bank, Financials

At a glance, Highlights, Funding, Uses of Fund, NPM Analyses, Assets Quality, Liquidity, Efficiency, Financials

Pages:
11 to 26



03 | Jordanian Banking Sector

CBJ Role, Basic info and indicators, Banking Sector

Pages:
27 to 30

04 | Jordan

At a glance, Jordan Economy, Why to invest in Jordan,

Pages:
31 to 33





01

Safwa Islamic Bank
Stronger Safwa





Operating Group	Retail	Corporate	SME	Treasury & Investment
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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	Our Strategic Priorities	
➤ Innovation	Bank Transformation:	Change modes of operation and business execution
➤ Knowledge	Strategies for Growth:	Strengthen profitability Fit for purpose approach in proposing solutions to customers needs
➤ Quality	Structural Reforms:	Ensure business resilience Investment in organic growth while controlling expenses
➤ Added Value	Efficiency & Effectiveness:	Implementation of business through a cohesive team that works in one spirit with the best solutions, at the lowest costs
➤ Services up to the highest global standards	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

Function from a position of strength

- Utilize a robust capital foundation to promote balance sheet expansion
- Capitalize on opportunities to recruit skilled bankers

Revenue Generation

- Enhance quality facility growth while maintaining steady returns
- Enhance fee revenue

Robust Portfolio

- Uphold strict standards in extending credit
- Active portfolio management strategy

Manage Risk

- Adapt and respond actively to the rapid change in the interest/profit rate environment
- Implement strategies to respond to the changing regulatory/industry requirements

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	Salary in advance

Accounts

Basic Bank Account	Special Saving		Current Accounts		Saving Accounts		
	Corporate	Offset	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	Debit Cards
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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
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Treasury

Safe Custody	Management and issuance of Sukuk
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Brokerage

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



Safwa Mobile



Safwa Online



Safwa Call



Cards



ATM

“ Anytime, Anywhere ”

E Services



Apple Pay



Customer
onboarding



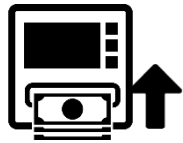
E-Pay Bills



Update Personal
Data



Prepaid Cards



Cash Deposit



Cards
Management



Accounts
Management



New User
Registration



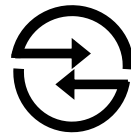
Points &
Loyalty



QR Payment



Biometric
Authentication



“CliQ”
Instant transfers

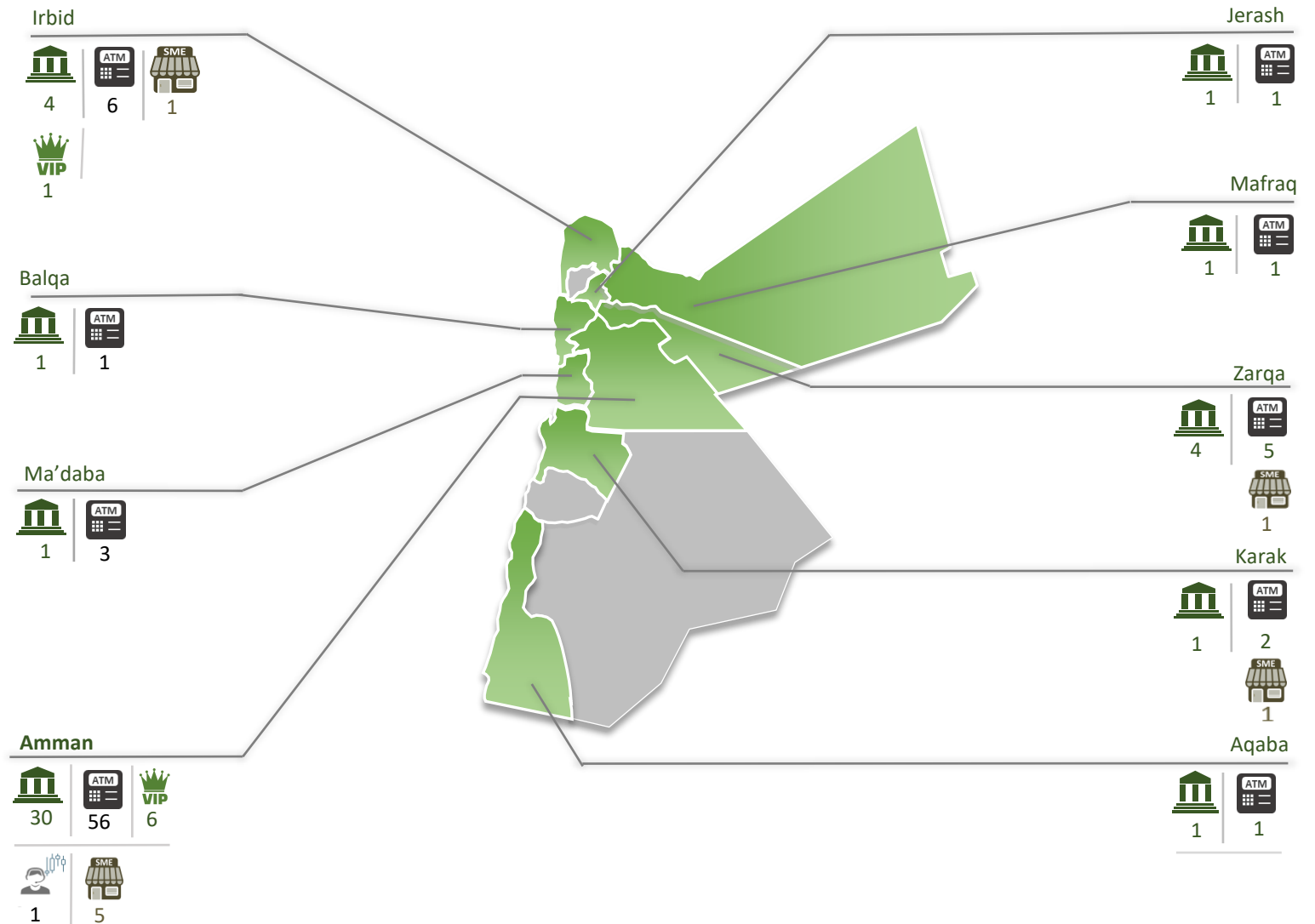


Contactless
Card



Transfers





Basic Information and Ratios

- ▶ **Symbol:** SIBK
- ▶ **Exchange Market:** Amman Stock Exchange (www.ase.com.jo)
- ▶ **Free Float:** 14.2 %
- ▶ **Closing Price:** JOD 1.89
- ▶ **Market Value :** JOD 226.8mn

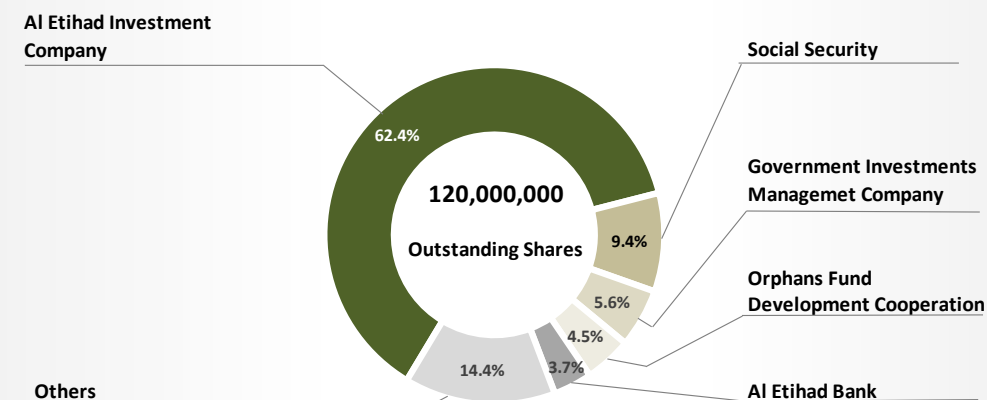
Historical Share Price



Share Key Ratios

- ▶ **Average Price (52 weeks):** JOD 1.97
- ▶ **Return (last 52 weeks)** 10.0%
- ▶ **PE Ratio** 12.67x
- ▶ **PB Ratio** 1.12x
- ▶ **Volatility** 0.08 JOD
- ▶ **Payout Ratio** -

Shareholders Composition



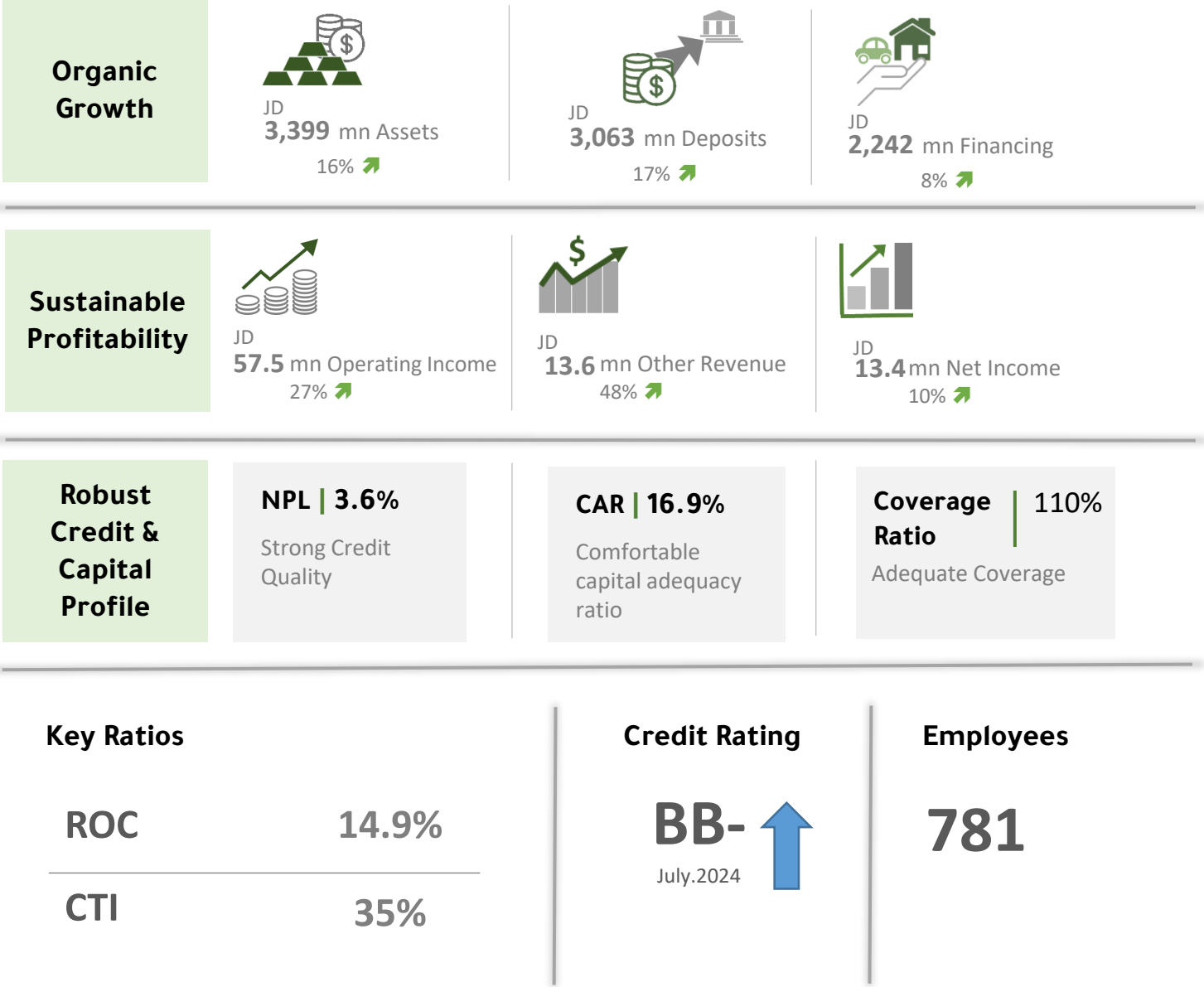


2022

Safwa Islamic Bank

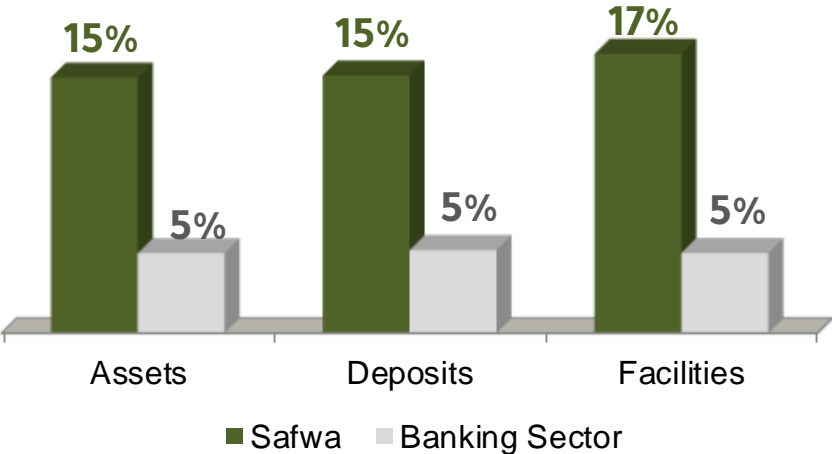
Financials



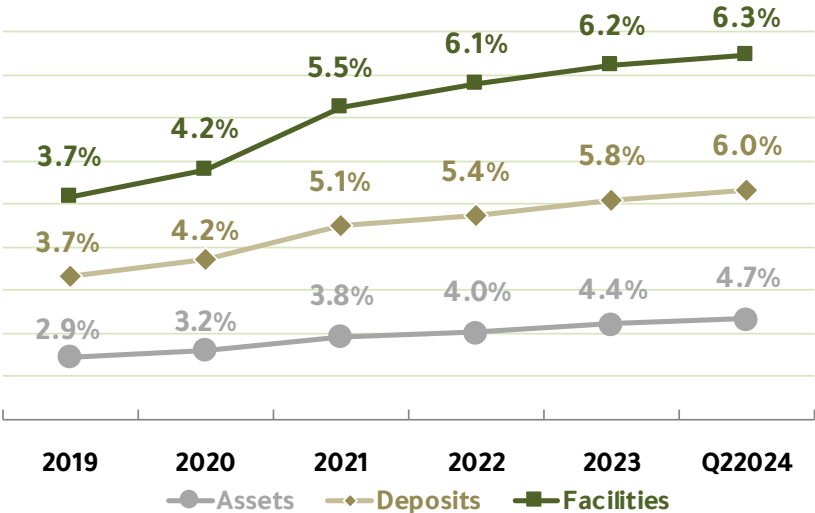


- Strong Foundation for Growth
- Balance sheet optimization
- Disciplined expense management
- Diversification and scale
- Strong Credit Quality

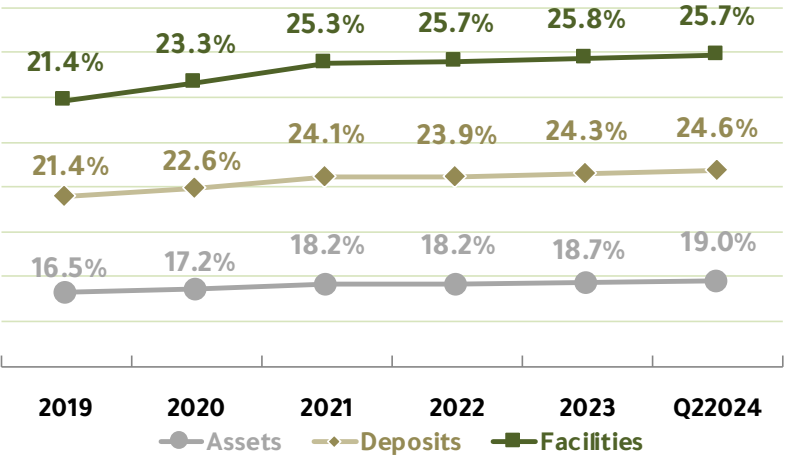
Safwa CAGR within 5 years Compared to Banking Sector



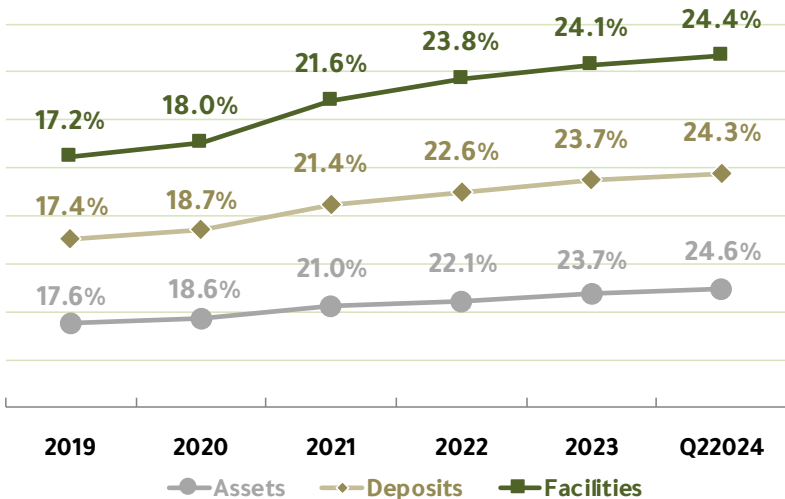
Safwa Market Share of Bank's Sector



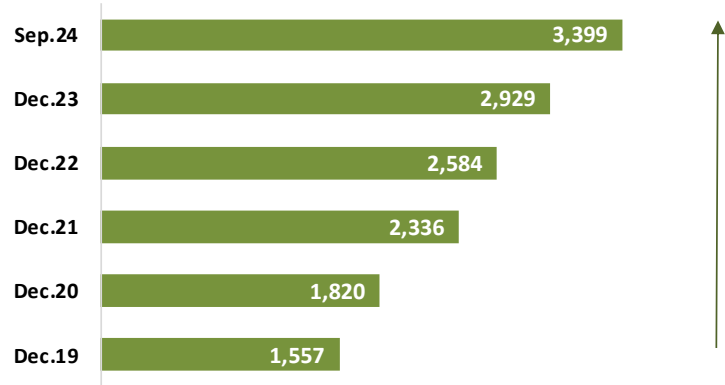
Islamic Market Share of Bank's Sector



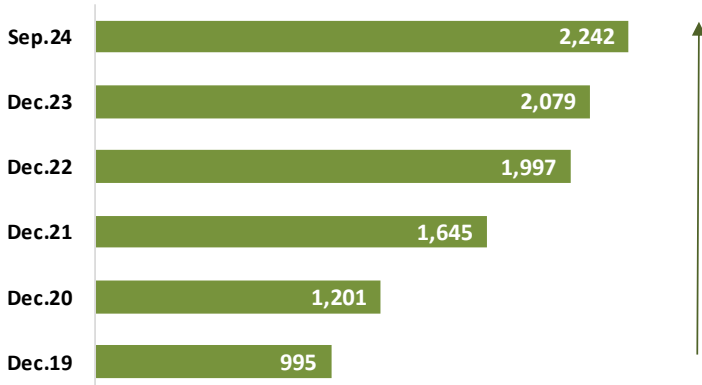
Safwa Market Share of Islamic Sector



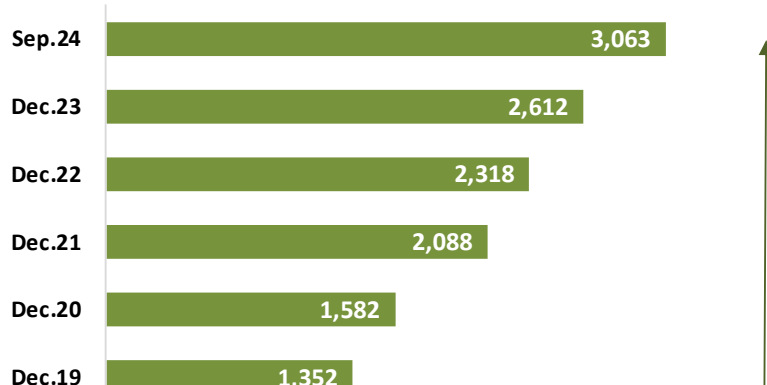
Total Assets (JOD mio)



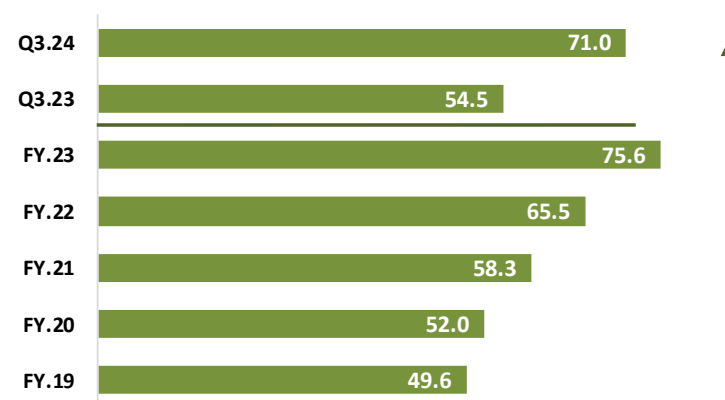
Total Facilities (JOD mio)



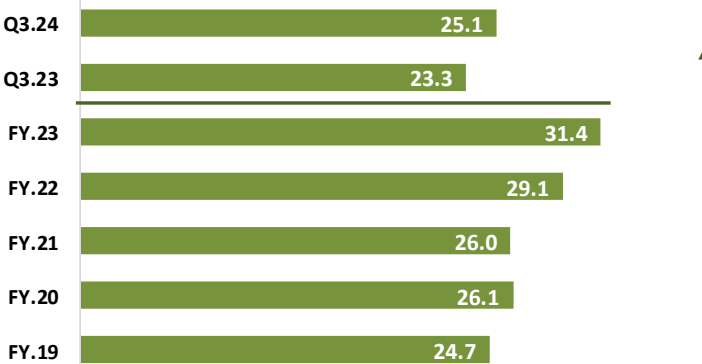
Total Deposits (JOD mio)



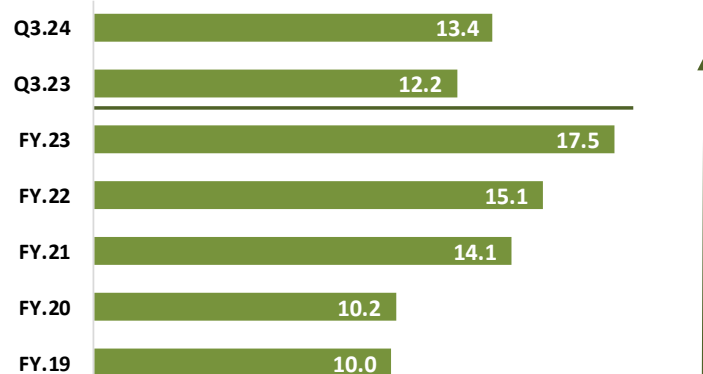
Gross Income & Other Fees (JOD mio)



Opreating Expenses (JOD mio)

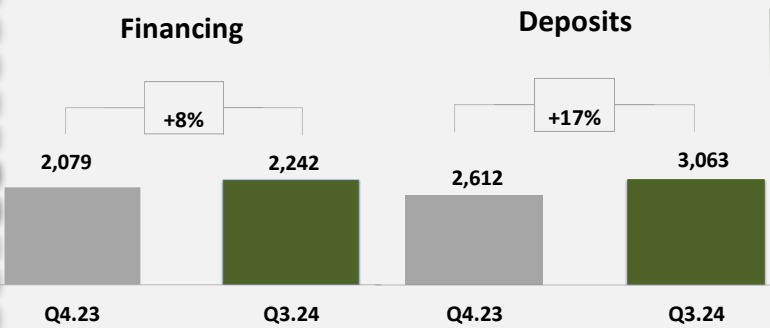


Net Income (JOD mio)



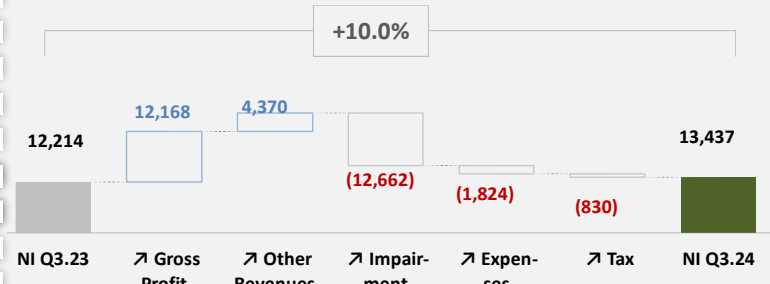
Key Ratios	Consolidated			YTD		
	Q3.24	Q2.24	QoQ (bps)	YTD, Q3.24	YTD, Q3.23	YoY (bps)
Profitability						
Return on Average Equity	10.2%	8.9%	125	9.1%	9.2%	(4)
Return on Average Assets	0.6%	0.6%	6	0.5%	0.6%	(5)
Return on Average Capital	17.0%	14.5%	245	14.9%	13.6%	131
Assets Quality and Capital						
Non-Performing Loan Ratio	3.6%	3.4%	21	3.6%	2.4%	123
Provision Coverage	110%	110%	33	110%	123%	(1,228)
CAR	16.9%	17.0%	(14)	16.9%	17.3%	(40)
CET1	16.2%	16.5%	(31)	16.2%	16.8%	(65)
Efficiency						
Cost to Income	34%	32%	161	35%	43%	(738)
Liquidity						
LCR	636%	836%	(20,010)	636%	372%	26,450
Financing to Deposits (AVG)	74%	76%	(226)	76%	85%	(858)

Financial Position



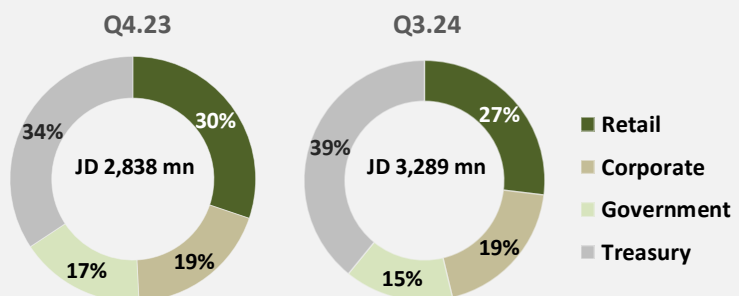
- Safwa continued with its growth momentum and increased financing by 8% JD 163 mn.
- On the other side, deposits increased by JD 451 mn (17%).

Profit & Loss



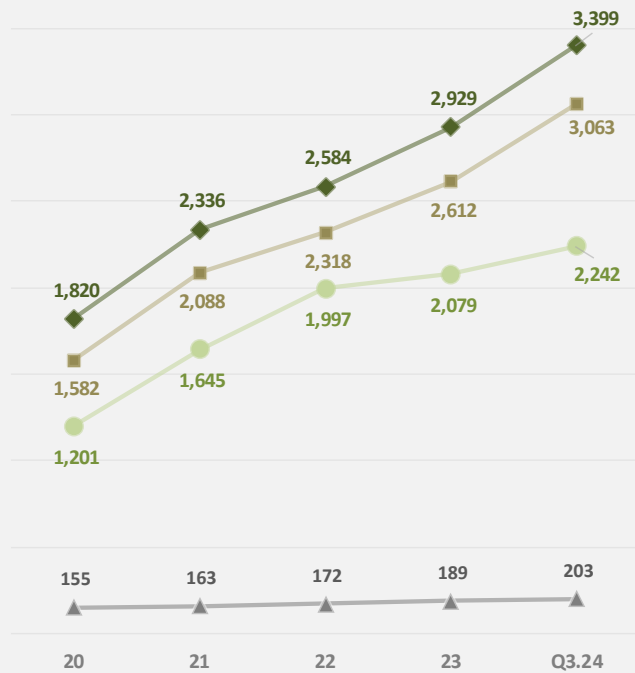
- NI Increased by 10% as of Q3.2024 compared to Q3.2023 (from JD 12.2 mn to JD 13.4 mn)
- The positive change is mainly a result of the increase of balance sheet volume average year over year

Credit Quality



- Well diversified financing & investment portfolio
- NPL% at 3.6%
- Coverage ratio of 110% without considering tangible collaterals
- Capital adequacy ratio at 16.9%

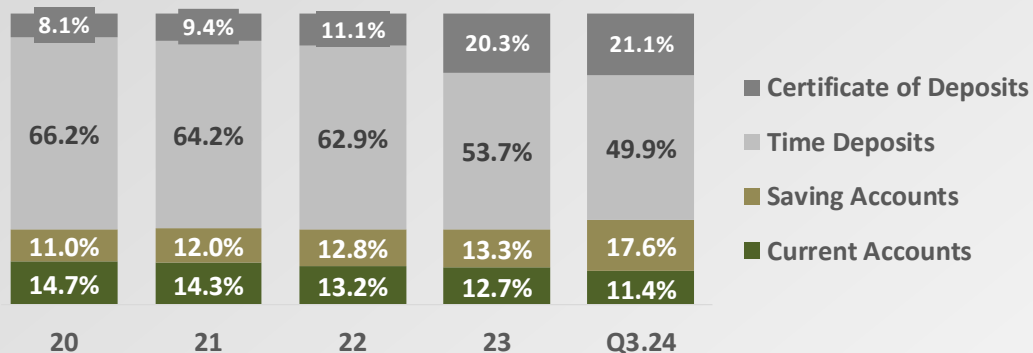
Trends (JD mn)



▲ Equity ● Financing
■ Deposits ◆ Assets

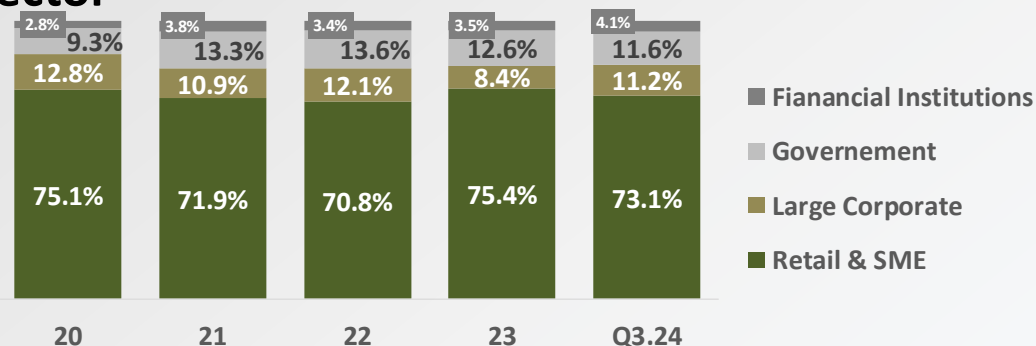
Deposits Structure

By Product



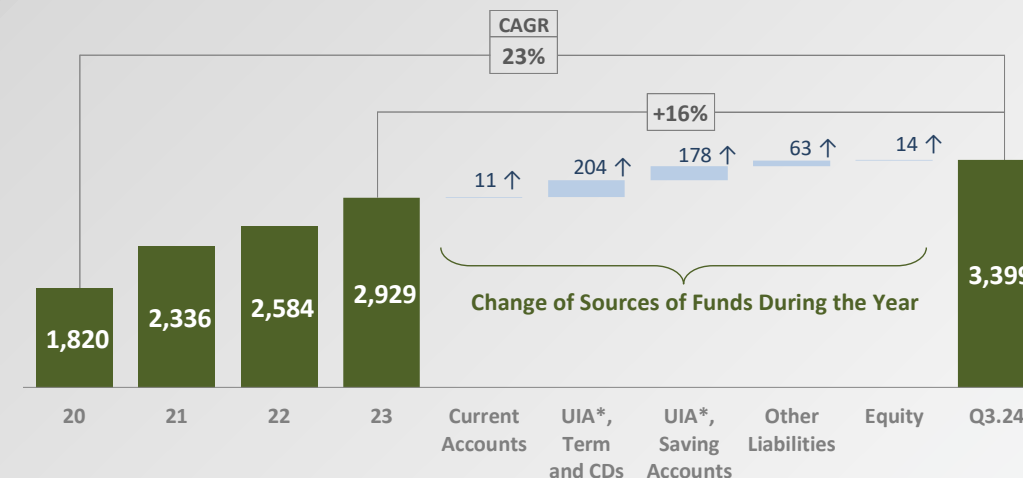
- Increasing trend of CDs contribution over the years, on behalf Time deposits. On other hand Q3 2024 witnessed an increase saving account which enhanced CASA

By Sector



- The trend in the contribution of large corporate and financial institutions increased compared to the decrease in other sectors.

Volume Trends and Movement During 2024 (JD mn)

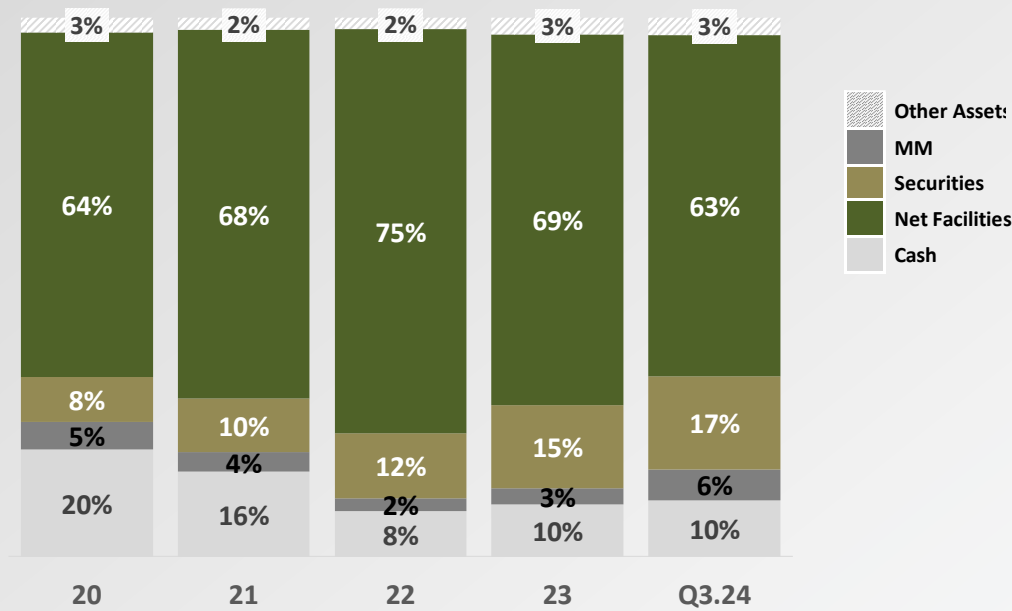


Management Commentary

- Ambitious growth with a CAGR of 23% since 2020
- Movement during 2024 witnessed an increase of 16%, increase of customer deposits by JOD 393 mn, while other liabilities and equity increased by JOD 77 mn.

* UIA: Unrestricted Investment Accounts

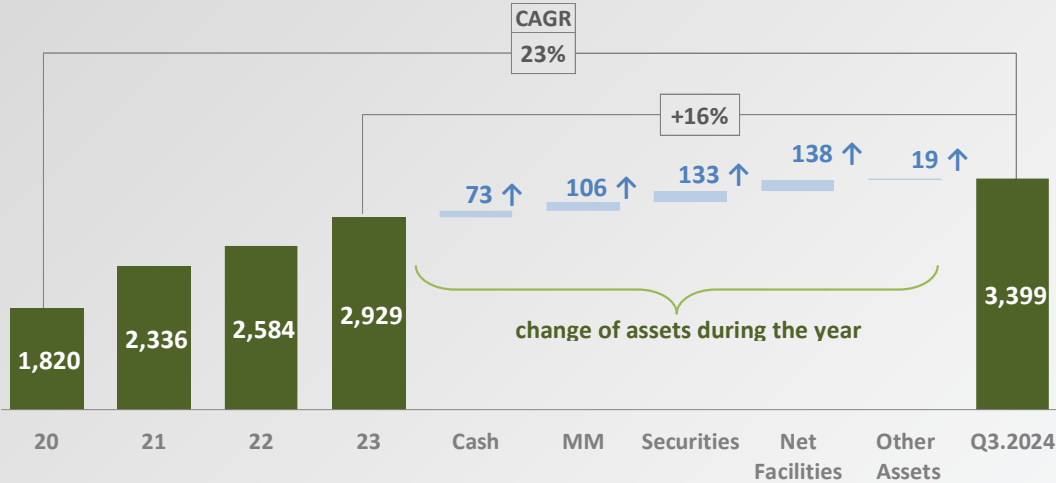
Assets Structure



Management Commentary

- Since 2020, asset structure changed mainly as a result of increased contribution of facilities and securities versus a decreased contributions of cash.

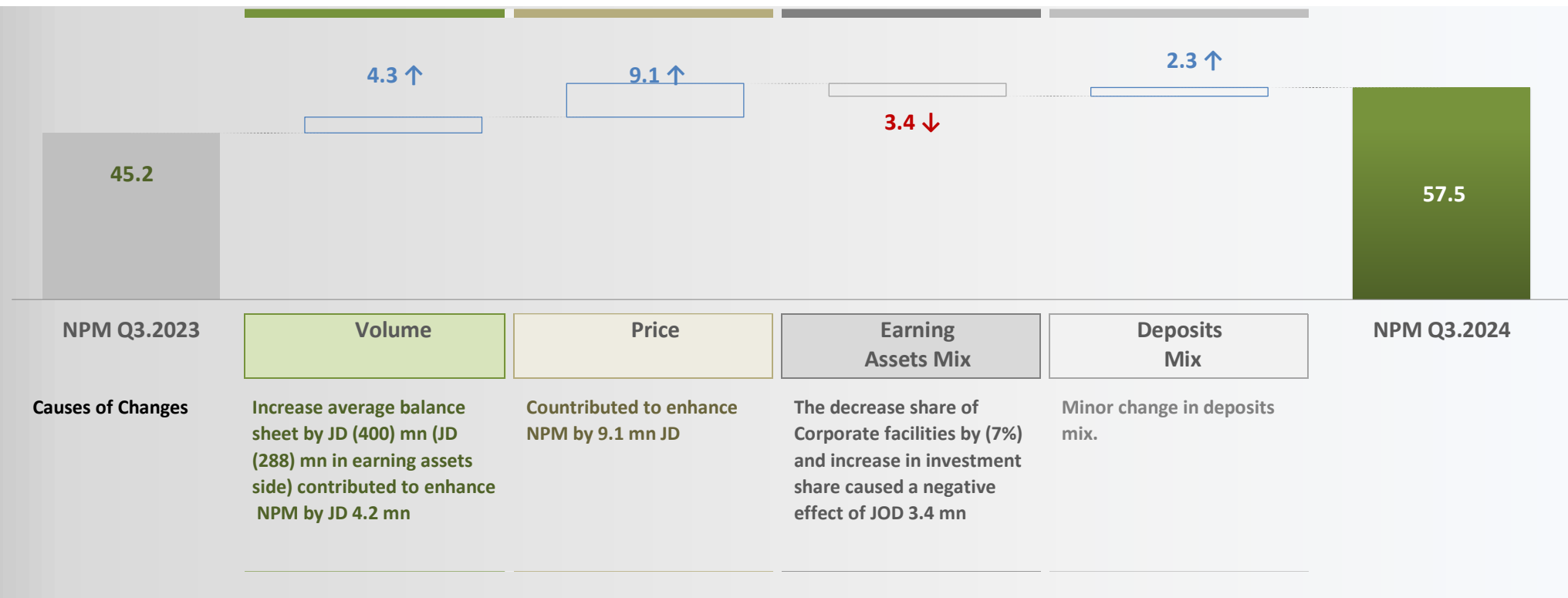
Volume Trends and Movement During 2024 (JD mn)



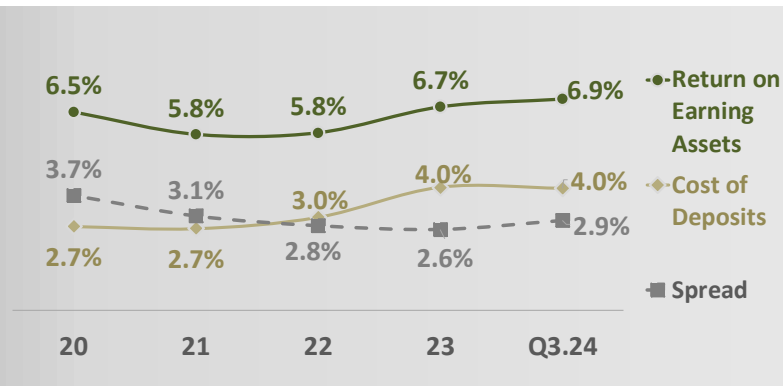
Management Commentary

- Ambitious growth with a CAGR of 23% since 2020
- Movement during 2024 witnessed an increase of 16%, Increase of earning assets by JOD 378 mn, and increase of non-earning assets by JOD 92 mn.

Net Profit Margin Analysis Causes of Change



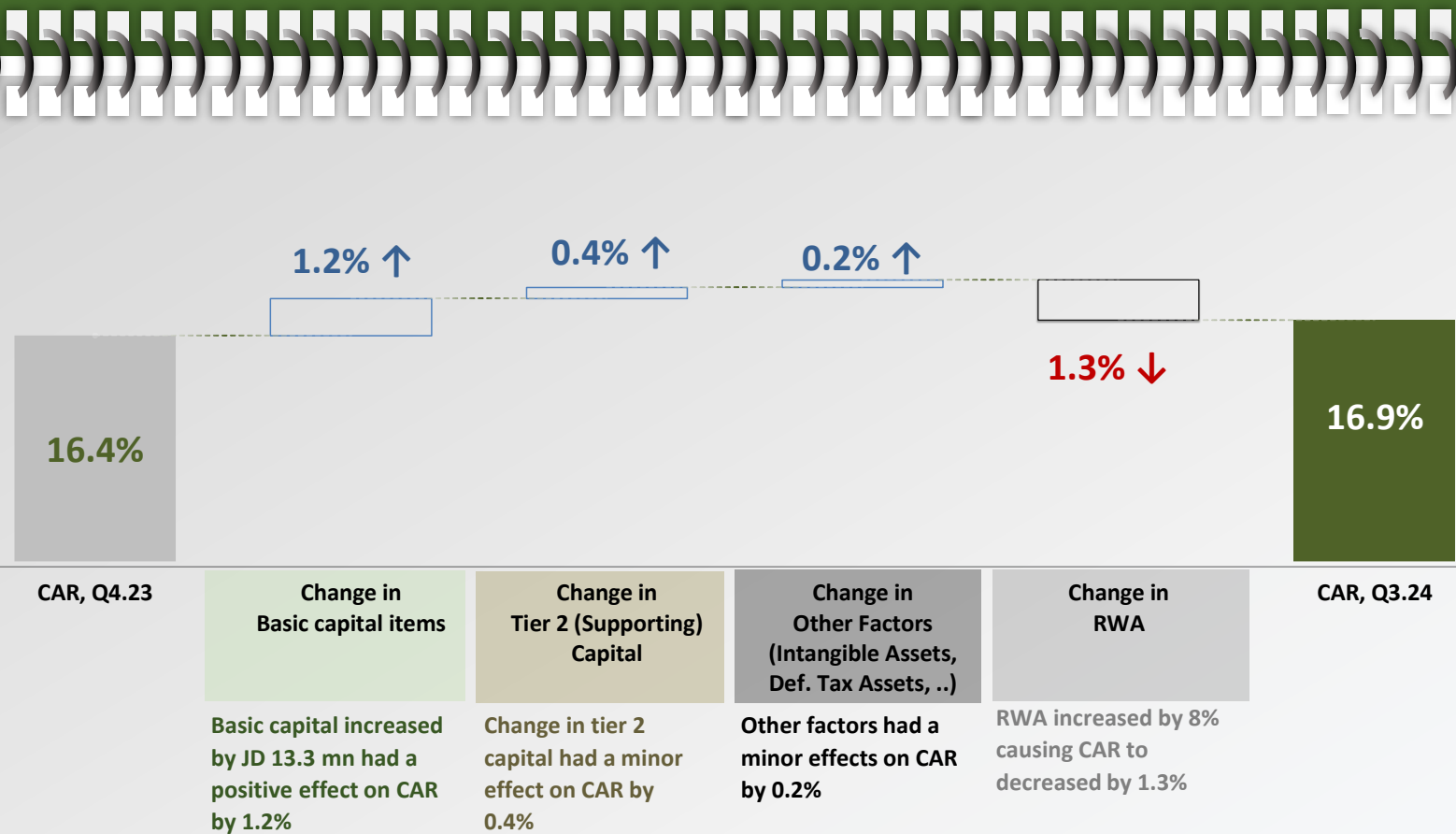
Return on Earning Assets, Cost of Deposits and Spread



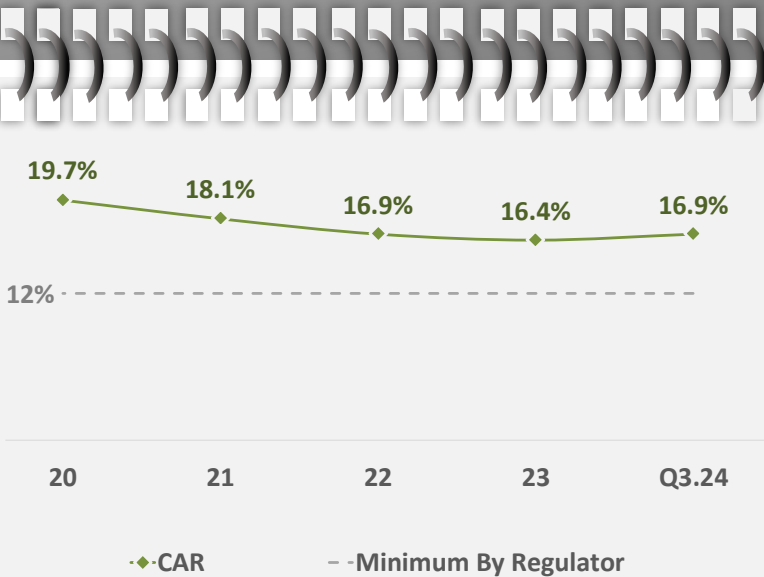
Management Commentary

- 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 on earning assets which had reflected an increase by 1.1% (from 5.8% in 2022 to 6.9% in Q3.2024) to compensate the increased cost of deposits.
- As a result, the spread increased from 2.8% in 2022 to 2.9% as of 9.2024

Movement of Capital Adequacy Ratio during 2024



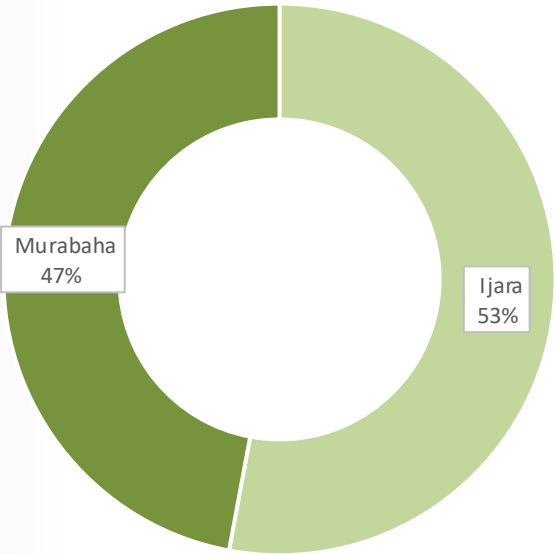
CAR Trend



Management Commentary

- CAR showed stable trend over the past two years
- The bank is in healthy position with a comfort zone of 4.4% above CBJ minimum requirement (12.5%)

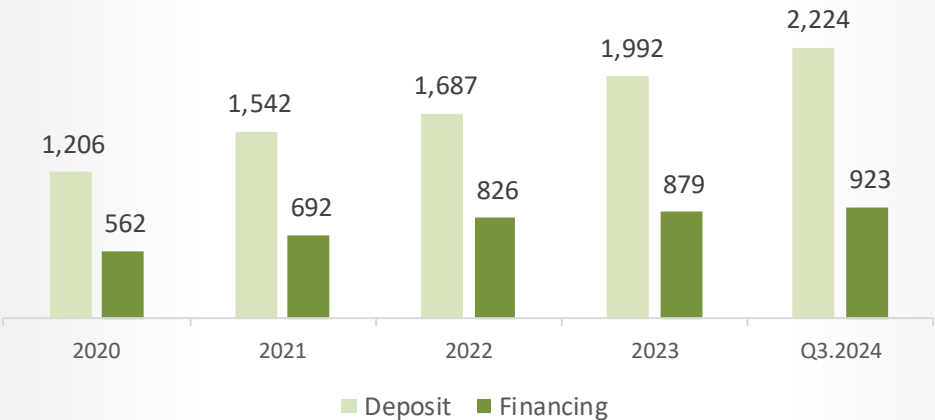
Breakdown by portfolio



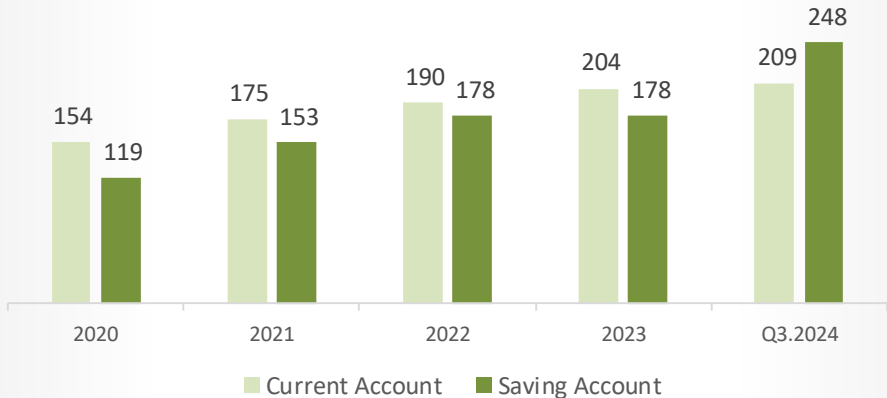
Management Commentary:

- ▶ Retail credit portfolio is up by 5% YTD to reach JOD 923mn
- ▶ Retail CASA balance is up 20% YTD to reach JOD 457mn

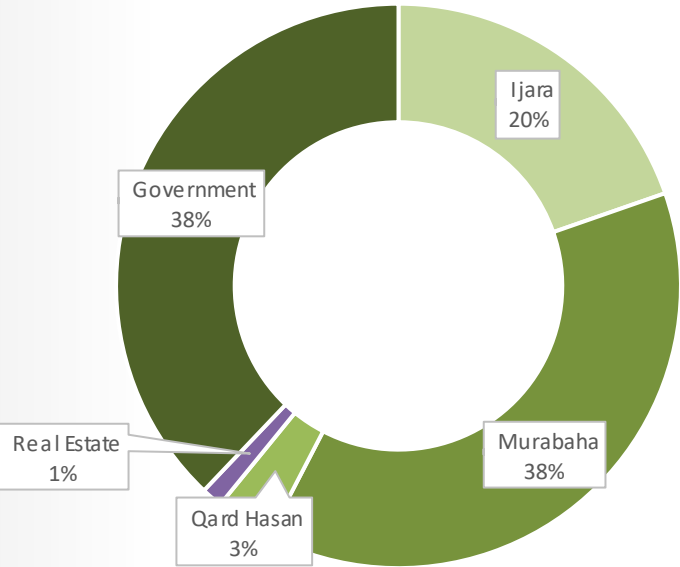
Segment Financing/Deposit(JOD mn)



CASA JOD mn



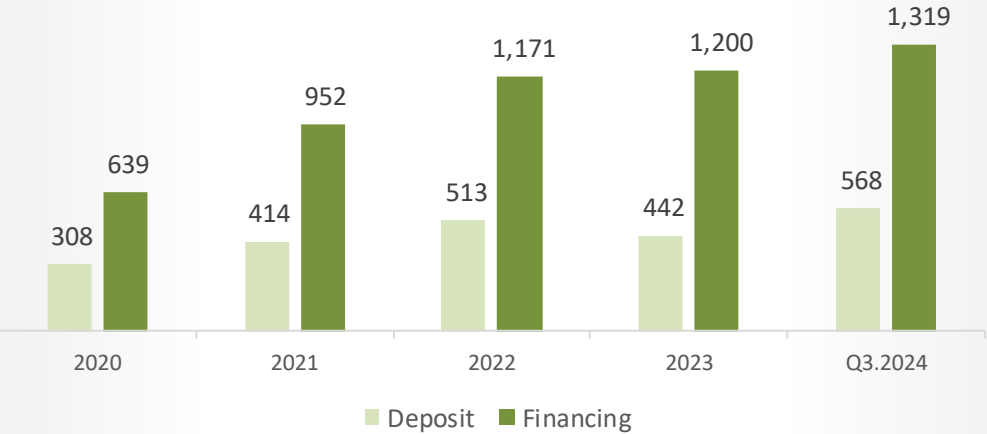
Breakdown by portfolio



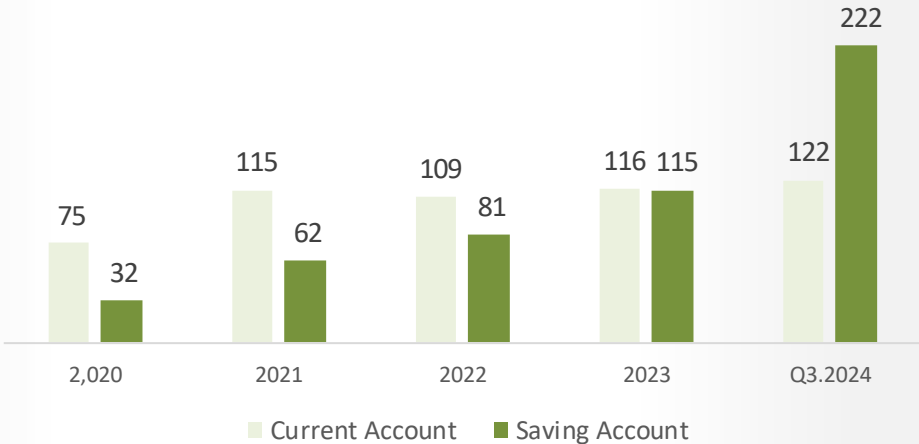
Management Commentary:

- ▶ Highly diversified portfolio now standing at JOD1.3 bn.
- ▶ Very healthy growth in corporate CASA (49%), backed by a 93% increase in Saving account.

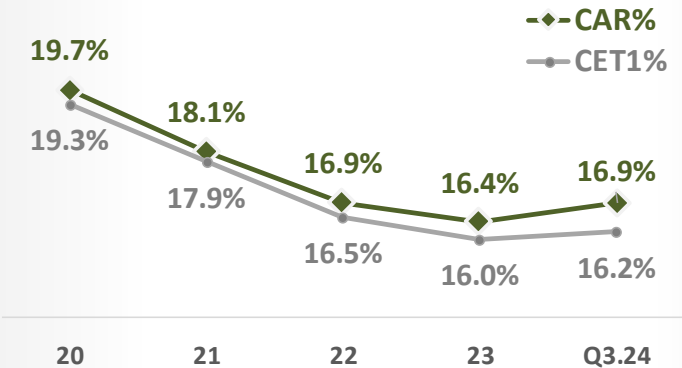
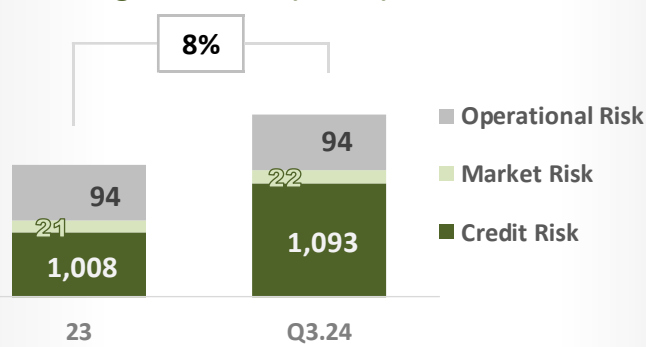
Segment Financing/Deposit(JOD mn)



CASA JOD mn



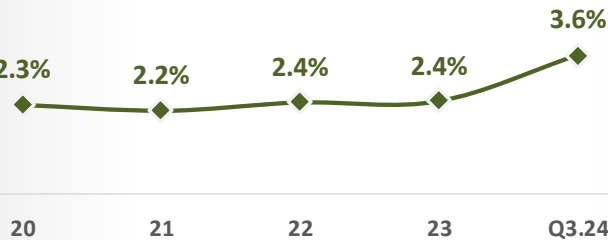
Risk Weighted Assets (JD mn)



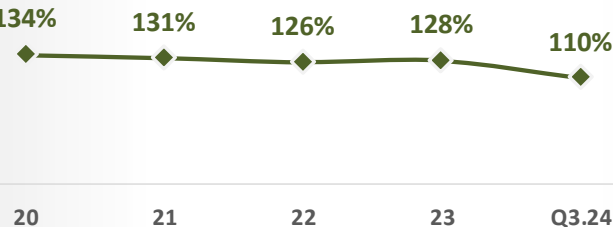
Management Commentary:

- Risk weighted assets increased during 2024 by 8%.
- Safwa NPL of 3.6% is below market average
- Coverage ratio reached 110% (Q3.24) without considering collaterals

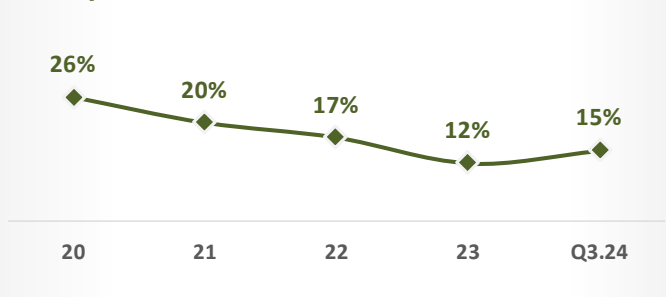
NPL%



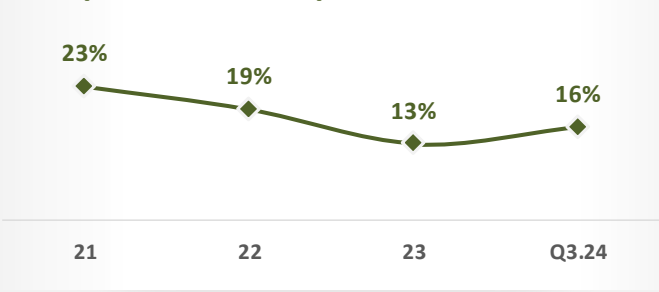
Coverage Ratio



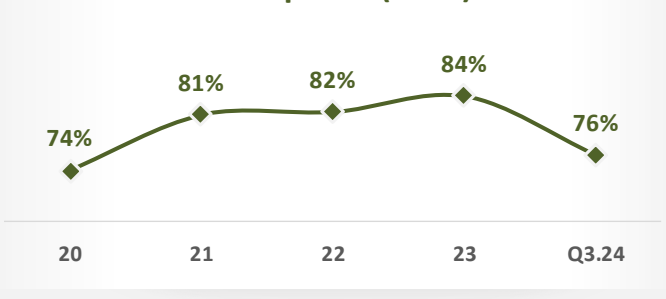
Liquid Assets / Assets



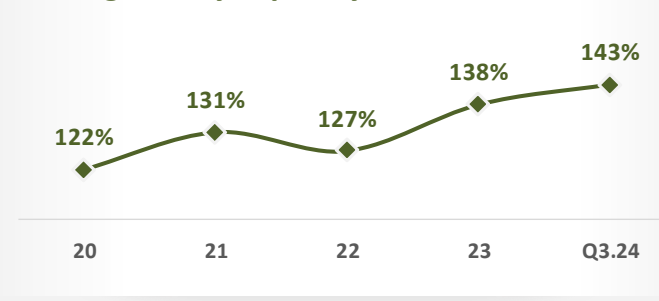
Liquid Assets / Deposits



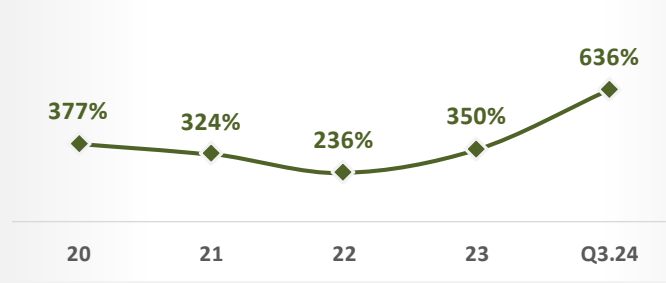
Advances To Deposits (AD%)



Regulatory Liquidity



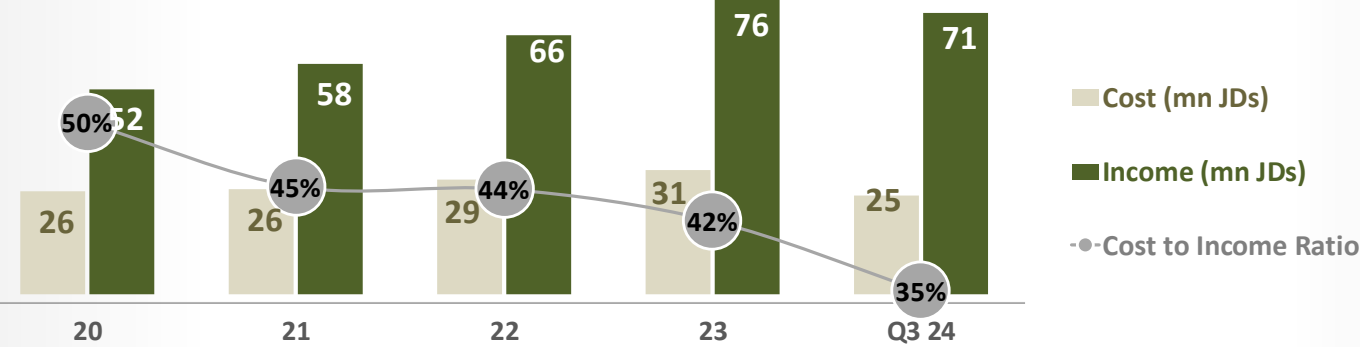
LCR



Management Commentary:

- ▶ LCR reached comfortable level of 636% ;(minimum regulatory level of 100%), in addition regulatory liquidity reached 143% (regulatory 100%)
- ▶ The liquidity ratios of liquid assets to assets and to deposits showed an increase during the 2024 driven by the increase of average balance of cash from JOD 240mn during 2023 to JOD280 mn during 2024.

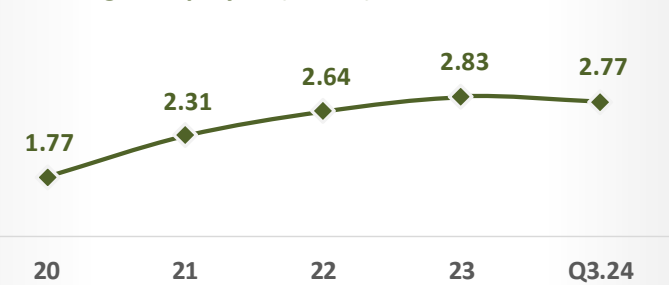
Cost & Income Trend



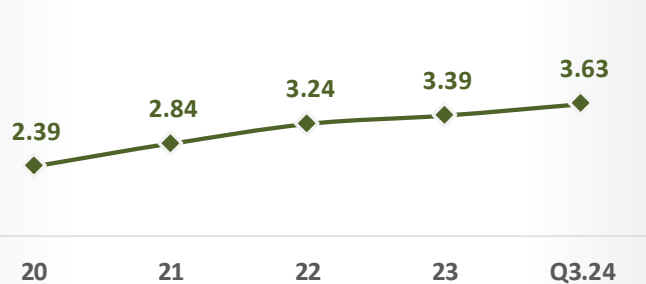
Management Commentary:

- 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.

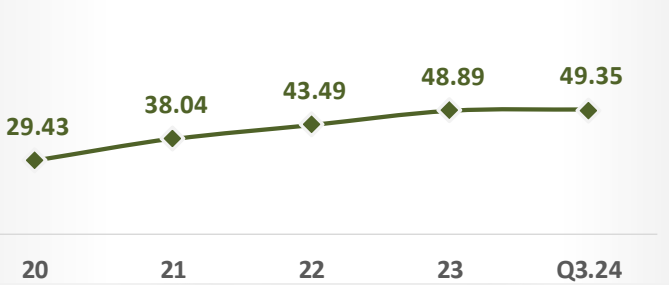
Financing / Employee (JD mn)



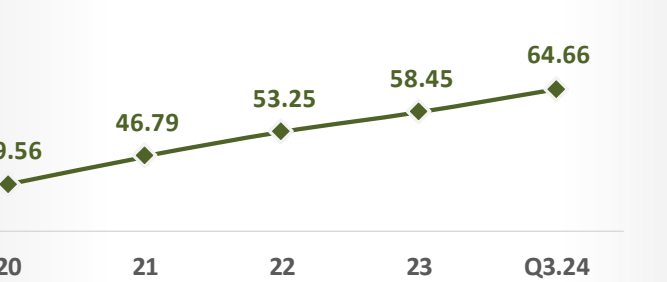
Deposits / Employee (JD mn)



Financing / Branch (JD mn)



Deposits / Branch (JD mn)



Safwa .. Supplementary Financials							26
Summary Income Statement (Mn JDs)	Q3.24	Q2.24	QoQ	QoQ%	YTD, Q3.24	YoY	YoY%
Direct Revenues, Net of Cost of Deposits	20.2	20.6	(0.4)	2%	57.5	12.2	27%
Other Revenues	5.1	5.1	0.0	0%	13.6	4.4	48%
Net Revenues	25.3	25.7	(0.4)	2%	71.0	16.5	30%
Impairment Charges	(8.4)	(10.3)	2.0	19%	(24.2)	(12.7)	110%
G & A Expenses	(8.6)	(8.3)	(0.3)	3%	(25.1)	(1.8)	8%
Net Income Before Tax	8.3	7.0	1.3	18%	21.8	2.1	10%
Taxes	(3.2)	(2.7)	(0.5)	19%	(8.3)	(0.8)	11%
Net Income	5.1	4.3	0.8	18%	13.4	1.2	10%
Summary Balance Sheet (Mn JDs)	Q3.24	Q2.24	QoQ	QoQ%	EOY, Q4.23	YoY	YoY%
Financing	2,242	2,146	96	4%	2,079	163	8%
Investments	780	709	71	10%	540	240	44%
Deposits & Cash Collaterals	3,063	2,850	213	7%	2,612	451	17%
Total Assets	3,399	3,159	240	8%	2,929	470	16%
Total Equity	203	198	6	3%	189	14	7%

Islamic Banks share

Q3

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 Indictors (CBJ 06.2024)

17.6%

Capital
Adequacy

139%

Regulatory
Liquidity

5.6%

NPL
Ratio

1.2%

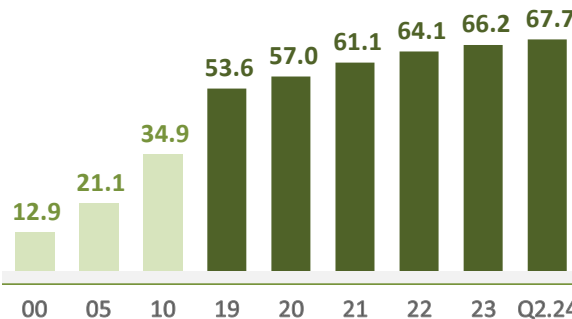
ROA

9.8%

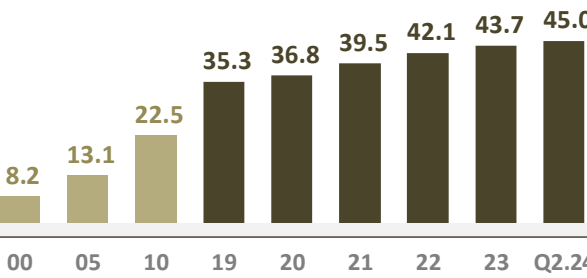
ROE

Sector Figures (bn JDs)

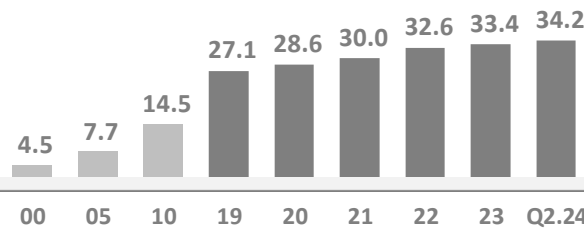
Assets

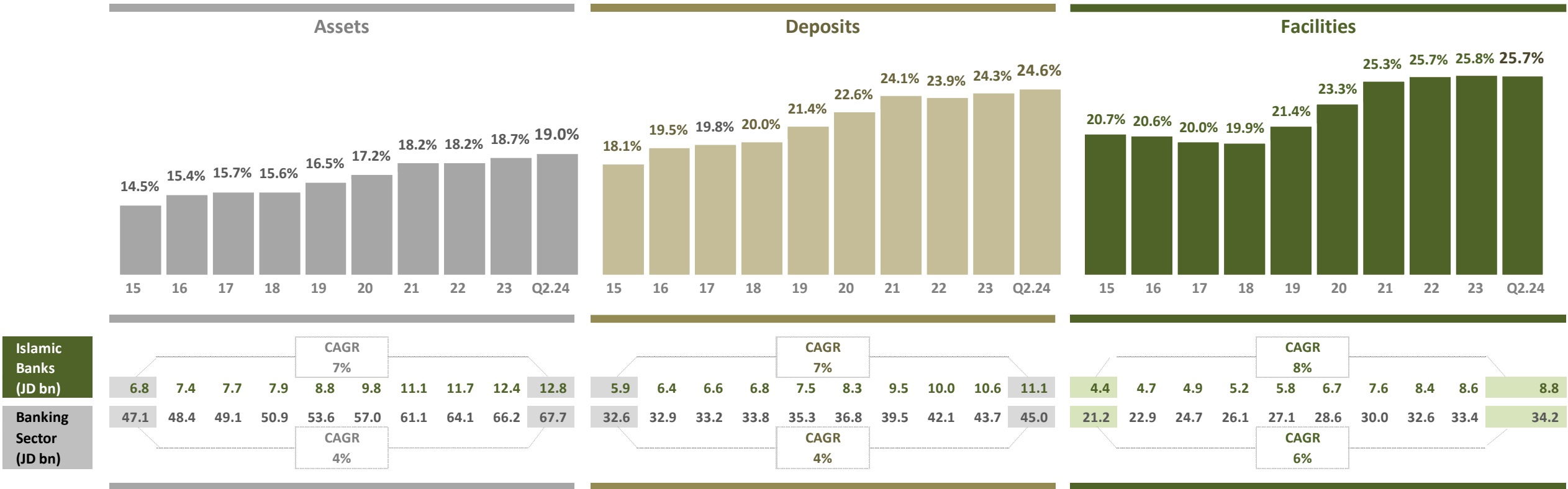


Deposits



Financing





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 2015 witnessed better ratios than banking sector, the assets' CAGR during this period was 7% for Islamic banks and 4% for the banking sector
- The increasing facilities trend was abruptly infrequently were Islamic Banks showed a decrease or slight increase in facilities
 - During 2024, the market share for Jordanian Islamic Banks in the banking sector showed stability in assets market share.

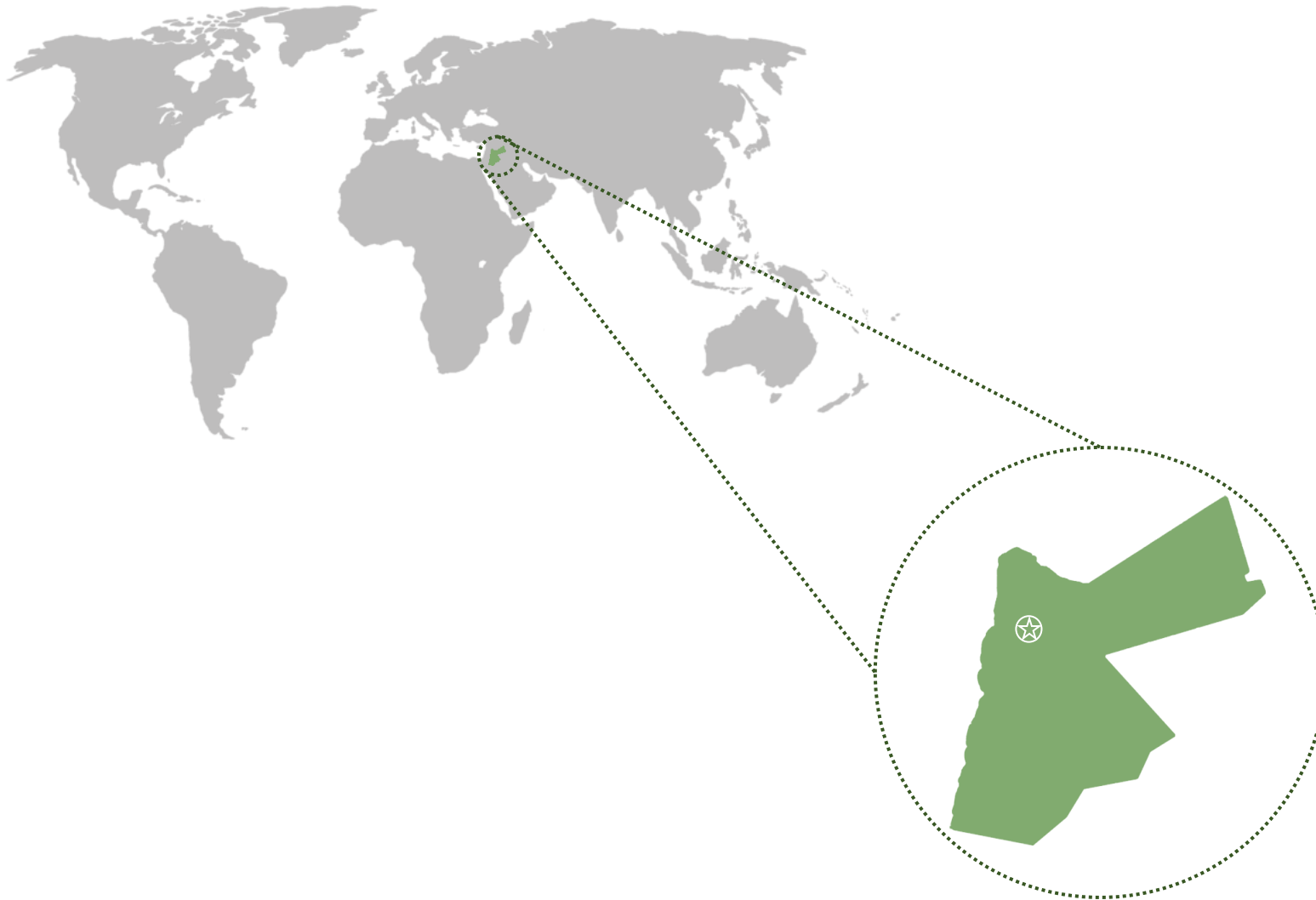


04

Jordan

Facts and Economy





Area : 89.3 thousand km²



Population : 11.7 million



Capital : Amman



Religion : Islam (95%)

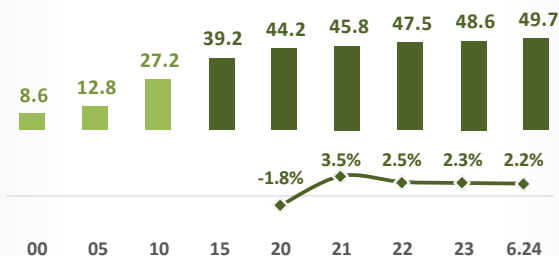


GDP : USD 49.8 billion

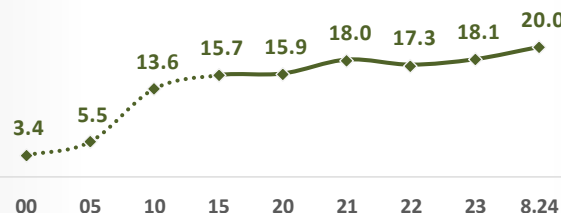


GDP Per Capita : USD 4,257

GDP (Bn USD)



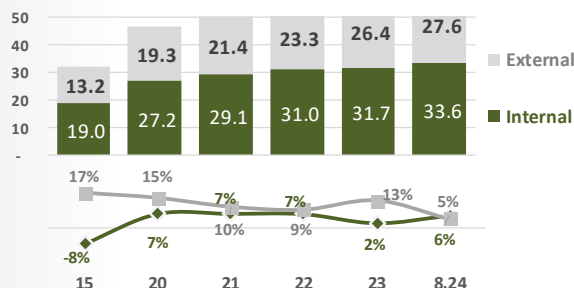
Foreign Reserves (Bn USD)



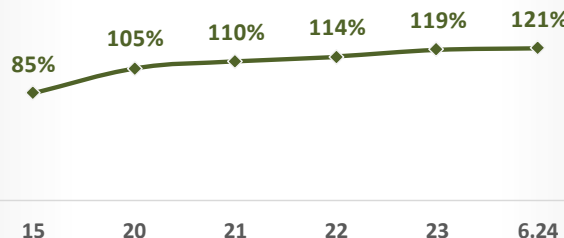
Highlights

- ◆ GDP showed slight drop over the last years, GDP growth in 2024 reached 2.2%.
- ◆ Foreign reserves increased at the end of Aug.2024 reaching JD 20 bn (JD 18.1 bn at the beginning of the year); these reserves cover the imports needs for 8.7 months. Jordanian Dinar is pegged against USD since 1994 (USD 1 = JOD 0.709).
- ◆ Current public debt to GDP increased to 121% at the end of Jun. 2024.
- ◆ Unemployment rate stabilized at 21.4% since Dec.2023.
- ◆ The inflation rate reached 1.0% at the end of Sep.2024 with a Decreased of 0.6% compared to 2023.

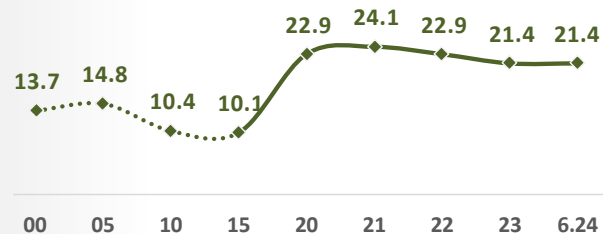
Public Debt (USD bn)



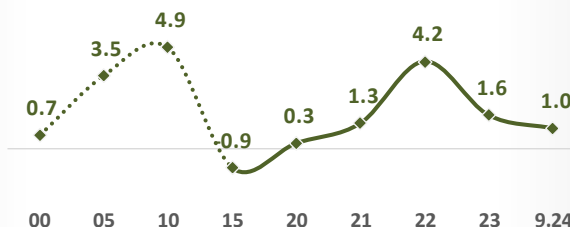
Public Debt / GDP



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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