

Al Salam Bank Reports a Net Profit Attributable to Shareholders of BD 7.1 Million (US\$ 18.8 Million) in the First Half of 2020

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Al Salam Bank-Bahrain (“**ASBB**”) (Bahrain Bourse Trading Code: “SALAM”; Dubai Financial Market Trading Code: “SALAM_BAH”) reported a net profit attributable to shareholders of BD 7.1 million (US\$ 18.8 million) in the six months ending 30 June 2020 (“H1 2020”), representing a 42% decrease from the BD 12.3 million (US\$ 32.6 million) net profit reported in the first half of 2019 (“H1 2019”). Earnings per share stood at 3.3 fils in H1 2020, compared to 5.7 fils per share in H1 2019.

However, despite the exceptional measures taken by the Bank to address the industry-wide negative impact of COVID-19, total operating income for H1 2020 improved by 10% to BD 50.2 million (US\$ 133.2 million), up from BD 45.6 million (US\$ 120.9 million) in the same period of 2019. Moreover, the Bank saw an improvement in operational efficiency, as evidenced by a decrease in cost-to-income ratio from 50.3% in H1 2019 to 48.1% in H1 2020. Total shareholders’ equity at the end of the first half of 2020 decreased by 10% to BD 291 million (US\$ 772 million), down from BD 324 million (US\$ 859 million) at the end of 2019. The decline in equity base was mainly attributed to a COVID-19 related one-off modification loss arising from the six-month profit-free moratorium provided to financing customers, pursuant to the directives of the Central Bank of Bahrain.

The Bank’s total assets also recorded strong growth to reach BD 2.194 billion (US\$ 5.819 billion) as of 30 June 2020, up from BD 2.047 billion (US\$ 5.429 billion) in December 2019 – an increase of 7%. The Bank’s total financing portfolio increased by 11% to BD 1.198 billion (US\$ 3.178 billion), compared to BD 1.083 billion (US\$ 2.873 billion) as of December 2019. The Bank continued to maintain healthy liquidity levels, with customer deposits increasing by 15% to stand at BD 1.316 billion (US\$ 3.491 billion) in June 2020 compared to BD 1.144 billion (US\$ 3.034 billion) as of December 2019.

Al Salam Bank-Bahrain’s Chairman, H.E. Shaikh Khalid bin Mustahil Al Mashani, stressed that: “Although the first half of 2020 was one of the most challenging and unpredictable periods in recent history, the Bank has delivered a robust performance in terms of operations and steady business growth. This is indicative of Al Salam Bank’s resilience to external shocks and strong fundamentals, as well as its extraordinary agility and strength in the face of these challenges.”

He added: “The pandemic has resulted in a global economic slowdown and an uncertain economic landscape. Government-imposed containment measures and policies have directly impacted the financial industry around the globe. Despite these challenges, which range from a six-month profit-free deferment on financing facilities to increased provisioning, the steps

that we have taken, and continue to take, are designed to increase resilience and agility, and position the Bank favorably to navigate a world of even greater complexity post-COVID."

Group CEO of Al Salam Bank-Bahrain, Mr. Rafik Nayed, said: "Our core banking engine performed exceptionally well during this difficult period, with customer deposits and financing portfolio growing by 15% and 11% respectively, closing the half year with a balance sheet size of BD 2.2 billion (US\$ 5.8 billion), up from BD 2 billion (US\$ 5.3 billion) at the end of 2019."

Mr. Nayed added: "In the face of tightening liquidity earlier in the first half of this year, our teams worked tirelessly together to achieve strong results across the board. Thanks to this, and our strategic acquisition of sovereign and high quality credit exposures, the Bank has achieved balanced, consistent and considerable organic growth. Going forward, the Bank's five focus areas – operational resilience, accelerated digitization, market share acquisition, improved quality of earnings, and proactive health, safety and CSR initiatives, are positioning the Bank well for the realities of a post-COVID world."

Mr Nayed concluded: "Fortunately, we had already begun implementing our strategy back in 2019, which focused heavily on boosting our digital capabilities. This meant we had the groundwork and the infrastructure in place to quickly adapt to a climate that called for the rapid digitisation of operations. Our existing digital infrastructure also allowed for enhanced collaboration and communication between key business and support units, between individual employees and – crucially – with our customers, despite the paradigm shift of remote working. This has stood us in good stead for responding to even the most unprecedented of shocks."

Al Salam Bank-Bahrain B.S.C (ASBB) is a leading regional Islamic bank headquartered in the Kingdom of Bahrain and is licensed and regulated by the Central Bank of Bahrain. It offers a comprehensive range of innovative and unique Shari'a-compliant financial products and services through its extended network of branches and ATMs that employ state-of-art technology to meet its customers' various banking requirements. In addition to its retail banking services, the Bank also offers corporate banking, private banking, transaction banking, asset management as well as treasury services.

The full set of condensed and consolidated interim financial statements, which were reviewed by external auditors (KPMG), is available on Bahrain Bourse's website.