Al Salam Bank Announces Nine Months 2020 Net Profit Attributable to Shareholders of BD 8 Million (US$ 21.4 million)

Manama, 10 November 2020:

Al Salam Bank-Bahrain ("Al Salam Bank") (Bahrain Bourse Trading Code "SALAM," Dubai Financial Market Trading Code "SALAM_BAH") reported a net profit attributable to shareholders of BD 972 thousands (US$ 2.6 million) for the third quarter ended 30 September 2020, compared to BD 4.9 million (US$ 13.0 million) in the same period of 2019, reflecting a decrease of 80.2%. Earnings per share for the third quarter decreased by 80% to 0.4 fils (US$ 0.01 cents), compared to 2 fils (US$ 0.5 cents) in the same period of 2019. For the nine months ended 30 September 2020, the Bank reported BD 8 million (US$ 21.4 million) net profit attributable to shareholders. This represents a 54% decrease compared to the BD 17.2 million (US$ 45.7 million) net profit reported in the same period in 2019. Earnings per share during the nine months period stood at 4 fils (US$ 1 cents) in 2020, compared to 8 fils (US$ 2 cents) per share in 2019, reflecting a decrease of 50%. The Bank's cautious provisioning approach in response to the implications of COVID-19 resulted in the decline in net profit for the periods.

Total shareholders' equity was down 9% from BD 319.4 million (US$ 847.1 million) at the end of 2019 to BD 291.5 million (US$ 773.1 million) as of 30 September 2020. This was owing to modification losses stemming from the profit-free moratorium provided to financing customers in light of COVID-19, as mandated by the Central Bank of Bahrain.

Strong growth was seen in a number of areas despite the exceptional measures taken by the Bank to mitigate against the industry-wide negative impact of COVID-19. The Bank's total assets recorded robust growth, reaching BD 2.2 billion (US$ 5.9 billion) as of 30 September 2020, up 9% from BD 2 billion (US$ 5.4 million) in December 2019.

Total operating income for the quarter stood at BD 24.1 million (US$ 63.9 million) – a 7.2% increase from BD 22.5 million (US$ 59.7 million) recorded for Q3 2019. Total operating income stood at BD 74.2 million (US$ 196.9 million) for the nine-month period ended 30 September 2020 – a 9% increase from BD 68.2 million (US$ 180.9 million) recorded for the same period of last year. Operational efficiency was also maintained over the first nine months of the year, with a reduction in cost-to-income ratio to 48.8%, compared to 52.5% for the same period of last year.

The Bank's financing portfolio saw an impressive increase, standing at BD 1.25 billion (US$ 3.3 billion) at the end of September 2020 – a 16% increase from the BD 1.07 billion (US$ 2.8 billion) recorded in December 2019. Moreover, the Bank was able to maintain healthy liquidity levels, with customer deposits surging by 14% to reach BD

1.27 billion (US$ 3.4 billion) in September 2020, compared to BD 1.11 billion (US$ 2.9 billion) in December 2019. Capital adequacy ratio at the end of September 2020 stood at 26%, up from 20.8% at the end of the previous year.

Commenting on the results, Al Salam Bank-Bahrain's Chairman, H.E. Shaikh Khalid bin Mustahil Al Mashani said: "The first nine months of 2020 have been marked by unprecedented instability and volatility for all sectors and industries across the board, and banking is no exception. However, even in this unfavourable climate, the Bank has delivered a robust performance in terms of operating income and core banking activity – testament to Al Salam Bank's continued resilience to external shocks, its strong fundamentals, and its extraordinary ability to withstand unforeseen market challenges. Key challenges will persist through the end of 2020 and beyond, as the sector navigates an environment of greater provisions, lower profit rates and enhanced uncertainty. However, Al Salam Bank's pioneering spirit combined with its strategic yet flexible approach will see it continue to adapt, evolve and thrive in these unpredictable times."

Group CEO of Al Salam Bank-Bahrain, Mr. Rafik Nayed, added: "The Al Salam Team has worked tirelessly to minimise disruption, ensure continuity and respond to the fast-evolving needs of our customers during this period of global uncertainty. Thanks to their efforts, we have succeeded in increasing market share, safeguarding and diversifying our customer and funding base, and streamlining and enhancing service channels, all while reducing cost. Core banking activities have performed exceptionally well and achieved steady growth despite the industry facing one of the most challenging and unpredictable periods in living memory. Going forward, we will continue to drive down non-core banking and real estate exposures while expanding core banking in terms of asset and capital allocations in line with our three-year strategy."

Digitisation is placed front and centre of the Bank's ongoing strategy. The first nine months of the year have seen the successful roll-out of new technologies including WhatsApp banking and a fully digital branch which have served to enhance competitiveness and ensure continuity in an unpredictable COVID-19 landscape. Of particular note was the launch of the Bank's new digital banking app, which with its customer onboarding functionality was a key factor in ensuring that customer acquisition continued its upward trajectory throughout the year.

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

- **ENDS** -

About Al Salam Bank-Bahrain:

Al Salam Bank-Bahrain is a pioneering Shari'a-compliant Bank in Bahrain. It offers a comprehensive range of innovative and unique financial products and services through its extended network of branches and ATMs, which employ state-of-art technologies to meet its clients' various banking needs. In addition to its Retail Banking services, the Bank offers Corporate Banking, Private Banking, Asset Management, International Transaction Banking as well as Treasury Services. The Bank's high-caliber management team comprises of a highly qualified and internationally experienced professionals with proven expertise in key areas of banking, finance and related fields.

The Bank has received multiple awards, including:

- "Best Islamic Retail Bank in Bahrain" for the year 2020 awarded by Global Banking and Finance Review.
- "Best Islamic Bank in Bahrain" for the year 2020 and 2019 awarded by Global Finance
- "Best Islamic Retail Bank in Bahrain for the year 2019 and 2018", "Best Shari'a Compliant Product in Bahrain for 2019" and "Most Innovative Shari'a Compliant Products in Bahrain for 2018" awarded by Global Business Outlook.
- The "Enterprise Excellence Award" in the field of training and national manpower development at the 34th annual ceremony organized by the Ministry of Labour and Social Development.
- The "Critics' Choice award – The Best Islamic Retail Bank in Bahrain for 2017" by Cambridge IFA– a UK-based Islamic finance intelligence provider specialising in strategic advice in the field of financial services and professional academic research for financial institutions.