Al Salam Bank-Bahrain Announces Financial Results for 2020

11 February, Manama, Bahrain:

Al Salam Bank-Bahrain (Al Salam Bank) (Bahrain Bourse Trading Code "SALAM", Dubai Financial Market Trading Code "SALAM_BAH") reported net profit attributable to shareholders of BD 1.1 million (US$ 2.8 million) in the fourth quarter of 2020 compared to BD 3.9 million (US$ 10.3 million) in the fourth quarter of 2019, reflecting a decline of 72%. Correspondingly, earnings per share stood at 0.5 fils (US$ cents 1.32) in the fourth quarter compared to 1.8 fils (US$ cents 4.8) for the same period of 2019, reflecting a decrease of 72%. For the twelve months ended 31 December 2020, the Bank reported a 57% decrease in net profit attributable to shareholders amounting to BD 9.1 million (US$ 24.2 million), compared to the BD 21.1 million (US$ 56.0 million) in 2019. The corresponding earnings per share during the twelve-month period stood at 4.3 fils (US$ cents 11.4) in 2020, compared to 9.7 fils (US$ cents 25.7) in 2019, reflecting a decrease of 56%. The Bank's prudent provisioning approach in response to the implications of COVID-19 resulted in additional provisions and impairments thereby decreasing the net profit for the year ended 31 December 2020.

Total shareholders' equity decreased by 12% from BD 319.4 million (US$ 847.2 million) in 2019 to BD 280.8 million (US$ 744.8 million) at the end of December 2020. Accumulated losses, as at 31 December 2020, stood at BD 5.5 million (US$ 14.7 million), reflecting 2.4% of the Bank's share capital. The decline in shareholders' equity was primarily due 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, and a one-off transaction involving a non-controlling interest.

Total assets recorded strong growth in 2020, increasing by 11% to BD 2,261 million (US$ 5,997 million) from BD 2,043 million (US$ 5,419 million) in December 2019. The growth was accompanied with a robust improvement in asset quality during 2020 with the Bank's non-performing facilities ratio decreasing to 5.05%, driven by effective recovery initiatives and quality asset bookings. The Bank maintained a solid capital adequacy ratio of 26.5% in 2020, compared to 21.2% in 2019.

Total operating income for the quarter stood at BD 22.3 million (US$ 59.2 million) – a 5% decrease from BD 23.5 million (US$ 62.3 million) recorded in Q4 2019. On an annual basis, total operating income stood at BD 96.6 million (US$ 256.2 million) for the year ended December 2020 – a 5% increase from BD 91.7 million (US$ 243.2 million) recorded for the year ended December 2019.

As a result of the Bank's robust performance in 2020, the Board of Directors recommended a stock dividend distribution of 5% of the Bank's issued and paid-up share capital, equivalent to 1 share for every 20 shares held and aggregating BD 11.5 million (US$ 30.6 million). The dividend recommendation is subject to AGM and regulatory approvals.

Commenting on the results, Sh. Khalid bin Mustahil Al Mashani, the Chairman of Al Salam Bank-Bahrain said: "Al Salam Bank has proven its resilience and agility in its response to what has been one the most challenging and unpredictable years for the global banking industry in living memory. At the very earliest stages of the pandemic, the Bank developed and was quick to implement a clear, short-term strategy with a simple objective: to build resilience and ultimately exit this pandemic period in a stronger position than when we entered it. The pandemic, and the resultant period of heightened uncertainty, is ongoing, and looks set to continue for the foreseeable future. And yet we have already entered the new year with an optimized balance sheet, improved service and communication channels and enhanced offerings for our customers. Going into 2021, we remain confident of our positioning and resilience against shocks."

Mr. Rafik Nayed, Group Chief Executive Officer of Al Salam Bank-Bahrain added: "Technology and innovation have been at the core of Al Salam Bank's resilience in the face of near unprecedented global disruption throughout 2020. Thanks to sterling efforts of the Al Salam Bank Team, we have been able to navigate the restrictions of the pandemic with confidence, streamlining our service and communication channels with our customers and responding to their fast-changing needs in these challenging times. Going forward, we will continue to build upon our successes, keeping the needs of our customers at the heart of everything we do. The future is uncertain for the global banking industry. But for Al Salam Bank, already well positioned to navigate even the most uncertain of waters, it is rich with promise and opportunity as we continue to evolve, to innovate and to grow."

The full set of the financial statements, which were audited by the external auditors, KPMG, with unmodified opinion, and press release are available on Bahrain Bourse's website.

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About Al Salam Bank – Bahrain

Al Salam Bank – Bahrain 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 utilizing the state-of-art technology to meet various banking requirements. In addition to its retail banking services, the Bank also offers corporate banking, private banking, and investment as well as treasury services.