

**Al Salam Bank Bahrain B.S.C.**  
**Ordinary General Assembly Meeting**  
**Held on Wednesday, 4 Shaaban 1442H**  
**Corresponding to 17<sup>th</sup> March 2021**

The Ordinary General Assembly Meeting was held at Four Seasons Hotel Bahrain Bay, Manama - Kingdom of Bahrain at 10:00 am, on Wednesday 17<sup>th</sup> March 2021.

**Meeting Chairman:** H.E. Sheikh Khalid Bin Mustahail Al Mashani, Chairman of the Board of Directors.

**Legal Quorum:** The Chairman announced that the legal quorum was met for holding the Ordinary General Assembly Meeting in accordance with the Bahrain Commercial Companies Law and the Articles of Association of Al Salam Bank – Bahrain, as the attendance stood at 72.13%, in person and by proxy, of the total share capital.

**Meeting Rapporteur:** The General Assembly authorized the Counsellor - Mr. Eihab Abdullatif Ahmed, Board Secretary as meeting's rapporteur.

**Attended by Members of the Board of Directors**

1. H.E Sh. Khalid Bin Mustahail Al Mashani
2. Mr. Salman Saleh Al Mahmeed
3. Mr. Zayed Al Amin
4. Mr. Salim Al Awadi
5. Mr. Khalid Al Halyan

**Board Secretary**

Counsellor Mr. Ehab Abdullatif Ahmed

**Attended by Members of the Fatwa and Shari'a Supervisory Board**

1. Dr. Osama Bahar Shari'a member

**Attended by the Executive Management**

1. Mr. Rafik Al Nayed Chief Executive Officer (CEO)
2. Mr. Anwar Murad Deputy Chief Executive Officer
3. Mr. Eihab Ahmed Deputy Chief Executive Officer, Board Secretary
4. Mr. Yousif Ebrahim Chief Financial Officer (CFO)

**Attended by:**

**Representatives from the Central Bank of Bahrain**

1. Ms. Aalia Omran (attended via video conferencing)
2. Mr. Essa Al Zayani (attended via video conferencing)
- 3- Ms. Khadija Ahmed (attended via video conferencing)
- 4- Ms. Noof Al Balooshi (attended via video conferencing)

**Representative from the Ministry of Industry, Commerce and Tourism**

Ms. Noof Al Dosseri

**Representatives from KPMG, External Auditors**

1. Mr. Jamal Fakhro
2. Mahesh Balasubramanian

**Representative from Bahrain Clearing Company**

1. Ms. Heba Mubarak

**Representative from Keypoint Consulting**

1. Mr. Wajdi Al Jallad

H.E Sh. Khalid Bin Mustahail Al Mashani , the Chairman of the meeting, welcomed the shareholders and thanked them for attending the meeting. He also welcomed the representatives of the Central Bank of Bahrain, the Ministry of Industry, Commerce & Tourism, KPMG, and the Registrars.

**1- To approve the minutes of the previous Annual Ordinary General Assembly Meeting held on 19<sup>th</sup> March 2020:**

H.E Sh. Khalid Bin Mustahail Al Mashani presented the previous minutes of the meeting to the shareholders for their comments and approval.

Mr. Ali Al Tariff, a shareholder, appreciated the efforts of the Board of Directors and the Executive Management in achieving positive results for the Bklank, and seconded the minutes of the previous meeting, which were professionally written in compliance with Article 208 of the Companies Law.

The minutes were approved with no remarks or amendments.

**Resolution No. (1): The minutes of the previous Ordinary General Assembly Meeting held on 19<sup>th</sup> March 2020 were ratified.**

**2- To discuss and approve the Board of Directors' report on the Bank's activities for the year ended 31 December 2020.**

H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman presented the Board of Directors' Report highlighting the most significant aspects of the Bank's activities in 2020 and the respective results achieved by the Bank despite market challenges. He also briefed the shareholders on the Bank's future plans and requested any potential input from the shareholders on the Board of Directors' Report.

Commenting on the report, Mr. Ali Al Tariff, provided a number of remarks which are summarized as follows:

According to Article No. 3.35 of the Bahrain Stock Exchange's "Manual of Listing Procedures" released in January 2020, the percentage of shares to be listed in secondary markets must not exceed 30% of total

shares, so what is the group's commitment to this percentage, particularly because the group's shares are listed on the Dubai Financial Market? How does this article impact the group's plan to list its shares in other markets?

The Executive Management clarified that a one-year proposal has been submitted to the Bahrain Bourse for their assessment on the legal feasibility of enforcing the requirement. The Bahrain Bourse agreed to postpone the implementation for a year. In respect of Environmental, Social and Corporate Governance standards (ESG), the Executive Management stated that the Bank is in the process of responding to the respective consultation paper from the Central Bank.

On the group's future prospects and strategy for the year 2021, the Chairman of the Board of Directors outlined the Bank's plan for 2021, by focusing on the core banking activities and increasing the Bank's market share, in addition to acquisitions and mergers, that are subject to available opportunities. If a good opportunity for investment and expansion by acquisition or merger is identified, the Bank may pursue such opportunities after conducting the requisite studies and approvals.

There were no remarks on the Board of Directors' report.

**Resolution No. (2): The Ordinary General Assembly unanimously approved the Board of Directors' report on the Bank's activities for the financial year ended 31 December 2020.**

### **3- To receive the Shari'a Supervisory Board's report for the year ended 31 December 2020.**

Dr. Osama Bahar, member of Fatwa and Shari'a Supervisory Board of the Bank, presented and read the report of the Fatwa and Shari'a Supervisory Board, and emphasized that the compliance to the rules and principles of the Shari'a in respect of all the businesses and transactions of the Bank is the responsibility of the Bank's Management. The Shari'a Supervisory Board would like to confirm that the transactions executed by the Bank during the year, to the extent of the information and data made available to it by the Bank's Management, as well as the observations of the Board and the response of the Bank's Management for compliance with observations, do not conflict, in general, with the rules and principles of Shari'a. The Shari'a Supervisory Board also reviewed the internal and external Shari'a audit reports and took note on the respective observations, along with the Management's action plan.

**Resolution No. (3): The Ordinary General Assembly unanimously approved the report of the Fatwa and Shari'a Supervisory Board of the Bank for the year ended 31 December 2020.**

### **4- To receive the external auditor's report for the year ended 31 December 2020.**

Mr. Jamal Fakhro, on behalf of KPMG, the external auditor, presented and read the external auditors' report, in which he mentioned that the consolidated financial statements represent true and fair view of the group's financial position as at 31 December 2020 and that the consolidated results of operations, the consolidated changes in equity and the consolidated cash flows for the year ended are in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Shari'a rules and principles set forth by the Shari'a Supervisory Board of the Bank.

There were no other remarks on the report.

**Resolution No. (4): The Ordinary General Assembly unanimously approved the report of the external auditors on the financial statements for the year ended 31 December 2020.**

**5- To discuss and approve the financial statements for the year ended 31 December 2020.**

Mr. Yousif Ebrahim, CFO presented the financial statements for the year ended 31 December 2020 which outlined the Bank's achievements and steady growth in all of its core activities, along with the positive performance, despite the challenging circumstances. However, due to the required COVID-19 additional provisions, the bank's net profit dropped to BD 9.1 million.

The CFO also added that due to the adjustment losses (equivalent to BD 24.8 million) on financial assets resulting from: payment deferrals provided to COVID-19 impacted financing customers where no profits were charged during such period in order to comply with the CBB's directives and concessionary measures to mitigate the impact of COVID-19; , and the acquisition of non-controlling shares (equivalent to BD 16.6 million) from the senior lenders after converting their debts to a new class of shares in ASB Biodiesel - Hong Kong project in order to maintain and safeguard the assets and ensure continuity of the business until the completion of the exit process, the owners' equity declined significantly, especially the retained earnings component, which required transfer of reserves (statutory reserve and share premium reserve) in order to offset the said losses within the retained earnings. The Chairman then requested the shareholders if they had any comments.

In response to the shareholder's inquiries, Mr. Ali Al-Tarif, the CFO replied as follows: -

- the cost-to-income ratio (operating efficiency) has decreased from 56% to 52% in 2020, and the management is aiming for a lower ratio of around 36%, going forward.
- The ratio of non-performing financing - NPLs (risk cost) decreased from 5.6% to 5.1% in 2020, which is a level that is slightly above the Central Bank of Bahrain's criteria of 4%, but the management is working to improve to a ratio of less than 2.5%, going forward.
- Despite the reduction in the liquidity coverage ratio from 230% to 126% in 2020, which is still higher than the Central Bank of Bahrain threshold, the Bank is working to improve this ratio to 150 % or higher, going forward.
- The net stable funding ration decreased from 105% to 99% in 2020, which is higher than the Central Bank of Bahrain's current threshold, but the Bank is working to increase this ratio to 110% or higher, going forward.
- The CFO explained that, as part of the Bank's overall strategy, the average return on equity has been taken into account to be enhanced, as its in process of divesting its un-generated income portfolio.

With regards to the financing portfolio details, the CFO mentioned that disclosing the portfolio details in this manner could have a negative impact on the Bank's ability to compete among Banks. Further, the current disclosures are in line with the related accounting standards.

- The external auditor clarified that the classification of net impairment charge in the financial statements is correct as it contains both impairments on financing assets and finance lease assets.

Mr. Mohamed Bader Hamid, one of the shareholders, also asked about the reason for the increase in provisions? Will there be additional provisions in the upcoming years? In turn, the CFO clarified that provisions are subject to many variables, including the quality of the financing portfolio and the surrounding economic factors. As a result, it is difficult to foresee the required provisions, but the Bank is eager to provide and record high-quality financing with proper collateral coverage. In response to a comment about the movement of retained earnings to be shown within the balance sheet, the CFO mentioned that, in accordance with the accounting standard, all movements within the equity, including reserves, were properly disclosed within the consolidated statement of changes in equity that accompanied the balance sheet. In terms of the reason for the decrease in the Sharia Supervisory Board's compensation, compared to last year, he clarified that since all of the new Sharia Supervisory Board members are from Bahrain, the expenses associated with attending meetings have decreased substantially compared to the previous one.

Shareholder, Ahmed Abdullah, raised his concern on the significant increase in provisions, and the specific ones assigned to NMC and its current status. H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman mentioned that the Bank entered into a syndicated financing transaction, led by First Energy Bank. The Bank entered into such transaction before the former Chairman joined the Bank, back in 2017, as Mr. Khalifa joined Al Salam Bank in 2018, hence, there was no conflict of interest when providing such financing to NMC. The Bank has taken a provision of 70% so far. The Mr. Rafik Nayed – the Chief Executive Officer added that the Bank entered into such financing transaction with a group of Bahraini banks, emphasizing that there was no conflict of interest in the process at the time the financing was provided, and that the Bank is following up with the company's administrative committee to assess the possibility of recovery.

In response to the participation of shareholder Mr. Mansour Al-Ajmi from Kuwait via ZOOM regarding bad debts and the NPLs ratio, in line with the Bank's future vision, H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman replied that the NPLs stood very low at 5% of the portfolio, which is within the market's reasonable range.

H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman further stated that despite of the the challenging situations, Bank was able to increase its growth rate, achieve profits, and overcome such challenges.

Mr. Rafik Nayed – the Chief Executive Officer, added that, in terms of the pandemic, the Bank is still dealing with it in a cautious manner and a clear vision in order to overcome such phase and achieve further growth and income. He said that the Bank currently has the highest solvency ratio in the market and is well positioned to deal with the pandemic.

And since there were no other observations about the report:

**Resolution No. (5): The Ordinary General Assembly unanimously approved the financial statements for the year ended 31 December 2020.**

- 6- To ratify and approve the operations and transactions carried out during the year ended 31 December 2020 with any related parties or major shareholders of the Bank as presented in the notes (no. 29) of the consolidated audited financial statements.**

The CFO clarified that the Bank's dealings with its directors, management and controlled entities are conducted on an arms-length basis and at prevailing commercial terms. Accordingly, all the related party transactions were properly disclosed, especially the purchase of non-controlling stakes (equivalent to 16.6 million Bahraini dinars) in the ASB Biodiesel - Hong Kong project, in compliance with the Central Bank's requirements.

**Resolution No. (6): The Ordinary General Assembly unanimously agreed to ratify and approve the operations and transactions carried out during the year ended 31 December 2020 with any related parties or major shareholders of the Bank as presented in the notes (no. 29) of the consolidated audited financial statements.**

- 7- To approve transferring BD 914 thousand to statutory reserves, from the net profit for the year ended 31 December 2020, amounting to BD 9.1 million.**

**Resolution No. (7): The Ordinary General Assembly unanimously approved to transfer BD 914 thousand to statutory reserves, from the net profit for the year ended 31 December 2020, amounting to BD 9.1 million.**

- 8- To approve transfer of BD 17 million (BD 12 million from the share premium account and BD 5 million from the statutory reserves account) to the retained earnings.**

**Resolution No. (8): The Ordinary General Assembly unanimously approved to transfer BD 17 million (BD 12 million from the share premium account and BD 5 million from the statutory reserves account) to the retained earnings.**

- 9- To approve the distribution of 5% stock dividends of the paid-up share capital, equating to one share for every 20 shares held (amounting to BD 11.5 million) for the financial year ended 31 December 2020.**

H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman explained that the proposal was to distribute 5% in cash, but due to market conditions and in consultation with the regulatory authority, it was agreed to distribute the 5% as bonus shares in order to maintain the liquidity situation.

The Shareholder, Muhammad Bader Hamed suggested not to distribute stock dividends this year, which didn't go along with the rest of the shareholders' desire. H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman added that the proposal was to preserve the Bank's strong reputation in the market and its positive sign to the shareholders and the market in general.

**Resolution No. (9): The Ordinary General Assembly unanimously approved the distribution of 5% stock dividends of the paid-up share capital, equating to one share for every 20 shares held (amounting to BD 11.5 million) for the financial year ended 31 December 2020.**

- 10- To approve remuneration to the members of the Board of Directors amounting BD 615 thousand for the year ended 31 December 2020 subject to the relevant supervisory authority approval.

**Resolution No. (10): The Ordinary General Assembly unanimously approved the remuneration to the members of the Board of Directors amounting BD 615 thousand for the year ended 31 December 2020 subject to the relevant regulatory authority approval.**

- 11- To approve the Bank's Corporate Governance report for the financial year ended 31 December 2020, as required by the Central Bank of Bahrain.

Mr. Eihab Ahmed - the Deputy CEO & Board Secretary presented and highlighted the Bank's compliance with the Corporate Governance and requested the shareholders to present their comments.

- The shareholder, Mr. Ali Al Tarif, requested to present the evaluation of the board of directors, the committees and the self-evaluation in the future. Mr. Ehab clarified that the CG report disclosed the summary of the assessment, but if the shareholder wishes to view specifics of the evaluation, he or she is welcomed to visit the Bank to access the required information.

In the future, the Bank will ensure to disclose all the management committee members as well as the number of meetings (weekly, monthly, or more) for all committees that are under the authority of the CEO and senior management.

- Regarding the disclosure of the external auditor's fees for auditing services and other consulting services for the fiscal year ending December 31, 2020, he invited the shareholder to visit the Bank to review the relevant details in order to preserve the bank's competitiveness. In addition, Mr. Eihab also addressed Mr. Ali's question about the representation of woman on boards of directors according to a circular released recently in the United Arab Emirates, clarifying that the circular refers to companies that do business in the Emirates rather than those listed there only.

**Resolution No. (11): The Ordinary General Assembly unanimously approved the Bank's Corporate Governance report for the financial year ended 31 December 2020, as required by the Central Bank of Bahrain.**

- 12- To absolve the members of the Board from any liability for their actions as directors during the financial year ended 31 December 2020.

The shareholders agreed on discharging the members of the Board from any liability.

**Resolution No. (12): The Ordinary General Assembly unanimously agreed to absolving the members of the Board from any liability for their actions as directors during the financial year ended 31 December 2020.**

- 13- To appoint or reappoint the Shari'a Supervisory Board for the financial year ending 31 December 2021 and authorize the Board of Directors to determine their remuneration.**

The Board of Directors recommended to re-appoint the members of the Shari'a Supervisory Board for the required period for the fiscal year ending 31 December 2021 and requested the shareholders to present their comments.

**Resolution No. (13): The Ordinary General Assembly unanimously agreed to re-appoint the members of the Shari'a Supervisory Board for the required period in the fiscal year ending 31 December 2021, and authorize the Board of Directors to determine their remuneration as follows:**

- 1. Sheikh Adnan Abdulla Al Qattan**
- 2. Sheikh Dr Fareed Yaqoob Almeftah**
- 3. Sheikh Dr. Nizam Yaqubi**
- 4. Sheikh Dr. Osama Bahar**

- 14- To appoint or reappoint external auditors for the year ending 31 December 2021 and authorize the Board of Directors to determine their remuneration, subject to the approval of the Central Bank of Bahrain on this appointment.**

The Board recommended that the External Auditors, KPMG is to be reappointed for the audit work for the fiscal year ended December 31, 2021 and requested the shareholders to make any comment or suggestion

**Resolution No. (14): The Ordinary General Assembly unanimously agreed to re-appoint KPMG to carry out the external auditing work for the year ended 31 December 2021 and authorize the Board of Directors to determine their fees, subject to the approval of the Central Bank of Bahrain.**

- 15- To elect Board of Directors for the Bank, comprising of 9 members for the next term of three years, subject to the approval of the Central Bank of Bahrain.**

The election of the board members for the new term were concluded under the supervision of committee, composed of representatives of the registrars, the Ministry of Industry, Commerce and Tourism and a shareholder representative. Accordingly, Mr. Eihab Ahmed - the Deputy CEO & Board Secretary, the meeting's reporter read out the results of the elections, which was concurred by the share registrars and the Ministry of Industry, Commerce and Tourism.

**Resolution No. (15): The Ordinary General Assembly agreed that the members of the Board shall be nine members and elected the following to the Board of Directors for the next three years period from March 2021 to March 2024 , in the following order:**

- 1- H.E. Sheikh Khalid Bin Mustahail Al Mashani**
- 2- Mr. Matar Mohamed Al Blooshi**
- 3- Mr. Zayed Rashid Al Amin**
- 4- Mr. Khalid Salim Al Halyan**
- 5- Mr. Salim Abdullah Al Awadi**
- 6- Mr. Alhur Mohammed Al Suwaidi**
- 7- Mr. Tariq Abdulhafidh Al Aujaili**
- 8- Mr. Hisham Saleh Al Saie**



9- Mr. Salman Saleh Al Mahmeed

16- To discuss and approve any other matters that may arise as per Article 207 of the Commercial Companies' Law.

No new matter was discussed under this item.

At the end of the meeting, H.E Sh. Khalid Bin Mustahail Al Mashani - the Chairman` expressed his thanks and appreciation to all attendees of shareholders, representatives of the formal authorities, and the Executive Management team for their continued support to the Bank, and announced that the meeting ended.

The meeting ended at 12:00 afternoon.



**Sh. Khalid Bin Mustahail Al Mashani**  
Chairman of the Board  
Chairman of the Meeting



**Counsellor Mr. Ehab Abdullatif Ahmed**  
Board Secretary  
Meeting Rapporteur