Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2021

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Al Salam Bank-Bahrain B.S.C
Manama
Kingdom of Bahrain

11 May 2021

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial information of Al Salam Bank-Bahrain B.S.C (the "Bank") and its subsidiary(s) (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2021;
- the condensed consolidated statement of income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021;
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the basis of preparation stated in Note 2 of this condensed consolidated interim financial information. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation stated in Note 2 of this condensed consolidated interim financial information.

Other matter

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of condensed consolidated interim financial information for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in this condensed consolidated interim financial information which has been extracted from management accounts of the Group and, accordingly we do not express any review conclusion on it.

KPMG

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	*31 March 2021 (Reviewed) BD '000*	*31 December 2020 (Audited) BD '000*
ASSETS			
Cash and balances with banks and Central Bank		**259,707**	288,266
Placements with financial institutions	3	**70,319**	37,965
Sovereign Sukuk	4	**399,891**	393,108
Corporate Sukuk	4	**16,117**	16,395
Financing assets	5	**842,470**	814,449
Finance lease assets	6	**504,235**	469,363
Non-trading investments	8	**97,150**	98,034
Investment properties		**61,790**	67,586
Development properties		**2,943**	2,943
Investment in associates		**13,533**	12,036
Other assets	9	**49,697**	35,237
Goodwill		**25,971**	25,971
TOTAL ASSETS		**2,343,823**	2,261,353
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST			
LIABILITIES			
Placements from financial institutions	3	**127,650**	116,883
Customers' current accounts		**363,279**	363,970
Murabaha term financing	4	**199,612**	221,671
Other liabilities	10	**55,351**	52,282
TOTAL LIABILITIES		**745,892**	754,806
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Wakala from financial institutions	11	**268,911**	264,784
Wakala and Mudaraba from customers	11	**1,041,881**	960,596
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS		**1,310,792**	1,225,380
OWNERS' EQUITY			
Share capital		**241,972**	230,450
Treasury stock		**(7,530)**	(7,530)
Reserves		**52,258**	57,846
Total owners' equity		**286,700**	280,766
Non-controlling interest		**439**	401
TOTAL EQUITY		**287,139**	281,167
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST		**2,343,823**	2,261,353

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 21 form part of the condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months period ended 31 March 2021

	Note	***31 March 2021 (Reviewed)***	*31 March 2020 (Unreviewed)*
		BD '000	*BD '000*
OPERATING INCOME			
Finance income		**19,813**	18,578
Income from Sukuk		**4,892**	4,243
Loss from non-trading investments		**(880)**	(3,263)
Income / (loss) from properties		**144**	(39)
Fees and commission, net		**1,770**	1,916
Share of profit from associates		**1,547**	1,953
Other income	12	**743**	530
Total operating income		**28,029**	23,918
Finance expense on placements from financial institutions		**(1,047)**	(1,555)
Finance expense on Murabaha term financing		**(1,081)**	(1,183)
Return on equity of investment accountholders before Group's share as a Mudarib and Wakala		**(15,110)**	(10,196)
Group's share as a Mudarib		**33**	283
Group's Wakala fee		**7,651**	2,442
Share of profit of investment accountholders		**(7,426)**	(7,471)
Net operating income		**18,475**	13,709
OPERATING EXPENSES			
Staff cost		**4,116**	3,948
Premises cost		**542**	670
Depreciation		**274**	219
Other operating expenses		**2,921**	2,979
Total operating expenses		**7,853**	7,816
PROFIT BEFORE IMPAIRMENT ALLOWANCES		**10,622**	5,893
Net impairment charge	7	**(4,547)**	(3,403)
NET PROFIT FOR THE PERIOD		**6,075**	2,490
ATTRIBUTABLE TO:			
- Shareholders of the Bank		**6,087**	2,512
- Non-controlling interest		**(12)**	(22)
		6,075	2,490
Basic and diluted earnings per share (fils)		**2.6**	1.1

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 21 form part of the condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2021 (Reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank											
			Reserves									
	Share capital	***Treasury stock***	***Share premium***	***Statutory reserve***	***Retained earnings***	***Investment fair value reserve***	***Real estate fair value reserve***	***Foreign exchange translation reserve***	***Total reserves***	***Total owners' Equity***	***Non-controlling interest***	***Total Equity***
Balance as of 1 January 2021	**230,450**	**(7,530)**	**12,209**	**21,778**	**(5,549)**	**9,844**	**23,348**	**(3,784)**	**57,846**	**280,766**	**401**	**281,167**
Impact of adopting FAS 32 (note 2.3)	-	-	-	-	**57**	-	-	-	**57**	**57**	-	**57**
Balance as at 1 January 2021 (restated)	**230,450**	**(7,530)**	**12,209**	**21,778**	**(5,492)**	**9,844**	**23,348**	**(3,784)**	**57,903**	**280,823**	**401**	**281,224**
Net profit for the period	-	-	-	-	**6,087**	-	-	-	**6,087**	**6,087**	**(12)**	**6,075**
Movement in fair value of Sukuks	-	-	-	-	-	**(61)**	-	-	**(61)**	**(61)**	-	**(61)**
Foreign currency re-translation	-	-	-	-	-	-	-	**(149)**	**(149)**	**(149)**	-	**(149)**
Total recognised income and expense	-	-	-	-	**6,087**	**(61)**	-	**(149)**	**5,877**	**5,877**	**(12)**	**5,865**
Transfer to retained earnings	-	-	**(12,000)**	**(5,315)**	**17,315**	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	**243**	**(243)**	-	-	-	-	-	-	-
Bonus shares issued	**11,522**	-	-	-	**(11,522)**	-	-	-	**(11,522)**	-	-	-
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	**50**	**50**
Balance at 31 March 2021 (Reviewed)	**241,972**	**(7,530)**	**209**	**16,706**	**6,145**	**9,783**	**23,348**	**(3,933)**	**52,258**	**286,700**	**439**	**287,139**
Balance as of 1 January 2020	221,586	(6,758)	12,209	21,107	47,269	7,924	23,589	(3,223)	108,875	323,703	699	324,402
Net profit for the period	-	-	-	-	2,512	-	-	-	2,512	2,512	(22)	2,490
Movement in fair value of Sukuks	-	-	-	-	-	4,389	-	-	4,389	4,389	-	4,389
Foreign currency re-translation	-	-	-	-	-	-	-	(258)	(258)	(258)	-	(258)
Total recognised income and expense	-	-	-	-	2,512	4,389	-	(258)	6,643	6,643	(22)	6,621
Bonus share issued	8,864	-	-	-	(8,864)	-	-	-	(8,864)	-	-	-
Cash dividend for the year 2019	-	-	-	-	(8,551)	-	-	-	(8,551)	(8,551)	-	(8,551)
Modification loss (note 2.2)	-	-	-	-	(24,768)	-	-	-	(24,768)	(24,768)	-	(24,768)
Purchase of treasury stock	-	(772)	-	-	-	-	-	-	-	(772)	-	(772)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Balance at 31 March 2020 (Unreviewed)	230,450	(7,530)	12,209	21,107	7,598	12,313	23,589	(3,481)	73,335	296,255	652	296,907

The attached notes 1 to 21 form part of the condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2021

	31 March 2021 (Reviewed)	*31 March 2020 (Unreviewed)*
	BD '000	*BD '000*
OPERATING ACTIVITIES		
Net profit for the period	**6,075**	2,490
Adjustments:		
Depreciation	**274**	219
Loss from non-trading investments and properties	**736**	3,302
Net impairment charge	**4,547**	3,403
Share of profit from associates	**(1,547)**	(1,953)
Operating income before changes in operating assets and liabilities	**10,085**	7,461
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	**(2,895)**	11,632
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	**(2,048)**	-
Financing assets and finance lease assets	**(67,006)**	(48,366)
Other assets	**(14,039)**	(2,877)
Placements from financial institutions	**10,767**	(25,039)
Customers' current accounts	**(691)**	14,329
Other liabilities	**4,015**	(38)
Equity of investment accountholders	**85,412**	53,021
Net cash from operating activities	**23,600**	10,123
INVESTING ACTIVITIES		
Sovereign Sukuk	**(6,845)**	(17,324)
Corporate Sukuk	**289**	6,025
Non-trading investments and properties	**5,845**	471
Purchase of premises and equipment	**(529)**	(1,028)
Net cash used in investing activities	**(1,240)**	(11,856)
FINANCING ACTIVITIES		
Murabaha term financing	**(22,059)**	30,557
Dividends paid	**(886)**	(539)
Purchase of treasury stock	**-**	(772)
Net movements in non-controlling interest	**50**	(25)
Net cash (used in) / from financing activities	**(22,895)**	29,221
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(535)**	27,488
Cash and cash equivalents at 1 January	**291,645**	303,296
CASH AND CASH EQUIVALENTS AT 31 MARCH	**291,110**	330,784
Cash and cash equivalents comprise of:*		
Cash and other balances with Central Bank	**105,126**	132,220
Balances with other banks **	**117,620**	113,866
Placements with financial institutions with original maturities of less than 90 days	**68,364**	84,698
	291,110	330,784

* Cash and cash equivalents is gross of the expected credit loss of BD 149 thousands.

** Balances with other banks is net of restricted cash of BD 9,273 thousands which is not available for day to day operations.

The attached notes 1 to 21 form part of the condensed consolidated interim financial information.

1 REPORTING ENTITY

Al Salam Bank-Bahrain B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 and registered with Ministry of Industry, Commerce and Tourism ("MOICT") under Commercial Registration number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the CBB. The Bank's registered office is P.O. Box 18282, Bahrain World Trade Center, East Tower, King Faisal Highway, Manama 316, Kingdom of Bahrain. The Bank's ordinary shares are listed in Bahrain Bourse and Dubai Financial Market.

The principal subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	% holding 2021	% holding 2020
Al Salam Bank- Seychelles	Seychelles	Provide Banking services	**70%**	70%
ASB Biodiesel (Hong Kong) Limited	Hong Kong	Production of Biodiesel	**36%**	36%

The Bank and its principal banking subsidiary operates through 10 branches in the Kingdom of Bahrain and one branch in Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework.

These condensed consolidated interim financial information have been authorised for issue in accordance with a resolution of the Board of Directors dated 11 May 2021.

2 BASIS OF PREPARATION AND PRESENTATION

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the group takes guidance from the relevant International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Accordingly, the condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’, using ‘Financial Accounting Standards as modified by CBB’.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2020 were in accordance with FAS as issued by AAOIFI. However, except for the below-mentioned modifications to accounting policies that have been applied retrospectively and impact of adoption of new standards (note 2.3), all other accounting policies remain the same and have been consistently applied in this condensed consolidated interim financial information. The retrospective application of the change in accounting policies on adoption of FAS as modified by CBB did not result in any change to the financial information reported for the comparative period.

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their condensed consolidated interim financial information for the three-month period ended 31 March 2020. Accordingly, the comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020 and comparatives for the condensed consolidated statements of income statement, cash flows and changes in equity have been extracted from the management accounts of the Group for the three month period ended 31 March 2020 and adjusted for accounting policy changes, if any, applied in preparation of the annual consolidated financial statements for the year ended 31 December 2020. Hence, the comparative information included in the current period income statement, cash flows and changes in equity were not reviewed.

The condensed consolidated interim financial information of the Group has been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain (“CBB”) including the recently issued CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations require the adoption of all Financial Accounting Standards issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) (FAS), except for:

2 BASIS OF PREPARATION AND PRESENTATION (continued)

(a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of income statement as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable FAS. Refer to note 2.2 for further details; and

(b) recognition of financial assistance received from the government and / or regulators as part of its COVID-19 support measures that meets the government grant requirement, in equity, instead of income statement as required by the statement on "Accounting implications of the impact of COVID-19 pandemic" issued by AAOIFI, to the extent of any modification loss recorded in equity as a result of (a) above, and the excess amount to be recognized in income statement. Any other financial assistance is recognised in accordance with the requirements of FAS.
The above framework for basis of preparation of the condensed consolidated interim financial information is hereinafter referred to as 'Financial Accounting Standards as modified by CBB'.

The condensed consolidated interim financial information of the Group do not contain all information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2020. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.1 COVID-19 IMPACT

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including GDP, employment, oil prices etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns.

The management and the Board of Directors (BOD) has been closely monitoring the potential impact of the COVID 19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

In preparing the condensed consolidated interim financial information, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

As of 31 March 2021, the Bank is compliant with the required regulatory capital adequacy ratio, net stable funding ratio and liquidity coverage ratios.

2.2 IMPACT OF COVID-19 CONCESSIONARY MEASURES

Modification of financial assets

During the previous period, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to BD 24,768 thousands arising from the 6-month payment holiday provided to financing customers without charging additional profit has been recognized directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The Group provided payment holiday on financing exposures amounting to BD 896,279 thousands as part of its support to impacted customers.

2.3 SIGNIFICANT ACCOUNTNG POLICIES

Except for adoption of FAS 32, the accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2020.

2 BASIS OF PREPARATION AND PRESENTATION (continued)
2.3 SIGNIFICANT ACCOUNTNG POLICIES (continued)

Adoption of new standards in current period

FAS 32 Ijarah

AAOIFI has issued FAS 32 "Ijarah" in 2020. This standard supersedes the existing FAS 8 "Ijarah and Ijarah Muntahia Bittamleek".

The objective of this standard is set out principles for the classification, recognition, measurement, presentation and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions as a lessor and lessee. This new standard aims to address the issues faced by the Islamic finance industry in relation to accounting and financial reporting as well as to improve the existing treatments in line with the global practices. This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted.

The group recognizes a right of use asset and a lease liability at the lease commencement date. The right -of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right -of -use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as property and equipment. In addition, the right of use of asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount to be expected to be payable under a residual value guarantee , or if the Group changes it assessment of whether the it will exercise a purchase, extension or termination option.

When a lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low value assets

The Group has elected not to recognize the right-of-use assets and lease liabilities for short term leases that have a lease term of less than 12 months and lease of low value assets, including IT equipment. The Group recognizes the lease payments associated with these assets as an expense on a straight line basis over the lease term.

Accounting policy prior to 1 January 2021

Assets held under lease were classified as operating leases and were not recognized in the Group's statement of financial position. Payments under operating leases were recognized in income statement over straight line method over the term of the lease.

The right of use asset and lease liability amounting to BD 2,094 thousands and BD 2,036 thousands arising due to adoption of the FAS 32 standard has been classified under Other Assets (note 9) and Other Liabilities (note 10) respectively and the Day 1 impact on adoption of BD 57 thousands has been take to retained earnings. The impact on adoption was not significant.

Impact on transition

As permitted by FAS1, the Bank has adopted a modified retrospective application of FAS 32 where the cumulative effect of adoption of the standard is reflected in opening retained earnings and statement of financial position of the current period.

2.4 Seasonality of operations

The Group does not have significant income of seasonal nature. However, uncertainties of the current situation due to COVID-19 and economic volatility has impacted the Group's operations leading to more cautious and tightened lending criteria and lower disbursement of financing resulting in lower net profit income and decrease in/loss of other revenue. The management expects that the forecasted revenue and net profit for the year 2021 will be affected by this.

3 PLACEMENTS WITH FINANCIAL INSTITUTIONS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

These represent short-term interbank placements to and from financial institution in the form of Murabaha and Wakala contracts.

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
Placements with financial institutions		
Wakala asset	**39,289**	27,432
Commodity Murabaha asset	**31,123**	10,674
Allowance for credit losses	**(93)**	(141)
	70,319	37,965
Placements from financial institutions		
Commodity Murabaha Iiability	**127,650**	116,883
	127,650	116,883

4 SOVEREIGN SUKUK AND CORPORATE SUKUK

This includes sukuk with carrying value of BD 269,709 thousands (2020: BD 275,338 thousands) which are pledged against Murabaha term financing of BD 199,612 thousands (2020: BD 221,671 thousands).

5 FINANCING ASSETS

	31 March 2021			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Murabaha financing	**351,561**	**10,929**	**44,029**	**406,519**
Mudaraba financing	**402,946**	**27,326**	**6,211**	**436,483**
Musharaka financing	**32,747**	**-**	**278**	**33,025**
Credit cards	**2,517**	**245**	**661**	**3,423**
Total financing assets	**789,771**	**38,500**	**51,179**	**879,450**
Allowance for credit losses (note 7)	**(9,346)**	**(7,893)**	**(19,741)**	**(36,980)**
	780,425	**30,607**	**31,438**	**842,470**

	31 December 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Murabaha financing	346,904	10,375	43,913	401,192
Mudaraba financing	375,803	29,782	4,852	410,437
Musharaka financing	32,262	65	278	32,605
Credit cards	2,749	157	566	3,472
Total financing assets	757,718	40,379	49,609	847,706
Allowance for credit losses	(10,184)	(5,499)	(17,574)	(33,257)
	747,534	34,880	32,035	814,449

6 FINANCE LEASE ASSETS

	31 March 2021			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Finance lease assets	**455,526**	**45,867**	**10,099**	**511,492**
Allowance for impairment (note 7)	**(3,179)**	**(480)**	**(3,598)**	**(7,257)**
	452,347	**45,387**	**6,501**	**504,235**

6 FINANCE LEASE ASSETS (continued)

	31 December 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Finance lease assets	445,656	20,594	9,887	476,137
Allowance for impairment	(3,355)	(350)	(3,069)	(6,774)
	442,301	20,244	6,818	469,363

7 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

The balance of allowance for credit losses in the below table includes all financial assets, finance lease assets and off-balance sheet exposures.

	31 March 2021			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Balance at the beginning of the period	**14,546**	**6,035**	**26,719**	**47,300**
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	**28**	**(28)**	**-**	**-**
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(243)**	**379**	**(136)**	**-**
- transferred to Stage 3: Lifetime ECL credit-impaired	**(134)**	**(127)**	**261**	**-**
Net remeasurement of loss allowance	**(870)**	**2,496**	**3,089**	**4,715**
Recoveries / write-backs	**-**	**(77)**	**(91)**	**(168)**
Allowance for credit losses	**(1,219)**	**2,643**	**3,123**	**4,547**
Exchange adjustments and other movements	**-**	**-**	**(7)**	**(7)**
Amounts charged back during the period - net	**-**	**-**	**84**	**84**
Balance at the end of the period	**13,327**	**8,678**	**29,919**	**51,924**

	31 March 2021			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Cash and balances with banks and Central Bank	**56**	**-**	**-**	**56**
Sovereign Sukuk	**249**	**-**	**-**	**249**
Placements with financial institutions	**93**	**-**	**-**	**93**
Corporate Sukuk	**20**	**-**	**-**	**20**
Financing assets	**9,346**	**7,893**	**19,741**	**36,980**
Finance lease assets	**3,179**	**480**	**3,598**	**7,257**
Loans and advances to customers				
- Assets under conversion	**11**	**145**	**4,104**	**4,260**
- Other receivables	**43**	**-**	**2,183**	**2,226**
Financing commitments and financial guarantee contracts	**330**	**160**	**293**	**783**
	13,327	**8,678**	**29,919**	**51,924**

7 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

	31 March 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Balance at the beginning of the period	7,193	7,298	19,042	33,533
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	1,141	(1,117)	(24)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(55)	182	(127)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(4)	(956)	960	-
Net remeasurement of loss allowance	81	(74)	3,776	3,783
Recoveries / write-backs	(352)	(23)	(5)	(380)
Allowance for credit losses	811	(1,988)	4,580	3,403
Exchange adjustments and other movements	-	-	(214)	(214)
Amounts charged off during the period - net	-	-	(330)	(330)
Elimination on consolidation	-	-	107	107
Balance at the end of the period	8,004	5,310	23,185	36,499

	31 March 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Cash and balances with banks and Central Bank	131	-	-	131
Sovereign Sukuk	6	-	-	6
Placements with financial institutions	261	-	-	261
Corporate Sukuk	10	-	3	13
Financing assets	6,515	5,264	13,659	25,438
Finance lease assets	810	10	2,794	3,614
Loans and advances to customers				
- Assets under conversion	10	-	4,349	4,359
- Other receivables	40	-	2,183	2,223
Financing commitments and financial guarantee contracts	221	36	197	454
	8,004	5,310	23,185	36,499

8 NON-TRADING INVESTMENTS

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
At fair value through profit or loss:		
Equity securities	**93,508**	90,209
Funds	**3,292**	7,475
At fair value through equity	**350**	350
	97,150	98,034

The Group has 40% stake (2020: 40%) in Manara Developments Company B.S.C.(c) ("Manara") & Bareeq Al Retaj Real Estate Services WLL ("Bareeq"), incorporated in Bahrain and engaged in the business of property development. The investments are being fair valued through income statement using the fair value scope exemption of FAS 24. As part of restructuring net assets of Manara will be novated to Bareeq, pending legal formalities.

9 OTHER ASSETS

	31 March 2021 BD '000	*31 December 2020 BD '000*
Assets under conversion (a)		
Loans and advances to customers	**5,811**	6,434
Non-trading investments - fair value through equity (b)	**870**	900
Non-trading investments - debt	**-**	8
	6,681	7,342
Other receivables and advances	**37,183**	24,635
Prepayments	**2,062**	1,299
Premises and equipment	**3,771**	1,961
	49,697	35,237

(a) These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. ("ex-BSB"). Income derived from these assets are transferred to charity payable and as such are not recognised in the condensed consolidated income statement. During the period under review, Shari'a prohibited income amounting to BD 60 thousands which has been transferred to charity payable, under "Accounts payable and accruals" (note 10).

(b) The above fair value through equity investments are classified as Level 3 in the fair value hierarchy. Movements in fair value through equity investments are as follows:

	Fair value measurement using significant unobservable inputs Level 3	
	31 March 2021 BD '000	*31 December 2020 BD '000*
At 1 January	**900**	964
Additions	**-**	1
Write down	**(30)**	(65)
At end of period	**870**	900

Loans and advances to customer - Assets under conversion

	31 March 2021			
	Stage 1: 12-month ECL BD '000	***Stage 2: Lifetime ECL not credit-impaired BD '000***	***Stage 3: Lifetime ECL credit-impaired BD '000***	***Total BD '000***
Loans and advances to customers	**1,547**	**503**	**8,021**	**10,071**
Allowance for credit losses (note 7)	**(11)**	**(145)**	**(4,104)**	**(4,260)**
	1,536	**358**	**3,917**	**5,811**

	31 December 2020			
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*
Loans and advances to customers	1,806	485	7,907	10,198
Allowance for credit losses	(17)	(145)	(3,602)	(3,764)
	1,789	340	4,305	6,434

10 OTHER LIABILITIES

	31 March 2021 BD '000	*31 December 2020 BD '000*
Accounts payable and accruals	**52,616**	48,767
Dividend payable	**253**	1,139
Project payables	**69**	69
End of service benefits and other employee related accruals	**1,630**	1,524
Allowance for credit losses relating to financing commitments and financial guarantee contracts	**783**	783
	55,351	52,282

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (EIAH)

Equity of investment accountholders comprise:

	31 March 2021 BD '000	*31 December 2020 BD '000*
Wakala from financial institutions	**268,911**	264,784
Wakala from customers	**777,146**	714,465
	1,046,057	979,249
Mudaraba from customers	**264,735**	246,131
	1,310,792	1,225,380

The Group utilizes the funds from EIAH to finance assets.

Asset in which EIAH funds are invested :

Asset	***31 March 2021 BD '000***	*31 December 2020 BD '000*
Mandatory reserve with Central Bank	**27,743**	24,848
Cash and other balances with Central Bank	**105,126**	82,286
Placements with financial institutions	**70,412**	38,106
Financing assets	**789,771**	757,718
Finance lease assets	**317,740**	322,422
	1,310,792	1,225,380

Equity of investment accountholders' fund is commingled with Group's and Wakala fund to form one general mudaraba pool. This pooled fund is used to fund and invest in assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate non-performing assets to EIAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to IAH accountholders. Only the profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to investment accountholders and 85% is retained by the Group as Mudarib share or Wakala fee. The Group did not charge any administration expenses to investment account holders. The average profit rate attributed to the equity of investment accountholders based on the above ratio for the period ended 31 March 2021 was 2.48% (2020: 2.75%).

12 OTHER INCOME

	31 March 2021 BD '000	*31 March 2020 BD '000*
Foreign exchange gains	**111**	246
Recoveries from pre-acqusition provisions	**47**	251
Others	**585**	33
	743	530

13 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, Directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership with that of the Bank. The transactions with these parties were approved by the Board of Directors.

13 RELATED PARTY TRANSACTIONS (continued)

The balances with related parties at 31 March 2021 and 31 December 2020 were as follows:

	31 March 2021				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Assets:					
Cash and balances with banks and Central Bank	-	**221**	-	-	**221**
Corporate Sukuk	-	-	**3,957**	-	**3,957**
Financing assets	**13,606**	**7,070**	**7,484**	**533**	**28,693**
Non trading investments	**79,106**	**-**	**1,072**	-	**80,178**
Investment in associates	**13,533**	**-**	**-**	**-**	**13,533**
Other assets	**7,996**	**-**	**-**	**-**	**7,996**
Liabilities and equity of investment accountholders:					
Placements from financial institutions	**-**	**6,118**	**-**	**-**	**6,118**
Customers' current accounts	**2,618**	**1,850**	**1,949**	**551**	**6,968**
Equity of investment accountholders	**4,585**	**21,359**	**59,749**	**1,789**	**87,482**
Other liabilities	**19**	**-**	**13**	**4**	**36**
Contingent liabilities and commitments	**10,463**	**118**	**151**	**-**	**10,732**

	31 December 2020				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Assets:					
Cash and balances with banks and Central Bank	-	194	-	-	194
Corporate Sukuk	-	-	3,977	-	3,977
Financing assets	18,330	6,460	6,797	1,107	32,694
Non trading investments	79,715	-	1,574	-	81,289
Investment in associates	12,036	-	-	-	12,036
Other assets	7,996	-	-	-	7,996
Liabilities and equity of investment accountholders:					
Placements from financial institutions	-	23,455	-	-	23,455
Customers' current accounts	2,588	2,984	3,175	496	9,243
Equity of investment accountholders	9,286	31,672	59,367	2,041	102,366
Other liabilities	13	-	30	5	48
Contingent liabilities and commitments	9,117	119	101	-	9,337

The income and expenses in respect of related parties included in the condensed consolidated income statement are as follows:

	31 March 2021				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Income:					
Finance income	**263**	**51**	**113**	**4**	**431**
Income from Sukuk	**-**	**-**	**37**	**-**	**37**
Loss from non-trading investments	**(586)**	**-**	**(153)**	**-**	**(739)**
Share of profit from associates	**1,547**	**-**	**-**	**-**	**1,547**
Expenses:					
Finance expense on placements from financial institutions	**-**	**131**	**-**	**-**	**131**
Share of profits on equity of investment accountholders	**35**	**29**	**410**	**13**	**487**
Other operating expenses	-	**-**	**253**	**-**	**253**

13 RELATED PARTY TRANSACTIONS (continued)

	31 March 2020				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Income:					
Finance income	198	11	291	4	504
Loss from non-trading investments	(2,490)	-	(245)	-	(2,735)
Share of profit from associates	1,953	-	-	-	1,953
Expenses:					
Finance expense on placements from financial institutions	30	809	-	-	839
Share of profits on equity of investment accountholders	5	-	323	18	346
Other operating expenses	-	-	376	-	376

14 CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
Contingent liabilities on behalf of customers		
Guarantees	**57,005**	34,575
Letters of credit	**4,591**	9,190
Acceptances	**1,067**	855
	62,663	44,620
Irrevocable unutilised commitments		
Unutilised financing commitments	**53,703**	55,051
Unutilised non-funded commitments	**10,016**	9,097
	63,719	64,148

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements.

Operating lease commitment - Group as lessee

The Group has entered into various operating lease agreements for its premises. Future minimal rentals payable under the non-cancellable leases are as follows:

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
Within 1 year	**1,149**	1,343
After one year but not more than five years	**1,359**	1,668
	2,508	3,011

15 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

The Group entered into Wa'ad based FX transactions for general management of its balance sheet to manage its exposures to foreign currency risk. The fair values of FX Wa'ad instruments is as follows;

	31 March 2021		*31 December 2020*	
	Notional Amount	**Fair Value**	Notional Amount	Fair Value
	BD '000	***BD '000***	*BD '000*	*BD '000*
FX Wa'ad instruments				
USD long position	**7,463**	**7,252**	9,797	9,966
USD short position	**(34,583)**	**(34,077)**	(27,191)	(25,349)
EUR long position	**31,589**	**31,082**	27,191	25,349
EUR short position	**(7,463)**	**(7,252)**	(6,027)	(6,195)
BHD long position	**2,994**	**2,995**	-	-
BHD short position	-	-	(3,770)	(3,771)

16 SEGMENT INFORMATION

Primary segment information

For management purposes, the Group is organised into three major business segments:

Banking	Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, private banking and wealth management.
Treasury	Principally handling Shari'a compliant money market, trading and treasury services including short-term commodity Murabaha.
Investments	Principally the Group's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.

Transactions between segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	31 March 2021				
	Banking	***Treasury***	***Investments***	***Unallocated***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Net income	**14,050**	**3,107**	**1,318**	**-**	**18,475**
Segment result	**2,215**	**2,982**	**878**	**-**	**6,075**
Segment assets	**1,441,919**	**763,597**	**135,567**	**2,740**	**2,343,823**
Segment liabilities, and equity	**1,386,076**	**648,598**	**6,738**	**302,411**	**2,343,823**

Goodwill resulting from BMI acquisition is allocated to banking segment.

	31 March 2020				
	Banking	*Treasury*	*Investments*	*Unallocated*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Net income	11,148	(439)	3,000	-	13,709
Segment result	1,128	(1,350)	2,712	-	2,490

Segment information for the year ended 31 December 2020 was as follows:

Segment assets	1,314,749	751,880	192,012	2,712	2,261,353
Segment liabilities, and equity	1,311,031	660,947	7,469	281,906	2,261,353

Goodwill resulting from BMI acquisition is allocated to banking segment.

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

17 FAIR VALUE HIERARCHY

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value

The following table shows an analysis of the non-trading investments and sukuk portfolio carried at fair value in the condensed consolidated statement of financial position:

31 March 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Sovereign Sukuk	**73,631**	**326,260**	**-**	**399,891**
Corporate Sukuk	**1,920**	**3,957**	**10,240**	**16,117**
Financial assets at fair value through income statement	**4,117**	**3,292**	**89,391**	**96,800**
Financial assets at fair value through equity	**-**	**-**	**350**	**350**
	79,668	**333,509**	**99,981**	**513,158**

31 December 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Sovereign Sukuk	67,704	325,404	-	393,108
Corporate Sukuk	1,866	3,978	10,551	16,395
Financial assets at fair value through income statement	4,162	3,313	90,209	97,684
Financial assets at fair value through equity	-	-	350	350
	73,732	332,695	101,110	507,537

The movements in fair value of non-trading investments classified in Level 3 of the fair value hierarchy are as follows:

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
At 1 January	**90,559**	98,933
Fair value changes	**(818)**	(10,434)
Repayments	**-**	(231)
Additions	**-**	2,291
	89,741	90,559

The movements in fair value of sukuk portfolio classified in Level 3 of the fair value hierarchy are as follows:

	31 March 2021	*31 December 2020*
	BD '000	*BD '000*
At 1 January	**10,551**	11,320
Additions	**1,211**	13,411
Fair value changes	**109**	(3,426)
Disposals	**(1,631)**	(10,754)
	10,240	10,551

17 FAIR VALUE HIERARCHY (continued)

Financial instruments not measured at fair value

The estimated fair value of yielding financing assets and financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.

The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 31 March 2021 and 31 December 2020 due to their short term nature.

18 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

19 REGULATORY RATIOS

1) Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows. The average Consolidated LCR for three months calculated as per the requirements of the CBB rulebook, as of 31 March 2021 and 31 December 2020, is as follows:

	Total weighted value BD'000	
	31 March 2021	*31 December 2020*
Stock of HQLA	**238,261**	195,494
Net cashflows	**193,602**	157,730
LCR %	**123.84%**	126.41%
Minimum required by CBB	**80%**	80%

2) Capital Adequacy Ratio

	As at	
BD'000	***31 March 2021***	*31 December 2020*
CET 1 Capital before regulatory adjustments	**283,959**	277,655
Less: regulatory adjustments	**25,971**	25,971
CET 1 Capital after regulatory adjustments	**257,988**	251,684
AT 1 Capital	**28**	26
T 2 Capital adjustments	**35,806**	35,745
Regulatory Capital	**293,822**	287,455
Risk weighted exposure:		
Credit Risk Weighted Assets	**1,001,511**	988,982
Market Risk Weighted Assets	**26,763**	250
Operational Risk Weighted Assets	**103,067**	97,200
Total Regulatory Risk Weighted Assets	**1,131,341**	1,086,432
Total Adjusted Risk Weighted Exposures	**1,131,341**	1,086,432
Capital Adequacy Ratio	**25.97%**	26.46%
Tier 1 Capital Adequacy Ratio	**22.81%**	23.17%
Minimum required by CBB	**12.50%**	12.50%

As of 31 March 2021, aggregate of modification loss of BD 24,768 thousands has been added back to Tier 1 capital.

As per CBB instructions, the above concessional treatment would be followed for two years ending 31 December 2020 and 31 December 2021, thereafter this amount will be proportionately deducted from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

20 NET STABLE FUNDING RATIO

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

20 NET STABLE FUNDING RATIO (continued)

The Net Stable Ratio ("NSFR") is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by CBB and its affective from 2019. The minimum NSFR ratio as per CBB is 100%. However, as per CBB circular OG/431/2020 dated 29 December 2020, the limit has been reduced to 80% until December 2021, to contain the financial repercussions of COVID-19.

The NSFR (as a percentage) as at 31 March 2021 is calculated as follows:

BD'000	*Unweighted Values (before applying relevant factors)*				
Item	***No specified maturity***	***Less than 6 months***	***More than 6 months and less than one year***	***Over one year***	***Total weighted value***
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	**261,362**	**-**	**-**	**35,806**	**297,168**
Retail deposits and deposits from small business customers:					
Less stable deposits	**-**	**479,656**	**122,907**	**66,725**	**609,031**
Wholesale funding:					
Other wholesale funding	**-**	**1,022,311**	**236,850**	**61,342**	**397,759**
Other liabilities:					
All other liabilities not included in the above categories	**-**	**67,811**	**-**	**-**	**-**
Total ASF	**261,362**	**1,569,778**	**359,757**	**163,873**	**1,303,958**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	**-**	**-**	**-**	**-**	**17,954**
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	**-**	**219,645**	**5,850**	**5,177**	**41,048**
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	**-**	**223,758**	**37,430**	**879,869**	**846,488**
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	**-**	**-**	**-**	**159,970**	**103,981**
Performing residential mortgages, of which:	**-**	**-**	**-**	**154,874**	**100,668**
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	**-**	**-**	**-**	**154,874**	**100,668**
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	**-**	**6,138**	**6,644**	**1,587**	**7,741**
Other assets:					
All other assets not included in the above categories	**302,565**	**3,960**	**-**	**23,674**	**318,565**
OBS items	**-**	**168,135**	**-**	**-**	**8,407**
Total RSF	**302,565**	**621,636**	**49,924**	**1,065,181**	**1,340,871**
NSFR (%)	**-**	**-**	**-**	**-**	**97.25%**

20 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2020 is calculated as follows:

BD'000	*Unweighted Values (before applying relevant factors)*				
Item	*No specified maturity*	*Less than 6 months*	*More than 6 months and less than one year*	*Over one year*	*Total weighted value*
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	255,056	-	-	35,745	290,801
Retail deposits and deposits from small business customers:					
Less stable deposits	-	442,336	125,503	66,951	578,006
Wholesale funding:					
Other wholesale funding	-	1,032,384	189,353	58,126	374,683
Other liabilities:					
All other liabilities not included in the above categories	-	64,101	-	-	-
Total ASF	255,056	1,538,821	314,856	160,822	1,243,490
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	17,604
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	245,585	416	4,911	41,956
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	225,592	133,368	740,303	775,213
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	167,627	108,958
Performing residential mortgages, of which:	-	-	-	131,367	85,388
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	131,367	85,388
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,386	6,567	780	7,640
Other assets:					
All other assets not included in the above categories	292,513	3,980	-	24,007	308,941
OBS items	-	145,464	-	-	7,273
Total RSF	292,513	628,007	140,351	901,368	1,244,015
NSFR (%)	-	-	-	-	99.96%

21 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. FAS 32 has been adopted on a retrospective basis and comparatives have not been restated.

UNREVIEWED SUPPLEMENTARY DISCLOSURES FOR THE THREE MONTHS PERIOD ENDED

31 March 2021

(The attached financial information do not form part of the condensed consolidated interim financial information)

UNREVIEWED SUPPLEMENTARY DISCLOSURES FOR THE THREE MONTHS PERIOD ENDED 31 March 2021

In line with the Central Bank of Bahrain ("CBB") directions per circular OG/259/2020 of 14 July 2020 that aims to maintain transparency amidst the current financial implications of Coronavirus (COVID-19) outbreak, the Bank has provided additional supplementary information on the impact of COVID 19 on its financial statements and the results of its operations.

On 11 March 2020, the COVID-19 outbreak was declared as a pandemic by the World Health Organization ("WHO") and has rapidly evolved globally. This has resulted in an economic slowdown with uncertainties in the economic environment across the globe. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities all over the world have taken various steps to contain the spread of COVID-19 including implementation of travel restrictions as well as lockdown and quarantine measures. The pandemic as well as the resulting measures have had a significant knock-on impact on Al Salam Bank and its principal subsidiaries (collectively the "Group") and its associates. The Group is actively monitoring the COVID-19 situation and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The CBB announced various measures to combat the effects of COVID-19 on the banking sector in the Kingdom of Bahrain. These were aimed to ease liquidity in the economy as well as to assist banks in complying with regulatory requirements. These measures included the following:

· Payment holiday of 6 months to eligible and approved customers.

· Concessionary repo to eligible banks at zero percent.

· Reduction of cash reserve ratio from 5% to 3%.

· Reduction of liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") from 100% to 80%.

· Capital relief by allowing the aggregate of modification loss and incremental expected credit losses ("ECL") from March to December 2020 to be added back to Tier 1 capital for the two financial years ending 31 December 2020 and 31 December 2021 and deducted proportionately from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The aforesaid measures have resulted in the following effects on the Group:

· The CBB mandated 6-month payment holidays requires impacted banks to recognize a one-off modification loss directly in equity. The modification loss has been calculated as difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of the modification.

· The mandated 6-month payments holiday included the requirement to suspend minimum payments, service fees and outstanding credit card balances. In addition, COVID-19 also resulted in lower transaction volumes and related fees. This resulted in a significant decline in the Group's fee income.

· The Government of the Kingdom of Bahrain have announced various economic stimulus program ("packages") to support business in these challenging times. The Bank received regulatory directive financial assistance representing specified reimbursement of a portion of staff costs, waiver of fees, levies and utility charges as well as zero cost funding received from the Government and/or the regulators in response to its COVID-19 support measures. This has been recognized directly in the Group's equity as per the instructions of the CBB.

· The Group also maintained a lower cash reserve due to reduction in cash reserve ratio to 3%.

· Due to the stressed liquidity scenario in the market, the Bank also had to incur higher funding costs for sourcing new deposits and foreign exchange.

· The Group continues to meet the regulatory requirement of capital adequacy ratio ("CAR"), LCR and NSFR. The consolidated CAR, LCR and NSFR as at 31 March 2021 stands at 25.97%, 105.51%, 97.25% respectively.

A summary of the financial impact of the above effects is as follows:

	Net impact on the Group - Accumulated		
Amounts in BD '000	**Consolidated Income statement**	**Consolidated financial position**	**Consolidated Owners equity**
Modification loss	-	-	(24,768)
Modification loss amortization	-	24,768	-
Lower Credit card fee	-	-	(282)
Government grants	-	-	2,143
Concessionary repo @ 0%	-	121,613	-
Average reduction of cash reserve	-	224,803	-
Stressed liquidity	-	-	(371)
ECL attributable to COVID -19	(760)	(7,390)	-

Information reported in the table above only include areas or line items where impact was quantifiable and material. Some of the amounts reported above include notional loss of income or an incremental cost measure and hence may not necessarily reconcile with amounts reported in the interim financial information for 31 March 2021.

The information provided in this supplementary disclosure should not be considered as an indication for the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above assessment is as at the date of preparation of this information and only considers significant areas of impact. Circumstances may change which will result in this information being out of date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.