

Al Salam Bank B.S.C.
CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION
31 March 2022

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months period ended 31 March 2022

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

To the Board of Directors of
Al Salam Bank BSC
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial information of Al Salam Bank BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2022;
- the condensed consolidated income statement for the three-month period ended 31 March 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022; and
- 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 and presentation as 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 Auditing standards for Islamic Financial Institutions 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 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information.

12 May 2022


Al Salam Bank B.S.C.

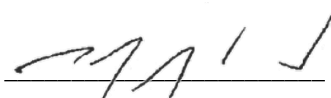
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

| | | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
|----------------------------------------------------------------------------------------------------------------|-------------|-----------------------------------------|-------------------------------------------|
| | <i>Note</i> | <i>BD '000</i> | <i>BD '000</i> |
| ASSETS | | | |
| Cash and balances with banks and central bank | | 301,557 | 309,149 |
| Placements with financial institutions | 3 | 85,331 | 133,860 |
| Sovereign sukuk | 4 | 644,898 | 613,403 |
| Corporate sukuk | 4 | 26,917 | 26,285 |
| Financing assets | 5 | 830,488 | 806,968 |
| Finance lease assets | 6 | 569,580 | 555,909 |
| Non-trading investments | 8 | 90,683 | 91,591 |
| Investment properties | | 57,690 | 57,961 |
| Development properties | | - | 2,943 |
| Investment in associates | | 14,743 | 14,533 |
| Other assets | 9 | 41,766 | 45,998 |
| Goodwill | | 25,971 | 25,971 |
| TOTAL ASSETS | | 2,689,624 | 2,684,571 |
| LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST | | | |
| LIABILITIES | | | |
| Placements from financial institutions | 3 | 122,049 | 126,891 |
| Customers' current accounts | | 473,667 | 482,739 |
| Murabaha term financing | 4 | 132,982 | 100,216 |
| Other liabilities | 10 | 47,948 | 53,789 |
| TOTAL LIABILITIES | | 776,646 | 763,635 |
| EQUITY OF INVESTMENT ACCOUNTHOLDERS | | | |
| Wakala from financial institutions | 11 | 320,656 | 299,607 |
| Wakala and mudaraba from customers | 11 | 1,301,434 | 1,324,570 |
| TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS | | 1,622,090 | 1,624,177 |
| OWNERS' EQUITY | | | |
| Share capital | | 249,231 | 241,972 |
| Treasury shares | | (11,976) | (12,473) |
| Share premium | | 209 | 209 |
| Retained earnings | | 9,769 | 19,531 |
| Reserves | | 42,989 | 47,012 |
| Total owners' equity | | 290,222 | 296,251 |
| Non-controlling interest | | 666 | 508 |
| TOTAL EQUITY | | 290,888 | 296,759 |
| TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST | | 2,689,624 | 2,684,571 |


 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 B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months period ended 31 March 2022

| | <i>31 March</i> | <i>31 March</i> |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|
| | <i>2022</i> | <i>2021</i> |
| | <i>(Reviewed)</i> | <i>(Reviewed)</i> |
| <i>Note</i> | <i>BD '000</i> | <i>BD '000</i> |
| OPERATING INCOME | | |
| Finance income | 18,017 | 19,813 |
| Income from sukuk | 7,092 | 4,892 |
| (Loss) from non-trading investments, net | (2,318) | (880) |
| (Loss) / income from properties, net | (103) | 144 |
| Fees and commission, net | 2,019 | 1,770 |
| Share of profit from associates | 448 | 1,547 |
| Other income | 845 | 743 |
| | 26,000 | 28,029 |
| Finance expense on placements from financial institutions | (792) | (1,047) |
| Finance expense on murabaha term financing | (471) | (1,081) |
| Return on equity of investment accountholders before Group's share as a mudarib and wakil | (16,621) | (15,110) |
| Group's share as a mudarib | 303 | 33 |
| Group's wakala fee | 7,198 | 7,651 |
| Share of profit of investment accountholders | (9,120) | (7,426) |
| Net operating income | 15,617 | 18,475 |
| OPERATING EXPENSES | | |
| Staff cost | 4,357 | 4,116 |
| Premises cost | 390 | 542 |
| Depreciation | 326 | 274 |
| Other operating expenses | 2,676 | 2,921 |
| Total operating expenses | 7,749 | 7,853 |
| PROFIT BEFORE IMPAIRMENT ALLOWANCES | 7,868 | 10,622 |
| Net impairment charge | (1,352) | (4,547) |
| NET PROFIT FOR THE PERIOD | 6,516 | 6,075 |
| ATTRIBUTABLE TO: | | |
| - Shareholders of the bank | 6,512 | 6,087 |
| - Non-controlling interest | 4 | (12) |
| | 6,516 | 6,075 |
| Basic and diluted earnings per share (fils) | 2.8 | 2.5 |


 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 B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2022 (Reviewed)

Amounts in BD '000s

| | <i>Attributable to shareholders of the Bank</i> | | | | | | | | | | | |
|--------------------------------------------|-------------------------------------------------|-----------------------|----------------------|--------------------------|--------------------------|--------------------------------------|---------------------------------------|---------------------------------------------|-----------------------|-----------------------------|---------------------------------|---------------------|
| | <i>Share capital</i> | <i>Treasury stock</i> | <i>Share premium</i> | <i>Retained earnings</i> | <i>Statutory reserve</i> | <i>Investment fair value reserve</i> | <i>Real estate fair value reserve</i> | <i>Foreign exchange translation reserve</i> | <i>Total reserves</i> | <i>Total owners' equity</i> | <i>Non-controlling interest</i> | <i>Total equity</i> |
| Balance as of 1 January 2022 | 241,972 | (12,473) | 209 | 19,531 | 18,600 | 9,532 | 22,865 | (3,985) | 47,012 | 296,251 | 508 | 296,759 |
| Net profit for the period | - | - | - | 6,512 | - | - | - | - | - | 6,512 | 4 | 6,516 |
| Movement in fair value | - | - | - | - | - | (3,787) | - | - | (3,787) | (3,787) | - | (3,787) |
| Foreign currency re-translation | - | - | - | - | - | - | - | (236) | (236) | (236) | - | (236) |
| Total recognised income and expense | - | - | - | 6,512 | - | (3,787) | - | (236) | (4,023) | 2,489 | 4 | 2,493 |
| Bonus shares issued | 7,259 | - | - | (7,259) | - | - | - | - | - | - | - | - |
| Cash dividend for the year 2021 | - | - | - | (9,121) | - | - | - | - | - | (9,121) | - | (9,121) |
| Movement of treasury shares, net | - | 497 | - | 106 | - | - | - | - | - | 603 | - | 603 |
| Movements in non-controlling interest | - | - | - | - | - | - | - | - | - | - | 154 | 154 |
| Balance at 31 March 2022 | 249,231 | (11,976) | 209 | 9,769 | 18,600 | 5,745 | 22,865 | (4,221) | 42,989 | 290,222 | 666 | 290,888 |
| Balance as of 1 January 2021 | 230,450 | (7,530) | 12,209 | (5,549) | 21,778 | 9,844 | 23,348 | (3,784) | 51,186 | 280,766 | 401 | 281,167 |
| Impact of adopting FAS 32 | - | - | - | 57 | - | - | - | - | - | 57 | - | 57 |
| Balance as at 1 January 2021 (restated) | 230,450 | (7,530) | 12,209 | (5,492) | 21,778 | 9,844 | 23,348 | (3,784) | 51,186 | 280,823 | 401 | 281,224 |
| Net profit for the period | - | - | - | 6,087 | - | - | - | - | - | 6,087 | (12) | 6,075 |
| Movement in fair value | - | - | - | - | - | (61) | - | - | (61) | (61) | - | (61) |
| Foreign currency re-translation | - | - | - | - | - | - | - | (149) | (149) | (149) | - | (149) |
| Total recognised income and expense | - | - | - | 6,087 | - | (61) | - | (149) | (210) | 5,877 | (12) | 5,865 |
| Bonus share issued | 11,522 | - | - | (11,522) | - | - | - | - | - | - | - | - |
| Transfer to retained earnings | - | - | (12,000) | 17,315 | (5,315) | - | - | - | (5,315) | - | - | - |
| Transfer to statutory reserve | - | - | - | (243) | 243 | - | - | - | 243 | - | - | - |
| Movements in non-controlling interest | - | - | - | - | - | - | - | - | - | - | 50 | 50 |
| Balance at 31 March 2021 | 241,972 | (7,530) | 209 | 6,145 | 16,706 | 9,783 | 23,348 | (3,933) | 45,904 | 286,700 | 439 | 287,139 |

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

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2022

| | <i>31 March</i> <i>2022</i> <i>(Reviewed)</i> <i>BD '000</i> | <i>31 March</i> <i>2021</i> <i>(Reviewed)</i> <i>BD '000</i> |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|
| OPERATING ACTIVITIES | | |
| Net profit for the period | 6,516 | 6,075 |
| Adjustments: | | |
| Depreciation | 326 | 274 |
| Amortisation of premium on sukuk - net | 532 | - |
| Loss from non-trading investments and properties | 2,421 | 736 |
| Net impairment charge | 1,352 | 4,547 |
| Share of results from associates | (448) | (1,547) |
| Operating income before changes in operating assets and liabilities | <u>10,699</u> | <u>10,085</u> |
| Changes in operating assets and liabilities: | | |
| Mandatory reserve with central bank | (133) | (2,895) |
| Murabaha and wakala receivables from banks with original maturities of 90 days or more | (2,047) | (2,048) |
| Financing assets and finance lease assets | (37,889) | (67,006) |
| Other assets | 7,086 | (14,039) |
| Placements from financial institutions | (4,842) | 10,767 |
| Customers' current accounts | (9,072) | (691) |
| Other liabilities | (6,061) | 4,015 |
| Equity of investment accountholders | (2,087) | 85,412 |
| Net cash (used in) / from operating activities | <u>(44,346)</u> | <u>23,600</u> |
| INVESTING ACTIVITIES | | |
| Acquisition of sovereign sukuk | (36,025) | (6,845) |
| Acquisition of corporate sukuk | (777) | 289 |
| Disposal of non-trading investments and properties | 1,701 | 5,845 |
| Purchase of premises and equipment | (413) | (529) |
| Net cash used in investing activities | <u>(35,514)</u> | <u>(1,240)</u> |
| FINANCING ACTIVITIES | | |
| Drawdown / (repayment) of murabaha term financing | 32,766 | (22,059) |
| Dividends paid | (9,121) | (886) |
| Net movement in treasury shares | 603 | - |
| Net movements in non-controlling interest | 154 | 50 |
| Net cash from / (used in) financing activities | <u>24,402</u> | <u>(22,895)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>(55,458)</u> | <u>(535)</u> |
| Cash and cash equivalents at 1 January | <u>395,947</u> | <u>291,645</u> |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | <u><u>340,489</u></u> | <u><u>291,110</u></u> |
| Cash and cash equivalents comprise of:* | | |
| Cash and other balances with central bank | 86,982 | 105,126 |
| Balances with other banks ** | 170,219 | 117,620 |
| Placements with financial institutions with original maturities of less than 90 days | 83,288 | 68,364 |
| | <u><u>340,489</u></u> | <u><u>291,110</u></u> |

* Cash and cash equivalents is gross of the expected credit loss of BD 79 thousand (2021: BD 149 thousand).

** Balances with other banks is net of restricted cash of BD 8,960 thousand which is not available for day to day operations.

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

Al Salam Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

As at 31 March 2022

1 REPORTING ENTITY

Al Salam Bank 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 Central Bank of Bahrain ("CBB").

The Bank's registered office is at Building 935, Road 1015, Block 410, Sanabis, Kingdom of Bahrain. The Bank's ordinary shares are listed in Bahrain Bourse and Dubai Financial Market.

The principal subsidiary is as follows:

| Name of entity | Country of incorporation | Principal activities | % holding | |
|---------------------------|--------------------------|--------------------------|-----------|------|
| | | | 2022 | 2021 |
| Al Salam Bank- Seychelles | Seychelles | Provide Banking services | 70% | 70% |

The Bank and its principal banking subsidiary operates through 10 branches (2021: 9 branches) in the Kingdom of Bahrain and 1 branch (2021: 1 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 12 May 2022.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) and applicable rules and regulations issued by the CBB.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the group uses 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'.

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 31 December 2021 were in accordance with FAS as modified by CBB (refer to the Group's audited financial statements for the year ended 31 December 2021 for the details of the COVID-19 related modifications applied). Since the CBB modification were specific to the financial year 2020 and no longer apply to both the current and comparative periods presented, the Group's interim financial information for the three months ended 31 March 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 PROPOSED BUSINESS COMBINATION

On 3 October 2021, Al Salam Bank BSC had entered into a memorandum of understanding with Ithmaar Holding BSC, for acquisition of consumer banking business of Ithmaar Bank, and Ithmaar Holding BSC ownership stake in certain entities subject to approval of shareholders of Ithmaar Holding BSC.

The shareholders of Ithmaar Holding BSC, at its EGM dated 17 March 2022 approved the acquisition of its consumer banking division and several assets worth US\$ 2.2 billion. This transaction is subject to regulatory approvals and includes acquisition of following assets, 26.19% shares of Bank of Bahrain and Kuwait BSC, a 55.91% shares of Solidarity Group Holding BSC (Closed), a 1% shares of The Benefit Company BSC, and other assets including Master Card Inc. shares and portfolio of Sukuk and liquid assets.

The transaction is subject to final regulatory approvals and is expected to be concluded by Q3 2022.

2.2 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 2022, the Bank is compliant with the required regulatory capital adequacy ratio, net stable funding ratio and liquidity coverage ratios.

2.3 SIGNIFICANT ACCOUNTING POLICIES

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 2021.

A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2022.

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022 with an option to early adopt.

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

- a) "ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
- b) "product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products and accounting for Tahawwut (hedging) arrangements based on a series of Wa'ad and Khiyar contracts.

There was no material impact on the Group upon adoption of this standard.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. New standards, amendments, and interpretations issued but not yet effective.

(i) FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period.

The Group is assessing the impact of adoption of this standard.

(ii) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements.

2.4 SHARE CAPITAL

a) The shareholders in their Annual General Meeting held on 17 March 2022 approved to issue 72,591,683 bonus shares of BD 7,259 thousand representing 3% of issued share capital. The total outstanding shares as of 31 March 2022 were 2,492,314,429 shares (December 2021: 2,419,722,746 shares). The calculation of basic and diluted earnings per share for previous period has also been adjusted to reflect the impact of bonus shares.

b) The shareholders in their Extraordinary General Meeting held on 14 March 2022 approved increase in authorized share capital from 2.5 billion shares to 5 billion shares.

As at 31 March 2022

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.

| | <i>31 March 2022 (Reviewed) BD '000</i> | <i>31 December 2021 (Audited) BD '000</i> |
|-----------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Placements with financial institutions | | |
| Wakala asset | 73,286 | 93,584 |
| Commodity murabaha asset | 12,049 | 40,282 |
| Allowance for credit losses | (4) | (6) |
| | 85,331 | 133,860 |
| Placements from financial institutions | | |
| Commodity murabaha liability | 122,049 | 126,891 |
| | 122,049 | 126,891 |

4 SOVEREIGN SUKUK AND CORPORATE SUKUK

This includes sukuk with carrying value of BD 170,605 thousand (2021: BD 132,162 thousand) which are pledged against murabaha term financing.

5 FINANCING ASSETS

| | <i>31 March 2022 (Reviewed)</i> | | | |
|--------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|----------------|
| | <i>Stage 1: 12- month ECL</i> | <i>Stage 2: Lifetime ECL not credit- impaired</i> | <i>Stage 3: Lifetime ECL credit- impaired</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Murabaha financing | 323,449 | 26,881 | 7,493 | 357,823 |
| Mudaraba financing | 433,349 | 23,700 | 5,984 | 463,033 |
| Musharaka financing | 17,558 | 13,250 | 276 | 31,084 |
| Credit cards | 3,739 | 33 | 552 | 4,324 |
| Total financing assets | 778,095 | 63,864 | 14,305 | 856,264 |
| Allowance for credit losses (note 7) | (9,296) | (8,459) | (8,021) | (25,776) |
| | 768,799 | 55,405 | 6,284 | 830,488 |
| | <i>31 December 2021 (Audited)</i> | | | |
| | <i>Stage 1: 12- month ECL</i> | <i>Stage 2: Lifetime ECL not credit- impaired</i> | <i>Stage 3: Lifetime ECL credit- impaired</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Murabaha financing | 359,470 | 27,008 | 5,588 | 392,066 |
| Mudaraba financing | 382,005 | 15,525 | 6,264 | 403,794 |
| Musharaka financing | 32,950 | - | 277 | 33,227 |
| Credit cards | 3,566 | 34 | 571 | 4,171 |
| Total financing assets | 777,991 | 42,567 | 12,700 | 833,258 |
| Allowance for credit losses | (11,743) | (6,955) | (7,592) | (26,290) |
| | 766,248 | 35,612 | 5,108 | 806,968 |

Murabaha financing is reported net of deferred profits of BD 21,895 thousand (2021: BD 29,007 thousand).

6 FINANCE LEASE ASSETS

| | <i>31 March 2022 (Reviewed)</i> | | | |
|-----------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|----------------|
| | <i>Stage 1: 12- month ECL</i> | <i>Stage 2: Lifetime ECL not credit- impaired</i> | <i>Stage 3: Lifetime ECL credit- impaired</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Finance lease assets | 536,318 | 33,320 | 9,505 | 579,143 |
| Allowance for impairment (note 7) | (3,413) | (236) | (5,914) | (9,563) |
| | 532,905 | 33,084 | 3,591 | 569,580 |

6 FINANCE LEASE ASSETS (continued)

| | 31 December 2021 (Audited) | | | |
|--------------------------|----------------------------|----------------------------------|------------------------------|----------------|
| | Stage 1: 12-month ECL | Stage 2: | Stage 3: | Total |
| | | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Finance lease assets | 522,917 | 33,178 | 9,288 | 565,383 |
| Allowance for impairment | (3,285) | (324) | (5,865) | (9,474) |
| | <u>519,632</u> | <u>32,854</u> | <u>3,423</u> | <u>555,909</u> |

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 2022 (Reviewed) | | | |
|----------------------------------------------------------------------------|--------------------------|----------------------------------|------------------------------|---------------|
| | Stage 1: 12-month ECL | Stage 2: | Stage 3: | Total |
| | | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Balance at the beginning of the period | 15,627 | 7,332 | 21,525 | 44,484 |
| Changes due to receivables recognised in opening balance that have: | | | | |
| - transferred to Stage 1: 12 month ECL | 140 | (140) | - | - |
| - transferred to Stage 2: Lifetime ECL not credit-impaired | (1,167) | 1,198 | (31) | - |
| - transferred to Stage 3: Lifetime ECL credit-impaired | (79) | (8) | 87 | - |
| Net remeasurement of loss allowance | 752 | 371 | 257 | 1,380 |
| Recoveries / write-backs | - | - | (28) | (28) |
| Allowance for credit losses | (354) | 1,421 | 285 | 1,352 |
| Exchange adjustments and other transfers on settlement | (1,416) | - | (2) | (1,418) |
| Amounts written off during the period | - | - | (155) | (155) |
| Balance at the end of the period | 13,857 | 8,753 | 21,653 | 44,263 |

| | 31 March 2022 (Reviewed) | | | |
|---------------------------------------------------------|--------------------------|----------------------------------|------------------------------|---------------|
| | Stage 1: 12-month ECL | Stage 2: | Stage 3: | Total |
| | | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | |
| | BD '000 | BD '000 | BD '000 | BD '000 |
| Cash and balances with banks and central bank | 75 | - | - | 75 |
| Placements with financial institutions | 4 | - | - | 4 |
| Sovereign sukuk | 367 | - | - | 367 |
| Corporate sukuk | 146 | - | - | 146 |
| Financing assets | 9,296 | 8,459 | 8,021 | 25,776 |
| Finance lease assets | 3,413 | 236 | 5,914 | 9,563 |
| Loans and advances to customers | | | | |
| - Assets under conversion | 7 | 1 | 5,255 | 5,263 |
| - Other receivables | 43 | - | 2,183 | 2,226 |
| Financing commitments and financial guarantee contracts | 506 | 57 | 280 | 843 |
| | <u>13,857</u> | <u>8,753</u> | <u>21,653</u> | <u>44,263</u> |

Al Salam Bank B.S.C.

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

| | 31 March 2021 (Reviewed) | | | |
|---------------------------------------------------------------------|--------------------------|-------------------------------------------|---------------------------------------|---------|
| | 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 transfers on settlement | - | - | (7) | (7) |
| Amounts written off during the period | - | - | 84 | 84 |
| Balance at the end of the period | 13,327 | 8,678 | 29,919 | 51,924 |

| | 31 March 2021 (Reviewed) | | | |
|---------------------------------------------------------|--------------------------|-------------------------------------------|---------------------------------------|---------|
| | 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 |
| Placements with financial institutions | 93 | - | - | 93 |
| Sovereign sukuk | 249 | - | - | 249 |
| 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 |

8 NON-TRADING INVESTMENTS

| | 31 March 2022 (Reviewed) BD '000 | 31 December 2021 (Audited) BD '000 |
|---------------------------------------|----------------------------------------|------------------------------------------|
| At fair value through profit or loss: | | |
| Equity securities | 90,031 | 90,939 |
| Funds | 302 | 302 |
| At fair value through equity | 350 | 350 |
| | 90,683 | 91,591 |

The Group has 40% stake (2021: 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, which is pending legal formalities.

Al Salam Bank B.S.C.

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9 OTHER ASSETS

| | <i>31 March 2022 (Reviewed) BD '000</i> | <i>31 December 2021 (Audited) BD '000</i> |
|---------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Assets under conversion (a) | | |
| Loans and advances to customers | 2,057 | 3,749 |
| Non-trading investments - fair value through equity (b) | 192 | 192 |
| | 2,249 | 3,941 |
| Other receivables and advances | 33,145 | 31,408 |
| Prepayments | 2,544 | 1,682 |
| Premises and equipment | 3,828 | 3,609 |
| Assets held- for- sale (c) | - | 5,358 |
| | 41,766 | 45,998 |

(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. Income derived from these assets are transferred to charity payable and as such are not recognised as revenue in the consolidated income statement. During the period under review, Shari'a prohibited income amounting to BD 10 thousand has been transferred to charity, which has been included 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:

| | <i>Fair value measurement using significant unobservable inputs Level 3</i> | |
|------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------|
| | <i>31 March 2022 (Reviewed) BD '000</i> | <i>31 December 2021 (Audited) BD '000</i> |
| At 1 January | 192 | 900 |
| Sales | - | (708) |
| At end of period | 192 | 192 |

Loans and advances to customers - Assets under conversion

| | <i>31 March 2022 (Reviewed)</i> | | | |
|--------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|
| | <i>Stage 1: 12- month ECL BD '000</i> | <i>Stage 2: Lifetime ECL not credit- impaired BD '000</i> | <i>Stage 3: Lifetime ECL credit- impaired BD '000</i> | <i>Total BD '000</i> |
| Loans and advances to customers | 1,174 | 60 | 6,086 | 7,320 |
| Allowance for credit losses (note 7) | (7) | (1) | (5,255) | (5,263) |
| | 1,167 | 59 | 831 | 2,057 |
| | <i>31 December 2021 (Audited)</i> | | | |
| | <i>Stage 1: 12- month ECL BD '000</i> | <i>Stage 2: Lifetime ECL not credit- impaired BD '000</i> | <i>Stage 3: Lifetime ECL credit-impaired BD '000</i> | <i>Total BD '000</i> |
| Loans and advances to customers | 1,125 | 138 | 8,113 | 9,376 |
| Allowance for credit losses | (20) | (1) | (5,606) | (5,627) |
| | 1,105 | 137 | 2,507 | 3,749 |

(c) During the period, the Group has sold and exited in full from its investment in subsidiary ASB Biodiesel (Hong Kong) Limited.

Al Salam Bank B.S.C.

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10 OTHER LIABILITIES

| | <i>31 March</i> <i>2022</i> <i>(Reviewed)</i> | <i>31 December</i> <i>2021</i> <i>(Audited)</i> |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| Accounts payable and accruals | 44,869 | 46,529 |
| Project payables | 69 | 69 |
| End of service benefits and other employee related accruals | 2,167 | 2,088 |
| Allowance for credit losses relating to financing commitments and financial guarantee contracts | 843 | 622 |
| Liabilities held- for- sale | - | 4,481 |
| | 47,948 | 53,789 |

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS (EIAH)

Equity of investment accountholders comprise:

| | <i>31 March</i> <i>2022</i> <i>(Reviewed)</i> | <i>31 December</i> <i>2021</i> <i>(Audited)</i> |
|------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| Wakala from financial institutions | 320,656 | 299,607 |
| Wakala from customers | 874,782 | 888,906 |
| | 1,195,438 | 1,188,513 |
| Mudaraba from customers | 426,652 | 435,664 |
| | 1,622,090 | 1,624,177 |

The Group utilizes the funds from EIAH to finance assets.

Asset in which EIAH funds are invested:

| Asset | <i>31 March</i> <i>2022</i> <i>(Reviewed)</i> | <i>31 December</i> <i>2021</i> <i>(Audited)</i> |
|-------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| Mandatory reserve with central bank | 35,511 | 35,378 |
| Cash and other balances with central bank | 186,831 | 154,025 |
| Placements with financial institutions | 85,335 | 133,866 |
| Financing assets | 778,095 | 777,991 |
| Finance lease assets | 536,318 | 522,917 |
| | 1,622,090 | 1,624,177 |

Equity of investment accountholder's fund is commingled with Group's mudaraba and wakala funds to form one general mudaraba pool. The pooled fund are used to fund and invest in income generating assets, 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 up to 85% is retained by the Group as mudarib share. During the period, the Bank has sacrificed portion of its share of mudarib, in order to maintain a competitive profit distribution to the EIAH. 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 2022 was 2.29% (2021: 2.48%).

12 OTHER INCOME

| | <i>31 March</i> <i>2022</i> <i>(Reviewed)</i> | <i>31 March</i> <i>2021</i> <i>(Audited)</i> |
|------------------------|-----------------------------------------------------|----------------------------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| Foreign exchange gains | 167 | 111 |
| Recoveries | 711 | 47 |
| Others | (33) | 585 |
| | 845 | 743 |

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.

Al Salam Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

As at 31 March 2022

13 RELATED PARTY TRANSACTIONS (continued)

The balances with related parties at 31 March 2022 and 31 December 2021 were as follows:

| | <i>31 March 2022 (Reviewed)</i> | | | | |
|-----------------------------------------------------------------|------------------------------------------|-------------------------------|-------------------------------------------|------------------------------|----------------|
| | <i>Associates and joint ventures</i> | <i>Major shareholders</i> | <i>Directors and related entities</i> | <i>Senior management</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Assets: | | | | | |
| Cash and balances with banks and central bank | - | 147 | - | - | 147 |
| Financing assets | 17,300 | 7,470 | 2,947 | 1,460 | 29,177 |
| Non trading investments | 73,764 | - | 459 | - | 74,223 |
| Investment in associates | 14,743 | - | - | - | 14,743 |
| Other assets | 19,413 | - | - | - | 19,413 |
| Liabilities and equity of investment accountholders: | | | | | |
| Placements from financial institutions | - | 6,910 | - | - | 6,910 |
| Customers' current accounts | 7,848 | 6,720 | 3,468 | 744 | 18,780 |
| Equity of investment accountholders | 2,454 | 6,678 | 10,720 | 2,584 | 22,436 |
| Other liabilities | 21 | - | 26 | 10 | 57 |
| Contingent liabilities and commitments | - | - | 151 | - | 151 |

| | <i>31 December 2021 (Audited)</i> | | | | |
|-----------------------------------------------------------------|------------------------------------------|-------------------------------|-------------------------------------------|------------------------------|----------------|
| | <i>Associates and joint ventures</i> | <i>Major shareholders</i> | <i>Directors and related entities</i> | <i>Senior management</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Assets: | | | | | |
| Cash and balances with banks and central bank | - | 76 | - | - | 76 |
| Financing assets | 12,828 | 7,413 | 3,166 | 1,618 | 25,025 |
| Non trading investments | 74,352 | - | 612 | - | 74,964 |
| Investment in associates | 14,533 | - | - | - | 14,533 |
| Other assets | 16,187 | - | - | - | 16,187 |
| Liabilities and equity of investment accountholders: | | | | | |
| Placements from financial institutions | - | 6,400 | - | - | 6,400 |
| Customers' current accounts | 2,150 | 978 | 2,776 | 707 | 6,611 |
| Equity of investment accountholders | 4,459 | 12,660 | 12,978 | 2,498 | 32,595 |
| Other liabilities | 10 | - | 26 | 8 | 44 |
| Contingent liabilities and commitments | - | - | 151 | - | 151 |

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

| | <i>31 March 2022 (Reviewed)</i> | | | | |
|--------------------------------------------------------------|------------------------------------------|-------------------------------|-------------------------------------------|------------------------------|----------------|
| | <i>Associates and joint ventures</i> | <i>Major shareholders</i> | <i>Directors and related entities</i> | <i>Senior management</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Income: | | | | | |
| Finance income | 241 | 56 | 53 | 17 | 367 |
| Fees and commission, net | 15 | 3 | 2 | 2 | 22 |
| (Loss) net from non-trading investments | (566) | - | (153) | - | (719) |
| Loss on sale of property | - | - | - | (12) | (12) |
| Share of profit from associates | 448 | - | - | - | 448 |
| Expenses: | | | | | |
| Finance expense on placements from financial institutions | - | 36 | - | - | 36 |
| Share of profits on equity of investment accountholders | 9 | 31 | 66 | 16 | 122 |
| Other operating expenses | - | - | 351 | - | 351 |

13 RELATED PARTY TRANSACTIONS (continued)

| | <i>31 March 2021 (Reviewed)</i> | | | | |
|--------------------------------------------------------------|------------------------------------------|-------------------------------|-------------------------------------------|------------------------------|----------------|
| | <i>Associates and joint ventures</i> | <i>Major shareholders</i> | <i>Directors and related entities</i> | <i>Senior management</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| 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 |

14 CONTINGENT LIABILITIES AND COMMITMENTS

| | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
|-----------------------------------|------------------------------------------------------|-------------------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| | Contingent liabilities on behalf of customers | |
| Guarantees | 58,700 | 44,749 |
| Letters of credit | 14,910 | 13,117 |
| Acceptances | 834 | 1,862 |
| | 74,444 | 59,728 |
| Unutilised commitments | | |
| Unutilised financing commitments | 117,385 | 121,501 |
| Unutilised non-funded commitments | 13,545 | 7,384 |
| | 130,930 | 128,885 |

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.

15 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

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

| | <i>31 March 2022 (Reviewed)</i> | | <i>31 December 2021 (Audited)</i> | |
|-----------------------------|---------------------------------|-------------------|-----------------------------------|----------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| FX Wa'ad instruments | | | | |
| Assets position | 42,148 | 741 | 57,163 | 619 |
| Liabilities position | 32,822 | (816) | 19,488 | (402) |

The above contracts have residual maturity of up to six months as at the end of the reporting period.

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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:

| | <i>31 March 2022 (Reviewed)</i> | | | | |
|---------------------------------|---------------------------------|------------------|--------------------|--------------------|------------------|
| | <i>Banking</i> | <i>Treasury</i> | <i>Investments</i> | <i>Unallocated</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Net operating income | 12,652 | 5,431 | (2,466) | - | 15,617 |
| Segment result | <u>6,731</u> | <u>3,329</u> | <u>(3,544)</u> | <u>-</u> | <u>6,516</u> |
| Segment assets | <u>1,451,798</u> | <u>1,053,250</u> | <u>180,931</u> | <u>3,645</u> | <u>2,689,624</u> |
| Segment liabilities, and equity | <u>1,843,323</u> | <u>541,816</u> | <u>13,342</u> | <u>291,143</u> | <u>2,689,624</u> |

Goodwill resulting from BMI acquisition is allocated to banking segment.

| | <i>31 March 2021 (Reviewed)</i> | | | | |
|----------------------|---------------------------------|-----------------|--------------------|--------------------|----------------|
| | <i>Banking</i> | <i>Treasury</i> | <i>Investments</i> | <i>Unallocated</i> | <i>Total</i> |
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| Net operating income | 14,050 | 3,107 | 1,318 | - | 18,475 |
| Segment result | <u>2,215</u> | <u>2,982</u> | <u>878</u> | <u>-</u> | <u>6,075</u> |

Segment information for the year ended 31 December 2021 (Audited) was as follows:

| | | | | | |
|---------------------------------|------------------|------------------|----------------|----------------|------------------|
| Segment assets | <u>1,419,859</u> | <u>1,075,488</u> | <u>185,799</u> | <u>3,425</u> | <u>2,684,571</u> |
| Segment liabilities, and equity | <u>1,899,701</u> | <u>480,239</u> | <u>7,617</u> | <u>297,014</u> | <u>2,684,571</u> |

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.

Al Salam Bank B.S.C.

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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:

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|--------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> | <i>BD '000</i> |
| 31 March 2022 (Reviewed) | | | | |
| Sovereign sukuk | 490,243 | 154,655 | - | 644,898 |
| Corporate sukuk | 14,505 | 377 | 12,035 | 26,917 |
| Investment securities at fair value through income statement | 4,116 | 302 | 85,915 | 90,333 |
| Investment securities at fair value through equity | - | - | 350 | 350 |
| FX Wa'ad assets position | - | 741 | - | 741 |
| | 508,864 | 156,075 | 98,300 | 763,239 |
| FX Wa'ad liabilities position | - | 816 | - | 816 |
| | - | 816 | - | 816 |
| 31 December 2021 (Audited) | | | | |
| Sovereign sukuk | 455,723 | 157,680 | - | 613,403 |
| Corporate sukuk | 14,132 | 379 | 11,774 | 26,285 |
| Investment securities at fair value through income statement | 4,116 | 302 | 86,823 | 91,241 |
| Investment securities at fair value through equity | - | - | 350 | 350 |
| FX Wa'ad assets position | - | 619 | - | 619 |
| | 473,971 | 158,980 | 98,947 | 731,898 |
| FX Wa'ad liabilities position | - | 402 | - | 402 |
| | - | 402 | - | 402 |

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

| | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
|--------------------|---------------------------------|-----------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| At 1 January | 87,173 | 90,559 |
| Fair value changes | (908) | (3,386) |
| | 86,265 | 87,173 |

The sensitivity analysis for Level 3 of non-trading investments are summarized below:

| Valuation technique used | Key unobservable inputs | Reasonable possible shift +/- (in average input) | Increase / (decrease) in valuation |
|---------------------------------|--------------------------------|---------------------------------------------------------|-------------------------------------------|
| Asset valuation | Underlying real estate | +/- 5% | 5,853 / (5,853) |
| Discounted cash flow | Occupancy and discount rate | +/- 5% and +/-1% | 1,095 / (1,197) |

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

| | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
|--------------|---------------------------------|-----------------------------------|
| | <i>BD '000</i> | <i>BD '000</i> |
| At 1 January | 11,774 | 10,551 |
| Additions | 268 | 10,994 |
| Disposals | (7) | (9,771) |
| | 12,035 | 11,774 |

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 2022 and 31 December 2021 due to their short term nature.

As at 31 March 2022

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 2021.

Russia-Ukraine conflict

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. As at 31 March 2022 the Group does not have any direct material impact of this conflict.

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 year. 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 December 2021 and 31 December 2020, is as follows:

| | <i>Total weighted value BD'000</i> | |
|-------------------------|------------------------------------|-----------------------------------|
| | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
| Stock of HQLA | 612,850 | 579,523 |
| Net cashflows | 203,369 | 180,147 |
| LCR % | 325.51% | 343.93% |
| Minimum required by CBB | 80% | 80% |

2) Capital Adequacy Ratio

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. Capital adequacy for each of the group companies is also managed separately at individual company level. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The regulatory capital and risk-weighted assets have been calculated in accordance with Basel III as adopted by the CBB.

| BD'000 | <i>As at</i> | |
|----------------------------------------------|---------------------------------|-----------------------------------|
| | <i>31 March 2022 (Reviewed)</i> | <i>31 December 2021 (Audited)</i> |
| CET 1 Capital before regulatory adjustments | 290,156 | 295,333 |
| Less: regulatory adjustments | 25,971 | 25,971 |
| CET 1 Capital after regulatory adjustments | 264,185 | 269,362 |
| AT 1 Capital | 37 | 36 |
| T 2 Capital adjustments | 35,011 | 34,596 |
| Regulatory Capital | 299,233 | 303,994 |
| Risk weighted exposure: | | |
| Credit Risk Weighted Assets | 967,735 | 934,629 |
| Market Risk Weighted Assets | 29,019 | 27,314 |
| Operational Risk Weighted Assets | 113,494 | 103,250 |
| Total Regulatory Risk Weighted Assets | 1,110,248 | 1,065,193 |
| Total Adjusted Risk Weighted Exposures | 1,110,248 | 1,065,193 |
| Capital Adequacy Ratio | 26.95% | 28.54% |
| Tier 1 Capital Adequacy Ratio | 23.80% | 25.29% |
| Minimum required by CBB | 12.50% | 12.50% |

As of 31 March 2022, aggregate of modification loss of BD 24,768 thousand has been added back to Tier 1 capital.

As at 31 March 2022

19 REGULATORY RATIOS (continued)**2) Capital Adequacy Ratio (continued)**

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 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.

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 latest CBB circular OG/417/2021 dated 23 December 2021, the limit has been reduced to 80% until June 2022, to contain the financial repercussions of COVID-19.

The NSFR (as a percentage) as at 31 March 2022 is calculated as follows:

| Item | <i>Unweighted Values (before applying relevant factors)</i> | | | | Total weighted value |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------|--------------------------------------------------|----------------------|----------------------|
| | <i>No specified maturity</i> | <i>Less than 6 months</i> | <i>More than 6 months and less than one year</i> | <i>Over one year</i> | |
| Available Stable Funding (ASF): | | | | | |
| Capital: | | | | | |
| Regulatory Capital | 267,567 | - | - | 35,011 | 302,578 |
| Retail deposits and deposits from small business customers: | | | | | |
| Stable deposits | - | 90,292 | 3,138 | 6,743 | 95,502 |
| Less stable deposits | - | 504,565 | 141,824 | 68,899 | 650,649 |
| Wholesale funding: | | | | | |
| Other wholesale funding | - | 1,266,056 | 207,028 | 48,364 | 492,927 |
| Other liabilities: | | | | | |
| All other liabilities not included in the above categories | - | 61,829 | - | - | - |
| Total ASF | 267,567 | 1,922,742 | 351,990 | 159,017 | 1,541,656 |
| Required Stable Funding (RSF): | | | | | |
| Total NSFR high-quality liquid assets (HQLA) | - | - | - | - | 30,744 |
| Performing financing and sukuk/ securities: | | | | | |
| Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions | - | 290,626 | 5,621 | 9,260 | 55,664 |
| Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which: | - | 257,674 | 107,461 | 798,510 | 841,190 |
| With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines | - | - | - | 100,553 | 65,360 |
| Performing residential mortgages, of which: | - | - | - | 206,533 | 134,247 |
| With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines | - | - | - | 206,533 | 134,247 |
| Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities | - | 8,252 | 4,789 | 12,982 | 17,555 |
| Other assets: | | | | | |
| All other assets not included in the above categories | 236,247 | 5,696 | - | 29,838 | 268,934 |
| OBS items | - | 205,094 | - | - | 10,255 |
| Total RSF | 236,247 | 767,342 | 117,871 | 1,057,123 | 1,358,589 |
| NSFR (%) | - | - | - | - | 113.47% |

As at 31 March 2022

20 NET STABLE FUNDING RATIO (continued)

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

| Item | BD'000 | Unweighted Values (before applying relevant factors) | | | | Total weighted value |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------|--------------------|-------------------------------------------|------------------|----------------------|
| | | No specified maturity | Less than 6 months | More than 6 months and less than one year | Over one year | |
| Available Stable Funding (ASF): | | | | | | |
| Capital: | | | | | | |
| Regulatory Capital | 272,744 | - | - | 34,596 | 307,340 | |
| Retail deposits and deposits from small business customers: | | | | | | |
| Stable deposits | - | 85,820 | 3,048 | 6,445 | 90,869 | |
| Less stable deposits | - | 501,988 | 113,787 | 80,423 | 634,621 | |
| Wholesale funding: | | | | | | |
| Other wholesale funding | - | 1,322,106 | 149,710 | 56,041 | 522,229 | |
| Other liabilities: | | | | | | |
| All other liabilities not included in the above categories | - | 67,695 | - | - | - | |
| Total ASF | 272,744 | 1,977,609 | 266,545 | 177,505 | 1,555,059 | |
| Required Stable Funding (RSF): | | | | | | |
| Total NSFR high-quality liquid assets (HQLA) | | | | | | |
| Performing financing and sukuk/ securities: | - | - | - | - | 29,612 | |
| Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions | - | 366,087 | 6,367 | 5,878 | 63,974 | |
| Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which: | - | 227,810 | 153,681 | 756,908 | 812,050 | |
| With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines | - | - | - | 110,335 | 71,718 | |
| Performing residential mortgages, of which: | - | - | - | 188,086 | 122,256 | |
| With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines | - | - | - | 188,086 | 122,256 | |
| Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities | - | 12,743 | - | 3,151 | 9,050 | |
| Other assets: | | | | | | |
| All other assets not included in the above categories | 241,383 | 5,809 | - | 30,018 | 274,306 | |
| OBS items | - | 188,333 | - | - | 9,417 | |
| Total RSF | 241,383 | 800,782 | 160,048 | 984,041 | 1,320,665 | |
| NSFR (%) | - | - | - | - | 117.75% | |

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.