

**Al Salam Bank B.S.C.**  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL INFORMATION**  
**31 March 2023**

Al Salam Bank B.S.C.

---

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the three months period ended 31 March 2023

**Table of contents**

<b>Independent auditors' report on review of condensed consolidated interim financial information</b>	<b>1</b>
<b>Condensed consolidated statement of financial position</b>	<b>2</b>
<b>Condensed consolidated income statement</b>	<b>3</b>
<b>Condensed consolidated statement of changes in owners equity</b>	<b>4</b>
<b>Condensed consolidated statement of cash flows</b>	<b>5</b>
<b>Notes to the condensed consolidated interim financial information</b>	<b>6-21</b>



KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower  
P O Box 710, Manama  
Kingdom of Bahrain

Telephone +973 17 224807  
Fax +973 17 227443  
Website: home.kpmg/bh  
CR No. 6220

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

## To the Board of Directors of

*Al Salam Bank B.S.C.  
Kingdom of Bahrain*

### Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of Al Salam Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2023;
- the condensed consolidated income statement for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2023;
- 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 FAS 41, "Interim Financial Reporting". 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 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

11 May 2023

# Al Salam Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

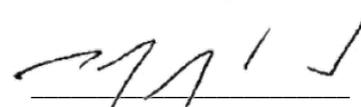
		<i>31 March</i>	<i>31 December</i>
		<b>2023</b>	2022
		<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>Note</i>	<b>BD '000</b>	<b>BD '000</b>
<b>ASSETS</b>			
Cash and balances with banks and central bank		<b>410,620</b>	367,747
Placements with financial institutions		<b>93,647</b>	113,096
Investment in sukuk	3	<b>892,045</b>	837,381
Financing assets	4	<b>2,070,139</b>	1,986,465
Non-trading investments		<b>106,855</b>	106,796
Takaful and related assets	6	<b>59,341</b>	51,690
Investment in real estate		<b>62,377</b>	62,462
Investment in associates	7	<b>269,956</b>	254,006
Other assets		<b>57,591</b>	67,720
Goodwill and other intangible assets		<b>51,680</b>	51,998
<b>TOTAL ASSETS</b>		<b>4,074,251</b>	<b>3,899,361</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST</b>			
<b>LIABILITIES</b>			
Placements from financial institutions and customers		<b>184,988</b>	187,724
Customers' current accounts		<b>549,218</b>	550,281
Murabaha term financing		<b>399,302</b>	320,989
Takaful and related liabilities	6	<b>98,641</b>	91,741
Other liabilities		<b>87,394</b>	78,798
<b>TOTAL LIABILITIES</b>		<b>1,319,543</b>	<b>1,229,533</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>			
Wakala from financial institutions	8	<b>376,563</b>	319,339
Wakala and mudaraba from customers	8	<b>2,032,444</b>	2,013,134
<b>TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>2,409,007</b>	<b>2,332,473</b>
<b>OWNERS' EQUITY</b>			
Share capital		<b>261,693</b>	249,231
Treasury shares		<b>(9,878)</b>	(12,021)
Share premium		<b>209</b>	209
Retained earnings		<b>17,121</b>	31,691
Reserves		<b>42,781</b>	34,141
<b>Total owners' equity</b>		<b>311,926</b>	<b>303,251</b>
Non-controlling interest		<b>33,775</b>	34,104
<b>TOTAL EQUITY</b>		<b>345,701</b>	<b>337,355</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST</b>			
		<b>4,074,251</b>	<b>3,899,361</b>



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 18 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 2023

		<i>31 March</i>	<i>31 March</i>
		<b>2023</b>	2022
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>Note</i>	<b>BD '000</b>	<b>BD '000</b>
<b>INCOME</b>			
Finance income		<b>32,520</b>	18,017
Income from sukuk		<b>10,764</b>	7,092
Loss from non-trading investments, net		<b>(18)</b>	(1,480)
Fees and commission, net		<b>2,201</b>	2,019
Share of profit from associates, net	7	<b>6,457</b>	448
Income from Takaful operations, net	9	<b>1,397</b>	-
Other income	10	<b>577</b>	742
<b>Total income</b>		<b>53,898</b>	26,838
Finance expense on placements from financial institutions		<b>(2,386)</b>	(792)
Finance expense on murabaha term financing		<b>(4,466)</b>	(471)
Return on equity of investment accountholders before Group's share as a mudarib and wakil		<b>(34,299)</b>	(16,621)
Group's share as a mudarib and wakil		<b>13,939</b>	7,501
Share of profit of investment accountholders		<b>(20,360)</b>	(9,120)
<b>Net income</b>		<b>26,686</b>	16,455
<b>EXPENSES</b>			
Staff cost		<b>6,605</b>	4,357
Premises cost		<b>698</b>	390
Depreciation and amortization		<b>650</b>	326
Other operating expenses		<b>5,493</b>	2,676
<b>Total expenses</b>		<b>13,446</b>	7,749
<b>PROFIT BEFORE IMPAIRMENT ALLOWANCES</b>		<b>13,240</b>	8,706
Net impairment charge on financing assets and investment	5	<b>(2,352)</b>	(2,190)
<b>NET PROFIT FOR THE PERIOD</b>		<b>10,888</b>	6,516
<b>ATTRIBUTABLE TO:</b>			
- Shareholders of the bank		<b>10,275</b>	6,512
- Non-controlling interest		<b>613</b>	4
		<b>10,888</b>	6,516
<b>Basic and diluted earnings per share (fils)</b>		<b>4.0</b>	2.6

  
 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 18 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS EQUITY

For the three months period ended 31 March 2023 (Reviewed)

Amounts in BD '000s

	Attributable to shareholders of the bank												
	Reserves											Total equity	
	Share capital	Treasury stock	Share premium	Retained earnings	Statutory reserve	Share grant scheme	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve	Total reserves	Total owners' equity		Non-controlling interest
<b>Balance at 1 January 2023</b>	<b>249,231</b>	<b>(12,021)</b>	<b>209</b>	<b>31,691</b>	<b>21,759</b>	<b>1,934</b>	<b>(8,643)</b>	<b>22,799</b>	<b>(3,708)</b>	<b>34,141</b>	<b>303,251</b>	<b>34,104</b>	<b>337,355</b>
Profit for the period	-	-	-	10,275	-	-	-	-	-	-	10,275	613	10,888
Movement in fair value, net	-	-	-	-	-	-	(292)	-	-	(292)	(292)	-	(292)
Movement in share of reserve of investment in associate	-	-	-	-	-	-	9,114	-	-	9,114	9,114	-	9,114
Movement in FX translation reserve	-	-	-	-	-	-	-	-	394	394	394	-	394
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,275</b>	<b>-</b>	<b>-</b>	<b>8,822</b>	<b>-</b>	<b>394</b>	<b>9,216</b>	<b>19,491</b>	<b>613</b>	<b>20,103</b>
Bonus shares issued	12,461	-	-	(12,461)	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2022	-	-	-	(12,359)	-	-	-	-	-	-	(12,359)	-	(12,359)
Shares allocated to staff during the period	-	2,143	-	(25)	-	(575)	-	-	-	(575)	1,543	-	1,543
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(942)	(942)
<b>Balance at 31 March 2023</b>	<b>261,692</b>	<b>(9,878)</b>	<b>209</b>	<b>17,121</b>	<b>21,759</b>	<b>1,359</b>	<b>179</b>	<b>22,799</b>	<b>(3,315)</b>	<b>42,782</b>	<b>311,926</b>	<b>33,775</b>	<b>345,701</b>
Balance at 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
Profit for the period	-	-	-	6,512	-	-	-	-	-	-	6,512	4	6,516
Movement in fair value, net	-	-	-	-	-	-	(3,787)	-	-	(3,787)	(3,787)	-	(3,787)
Foreign currency re-translation	-	-	-	-	-	-	-	-	(236)	(236)	(236)	-	(236)
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,512</b>	<b>-</b>	<b>-</b>	<b>(3,787)</b>	<b>-</b>	<b>(236)</b>	<b>(4,023)</b>	<b>2,489</b>	<b>4</b>	<b>2,493</b>
Bonus shares issued	7,259	-	-	(7,259)	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2021	-	-	-	(9,121)	-	-	-	-	-	-	(9,121)	-	(9,121)
Purchase of treasury shares	-	497	-	106	-	-	-	-	-	-	603	-	603
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	154	154
<b>Balance at 31 March 2022</b>	<b>249,231</b>	<b>(11,976)</b>	<b>209</b>	<b>9,769</b>	<b>18,600</b>	<b>-</b>	<b>5,745</b>	<b>22,865</b>	<b>(4,221)</b>	<b>42,989</b>	<b>290,222</b>	<b>666</b>	<b>290,888</b>

The attached notes 1 to 18 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 2023

	<i>31 March 2023 (Reviewed) BD '000</i>	<i>31 March 2022 (Reviewed) BD '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	10,888	6,516
Adjustments:		
Depreciation	650	326
Amortisation of premium on sukuk - net	136	532
Loss from non-trading investments	18	1,480
Net impairment charge	2,352	2,190
Share of results from associates	(6,457)	(448)
Operating income before changes in operating assets and liabilities	<u>7,587</u>	<u>10,596</u>
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with central bank	335	(133)
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	-	(2,047)
Financing assets	(86,783)	(37,889)
Takaful and related assets	(7,651)	-
Other assets	20,372	7,189
Placements from financial institutions and customers	(2,736)	(4,842)
Customers' current accounts	(1,063)	(9,072)
Takaful and related liabilities	6,900	-
Other liabilities	7,655	(6,061)
Equity of investment accountholders	76,534	(2,087)
<b>Net cash from / (used in) operating activities</b>	<u><b>21,149</b></u>	<u><b>(44,346)</b></u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of sukuk	(55,092)	(36,802)
Disposal of non-trading investments and real estate	26	1,701
Purchase of premises and equipment	(976)	(413)
<b>Net cash used in investing activities</b>	<u><b>(56,042)</b></u>	<u><b>(35,514)</b></u>
<b>FINANCING ACTIVITIES</b>		
Drawdown of murabaha term financing	78,313	32,766
Dividends paid	(12,359)	(9,121)
Purchase of treasury shares	-	603
Net movements in non-controlling interest	(942)	154
<b>Net cash from financing activities</b>	<u><b>65,013</b></u>	<u><b>24,402</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u><b>30,120</b></u>	<u><b>(55,458)</b></u>
Cash and cash equivalents at 1 January	<u><b>383,532</b></u>	<u><b>395,947</b></u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<u><b>413,652</b></u>	<u><b>340,489</b></u>
<b>Cash and cash equivalents comprise of:*</b>		
Cash and other balances with central bank	141,353	86,982
Balances with other banks **	178,568	170,219
Placements with financial institutions with original maturities of less than 90 days	93,731	83,288
	<u><b>413,652</b></u>	<u><b>340,489</b></u>

\* Cash and cash equivalents is gross of the expected credit loss of BD 302 thousand (2022: BD 207 thousand).

\*\* Balances with other banks is net of restricted cash of BD 1,918 thousand which is not available for day to day operations (2022: BD 5,013 thousand).

The attached notes 1 to 18 form part of the condensed consolidated interm financial information.

**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 and Commerce ("MOIC") 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 subsidiaries as follows:

Name of entity	Country of incorporation	Principal activities	% holding	
			2023	2022
Al Salam Bank- Seychelles	Seychelles	Provide Banking services	70.00%	70.00%
Solidarity Group Holding BSC (c)	Bahrain	Holding Company	55.91%	55.91%

The Bank and its principal banking subsidiary operates through 23 branches (2022: 23 branches) in the Kingdom of Bahrain and 1 branch (2022: 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 11 May 2023.

**2 BASIS OF PREPARATION AND PRESENTATION**

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI").

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 2022. 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 2022.

**2.1 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 2022.

**A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2023.****(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.

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. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group has adopted this standard and will provide the necessary additional disclosures in its annual financial statements.

## 2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ii) FAS 41 Interim financial reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023. The Group has adopted this standard for the basis of preparation of its condensed consolidated interim financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

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

#### (i) 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 2024 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 Quassi 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 and 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 statement in line with the wider market practice.

#### (ii) FAS 40 Financial Reporting for Islamic Financing Windows

This standard requires conventional financial institutions offering Islamic financial services through an Islamic financing window to prepare and present the financial statements of Islamic finance window in line with the requirements of this standard, read with other AAOIFI FAS's. This standard provides principles of financial reporting including the presentation and disclosure requirements applicable to Islamic finance windows.

This standard supersedes FAS 18 – Islamic financial services offered by Conventional Financial Institutions and is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

#### (iii) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Takaful Companies and introduces following key changes:

- a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
- b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));

## 2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (iii) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

- c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
- d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
- e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
- f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

Based on management assessment for the insurance portfolio of the insurance subsidiary, this standard is not expected to have a material impact on the consolidated financial statements of the Group.

#### (iii) FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Takaful Companies; FAS 15 – Provisions and Reserves in Islamic Takaful Companies and FAS 19 – Contributions in Islamic Takaful Companies introduces following key changes:

- a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
- b) the principal accounting treatments in respect of Takaful arrangements have been aligned with the globally generally accepted accounting principles and newer regulatory requirements (where applicable);
- c) new accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;
- d) accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;
- e) new definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
- f) accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, eg. Accounting for Wakala fees an Qard Hassan.

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

- 1) A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or
- 2) A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or
- 3) A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cashflows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

Based on management assessment for the insurance portfolio of the insurance subsidiary, this standard is not expected to have a material impact on the consolidated financial statements of the Group.

## 2.2 SHARE CAPITAL

The shareholders in their Annual General Meeting held on 20 March 2023 approved to issue 124,615,721 bonus shares of BD 12,462 thousand representing 5% of issued share capital and approved a cash dividends of BD 12,359 thousand (2022: BD 7,259 thousand) being 5 fils per share or 5% of the par value of BD 0.100 per share excluding treasury shares. The total outstanding shares as of 31 March 2023 were 2,616,930,150 shares (December 2022: 2,492,314,429 shares). The calculation of basic and diluted earnings per share for previous period has also been adjusted to reflect the impact of bonus shares.

During the period, 124,615,721 shares of BD 2,143 thousand were allocated to staff under the LTIP scheme.

As at 31 March 2023

**3 INVESTMENT IN SUKUK**

	31 March 2023		
	<i>Sovereign Sukuk</i>	<i>Corporate Sukuk</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Carried at FVTE</b>			
At 1 January 2023	210,846	15,772	226,618
Purchases	29,963	8,205	38,168
Sale / redemption	(18,109)	-	(18,109)
Fair value movement	(9)	(283)	(292)
Profit accrual / Dividend	421	153	574
Closing balance	223,112	23,847	246,959

This includes sukuk with carrying value of BD 109,299 thousand (2022: BD 76,360 thousand) which are pledged against murabaha term financing.

	31 March 2023		
	<i>Sovereign Sukuk</i>	<i>Corporate Sukuk</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Carried at Amortised cost</b>			
At 1 January 2023	586,331	24,433	610,764
Purchases	27,759	11,584	39,343
Redemption	(4,620)	(614)	(5,234)
Impairment / reversal	(315)	(205)	(520)
Write-off	(1)	-	(1)
Amortisation	(79)	(26)	(105)
Profit accrual / Dividend	826	13	839
Closing balance	609,901	35,185	645,086
	833,013	59,032	892,045

Sukuk with carrying value of BD 16,836 thousand (2022: BD 16,182 thousand) treated as equity sukuk.

<b>Breakup of Sukuk by type</b>	2023	2022
	<i>BD '000</i>	<i>BD '000</i>
Sovereign Sukuk	833,013	797,177
Corporate Sukuk	59,032	40,204
Closing balance	892,045	837,381

This includes sukuk with carrying value of BD 326,660 thousand (2022: 332,242) which are pledged against murabaha term financing.

**Breakup of Sukuk by rating**

	2023	2022
	<i>BD '000</i>	<i>BD '000</i>
Investment grade (AAA - BBB+)	24,202	22,712
High Yielding (Below BBB-)	3,523	840
Un-rated Sukuk	31,572	16,759
Allowance for credit losses	(265)	(107)
	59,032	40,204

**4 FINANCING ASSETS**

	31 March 2023 (Reviewed)				
	<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>POCI</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Finance lease assets	722,137	30,565	14,091	5,440	772,233
Murabaha financing	597,551	38,227	21,392	4,030	661,200
Mudaraba financing	606,612	28,015	8,704	-	643,331
Musharaka financing	27,343	-	276	-	27,619
Credit cards	12,768	349	1,219	-	14,336
<b>Total financing assets</b>	1,966,411	97,156	45,682	9,470	2,118,719
Allowance for credit losses (note 6)	(16,426)	(10,780)	(20,939)	(435)	(48,580)
	1,949,985	86,376	24,743	9,035	2,070,139

As at 31 March 2023

**4 FINANCING ASSETS (continued)**

	<i>31 December 2022 (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>POCI</i>	<i>Total</i>
		<i>BD '000</i>	<i>BD '000</i>		
Finance lease assets	703,638	42,296	10,843	4,151	760,928
Murabaha financing	629,700	35,664	18,708	5,774	689,846
Mudaraba financing	507,456	23,699	8,555	-	539,710
Musharaka financing	14,725	14,921	276	-	29,922
Credit cards	13,075	456	1,464	-	14,995
Total financing assets	1,868,594	117,036	39,846	9,925	2,035,401
Allowance for credit losses	(17,309)	(12,290)	(19,337)	-	(48,936)
	<b>1,851,285</b>	<b>104,746</b>	<b>20,509</b>	<b>9,925</b>	<b>1,986,465</b>

The POCI assets are currently carried at 42% compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) have an effective loss coverage of 50% compared to their original contractual outstanding amounts.

Murabaha financing is reported net of deferred profits of BD 23,275 thousand (2022: BD 71,281 thousand).

**5 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT**

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

	<i>31 March 2023 (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>POCI</i>	<i>Total</i>
		<i>BD '000</i>	<i>BD '000</i>		
<b>Balance at the beginning of the period</b>	<b>18,257</b>	<b>12,327</b>	<b>27,150</b>	<b>-</b>	<b>57,734</b>
<b>Changes due to receivables recognised in opening balance that have:</b>					
- transferred to Stage 1: 12 month ECL	2,596	(2,596)	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(1,459)	1,806	(347)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(279)	(279)	558	-	-
Net movement of loss allowance	(1,581)	(330)	3,455	435	1,979
Recoveries / write-backs	-	-	(384)	-	(384)
<b>Allowance for credit losses</b>	<b>(723)</b>	<b>(1,399)</b>	<b>3,282</b>	<b>435</b>	<b>1,595</b>
Exchange adjustments and other transfers on settlement	-	-	(33)	-	(33)
Amounts written off during the period	-	-	-	-	-
<b>Balance at the end of the period</b>	<b>17,534</b>	<b>10,928</b>	<b>30,399</b>	<b>435</b>	<b>59,296</b>

	<i>31 March 2023 (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>POCI</i>	<i>Total</i>
		<i>BD '000</i>	<i>BD '000</i>		
Cash and balances with banks and central bank	218	-	-	-	218
Placements with financial institutions	78	6	-	-	84
Sovereign sukuk	431	-	-	-	431
Corporate sukuk	261	-	-	-	261
Financing assets	16,426	10,780	20,939	435	48,580
Loans and advances to customers					
- Assets under conversion	1	-	3,875	-	3,876
- Other receivables	31	-	4,995	-	5,026
Financing commitments and financial guarantee	88	142	590	-	820
	<b>17,534</b>	<b>10,928</b>	<b>30,399</b>	<b>435</b>	<b>59,296</b>

As at 31 March 2023

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

Net impairment charge on financial assets and investment for the period	31 March	31 March
	2023	2022
	BD '000	BD '000
Net impairment charge on investment	757	838
Net impairment charge on financial assets	1,595	1,352
	<b>2,352</b>	<b>2,190</b>

31 March 2022 (Reviewed)

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total
	BD '000	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 movement 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	<b>13,857</b>	<b>8,753</b>	<b>21,653</b>	<b>-</b>	<b>44,263</b>

31 March 2022 (Reviewed)

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total
	BD '000	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	12,709	8,695	13,935	-	35,339
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 contrac	506	57	280	-	843
	<b>13,857</b>	<b>8,753</b>	<b>21,653</b>	<b>-</b>	<b>44,263</b>

**6 TAKAFUL ASSETS AND LIABILITIES**

	31 March	31 December
	2023	2022
	(Reviewed)	(Audited)
	BD '000	BD '000
Retakaful share of outstanding claims	7,862	6,837
Retakaful share of unearned contribution	19,320	16,275
Takaful and other receivables	32,159	28,578
<b>Takaful assets</b>	<b>59,341</b>	<b>51,690</b>
Outstanding claims	24,327	23,600
Unearned contributions and other reserves	44,986	39,614
Unearned commission	755	636
Takaful and other payable	28,573	27,891
<b>Takaful liabilities</b>	<b>98,641</b>	<b>91,741</b>

## Al Salam Bank B.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

As at 31 March 2023

#### 7 INVESTMENT IN ASSOCIATES, NET

The Group has a 37.43% (2022: 37.43%) stake in Al Salam Bank Algeria ("ASBA"), an Islamic commercial bank incorporated in Algeria. The Group has representation on the board of ASBA through which the Bank exercises significant influence on ASBA.

The Group has a 20.94% (2022: 20.94%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya in August 2006, licensed by the Central Bank of Kenya.

During 2022, as part of its acquisition of the retail business of Ithmaar Holding, the Group acquired economic interests in a sharia compliant financing arrangement provided to FINCORP W.L.L (formerly Al Salam International W.L.L. ("ASI")), who is the holder of 26.19% stake in Bank of Bahrain and Kuwait B.S.C. ("BBK"), a retail bank incorporated in Bahrain and licensed by the Central Bank of Bahrain. FINCORP W.L.L's investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. The Bank or its investment accountholders do not directly participate in the underlying business activities of FINCORP W.L.L and are not legal owners of its underlying assets. The returns generated by the Bank are to the extent of the profit and the respective repayment, if any, generated from the sharia compliant financing arrangement only. As per the requirements of the financial accounting standards, the effective economic interest of this arrangement is recognized in these financial statements.

	<i>31 March</i> <b>2023</b> <i>(Reviewed)</i>	<i>31 December</i> <b>2022</b> <i>(Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Balance at the beginning of the period	<b>254,006</b>	14,533
Acquisitions during the period	-	217,820
Additional stake acquired during the period	-	19,897
Share of profits	<b>6,457</b>	9,329
Share of other changes in equity	<b>9,114</b>	(7,412)
Foreign exchange differences	<b>379</b>	(161)
<b>Balance at end of the period</b>	<b>269,956</b>	254,006

Following the summary of financial information of the Group's material investment in associates, which is adjusted for changes in accounting policies and fair value adjustments on acquisition.

Reconciliation of financial information to carrying value of Group's interest in BBK.

	<b>Indirect exposure BBK</b> <i>BD '000</i>
Group's holding	<b>26.19%</b>
Total assets	<b>3,790,469</b>
Total liabilities	<b>3,154,900</b>
Net assets (100%)	<b>635,569</b>
Group's share of recognised net assets	<b>166,456</b>
Acquisition accounting related adjustments	<b>65,202</b>
<b>Carrying amount of interest in associate</b>	<b>231,658</b>
Revenue	<b>138,200</b>
Profit (100%)	<b>19,222</b>
Other change in equity (comprehensive income)	<b>34,800</b>
Total comprehensive income (100%)	<b>153,778</b>
Group's share of profits	<b>5,034</b>
Group's share of other changes in equity	<b>9,114</b>

The market value of BBK stood at BD 210.6 million as at 31 March 2023. The values for disclosure purposes were determined using market value per share and were not adjusted for any holding of account related adjustments.

For other associates based on the summarized financial statements the Group's share of profit were BD 1,307 thousand, BD 104 thousand and BD 12 thousand, respectively.

As at 31 March 2023

**8 EQUITY OF INVESTMENT ACCOUNTHOLDERS (EIAH)**

Equity of investment accountholders comprise:

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Wakala from financial institutions	<b>376,563</b>	319,339
Wakala from customers	<b>2,032,444</b>	2,013,134
	<b>2,409,007</b>	2,332,473

The Group utilizes the funds from EIAH to finance assets.

Asset in which EIAH funds are invested:

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>
<b>Asset</b>	<i>BD '000</i>	<i>BD '000</i>
Mandatory reserve with central bank	<b>92,172</b>	92,507
Cash and other balances with central bank	<b>25,035</b>	40,693
Placements with financial institutions	<b>93,731</b>	113,170
Investment in associate	<b>231,658</b>	217,509
Financing assets	<b>1,966,411</b>	1,868,594
	<b>2,409,007</b>	2,332,473

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 2023 was 3.52% (2022: 2.29%).

**9 INCOME FROM TAKAFUL OPERATIONS, NET**

	<i>31 March 2023 (Reviewed)</i>	<i>31 March 2022 (Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Net contribution earned	<b>10,497</b>	-
Net commission earned	<b>1,108</b>	-
	<b>11,605</b>	-
Less: Net claims incurred	<b>7,994</b>	-
Less: General & Administrative Expenses – Takaful operations	<b>2,214</b>	-
Income from Takaful operations, net	<b>1,397</b>	-

**10 OTHER INCOME**

	<i>31 March 2023 (Reviewed)</i>	<i>31 March 2022 (Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gains	<b>232</b>	167
Recoveries	<b>111</b>	711
Others	<b>214</b>	(33)
Income/ Loss from properties	<b>20</b>	(103)
	<b>577</b>	742

As at 31 March 2023

**11 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.

The balances with related parties at 31 March 2023 and 31 December 2022 were as follows:

	<i>31 March 2023 (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>
<b>Assets:</b>					
Cash and balances with banks and central bank	-	5,144	-	-	5,144
Financing assets	19,721	8,512	1,936	1,426	31,595
Non trading investments	72,632	-	-	-	72,632
Investment in associates	269,956	-	-	-	269,956
Other assets	6,387	44	-	27	6,458
<b>Liabilities and equity of investment accountholders:</b>					
Placements from financial institutions	-	1,682	-	-	1,682
Customers' current accounts	1,909	1,853	3,963	797	8,522
Equity of investment accountholders	1,002	4,116	6,652	1,653	13,423
Other liabilities	19	-	1,129	15	1,163
Contingent liabilities and commitments	-	37	151	-	188

	<i>31 December 2022 (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>
<b>Assets:</b>					
Cash and balances with banks and central bank	-	120	-	-	120
Financing assets	19,279	8,371	2,079	1,681	31,410
Non trading investments	71,639	-	-	-	71,639
Investment in associates	254,006	-	-	-	254,006
Other assets	6,789	-	-	-	6,789
<b>Liabilities and equity of investment accountholders:</b>					
Placements from financial institutions	-	1,240	-	-	1,240
Customers' current accounts	2,907	2,208	3,466	865	9,446
Equity of investment accountholders	300	4,913	7,119	2,917	15,249
Other liabilities	19	-	27	12	58
Contingent liabilities and commitments	-	-	148	-	148

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

	<i>31 March 2023 (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>
<b>Income:</b>					
Finance income	326	235	34	12	607
Share of profit from associates	6,457	-	-	-	6,457
<b>Expenses:</b>					
Finance expense on placements from financial institutions	-	30	-	-	30
Share of profits on equity of investment accountholders	5	69	67	21	162
Other operating expenses	-	-	-	367	367
Impairment Allowance	(757)	-	-	-	(757)

**11 RELATED PARTY TRANSACTIONS (continued)**

	<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	15	3	2	2	22
Income from sukuk	-	-	37	-	37
Income from non-trading investments, net	119	-	-	-	119
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
Impairment Allowance	(685)	-	(153)	-	(838)

**12 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
	<b>Contingent liabilities on behalf of customers</b>	
Guarantees	<b>61,782</b>	60,217
Letters of credit	<b>14,182</b>	12,611
Acceptances	<b>642</b>	1,254
	<b>76,606</b>	74,082
<b>Unutilised commitments</b>		
Unutilised financing commitments	<b>159,441</b>	196,652
Unutilised non-funded commitments	<b>5,729</b>	4,912
	<b>165,170</b>	201,564

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.

**13 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 2023 (Reviewed)</i>		<i>31 December 2022 (Audited)</i>	
	<b>Notional Amount</b>	<b>Fair Value</b>	Notional Amount	Fair Value
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>FX Wa'ad instruments</b>				
Assets position	<b>20,738</b>	<b>1,111</b>	62,926	1,247
Liabilities position	<b>16,938</b>	<b>825</b>	14,509	440

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

As at 31 March 2023

**14 SEGMENT INFORMATION****Primary segment information**

For management purposes, the Group is organised into the following primary 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 in Bahrain and through the Bank's subsidiary in Seychelles. Banking segment also includes the Group's investments in banking associates which are allocated as assets attributable to the jointly financed pool of investment accountholders. Other overseas associate investments form part of the investment segment.

**Treasury**

Principally handling Shari'a compliant money market, trading, fixed income products and treasury services including short-term commodity murabaha.

**Investments**

Principally the Group's proprietary portfolio and asset management services to clients with a range of investment products, funds and alternative investments. These also include the Group's investment in certain associates and joint ventures.

**Takaful**

Represents the Group's investment in Solidarity Group Holding BSC (c) which is primarily involved in the business of offering Shari'a compliant takaful contracts. These comprise motor, non-motor, medical, group life and family takaful products. All activities of this business including its investment activities are reported under this segment as they are managed together along with the Takaful business.

Transactions between banking and other 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 2023 (Reviewed)</i>					
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Takaful</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>	<i>BD '000</i>
Finance income	30,339	1,643	213	325	-	32,520
Income from sukuk	-	10,527	-	237	-	10,764
Income from non-trading investments, net	-	-	(340)	322	-	(18)
Fees and commission, net	1,921	261	19	-	-	2,201
Share of profit from associates, net	5,034	-	1,411	12	-	6,457
Income from Takaful operations, net	-	-	-	1,397	-	1,397
Other income	18	341	172	46	-	577
Finance expense on placements from financial institutions	(78)	(2,308)	-	-	-	(2,386)
Finance expense on murabaha term financing	-	(4,466)	-	-	-	(4,466)
Return on equity of investment accountholders	(16,408)	(3,795)	(157)	-	-	(20,360)
<b>Net operating income</b>	<b>20,826</b>	<b>2,203</b>	<b>1,318</b>	<b>2,339</b>	<b>-</b>	<b>26,686</b>
Staff cost	4,156	1,340	1,109	-	-	6,605
Premises cost & depreciation	616	229	503	-	-	1,348
Other operating expenses	2,296	888	1,063	1,246	-	5,493
<b>Operating income before impairment allowances</b>	<b>13,758</b>	<b>(254)</b>	<b>(1,357)</b>	<b>1,093</b>	<b>-</b>	<b>13,240</b>
Net impairment charge	(1,520)	(350)	(482)	-	-	(2,352)
<b>Segment result</b>	<b>12,238</b>	<b>(604)</b>	<b>(1,839)</b>	<b>1,093</b>	<b>-</b>	<b>10,888</b>
<b>Segment assets</b>	<b>2,265,088</b>	<b>1,347,896</b>	<b>317,159</b>	<b>59,340</b>	<b>84,768</b>	<b>4,074,251</b>
<b>Segment liabilities, and equity</b>	<b>2,425,580</b>	<b>1,106,346</b>	<b>23,916</b>	<b>98,641</b>	<b>74,067</b>	<b>3,728,550</b>

Goodwill and other intangibles include BD 45,076 thousand (2022: BD 45,076 thousand) allocated from prior acquisitions within the banking segment and BD 7,557 thousand (2022: 7,557 thousand) attributable to the Takaful segment.

**14 SEGMENT INFORMATION (continued)**

	31 March 2022 (Reviewed)					
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Takaful</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>	<i>BD '000</i>
Finance income	17,665	352	-	-	-	18,017
Income from sukuk	-	7,092	-	-	-	7,092
Income from non-trading investments, net	-	-	(1,480)	-	-	(1,480)
Fees and commission, net	1,249	769	1	-	-	2,019
Share of profit from associates, net	-	-	448	-	-	448
Income from Takaful operations, net	-	-	-	-	-	-
Other income	582	263	(103)	-	-	742
Finance expense on placements from financial institutions	-	(792)	-	-	-	(792)
Finance expense on murabaha term financing	-	(471)	-	-	-	(471)
Return on equity of investment accountholders	(7,755)	(1,221)	(144)	-	-	(9,120)
Net operating income	11,741	5,992	(1,278)	-	-	16,455
Staff cost	2,790	1,027	540	-	-	4,357
Premises cost & depreciation	436	165	115	-	-	716
Other operating expenses	1,589	663	424	-	-	2,676
<i>Operating income before impairment allowances</i>	<i>6,926</i>	<i>4,137</i>	<i>(2,357)</i>	<i>-</i>	<i>-</i>	<i>8,706</i>
Net impairment charge	(1,104)	(248)	(838)	-	-	(2,190)
Segment result	5,822	3,889	(3,195)	-	-	6,516

Segment information for the year ended 31 December 2022 (Audited) was as follows:

Segment assets	2,224,708	1,286,557	229,699	51,738	106,659	3,899,361
Segment liabilities, and equity	2,415,880	937,770	21,971	91,791	94,594	3,562,006

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.

**15 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>
Sovereign sukuk at fair value through equity	101,733	121,379	-	223,112
Corporate sukuk at fair value through equity	23,496	351	-	23,847
Equity securities at fair value through income statement	11,628	302	82,178	94,108
Equity securities at fair value through equity	9,931	-	2,816	12,747
FX Wa'ad assets position	-	1,111	-	1,111
	146,788	123,143	84,994	354,925
FX Wa'ad liabilities position	-	825	-	825
	-	825	-	825

As at 31 March 2023

**15 FAIR VALUE HIERARCHY (continued)****31 December 2022 (Audited)**

	<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>
Sovereign sukuk	73,071	139,635	-	212,706
Corporate sukuk	15,423	350	-	15,773
Investment securities at fair value through income statement	11,898	302	82,915	95,115
Investment securities at fair value through equity	8,881	-	2,800	11,681
FX Wa'ad assets position	-	1,247	-	1,247
	<u>109,273</u>	<u>141,534</u>	<u>85,715</u>	<u>336,522</u>
FX Wa'ad liabilities position	-	440	-	440
	<u>-</u>	<u>440</u>	<u>-</u>	<u>440</u>

**Financial instruments measured at amortized cost****31 March 2023 (Reviewed)**

	<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>
Sovereign sukuk at amortized cost	<b>526,350</b>	<b>83,549</b>	-	<b>609,899</b>
Corporate sukuk at amortized cost	<b>21,034</b>	-	<b>14,153</b>	<b>35,187</b>
	<u><b>547,384</b></u>	<u><b>83,549</b></u>	<u><b>14,153</b></u>	<u><b>645,086</b></u>

**31 December 2022 (Audited)**

	<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>
Sovereign sukuk at amortized cost	496,936	87,535	-	584,471
Corporate sukuk at amortized cost	10,118	-	14,313	24,431
	<u>507,054</u>	<u>87,535</u>	<u>14,313</u>	<u>608,902</u>

The fair value of sukuk carried at amortized cost is BD 625,649 thousand (2022: BD579,528 thousand).

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

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
At 1 January	<b>85,715</b>	87,173
Transferred from Solidarity	-	2,805
Purchases	<b>34</b>	49
Disposals	<b>(43)</b>	(23)
Fair value changes	<b>(712)</b>	(275)
Impairment	-	(4,014)
	<u><b>84,994</b></u>	<u>85,715</u>

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

<b>Valuation technique used</b>	<b>Key unobservable inputs</b>	<b>Fair value at 31 March 2023</b>	<b>Reasonable possible shift</b>	<b>Increase / (decrease) in valuation</b>
		<b>BD'000</b>	<b>+/- (in average input)</b>	
Asset Valuation	Underlying real estate	105,042	+/- 5%	5,235 / (5,235)

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

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
At 1 January	<b>14,185</b>	-
Reclassified from FVTE	-	11,774
Additions	<b>(32)</b>	2,539
	<u><b>14,153</b></u>	<u>14,313</u>

As at 31 March 2023

**15 FAIR VALUE HIERARCHY (continued)**

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.

**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 2023 and 31 December 2022 due to their short term nature.

**16 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 2022.

**17 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 March 2023 and 31 December 2022, is as follows:

	<i>Total weighted value BD'000</i>	
	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>
Stock of HQLA	584,832	538,323
Net cashflows	312,604	219,621
LCR %	191.57%	251.40%
Minimum required by CBB	100%	100%

**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.

<b>BD'000</b>	<i>As at</i>	
	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>
CET 1 Capital before regulatory adjustments	302,912	302,173
Less: regulatory adjustments	36,278	34,562
CET 1 Capital after regulatory adjustments	266,634	267,611
AT 1 Capital	46	44
T 2 Capital adjustments	51,322	38,415
<b>Regulatory Capital</b>	<b>318,002</b>	<b>306,070</b>
<b>Risk weighted exposure:</b>		
Credit Risk Weighted Assets	1,174,723	1,244,559
Market Risk Weighted Assets	39,390	38,237
Operational Risk Weighted Assets	137,610	113,494
<b>Total Regulatory Risk Weighted Assets</b>	<b>1,351,723</b>	<b>1,396,290</b>
Total Adjusted Risk Weighted Exposures	1,351,723	1,396,290
<b>Capital Adequacy Ratio</b>	<b>23.53%</b>	<b>21.92%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>19.73%</b>	<b>19.17%</b>
Minimum required by CBB	12.50%	12.50%

As of 31 March 2023, aggregate of modification loss of BD 16,512 thousand (2022: BD 24,768 thousand) has been added back to Tier 1 capital.

As at 31 March 2023

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

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

**3) 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%.

The NSFR (as a percentage) as at 31 March 2023 is calculated as follows:

Item	<i>BD'000</i>				
	<i>Unweighted Values (before applying relevant factors)</i>				<i>Total weighted value</i>
	<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>	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	287,874	-	-	51,322	339,197
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	328,631	20,368	13,263	344,812
Less stable deposits	-	789,697	304,603	200,085	1,184,956
<b>Wholesale funding:</b>					
Other wholesale funding	-	1,584,550	194,554	90,425	486,045
<b>Other liabilities:</b>					
All other liabilities not included in the above categories	-	112,559	-	-	-
<b>Total ASF</b>	<b>287,874</b>	<b>2,815,437</b>	<b>519,525</b>	<b>355,095</b>	<b>2,355,010</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	35,772
<b>Performing financing and sukuk/ securities:</b>					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	267,066	92	5,787	45,893
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	402,891	189,643	1,083,674	1,190,997
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	131,964	85,777
Performing residential mortgages, of which:	-	-	-	358,459	232,998
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	358,459	232,998
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,248	12,814	5,975	21,109
<b>Other assets:</b>					
All other assets not included in the above categories	566,208	15,873	-	104,030	678,174
OBS items	-	241,244	-	-	12,062
<b>Total RSF</b>	<b>566,208</b>	<b>946,322</b>	<b>202,549</b>	<b>1,557,925</b>	<b>2,217,005</b>
<b>NSFR (%)</b>	-	-	-	-	<b>106.22%</b>

As at 31 March 2023

**17 REGULATORY RATIOS (continued)****3) Net Stable funding Ratio (continued)**

The NSFR (as a percentage) as at 31 December 2022 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	
<u>Available Stable Funding (ASF):</u>						
Capital:						
Regulatory Capital	279,592	-	-	38,415	318,007	
Retail deposits and deposits from small business customers:						
Stable deposits	-	315,809	21,822	15,879	336,629	
Less stable deposits	-	936,116	233,070	133,844	1,186,111	
Wholesale funding:						
Other wholesale funding	-	1,452,526	184,892	87,198	473,702	
Other liabilities:						
All other liabilities not included in the above categories	-	51,422	-	46,593	46,593	
Total ASF	279,592	2,755,873	439,784	321,929	2,361,042	
<u>Required Stable Funding (RSF):</u>						
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	34,634	
Performing financing and sukuk/ securities:						
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	285,379	-	6,496	49,302	
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	357,123	154,489	1,222,473	1,268,029	
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	134,393	87,356	
Performing residential mortgages, of which:	-	-	-	221,246	143,810	
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	221,246	143,810	
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	12,236	2,458	12,357	17,850	
Other assets:						
All other assets not included in the above categories	557,037	14,025	-	88,124	652,174	
OBS items	-	275,333	-	-	13,767	
Total RSF	557,037	944,096	156,947	1,550,696	2,179,566	
NSFR (%)	-	-	-	-	108.33%	

**18 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.