

**Al Salam Bank B.S.C.**  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL INFORMATION**  
**30 June 2024**

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

## To the Board of Directors

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

### Introduction

We have reviewed the accompanying 30 June 2024 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 30 June 2024;
- the condensed consolidated statement of income for the three-month and six-month periods ended 30 June 2024;
- the condensed consolidated statement of total comprehensive income for the three-month and six-month periods ended 30 June 2024;
- the condensed consolidated statement of income and attribution related to quasi-equity for the three-month and six-month periods ended 30 June 2024;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2024;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2024;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the six-month period ended 30 June 2024; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group 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 30 June 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

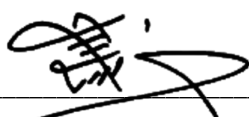
13 August 2024

# Al Salam Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

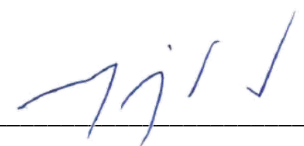
		30 June 2024 (Reviewed) BD '000	31 December 2023 (Audited) BD '000
<b>ASSETS</b>			
Cash and balances with banks and central bank		668,513	537,874
Placements with financial institutions		436,007	293,580
Investment in sukuk	3	1,277,140	1,002,839
Financing contracts	4	3,690,623	2,676,460
Non-trading investments		106,263	100,060
Takaful and related assets	6	26,379	67,370
Investment in real estate		128,408	78,070
Investment in associates	7	237,863	231,484
Other assets		125,692	81,228
Goodwill and other intangible assets		206,517	78,145
<b>TOTAL ASSETS</b>		<b>6,903,405</b>	<b>5,147,110</b>
<b>LIABILITIES, QUASI-EQUITY, OWNERS' EQUITY AND NON-CONTROLLING INTEREST</b>			
<b>LIABILITIES</b>			
Placements from financial institutions and individuals		207,148	136,511
Murabaha term financing		466,810	510,848
Customers' current accounts		1,326,570	1,066,031
Takaful and related liabilities	6	75,458	114,493
Other liabilities		129,566	106,192
<b>TOTAL LIABILITIES</b>		<b>2,205,552</b>	<b>1,934,075</b>
<b>QUASI-EQUITY</b>			
Wakala from financial institutions	8	742,403	379,768
Wakala and mudaraba from customers	8	3,464,931	2,424,617
<b>TOTAL QUASI-EQUITY</b>		<b>4,207,334</b>	<b>2,804,385</b>
<b>OWNERS' EQUITY</b>			
Share capital	2.2	274,778	261,693
Treasury stock		(10,168)	(6,799)
Employees incentive scheme shares		(6,617)	(8,770)
Share premium		209	209
Retained earnings		38,454	44,348
Reserves		57,746	46,722
<b>Equity attributable to the parents' shareholders</b>		<b>354,402</b>	<b>337,403</b>
Subordinated Mudaraba (AT1)	2.2	62,175	-
<b>Equity attributable to owners of the parent</b>		<b>416,577</b>	<b>337,403</b>
Non-controlling interest		73,942	71,247
<b>TOTAL OWNERS' EQUITY</b>		<b>490,519</b>	<b>408,650</b>
<b>TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY</b>		<b>6,903,405</b>	<b>5,147,110</b>



H.E. Shaikh Khalid bin Mustahil Al Mashani  
Chairman



Matar Mohamed Al Blooshi  
Deputy Chairman



Rafik Nayed  
Group Chief Executive Officer

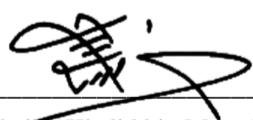
The attached notes 1 to 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months period ended 30 June 2024

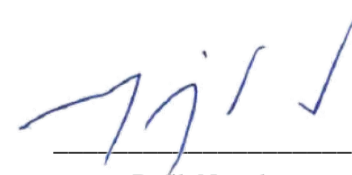
	<i>Three months ended</i>	<i>Three months ended</i>	<i>Six months ended</i>	<i>Six months ended</i>
	<i>30 June 2024 (Reviewed)</i>	<i>30 June 2023 (Reviewed)</i>	<i>30 June 2024 (Reviewed)</i>	<i>30 June 2023 (Reviewed)</i>
<i>Note</i>			<i>BD '000</i>	<i>BD '000</i>
<b>INCOME</b>				
Income from financing contracts	<b>70,520</b>	44,510	<b>121,017</b>	77,030
Income from investment in sukuk	<b>17,737</b>	11,652	<b>31,805</b>	22,417
Finance expense on placements from financial institutions	<b>(3,243)</b>	(3,011)	<b>(5,203)</b>	(5,397)
Finance expense on murabaha term financing	<b>(6,947)</b>	(5,647)	<b>(13,955)</b>	(10,112)
<b>Income from jointly financed assets</b>	<b>78,067</b>	47,504	<b>133,664</b>	83,938
Income from securities	<b>(160)</b>	7,966	<b>340</b>	7,948
Fees and commission, net	<b>6,292</b>	4,615	<b>11,624</b>	6,816
Share of profit from associates	<b>5,148</b>	5,175	<b>9,965</b>	11,632
Income from Takaful operations, net	<b>1,940</b>	2,400	<b>2,694</b>	3,797
Other income	<b>2,911</b>	831	<b>4,602</b>	1,407
<b>Total income</b>	<b>94,198</b>	68,491	<b>162,889</b>	115,538
<b>EXPENSES</b>				
Staff cost	<b>11,940</b>	8,702	<b>20,930</b>	15,307
Other operating expenses	<b>15,555</b>	9,795	<b>25,637</b>	16,637
<b>Total expenses</b>	<b>27,495</b>	18,497	<b>46,567</b>	31,944
<b>Profit before impairment allowances, taxes and attribution to quasi-equity</b>	<b>66,703</b>	49,994	<b>116,322</b>	83,594
Net impairment charge on financing contracts, investments and other assets	<b>(5,958)</b>	(12,847)	<b>(8,989)</b>	(15,199)
<b>Profit before taxes and attribution to quasi-equity</b>	<b>60,745</b>	37,147	<b>107,333</b>	68,395
Tax for the period	<b>(1,220)</b>	(1,181)	<b>(2,784)</b>	(1,181)
<b>Profit before attribution to quasi-equity</b>	<b>59,525</b>	35,966	<b>104,549</b>	67,214
Income attributable to quasi-equity	<b>(43,229)</b>	(24,986)	<b>(71,990)</b>	(45,346)
<b>PROFIT FOR THE PERIOD</b>	<b>16,296</b>	10,980	<b>32,559</b>	21,868
<b>ATTRIBUTABLE TO:</b>				
- Owners of Parent	<b>14,286</b>	10,279	<b>28,292</b>	20,554
- Non-controlling interest	<b>2,010</b>	701	<b>4,267</b>	1,314
	<b>16,296</b>	10,980	<b>32,559</b>	21,868
<b>Basic and diluted earnings per share (fils)</b>	<b>5.0</b>	3.8	<b>10.0</b>	7.6



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 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the six months period ended 30 June 2024

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Six months ended</i>	<i>Six months ended</i>
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Profit for the period	<b>16,296</b>	10,980	<b>32,559</b>	21,868
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently income statement</b>				
Fair value changes on investments carried at fair value through OCI	<b>(2,915)</b>	(30)	<b>4,013</b>	(322)
Movement in share of reserve of investment in associate (Quasi-equity)	<b>1,290</b>	(6,730)	<b>5,009</b>	2,384
Movement in FX translation reserve	<b>1,058</b>	2,729	<b>2,812</b>	3,123
<i>Total other comprehensive income for the period</i>	(567)	(4,031)	11,834	5,185
<b>Total comprehensive income</b>	<b>15,729</b>	6,949	<b>44,393</b>	27,053
<b>ATTRIBUTABLE TO:</b>				
- Owners of Parent	<b>13,628</b>	6,248	<b>39,839</b>	25,739
- Non-controlling interest	<b>2,101</b>	701	<b>4,554</b>	1,314

The attached notes 1 to 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

for the six months period ended 30 June 2024

	<i>Three months ended 30 June 2024 (Reviewed)</i>	<i>Three months ended 30 June 2023 (Reviewed)</i>	<i>Six months ended 30 June 2024 (Reviewed)</i>	<i>Six months ended 30 June 2023 (Reviewed)</i>
<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Profit before impairment and expected credit losses</b>	<b>66,703</b>	49,994	<b>116,322</b>	83,594
Adjusted for:				
Less: income not attributable to quasi-equity	(11,337)	(10,892)	(19,894)	(21,506)
Add: expenses not attributable to quasi-equity	27,495	18,498	46,567	31,944
Less: institution's share of income for its own / share of investments	(19,736)	(10,604)	(34,740)	(12,738)
Less: allowance for impairment and expected credit losses - attributable to quasi-equity	-	-	-	-
<b>Total income available for quasi-equity holders</b>	<b>63,125</b>	46,996	<b>108,255</b>	81,294
Fair value reserve -net movement	-	-	-	-
Profit equalization reserve - net movement	-	-	-	-
<b>Total income attributable to quasi-equity holders (adjusted for reserves)</b>	<b>63,125</b>	46,996	<b>108,255</b>	81,294
Less: Mudarib's share	(1,130)	(1,966)	(2,555)	(5,311)
Less: incentives payable to Mudarib	-	-	-	-
Add: Hiba by Mudarib to the quasi-equity holders	-	-	-	-
Less: Wakala incentive	(18,766)	(20,044)	(33,710)	(30,637)
<b>Net income attributable to quasi-equity</b>	<b>43,229</b>	24,986	<b>71,990</b>	45,346
Investment risk reserve -net movement	-	-	-	-
<b>Profit distributable to quasi-equity</b>	<b>43,229</b>	24,986	<b>71,990</b>	45,346
	<b>A</b>			
<b>Other comprehensive income – attributable to quasi-equity - before recycling to statement of income</b>				
Items that will not be classified to income statement	1,290	(6,730)	5,009	2,384
Items that may subsequently be classified to income statement	-	-	-	-
	1,290	(6,730)	5,009	2,384
Add / (less): net effect of items recycled to income statement	-	-	-	-
<b>Other comprehensive income – attributable to quasi-equity - net of recycling to income statement</b>	<b>1,290</b>	(6,730)	<b>5,009</b>	2,384
Less: other comprehensive income not subject to immediate distribution	(1,290)	6,730	(5,009)	(2,384)
<b>Other comprehensive income subject to immediate distribution</b>	<b>-</b>	-	-	-
	<b>B</b>			
<b>Total profit attributable to quasi-equity</b>	<b>43,229</b>	24,986	<b>71,990</b>	45,346
	<b>C=A+B</b>			

The attached notes 1 to 19 form part of the condensed consolidated interm financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS EQUITY

for the six months period ended 30 June 2024 (Reviewed)

Amounts in BD '000s

	Attributable to shareholders of the bank															
	Reserves											Equity Attributable to Parent's Shareholders	Subordinated Mudaraba (AT1)	Equity attributable to owners of the parent	Non- controlling interest	Total owners' equity
	Share capital	Treasury stock	Employee incentive scheme shares	Share premium	Retained earnings	Statutory reserve	Share grant scheme	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve	Total reserves					
<b>Balance at 1 January 2024</b>	<b>261,693</b>	<b>(6,799)</b>	<b>(8,770)</b>	<b>209</b>	<b>44,348</b>	<b>25,982</b>	<b>2,120</b>	<b>(2,607)</b>	<b>22,691</b>	<b>(1,464)</b>	<b>46,722</b>	<b>337,403</b>	-	<b>337,403</b>	<b>71,247</b>	<b>408,650</b>
Impact of adoption of FAS 42 and 43 (note 2.1 (ii) and (iii))	-	-	-	-	(1,332)	-	-	-	-	-	-	(1,332)	-	(1,332)	(1,290)	(2,622)
<b>Restated balance as at 1 January 2024</b>	<b>261,693</b>	<b>(6,799)</b>	<b>(8,770)</b>	<b>209</b>	<b>43,016</b>	<b>25,982</b>	<b>2,120</b>	<b>(2,607)</b>	<b>22,691</b>	<b>(1,464)</b>	<b>46,722</b>	<b>336,071</b>	-	<b>336,071</b>	<b>69,957</b>	<b>406,028</b>
Profit for the period	-	-	-	-	28,292	-	-	-	-	-	-	28,292	-	28,292	4,267	32,559
Other comprehensive income	-	-	-	-	-	-	-	9,022	-	2,525	11,547	11,547	-	11,547	287	11,834
Issuance of subordinated AT1 capital	-	-	-	-	-	-	-	-	-	-	-	-	62,911	62,911	-	62,911
Issuance cost of AT1 capital	-	-	-	-	-	-	-	-	-	-	-	-	(736)	(736)	-	(736)
Profit distribution on AT1	-	-	-	-	(1,299)	-	-	-	-	-	-	(1,299)	-	(1,299)	-	(1,299)
Bonus shares issued	13,085	-	-	-	(13,085)	-	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2023	-	-	-	-	(17,947)	-	-	-	-	-	-	(17,947)	-	(17,947)	-	(17,947)
Movement of treasury shares, net	-	(3,369)	-	-	-	-	-	-	-	-	-	(3,369)	-	(3,369)	-	(3,369)
Shares vested	-	-	2,153	-	(23)	-	(523)	-	-	-	(523)	1,607	-	1,607	-	1,607
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(569)	(569)
<b>Balance at 30 June 2024</b>	<b>274,778</b>	<b>(10,168)</b>	<b>(6,617)</b>	<b>209</b>	<b>38,454</b>	<b>25,982</b>	<b>1,597</b>	<b>6,415</b>	<b>22,691</b>	<b>1,061</b>	<b>57,746</b>	<b>354,402</b>	<b>62,175</b>	<b>416,577</b>	<b>73,942</b>	<b>490,519</b>
Balance as at 1 January 2023	249,231	(12,021)	-	209	31,691	21,759	1,934	(8,643)	22,799	(3,708)	34,141	303,251	-	303,251	34,104	337,355
Profit for the period	-	-	-	-	20,554	-	-	-	-	-	-	20,554	-	20,554	1,314	21,868
Other comprehensive income	-	-	-	-	-	-	-	2,062	-	3,123	5,185	5,185	-	5,185	-	5,185
Bonus shares issued	12,462	-	-	-	(12,462)	-	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2022	-	-	-	-	(12,359)	-	-	-	-	-	-	(12,359)	-	(12,359)	-	(12,359)
Shares vested	-	2,143	-	-	(25)	-	(303)	-	-	-	(303)	1,815	-	1,815	-	1,815
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	(601)	(601)	(601)	-	(601)	30,815	30,214
Balance at 30 June 2023	261,693	(9,878)	-	209	27,399	21,759	1,631	(6,581)	22,799	(1,186)	38,422	317,845	-	317,845	66,233	384,078

The attached notes 1 to 19 form part of the condensed consolidated interm financial information.



Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months period ended 30 June 2024

	<i>30 June 2024 (Reviewed)</i>	<i>30 June 2023 (Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	32,559	21,868
Adjustments:		
Tax for the period	2,784	1,181
Depreciation and amortisation	3,369	1,820
Amortisation of premium on sukuk - net	5,210	234
Income from securities	(340)	366
Net impairment charge on financing contracts, investments and other assets	8,989	15,199
Share of profits from associates	(9,965)	(11,632)
<b>Operating income before changes in operating assets and liabilities</b>	<b>42,606</b>	<b>29,036</b>
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with central bank	60,327	(1,786)
Financing contracts	(343,876)	(586,044)
Takaful and related assets	40,991	(1,619)
Other assets	(233,562)	(4,546)
Placements from financial institutions	(114,436)	(12,267)
Customers' current accounts	140,795	410,695
Takaful and related liabilities	(39,035)	484
Other liabilities	700,068	(270,309)
Quasi-equity	254,611	401,389
<b>Net cash from / (used in) operating activities</b>	<b>508,489</b>	<b>(34,967)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of sukuk, net	(275,511)	(95,122)
Cash acquired as part of business combination	28,007	297,407
Disposal of securities and real estate	3,971	78
Dividends received from associates	9,063	15,754
Purchase of premises and equipment	(11,225)	(976)
<b>Net cash (used in) / from investing activities</b>	<b>(245,695)</b>	<b>217,141</b>
<b>FINANCING ACTIVITIES</b>		
(Repayment) / drawdown of murabaha term financing	(43,938)	103,405
Dividends paid	(17,947)	(12,359)
Issuance of AT1	62,911	-
Profit paid on AT1	(1,299)	-
Issuance cost of AT1 capital	(736)	-
<b>Net cash (used in) / from financing activities</b>	<b>(1,009)</b>	<b>91,046</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>261,785</b>	<b>273,220</b>
Cash and cash equivalents at 1 January	711,643	383,532
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>973,428</b>	<b>656,752</b>
<b>Cash and cash equivalents comprise of:*</b>		
Cash and other balances with central bank	342,003	96,935
Balances with other banks **	195,403	381,541
Placements with financial institutions with original maturities of less than 90 days	436,022	178,276
	<b>973,428</b>	<b>656,752</b>
Profit received	69,267	39,399
Profit paid	51,476	19,660

\* Cash and cash equivalents is gross of the expected credit loss of BD 239 thousand (2023: BD 346 thousand).

\*\* Balances with other banks is net of restricted cash of BD 4,552 thousand (2023: BD 4,240 thousand) which is not available for day to day operations.

The attached notes 1 to 19 form part of the condensed consolidated interm financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT

for the six months period ended 30 June 2024

Amounts in BD '000s

30 June 2024 (Reviewed)

Real estate development portfolio  
 - Restricted Investment Accounts (RIA)  
 - Others  
 Other portfolio

<i>Balance at 1 January 2024</i>						<i>Balance at 30 June 2024 Total</i>
	<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Bank's fees as an agent</i>	<i>Administration expenses</i>	
-	127,380	-	2,587	(457)	-	129,510
128,195	19,303	-	314	(107)	(693)	147,012
5,963	185,649	-	3,244	(415)	-	194,441
<b>134,158</b>	<b>332,332</b>	<b>-</b>	<b>6,145</b>	<b>(979)</b>	<b>(693)</b>	<b>470,963</b>

31 December 2023 (Audited)

Real estate development portfolio  
 - Restricted Investment Accounts (RIA)  
 - Others  
 Other portfolio

<i>Balance at 1 January 2023</i>						<i>Balance at 30 June 2023 Total</i>
	<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Bank's fees as an agent</i>	<i>Administration expenses</i>	
-	-	-	-	-	-	-
121,878	-	6,317	-	-	-	128,195
7,861	(1,206)	(692)	-	-	-	5,963
<b>129,739</b>	<b>(1,206)</b>	<b>5,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,158</b>

The attached notes 1 to 19 form part of the condensed consolidated interim 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	
			2024	2023
Al Salam Bank- Seychelles limited.	Seychelles	Banking services	70.0%	70.0%
Solidarity Group Holding B.S.C. (c)	Bahrain	Holding Company	55.9%	55.9%
Al Salam Bank Algeria (S.P.A)	Algeria	Banking services	68.0%	68.0%
ASB Finance B.S.C. (c) formerly Kuwait Finance House (Bahrain) B.S.C. (c)	Bahrain	Banking services	100.0%	-

The Bank and its principal banking subsidiaries operates through 24 branches and 1 auto finance office (2023: 17 branches) in the Kingdom of Bahrain, 25 branches in Algeria (2023: 24 branch) and 1 branch (2023: 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.

The condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries together (the "Group") as at 30 June 2024

The condensed consolidated interim financial information has been authorised for issue in accordance with a resolution of the Board of Directors dated 13 August 2024.

**2 BASIS OF PREPARATION AND PRESENTATION**

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirements of AAOIFI and CBB rulebook for matters not covered under AAOIFI standards, the Group uses guidance from the relevant IFRS Accounting standards issued by the International Accounting Standard Board ("IFRS Accounting standards").

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 2023. 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 2023 except for changes arising from the adoption on 1 January 2024 of the following standards.

**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 2023, except for the impact of new standards adopted during the period.

**A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024.****(i) FAS 1 General Presentation and Disclosures in the Financial Statements**

AAOIFI had 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. 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. Significant changes relevant to the Group are a) Definition of Quasi equity is introduced; and b) Concept of comprehensive income has been introduced.

During the period, the Group has adopted FAS 1 revised. As a result of this adoption following changes were made to the primary statements of the Group:

**Primary statements introduced**

Statement of total comprehensive income

Statement of income and attribution related to quasi-equity

Statement of changes in off-balance-sheet assets under management

**2 BASIS OF PREPARATION AND PRESENTATION (continued)**

**2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) FAS 1 General Presentation and Disclosures in the Financial Statements (continued)**

As a result of the adoption of FAS 1 revised certain prior year figures have been represented and regrouped to be consistent with the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. Further, the Group has elected to present statement of income and a statement of other comprehensive income as two separate statements.

**(ii) 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));
- 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.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard did not have a material impact on the condensed consolidated financial information 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 and Qard Hassan.

**2 BASIS OF PREPARATION AND PRESENTATION (continued)**

**2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(iii) FAS 43 Accounting for Takaful Recognition and Measurement (continued)**

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.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard has resulted in presentation of takaful assets and liabilities on a net basis instead of gross basis.

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

**1) FAS 45: Quasi-Equity (Including Investment Accounts)**

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

**2) FAS 46: Off-Balance-Sheet Assets Under Management**

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

The Group does not expect any significant impact on the adoption of this standard.

**2 BASIS OF PREPARATION AND PRESENTATION (continued)**

**2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. New standards, amendments, and interpretations issued but not yet effective. (continued)**

**3) FAS 47: Transfer of Assets Between Investment Pools**

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

**2.2 SHARE CAPITAL**

The shareholders in their Annual General Meeting held on 31 March 2024 approved to issue 130,846,508 bonus shares of BD 13,085 thousand representing 5% of issued and paid up share capital and approved a cash dividend of BD 17,947 thousand (2023: BD 12,359 thousand) being 0.007 fils per share or 7% of the par value of BD 0.100 per share excluding treasury shares. The total outstanding shares as of 30 June 2024 were 2,747,776,658 shares (December 2023: 2,616,930,150 shares). The calculation of basic and diluted earnings per share for previous period has also been adjusted to reflect the impact of bonus shares.

**Subordinated Mudaraba (AT1)**

During the period, the Bank has issued a Subordinated Mudaraba (Additional Tier 1 capital instrument) of BD 62,911 thousand. The issue was at par and paid in cash.

Summary of key terms and conditions of this issue are as follows:

- a. Profits on this instrument shall be distributed monthly starting from date of issue subject to and in accordance with terms and conditions on the outstanding par value of the securities at an expected rate of 6% p.a.
- b. Instrument holder will not have a right to claim the profits and such event will not be considered as an event of default.
- c. The Subordinated Mudaraba includes a call option after 5 years from the date of issue.

The Subordinated Mudaraba is recognized under the owners' equity in the condensed consolidated statement of financial position and the profits paid to rab al-maal (security holder) will be accounted for as appropriation of profits.

During the period, BD 1,299 thousand was paid as profit on AT1 securities.

**3 INVESTMENT IN SUKUK**

	30 June 2024 (Reviewed)		31 December 2023 (Audited)	
	Sovereign Sukuk	Corporate Sukuk	Total	Total
	BD '000	BD '000	BD '000	BD '000
<b>Carried at FVTOCI</b>				
<b>At 1 January</b>	340,834	23,684	364,518	226,617
Purchases	139,868	4,703	144,571	279,773
Acquired through business combination	124,365	-	124,365	-
Sale / redemption	(62,675)	-	(62,675)	(140,933)
Fair value movement	3,619	663	4,282	(2,475)
Reversal of ECL / (Impairment)	16	8	24	(105)
Profit accrual / Dividend	3,967	210	4,177	1,641
<b>Closing Balance</b>	<b>549,994</b>	<b>29,268</b>	<b>579,262</b>	<b>364,518</b>

This includes sukuk with carrying value of BD 202,492 thousand (2023: BD 228,250 thousand) which are pledged against murabaha term financing.

	30 June 2024 (Reviewed)		31 December 2023 (Audited)	
	Sovereign Sukuk	Corporate Sukuk	Total	Total
	BD '000	BD '000	BD '000	BD '000
<b>Carried at Amortised cost</b>				
<b>At 1 January</b>	604,683	33,638	638,321	610,764
Purchases	89,504	15,469	104,973	276,536
Acquired through business combination	94,559	3,841	98,400	7,518
Redemption	(127,822)	(16,322)	(144,144)	(257,957)
Impairment	(54)	(886)	(940)	(157)
Write-off	-	-	-	(1)
Amortisation	78	15	93	(114)
Profit accrual / Dividend	1,143	32	1,175	1,732
<b>Closing Balance</b>	<b>662,091</b>	<b>35,787</b>	<b>697,878</b>	<b>638,321</b>
	<b>1,212,085</b>	<b>65,055</b>	<b>1,277,140</b>	<b>1,002,839</b>

This includes sukuk with carrying value of BD 308,485 thousand (2023: BD 354,258 thousand) which are pledged against murabaha term financing.

Sukuk with carrying value of BD 15,016 thousand (2023: BD 14,905 thousand) are equity sukuk.

<b>Breakup of Sukuk by issuer</b>	30 June 2024 (Reviewed)		31 December 2023 (Audited)	
	BD '000		BD '000	
	Sovereign sukuk	1,212,085	945,518	
Corporate sukuk	65,055	57,321		
	<b>1,277,140</b>	<b>1,002,839</b>		

The rating of corporate sukuk are as follows:	30 June 2024 (Reviewed)		31 December 2023 (Audited)	
	BD '000		BD '000	
	Investment grade (AAA - BBB+)	25,490	22,615	
High Yielding (Below BBB-)	13,298	8,868		
Un-rated sukuk	27,195	25,886		
Allowance for credit losses	(928)	(48)		
	<b>65,055</b>	<b>57,321</b>		

**4 FINANCING CONTRACTS**

	<i>30 June 2024 (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>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Ijarah	1,322,356	70,495	36,259	34,699	1,463,809
Murabaha financing	1,070,404	51,283	18,536	24,625	1,164,848
Mudaraba financing	585,208	26,839	35,327	20	647,394
Musharaka financing	31,714	803	45	-	32,562
Credit cards	18,962	216	1,251	-	20,429
Salam financing	313,588	8,749	7,252	981	330,570
Istisnaa financing	75,819	3,757	5,661	-	85,237
<b>Total financing contracts</b>	<b>3,418,051</b>	<b>162,142</b>	<b>104,331</b>	<b>60,325</b>	<b>3,744,849</b>
Allowance for credit losses	(21,195)	(14,323)	(25,125)	-	(60,643)
Foreign currency translation	6,002	227	172	16	6,417
	<b>3,402,858</b>	<b>148,046</b>	<b>79,378</b>	<b>60,341</b>	<b>3,690,623</b>

	<i>31 December 2023 (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>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Ijarah	829,724	23,152	33,670	5,027	891,573
Murabaha financing	697,789	21,244	26,545	5,533	751,111
Mudaraba financing	592,379	33,848	20,279	44	646,550
Musharaka financing	30,234	415	152	-	30,801
Credit cards	13,709	353	1,288	-	15,350
Salam financing	321,848	8,807	4,752	1,396	336,803
Istisnaa financing	39,734	3,000	4,769	498	48,001
Total financing contracts	2,525,417	90,819	91,455	12,498	2,720,189
Allowance for credit losses	(16,334)	(8,332)	(23,922)	(435)	(49,023)
Foreign currency translation	4,993	164	108	29	5,294
	<b>2,514,076</b>	<b>82,651</b>	<b>67,641</b>	<b>12,092</b>	<b>2,676,460</b>

Murabaha financing is reported net of deferred profits of BD 85,546 thousand (2023: BD 102,116 thousand).

**Movement on allowance for credit losses**

	<i>30 June 2024 (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>Purchased credit-impaired 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>
<b>Balance at 1 January</b>	<b>16,334</b>	<b>8,332</b>	<b>23,922</b>	<b>435</b>	<b>49,023</b>
Movement between stages, net	(1,513)	3,957	(2,444)	-	-
Net measurement loss allowance, net	6,374	2,034	3,647	(1,517)	10,538
Exchange adjustments and other transfers on settlement	-	-	-	1,082	1,082
<b>Balance at 30 June</b>	<b>21,195</b>	<b>14,323</b>	<b>25,125</b>	<b>-</b>	<b>60,643</b>



As at 30 June 2024

**4 FINANCING CONTRACTS (continued)**

Movement on allowance for credit losses (continued)

	31 December 2023 (Audited)				Total BD '000
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Purchased credit-impaired POCI BD '000	
Balance at 1 January	17,309	12,290	19,337	-	48,936
Movement between stages, net	(3,486)	(2,427)	5,913	-	-
Movement on loss allowance, net	2,511	(1,531)	19,499	(2,317)	18,162
Amounts written off during the year	-	-	(20,827)	-	(20,827)
Exchange adjustments and other transfers on settlement	-	-	-	2,752	2,752
Balance at 31 December	16,334	8,332	23,922	435	49,023

The POCI assets are currently carried at 43.2% compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) have an ECL of 42.8% compared to their original contractual outstanding amounts.

The non-performing loan ratio at 30 June 2024 exclusive and inclusive of non-performing POCI is 2.8% and 4.4% respectively (31 December 2023: 3.4% and 3.8%).

**5 NET IMPAIRMENT CHARGE ON FINANCING CONTRACTS, INVESTMENTS AND OTHER ASSETS**

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

	30 June 2024 (Reviewed)				Total BD '000
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	
<b>Balance at 1 January</b>	19,222	8,487	26,450	435	54,594
- transfer to Stage 1: 12 month ECL	671	501	(1,172)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	520	5,380	(5,900)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(1,369)	(2,266)	3,635	-	-
Net remeasurement of loss allowance	3,635	2,295	4,695	(1,522)	9,103
<b>Allowance for credit losses</b>	3,457	5,910	1,258	(1,522)	9,103
Exchange adjustments and other transfers	(20)	-	-	1,087	1,067
<b>Balance at 30 June</b>	22,659	14,397	27,708	-	64,764

	30 June 2024 (Reviewed)				Total BD '000
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	
Cash and balances with banks and central bank	224	-	-	-	224
Placements with financial institutions	15	-	-	-	15
Investment in sukuk	531	26	-	-	557
Financing contracts	21,195	14,323	25,125	-	60,643
Financing other assets	23	-	-	-	23
Other receivables	-	-	2,162	-	2,162
Financing commitments and financial guarantee contracts	671	48	421	-	1,140
	22,659	14,397	27,708	-	64,764

**5 NET IMPAIRMENT CHARGE ON FINANCING ASSETS, INVESTMENTS AND OTHER ASSETS (continued)****Net impairment charge on financing assets, investments and other assets**

	<b>30-Jun 2024 (Reviewed) BD '000</b>	<b>30-Jun 2023 (Reviewed) BD '000</b>
Cash and balances with banks and central bank	(104)	(26)
Placements with financial institutions	(5)	(70)
Sukuk	50	336
Financing contracts (note 4)	10,538	13,477
Other Assets	(598)	12
Financing commitments and financial guarantee contracts	(778)	(241)
Investments	(114)	1,711
	<b>8,989</b>	<b>15,199</b>

The day one ECL impact on acquisition during the period is BD 2.5 million.

	<i>30 June 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>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Balance at 1 January	18,257	12,327	27,150	-	57,734
- transfer to Stage 1: 12 month ECL	343	(242)	(101)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(1,557)	2,127	(570)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(290)	(3,431)	3,721	-	-
Net remeasurement of loss allowance	5,378	(1,625)	11,693	(1,497)	13,949
Recoveries / write-backs	-	-	(461)	-	(461)
Allowance for credit losses	3,874	(3,171)	14,282	(1,497)	13,488
Exchange adjustments and other transfers on settlement	(2)	(3)	(80)	1,932	1,847
Balance at 30 June	<b>22,129</b>	<b>9,153</b>	<b>41,352</b>	<b>435</b>	<b>73,069</b>

	<i>30 June 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>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cash and balances with banks and central bank	44	62	-	-	106
Placements with financial institutions	11	2	-	-	13
Investment in sukuk	538	44	-	-	582
Financing contracts	20,875	8,937	34,113	435	64,360
Financing other assets	566	-	5,029	-	5,595
Other receivables	-	-	2,182	-	2,182
Financing commitments and financial guarantee contracts	95	108	28	-	231
	<b>22,129</b>	<b>9,153</b>	<b>41,352</b>	<b>435</b>	<b>73,069</b>

As at 30 June 2024

**6 TAKAFUL ASSETS AND LIABILITIES**

	<b>30 June 2024 (Reviewed) BD '000</b>	<b>31 December 2023 (Audited) BD '000</b>
Takaful assets	17,146	67,370
Investments of participants in units	9,233	-
<b>Takaful assets</b> (refer note 2.1 (iii))	<b>26,379</b>	<b>67,370</b>
Takaful liabilities	65,182	114,493
Other liabilities	10,276	-
<b>Takaful liabilities</b> (refer note 2.1 (iii))	<b>75,458</b>	<b>114,493</b>

**7 INVESTMENT IN ASSOCIATES**

The Group has a 20.9% (2023: 20.9%) 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 26.2% 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.

	<b>30 June 2024 (Reviewed) BD '000</b>	<b>31 December 2023 (Audited) BD '000</b>
Balance at the beginning of the period	231,484	254,006
Decrecognition of associate due to step up acquisition	-	(33,767)
Share of profits	9,965	21,043
Share of other changes in equity	5,009	8,511
Dividends received from associates	(9,063)	(17,477)
Foreign exchange differences	468	(832)
<b>Balance at end of the period</b>	<b>237,863</b>	<b>231,484</b>

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 2024 BD '000</b>	<b>Indirect exposure BBK 2023 BD '000</b>
Group's holding		
Total assets	4,149,548	4,005,203
Total liabilities	3,505,200	3,384,400
Net assets (100%)	644,348	620,803
Group's share of recognised net assets	168,755	162,588
Acquisition accounting related adjustments	65,202	65,202
<b>Carrying amount of interest in associate</b>	<b>233,957</b>	<b>227,790</b>
Revenue	84,300	83,000
Profit (100%)	38,700	38,541
Other change in equity (comprehensive income)	19,125	9,103
Total comprehensive income (100%)	64,725	53,562
Group's share of profits	9,743	10,094
Groups share of other changes in equity	5,009	2,384

The market value of BBK stood at BD 240.3 million as at 30 June 2024 (2023: BD 228.4 million). 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 revenue, profit and Group's share of profit were BD 2,797 thousand (2023: BD 2,646 thousand), BD 1,304 thousand (2023: BD 1,307 thousand) and BD 273 thousand (2023: BD 1,423 thousand), respectively.

As at 30 June 2024

**8 QUASI-EQUITY**

Quasi-equity comprise:

	<i>30 June</i> <i>2024</i> <i>(Reviewed)</i>	<i>31 December</i> <i>2023</i> <i>(Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Wakala from financial institutions	<b>742,403</b>	379,768
Wakala, Mudaraba from customers	<b>3,464,931</b>	2,424,617
	<b>4,207,334</b>	2,804,385

The Group utilizes the funds from quasi-equity to finance the following assets.

<b>Asset</b>	<i>30 June</i> <i>2024</i> <i>(Reviewed)</i>	<i>31 December</i> <i>2023</i> <i>(Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Mandatory reserve with central bank	<b>84,784</b>	93,158
Cash and other balances with central bank	<b>245,369</b>	-
Placements with financial institutions	<b>437,366</b>	217,380
Non-trading investments	<b>9,563</b>	-
Investment in real estate	<b>17,261</b>	-
Investment in associate	<b>233,957</b>	227,790
Financing contracts	<b>1,856,678</b>	1,525,505
Ijara Muntahia Bitamleek	<b>1,322,356</b>	740,552
	<b>4,207,334</b>	2,804,385

Quasi-equity 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 quasi-equity pool. All the impairment allowances are allocated to owners' equity.

Recoveries from non-performing financial assets are also not allocated to quasi-equity accountholders. Only the profits earned on pool of assets funded from quasi-equity are allocated between the owners' equity and quasi-equity. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to quasi-equity and up to 85% is retained by the Group as mudarib share. The Group did not charge any administration expenses to quasi-equity. The average profit rate attributed to quasi-equity based on the above ratio for the period ended 30 June 2024 was 4.1% (2023: 3.6%).

**9 INCOME FROM TAKAFUL OPERATIONS, NET**

	<i>30 June</i> <i>2024</i> <i>(Reviewed)</i>	<i>30 June</i> <i>2023</i> <i>(Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Takaful revenue	<b>44,892</b>	41,700
Takaful service expenses	<b>(22,429)</b>	(22,156)
Net from retakaful contracts	<b>(14,070)</b>	(11,830)
Net finance expense from takaful contracts	<b>(887)</b>	(852)
Net finance expense from retakaful contracts	<b>191</b>	240
Takaful corporate expenses	<b>(5,003)</b>	(3,305)
<b>Income from Takaful operations, net</b>	<b>2,694</b>	3,797

**10 OTHER INCOME**

	<i>30 June</i> <i>2024</i> <i>(Reviewed)</i>	<i>30 June</i> <i>2023</i> <i>(Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gains	<b>1,774</b>	583
Recoveries	<b>821</b>	11
Income from properties	<b>662</b>	20
Others	<b>1,345</b>	793
	<b>4,602</b>	1,407

**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 30 June 2024 and 31 December 2023 were as follows:

	<i>30 June 2024 (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	-	1,875	-	-	1,875
Financing contracts	24,422	-	3,003	2,202	29,627
Non trading investments	68,941	-	-	-	68,941
Investment in associates	237,863	-	-	-	237,863
Other assets	-	-	672	-	672
<b>Liabilities and Quasi-equity:</b>					
Customers' current accounts	2,840	327	9,722	992	13,881
Quasi-equity	7,887	-	9,718	7,224	24,829
Other liabilities	21	-	80	1,055	1,156
Takaful Liabilities	455	-	-	-	455
Restricted Investment Account	-	-	-	150	150
Assets Under Management	-	-	1,493	1,195	2,688
Contingent liabilities and commitments	8	-	853	125	986

	<i>31 December 2023 (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	-	95	-	-	95
Financing contracts	23,237	9,376	1,637	1,340	35,590
Non trading investments	67,054	-	-	-	67,054
Investment in associates	231,484	-	-	-	231,484
<b>Liabilities and Quasi-equity:</b>					
Customers' current accounts	1,846	463	4,136	467	6,912
Quasi-equity	4,376	1,646	6,926	2,651	15,599
Other liabilities	91	-	953	16	1,060
Contingent liabilities and commitments	8	-	651	-	659

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

	<i>30 June 2024 (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>					
Income from financing contracts	819	1	235	30	1,085
Dividend Income	182	-	-	-	182
Income from takaful operations, net	-	-	551	-	551
Share of profit from associates, net	9,965	-	-	-	9,965
<b>Expenses:</b>					
Income attributable to quasi-equity	181	88	224	82	575
Takaful Expenses	262	-	-	-	262
Other operating expenses	-	-	1,556	1,585	3,141
Impairment charge	17	-	-	-	17

**11 RELATED PARTY TRANSACTIONS (continued)**

	<i>30 June 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>
Income:					
Income from financing contracts	664	322	64	28	1,078
Income from takaful revenue	1,521	-	-	-	1,521
Income from non-trading investments, net	78	-	-	-	78
Share of profit from associates, net	11,632	-	-	-	11,632
Expenses:					
Finance expense on placements from financial institutions	-	78	-	-	78
Profit on placement from customers	449	-	-	-	449
Income attributable to quasi-equity	40	124	136	38	338
Other operating expenses	-	-	-	1,139	1,139
Impairment charge	1,711	-	-	-	1,711

**12 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 June 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
	<b>Contingent liabilities on behalf of customers</b>	
Guarantees	<b>156,908</b>	137,932
Letters of credit	<b>191,175</b>	170,259
Acceptances	<b>2,491</b>	1,648
	<b>350,574</b>	309,839
<b>Unutilised commitments</b>		
Unutilised financing commitments	<b>343,293</b>	313,076
Unutilised non-funded commitments	<b>43,375</b>	37,261
	<b>386,668</b>	350,337

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>30 June 2024 (Reviewed)</i>		<i>31 December 2023 (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>97,986</b>	<b>112</b>	42,630	563
Liabilities position	<b>84,305</b>	<b>171</b>	52,515	337

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

**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 subsidiaries in Seychelles and Algeria. 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:

	30 June 2024 (Reviewed)					Total BD '000
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	
<b>Income</b>						
Income from financing contracts	105,887	14,473	-	657	-	121,017
Income from investment in sukuk	-	31,033	-	772	-	31,805
Finance expense on placements from financial institutions	(86)	(5,117)	-	-	-	(5,203)
Finance expense on murabaha term financing	-	(13,955)	-	-	-	(13,955)
<b>Income from jointly financed assets</b>	<b>105,801</b>	<b>26,434</b>	<b>-</b>	<b>1,429</b>	<b>-</b>	<b>133,664</b>
Income from securities	(136)	-	(367)	843	-	340
Fees and commission, net	9,206	2,418	-	-	-	11,624
Share of profit from associates	9,676	-	273	16	-	9,965
Income from Takaful operations, net	-	-	-	2,694	-	2,694
Other income	3,407	818	(82)	459	-	4,602
<b>Total income</b>	<b>127,954</b>	<b>29,670</b>	<b>(176)</b>	<b>5,441</b>	<b>-</b>	<b>162,889</b>
<b>Expense</b>						
Staff cost	17,432	2,981	517	-	-	20,930
Other operating expenses	19,117	2,671	1,083	2,766	-	25,637
<b>Total Expense</b>	<b>36,549</b>	<b>5,652</b>	<b>1,600</b>	<b>2,766</b>	<b>-</b>	<b>46,567</b>
<b>Operating income before impairment allowances, taxes and attribution to quasi-equity</b>	<b>91,405</b>	<b>24,018</b>	<b>(1,776)</b>	<b>2,675</b>	<b>-</b>	<b>116,322</b>
Net impairment charge on financing contracts, investments and other assets	(9,144)	43	(17)	129	-	(8,989)
<b>Operating income before taxes and attribution to quasi-equity</b>	<b>82,261</b>	<b>24,061</b>	<b>(1,793)</b>	<b>2,804</b>	<b>-</b>	<b>107,333</b>
Tax for the period	(2,784)	-	-	-	-	(2,784)
<b>Operating income before attribution to quasi-equity</b>	<b>79,477</b>	<b>24,061</b>	<b>(1,793)</b>	<b>2,804</b>	<b>-</b>	<b>104,549</b>
Income attributable to quasi-equity	(56,864)	(15,126)	-	-	-	(71,990)
<b>Profit for the period</b>	<b>22,613</b>	<b>8,935</b>	<b>(1,793)</b>	<b>2,804</b>	<b>-</b>	<b>32,559</b>
<b>Segment assets</b>	<b>4,408,107</b>	<b>2,075,543</b>	<b>235,186</b>	<b>114,061</b>	<b>70,508</b>	<b>6,903,405</b>
<b>Segment liabilities, and quasi-equity</b>	<b>4,660,846</b>	<b>1,589,132</b>	<b>3,780</b>	<b>54,496</b>	<b>104,632</b>	<b>6,412,886</b>

Goodwill and other intangibles include BD 195,237 thousand (2023: BD 66,865 thousand) allocated from acquisitions during the period and prior periods within the banking segment and BD 11,280 thousand (2023: 11,280 thousand) attributable to the Takaful segment.

**14 SEGMENT INFORMATION (continued)**

	<i>30 June 2023 (Reviewed)</i>					<i>Total</i>
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Takaful</i>	<i>Unallocated</i>	
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	
Income						
Income from financing contracts	73,006	3,414	-	610	-	77,030
Income from investment in sukuk	-	21,897	-	520	-	22,417
Finance expense on placements from financial institutions	(104)	(5,293)	-	-	-	(5,397)
Finance expense on murabaha term financing	-	(10,112)	-	-	-	(10,112)
Income from jointly financed assets	72,902	9,906	-	1,130	-	83,938
Income from securities	15,500	(7,921)	(326)	695	-	7,948
(Loss) / income from properties, net	-	-	-	-	-	-
Fees and commission, net	6,148	632	36	-	-	6,816
Share of profit from associates	11,401	-	211	20	-	11,632
Income from Takaful operations, net	-	-	-	3,797	-	3,797
Other income	442	688	171	106	-	1,407
<b>Total income</b>	<b>106,393</b>	<b>3,305</b>	<b>92</b>	<b>5,748</b>	<b>-</b>	<b>115,538</b>
Expense						
Staff cost	10,574	2,834	1,899	-	-	15,307
Other operating expenses	9,076	2,351	2,550	2,660	-	16,637
<b>Total Expense</b>	<b>19,650</b>	<b>5,185</b>	<b>4,449</b>	<b>2,660</b>	<b>-</b>	<b>31,944</b>
Operating income before impairment allowances, taxes and attribution to quasi-equity	86,743	(1,880)	(4,357)	3,088	-	83,594
Net impairment charge on financing contracts, investments and other assets	(13,721)	(44)	(1,246)	(188)	-	(15,199)
Operating income before taxes and attribution to quasi-equity	73,022	(1,924)	(5,603)	2,900	-	68,395
Tax for the period	(1,181)	-	-	-	-	(1,181)
Operating income before attribution to quasi-equity	71,841	(1,924)	(5,603)	2,900	-	67,214
Income attributable to quasi-equity	(37,388)	(7,578)	(380)	-	-	(45,346)
<b>Profit for the period</b>	<b>34,453</b>	<b>(9,502)</b>	<b>(5,983)</b>	<b>2,900</b>	<b>-</b>	<b>21,868</b>

Segment information for the year ended 31 December 2023 (Audited) was as follows:

Segment assets	3,274,290	1,485,734	181,630	158,944	46,512	5,147,110
Segment liabilities, and quasi-equity	3,387,058	1,184,538	1,315	107,580	57,969	4,738,460

**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**

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>
30 June 2024 (Reviewed)				
Sovereign sukuk at fair value through OCI	455,435	94,559	-	549,994
Corporate sukuk at fair value through OCI	28,918	350	-	29,268
Equity securities at fair value through income statement	2,927	7,247	75,869	86,043
Equity securities at fair value through OCI	13,198	-	7,022	20,220
FX Wa'ad assets position	-	112	-	112
	<b>500,478</b>	<b>102,268</b>	<b>82,891</b>	<b>685,637</b>
FX Wa'ad liabilities position	-	171	-	171
	<b>-</b>	<b>171</b>	<b>-</b>	<b>171</b>



# Al Salam Bank B.S.C.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

As at 30 June 2024

### 15 FAIR VALUE (continued)

31 December 2023 (Audited)	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk at fair value through OCI	270,865	69,970	-	340,835
Corporate sukuk at fair value through OCI	23,337	346	-	23,683
Equity securities at fair value through income statement	3,611	6,622	75,972	86,205
Equity securities at fair value through OCI	11,133	-	2,722	13,855
FX Wa'ad assets position	-	563	-	563
	<u>308,946</u>	<u>77,501</u>	<u>78,694</u>	<u>465,141</u>
FX Wa'ad liabilities position	-	337	-	337
	<u>-</u>	<u>337</u>	<u>-</u>	<u>337</u>

### Financial instruments measured at amortized cost

#### 30 June 2024 (Reviewed)

	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk	588,443	73,648	-	662,091
Corporate sukuk	27,255	-	8,532	35,787
	<u>615,698</u>	<u>73,648</u>	<u>8,532</u>	<u>697,878</u>

#### 31 December 2023 (Audited)

	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk	540,408	64,275	-	604,683
Corporate sukuk	33,638	-	-	33,638
	<u>574,046</u>	<u>64,275</u>	<u>-</u>	<u>638,321</u>

The fair value of sukuk carried at amortized cost is BD 691,683 thousand (2023: BD 750,394 thousand).

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

	30 June 2024 (Reviewed) BD '000	31 December 2023 (Audited) BD '000
At 1 January	78,694	85,718
Acquired as part of business combination	3,064	-
Transfers	-	(1,462)
Fair value changes	1,150	(2,410)
Impairment	(17)	(3,152)
	<u>82,891</u>	<u>78,694</u>

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

Valuation technique used	Key unobservable inputs	Fair value at 30 June 2024 BD'000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Asset Valuation	Underlying real estate	105,549	+/- 5%	5,277 / (5,277)

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

	30 June 2024 (Reviewed) BD '000	31 December 2023 (Audited) BD '000
At 1 January	-	14,313
Reclassified within FVTOCI	-	(14,313)
	<u>-</u>	<u>-</u>

**15 FAIR VALUE (continued)****Other Financial instruments not measured at fair value**

The estimated fair value of yielding 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 30 June 2024 and 31 December 2023 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 2023.

**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 30 June 2024 and 31 December 2023, is as follows:

	<i>Total weighted value BD'000</i>	
	<i>30 June 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
Stock of HQLA	857,120	640,852
Net cashflows	428,431	351,585
LCR %	218.7%	185.0%
Minimum required by CBB	100.0%	100.0%

**2) Capital Adequacy Ratio**

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>30 June 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
CET 1 Capital before regulatory adjustments	355,649	337,263
Less: regulatory adjustments	49,147	49,667
CET 1 Capital after regulatory adjustments	306,502	287,596
AT 1 Capital	66,192	3,574
T 2 Capital adjustments	61,583	52,160
<b>Regulatory Capital</b>	<b>434,277</b>	<b>343,330</b>
<b>Risk weighted exposure:</b>		
Credit Risk Weighted Assets	1,953,524	1,548,447
Market Risk Weighted Assets	3,542	1,300
Operational Risk Weighted Assets	174,544	137,610
<b>Total Regulatory Risk Weighted Assets</b>	<b>2,131,610</b>	<b>1,687,357</b>
Total Adjusted Risk Weighted Exposures	2,131,610	1,687,357
<b>Capital Adequacy Ratio</b>	<b>20.4%</b>	<b>20.4%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>17.5%</b>	<b>17.3%</b>
<b>Tier 2 Capital Ratio</b>	<b>2.9%</b>	<b>3.1%</b>
Minimum required by CBB	14.0%	12.5%

As of 30 June 2024, aggregate of modification loss of BD 16,512 thousand (2023: BD 16,512 thousand) has been added back to Tier 1 capital.

As at 30 June 2024

**17 REGULATORY RATIOS (continued)****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 30 June 2024 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	406,758	-	-	61,583	468,341
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	378,867	22,334	9,692	390,833
Less stable deposits	-	1,975,572	634,182	218,657	2,567,436
<b>Wholesale funding:</b>					
Other wholesale funding	-	2,499,279	333,452	114,583	860,523
<b>Other liabilities:</b>					
All other liabilities not included in the above categories	-	168,519	-	-	-
<b>Total ASF</b>	<b>406,758</b>	<b>5,022,237</b>	<b>989,968</b>	<b>404,515</b>	<b>4,287,133</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	46,538
<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	-	666,195	331	3,996	104,091
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,230,938	456,654	1,318,639	1,943,524
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	105,573	68,622
Performing residential mortgages, of which:	-	-	-	565,409	367,516
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	565,409	367,516
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	18,186	8,143	10,090	21,741
<b>Other assets:</b>					
All other assets not included in the above categories	1,075,786	15,867	-	103,809	1,111,259
OBS items	-	786,231	-	-	39,312
<b>Total RSF</b>	<b>1,075,786</b>	<b>2,717,417</b>	<b>465,128</b>	<b>2,001,943</b>	<b>3,633,981</b>
<b>NSFR (%)</b>	-	-	-	-	<b>118.0%</b>

As at 30 June 2024

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

The NSFR (as a percentage) as at 31 December 2023 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	
<b>Available Stable Funding (ASF):</b>						
Capital:						
Regulatory Capital	325,754	-	-	52,160	377,914	
Retail deposits and deposits from small business customers:						
Stable deposits	-	340,231	15,956	10,512	348,890	
Less stable deposits	-	1,215,891	363,513	273,026	1,694,490	
Wholesale funding:					-	
Other wholesale funding	-	2,028,868	133,881	104,315	610,515	
Other liabilities:					-	
All other liabilities not included in the above categories	-	144,683	-	-	-	
<b>Total ASF</b>	<b>325,754</b>	<b>3,729,673</b>	<b>513,350</b>	<b>440,013</b>	<b>3,031,809</b>	
<b>Required Stable Funding (RSF):</b>						
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	38,622	
Performing financing and sukuk/ securities:						
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	415,492	883	4,333	67,098	
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	854,332	262,593	1,124,303	1,480,761	
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	166,799	108,419	
Performing residential mortgages, of which:	-	-	-	355,894	231,331	
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	355,894	231,331	
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	18,929	7,212	2,789	15,441	
Other assets:						
All other assets not included in the above categories	682,607	18,413	1,638	93,168	758,424	
OBS items	-	659,523	-	-	32,976	
<b>Total RSF</b>	<b>682,607</b>	<b>1,966,689</b>	<b>272,326</b>	<b>1,580,487</b>	<b>2,624,653</b>	
NSFR (%)	-	-	-	-	115.5%	

**18 ACQUISITION OF BUSINESS AND ASSETS**

During the second quarter, the Bank acquired 100% shareholding in Kuwait Finance House - Bahrain (KFHB), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was fully owned subsidiary of Kuwait Finance House K.S.C.P. (“KFH Group”), after obtaining the requisite regulatory approvals. The Group has consolidated the results and financial position of KFHB Bahrain from 1 April 2024.

The fair value of assets, liabilities, equity interests are reported in these disclosures on a provisional basis and will be finalized within a period of 12 months from the date of acquisition. In line with the provisions of IFRS 3 “Business Combinations”, if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting will be reflected on a retrospective basis.

**Identifiable assets acquired and liabilities assumed****a) Total consideration**

Total cash consideration is BD 214,488 thousand.

**b) Fair value of identifiable assets acquired and liabilities assumed**

The following table summarises the provisional amounts of identifiable assets acquired and liabilities assumed

**ASSETS ACQUIRED**

	<i>BD '000</i>
Cash and bank balances and Central Bank of Bahrain	28,007
Due from banks	48,583
Financing contracts	977,930
Investments in equity	12,887
Investments in sukuk	227,269
Investments in realestate	12,434
Receivables and other assets	156,348
Premises, equipment and right of use intangible assets	22,856
<b>Total assets acquired (A)</b>	<b>1,486,314</b>

**LIABILITIES ASSUMED**

	<i>BD '000</i>
Customers' current accounts	119,759
Due to banks	1,676
Due to non- banks	85,741
Other liabilities	31,348
<b>Total liabilities</b>	<b>238,524</b>
Quasi-equity	1,148,340
<b>Total liabilities and Quasi-equity (B)</b>	<b>1,386,864</b>

**Total identifiable net assets acquired (C = A-B)**

**99,450**

**c) Goodwill**

	<i>BD '000</i>
Consideration	214,488
Fair value of identifiable net assets acquired	(99,450)
<b>Goodwill</b>	<b>115,038</b>

In the three months ended 30 June 2024, KFHB contributed revenue of BD 20,537 thousand and profit of BD 1,054 thousand net of provisional acquisition adjustments to the Group's results. If the acquisition had occurred on 1 January 2024, management estimates that consolidated revenue would have been BD 183,455 thousand. It is impracticable to determine the profit or loss of the combined entity for the current reporting period assuming the acquisition had occurred on 1 January 2024, due to the impact of acquisition accounting adjustments.

**19 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 profit for the period or total equity of the Group.