

Ithmaar Bank B.S.C. (C)
Supplementary information (Unaudited)

**The attached financial information does not form part of the
consolidated financial statements**

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COVID-19 pandemic has spread across various geographies globally, causing disruptions to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

The measures announced by regulatory bodies impacting the Group are explained below:

Bahrain

The Central Bank of Bahrain (CBB) announced various measures to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist banks in complying with the regulatory requirements. These measures include the following:

- Payment holiday for a period of 6 months without extra profit from and including 1 March 2020;
- Concessionary repo to eligible banks at zero percent;
- Reduction of cash reserve ratio from 5% to 3%
- Reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) from 100% to 80%
- Aggregate modification loss and incremental expected credit losses (ECL) provision for stage 1 and 2 from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021. And to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ended 31 December 2022, 31 December 2023 and 31 December 2024.

The CBB further announced second and third deferrals of instalments effective September 2020 for a period of four months, and January 2021 for a period of six months. These deferrals allowed the banks to charge profit, and as such, did not result in any additional modification losses to the Group.

Pakistan

The State Bank of Pakistan (SBP) has taken a range of measures to protect the safety of public and address the economic impact. The measures were focused on ensuring that inflation remains contained, reducing the impact of COVID-19 on economic growth and employment, and overseeing that the banking and payments system remains healthy. These measures include mainly the following:

- Deferment of principal amount for a period of 1 year for eligible borrowers
- Reduction of policy rate by 625 basis points from March 2020 to June 2020
- Relaxing credit requirements for importers and exporters
- Provision of subsidized loans to hospitals and medical centers to purchase medical equipment
- Enhancement of lending limits to SME sector
- Temporary relaxation of regulatory criteria for restructuring/ rescheduling of loans beyond 1 year

The above measures have resulted in the following impacts on the Group:

- 1 The CBB mandated 6-month payment holidays requires impacted banks to recognize a one-off modification loss directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification
- 2 The Government of Kingdom of Bahrain has announced various economic stimulus programs to support businesses in these challenging times. The Group received regulatory directive financial assistance representing specified reimbursement of staff costs (for Bahraini staff) and utility charges from the government, in response to its COVID-19 support measures. These have been recognized directly in the Group's equity.
- 3 COVID-19 has also adversely impacted the financing growth of the Group and accordingly resulted in lower financing income. The share of profit of Bahrain based associates has also been impacted accordingly
- 4 The stressed economic situation resulting in the Group recognizing incremental ECL on its exposures

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(Expressed in thousands of Bahraini Dinars unless otherwise stated)

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

Description	Net impact on the Group's consolidated income statement	Net impact on the Group's consolidated total assets	Net impact on the Group's consolidated owners' equity
Average reduction of cash reserve	-	18,821	
Modification loss	-	-	(16,028)
Impact on income	(2,046)	(2,046)	-
Impact on ECL provisions	(8,987)	(8,987)	-
Government grants	-	-	1,249
Impact on foreign currency translation reserve	-	(1,944)	(1,944)
Total	(11,033)	5,844	(16,723)

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14 July 2020. This information should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-10 impact on the Group. This information has not been subject to formal audit by the external auditors.

Yours sincerely,



Saqib Mustafa
Chief Financial Officer
18 February 2021