

ITHMAAR BANK B.S.C. (C)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ITHMAAR BANK B.S.C. (C)
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**AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS OF
ITHMAAR BANK B.S.C. (C)**

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Ithmaar Bank B.S.C. (c) (the "Bank") and its subsidiaries (the "Group") which comprises the interim condensed consolidated statement of financial position as at 30 September 2019 and the related interim condensed consolidated income statement for the three month and nine month periods ended 30 September 2019 and the related interim condensed consolidated statements of changes in owners' equity, cash flows, and changes in restricted investment accounts for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation stated in Note 2 to this interim condensed consolidated financial information. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Partner registration no. 216
11 November 2019
Manama, Kingdom of Bahrain

Ithmaar Bank B.S.C. (C)

Interim condensed consolidated statement of financial position

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Notes	At 30 September 2019 (Reviewed)	At 31 December 2018 (Audited)	At 30 September 2018 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	218,541	217,138	249,900
Commodity and other placements with banks, financial and other institutions	4	130,632	86,055	30,476
Murabaha and other financings	5	1,539,850	1,683,865	1,817,265
Musharaka financing		206,712	186,851	171,865
Sukuk and investment securities	6	479,053	576,171	404,432
Restricted investment accounts		-	-	27,183
Assets acquired for leasing		149,430	154,859	156,604
Other assets	7	67,916	79,085	78,053
Investment in real estate		2,997	3,359	3,594
Development properties		79,296	79,296	-
Fixed assets		18,849	17,802	19,438
Intangible assets		39,700	43,314	58,326
Total assets		2,932,976	3,127,795	3,017,136
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		541,145	561,506	614,982
Due to banks, financial and other institutions		497,513	603,731	409,512
Due to investors		571,042	639,005	714,056
Other liabilities		134,951	173,908	132,457
Total liabilities		1,744,651	1,978,150	1,871,007
Equity of unrestricted investment accountholders	9	1,042,688	994,780	1,006,772
Minority interest		65,264	69,480	43,213
Total liabilities, equity of unrestricted investment accountholders and minority interest		2,852,603	3,042,410	2,920,992
Share capital	10	100,000	100,000	100,000
Reserves		6,500	14,178	24,642
Accumulated losses		(26,127)	(28,793)	(28,498)
Total owners' equity		80,373	85,385	96,144
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		2,932,976	3,127,795	3,017,136

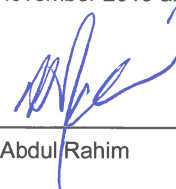
This interim condensed consolidated financial information was approved by the Board of Directors on 11 November 2019 and signed on their behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Ahmed Abdul Rahim
CEO

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)

Interim condensed consolidated income statement

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

Notes	Nine months ended		Three months ended	
	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)
INCOME				
Income from unrestricted investment accounts	60,106	50,073	20,406	17,160
Less: return to unrestricted investment accounts and impairment provisions	(41,090)	(29,214)	(14,164)	(9,581)
Group's share of income from unrestricted investment accounts as a Mudarib	19,016	20,859	6,242	7,579
Income from murabaha and other financings	58,383	50,112	20,729	17,156
Income from sukuk and investment securities	28,374	25,991	11,288	8,249
Other income	16,818	14,862	5,147	4,827
Total income	122,591	111,824	43,406	37,811
Less: profit paid to banks, financial and other institutions – net	(62,677)	(49,033)	(23,854)	(17,223)
Operating income	59,914	62,791	19,552	20,588
EXPENSES				
Administrative and general expenses	(41,473)	(43,937)	(13,770)	(14,613)
Depreciation and amortization	(6,365)	(6,538)	(2,152)	(2,171)
Total expenses	(47,838)	(50,475)	(15,922)	(16,784)
Net income before provision for impairment and overseas taxation	12,076	12,316	3,630	3,804
Provision for impairment – net	8 740	1,636	(906)	517
Net income before overseas taxation	12,816	13,952	2,724	4,321
Overseas taxation	(7,536)	(9,189)	(1,539)	(3,168)
NET INCOME FOR THE PERIOD	5,280	4,763	1,185	1,153
Attributable to:				
Equity holders of the Bank	2,666	1,563	559	189
Minority interests	2,614	3,200	626	964
	5,280	4,763	1,185	1,153
Basic and diluted earnings per share	12 Fils 2.67	Fils 1.56	Fils 0.56	Fils 0.19

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HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Ahmed Abdul Rahim
CEO

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves							Accumulated losses	Total owners' equity
	Share capital	Statutory reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Share Premium	Total reserves		
At 1 January 2019 (Audited)	100,000	299	3,446	808	(30,655)	40,280	14,178	(28,793)	85,385
Net income for the period	-	-	-	-	-	-	-	2,666	2,666
Movement in fair value of sukuk and investment securities	-	-	277	-	-	-	277	-	277
Foreign currency translation adjustments	-	-	46	(172)	(7,829)	-	(7,955)	-	(7,955)
At 30 September 2019 (Reviewed)	100,000	299	3,769	636	(38,484)	40,280	6,500	(26,127)	80,373

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)

Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2018

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves							Retained Earnings/(accumulated losses)	Total owners' equity
	Share capital	Statutory reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Share Premium	Total reserves		
At 1 January 2018 (Audited)	100,000	158	3,815	890	(13,241)	40,280	31,902	22,701	154,603
Impact of FAS 30	-	-	-	-	-	-	-	(52,762)	(52,762)
Adjusted balance at 1 January 2018	100,000	158	3,815	890	(13,241)	40,280	31,902	(30,061)	101,841
Net income for the period	-	-	-	-	-	-	-	1,563	1,563
Movement in fair value of sukuk and investment securities	-	-	(51)	-	-	-	(51)	-	(51)
Foreign currency translation adjustments	-	-	22	(81)	(7,150)	-	(7,209)	-	(7,209)
At 30 September 2018 (Reviewed)	100,000	158	3,786	809	(20,391)	40,280	24,642	(28,498)	96,144

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)
Interim condensed consolidated statement of cash flows
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

		Nine months ended	
Notes	30 September 2019	30 September 2018	
	(Reviewed)	(Reviewed)	
OPERATING ACTIVITIES			
	12,816	13,952	
	<u>Adjustments for:</u>		
	6,365	6,538	
8	(740)	(1,636)	
	(28,374)	(25,991)	
	248	90	
	(9,685)	(7,047)	
	(706)	(401)	
Changes in operating assets and liabilities:			
	75,815	(107,865)	
	(42,246)	(48,966)	
	6,709	(48,203)	
	20,666	(18,687)	
	(55,175)	(8,987)	
	1,197	73,746	
	(53,058)	(4,693)	
	60,961	(47,873)	
	(8,521)	(6,331)	
	(4,043)	(225,307)	
INVESTING ACTIVITIES			
Net changes in:			
	5,429	(25,498)	
	64,405	184,711	
	(5,183)	1,693	
	64,651	160,906	
FINANCING ACTIVITIES			
	201	-	
	201	-	
	(13,545)	(17,948)	
	47,264	(82,349)	
	234,023	297,854	
	281,287	215,505	

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in restricted investment accounts
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2019	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	At 30 September 2019
Shamil Bosphorus Modaraba*	2,356	-	-	-	-	2,356
European Real Estate Placements*	5,896	-	-	(729)	-	5,167
US Real Estate Placements*	9,514	-	-	-	-	9,514
TOTAL	17,766	-	-	(729)	-	17,037
Funds managed on agency basis	23,848	-	-	-	-	23,848
	41,614	-	-	(729)	-	40,885

* Income/(loss) will be recognised and distributed at the time of disposal of the underlying investments

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in restricted investment accounts
for the nine month period ended 30 September 2018**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2018	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	At 30 September 2018
Dilmunia Development Fund I L.P.*	54,789	(481)	-	-	-	54,308
Shamil Bosphorus Modaraba*	2,356	-	-	-	-	2,356
European Real Estate Placements*	6,184	-	-	(329)	-	5,855
US Real Estate Placements*	9,514	-	-	-	-	9,514
TOTAL	72,843	(481)	-	(329)		72,033
Funds managed on agency basis	23,864	-	-	(16)	-	23,848
	96,707	(481)	-	(345)		95,881

* Income/(loss) will be recognised and distributed at the time of disposal of the underlying investments

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)

Notes to interim condensed consolidated financial information for the nine month period ended 30 September 2019

1 INCORPORATION AND ACTIVITIES

Ithmaar Bank B.S.C. (c) (the "Bank") was incorporated in the Kingdom of Bahrain on 12 May 2016 as a Closed Joint Stock entity and registered with the Ministry of Industry, Commerce & Tourism under commercial registration number 99336-1 and was licensed as an Islamic retail bank by the Central Bank of Bahrain (the "CBB") on 14 August 2016.

Ithmaar Holding B.S.C. ["Ithmaar"], a Category 1 investment firm licensed and regulated by the Central Bank of Bahrain (CBB) is the ultimate parent company of the Bank.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are a wide range of financial services, including retail, commercial and private banking services.

The Bank's activities are supervised by the CBB and are subject to the supervision of Shari'a Supervisory Board.

The Group's activities also include acting as a Mudarib (manager, on a trustee basis), of funds deposited for investment in accordance with Islamic laws and principles particularly with regard to the prohibition of receiving or paying interest. These funds are included in the interim condensed consolidated financial information as equity of unrestricted investment accountholders and restricted investment accounts. In respect of equity of unrestricted investment accountholders, the investment accountholders authorise the Group to invest the accountholders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. In respect of restricted investment accounts, the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. Further, the Group may be restricted from commingling its own funds with the funds of restricted investment accounts.

The Group carries out its business activities through the Bank's head office, 16 commercial branches in Bahrain and its following principal subsidiary companies:

	<u>% owned</u>		Country of Incorporation	Principal business activity
	Voting	Economic		
Faysal Bank Limited	67	67	Pakistan	Banking
Dilmunia Development Fund I L.P.	62	62	Cayman Islands	Real estate
Sakana Holistic Housing Solutions B.S.C. (C) (Sakana) [under Voluntary Liquidation]	63	50	Kingdom of Bahrain	Mortgage finance

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared using accounting policies consistent with those adopted by the Group in its consolidated financial statements for the year ended 31 December 2018, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law, Central Bank of Bahrain (CBB) and the Financial Institutional Law. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Group uses the relevant International Financial Reporting Standards (IFRS).

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before Ithmaar (the ultimate parent) converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards in the interim condensed consolidated financial information as appropriate.

The Sharia Supervisory Board has approved the Sharia Compliance Plan ("Plan") for assets and liabilities which are not Sharia Compliant. The Sharia Supervisory Board is monitoring the implementation of this Plan.

The interim condensed consolidated financial information have been prepared in accordance with the guidance given by the International Accounting Standard 34 – "Interim Financial Reporting". The interim condensed consolidated financial information do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2018. In addition, results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

New accounting standard: Issued but not yet effective

FAS 33 "Investments in Sukuk, Shares and Similar Instruments"

FAS 33 "Investments in Sukuk, Shares and Similar Instruments" was issued on 31 December 2018. FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Sharia principles. It defines the key types of instruments of Sharia compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held. The standard will be effective from the financial periods beginning on or after 1 January 2020 with earlier adoption being permitted. The Group is in process of assessing impact on its accounting policies.

FAS 34 "Financial Reporting for Sukuk-holders"

FAS 34 "Financial Reporting for Sukuk-holders" was issued on 31 December 2018. FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including Sukuk-holders. The standard will be effective from the financial periods beginning on or after 1 January 2020 with earlier adoption being permitted. The standard is not applicable for the Group's consolidated financial statements.

FAS 31 "Investment Agency (Al-Wakala Bi-AI – Istithmar)"

FAS 31 "Investment Agency (Al-Wakala Bi-AI – Istithmar)" deals with contracts under Wakala arrangement where the Bank acts as an agent of the customer. The standard requires the liabilities under Wakala contract to be treated as off-balance sheet for the agent. The standard will be effective from the financial periods beginning on or after 1 January 2020 with earlier adoption being permitted. The Group is in process of assessing impact on its consolidated financial statements.

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	62,729	967	63,696	62,403	805	63,208
Cash and balances with banks and central banks	129,462	25,383	154,845	133,028	20,902	153,930
	192,191	26,350	218,541	195,431	21,707	217,138

4 COMMODITY AND OTHER PLACEMENTS WITH BANKS, FINANCIAL AND OTHER INSTITUTIONS

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	126,491	4,234	130,725	80,142	5,967	86,109
Less: Provision for impairment	(93)	-	(93)	(54)	-	(54)
	126,398	4,234	130,632	80,088	5,967	86,055

Cash and cash equivalents for the purpose of cash flow statement are as under:

	30 September 2019			30 September 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash and balances with banks and central banks	192,191	26,350	218,541	228,751	21,149	249,900
Commodity and other placements with banks, financial and other institutions - net	126,398	4,234	130,632	30,476	-	30,476
Less: Placement maturing after ninety days	44	(4,234)	(4,190)	-	-	-
Less: Balances with central banks relating to minimum reserve requirement	(62,729)	(967)	(63,696)	(64,073)	(798)	(64,871)
	255,904	25,383	281,287	195,154	20,351	215,505

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

5 MURABAHA AND OTHER FINANCINGS

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	1,170,772	499,825	1,670,597	1,287,322	540,446	1,827,768
Less: Provision for impairment	(121,544)	(9,203)	(130,747)	(131,029)	(12,874)	(143,903)
	1,049,228	490,622	1,539,850	1,156,293	527,572	1,683,865

The movement in provisions is as follows:

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	131,029	12,874	143,903	108,323	5,630	113,953
Impact of FAS 30 on adoption	-	-	-	47,090	336	47,426
Transfer from Investment Risk Reserve for FAS 30 on adoption	-	-	-	-	6,767	6,767
Charge for the period/year	8,958	116	9,074	6,068	2,490	8,558
Write back during the period/year	(11,303)	(90)	(11,393)	(11,883)	(107)	(11,990)
Utilised during the period/year	(23)	(3,707)	(3,730)	(147)	(2,164)	(2,311)
Reclassification	-	-	-	(1,061)	34	(1,027)
Exchange differences and other movements	(7,117)	10	(7,107)	(17,361)	(112)	(17,473)
	121,544	9,203	130,747	131,029	12,874	143,903

Ithmaar Bank B.S.C. (C)

Notes to interim condensed consolidated financial information

for the nine month period ended 30 September 2019

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

6 SUKUK AND INVESTMENT SECURITIES

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investment securities at fair value through income statement						
<i>Held for trading</i>						
Debt-type instruments – unlisted	37,606	-	37,606	85,294	-	85,294
Equity-type securities – listed	1,023	-	1,023	728	-	728
	38,629	-	38,629	86,022	-	86,022
Investment securities at fair value through equity						
Equity-type securities – listed	22,367	-	22,367	21,993	-	21,993
Equity-type securities – unlisted	1,639	-	1,639	1,837	-	1,837
	24,006	-	24,006	23,830	-	23,830
Provision for impairment	(4,681)	-	(4,681)	(3,721)	-	(3,721)
	19,325	-	19,325	20,109	-	20,109
Investment securities carried at amortised cost						
Sukuk – unlisted	76,478	75,886	152,364	4,263	71,146	75,409
Other debt-type instruments – listed	12,738	-	12,738	3,160	-	3,160
Other debt-type instruments – unlisted	261,117	-	261,117	397,197	-	397,197
	350,333	75,886	426,219	404,620	71,146	475,766
Provision for impairment	(5,120)	-	(5,120)	(5,726)	-	(5,726)
	345,213	75,886	421,099	398,894	71,146	470,040
	403,167	75,886	479,053	505,025	71,146	576,171

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

6 SUKUK AND INVESTMENT SECURITIES (continued)

Investments measured at fair value

At 30 September 2019

**Investment securities at fair value
through income statement**

	Level 1	Level 2	Level 3	Total
Debt-type instruments	-	37,606	-	37,606
Equity-type securities	1,023	-	-	1,023

**Investment securities at fair value
through equity**

Equity-type securities	19,131	194	-	19,325
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	Level 1	Level 2	Level 3	Total
	20,154	37,800	-	57,954

Investments measured at fair value

At 31 December 2018

**Investment securities at fair value
through income statement**

Debt-type instruments	-	85,294	-	85,294
Equity-type securities	728	-	-	728

**Investment securities at fair value
through equity**

Equity-type securities	19,893	216	-	20,109
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	Level 1	Level 2	Level 3	Total
	20,621	85,510	-	106,131

Total income/(loss) for the nine month period included in the
interim condensed consolidated income statement

	30 September 2019	30 September 2018
	(1,166)	627

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

7 OTHER ASSETS

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	43,874	17,723	61,597	54,440	13,226	67,666
Due from related parties	11,258	-	11,258	12,135	-	12,135
Taxes – deferred	4,201	-	4,201	3,664	-	3,664
Taxes – current	5,623	7	5,630	9,390	20	9,410
Assets acquired against claims	4,031	-	4,031	5,019	-	5,019
	68,987	17,730	86,717	84,648	13,246	97,894
Provision for impairment	(14,221)	(4,580)	(18,801)	(14,227)	(4,582)	(18,809)
	54,766	13,150	67,916	70,421	8,664	79,085

8 PROVISION FOR IMPAIRMENT

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	176,184	18,830	195,014	141,004	11,094	152,098
Impact of FAS 30 on adoption	-	-	-	53,639	335	53,974
Transfer from Investment Risk Reserve on adoption	-	-	-	-	6,767	6,767
Charge for the period/year	10,756	790	11,546	20,726	3,348	24,074
Write back during the period/year	(11,496)	(105)	(11,601)	(12,466)	(149)	(12,615)
Utilised during the period/year	(3,542)	(3,707)	(7,249)	(143)	(2,164)	(2,307)
Movement due to acquisition of subsidiary	-	-	-	(6,464)	-	(6,464)
Exchange differences	(8,335)	(184)	(8,519)	(20,112)	(401)	(20,513)
	163,567	15,624	179,191	176,184	18,830	195,014

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

8 PROVISION FOR IMPAIRMENT continued

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

30 September 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	349,266	-	-	349,266
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	307,354	31,108	-	338,462
Acceptable risks (4-6)	1,095,702	17,313	-	1,113,015
Watch list (7)	-	53,028	-	53,028
Non performing (8-10)	-	-	141,687	141,687
Carrying amount - Corporate	1,403,056	101,449	141,687	1,646,192
Retail (un-rated)	537,832	5,469	19,722	563,023
Carrying amount	1,940,888	106,918	161,409	2,209,215
Sukuk and investment securities	421,139	-	5,080	426,219
Other receivables	54,713	7,872	14,308	76,893
Loss allowance	(43,035)	(4,636)	(109,373)	(157,044)
Total Financial assets carrying amount	2,722,971	110,154	71,424	2,904,549

31 December 2018

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	303,248	-	-	303,248
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	353,006	30,214	-	383,220
Acceptable risks (4-6)	1,143,480	137,679	-	1,281,159
Watch list (7)	2,349	64,068	-	66,417
Non performing (8-10)	-	-	159,128	159,128
Carrying amount - Corporate	1,498,835	231,961	159,128	1,889,924
Retail (un-rated)	537,484	7,668	6,489	551,641
Carrying amount	2,036,319	239,629	165,617	2,441,565
Sukuk and investment securities	469,894	-	5,872	475,766
Other receivables	76,693	-	14,530	91,223
Loss allowance	(49,267)	(4,546)	(119,981)	(173,794)
Total Financial assets carrying amount	2,836,887	235,083	66,038	3,138,008

Gross financings (funded) as of 30 September 2019 amounted to BD1.2 billion, BD0.3 billion and BD0.2 billion for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: BD1.2 billion, BD0.3 billion and BD0.2 billion). Collateral coverage for gross financing as of 30 September 2019 was 101%,17% and 55% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: 132%, 17% and 46%).

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

9 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

The funds received from Unrestricted Investment Accountholders (URIA) are invested on their behalf without recourse to the Group as follows:

	30 September 2019	31 December 2018
Cash and balances with banks and central banks	26,350	21,707
Commodity and other placements with banks, financial and other institutions	4,234	5,967
Murabaha and other financings	490,622	527,572
Musharaka financing	206,564	186,635
Sukuk and investment securities	75,886	71,146
Assets acquired for leasing	148,133	153,549
Other assets	13,150	8,664
Due from the Group (net)	242,240	172,957
	1,207,179	1,148,197
Customers' current accounts	(99,560)	(82,581)
Due to banks, financial and other institutions	(35,944)	(30,133)
Other liabilities	(28,987)	(40,703)
Equity of unrestricted investment accountholders	1,042,688	994,780

10 SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	7,540,000	754,000
Issued and fully paid		
Total outstanding as at 1 January 2019	1,000,000	100,000
At 30 September 2019 (Reviewed)	1,000,000	100,000
Issued and fully paid		
Total outstanding as at 1 January 2018	1,000,000	100,000
At 31 December 2018 (Audited)	1,000,000	100,000

The Bank's total issued and fully paid share capital at 30 September 2019 comprises 1,000,000,000 shares at 100 fils per share amounting to BD 100,000,000.

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

11 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

- (a) Directors and companies in which they have an ownership interest.
- (b) Major shareholders of the Bank, Ultimate Parent and companies in which Ultimate Parent has ownership interest and subsidiaries of such companies (affiliates).
- (c) Associated companies of the Bank.
- (d) Senior management.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Significant balances with related parties comprise:

	30 September 2019				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	597,601	-	4,828	-	602,429
Other assets	11,107	-	-	151	11,258
Liabilities					
Customers' current accounts	4,108	491	-	256	4,855
Due to banks, financial and other institutions	23,062	36,103	-	-	59,165
Other liabilities	67	-	-	-	67
Equity of unrestricted investment accounts	6,859	-	-	1,452	8,311
Commitments	1,281	-	-	-	1,281
30 September 2019					
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Income					
Return to unrestricted investment accounts	(211)	-	-	(33)	(244)
Income from murabaha and other financings	7,481	-	-	-	7,481
Profit paid to banks, financial and other institutions	(886)	(1,214)	-	-	(2,100)
Expenses					
Administrative and general expenses	155	-	14	-	169

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

12 EARNINGS PER SHARE (BASIC & DILUTED)

Earnings per share (Basic & Diluted) are calculated by dividing the net income/(loss) attributable to shareholders by the weighted average number of issued and fully paid up ordinary shares during the period.

	Nine month period ended		Three month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Net income attributable to shareholders (BD'000)	2,666	1,563	559	189
Weighted average number of issued and fully paid up ordinary shares ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share (Basic & Diluted) – Fils	2.67	1.56	0.56	0.19

13 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	30 September 2019	31 December 2018
Acceptances and endorsements	10,982	29,436
Guarantees and irrevocable letters of credit	159,420	231,088
Customer and other claims	78,483	91,928
	248,885	352,452

Commitments

	30 September 2019	31 December 2018
Undrawn facilities, financing lines and other commitments to finance	633,812	751,245

