

ITHMAAR BANK B.S.C. (C)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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Review report on the interim condensed consolidated financial information to the Board of Directors of Ithmaar Bank B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ithmaar Bank B.S.C. (c) (the “Bank”) and its subsidiaries (the “Group”) as at 30 September 2022 and the related interim condensed consolidated income statement for the three and nine month periods then ended, 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 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 is not prepared, in all material respects, in accordance with the basis of preparation stated in note 2 to this interim condensed consolidated financial information.

A handwritten signature in blue ink that reads 'Elias Abi Nakhoul'.

Elias Abi Nakhoul

Partner’s registration number: 196

PricewaterhouseCoopers M.E Limited

Manama, Kingdom of Bahrain

13 November 2022

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

	Note	At 30 September 2022 (Reviewed)	At 31 December 2021 (Audited)
ASSETS			
Cash and balances with banks and central banks	3	138,284	196,839
Commodity and other placements with banks, financial and other institutions	4	17,852	70,290
Murabaha and other financings	5	641,929	1,270,306
Musharaka financing	6	531,875	537,505
Sukuk and investment securities	7	749,453	893,129
Investment in associates	8	1,595	2,456
Assets acquired for leasing		304	147,716
Other assets	9	76,555	63,834
Investment in real estate		3,885	2,467
Development properties		65,870	64,632
Fixed assets		41,611	55,682
Intangible assets		8,967	22,643
Total assets		2,278,180	3,327,499
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS AND TOTAL EQUITY			
LIABILITIES			
Customers' current accounts		651,043	726,981
Due to banks, financial and other institutions		492,030	526,603
Due to investors		27,331	420,047
Other liabilities		133,236	135,544
Total liabilities		1,303,640	1,809,175
Equity of unrestricted investment accountholders	11	897,532	1,421,392
Total liabilities and equity of unrestricted investment accountholders		2,201,172	3,230,567
Share capital	12	100,000	100,000
Reserves		(63,139)	(40,120)
Accumulated losses		(4,757)	(16,150)
Total owners' equity		32,104	43,730
Non-controlling interest		44,904	53,202
Total Equity		77,008	96,932
Total liabilities, equity of unrestricted investment accountholders and total equity		2,278,180	3,327,499

This interim condensed consolidated financial information was approved by the Board of Directors on 13 November 2022 and signed on its behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Abdulla Taleb
CEO

The notes 1 to 18 on pages 11 to 28 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)

Note	Nine months ended		Three months ended	
	30 September 2022 (Reviewed)	30 September 2021 (Reviewed)	30 September 2022 (Reviewed)	30 September 2021 (Reviewed)
INCOME				
Income from unrestricted investment accounts	110,800	59,986	39,788	20,404
Less: return to unrestricted investment accountholders and impairment provisions	(56,385)	(30,527)	(21,586)	(10,644)
Group's share of income from unrestricted investment accounts as a Mudarib	54,415	29,459	18,202	9,760
Income from murabaha and other financings	15,448	25,310	4,838	6,950
Income from sukuk and investment securities	23,301	31,853	6,541	9,682
Other income	12,850	14,237	4,613	4,205
Total income	106,014	100,859	34,194	30,597
Less: profit paid to banks, financial and other institutions – net	(36,069)	(44,626)	(8,254)	(14,446)
Operating income	69,945	56,233	25,940	16,151
EXPENSES				
Administrative and general expenses	(40,907)	(40,719)	(13,637)	(13,145)
Depreciation and amortization	(5,859)	(6,719)	(1,509)	(2,249)
Total expenses	(46,766)	(47,438)	(15,146)	(15,394)
Net income before provision for impairment and overseas taxation	23,179	8,795	10,794	757
Reversal of/(provision for) impairment - net	10 1,072	3,767	826	(279)
Net income before overseas taxation	24,251	12,562	11,620	478
Overseas taxation	(14,659)	(9,562)	(5,894)	(3,087)
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	9,592	3,000	5,726	(2,609)
Net results from discontinued operations	18 5,615	(1,658)	5,959	543
NET INCOME/(LOSS) FOR THE PERIOD	15,207	1,342	11,685	(2,066)
Attributable to:				
Equity holders of the Bank	11,393	(2,622)	9,899	(3,156)
Non-controlling interests	3,814	3,964	1,786	1,090
	15,207	1,342	11,685	(2,066)
Basic and diluted earnings/(losses) per share attributable to equity holders of the Bank	14 Fils 11.39	Fils (2.62)	Fils 9.90	Fils (3.16)
Basic and diluted earnings/(losses) per share - continuing operations attributable to equity holders of the Bank	14 Fils 5.78	Fils (0.96)	Fils 3.94	Fils (3.70)

This interim condensed consolidated financial information was approved by the Board of Directors on 13 November 2022 and signed on its behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Abdulla Taleb
CEO

The notes 1 to 18 on pages 11 to 28 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 2022**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves							Total owners' equity	Non-controlling interest	Total Equity
	Share capital	Statutory reserve	Investments fair value reserve	Hedging reserve	Investment in real estate fair value reserve	Foreign currency translation	Accumulated losses			
At 1 January 2022 (Audited)	100,000	299	6,609	(1,350)	746	(46,424)	(16,150)	43,730	53,202	96,932
Net income for the period	-	-	-	-	-	-	11,393	11,393	3,814	15,207
Movement in fair value of sukuk and investment securities	-	-	(4,229)	-	-	-	-	(4,229)	(906)	(5,135)
Movement in hedging reserve	-	-	-	1,350	-	-	-	1,350	-	1,350
Foreign currency translation adjustments	-	-	141	-	(52)	(20,229)	-	(20,140)	(11,206)	(31,346)
At 30 September 2022 (Reviewed)	100,000	299	2,521	-	694	(66,653)	(4,757)	32,104	44,904	77,008

The notes 1 to 18 on pages 11 to 28 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 2021

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves						Accumulated losses	Total owners' equity	Non-controlling interest	Total Equity
	Share capital	Statutory reserve	Investments fair value reserve	Hedging reserve	Investment in real estate fair value reserve	Foreign currency translation				
At 1 January 2021 (Audited)	100,000	299	7,309	(2,760)	721	(39,602)	(16,136)	49,831	55,049	104,880
Net income for the period	-	-	-	-	-	-	(2,622)	(2,622)	3,964	1,342
Increase in shareholding of subsidiary	-	-	-	-	-	-	295	295	(295)	-
Movement in fair value of sukuk and investment securities	-	-	932	-	-	-	-	932	468	1,400
Movement in hedging reserve	-	-	-	1,342	-	-	-	1,342	-	1,342
Foreign currency translation adjustments	-	-	(125)	-	(40)	(5,359)	-	(5,524)	(5,167)	(10,691)
At 30 September 2021 (Reviewed)	100,000	299	8,116	(1,418)	681	(44,961)	(18,463)	44,254	54,019	98,273

The notes 1 to 18 on pages 11 to 28 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)

Note	Nine months ended	
	30 September 2022	30 September 2020
	(Reviewed)	(Reviewed)
OPERATING ACTIVITIES		
Net income before overseas taxation from:		
Continuing operations	24,251	12,562
Discontinued operations	5,615	(1,658)
Adjustments for:		
Depreciation and amortization	5,859	6,719
Share of results after tax from associates	-	(194)
Reversal of provision for impairment - net	10 (1,072)	(3,767)
Income from sukuk and investment securities	(23,301)	(31,853)
Finance cost on net ijarah liability	2,046	2,146
Loss on sale of fixed assets	(53)	(578)
Operating income/(loss) before changes in operating assets and liabilities	13,345	(16,623)
Changes in operating assets and liabilities:		
Balances with banks maturing after ninety days including central banks balances relating to minimum reserve requirement		
	17,363	6,279
Murabaha and other financings	5,248	77,687
Musharaka financing	(133,215)	(184,286)
Other assets	(95,493)	(20,029)
Customers' current accounts	90,428	91,620
Due to banks, financial and other institutions	51,133	98,134
Due to investors	(10,638)	206
Other liabilities	34,254	16,903
Increase in equity of unrestricted investment accountholders	50,707	106,489
Taxes paid	(15,130)	(10,848)
Net cash generated from operating activities	8,002	165,532
INVESTING ACTIVITIES		
Net changes in:		
Investment in associates	-	(1,365)
Assets acquired for leasing	4,627	(4,636)
Sukuk and investment securities	(58,644)	(115,656)
Fixed assets	(4,367)	(5,281)
Net cash used in investing activities	(58,384)	(126,938)
FINANCING ACTIVITY		
Repayment of net ijarah liability	(3,829)	(3,973)
Net cash used in financing activity	(3,829)	(3,973)
Foreign currency translation adjustments		
	(30,817)	(9,998)
Net (decrease)/increase in cash and cash equivalents	(85,028)	24,623
Cash and cash equivalents at the beginning of the period	225,530	278,280
Cash and cash equivalents at the end of the period	4 140,502	302,903

Note: For non-cash transactions, please refer note 18

The notes 1 to 18 on pages 11 to 28 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 2022**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2022	Foreign exchange movements	At 30 September 2022
Shamil Bosphorus Modaraba*	2,356	-	2,356
European Real Estate Placements*	4,793	(1,239)	3,554
US Real Estate Placements*	9,514	-	9,514
TOTAL (Reviewed)	16,663	(1,239)	15,424

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

The notes 1 to 18 on pages 11 to 28 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 2022**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2021	Foreign exchange movements	At 30 September 2021
Shamil Bosphorus Modaraba*	2,356	-	2,356
European Real Estate Placements*	4,806	717	5,523
US Real Estate Placements*	9,514	-	9,514
TOTAL (Reviewed)	16,676	717	17,393

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

The notes 1 to 18 on pages 11 to 28 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 2022

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 parent company of the Bank.

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

The Bank's activities are regulated 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, 1 commercial branch in Bahrain and its following principal subsidiary companies:

	% owned		Country of Incorporation	Principal business activity
	30 September 2022	31 December 2021		
Faysal Bank Limited	67	67	Pakistan	Banking
Dilmunia Development Fund I L.P.	92	92	Cayman Islands	Real estate
Sakana Holistic Housing Solutions B.S.C. (C) (Sakana) [under Voluntary Liquidation]	50	50	Kingdom of Bahrain	Mortgage finance

- 1.1 As of 30 September 2022, the consolidated equity of the Group stood at BD32.1 million, which is below the minimum regulatory capital required by the CBB of BD100 million as per LR module of Volume 2 rulebook. The regulatory minimum requirement will be taken into account as part of the remaining entity subsequent to the transaction with Al Salam Bank B.S.C. .

The Group's management assessed its liquidity and equity projections of the entity subsequent to the transaction with Al Salam Bank B.S.C. (refer to note 18) for the coming twelve months from the date issue of this interim condensed consolidated financial position. The management's assessment includes following assumptions:

- No change in status of sanctioned liabilities and accordingly no repayments.
- Stressing the expected outflows of the liabilities.
- Stressing the expected inflows from assets.
- Ability to maintain core deposits through increased focus on corporate customers as part of the new business model of the remaining entity (evidenced by actual cash flows till the reporting date).
- Reduction in operation expenses resulting from a leaner remaining entity post transaction with Al Salam
- Increased availability of liquid assets in the form of interbank liquidity support facility; and
- Use of ALCO approved rollover/ renewal related behavioural patterns of liabilities post the transaction.
- Availability of Sukuks having a carrying value of \$99 million post Al Salam deal for liquidity purpose.

The Board of Directors has reviewed the above projections and believes that the Group will be able to continue its business without any significant curtailment of operations and meet its obligations for a period of at least one year from the date of issue of these interim condensed consolidated financial information. Accordingly, this interim condensed consolidated financial information is prepared on a going concern basis.

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2022

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

Basis of preparation

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 2021, 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).

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Accordingly, the interim condensed consolidated financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the years ended 31 December 2021 and 31 December 2020 were in accordance with FAS as modified by CBB (refer to the Group's audited financial statements for the year ended 31 December 2021 for the details of the COVID-19 related modifications applied). Since the CBB modification was specific to the financial year 2020 and no longer apply to both the current and comparative periods presented, the Group's interim financial information for the nine months ended 30 September 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

The interim condensed consolidated financial information of the Group does not contain all information and disclosures required for the annual audited consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2021. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before Ithmaar (the 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 for the nine month period ended 30 September 2022 as appropriate.

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

Except for the modification and the new standards, the accounting policies and methods of computation applied by the Group in the preparation of the interim condensed consolidated interim financial information are the same as those used in the preparation of the Group audited consolidated financial statements as at and for the year ended 31 December 2021, except for adoption of following standards and amendments to standards effective from 1 January 2022. Adoption of these standards and amendments did not result in changes to previously reported net income or equity of the Group, however it has resulted in additional disclosures.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

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

(i) FAS 38 Wa'ad, Khiyar and Tahawwut

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

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

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

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products.

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

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

(i) FAS 39 Financial Reporting for Zakah

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

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

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

The Group is currently evaluating and assessing the impact of adopting this standard.

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

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

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

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

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

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	11,620	4,014	15,634	34,836	6,790	41,626
Cash and balances with banks and central banks	24,260	98,390	122,650	84,921	70,292	155,213
	35,880	102,404	138,284	119,757	77,082	196,839

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

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	17,878	-	17,878	70,316	-	70,316
Less: expected credit loss	(26)	-	(26)	(26)	-	(26)
	17,852	-	17,852	70,290	-	70,290

Cash and cash equivalents for the purpose of interim condensed consolidated statements of cash flows are as follows:

	30 September 2022			30 September 2021		
	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 (note 3)	35,880	102,404	138,284	171,593	54,329	225,922
Commodity and other placements with banks, financial and other institutions - net	17,852	-	17,852	110,036	9,130	119,166
Less: Placements with original maturing after ninety days	-	-	-	-	-	-
Less: Balances with central banks relating to minimum reserve requirement (note 3)	(11,620)	(4,014)	(15,634)	(37,162)	(5,023)	(42,185)
	42,112	98,390	140,502	244,467	58,436	302,903

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

5 MURABAHA AND OTHER FINANCINGS

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	427,956	324,765	752,721	731,095	674,140	1,405,235
Less: expected credit loss	(85,682)	(25,110)	(110,792)	(109,202)	(25,727)	(134,929)
	342,274	299,655	641,929	621,893	648,413	1,270,306

The movement in expected credit loss is as follows:

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	109,202	25,727	134,929	121,648	17,847	139,495
Charge for the period/year	3,536	33	3,569	8,691	8,700	17,391
Write back during the period/year	(4,140)	(566)	(4,706)	(11,303)	(199)	(11,502)
Utilised during the period/year	(1,553)	-	(1,553)	(5,610)	(251)	(5,861)
Movement due to sale of assets	(13,124)	-	(13,124)			
Reclassification	-	949	949	(120)	-	(120)
Exchange differences and other movements	(8,239)	(1,033)	(9,272)	(4,104)	(370)	(4,474)
	85,682	25,110	110,792	109,202	25,727	134,929

6 MUSHARAKA FINANCING

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Musharaka financing	50	538,783	538,833	43	542,684	542,727
Less: expected credit loss	-	(6,958)	(6,958)	-	(5,222)	(5,222)
	50	531,825	531,875	43	537,462	537,505

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7 SUKUK AND INVESTMENT SECURITIES

	30 September 2022			31 December 2021		
	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						
Debt-type instruments – listed	1,486	-	1,486	66	-	66
Debt-type instruments – unlisted	-	-	-	24,890	-	24,890
Equity-type securities – listed	1,904	-	1,904	1,853	-	1,853
	3,390	-	3,390	26,809	-	26,809
Investment securities at fair value through equity						
Debt-type instruments – listed	38,755	31,550	70,305	70,701	33,988	104,689
Debt-type instruments – unlisted	94,348	512,632	606,980	286,843	319,124	605,967
Equity-type securities – listed	15,853	165	16,018	22,154	214	22,368
Equity-type securities – unlisted	2,138	-	2,138	3,185	-	3,185
	151,094	544,347	695,441	382,883	353,326	736,209
Less: expected credit loss	(3,327)	-	(3,327)	(4,622)	-	(4,622)
	147,767	544,347	692,114	378,261	353,326	731,587
Investment securities carried at amortised cost						
Other debt-type instruments – listed	-	37,200	37,200	-	118,125	118,125
Other debt-type instruments – unlisted	3,034	16,188	19,222	3,929	15,932	19,861
	3,034	53,388	56,422	3,929	134,057	137,986
Less: expected credit loss	(2,473)	-	(2,473)	(3,253)	-	(3,253)
	561	53,388	53,949	676	134,057	134,733
	151,718	597,735	749,453	405,746	487,383	893,129

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.

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7 SUKUK AND INVESTMENT SECURITIES (continued)

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 September 2022				
Investment securities at fair value through income statement				
Debt-type instruments	1,486	-	-	1,486
Equity-type securities	1,904	-	-	1,904
	3,390	-	-	3,390
Investment securities at fair value through equity				
Debt-type instruments – listed	70,148	-	-	70,148
Debt-type instruments – unlisted	-	606,836	-	606,836
Equity-type securities	9,958	5,172	-	15,130
	80,106	612,008	-	692,114

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 31 December 2021				
Investment securities at fair value through income statement				
Debt-type instruments	66	24,890	-	24,956
Equity-type securities	1,853	-	-	1,853
	1,919	24,890	-	26,809
Investment securities at fair value through equity				
Debt-type instruments – listed	104,484	-	-	104,484
Debt-type instruments – unlisted	-	605,681	-	605,681
Equity securities	17,500	3,922	-	21,422
	121,984	609,603	-	731,587

8 INVESTMENT IN ASSOCIATES

Investment in associated entities, as adjusted for the Group's share of their results comprise:

Name of entity	30 September 2022	% of Shareholding	31 December 2021	% of Shareholding	Country	Activity
Unlisted:						
Faysal Saving Growth Fund	1,153	26	2,301	35	Pakistan	Mutual funds
Faysal Asset Allocation Fund*	-	28	155	23	Pakistan	Mutual funds
Faysal Islamic Stock Fund	442	30	-	0	Pakistan	Mutual funds
	1,595		2,456			

*These associates were disposed during the nine month period ended 30 September 2022.

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9 OTHER ASSETS

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	28,992	47,985	76,977	34,507	31,640	66,147
Due from related parties (note 11)	5,650	-	5,650	7,319	-	7,319
Taxes – deferred	1,993	1,476	3,469	3,516	439	3,955
Taxes – current	3,259	-	3,259	34	-	34
Assets acquired against claims	-	1,653	1,653	2,137	-	2,137
	39,894	51,114	91,008	47,513	32,079	79,592
Less: expected credit loss	(10,905)	(3,548)	(14,453)	(11,195)	(4,563)	(15,758)
	28,989	47,566	76,555	36,318	27,516	63,834

10 PROVISION FOR IMPAIRMENT

	30 September 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	158,682	35,512	194,194	174,267	26,347	200,614
Charge for the period/year	3,441	4,884	8,325	11,462	12,424	23,886
Write back during the period/year	(4,513)	(2,123)	(6,636)	(14,345)	(2,141)	(16,486)
Movement due to sale of assets	(13,124)	-	(13,124)	-	-	-
Utilised during the period/year	(1,553)	-	(1,553)	(5,968)	(251)	(6,219)
Exchange differences and other movements	(10,258)	(2,655)	(12,913)	(6,734)	(867)	(7,601)
	132,675	35,618	168,293	158,682	35,512	194,194

During the nine month period ended 30 September 2022, the Group has recorded a net provision for impairment of BD1.7 million (30 September 2021: BD5.2 million).

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10 PROVISION FOR IMPAIRMENT (continued)

The following table sets out information about the credit quality of financings and receivables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

30 September 2022

	Stage 1	Stage 2	Stage 3	Total
Commodity and other placements with banks, financial and other institutions				
Gross exposure	17,878	-	-	17,878
Less: expected credit loss	(26)	-	-	(26)
Net exposure	17,852	-	-	17,852
Murabaha and other financings				
Gross exposure	590,661	54,463	107,597	752,721
Less: expected credit loss	(28,448)	(4,187)	(78,157)	(110,792)
Net exposure	562,213	50,276	29,440	641,929
Musharaka financing				
Gross exposure	477,508	57,535	3,790	538,833
Less: expected credit loss	(2,250)	(2,605)	(2,103)	(6,958)
Net exposure	475,258	54,930	1,687	531,875
Assets acquired for leasing (including Ijara receivables)				
Gross exposure	-	591	-	591
Less: expected credit loss	-	(287)	-	(287)
Net exposure	-	304	-	304
Other assets				
Gross exposure	78,132	-	12,876	91,008
Less: expected credit loss	(1,577)	-	(12,876)	(14,453)
Net exposure	76,555	-	-	76,555
Total gross exposure	1,164,179	112,589	124,263	1,401,031
Less: Total expected credit loss	(32,301)	(7,079)	(93,136)	(132,516)
Total Net exposure	1,131,878	105,510	31,127	1,268,515

31 December 2021

Commodity and other placements with banks, financial and other institutions				
Gross exposure	70,317	-	-	70,317
Less: expected credit loss	(27)	-	-	(27)
Net exposure	70,290	-	-	70,290
Murabaha and other financings				
Gross exposure	1,142,676	125,316	137,243	1,405,235
Less: expected credit loss	(35,304)	(5,149)	(94,476)	(134,929)
Net exposure	1,107,372	120,167	42,767	1,270,306
Musharaka financing				
Gross exposure	521,521	17,629	3,577	542,727
Less: expected credit loss	(2,256)	(1,535)	(1,431)	(5,222)
Net exposure	519,265	16,094	2,146	537,505
Assets acquired for leasing (including Ijara receivables)				
Gross exposure	164,774	1,101	327	166,202
Less: expected credit loss	(611)	(11)	(327)	(949)
Net exposure	164,163	1,090	-	165,253
Other assets				
Gross exposure	43,680	4,192	13,235	61,107
Less: expected credit loss	(1,512)	(63)	(13,235)	(14,810)
Net exposure	42,168	4,129	-	46,297
Total gross exposure	1,942,968	148,238	154,382	2,245,588
Less: Total expected credit loss	(39,710)	(6,758)	(109,469)	(155,937)
Total Net exposure	1,903,258	141,480	44,913	2,089,651

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10 PROVISION FOR IMPAIRMENT (continued)

Included in Stage 1 under "Acceptable risks (4-6)" is the financing extended to the Group's affiliate, IB Capital, amounting to BD330.2 million. This financing originated on 2 January 2017 as part of the reorganization pursuant to the Extraordinary General Meeting (EGM) held on 28 March 2016 where the shareholders approved to restructure the erstwhile Ithmaar Bank B.S.C into a holding company and two subsidiaries to segregate core and non-core assets with IB Capital holding the non-core assets. The financing is collateralized by the underlying assets of IB Capital and the recovery is based on the sale of these underlying assets through an asset sale plan approved by the Board of Directors of the Group.

As part of the Group's staging policy to determine whether credit risk has significantly increased since initial recognition, the Group compared the risk of default at the assessment date with the risk of default at initial recognition. Following factors were analyzed as part of this assessment:

- The recovery of the financing at initial recognition was based on the sale of the underlying assets by IB Capital.
- The delays in the sale of underlying assets were mainly due to the COVID-19 pandemic. All principal and profit payments are current. Further, the facility has been partially repaid in the form of assets underlying the transaction with Al Salam Bank B.S.C. (refer note 18)
- The ECL has been calculated under various stressed scenarios and the resulting impairment is within the existing ECL range.

Accordingly, the Group concluded that there has been no significant increase in credit risk of the exposure since initial recognition and classification of the above financing in Stage 1 is appropriate as of 30 September 2022.

11 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 2022	31 December 2021
Cash and balances with banks and central banks	102,404	77,082
Murabaha and other financings	299,655	648,413
Musharaka financing	531,525	537,462
Sukuk and investment securities	597,735	487,383
Assets acquired for leasing	-	147,368
Other assets	47,566	27,516
Investment in real estate	1,908	-
Fixed assets	17,314	21,450
Due from the Owners (net)	29,593	208,665
	1,627,700	2,155,339
Customers' current accounts	(470,713)	(482,115)
Due to banks, financial and other institutions	(208,251)	(181,425)
Other liabilities	(51,204)	(70,407)
Equity of unrestricted investment accountholders	897,532	1,421,392

12 SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	7,540,000	754,000
Issued and fully paid		
Total outstanding as at 1 January 2022	1,000,000	100,000
At 30 September 2022 (Reviewed)	1,000,000	100,000
Issued and fully paid		
Total outstanding as at 1 January 2021	1,000,000	100,000
At 31 December 2021 (Audited)	1,000,000	100,000

The Bank's total issued and fully paid share capital at 30 September 2022 comprises 1,000,000,000 shares at 100 fils per share amounting to BD 100,000,000.

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13 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 2022				
	Shareholders & affiliates	Associated companies and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	330,174	-	-	-	330,174
Other assets	5,595	-	-	55	5,650
Liabilities					
Customers' current accounts	4,688	801	-	-	5,489
Due to banks, financial and other institutions	21,098	1,920	-	-	23,018
Other liabilities	65	-	-	-	65
Equity of unrestricted investment accounts	5,081	-	-	-	5,081
Income					
Return to unrestricted investment accounts	(116)	-	-	-	(116)
Income from murabaha and other financings	6,285	-	-	-	6,285
Profit paid to banks, financial and other institutions	(64)	(20)	-	-	(84)
Other income - Management fees	(245)	-	-	-	(245)
Expenses					
Administrative and general expenses	(155)	-	(14)	-	(169)

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13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	31 December 2021				
	Shareholders & affiliates	Associated companies and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	585,901	-	-	-	585,901
Sukuk and investment securities	331	-	-	-	331
Other assets	7,076	-	-	243	7,319
Liabilities					
Customers' current accounts	10,773	2,657	-	369	13,799
Due to banks, financial and other institutions	14,041	1,960	-	-	16,001
Other liabilities	5	-	-	-	5
Equity of unrestricted investment accounts	14,189	-	-	1,892	16,081
Commitments	1,281	-	-	-	1,281
30 September 2022					
Income					
Return to unrestricted investment accounts	(206)	-	-	(44)	(250)
Income from murabaha and other financings	7,340	-	-	-	7,340
Sukuk and investment securities	-	195	-	-	195
Profit paid to banks, financial and other institutions	(240)	(83)	-	-	(323)
Other income - Management fees	(258)	-	-	-	(258)
Expenses					
Administrative and general expenses	(155)	-	(14)	-	(169)

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14 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

Earnings/(losses) per share 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 2022	30 September 2021	30 September 2022	30 September 2021
Net income/(loss) attributable to shareholders (BD'000)	11,393	(2,622)	9,899	(3,156)
Weighted average number of issued and fully paid up ordinary shares ('000) (note 12)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings/(losses) per share (Basic & Diluted) – Fils	11.39	(2.62)	9.90	(3.16)

**BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY
HOLDERS OF THE BANK**

	Nine month period ended		Three month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
(BD'000)	5,778	(964)	3,940	(3,699)
Weighted average number of issued and fully paid up ordinary shares ('000) (note 12)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings/(losses) per share (Basic & Diluted) – Fils	5.78	(0.96)	3.94	(3.70)

**BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE FOR DISCONTINUED OPERATIONS ATTRIBUTABLE TO EQUITY
HOLDERS OF THE BANK**

	Nine month period ended		Three month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
Net income/(loss) attributable to shareholders (BD'000)	5,615	(1,658)	5,959	543
Weighted average number of issued and fully paid up ordinary shares ('000) (note 12)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings/(losses) per share (Basic & Diluted) – Fils	5.62	(1.66)	5.96	0.54

15 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	30 September 2022	31 December 2021
Acceptances and endorsements	14,352	17,830
Guarantees and irrevocable letters of credit	159,031	261,352
Customer and other claims	56,422	71,696
	229,805	350,878

Commitments

	30 September 2022	31 December 2021
Undrawn facilities, financing lines and other commitments to finance	484,758	582,907

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16 SEGMENTAL INFORMATION

The Group constitutes of three main business segments, namely;

- (i) Retail/ Commercial banking business, in which the Group receives customer funds and deposits and extends financing to its retail and corporate clients.
- (ii) Asset Management/Investment Banking, in which the Group directly participates in investment opportunities.

	30 September 2022			30 September 2021		
	Retail & Corporate banking	Management / Investment Banking	Asset Total	Retail & Corporate banking	Management / Investment Banking	Asset Total
Operating income/(loss)	69,416	529	69,945	59,320	(3,087)	56,233
Total expenses	(44,573)	(2,193)	(46,766)	(45,221)	(2,217)	(47,438)
Net income/(loss) before provision and overseas taxation	24,843	(1,664)	23,179	14,099	(5,304)	8,795
Provision and overseas taxation - net	(13,387)	(200)	(13,587)	(5,231)	(564)	(5,795)
Net income/(loss) from continuing operations	11,456	(1,864)	9,592	8,868	(5,868)	3,000
Net results for the period from discontinued operations	5,615	-	5,615	(1,658)	-	(1,658)
Net income/(losses) for the period	17,071	(1,864)	15,207	7,210	(5,868)	1,342
Attributable to:						
Equity holders of the Bank	12,801	(1,408)	11,393	2,440	(5,062)	(2,622)
Non-controlling interests	4,270	(456)	3,814	4,770	(806)	3,964
	17,071	(1,864)	15,207	7,210	(5,868)	1,342
						31 December 2021
Total assets	2,200,700	77,480	2,278,180	3,252,653	74,846	3,327,499
Total liabilities and equity of unrestricted investment account holders	2,188,394	12,778	2,201,172	3,219,016	11,551	3,230,567

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17 NET STABLE FUNDING RATIO (NSFR)

The consolidated NSFR is calculated in accordance with Liquidity Risk Management Module guidelines issued by the CBB and is effective from 31 December 2019. The minimum NSFR ratio as per CBB is 100% . The NSFR as at 30 September 2022 is calculated as follows:

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital:	98,946	-	-	6,720	105,666
2	Regulatory Capital	98,946	-	-	-	98,946
3	Other Capital Instruments	-	-	-	6,720	6,720
4	Retail deposits and deposits from small business customers:	-	664,716	49,255	1,952	646,386
5	Stable deposits	-	36,754	450	19	35,363
6	Other wholesale funding	-	627,962	48,805	1,933	611,023
7	Wholesale funding:	-	557,834	249,791	321,768	627,673
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	557,834	249,791	321,768	627,673
10	Other liabilities::	-	318,297	-	3,249	3,249
11	NSFR Shari'a-compliant hedging contract liabilities	-	10,674	-	-	-
12	All other liabilities not included in the above categories	-	307,623	-	3,249	3,249
13	Total ASF					1,382,974
Available Stable Funding (ASF):						
14	Total NSFR high-quality liquid assets (HQLA)					10,676
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	366,228	80,568	784,240	843,254
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	27,322	20,608	9,194	23,596
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	338,906	59,960	580,056	692,481
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	169,959	110,473
21	Performing residential mortgages, of which:					
22	- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	23,791	15,464
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	1,240	1,240
24	Other assets:	-	285,258	-	-	285,258
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	2,135	-	-	2,135
29	All other assets not included in the above categories	-	283,123	-	-	283,123
30	OBS items	-	510,187	-	-	25,509
31	Total RSF					1,164,697
32	NSFR (%)					119%

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17 NET STABLE FUNDING RATIO (NSFR) (continued)

The consolidated NSFR is calculated in accordance with Liquidity Risk Management Module guidelines issued by the CBB and is effective from 31 December 2019. The minimum NSFR ratio as per CBB is 100% . The NSFR as at 31 December 2021 is calculated as follows:

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital:	118,144	-	-	9,552	127,696
2	Regulatory Capital	118,144	-	-	-	118,144
3	Other Capital Instruments	-	-	-	9,552	9,552
4	Retail deposits and deposits from small business customers:	-	1,364,699	276,297	75,295	1,567,119
5	Stable deposits	-	276,970	21,591	8,107	291,740
6	Other wholesale funding	-	1,087,729	254,706	67,188	1,275,379
7	Wholesale funding:	-	542,257	334,400	358,537	698,295
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	542,257	334,400	358,537	698,295
10	Other liabilities::	-	299,731	-	5,129	5,129
11	NSFR Shari'a-compliant hedging contract liabilities	-	16,768	-	-	-
12	All other liabilities not included in the above categories	-	282,963	-	5,129	5,129
13	Total ASF					2,398,239
Available Stable Funding (ASF):						
14	Total NSFR high-quality liquid assets (HQLA)					16,028
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	490,446	107,947	1,441,652	1,545,980
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	81,213	13,895	581,956	601,085
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	409,233	94,052	669,448	820,673
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	167,745	109,034
21	Performing residential mortgages, of which:	-	-	-	-	-
22	- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	20,900	13,585
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	1,603	1,603
24	Other assets:	-	327,293	-	1,603	327,293
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	270	-	-	270
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	3,084	-	-	3,084
29	All other assets not included in the above categories	-	323,939	-	1,603	323,939
30	OBS items	-	688,054	-	-	34,403
31	Total RSF					1,923,704
32	NSFR (%)					125%

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

18 DISCONTINUED OPERATIONS

During January 2022, Ithmaar Holding agreed in-principle with Al Salam Bank B.S.C. (Al Salam) of the acquisition of the consumer banking business of Ithmaar Bank, and Ithmaar Holdings' ownership stake in both Bank of Bahrain and Kuwait B.S.C, and Solidarity Group Holding (the "transaction"). This announcement followed the execution of a non-legally binding Memorandum of Understanding (MoU) between the two entities in October 2021. The transaction was approved by Ithmaar Holding's shareholders during its Extraordinary General Meeting on 17 March 2022. The transaction was completed on 7 July 2022 after obtaining requisite regulatory and corporate approvals and signing of definitive agreements.

The consideration for sale of the group of assets was settled through transfer of certain liabilities and equity of investment account holders of the consumer banking business of Ithmaar Bank BSC (c), resulting in a gain of BD29 million based on the agreed values of assets and liabilities (the "operations") as of 7 July 2022:

	As of 7 July 2022
Assets transferred	
Consumer business	
Cash and balances with banks and central banks	63,240
Murabaha and other financings	295,312
Sukuk and investment securities	31,578
Assets acquired for leasing	142,785
Other assets	31,244
Fixed assets	5,449
Total	569,608
Investment in subsidiary (Takaful business)	38,865
Investment in associate (investment assets)	188,516
Total assets transferred - A	796,989
Consumer business	
Customers' current accounts	35,272
Due to banks, financial and other institutions	14,368
Other liabilities	19,339
Total liabilities	68,979
Equity of unrestricted investment account holders	754,655
Net movement in interim condensed consolidated income statement relating to the above assets & liabilities from 1 to 7 July 2022	156
Total liabilities transferred - B	823,790
Estimated balancing payment - C	2,211
Gain recognised on transfer (B+C-A)	29,012

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

18 DISCONTINUED OPERATIONS (continued)

The gain on the transaction of BD29 million was assessed initially on fair values as of 30 September 2021. Accordingly, the movement in carrying values of the transferred assets and liabilities associated with the transaction from 1 October 2021 till 30 June 2022 have been reflected as part of discontinued operations for the period. The net results of the above operations included in the interim condensed consolidated financial information are as follows:

Description	Nine months ended	
	30 September 2022	30 September 2021
Total income	4,944	6,641
Total expenses	(5,132)	(7,789)
Provision for impairment - net	(188)	(1,148)
	(299)	(1,658)
Write off of intangible assets directly associated with consumer business	(9,426)	-
Movement in carrying values from 1 October 2021 to 7 July 2022 for investment & Takaful business	(15,898)	-
Transfer of fair value and foreign exchange translation reserves to consolidated income statement for investment assets	2,226	-
	(23,397)	(1,658)
Gain recognised on transfer	29,012	-
Net results from discontinued operations	5,615	(1,658)

The comparative period balances in the interim condensed consolidated income statement has been reclassified to include those operations that have been classified as discontinued in the current period presentation.

The net cash flows of the above operations included in the Interim condensed consolidated statement of cash flows, are as follows:

Cash flow lines	Nine months ended	
	30 September 2022	30 September 2021
Net cash from operating activities	1,440	29,796
Net cash used by investing activities	(10,509)	(22,849)
Net cash movement	(9,069)	6,947