

ITHMAAR BANK B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
30 JUNE 2023

ITHMAAR BANK B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

To the Board of Directors of
Ithmaar Bank B.S.C. (c)
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial information of Ithmaar Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated income statement for the three-month and six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2023; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 20 February 2023. The condensed consolidated interim financial information of the Group as at and for the six-months ended 30 June 2022 were reviewed by the same auditor who expressed an unmodified conclusion on that condensed consolidated interim financial information on 28 August 2022.

13 August 2023




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Ithmaar Bank B.S.C. (c)**Condensed consolidated statement of financial position****as at 30 June 2023**


(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Note	At 30 June 2023 (Reviewed)	At 31 December 2022 (Audited)
ASSETS			
Cash and balances with banks and central banks		151,744	122,377
Commodity and other placements with banks, financial and other institutions		44,043	18,440
Murabaha and other financings	3	594,000	578,510
Musharaka financing	4	492,517	573,470
Investment securities	5	694,689	815,341
Investment in associates		115	3,204
Assets acquired for leasing		304	304
Other assets	6	106,780	67,527
Investment in real estate		3,946	4,792
Development properties		56,831	57,280
Fixed assets		51,163	59,745
Intangible assets		6,383	8,568
Total assets		2,202,515	2,309,558
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS AND TOTAL EQUITY			
LIABILITIES			
Customers' current accounts		626,626	658,614
Due to banks, financial and other institutions		437,826	419,454
Due to investors		4,423	13,954
Other liabilities		163,447	144,781
Total liabilities		1,232,322	1,236,803
Equity of unrestricted investment accountholders	8	893,370	993,418
Total liabilities and equity of unrestricted investment accountholders		2,125,692	2,230,221
OWNERS' EQUITY			
Share capital	9	100,000	100,000
Reserves	9	(53,699)	(53,699)
Accumulated losses		(8,618)	(10,182)
Total owners' equity		37,683	36,119
Non-controlling interests		39,140	43,218
Total equity		76,823	79,337
Total liabilities, equity of unrestricted investment accountholders and total equity		2,202,515	2,309,558

This condensed consolidated interim financial information was approved by the Board of Directors on 13 August 2023 and signed on its behalf by:



 HRH Prince Amr Mohammed Al-Faisal
 Chairman



 Elham Hassan
 Director



 Abdulla Taleb
 CEO

The accompanying notes 1 to 15 form an integral part of the condensed consolidated interim financial information.

Ithmaar Bank B.S.C. (c)

Condensed consolidated income statement

for the six months period ended 30 June 2023

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

Notes	Six months ended		Three months ended	
	30 June 2023 (Reviewed)	30 June 2022 (Reviewed)	30 June 2023 (Reviewed)	30 June 2022 (Reviewed)
INCOME				
Income from financing contracts	62,920	54,485	34,893	31,889
Income from investments	57,712	40,200	31,202	22,375
Other income	5,149	11,934	4,697	6,380
Total income	125,781	106,619	70,792	60,644
Less: profit to banks, financial and other institutions – net	(2,514)	(27,815)	(1,008)	(14,034)
Return on equity of investment accountholders before Group's share as a mudarib	(121,147)	(71,012)	(67,259)	(43,787)
Group's share as a mudarib	46,310	38,298	25,065	21,456
Share of profit of unrestricted investment accountholders	(74,837)	(32,714)	(42,194)	(22,331)
Net income	48,430	46,090	27,590	24,279
EXPENSES				
General and administrative expenses	(26,916)	(27,270)	(14,434)	(13,650)
Depreciation and amortization	(3,219)	(4,350)	(1,638)	(2,146)
Total expenses	(30,135)	(31,620)	(16,072)	(15,796)
Profit before provision for impairment and overseas taxation	18,295	14,470	11,518	8,483
Provision for impairment - net	7.1 (3,534)	(1,839)	(339)	(1,359)
Profit before overseas taxation	14,761	12,631	11,179	7,124
Tax expense	(9,400)	(8,765)	(5,589)	(5,294)
PROFIT FROM CONTINUING OPERATIONS	5,361	3,866	5,590	1,830
Net results from discontinued operations	-	(344)	-	190
PROFIT FOR THE PERIOD	5,361	3,522	5,590	2,020
Attributable to:				
Equity holders of the Bank	1,564	1,494	3,366	1,298
Non-controlling interests	3,797	2,028	2,224	722
	5,361	3,522	5,590	2,020

This condensed consolidated interim financial information was approved by the Board of Directors on 13 August 2023 and signed on its behalf by:



HRH Prince Amr Mohammed Al-Faisal
Chairman



Elham Hassan
Director



Abdulla Taleb
CEO

The accompanying notes 1 to 15 form an integral part of the condensed consolidated interim financial information.

Ithmaar Bank B.S.C. (c)

**Condensed consolidated statement of changes in owners' equity
for the six months period ended 30 June 2023**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Share capital	Reserves	Accumulated losses	Total owners' equity	Non- controlling interests	Total equity
At 1 January 2023	100,000	(53,699)	(10,182)	36,119	43,218	79,337
Profit for the period	-	-	1,564	1,564	3,797	5,361
Movement from dividend distribution by subsidiaries	-	-	-	-	(743)	(743)
Movement in fair value of sukuk and investment securities	-	-	-	-	(75)	(75)
Movement in fair value of land and building	-	-	-	-	(1,103)	(1,103)
Movement in fair value of investment in real estate	-	-	-	-	886	886
Foreign currency translation adjustments	-	-	-	-	(6,840)	(6,840)
At 30 June 2023 (Reviewed)	100,000	(53,699)	(8,618)	37,683	39,140	76,823

	Share capital	Reserves	Accumulated losses	Total owners' equity	Non- controlling interest	Total equity
At 1 January 2022	100,000	(40,120)	(16,150)	43,730	53,202	96,932
Profit for the period	-	-	1,494	1,494	2,028	3,522
Movement from dividend distribution by subsidiaries	-	-	-	-	(1,009)	(1,009)
Movement in fair value of sukuk and investment securities	-	(1,423)	-	(1,423)	(715)	(2,138)
Movement in hedging reserve	-	1,350	-	1,350	-	1,350
Movement in fair value of investment in real estate	-	185	-	185	93	278
Foreign currency translation adjustments	-	(12,174)	-	(12,174)	(5,679)	(17,853)
At 30 June 2022 (Reviewed)	100,000	(52,182)	(14,656)	33,162	47,920	81,082

Please refer note 8 for equity of unrestricted investment accountholders and note 9.1 for details of reserves.

The accompanying notes 1 to 15 form an integral part of the condensed consolidated interim financial information.

Ithmaar Bank B.S.C. (c)
Condensed consolidated statement of cash flows
for the six months period ended 30 June 2023
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Six months ended	
	30 June 2023	30 June 2022
	(Reviewed)	(Reviewed)
OPERATING ACTIVITIES		
Profit before taxes from:		
Continuing operations	14,761	12,631
Discontinued operations	-	(344)
Adjustments for:		
Depreciation and amortization	3,219	4,350
Provision for impairment - net	3,534	1,839
Income from sukuk and investment securities	(57,712)	(40,200)
Finance cost on net ijarah liability	895	1,534
Loss on sale of fixed assets	(14)	(53)
Operating loss before changes in operating assets and liabilities	(35,317)	(20,243)
Changes in operating assets and liabilities:		
Balances with banks maturing after 90 days including central banks balances relating to minimum reserve requirement	(8,191)	13,322
Murabaha and other financings	(59,118)	(22,002)
Musharaka financing	(40,883)	(123,025)
Other assets	(44,369)	(34,136)
Customers' current accounts	74,106	82,406
Due to banks, financial and other institutions	50,770	50,549
Due to investors	(6,999)	(18,658)
Other liabilities	44,235	24,290
Increase in equity of unrestricted investment accountholders	95,233	65,206
Taxes paid	(12,141)	(8,501)
Net cash generated from operating activities	57,326	9,208
INVESTING ACTIVITIES		
Net changes in:		
Assets acquired for leasing	-	3,874
Sukuk and investment securities	9,109	47,574
Fixed assets	(5,353)	(1,645)
Net cash used in investing activities	3,756	49,803
FINANCING ACTIVITY		
Repayment of net ijarah liability	(1,850)	(2,559)
Net cash generated from financing activity	(1,850)	(2,559)
Foreign currency translation adjustments	(7,790)	(22,752)
Net increase in cash and cash equivalents	51,442	33,700
Cash and cash equivalents at the beginning of the period	125,656	225,530
Cash and cash equivalents at the end of the period	177,098	259,230
Details of cash and cash equivalents:		
Cash and balances with banks and central banks	151,744	240,933
Commodity and other placements with banks, financial and other institutions	44,043	58,123
Less: Placements with original maturing after ninety days and balances with central banks relating to minimum reserve requirement	(18,689)	(39,826)
Cash and cash equivalents at the end of the period	177,098	259,230

The accompanying notes 1 to 15 form an integral part of the condensed consolidated interim financial information.

Ithmaar Bank B.S.C. (c)**Condensed consolidated statement of changes in restricted investment accounts
for the six months period ended 30 June 2023**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2023	Foreign exchange movements	At 30 June 2023
Shamil Bosphorus Modaraba*	2,356	-	2,356
European Real Estate Placements*	3,942	(17)	3,925
US Real Estate Placements*	9,514	-	9,514
Total (Reviewed)	15,812	(17)	15,795

	At 1 January 2022	Foreign exchange movements	At 30 June 2022
Shamil Bosphorus Modaraba*	2,356	-	2,356
European Real Estate Placements*	4,793	(1,034)	3,759
US Real Estate Placements*	9,514	-	9,514
Total (Reviewed)	16,663	(1,034)	15,629

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

The accompanying notes 1 to 15 form an integral part of the condensed consolidated interim financial information.

Ithmaar Bank B.S.C. (c)

Notes to the condensed consolidated interim financial information for the six months period ended 30 June 2023

1 REPORTING ENTITY

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 and Commerce (MOIC) under commercial registration number 99336-1 and is licensed as an Islamic retail bank by the Central Bank of Bahrain (the "CBB") on 14 August 2016.

Ithmaar Holding B.S.C. ["Ithmaar" or "Parent"], a Volume 4, Category 1 investment firm licensed and regulated by the CBB, is the Parent company of the Bank. Dar Al-Maal Al-Islami Trust ("DMIT" or "Ultimate Parent"), a Trust incorporated in the commonwealth of Bahamas is the ultimate 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 condensed consolidated interim 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 commingle and 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 should 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 activities
	30 June 2023	31 December 2022		
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 June 2023, the consolidated equity of the Group stood at BD37.7 million (2022: BD36.1 million), which is below the minimum regulatory shareholder equity of BD100 million required by the CBB as per LR module of Volume 2 rulebook.

The Group's management assessed its liquidity and equity projections for the coming twelve months from reporting date of these condensed consolidated interim financial information. 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 operating expenses resulting from a leaner entity post sale of the consumer business;
- 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 sale of the consumer business.

The Board of Directors has reviewed the above assumptions 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 reporting date of these condensed consolidated interim financial information. Accordingly, this condensed consolidated interim financial information are prepared on a going concern basis.

Ithmaar Bank B.S.C. (c)
Notes to the condensed consolidated interim financial information
for the six months period ended 30 June 2023

2 BASIS OF PREPARATION AND PRESENTATION

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

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Comparatives

The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2022 and comparatives for the condensed consolidated income statement, changes in owners' equity, cash flows and changes in restricted investment accounts have been extracted from the reviewed condensed consolidated interim financial information for the six months period ended 30 June 2022.

2.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2022, except for those arising from adoption of the following standards and amendments to the standards effective from 1 January 2023.

A. Relevant new standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2023

(i) FAS 39 Financial Reporting for Zakah

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

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

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

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

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

(ii) FAS 41 Interim financial reporting

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

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

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting

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

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

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

2.2 ESTIMATES AND JUDGEMENTS

Preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. The areas of significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

Ithmaar Bank B.S.C. (c)**Notes to the condensed consolidated interim financial information
for the six months period ended 30 June 2023**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

3 MURABAHA AND OTHER FINANCINGS

	30 June 2023	31 December 2022
Murabaha and other financings	700,985	690,237
Less: Allowance for impairment	(106,985)	(111,727)
	594,000	578,510

The movement in allowance for impairment is as follows:

	30 June 2023	31 December 2022
At 1 January	111,727	134,929
Charge for the period/year	5,392	7,079
Write back during the period/year	(3,506)	(6,004)
Utilised during the period/year	-	(2,304)
Movement due to sale of assets	-	(13,333)
Reclassification	-	949
Foreign exchange differences	(6,628)	(9,589)
	106,985	111,727

4 MUSHARAKA FINANCING

	30 June 2023	31 December 2022
Musharaka financing	496,914	579,533
Less: Allowance for impairment	(4,397)	(6,063)
	492,517	573,470

Ithmaar Bank B.S.C. (c)**Notes to the condensed consolidated interim financial information
for the six months period ended 30 June 2023**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

5 INVESTMENT SECURITIES

	30 June 2023	31 December 2022
Investment securities at fair value through income statement		
Debt-type instruments – listed	138	42
Debt-type instruments – unlisted	4,850	418
Equity-type securities – listed	1,559	746
	6,547	1,206
Investment securities at fair value through equity		
Debt-type instruments – listed	65,874	82,661
Debt-type instruments – unlisted	560,850	684,424
Equity-type securities – listed	10,615	16,424
Equity-type securities – unlisted	1,702	2,152
	639,041	785,661
Less: Allowance for impairment	(4,323)	(3,248)
	634,718	782,413
Investment securities carried at amortised cost		
Debt-type instruments – listed	36,320	15,442
Debt-type instruments – unlisted	19,149	18,727
	55,469	34,169
Less: Allowance for impairment	(2,045)	(2,447)
	53,424	31,722
	694,689	815,341

Ithmaar Bank B.S.C. (c)**Notes to the condensed consolidated interim financial information
for the six months period ended 30 June 2023**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

5 INVESTMENT SECURITIES (continued)

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.

Investment securities measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 June 2023				
Investment securities at fair value through income statement				
Debt-type instruments	138	4,850	-	4,988
Equity-type securities	1,559	-	-	1,559
Investment securities at fair value through equity				
Debt-type instruments	65,872	560,670	-	626,542
Equity-type securities	5,462	2,714	-	8,176
Investment securities carried at amortised cost				
Debt-type instruments	-	53,424	-	53,424
	73,031	621,658	-	694,689
At 31 December 2022				
Investment securities at fair value through income statement				
Debt-type instruments	460	-	-	460
Equity-type securities	746	-	-	746
Investment securities at fair value through equity				
Debt-type instruments	82,233	684,626	-	766,859
Equity securities	13,364	2,190	-	15,554
Investment securities carried at amortised cost				
Debt-type instruments	15,442	16,280	-	31,722
	112,245	703,096	-	815,341

Ithmaar Bank B.S.C. (c)
Notes to the condensed consolidated interim financial information
for the six months period ended 30 June 2023

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

6 OTHER ASSETS

	30 June 2023	31 December 2022
Accounts receivable	109,504	68,414
Due from related parties (note 10)	4,835	5,401
Taxes – deferred	3,781	1,508
Taxes – current	2,346	4,870
Assets acquired against claims	481	1,747
	120,947	81,940
Less: Allowance for impairment	(14,167)	(14,413)
	106,780	67,527

7 PROVISION FOR IMPAIRMENT

Loss allowance

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 June 2023

	Stage 1	Stage 2	Stage 3	Total
Commodity and other placements with banks, financial and other institutions				
Gross exposure	44,070	-	-	44,070
Less: Allowance for impairment	(27)	-	-	(27)
Net exposure	44,043	-	-	44,043
Murabaha and other financings				
Gross exposure	546,681	53,890	100,414	700,985
Less: Allowance for impairment	(28,427)	(6,369)	(72,189)	(106,985)
Net exposure	518,254	47,521	28,225	594,000
Musharaka financing				
Gross exposure	434,043	59,878	2,993	496,914
Less: Allowance for impairment	(1,061)	(1,586)	(1,750)	(4,397)
Net exposure	432,982	58,292	1,243	492,517
Assets acquired for leasing				
Gross exposure	-	591	-	591
Less: Allowance for impairment	-	(287)	-	(287)
Net exposure	-	304	-	304
Other assets				
Gross exposure	103,544	3,985	13,418	120,947
Less: Allowance for impairment	(723)	(26)	(13,418)	(14,167)
Net exposure	102,821	3,959	-	106,780
Total gross exposure	1,128,338	118,344	116,825	1,363,507
Less: Total allowance for impairment	(30,238)	(8,268)	(87,357)	(125,863)
Total Net exposure	1,098,100	110,076	29,468	1,237,644

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7 PROVISION FOR IMPAIRMENT (continued)

31 December 2022

	Stage 1	Stage 2	Stage 3	Total
Commodity and other placements with banks, financial and other institutions				
Gross exposure	18,467	-	-	18,467
Less: Allowance for impairment	(27)	-	-	(27)
Net exposure	18,440	-	-	18,440
Murabaha and other financings				
Gross exposure	504,858	75,920	109,459	690,237
Less: Allowance for impairment	(28,748)	(5,619)	(77,360)	(111,727)
Net exposure	476,110	70,301	32,099	578,510
Musharaka financing				
Gross exposure	290,641	284,547	4,345	579,533
Less: Allowance for impairment	(1,282)	(2,370)	(2,411)	(6,063)
Net exposure	289,359	282,177	1,934	573,470
Assets acquired for leasing				
Gross exposure	-	591	-	591
Less: Allowance for impairment	-	(287)	-	(287)
Net exposure	-	304	-	304
Other assets				
Gross exposure	48,965	20,099	12,876	81,940
Less: Allowance for impairment	(1,498)	(39)	(12,876)	(14,413)
Net exposure	47,467	20,060	-	67,527
Total gross exposure	862,931	381,157	126,680	1,370,768
Less: Total allowance for impairment	(31,555)	(8,315)	(92,647)	(132,517)
Total Net exposure	831,376	372,842	34,033	1,238,251

Cash and balances with banks and central banks did not have significant ECL impact.

7.1 PROVISION MOVEMENT

	30 June 2023	30 June 2022
At 1 January	172,890	194,194
Charge for the period/year	9,221	8,774
Write back during the period/year	(5,687)	(6,935)
Utilised during the period/year	-	(1,576)
Foreign exchange differences	(9,349)	(7,923)
	167,075	186,534

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8 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

Equity of unrestricted investment accountholders comprise:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Modaraba accounts - corporates	464,634	477,238
Modaraba accounts - financial institutions	200,582	200,075
Modaraba accounts - individuals	221,611	294,340
Wakala from financial institutions	23,240	21,765
Fair value & foreign exchange translation movement from investments attributable to unrestricted investment accountholders (i)	(16,697)	-
	893,370	993,418

The Group utilizes the above funds to invest in the following assets:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Cash and balances with banks and central banks	122,225	89,438
Commodity and other placements with banks, financial and other institutions	33,654	6,736
Financing assets	658,631	813,892
Investment securities	-	15,442
Due from the Group	-	58,438
Other assets	9,430	9,472
Investments in equity (i)	69,430	-
	893,370	993,418

(i) Effective 1 January 2023, the unrestricted Modaraba pool of the parent includes an allocation to its investment in subsidiaries as they form part of the income generating pool of assets that support the Modaraba investment accounts. In line with the requirements of Financial Accounting Standards, at the time of preparation of the condensed consolidated interim financial information, foreign exchange translation & fair value reserves arising from consolidation of a foreign subsidiary is attributed to the equity of the investment accountholders. While this attribution is at a consolidated level, the URIA pool considers the net asset value of the investment in subsidiary for the purpose of allocation of assets to Modaraba pools. Any subsequent changes in the value of the net investments is recognised respectively in income statement and equity of the investment accountholders.

The movement in reserves attributable to equity of unrestricted investment accountholders as follows:

	<u>30 June 2023</u>				
	<u>Investments fair value reserve</u>	<u>Fixed assets fair value reserve</u>	<u>Investment in real estate fair value reserve</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
At 1 January 2023	-	-	-	-	-
Movement in fair value of sukuk and investment securities	274	-	-	-	274
Movement in fair value of investment in real estate	-	-	2,058	-	2,058
Movement in fair value of land and building	-	(112)	-	-	(112)
Foreign currency translation adjustments	(425)	(2,084)	(293)	(16,115)	(18,917)
(Reviewed)	(151)	(2,196)	1,765	(16,115)	(16,697)

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9 SHARE CAPITAL	30 June 2023	31 December 2022
Authorised (7.54 billion share @BD.100 each)	754,000	754,000
Issued and fully paid (1 billion share @BD.100 each)	100,000	100,000

9.1 RESERVES

	30 June 2023					
	Statutory reserve	Investments fair value reserve	Fixed Assets fair value reserve	Investment in real estate fair value reserve	Foreign currency translation reserve	Total
At 1 January 2023	609	1,787	9,981	951	(67,027)	(53,699)
At 30 June 2023 (Reviewed)	609	1,787	9,981	951	(67,027)	(53,699)
	30 June 2022					
	Statutory reserve	Investments fair value reserve	Hedging reserve	Investment in real estate fair value reserve	Foreign currency translation reserve	Total
At 1 January 2022	299	6,609	(1,350)	746	(46,424)	(40,120)
Movement in fair value of sukuk and investment securities	-	(1,423)	-	-	-	(1,423)
Movement in hedging reserve	-	-	1,350	-	-	1,350
Movement in fair value of investment in real estate	-	-	-	185	-	185
Foreign currency translation adjustments	-	78	-	(167)	(12,085)	(12,174)
At 30 June 2022 (Reviewed)	299	5,264	-	764	(58,509)	(52,182)

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10 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, Parent Company, 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 June 2023				
	Shareholders & affiliates	Associated companies and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	328,310	-	-	-	328,310
Other assets	4,780	-	-	55	4,835
Liabilities					
Customers' current accounts	4,083	650	-	-	4,733
Due to banks, financial and other institutions	30,126	-	-	-	30,126
Other liabilities	65	-	-	-	65
Equity of unrestricted investment accountholders	4,097	-	-	-	4,097
Income					
Return to unrestricted investment accountholders	(138)	-	-	-	(138)
Income from financing contracts	2,662	-	-	-	2,662
Profit paid to banks, financial and other institutions	(461)	(205)	-	-	(666)
Other income - Management fees	(198)	-	-	-	(198)
Expenses					
General and administrative expenses	85	-	-	-	85

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	31 December 2022				
	Shareholders & affiliates	Associated companies and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	324,056	-	-	-	324,056
Other assets	5,347	-	-	54	5,401
Liabilities					
Customers' current accounts	4,603	1,178	-	-	5,781
Due to banks, financial and other institutions	19,959	-	-	-	19,959
Other liabilities	16	-	-	-	16
Equity of unrestricted investment accountholders	5,527	-	-	-	5,527
30 June 2022					
Income					
Return to unrestricted investment accountholders	(92)	-	-	(28)	(120)
Income from financing contracts	4,817	-	-	-	4,817
Profit paid to banks, financial and other institutions	(106)	(81)	-	-	(187)
Other income - Management fees	(163)	-	-	-	(163)
Expenses					
General and administrative expenses	(102)	-	(11)	-	(113)

11 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	30 June 2023	31 December 2022
Acceptances and endorsements	20,042	11,530
Guarantees and letters of credit	152,100	172,813
Customer and other claims	41,809	52,871
	213,951	237,214

Commitments

	30 June 2023	31 December 2022
Undrawn facilities, financing lines and other commitments to finance	364,807	488,187

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12 SEGMENTAL INFORMATION (continued)

The Group constitutes of two geographical segments which are Middle East & Asia

	30 June 2023			30 June 2022		
	Middle East & Africa	Rest of Asia	Total	Middle East & Africa	Rest of Asia	Total
Operating income/(loss)	(1,569)	49,999	48,430	5,821	40,269	46,090
Total expenses	(4,821)	(25,314)	(30,135)	(5,689)	(25,931)	(31,620)
Net income/(loss) before provision and overseas taxation	(6,390)	24,685	18,295	132	14,338	14,470
Provision and overseas taxation - net	(835)	(12,099)	(12,934)	(4,340)	(6,264)	(10,604)
Net income/(loss) from continuing operations	(7,225)	12,586	5,361	(4,208)	8,074	3,866
Net results for the period from discontinued operations	-	-	-	(344)	-	(344)
Net income for the period	(7,225)	12,586	5,361	(4,552)	8,074	3,522
Attributable to:						
Equity holders of the Bank	(6,811)	8,375	1,564	(4,146)	5,640	1,494
Minority interests	(414)	4,211	3,797	(406)	2,434	2,028
	(7,225)	12,586	5,361	(4,552)	8,074	3,522
						31 December 2022
Total assets	549,796	1,652,719	2,202,515	504,775	1,804,783	2,309,558
Total liabilities and equity of unrestricted investment account holders	573,873	1,551,819	2,125,692	489,173	1,741,048	2,230,221

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13 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

14 REGULATORY RATIOS**14.1 Liquidity Coverage Ratio (LCR)**

LCR is computed as a ratio of Stock of HQLA over the net cash outflows. The average consolidated LCR for six months calculated as per the requirements of the CBB rulebook and guidelines applicable for the Bank, as of 30 June 2023 and 31 December 2022, is as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Stock of HQLA	445,830	451,564
Net cashflows	437,676	421,885
LCR %	102%	107%
Minimum required by CBB	100%	100%

14.2 Capital Adequacy Ratio

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended. The capital adequacy ratio has been calculated in accordance with CBB guidelines & CBB directives applicable for the Bank, incorporating credit risk, operational risk and market risk. The banking subsidiaries comply with the directives of the respective local regulators for their capital management and their capital and risk-weighted assets are aggregated for the purpose of reporting the Group's CAR.

	<u>30 June 2023</u>	<u>31 December 2022</u>
Tier 1	80,569	99,288
Tier 2	5,475	6,588
Total Capital Base	86,044	105,876
Total Risk-Weighted Exposures	622,705	801,711
Capital Adequacy Ratio (CAR)	13.82%	13.21%

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14.3 NET STABLE FUNDING RATIO (NSFR)

The consolidated NSFR is calculated in accordance with Liquidity Risk Management Module guidelines issued by the CBB and guidelines set for the Bank. The minimum NSFR ratio set for the Bank as per CBB is 100%. The NSFR as at 30 June 2023 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:	80,569	-	-	5,475	86,044
2	Regulatory Capital	80,569	-	-	-	80,569
3	Other Capital Instruments	-	-	-	5,475	5,475
4	Retail deposits and deposits from small business customers:	-	579,162	46,551	3,420	568,166
5	Stable deposits	-	31,429	669	32	30,525
6	Other wholesale funding	-	547,733	45,882	3,388	537,641
7	Wholesale funding:	-	588,022	258,519	319,235	607,782
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	588,022	258,519	319,235	607,782
10	Other liabilities::	-	256,254	-	3,953	3,953
11	NSFR Shari'a-compliant hedging contract liabilities	-	9,312	-	-	-
12	All other liabilities not included in the above categories	-	246,942	-	3,953	3,953
13	Total ASF					1,265,945
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					43,260
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	333,951	128,893	687,222	768,120
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	-	50,890	5,544	9,833	20,239
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:	-	283,061	123,349	519,930	645,146
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	135,849	88,302
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	-	-	-	20,506	13,329
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	1,104	1,104
24	Other assets:	-	243,148	-	-	243,148
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	-	1,862	-	-	1,862
29	All other assets not included in the above categories	-	241,286	-	-	241,286
30	OBS items	-	503,531	-	-	25,177
31	Total RSF					1,079,705
32	NSFR (%)					117%

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14.3 NET STABLE FUNDING RATIO (NSFR) (continued)

The NSFR as at 31 December 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:	99,288	-	-	6,588	105,876
2	Regulatory Capital	99,288	-	-	-	99,288
3	Other Capital Instruments	-	-	-	6,588	6,588
4	Retail deposits and deposits from small business customers:	-	672,469	55,730	3,213	660,470
5	Stable deposits	-	37,018	537	43	35,720
6	Other wholesale funding	-	635,451	55,193	3,170	624,750
7	Wholesale funding:	-	603,020	261,369	330,670	631,712
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	603,020	261,369	330,670	631,712
10	Other liabilities::	-	281,799	-	3,022	3,022
11	NSFR Shari'a-compliant hedging contract liabilities	-	10,731	-	-	-
12	All other liabilities not included in the above categories	-	271,068	-	3,022	3,022
13	Total ASF					1,401,080
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					31,640
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	320,754	44,411	654,137	713,385
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	-	14,211	5,536	168,722	173,622
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:	-	306,543	38,875	255,227	389,652
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	203,789	132,463
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	-	-	-	25,003	16,252
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	1,396	1,396
24	Other assets:	-	258,549	-	-	258,549
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	-	2,146	-	-	2,146
29	All other assets not included in the above categories	-	256,403	-	-	256,403
30	OBS items	-	654,709	-	-	32,735
31	Total RSF					1,036,309
32	NSFR (%)					135%

15 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current period presentation. Such grouping did not affect previously reported profit for the period or total equity of the Group.