

ITHMAAR BANK B.S.C. (C)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022

ITHMAAR BANK B.S.C. (C)
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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 June 2022 and the related interim condensed consolidated income statement for the three and six 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 six 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 'PricewaterhouseCoopers' in a cursive script.

Elias Abi Nakhoul
Partner’s registration number: 196
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
28 August 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 June 2022 (Reviewed)	At 31 December 2021 (Audited)
ASSETS			
Cash and balances with banks and central banks	3	240,933	196,839
Commodity and other placements with banks, financial and other institutions	4	30,010	70,290
Murabaha and other financings	5	943,560	1,270,306
Musharaka financing	6	583,976	537,505
Sukuk and investment securities	7	711,277	893,129
Investment in associates	8	1,433	2,456
Assets acquired for leasing		1,206	147,716
Other assets	9	61,641	63,834
Investment in real estate		4,104	2,467
Development properties		65,551	64,632
Fixed assets		44,253	55,682
Intangible assets		10,081	22,643
		2,698,025	3,327,499
Assets classified as held for sale	18	582,038	-
Total assets		3,280,063	3,327,499
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS AND TOTAL EQUITY			
LIABILITIES			
Customers' current accounts		701,392	726,981
Due to banks, financial and other institutions		526,817	526,603
Due to investors		77,685	420,047
Other liabilities		127,419	135,544
		1,433,313	1,809,175
Liabilities directly associated with assets classified as held for sale	18	66,372	-
Total liabilities		1,499,685	1,809,175
Equity of unrestricted investment accountholders	11	936,662	1,421,392
Equity of unrestricted investment accountholders directly associated with assets classified as held for sale	11,18	762,634	-
Total equity of unrestricted investment accountholders		1,699,296	1,421,392
Total liabilities and equity of unrestricted investment accountholders		3,198,981	3,230,567
Share capital	12	100,000	100,000
Reserves		(52,182)	(40,120)
Accumulated losses		(14,656)	(16,150)
Total owners' equity		33,162	43,730
Non-controlling interest		47,920	53,202
Total Equity		81,082	96,932
Total liabilities, equity of unrestricted investment accountholders and total equity		3,280,063	3,327,499

This interim condensed consolidated financial information was approved by the Board of Directors on 28 August 2022 and signed on its behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Ahmed Abdul Rahim
CEO


The notes 1 to 18 on pages 11 to 27 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	Six months ended		Three months ended	
		30 June 2022 (Reviewed)	30 June 2021 (Reviewed)	30 June 2022 (Reviewed)	30 June 2021 (Reviewed)
INCOME					
Income from unrestricted investment accounts		71,012	39,582	43,786	22,476
Less: return to unrestricted investment accountholders and impairment provisions		(34,799)	(19,883)	(22,798)	(10,251)
Group's share of income from unrestricted investment accounts as a Mudarib		36,213	19,699	20,988	12,225
Income from murabaha and other financings		10,610	18,360	4,660	9,116
Income from sukuk and investment securities		16,760	22,171	8,185	11,635
Other income		8,237	10,032	4,013	4,520
Total income		71,820	70,262	37,846	37,496
Less: profit paid to banks, financial and other institutions – net		(27,815)	(30,180)	(14,034)	(14,764)
Operating income		44,005	40,082	23,812	22,732
EXPENSES					
Administrative and general expenses		(27,270)	(27,574)	(13,650)	(15,417)
Depreciation and amortization		(4,350)	(4,470)	(2,146)	(2,050)
Total expenses		(31,620)	(32,044)	(15,796)	(17,467)
Net income before provision for impairment and overseas taxation		12,385	8,038	8,016	5,265
(Reversal of)/provision for impairment - net	10	246	4,046	(892)	690
Net income before overseas taxation		12,631	12,084	7,124	5,955
Overseas taxation		(8,765)	(6,475)	(5,294)	(3,275)
NET INCOME FROM CONTINUING OPERATIONS		3,866	5,609	1,830	2,680
Net results from discontinued operations	18	(344)	(2,201)	190	(819)
NET INCOME FOR THE PERIOD		3,522	3,408	2,020	1,861
Attributable to:					
Equity holders of the Bank		1,494	534	1,298	381
Non-controlling interests		2,028	2,874	722	1,480
		3,522	3,408	2,020	1,861
Basic and diluted earnings per share	14	Fils 1.49	Fils 0.53	Fils 1.30	Fils 0.38
Basic and diluted earnings per share - continuing operations	14	Fils 1.84	Fils 2.74	Fils 1.11	Fils 1.20

This interim condensed consolidated financial information was approved by the Board of Directors on 28 August 2022 and signed on its behalf by:


 HRH Prince Amr Mohamed Al Faisal
 Chairman


 Elham Hasan
 Director


 Ahmed Abdul Rahim
 CEO

The notes 1 to 18 on pages 11 to 27 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 six month period ended 30 June 2022

(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 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	-	-	-	-	-	-	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 fair value of investment in real estate	-	-	-	-	185	-	-	185	93	278
Movement in hedging reserve	-	-	-	1,350	-	-	-	1,350	-	1,350
Foreign currency translation adjustments	-	-	78	-	(167)	(12,085)	-	(12,174)	(5,679)	(17,853)
At 30 June 2022 (Reviewed)	100,000	299	5,264	-	764	(58,509)	(14,656)	33,162	47,920	81,082

The notes 1 to 18 on pages 11 to 27 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 six month period ended 30 June 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	-	-	-	-	-	-	534	534	2,874	3,408
Increase in shareholding of subsidiary	-	-	-	-	-	-	295	295	(295)	-
Movement in fair value of sukuk and investment securities	-	-	1,581	-	-	-	-	1,581	(930)	651
Movement in hedging reserve	-	-	-	738	-	-	-	738	-	738
Foreign currency translation adjustments	-	-	41	-	8	1,013	-	1,062	533	1,595
At 30 June 2021 (Reviewed)	100,000	299	8,931	(2,022)	729	(38,589)	(15,307)	54,041	57,231	111,272

The notes 1 to 18 on pages 11 to 27 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)

Notes	Six months ended	
	30 June 2022	30 June 2021
	(Reviewed)	(Reviewed)
OPERATING ACTIVITIES		
Net income/(loss) before overseas taxation from:		
Continuing operations	12,631	12,084
Discontinued operations	(344)	(2,201)
Adjustments for:		
Depreciation and amortization	4,350	4,470
Reversal of provision for impairment - net	10 (246)	(4,046)
Income from sukuk and investment securities	(16,760)	(22,171)
Finance cost on net ijarah liability	1,534	1,434
Loss on sale of fixed assets	(53)	(587)
Operating income/(loss) before changes in operating assets and liabilities	1,112	(11,017)
Changes in operating assets and liabilities:		
Balances with banks maturing after ninety days including central banks balances relating to minimum reserve requirement	13,322	2,519
Murabaha and other financings	(19,917)	45,473
Musharaka financing	(123,025)	(105,038)
Other assets	(34,136)	(13,872)
Customers' current accounts	82,406	87,924
Due to banks, financial and other institutions	50,549	65,289
Due to investors	(18,658)	1,260
Other liabilities	24,290	25,854
Increase in equity of unrestricted investment accountholders	65,206	51,804
Taxes paid	(8,501)	(6,412)
Net cash generated from operating activities	32,648	143,784
INVESTING ACTIVITIES		
Net changes in:		
Investment in associates	-	(1,365)
Assets acquired for leasing	3,874	(5,973)
Sukuk and investment securities	24,134	(96,403)
Fixed assets	(1,645)	(2,156)
Net cash provided by/(used in) investing activities	26,363	(105,897)
FINANCING ACTIVITY		
Repayment of net lajrah liability	(2,559)	(1,953)
Net cash used in financing activity	(2,559)	(1,953)
Foreign currency translation adjustments	(22,752)	709
Net increase in cash and cash equivalents	33,700	36,643
Cash and cash equivalents at the beginning of the period	225,530	278,280
Cash and cash equivalents at the end of the period	4 259,230	314,923

The notes 1 to 18 on pages 11 to 27 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 six month period ended 30 June 2022**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	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 notes 1 to 18 on pages 11 to 27 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 six month period ended 30 June 2021**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2021	Foreign exchange movements	At 30 June 2021
Shamil Bosphorus Modaraba*	2,356	-	2,356
European Real Estate Placements*	4,806	775	5,581
US Real Estate Placements*	9,514	-	9,514
TOTAL (Reviewed)	16,676	775	17,451

* 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 27 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 six month period ended 30 June 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, 14 commercial branches in Bahrain and its following principal subsidiary companies:

	% owned		Country of Incorporation	Principal business activity
	30 June 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 June 2022, the consolidated equity of the Group stood at BD33.2 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 of the interim condensed consolidated financial position. The management's assessment includes following assumptions:

- No change in status of sanctioned liabilities and accordingly no repayments.
- Conclusion of transaction with Al Salam on 7 July 2022
- 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 similar to previous quarter due to unchanged characteristics of corporate customers

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.

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 six months ended 30 June 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 six month period ended 30 June 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 an 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 six month period ended 30 June 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 June 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	30,957	8,869	39,826	34,836	6,790	41,626
Cash and balances with banks and central banks	103,266	97,841	201,107	84,921	70,292	155,213
	134,223	106,710	240,933	119,757	77,082	196,839

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

	30 June 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	30,036	-	30,036	70,316	-	70,316
Less: expected credit loss	(26)	-	(26)	(26)	-	(26)
	30,010	-	30,010	70,290	-	70,290

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

	30 June 2022			30 June 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)	134,223	106,710	240,933	141,699	71,363	213,062
Commodity and other placements with banks, financial and other institutions - net	30,010	-	30,010	125,659	22,894	148,553
Add: classified to						
Assets classified as held for sale	28,113	-	28,113	-	-	-
Less: Placements with original maturing after ninety days	-	-	-	62	(5,046)	(4,984)
Less: Balances with central banks relating to minimum reserve requirement (note 3)	(30,957)	(8,869)	(39,826)	(37,357)	(4,351)	(41,708)
	161,389	97,841	259,230	230,063	84,860	314,923

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

5 MURABAHA AND OTHER FINANCINGS

	30 June 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	691,108	368,905	1,060,013	731,095	674,140	1,405,235
Less: expected credit loss	(102,452)	(14,001)	(116,453)	(109,202)	(25,727)	(134,929)
	588,656	354,904	943,560	621,893	648,413	1,270,306

The movement in expected credit loss is as follows:

	30 June 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	6,102	199	6,301	8,691	8,700	17,391
Write back during the period/year	(6,091)	(237)	(6,328)	(11,303)	(199)	(11,502)
Utilised during the period/year	(1,519)	(57)	(1,576)	(5,610)	(251)	(5,861)
Reclassification to assets classified as held for sale (note 18)	-	(10,983)	(10,983)	(120)	-	(120)
Exchange differences and other movements	(5,242)	(648)	(5,890)	(4,104)	(370)	(4,474)
	102,452	14,001	116,453	109,202	25,727	134,929

6 MUSHARAKA FINANCING

	30 June 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Musharaka financing	1,538	588,901	590,439	43	542,684	542,727
Less: expected credit loss	-	(6,463)	(6,463)	-	(5,222)	(5,222)
	1,538	582,438	583,976	43	537,462	537,505

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7 SUKUK AND INVESTMENT SECURITIES

	30 June 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	162	-	162	66	-	66
Debt-type instruments – unlisted	159	-	159	24,890	-	24,890
Equity-type securities – listed	1,496	-	1,496	1,853	-	1,853
	1,817	-	1,817	26,809	-	26,809
Investment securities at fair value through equity						
Debt-type instruments – listed	41,070	29,044	70,114	70,701	33,988	104,689
Debt-type instruments – unlisted	167,100	436,260	603,360	286,843	319,124	605,967
Equity-type securities – listed	19,628	184	19,812	22,154	214	22,368
Equity-type securities – unlisted	2,722	-	2,722	3,185	-	3,185
	230,520	465,488	696,008	382,883	353,326	736,209
Less: expected credit loss	(3,806)	-	(3,806)	(4,622)	-	(4,622)
	226,714	465,488	692,202	378,261	353,326	731,587
Investment securities carried at amortised cost						
Other debt-type instruments – listed	-	-	-	-	118,125	118,125
Other debt-type instruments – unlisted	3,449	16,638	20,087	3,929	15,932	19,861
	3,449	16,638	20,087	3,929	134,057	137,986
Less: expected credit loss	(2,805)	(24)	(2,829)	(3,253)	-	(3,253)
	644	16,614	17,258	676	134,057	134,733
	229,175	482,102	711,277	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 June 2022				
Investment securities at fair value through income statement				
Debt-type instruments	162	159	-	321
Equity-type securities	1,496	-	-	1,496
Investment securities at fair value through equity				
Debt-type instruments – listed	69,937	-	-	69,937
Debt-type instruments – unlisted	-	603,146	-	603,146
Equity-type securities	14,333	4,786	-	19,119
	85,928	608,091	-	694,019

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
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
	123,903	634,493	-	758,396

8 INVESTMENT IN ASSOCIATES

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

Name of entity	30 June 2022	% of Shareholding	31 December 2021	% of Shareholding	Country	Activity
Unlisted:						
Faysal Saving Growth Fund	1,243	26	2,301	35	Pakistan	Mutual funds
Faysal Asset Allocation Fund	-	28	155	23	Pakistan	Mutual funds
Faysal Islamic Stock Fund*	190	20	-		Pakistan	Mutual funds
	1,433		2,456			

*During the period, the Group's subsidiary increased its shareholding in these funds, thereby classifying them as associates.

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9 OTHER ASSETS

	30 June 2022			31 December 2021		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	30,145	26,127	56,272	34,507	31,640	66,147
Due from related parties (note 11)	7,276	-	7,276	7,319	-	7,319
Taxes – deferred	-	3,639	3,639	3,516	439	3,955
Taxes – current	5,959	-	5,959	34	-	34
Assets acquired against claims	-	1,842	1,842	2,137	-	2,137
	43,380	31,608	74,988	47,513	32,079	79,592
Less: expected credit loss	(11,089)	(2,258)	(13,347)	(11,195)	(4,563)	(15,758)
	32,291	29,350	61,641	36,318	27,516	63,834

10 PROVISION FOR IMPAIRMENT

	30 June 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	6,058	2,716	8,774	11,462	12,424	23,886
Write back during the period/year	(6,304)	(632)	(6,936)	(14,345)	(2,141)	(16,486)
Utilised during the period/year	(1,519)	(57)	(1,576)	(5,968)	(251)	(6,219)
Exchange differences	(6,354)	(1,569)	(7,923)	(6,734)	(867)	(7,601)
	150,563	35,970	186,533	158,682	35,512	194,194

During the six month period ended 30 June 2022, the Group has recorded a net provision for impairment of BD1.8 million (30 June 2021: BD1.2 million).

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10 PROVISION FOR IMPAIRMENT (continued)

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

30 June 2022	Stage 1	Stage 2	Stage 3	Total
Commodity and other placements with banks, financial and other institutions				
Gross exposure	58,150	-	-	58,150
Less: expected credit loss	(27)	-	-	(27)
Net exposure	58,123	-	-	58,123
Murabaha and other financings				
Gross exposure	1,177,225	66,825	123,786	1,367,836
Less: expected credit loss	(34,066)	(5,543)	(87,827)	(127,436)
Net exposure	1,143,159	61,282	35,959	1,240,400
Musharaka financing				
Gross exposure	539,821	46,884	3,734	590,439
Less: expected credit loss	(1,592)	(2,895)	(1,976)	(6,463)
Net exposure	538,229	43,989	1,758	583,976
Assets acquired for leasing (including Ijara receivables)				
Gross exposure	162,683	1,232	342	164,257
Less: expected credit loss	(587)	(20)	(342)	(949)
Net exposure	162,096	1,212	-	163,308
Other assets				
Gross exposure	58,675	13,513	13,837	86,025
Less: expected credit loss	(892)	(87)	(13,659)	(14,638)
Net exposure	57,783	13,426	178	71,387
Total Gross exposure	1,996,554	128,454	141,699	2,266,707
Less: Total expected credit loss	(37,164)	(8,545)	(103,804)	(149,513)
Total Net exposure	1,959,390	119,909	37,895	2,117,194
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 BD576.4 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 will be 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 June 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 June 2022	31 December 2021
Cash and balances with banks and central banks	106,710	77,082
Murabaha and other financings	354,904	648,413
Musharaka financing	582,437	537,462
Sukuk and investment securities	482,102	487,383
Assets acquired for leasing	859	147,368
Other assets	29,350	27,516
Fixed assets	19,216	21,450
Due from the Owners (net)	387,842	208,665
Assets classified as held for sale	535,198	-
	2,498,618	2,155,339
Customers' current accounts	(516,659)	(482,115)
Due to banks, financial and other institutions	(199,155)	(181,425)
Other liabilities	(83,508)	(70,407)
Equity of unrestricted investment accountholders directly associated with assets classified as held for sale	(762,634)	-
Equity of unrestricted investment accountholders	936,662	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 June 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 June 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 June 2022				
	Shareholders & affiliates	Associated companies and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	581,134	-	-	-	581,134
Sukuk and investment securities	331	-	-	-	331
Other assets	7,063	-	-	213	7,276
Liabilities					
Customers' current accounts	7,644	500	-	150	8,294
Due to banks, financial and other institutions	21,740	3,855	-	-	25,595
Other liabilities	59	-	-	-	59
Equity of unrestricted investment accounts	12,329	-	-	1,856	14,185
Income					
Return to unrestricted investment accounts	(92)	-	-	(28)	(120)
Income from murabaha and other financings	4,817	-	-	-	4,817
Profit paid to banks, financial and other institutions	(106)	(81)	-	-	(187)
Other income - Management fees	(163)	-	-	-	(163)
Expenses					
Administrative and general expenses	(102)	-	(11)	-	(113)

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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 June 2021					
Income					
Return to unrestricted investment accounts	(138)	-	-	(31)	(169)
Income from murabaha and other financings	4,880	-	-	-	4,880
Profit paid to banks, financial and other institutions	(160)	(59)	-	-	(219)
Other income - Management fees	(177)	-	-	-	(177)
Expenses					
Administrative and general expenses	(102)	-	(11)	-	(113)

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14 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE

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.

	Six month period ended		Three month period ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Net income attributable to shareholders (BD'000)	1,494	534	1,298	381
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 per share (Basic & Diluted) – Fils	1.49	0.53	1.30	0.38

BASIC AND DILUTED EARNINGS PER SHARE FOR CONTINUING OPERATIONS

	Six month period ended		Three month period ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Net income attributable to shareholders (BD'000)	1,838	2,735	1,108	1,200
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 per share (Basic & Diluted) – Fils	1.84	2.74	1.11	1.20

BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE FOR DISCONTINUED OPERATIONS

	Six month period ended		Three month period ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Net (loss)/income attributable to shareholders (BD'000)	(344)	(2,201)	190	(819)
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
(Losses)/Earnings per share (Basic & Diluted) – Fils	(0.34)	(2.20)	0.19	(0.82)

15 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	30 June 2022	31 December 2021
Acceptances and endorsements	15,018	17,830
Guarantees and irrevocable letters of credit	232,673	261,352
Customer and other claims	58,456	71,696
	306,147	350,878

Commitments

	30 June 2022	31 December 2021
Undrawn facilities, financing lines and other commitments to finance	520,110	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 June 2022			30 June 2021		
	Retail & Corporate banking	Asset Management / Investment Banking	Total	Retail & Corporate banking	Asset Management / Investment Banking	Total
Operating income/(loss)	43,713	292	44,005	40,868	(786)	40,082
Total expenses	(30,238)	(1,382)	(31,620)	(30,562)	(1,482)	(32,044)
Net income/(loss) before provision and overseas taxation	13,475	(1,090)	12,385	10,306	(2,268)	8,038
Provision and overseas taxation - net	(8,371)	(148)	(8,519)	(1,967)	(462)	(2,429)
Net income/(loss) from continuing operations	5,104	(1,238)	3,866	8,339	(2,730)	5,609
Net results for the period from discontinued operations	(344)	-	(344)	(2,201)	-	(2,201)
Net income/(losses) for the period	4,760	(1,238)	3,522	6,138	(2,730)	3,408
Attributable to:						
Equity holders of the Bank	2,432	(938)	1,494	2,838	(2,304)	534
Non-controlling interests	2,328	(300)	2,028	3,300	(426)	2,874
	4,760	(1,238)	3,522	6,138	(2,730)	3,408
Total assets	3,202,985	77,078	3,280,063	3,252,653	74,846	3,327,499
Total liabilities and equity of unrestricted investment account holders	3,184,199	14,782	3,198,981	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 80% . The NSFR as at 30 June 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:	103,084	-	-	7,943	111,027
2	Regulatory Capital	103,084	-	-	-	103,084
3	Other Capital Instruments	-	-	-	7,943	7,943
4	Retail deposits and deposits from small business customers:	-	1,319,279	282,794	46,153	1,501,987
5	Stable deposits	-	267,576	23,137	6,730	282,907
6	Other wholesale funding	-	1,051,703	259,657	39,423	1,219,080
7	Wholesale funding:	-	579,676	289,754	347,196	683,291
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	579,676	289,754	347,196	683,291
10	Other liabilities::	-	331,206	-	3,901	3,901
11	NSFR Shari'a-compliant hedging contract liabilities	-	12,034	-	-	-
12	All other liabilities not included in the above categories	-	319,172	-	3,901	3,901
13	Total ASF					2,300,206
Available Stable Funding (ASF):						
14	Total NSFR high-quality liquid assets (HQLA)					13,561
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	489,279	123,894	1,438,574	1,547,041
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	-	87,637	13,705	576,456	596,454
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:	-	401,642	110,189	669,059	824,616
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	172,261	111,969
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	-	-	-	19,416	12,620
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	1,382	1,382
24	Other assets:	-	298,700	-	-	298,700
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	-	2,407	-	-	2,407
29	All other assets not included in the above categories	-	296,293	-	-	296,293
30	OBS items	-	617,921	-	-	30,896
31	Total RSF					1,890,198
32	NSFR (%)					122%

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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 80% . 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 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 six month period ended 30 June 2022
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

18 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

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. 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 held on 17 March 2022. The transaction has been completed subsequent to the reporting period on 7 July 2022 after obtaining requisite regulatory and corporate approvals and signing of definitive agreements.

The transaction was structured as a balanced carve out of agreed assets and liabilities of Ithmaar Holding. The consideration for acquisition of the acquired group of assets will be settled through transfer of certain liabilities and equity of investment account holders of the consumer banking business of Ithmaar Bank BSC (c) of an equivalent value. Accordingly, the following assets and liabilities (the "operations") have been classified as held-for-sale as of 30 June 2022:

Assets classified as held-for-sale

Description	Amount
Consumer business	
Cash and balances with banks and central banks	28,113
Murabaha and other financings	296,840
Sukuk and investment securities	69,820
Assets acquired for leasing	142,636
Other assets	29,213
Fixed assets	5,990
Intangible assets	9,426
Total Assets classified as held-for-sale	582,038

Liabilities and equity of investment accountholders directly associated with assets classified as held for sale

Description	Amount
Consumer business	
Customers' current accounts	31,470
Due to banks, financial and other institutions	14,656
Other liabilities	20,246
Liabilities directly associated with assets classified as held for sale	66,372
Equity of unrestricted investment accountholders directly associated with assets classified as held for sale	762,634
Total	829,006

The results of the above operations, included in the consolidated income statement are as follows:

Description	Six months ended	
	30 June 2022	30 June 2021
Total income	4,912	3,323
Total expenses	(5,131)	(5,165)
	(219)	(1,842)
Provision for impairment - net	(125)	(359)
Net results from discontinued operations	(344)	(2,201)

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 Interim condensed consolidated statement of cash flows, are as follows:

Financial lines	30 June 2022	30 June 2021
Net cash from by operating activities	5,877	25,881
Net cash movement	5,877	25,881