ITHMAAR HOLDING B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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Review report on the interim condensed consolidated financial information to the Board of Directors of Ithmaar Holding B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ithmaar Holding B.S.C. ("Ithmaar") and its subsidiaries (the “Group”) as at 30 September 2020 and the related interim condensed consolidated income statement for the three month and nine month periods ended 30 September 2020 and the related interim condensed consolidated statements of changes in owners’ equity, cash flows and changes in restricted investment accounts for the nine month period then ended and explanatory notes (on pages 4 to 31). 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 (on pages 4 to 31) 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.

PricewaterhouseCoopers

12 November 2020
Partner’s registration number: 196
Manama, Kingdom of Bahrain

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Ithmaar Holding B.S.C.
Interim condensed consolidated statement of financial position
(Expressed in thousands of United States Dollars unless otherwise stated)

	Note	At 30 September 2020 (Reviewed)	At 31 December 2019 (Audited)	At 30 September 2019 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	596,927	692,596	599,269
Commodity and other placements with banks, financial and other institutions	4	419,433	393,606	400,634
Murabaha and other financings	5	2,523,907	2,817,144	2,902,960
Musharaka financing		721,114	635,151	548,308
Sukuk and investment securities	6	2,057,767	1,535,788	1,412,740
Investment in associates	7	579,272	633,292	664,586
Assets acquired for leasing		375,110	392,797	396,366
Insurance and related receivables		115,179	115,433	117,169
Other assets	8	198,637	168,994	203,039
Investment in real estate		255,043	251,005	264,156
Development properties		260,217	260,217	269,388
Fixed assets		81,396	78,285	67,302
Intangible assets		101,909	110,931	118,283
Total assets		**8,285,911**	**8,085,239**	**7,964,200**
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, NON-CONTROLLING INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,649,202	1,515,182	1,412,449
Due to banks, financial and other institutions		1,253,369	1,282,867	1,264,471
Due to investors		1,428,400	1,563,797	1,514,706
Other liabilities		386,566	384,432	468,782
Insurance related reserves		126,482	129,768	128,590
Total liabilities		**4,844,019**	**4,876,046**	**4,788,998**
Equity of unrestricted investment accountholders	10	3,148,541	2,802,344	2,748,206
Non-controlling interests		283,279	311,303	322,624
Total liabilities, equity of unrestricted investment accountholders and non-controlling interest		**8,275,839**	**7,989,693**	**7,859,828**
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(30,149)	(30,149)
Reserves		80,144	114,298	116,262
Accumulated losses		(797,613)	(746,293)	(739,431)
Total owners' equity		**10,072**	**95,546**	**104,372**
Total liabilities, equity of unrestricted investment accountholders, non-controlling interest and owners' equity		**8,285,911**	**8,085,239**	**7,964,200**

This interim condensed consolidated financial information was approved by the Board of Directors on 12 November 2020 and signed on its behalf by:

HRH Prince Amr Mohamed Al Faisal
Chairman

Elham Hasan
Director

Ahmed Abdul Rahim
CEO

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.
Interim condensed consolidated income statement
(Expressed in thousands of United States Dollars unless otherwise stated)

		Nine months ended		Three months ended	
	Note	30 September 2020 (Reviewed)	30 September 2019 (Reviewed)	30 September 2020 (Reviewed)	30 September 2019 (Reviewed)
INCOME					
Income from assets financed by unrestricted investment accounts		180,665	159,433	73,371	54,128
Less: return to unrestricted investment accounts and impairment provisions		(107,306)	(108,992)	(50,181)	(37,571)
Group's share of income from unrestricted investment accounts as a Mudarib		**73,359**	**50,441**	**23,190**	**16,557**
Income from murabaha and other financings		97,291	137,975	23,174	49,325
Share of results after tax from associates	7	20,594	31,342	5,546	10,642
Income from investments		117,291	87,137	37,649	31,736
Other income		61,785	75,396	7,331	27,374
Total income		**370,320**	**382,291**	**96,890**	**135,634**
Less: profit paid to banks, financial and other institutions – net		(155,383)	(164,276)	(42,421)	(61,596)
Operating income		**214,937**	**218,015**	**54,469**	**74,038**
EXPENSES					
Administrative and general expenses		(141,124)	(134,958)	(47,632)	(44,918)
Depreciation and amortization		(24,535)	(22,542)	(8,272)	(7,686)
Total expenses		**(165,659)**	**(157,500)**	**(55,904)**	**(52,604)**
Net income/(loss) before provision for impairment and overseas taxation		**49,278**	**60,515**	**(1,435)**	**21,434**
(Provision for)/reversal of impairment	7, 9	(18,700)	(20,099)	9,351	(10,136)
Net income before overseas taxation		**30,578**	**40,416**	**7,916**	**11,298**
Overseas taxation		(21,799)	(21,528)	(6,540)	(5,438)
NET INCOME FOR THE PERIOD		**8,779**	**18,888**	**1,376**	**5,860**
Attributable to:					
Equity holders of Ithmaar		(3,288)	12,044	(1,999)	3,678
Non-controlling interest		12,067	6,844	3,375	2,182
		8,779	**18,888**	**1,376**	**5,860**
Basic and diluted (losses)/earnings per share	14	**US Cts (0.11)**	**US Cts 0.41**	**US Cts (0.07)**	**US Cts 0.13**

This interim condensed consolidated financial information was approved by the Board of Directors on 12 November 2020 and signed on its behalf by:

HRH Prince Amr Mohamed Al Faisal
Chairman

Elham Hasan
Director

Ahmed Abdul Rahim
CEO

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.
Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2020
(Expressed in thousands of United States Dollars unless otherwise stated)

			Reserves								
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Total reserves	Accumulated losses	Total owners' equity
At 1 January 2020 (Audited)	**757,690**	**(30,149)**	**149,085**	**38,485**	**50,727**	**(18,485)**	**4,178**	**(109,692)**	**114,298**	**(746,293)**	**95,546**
Adjustments resulting from adoption of FAS 33 (note 6)	**-**	**-**	**-**	**-**	**-**	10,660	**-**	**-**	**10,660**	**-**	**10,660**
At 1 January 2020 (Reviewed)	**757,690**	**(30,149)**	**149,085**	**38,485**	**50,727**	**(7,825)**	**4,178**	**(109,692)**	**124,958**	**(746,293)**	**106,206**
Net loss for the period	-	-	-	-	-	-	-	-	**-**	(3,288)	**(3,288)**
Modification loss net of Government assistance (note 2 Dv)	-	-	-	-	-	-	-	-	**-**	(51,443)	**(51,443)**
Increase in shareholding of subsidiary (note 1)	-	-	-	-	-	-	-	-	**-**	3,411	**3,411**
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(8,234)	-	-	**(8,234)**	-	**(8,234)**
Movement in fair value reserve of associates	-	-	-	-	-	(24,548)	-	-	**(24,548)**	-	**(24,548)**
Foreign currency translation adjustments	-	-	-	-	-	(315)	(1,959)	(9,758)	**(12,032)**	-	**(12,032)**
At 30 September 2020 (Reviewed)	**757,690**	**(30,149)**	**149,085**	**38,485**	**50,727**	**(40,922)**	**2,219**	**(119,450)**	**80,144**	**(797,613)**	**10,072**

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.
Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2019
(Expressed in thousands of United States Dollars unless otherwise stated)

			Reserves								
	Share capital	**Treasury shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Investments fair value reserve**	**Investment in real estate fair value reserve**	**Foreign currency translation**	**Total reserves**	**Accumulated losses**	**Total owners' equity**
At 1 January 2019 (Audited)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**(6,924)**	**3,187**	**(94,203)**	**140,290**	**(751,475)**	**116,356**
Net income for the period	-	-	-	-	-	-	-	-	**-**	12,044	**12,044**
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(993)	-	-	**(993)**	-	**(993)**
Movement in fair value of investment in real estate	-	-	-	-	-	-	794		**794**	-	**794**
Movement in fair value reserve of associates	-	-	-	-	-	(2,320)	-	-	**(2,320)**	-	**(2,320)**
Foreign currency translation adjustments	-	-	-	-	-	122	(458)	(21,173)	**(21,509)**	-	**(21,509)**
At 30 September 2019 (Reviewed)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**(10,115)**	**3,523**	**(115,376)**	**116,262**	**(739,431)**	**104,372**

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.
Interim condensed consolidated statement of cash flows
(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Nine months ended 30 September 2020 (Reviewed)	Nine months ended 30 September 2019 (Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		30,578	40,416
Adjustments for:			
Depreciation and amortization		24,535	22,542
Share of results after tax from associates		(20,594)	(31,342)
Provision for impairment – net	9	18,700	20,099
Income from investments		(117,291)	(87,137)
Loss on sale of fixed assets		100	602
Operating loss before changes in operating assets and liabilities		(63,972)	(34,820)
Balances with banks maturing after ninety days including central banks balances relating to minimum reserve requirement		406,286	3,588
Changes in operating assets and liabilities:			
Murabaha and other financings		(296,178)	216,513
Musharaka financing		(131,132)	(127,044)
Other assets		26,037	(54,954)
Customers' current accounts		204,502	55,045
Due to banks, financial and other institutions		1,458	(219,902)
Due to investors		(32,599)	15,304
Other liabilities		9,187	(78,918)
Increase in equity of unrestricted investment accountholders		379,072	165,424
Taxes paid		(12,445)	(25,015)
Net cash provided by/(used in) operating activities		**490,216**	**(84,779)**
INVESTING ACTIVITIES			
Net changes in:			
Assets acquired for leasing		17,687	14,399
Sukuk and Investment securities		(512,175)	250,434
Dividend received from associates		26,892	45,632
Purchase of fixed assets		(9,931)	(15,982)
Net cash (used in)/provided by investing activities		**(477,527)**	**294,483**
FINANCING ACTIVITIES			
Non-controlling interest		-	532
Net cash provided by financing activities		**-**	**532**
Foreign currency translation adjustments		(23,034)	(85,550)
Net increase/(decrease) in cash and cash equivalents		**(10,345)**	**124,686**
Cash and cash equivalents at the beginning of the period		**850,497**	**641,152**
Cash and cash equivalents at the end of the period	4	**840,152**	**765,838**

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Interim condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2020

(Expressed in thousands of United States Dollars unless otherwise stated)

	At 1 January 2020	Foreign exchange movements	At 30 September 2020
Shamil Bosphorus Modaraba*	6,250	-	6,250
European Real Estate Placements*	14,146	1,898	16,044
US Real Estate Placements*	25,236	-	25,236
TOTAL	**45,632**	**1,898**	**47,530**
Funds managed on agency basis	63,257	-	63,257
	108,889	**1,898**	**110,787**

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

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Interim condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2019

(Expressed in thousands of United States Dollars unless otherwise stated)

	At 1 January 2019	Foreign exchange movements	At 30 September 2019
Shamil Bosphorus Modaraba*	6,250	-	6,250
European Real Estate Placements*	15,639	(1,933)	13,706
US Real Estate Placements*	25,236	-	25,236
TOTAL	**47,125**	**(1,933)**	**45,192**
Funds managed on agency basis	63,257	(1)	63,256
	110,382	**(1,934)**	**108,448**

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

The notes 1 to 16 on pages 11 to 31 form an integral part of the interim condensed consolidated financial information.

1 INCORPORATION AND ACTIVITIES

Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.) ("Ithmaar") was incorporated in the Kingdom of Bahrain on 13 August 1984 and was licensed as an investment bank regulated by the Central Bank of Bahrain (the "CBB").

Dar Al-Maal Al-Islami Trust ("DMIT"), a Trust incorporated in the commonwealth of Bahamas is the parent company of Ithmaar.

The principal activities of Ithmaar and its subsidiaries (collectively the "Group") include a wide range of financial services, including retail, commercial, investment banking, private banking, takaful and real estate development.

Ithmaar's activities are regulated by the CBB and are subject to the supervision of Shari'a Supervisory Board.

Ithmaar's shares are listed on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market. During an Ordinary General Meeting on 29 August 2019, the shareholders approved to voluntarily delist from Boursa Kuwait. On 13 September 2020, the Capital Market Authority, in Kuwait, rejected Ithmaar's application for voluntary delist and instead forcedly delisted Ithmaar's shares as per their regulations.

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 and its following principal subsidiary companies:

	% owned			
	2020	**2019**	**Country of Incorporation**	**Principal business activity**
Direct subsidiaries				
Ithmaar Bank B.S.C. (C)	100	100	Kingdom of Bahrain	Banking
IB Capital B.S.C. (C)	100	100	Kingdom of Bahrain	Asset management
Faisal Private Bureau (Switzerland) S.A.	100	100	Switzerland	Wealth and asset management
Shamil Financial (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
Principal indirect subsidiaries				
Faysal Bank Limited	67	67	Pakistan	Banking
Solidarity Group Holding B.S.C. (C)	56	56	Kingdom of Bahrain	Takaful
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
Health Island W.L.L.	50	50	Kingdom of Bahrain	Real estate
Dilmunia Development Fund I L.P.	85	66	Cayman Islands	Real estate
City View Real Estate Development Co. B.S.C. (C)	51	51	Kingdom of Bahrain	Real estate

During the period the Group acquired additional 2,547 units of Dilmunia Development Fund I L.P. as part of settlement of certain financings. The acquisition resulted in increase of shareholding from 66% to 85% without change in control.

Islamic Investment Company of the Gulf (Bahamas) Limited (IICG), a company incorporated in the Commonwealth of Bahamas and owned 100% by DMIT, is an affiliate of Ithmaar.

1.1 As of 30 September 2020, the total interim condensed consolidated equity of the Group stood at $10 million as compared to $95.5 million as at 31 December 2019. The current equity is still above the minimum threshold required by the Group's Category 1 investment firm license. The Board of Directors of Ithmaar is working on various initiatives to strengthen the Group's consolidated equity and solvency.

The Group's management assessed its liquidity and equity projections for the coming twelve months from the date of issue of this interim condensed consolidated financial information and the Board of Directors believes that the Group will 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 this interim condensed consolidated financial information. Accordingly, this interim condensed consolidated financial information is prepared on a going concern basis.

1.2 On 14 September 2020 Ithmaar signed a non legally binding Memorandum of Understanding (MoU) with Bank of Bahrain and Kuwait B.S.C. (BBK) where BBK is interested in considering the acquisition of certain assets forming part of Bahrain operations of Ithmaar Bank B.S.C (c) and other specific assets of IB Capital B.S.C (c). The potential acquisition, which is subject to the Board of Directors, shareholders and regulatory approvals is still currently in its preliminery stage and subject to the completion of all necessary due diligence as well as signing a detailed and legally binding sale and purchase agreement by the concerned parties, as appropriate, incorporating all the terms of the proposed transaction.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the recently issued CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations require the adoption of all Financial Accounting Standards issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) (FAS), except for:

a) recognition of modification losses on all financing assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of the profit or loss account as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable FAS. Please refer to note (2 D v) for further details; and

b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of the profit or loss account as required by the statement on "Accounting implications of the impact of COVID-19 pandemic" issued by AAOIFI. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognized in the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of FAS. Please refer to note (2 D v) for further details.

The above framework for basis of preparation of the interim condensed consolidated financial information is hereinafter referred to as 'Financial Accounting Standards as modified by CBB'.

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', using 'Financial Accounting Standards as modified by CBB' framework.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with FAS as issued by AAOIFI. Except for the above-mentioned modifications to accounting policies and the applcation of the new standards, all other accounting policies remain the same and have been consistently applied in this interim condensed consolidated financial information.

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 2019. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 FAS as modified by the CBB standards in the interim condensed consolidated financial information for the nine month period ended 30 September 2020 as appropriate.

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

The principal accounting policies adopted in the preparation of this interim condensed consolidated financial information are set out below:

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

A. New standards, amendments and interpretations not yet effective but early adopted

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

The Group has early adopted FAS 31 as issued by AAOIFI effective 1 January 2021. This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent.

The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

The adoption of this standard did not have a significant impact on the interim condensed consolidated financial information.

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

FAS 33 "Investments in Sukuk, Shares and Similar Instruments" supersedes earlier FAS 25 "Investments in Sukuk, Shares and Similar Instruments" and produces revised guidance for classification and measurement of investments to align with international practices.

Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively. In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value.

The adoption of this standard has resulted in amendment of the following group accounting policies:

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

A. New standards, amendments and interpretations not yet effective but early adopted (continued)

FAS 33 “Investments in Sukuk, Shares and Similar Instruments” (continued)

Investments carried at amortised cost

Sukuk and debt-type instruments (monetary or non-monetary) are carried at amortised cost where the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the investment and having reasonably determinable effective yield. These investments are measured using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the interim condensed consolidated income statement. These investments are tested for impairment at each reporting period in accordance with FAS 30 “Impairment, credit losses and onerous commitments”.

Investments carried at fair value through equity

These represent investments (Equity-type or debt-type instruments) Equity-type instruments are investments held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment.

These investments are initially recognised at fair value plus transaction costs. These investments are subsequently re-measured at fair value at the end of each reporting period and the resulting unrealised gains or losses are recognised in the consolidated statement of changes in owners' equity under “Investments fair value reserve”, taking into consideration the split between the portion related to owners’ equity and the portion related to the equity of investment accountholders, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

These investments are tested for impairment at each reporting period in accordance with FAS 30 “Impairment, credit losses and onerous commitments”. As part of impairment assessment, the Group assesses at the end of each reporting date whether there is any objective evidence that an investment carried at fair value through equity is impaired. Among other factors that may be considered for impairment, a significant or prolonged decline in the fair value of an equity investment below its cost is also an objective evidence of impairment.

Investments carried at fair value through income statement

An investment is classified as investment carried at fair value through income statement if not classified as fair value through equity or amortised cost. At the end of each reporting period, investments are re-measured at their fair value and the difference between carrying value and fair value is recognised in the consolidated income statement. All other gains/ losses arising from these investments are recognized in the interim condensed consolidated income statement.

FAS 34 “Financial Reporting for Sukuk-holders”

FAS 34 “Financial Reporting for Sukuk-holders” aims to establish the principles of accounting and financial reporting for assets and businesses underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including Sukuk-holders.

The adoption of this standard did not have a significant impact on the interim condensed consolidated financial information.

The implementation of FAS33 has resulted in re-classification of investment securities amounting to $1.1 billion from amortized cost to investments held at fair value through equity. Accordingly, the cumulative changes in fair value of $10.7 million (refer note 6) have been recognized in opening balance of fair value reserve in the owners' equity.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

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

FAS 32 “Ijarah”

FAS 32 “Ijarah” supersedes the earlier FAS 8 “Ijarah and Ijarah Muntahia Bittamleek” and is effective from the financial periods beginning on or after 1 January 2021.

This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

This standard brings significant changes from its predecessor standard (FAS 8), inter alia, in the following aspects:

a. Changes in the classification. Ijarah transactions under in this standard are classified into the following:
   i. Operating Ijarah;
   ii. Ijarah MBT with expected transfer of ownership after the end of the Ijarah term –either through a sale or gift; and
   iii. Ijarah MBT with gradual transfer –with gradual transfer ownership during the Ijarah term including Diminishing Musharaka Ijarah;

b. New recognition and measurement principles for initial recognition for right-of-use asset, Ijarah liability and advance payments for lessee and lessor accounting;

c. Requirement to identify and separate Ijarah and non-Ijarah components, if needed;

d. New recognition and measurement principles for an Ijarah MBT through gradual transfer / Diminishing Musharaka Ijarah, whereby the lessee shall recognize the ‘combined asset’ (including the right-of-use asset and the proportionate asset already owned by the lessee) whereas the lessor shall recognize the proportionate asset owned. FAS 8 requirements of recording monthly depreciation and gain and loss for such transactions are done away with;

e. Allowing effective rate of return/ profit rate method for accounting for rental income, in the hand of the lessor;

f. Testing for impairment of right-of-use asset shall be subject to requirements of FAS 30 “Impairment, Credit Losses and Onerous Commitments”; and

g. Detailed guidelines are provided for presentation and disclosures with enhanced disclosure by lessor and lessee of information as compared to previous requirements in FAS 8.

The Group is in process of assessing the impact of this standard on the interim condensed consolidated financial information.

C. FINANCIAL RISK MANAGEMENT

Credit Risk

The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations and is expected to affect most of the customers and sectors to some degree. Although it is difficult to assess at this stage the degree of impact faced by each sector, the main industries impacted are hospitality, tourism, leisure, airlines/transportation and retailers. In addition, some other industries are expected to be indirectly impacted such as contracting, real estate and wholesale trading. Also the volatility in oil prices during the early part of 2020, will have a regional impact due to its contribution to regional economies.

Considering this evolving situation, the Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Payment holidays have been extended to customers, including private and SME sector, in line with the instructions of CBB. These measures may lead to lower disbursement of financing facilities, resulting in lower net financing income and decrease in other revenue.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential Significant increase in Credit Risk (SICR).

The Group has updated its inputs and assumptions for computation of Expected Credit Losses (ECL) (refer to note 2D).

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk and capital management

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and are subject to ongoing monitoring and evaluation. The CBB has announced various measures to combat the effects of COVID-19 and to ease the liquidity in banking sector. Following are some of the significant measures that has an impact on the liquidity risk and regulaory capital profile of the Group:

- Payment holiday for 6 months to eligible customers;
- Concessionary repo to eligible banks at zero percent;
- Reduction of cash reserve ratio from 5% to 3%;
- Reduction of LCR and NSFR ratio from 100% to 80%;
- Aggregate of modification loss and incremental ECL provision for stage 1 and stage 2 from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021. And to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements.

Operational risk management

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with and on behalf of the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

D. Accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The areas of significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019. However, the process of making the required estimates and assumptions involved further judgement due to the prevailing uncertainties.

i) Expected credit Losses

The economic uncertainties caused by COVID-19 have required the Group to update the inputs and assumptions used for the determination of ECL as at 30 September 2020. ECL were estimated based on a range of forecast economic conditions available as at latest available date. A scenario analysis has been conducted with various stress assumptions.

The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

ii) Significant increase in credit risk (SICR)

A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument. In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2. The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term.

During the period, in accordance with CBB instructions the Group has granted payment holidays to its eligible customers by deferring up to six months instalments. These deferrals are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. The Group uses judgement to individually differentiate between a borrowers' short-term liquidity constraints and a change in its lifetime credit risk.

iii) Forward Looking Information

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. The Group derives a forward looking "base case" economic scenario which reflects the Group's view of the most likely future macro-economic conditions.

Any changes made to ECL to estimate the overall impact of COVID-19 is subject to high levels of uncertainty as limited forward-looking information is currently available on which to base those changes. The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Many of the macroeconoic variables which were used in the ECL model are updated or published by external agencies or government agencies.

The Group has reviewed its portfolio which is expected to be most impacted due to COVID-19 to determine if any provisions are necessary. The Group continues to individually assess significant exposures to adequately safeguard against any adverse movements due to COVID-19.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

D. Accounting estimates and judgements (continued)

iv) Covld-19 impact

On 11 March 2020, the COVID-19 outbreak was declared, a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets, and in particular oil prices, have also experienced great volatility and a significant drop in prices. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including GDP, employment, oil prices etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVlD-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The management and the Board of Directors (BOD) have closely monitoring the potential impact of the COVlD-19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

In preparing the interim condensed consolidated financial information, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

v) Modification loss net of Government assistance

During the current period, based on a regulatory directive issued by the CBB (refer note (BOP)) as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to $54.8 arising from the 6-month payment holidays provided to financing customers without charging additional profits has been recognized directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The Group provided payment holidays on financing exposures amounting to $1.5 billion as part of its support to impacted customers.

Further, as per the regulatory directive, financial assistance amounting to $3.4 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government and/or regulators, in response to its COVID-19 support measures, has been recognized directly in equity.

vi) Impairment and recoverable amount of investment in associates

The Group uses estimates in its assessment of the impairment provision and recoverable amount of its investment in associates, which are subject to judgement. The key assumption used in such assessment was the existence and percentage of the significant influence premium. The premium is applied since the Group holds more than twenty percent voting rights in the associates, has board representation and participates in all significant financial and operating decisions.

vii) Non-currnet assets classified as held-for-sale

The Group assesses its assets at each reporting date in accordance with the criteria specified by IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" and FAS 26 "Investment in Real Estate". In determining whether the sale is highly probable, the Group exercises judgement in context of current market appetite including price offered and availability of identified willing buyer.

As stated in note 1.2, the assets subject to the potential acquisition transaction by BBK were not classified as held for sale in the interim condensed consolidated financial information for the period ended 30 September 2020, based on the Group's assessment of the criteria specified by IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" and FAS 26 "Investment in Real Estate". The Group's assessment was mainly based on the early stage of discussion related to the potential acquisition transaction, the unavailability of the assets for immediate sale in present condition, the likelihood of changes in sale plan and the approvals from the regulators, the Board of Directors and shareholders of the concerned parties. The Group will reassess such classification at each reporting period based on the development and progress of the potential acquisition transaction.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

D. Accounting estimates and judgements (continued)

viii) Estimated goodwill impairment

Goodwill other intangibles assets acquired through business combinations have been allocated to the cash-generating units of the acquired entities for impairment testing purposes. The Group tests whether goodwill or intangible assets have suffered any impairment in accordance with the impairment accounting policy.

The recoverable amount of the cash-generating units are generally determined based on higher of Value-in-Use (VIU) and Fair Value Less Cost to Disposal (FVLCTD).

VIU calculations are determined using cash flow projections from financial budgets approved by the Group's senior management covering a three year period. The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these cash-generating units.

For FVLCTD calculations, the Comparable Companies Multiple (CCM) method is used, whereby the price to book value (P/B) multiple of the comparable listed banks operating in the region were considered. The key assumptions used in estimating the recoverable amounts of cash-generating units are assessed to ensure reasonableness of the FVLCTD.

The above methods require the use of estimates, which are subject to judgement. Changes in the underlying assumptions may impact the reported numbers.

During the current period, the management used the FVLCTD method in assessing the recoverable amount of the goodwill and other intangible assets. As a result, the management used judgement in the percentage of the control premium and marketability discount used in the calculation of the effective P/B multiple for the FVLCTD method.

If the P/B multiple had been 5% lower than management's calculation as at 30 September 2020, with all other variables held constant, the Group would have had to recognise an impairment against the carrying amount of the cash generating unit CGU of $6 million.

(Expressed in thousands of United States Dollars unless otherwise stated)

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 September 2020			31 December 2019		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Cash reserve with central banks	111,757	3,909	115,666	166,162	2,950	169,112
Cash and balances with banks and central banks	360,995	120,266	481,261	437,607	85,877	523,484
	472,752	**124,175**	**596,927**	**603,769**	**88,827**	**692,596**

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

	30 September 2020			31 December 2019		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Commodity placements	408,140	11,854	419,994	382,465	11,702	394,167
Less: Expected Credit Loss	(561)	-	(561)	(561)	-	(561)
	407,579	**11,854**	**419,433**	**381,904**	**11,702**	**393,606**

Cash and cash equivalents for the purpose of cash flow statements are as follows:

	30 September 2020			30 September 2019		
	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	472,752	124,175	596,927	529,374	69,895	599,269
Commodity and other placements with banks, financial and other institutions - net	407,579	11,854	419,433	389,403	11,231	400,634
Less: Placement maturing after ninety days	(48,688)	(11,854)	(60,542)	(53,880)	(11,231)	(65,111)
Less: Balances with central banks relating to minimum reserve requirement	(111,757)	(3,909)	(115,666)	(166,390)	(2,564)	(168,954)
	719,886	**120,266**	**840,152**	**698,507**	**67,331**	**765,838**

(Expressed in thousands of United States Dollars unless otherwise stated)

5 MURABAHA AND OTHER FINANCINGS

	30 September 2020			**31 December 2019**		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Murabaha and other financings	1,490,175	1,402,239	2,892,414	1,854,329	1,301,995	3,156,324
Less: Expected Credit Loss	(329,920)	(38,587)	(368,507)	(312,556)	(26,624)	(339,180)
	1,160,255	**1,363,652**	**2,523,907**	**1,541,773**	**1,275,371**	**2,817,144**

The movement in Expected Credit Loss is as follows:

	30 September 2020			**31 December 2019**		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
At 1 January	312,556	26,624	339,180	346,067	34,148	380,215
Charge for the period/year	37,942	12,245	50,187	40,539	5,031	45,570
Write back during the period/year	(5,057)	(58)	(5,115)	(48,770)	(2,300)	(51,070)
Utilised during the period/year	(4,651)	(175)	(4,826)	(1,470)	(9,751)	(11,221)
Reclassification	-		-	(6,976)	-	(6,976)
Exchange differences and other movements	(10,870)	(49)	(10,919)	(16,834)	(504)	(17,338)
	329,920	**38,587**	**368,507**	**312,556**	**26,624**	**339,180**

(Expressed in thousands of United States Dollars unless otherwise stated)

6 SUKUK AND INVESTMENT SECURITIES

	30 September 2020			**31 December 2019**		
	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 – unlisted	180,591	-	180,591	200,668	-	200,668
Equity-type securities – listed	2,307	-	2,307	589	-	589
	182,898	**-**	**182,898**	**201,257**	**-**	**201,257**
Investment securities at fair value through equity						
Debt-type instruments – listed	200,179	94,983	295,162	-	-	-
Debt-type instruments – unlisted	910,780	121,001	1,031,781	-	-	-
Equity-type securities – listed	73,159	-	73,159	59,976	-	59,976
Equity-type securities – unlisted	280,035	-	280,035	274,274	-	274,274
	1,464,153	215,984	1,680,137	334,250	-	334,250
Expected Credit Loss	(199,638)	-	(199,638)	(188,624)	-	(188,624)
	1,264,515	**215,984**	**1,480,499**	**145,626**	**-**	**145,626**
Investment securities carried at amortised cost						
Sukuk – unlisted	3,289	67,287	70,576	211,266	192,922	404,188
Other debt-type instruments – listed	53,627	271,195	324,822	151,531	-	151,531
Other debt-type instruments – unlisted	8,406	-	8,406	647,066	-	647,066
	65,322	338,482	403,804	1,009,863	192,922	1,202,785
Expected credit loss	(9,434)	-	(9,434)	(13,880)	-	(13,880)
	55,888	**338,482**	**394,370**	**995,983**	**192,922**	**1,188,905**
	1,503,301	**554,466**	**2,057,767**	**1,342,866**	**192,922**	**1,535,788**

During the period ended 30 September 2020, the management of the Group has adopted Financial Accounting Standard (FAS) 33: ‘Investments in Sukuk, shares and similar instruments. In accordance with the classification and measurement principles of FAS 33, the Group has reassessed the business model and reclassified certain investments in debt instruments amounting to $1.1 billion from amortised cost to fair value through equity. As a result, fair value of the investments is measured at the reclassification date and net gain of $10.7 (refer note 2A) million have been recognized in the investment fair value reserve.

(Expressed in thousands of United States Dollars unless otherwise stated)

6 SUKUK AND 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.

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 September 2020				
Investment securities at fair value through income statement				
Debt-type instruments	-	180,591	-	180,591
Equity-type securities	2,307	-	-	2,307
Investment securities at fair value through equity				
Debt-type instruments – listed	295,162	-	-	295,162
Debt-type instruments – unlisted	-	1,031,140	-	1,031,140
Equity-type securities	63,327	16,773	74,097	154,197
	360,796	**1,228,504**	**74,097**	**1,663,397**

	Level 1	Level 2	Level 3	Total
At 31 December 2019				
Investment securities at fair value through income statement				
Debt-type instruments	-	200,668	-	200,668
Equity-type securities	589	-	-	589
Investment securities at fair value through equity				
Equity-type securities	65,817	519	79,290	145,626
	66,406	**201,187**	**79,290**	**346,883**

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	30 September 2020	**31 December 2019**
Opening balance	**79,290**	**98,204**
Total losses recognised in		
- Income statement	(7,172)	(17,300)
- Equity	(553)	(2,580)
Other movement	2,532	966
Closing balance	**74,097**	**79,290**

(Expressed in thousands of United States Dollars unless otherwise stated)

7 INVESTMENT IN ASSOCIATES

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

Name of entity	30 September 2020	31 December 2019	% of Shareholding	Country	Activity
Unlisted:					
Citic International Assets Management Limited	34,020	41,014	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	566	608	31	Pakistan	Manufacturing
Ithraa Capital Company	-	1,924	23	Saudi Arabia	Investment company
Naseej B.S.C. (c)	74,818	73,465	31	Bahrain	Infrastructure
Listed:					
Solidarity Saudi Takaful Company	-	18,800	28	Saudi Arabia	Takaful
Bank of Bahrain and Kuwait B.S.C.	469,868	497,481	26	Bahrain	Banking
	579,272	**633,292**			

During the period, the Group reversed an impairment provision amounting to $17.9 million (refer note 9 & 12) against one of its investment in an associate based on its assessment of the recoverable amount being higher than the carrying value. The recoverable amount is determined based on the market share price and the estimated fair value of the related significant influence premium Ithmaar has over this associate.

If the significant influence premium used to determine the fair value of the investment in associate had been 10% lower than the estimate used as at 30 September 2020, with all other variables held constant, the Group would have had to recognise an impairment against the carrying amount of its investment in associates of $1.6 million.

If the market share price used to determine the fair value of the investment in associate had been 3% lower than estimate used as at 30 September 2020, with all other variables held constant, the Group would have had to recognise an impairment against the carrying amount of its investment in associates of $4.6 million.

Summarised financial position/performanace of associates that have been equity accounted:

	30 September 2020	31 December 2019	30 September 2019
Total assets	10,332,873	10,522,736	11,116,436
Total liabilities	8,698,032	8,673,977	9,270,781
Total revenues	242,402	325,991	327,217
Total net profit	89,356	141,171	152,540

In case of associates where audited/reviewed financial statements are not available, the Group's share of results is arrived at by using the latest available financial information.

(Expressed in thousands of United States Dollars unless otherwise stated)

8 OTHER ASSETS

	30 September 2020			31 December 2019		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Accounts receivable	167,386	69,572	236,958	169,967	47,426	217,393
Due from related parties (note 13)	566	-	566	515	-	515
Taxes – deferred	897	-	897	9,333	-	9,333
Taxes – current	19,137	-	19,137	12,176	-	12,176
Assets acquired against claims	7,470	13,168	20,638	8,232	8,671	16,903
	195,456	82,740	278,196	200,223	56,097	256,320
Expected Credit Loss	(67,412)	(12,147)	(79,559)	(75,176)	(12,150)	(87,326)
	128,044	**70,593**	**198,637**	**125,047**	**43,947**	**168,994**

9 PROVISION FOR IMPAIRMENT

	30 September 2020			31 December 2019		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
At 1 January	835,622	44,858	880,480	834,101	49,938	884,039
Charge for the period/year	53,697	16,738	70,435	81,529	8,306	89,835
Write back during the period/year	(34,997)	(848)	(35,845)	(49,259)	(2,638)	(51,897)
Utilised during the period/year	(4,651)	(175)	(4,826)	(21,787)	(9,751)	(31,538)
Exchange differences	(12,472)	(500)	(12,972)	(8,962)	(997)	(9,959)
	837,199	**60,073**	**897,272**	**835,622**	**44,858**	**880,480**

(Expressed in thousands of United States Dollars unless otherwise stated)

9 PROVISION FOR IMPAIRMENT (continued)

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

30 September 2020

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, commodity and other placements with banks, financial and other institutions	**1,016,682**	**239**	**-**	**1,016,921**
Financings (funded and unfunded exposure) Corporate				
Low risks (1-3)	680,301	125,947	-	806,248
Acceptable risks (4-6)	938,804	479,035	400	1,418,239
Watch list (7)	-	515,743	-	515,743
Non performing (8-10)	-	-	366,009	366,009
Carrying amount - Corporate	**1,619,105**	**1,120,725**	**366,409**	**3,106,239**
Retail (un-rated)	1,383,099	21,895	65,106	1,470,100
Carrying amount	**3,002,204**	**1,142,620**	**431,515**	**4,576,339**
Sukuk and investment securities	**394,458**	**-**	**9,346**	**403,804**
Other receivables	**273,285**	**15,340**	**59,328**	**347,953**
Loss allowance	**(46,070)**	**(77,405)**	**(351,424)**	**(474,899)**
Total	**4,640,559**	**1,080,794**	**148,765**	**5,870,118**

31 December 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, commodity and other placements with banks, financial and other institutions	**1,086,760**	**-**	**-**	**1,086,760**
Financings (funded and unfunded exposure) Corporate				
Low risks (1-3)	971,122	41,593	-	1,012,715
Acceptable risks (4-6)	1,172,477	146,280	400	1,319,157
Watch list (7)	-	596,793	-	596,793
Non performing (8-10)	-	-	371,781	371,781
Carrying amount - Corporate	**2,143,599**	**784,666**	**372,181**	**3,300,446**
Retail (un-rated)	1,342,312	21,246	54,479	1,418,037
Carrying amount	**3,485,911**	**805,912**	**426,660**	**4,718,483**
Sukuk and investment securities	**1,188,737**	**-**	**14,047**	**1,202,784**
Other receivables	**271,810**	**13,028**	**62,539**	**347,377**
Loss allowance	**(48,528)**	**(69,598)**	**(336,062)**	**(454,188)**
Total	**5,984,690**	**749,342**	**167,184**	**6,901,216**

Gross financings (funded) as of 30 September 2020 amounted to $2.5 billion, $1.1 billion and $0.4 billion for Stage 1, Stage 2 and Stage 3 respectively (31 December 2019: $3.0 billion, $0.8 billion and $0.4 billion respectively). Collateral coverage for gross financing as of 30 Septmber 2020 was 70%, 64% and 72% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2019: 81%, 42% and 53% respectively).

(Expressed in thousands of United States Dollars unless otherwise stated)

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

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

	30 September 2020	31 December 2019
Cash and balances with banks and central banks	124,175	88,827
Commodity and other placements with banks, financial and other institutions	11,854	11,702
Murabaha and other financings	1,363,652	1,275,371
Musharaka financing	719,493	621,874
Sukuk and investment securities	554,466	192,922
Assets acquired for leasing	371,961	389,592
Other assets	70,593	43,947
Due from the Owners (net)	730,149	771,571
	3,946,343	**3,395,806**
Customers’ current accounts	(439,514)	(355,885)
Due to banks, financial and other institutions	(276,483)	(172,889)
Other liabilities	(81,805)	(64,688)
Equity of unrestricted investment accountholders	**3,148,541**	**2,802,344**

11 SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	8,000,000	2,000,000
Issued and fully paid		
Total outstanding as at 1 January 2020	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 30 September 2020 (Reviewed)	**2,910,160**	**727,541**
Issued and fully paid		
Total outstanding	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 December 2019 (Audited)	**2,910,160**	**727,541**

Ithmaar’s total issued and fully paid share capital at 30 September 2020 comprises 3,030,755,027 shares at $0.25 per share amounting to $757,690 thousands. The share capital of Ithmaar is denominated in United States dollars and these shares are listed on Bahrain Bourse in United States dollars and Dubai Financial Market in Arab Emirates Dirham.

Ithmaar owned 120,595,238 (31 December 2019: 120,595,238) of its own shares at 30 September 2020. The shares are held as treasury shares and Ithmaar has the right to reissue these shares at a later date.

(Expressed in thousands of United States Dollars unless otherwise stated)

12 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 Ithmaar, Ultimate Parent and companies in which Ultimate Parent has ownership interest and subsidiaries of such companies (affiliates).
(c) Associated companies of Ithmaar.
(d) Senior management.

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

Significant balances with related parties comprise:

					30 September 2020
	Shareholders & Affiliates	**Associates and other investments**	**Directors and related entities**	**Senior management**	**Total**
Assets					
Murabaha and other financings	395,575	-	-	2,044	397,619
Investment in associates	-	579,272	-	-	579,272
Other assets	-	-	-	566	566
Liabilities					
Customers' current accounts	8,554	14,884	-	648	24,086
Due to banks, financial and other institutions	-	26,715	-	-	26,715
Equity of unrestricted investment accounts	-	-	-	5,604	5,604
Other liabilities	148	-	-	-	148
Income					
Return to unrestricted investment accounts	-	-	-	(126)	(126)
Income from murabaha and other financings	2,853	-	-	-	2,853
Share of results after tax from associates	-	20,594	-	-	20,594
Profit paid to banks, financial and other institutions – net	-	(1,402)	-	-	(1,402)
Reversal of provision for impairment on associate	-	17,915	-	-	17,915
Expenses					
Administrative and general expenses	(600)	-	(38)	-	(638)

(Expressed in thousands of United States Dollars unless otherwise stated)

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

					31 December 2019
	Shareholders & Affiliates	**Associates and other investments**	**Directors and related entities**	**Senior management**	**Total**
Assets					
Murabaha and other financings	392,794	-	12,809	2,095	407,698
Investment in associates	-	633,292	-	-	633,292
Other assets	-	-	-	515	515
Liabilities					
Customers' current accounts	6,105	10,622	-	824	17,551
Due to banks, financial and other institutions	-	72,133	-	-	72,133
Equity of unrestricted investment accounts	-	-	-	4,148	4,148
Other liabilities	160	-	-	-	160

					30 September 2019
Income					
Return to unrestricted investment accounts	-	-	-	(87)	(87)
Income from murabaha and other financings	3,412	-	-	-	3,412
Share of results after tax from associates	-	31,342	-	-	31,342
Profit paid to banks, financial and other institutions – net	(2,103)	(3,220)	-	-	(5,323)
Expenses					
Administrative and general expenses	(600)	-	(38)	-	(638)

(Expressed in thousands of United States Dollars unless otherwise stated)

13 DIVIDEND

No dividend was declared for 2019 and 2018.

14 EARNINGS PER SHARE (BASIC & DILUTED)

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

	Nine month period ended		Three month period ended	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Net (loss)/income attributable to shareholders ($'000)	(3,288)	12,044	(1,999)	3,678
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160	2,910,160	2,910,160
(Losses)/earnings per share (Basic & Diluted) – US Cents	**(0.11)**	**0.41**	**(0.07)**	**0.13**

15 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	30 September 2020	**31 December 2019**
Acceptances and endorsements	61,354	59,038
Guarantees and irrevocable letters of credit	464,087	438,773
Customer and other claims	214,530	234,002
	739,971	**731,813**

Commitments

	30 September 2020	**31 December 2019**
Undrawn facilities, financing lines and other commitments to finance	**1,378,473**	**1,436,934**

(Expressed in thousands of United States Dollars unless otherwise stated)

16 SEGMENTAL INFORMATION

The Group constitutes of three main business segments, namely;

(i) Retail and Corporate banking, in which the Group receives customer funds and deposits and extends financing to its retail and corporate clients.

(ii) Trading Portfolio, where the Group trades in equity deals, foreign exchange and other transactions with the objective of realizing short-term gains.

(iii) Asset Management/Investment Banking, in which the Group directly participates in investment opportunities.

					30 September 2020					**30 September 2019**
	Retail & Corporate banking	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**	**Retail & Corporate banking**	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**
Operating income/(loss)	133,497	72,295	(15,939)	25,084	**214,937**	140,530	38,099	22,466	16,920	**218,015**
Total expenses	(115,473)	(13,788)	(18,433)	(17,965)	**(165,659)**	(112,566)	(8,965)	(17,920)	(18,049)	**(157,500)**
Net income/(loss) before provision and overseas taxation	**18,024**	**58,507**	**(34,372)**	**7,119**	**49,278**	**27,964**	**29,134**	**4,546**	**(1,129)**	**60,515**
Provision and overseas taxation	(23,437)	(25,255)	9,742	(1,549)	**(40,499)**	(1,140)	(16,410)	(23,142)	(935)	**(41,627)**
Net income/(loss) for the period	**(5,413)**	**33,252**	**(24,630)**	**5,570**	**8,779**	**26,824**	**12,724**	**(18,596)**	**(2,064)**	**18,888**
Attributable to:										
Equity holders of the Ithmaar	(5,041)	22,156	(22,834)	2,431	**(3,288)**	21,980	8,470	(16,399)	(2,007)	**12,044**
Non-controlling interest	(372)	11,096	(1,796)	3,139	**12,067**	4,844	4,254	(2,197)	(57)	**6,844**
	(5,413)	**33,252**	**(24,630)**	**5,570**	**8,779**	**26,824**	**12,724**	**(18,596)**	**(2,064)**	**18,888**
					30 September 2020					**31 December 2019**
Total assets	**4,944,088**	**1,896,383**	**1,093,796**	**351,644**	**8,285,911**	**5,096,612**	**1,498,054**	**1,134,809**	**355,764**	**8,085,239**
Total liabilities and equity of unrestricted investment account holders	**7,458,187**	**279,265**	**59,312**	**195,796**	**7,992,560**	**7,104,867**	**301,444**	**75,978**	**196,101**	**7,678,390**