

ITHMAAR HOLDING B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF ITHMAAR HOLDING B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Ithmaar Holding B.S.C. ("Ithmaar") and its subsidiaries (the "Group") which comprises the interim condensed consolidated statement of financial position as at 31 March 2019 and the related interim condensed consolidated income statement, changes in owners' equity, cash flows, and changes in restricted investment accounts for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation stated in Note 2 to this interim condensed consolidated financial information. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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


Partner registration no. 216
12 May 2019
Manama, Kingdom of Bahrain

Ithmaar Holding B.S.C.
Interim condensed consolidated statement of financial position


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

	Notes	At 31 March 2019 (Reviewed)	At 31 December 2018 (Audited)	At 31 March 2018 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	594,894	596,234	583,478
Commodity and other placements with banks, financial and other institutions	4	498,425	285,627	444,563
Murabaha and other financings	5	3,160,251	3,264,865	3,535,510
Musharaka financing		554,811	495,626	391,805
Investment in mudaraba		5,760	5,760	5,695
Sukuk and investment securities	6	1,114,482	1,756,695	1,455,469
Investment in associates	7	586,334	611,194	592,593
Restricted investment accounts		-	-	72,103
Assets acquired for leasing		406,363	410,765	384,587
Insurance and related receivables		128,598	120,034	-
Other assets	8	248,489	211,319	229,523
Investment in real estate		259,315	270,066	249,307
Development properties		269,388	269,388	-
Assets classified as held-for-sale		-	-	66,267
Fixed assets		65,396	63,216	120,242
Intangible assets		124,261	127,867	159,751
Total assets		8,016,767	8,488,656	8,290,893
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,559,733	1,476,108	1,715,821
Due to banks, financial and other institutions		1,071,305	1,541,346	1,082,017
Due to investors		1,699,151	1,694,977	1,806,679
Other liabilities		462,754	566,122	466,325
Insurance related reserves		136,659	134,873	-
Total liabilities		4,929,602	5,413,426	5,070,842
Equity of unrestricted investment accountholders	10	2,628,748	2,622,311	2,823,584
Minority interest		337,894	336,563	162,991
Total liabilities, equity of unrestricted investment accountholders and minority interest		7,896,244	8,372,300	8,057,417
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(30,149)	(30,149)
Reserves		137,351	140,290	231,774
Accumulated losses		(744,369)	(751,475)	(725,839)
Total owners' equity		120,523	116,356	233,476
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		8,016,767	8,488,656	8,290,893

This interim condensed consolidated financial information was approved by the Board of Directors on 12 May 2019 and signed on their behalf by:


 HRH Prince Amr Mohamed Al Faisal
 Chairman


 Elham Hasan
 Director


 Ahmed Abdul Rahim
 CEO


The notes 1 to 16 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

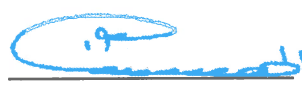
Ithmaar Holding B.S.C.**Interim condensed consolidated income statement**

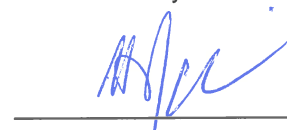
(Expressed in thousands of United States Dollars unless otherwise stated)

		Three months ended	
	Notes	31 March 2019 (Reviewed)	31 March 2018 (Reviewed)
INCOME			
Income from unrestricted investment accounts		50,250	42,467
Less: return to unrestricted investment accounts and impairment provisions		(33,090)	(24,976)
Group's share of income from unrestricted investment accounts as a Mudarib		17,160	17,491
Income from murabaha and other financings		46,123	34,468
Share of profit after tax from associates		9,251	27,748
Income from investments		25,351	26,292
Other income		28,082	8,150
Total income		125,967	114,149
Less: profit paid to banks, financial and other institutions – net		(49,892)	(41,992)
Operating income		76,075	72,157
EXPENSES			
Administrative and general expenses		(46,588)	(42,981)
Depreciation and amortization		(7,572)	(11,093)
Total expenses		(54,160)	(54,074)
Net income before provision for impairment and overseas taxation		21,915	18,083
Provision for impairment – net	9	(4,366)	(5,998)
Net income before overseas taxation		17,549	12,085
Overseas taxation		(8,929)	(7,274)
NET INCOME FOR THE PERIOD		8,620	4,811
Attributable to:			
Equity holders of Ithmaar		7,106	1,655
Minority interests		1,514	3,156
		8,620	4,811
Basic and diluted earnings per share	14	US Cts 0.24	US Cts 0.06

This interim condensed consolidated financial information was approved by the Board of Directors on 12 May 2019 and signed on their behalf by:


 HRH Prince Amr Mohamed Al Faisal
 Chairman


 Elham Hasan
 Director


 Ahmed Abdul Rahim
 CEO

The notes 1 to 16 on pages 11 to 24 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 three month period ended 31 March 2019

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

	Reserves									Accumulated losses	Total owners' equity
	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		
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	-	-	-	-	-	-	-	-	-	7,106	7,106
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(834)	-	-	(834)	-	(834)
Movement in fair value of investment in real estate	-	-	-	-	-	-	794	-	794	-	794
Movement in fair value of associates	-	-	-	-	-	(2,367)	-	-	(2,367)	-	(2,367)
Foreign currency translation adjustments	-	-	-	-	-	6	(291)	(247)	(532)	-	(532)
At 31 March 2019 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	(10,119)	3,690	(94,450)	137,351	(744,369)	120,523

The notes 1 to 16 on pages 11 to 24 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 three month period ended 31 March 2018

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

	Reserves									Accumulated losses	Total owners' equity
	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		
At 1 January 2018 (Audited)	757,690	(30,149)	149,085	38,418	50,727	38,773	3,450	(46,692)	233,761	(605,972)	355,330
Impact of FAS 30	-	-	-	-	-	-	-	-	-	(121,522)	(121,522)
Revised balance at 1 January 2018	757,690	(30,149)	149,085	38,418	50,727	38,773	3,450	(46,692)	233,761	(727,494)	233,808
Net income for the period	-	-	-	-	-	-	-	-	-	1,655	1,655
Movement in fair value of sukuk and investment securities	-	-	-	-	-	1,771	596	-	2,367	-	2,367
Movement in fair value of associates	-	-	-	-	-	(270)	-	-	(270)	-	(270)
Foreign currency translation adjustments	-	-	-	-	-	(10)	(803)	(3,271)	(4,084)	-	(4,084)
At 31 March 2018 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	40,264	3,243	(49,963)	231,774	(725,839)	233,476

The notes 1 to 16 on pages 11 to 24 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)

		Three months ended	
	Notes	31 March 2019 (Reviewed)	31 March 2018 (Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		17,549	12,085
<u>Adjustments for:</u>			
Depreciation and amortization		7,572	11,093
Share of profit after tax from associates		(9,251)	(27,748)
Provision for impairment – net	9	4,366	5,998
Income from other investments		(25,351)	(26,292)
Loss on sale of fixed assets		28	43
Operating income/(loss) before changes in operating assets and liabilities		(5,087)	(24,821)
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		(1,091)	(12,321)
Changes in operating assets and liabilities:			
Murabaha and other financings		103,102	(131,567)
Musharaka financing		(62,965)	(39,777)
Other assets		(4,301)	(11,608)
Customers' current accounts		91,003	(15,421)
Due to banks, financial and other institutions		(467,779)	(46,296)
Due to investors		16,508	(19,028)
Other liabilities		(98,275)	43,477
Increase in equity of unrestricted investment accountholders		11,779	13,957
Taxes paid		(10,025)	(15,669)
Net cash used in operating activities		(427,131)	(259,074)
INVESTING ACTIVITIES			
Net changes in:			
Assets acquired for leasing		4,402	(36,827)
Sukuk and Investment securities		652,800	365,764
Sale/(purchase) of fixed assets		(4,444)	2,466
Net cash provided by investing activities		652,758	331,403
FINANCING ACTIVITIES			
Minority interest		532	-
Net cash provided by financing activities		532	-
Foreign currency translation adjustments		(14,216)	(12,164)
Net increase in cash and cash equivalents		211,943	60,165
Cash and cash equivalents at the beginning of the period		641,151	792,217
Cash and cash equivalents at the end of the period	4	853,094	852,382

The notes 1 to 16 on pages 11 to 24 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 three month period ended 31 March 2019**

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

	At 1 January 2019	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Withdrawals)	At 31 March 2019
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	15,639	-	-	(287)	-	15,352
US Real Estate Placements*	25,236	-	-	-	-	25,236
TOTAL	47,125	-	-	(287)	-	46,838
Funds managed on agency basis	63,257	-	-	-	-	63,257
	110,382	-	-	(287)	-	110,095

* 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 24 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 three month period ended 31 March 2018

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

	At 1 January 2018	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Withdrawals)	At 31 March 2018
Dilmunia Development Fund I L.P.*	145,329	(37)	-	-	-	145,292
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	16,404	-	-	444	-	16,848
US Real Estate Placements*	25,236	-	-	-	-	25,236
Listed and non-listed equities	55	-	-	-	-	55
Cash and Placements with banks	558	-	-	-	-	558
TOTAL	193,832	(37)	-	444	-	194,239
Funds managed on agency basis	63,301	-	-	-	(48)	63,253
	257,133	(37)	-	444	(48)	257,492

* 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 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019****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 ultimate parent company of Ithmaar.

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

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

Ithmaar's shares are listed for trading on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market.

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:

companies:

	% owned		Country of Incorporation	Principal business activity
	Voting	Economic		
<u>Direct subsidiaries</u>				
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
<u>Principal indirect subsidiaries</u>				
Faysal Bank Limited	67	67	Pakistan	Banking
Solidarity Group Holding B.S.C. (C)	55	55	Kingdom of Bahrain	Takaful
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
Health Island B.S.C. (C)	50	50	Kingdom of Bahrain	Real estate
Dilmunia Development Fund I L.P.	58	58	Cayman Islands	Real estate
City View Real Estate Development Co. B.S.C. (C)	51	51	Kingdom of Bahrain	Real estate

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.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

New accounting standard: Issued and not effective

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

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

FAS 34 "Financial Reporting for Sukuk-holders"

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

Ithmaar Holding B.S.C.
**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

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

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	167,279	2,210	169,489	165,526	2,136	167,662
Cash and balances with banks and central banks	370,450	54,955	425,405	373,131	55,441	428,572
	537,729	57,165	594,894	538,657	57,577	596,234

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

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	482,958	15,715	498,673	269,943	15,827	285,770
Less: Provision for impairment	(248)	-	(248)	(143)	-	(143)
	482,710	15,715	498,425	269,800	15,827	285,627

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

	31 March 2019			31 March 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash and balances with banks and central banks	537,729	57,165	594,894	501,142	82,336	583,478
Commodity and other placements with banks, financial and other institutions - net	482,710	15,715	498,425	444,563	-	444,563
Less: Placement maturing after ninety days	(55,021)	(15,715)	(70,736)	-	-	-
Less: Balances with central banks relating to minimum reserve requirement	(167,279)	(2,210)	(169,489)	(173,352)	(2,307)	(175,659)
	798,139	54,955	853,094	772,353	80,029	852,382

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

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

5 MURABAHA AND OTHER FINANCINGS

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	2,093,505	1,435,939	3,529,444	2,211,536	1,433,544	3,645,080
Less: Provision for impairment	(334,892)	(34,301)	(369,193)	(346,067)	(34,148)	(380,215)
	1,758,613	1,401,638	3,160,251	1,865,469	1,399,396	3,264,865

The movement in provisions is as follows:

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	346,067	34,148	380,215	306,644	14,933	321,577
Impact of FAS 30	-	-	-	116,441	888	117,329
Transfer from Investment Risk Reserve for FAS 30	-	-	-	-	17,950	17,950
Charge for the period/year	9,456	159	9,615	16,094	6,606	22,700
Write back during the period/year	(12,415)	-	(12,415)	(31,519)	(284)	(31,803)
Utilised during the period/year	(16)	-	(16)	(391)	(5,741)	(6,132)
Reclassification	(6,976)	-	(6,976)	(15,154)	90	(15,064)
Exchange differences and other movements	(1,224)	(6)	(1,230)	(46,048)	(294)	(46,342)
	334,892	34,301	369,193	346,067	34,148	380,215

Ithmaar Holding B.S.C.

Notes to interim condensed consolidated financial information

for the three month period ended 31 March 2019

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

6 SUKUK AND INVESTMENT SECURITIES

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investment securities at fair value through income statement						
<i>Held for trading</i>						
Debt-type instruments – unlisted	42,483	-	42,483	226,243	-	226,243
Equity-type securities – listed	4,756	-	4,756	1,932	-	1,932
	47,239	-	47,239	228,175	-	228,175
Investment securities at fair value through equity						
Equity-type securities – listed	61,706	-	61,706	62,485	-	62,485
Equity-type securities – unlisted	269,376	-	269,376	269,583	-	269,583
	331,082	-	331,082	332,068	-	332,068
Provision for impairment	(176,000)	-	(176,000)	(170,530)	-	(170,530)
	155,082	-	155,082	161,538	-	161,538
Investment securities carried at amortised cost						
Sukuk – unlisted	226,557	232,144	458,701	11,307	188,717	200,024
Other debt-type instruments – listed	125,972	-	125,972	128,573	-	128,573
Other debt-type instruments – unlisted	342,611	-	342,611	1,053,572	-	1,053,572
	695,140	232,144	927,284	1,193,452	188,717	1,382,169
Provision for impairment	(15,123)	-	(15,123)	(15,187)	-	(15,187)
	680,017	232,144	912,161	1,178,265	188,717	1,366,982
	882,338	232,144	1,114,482	1,567,978	188,717	1,756,695

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information****for the three month period ended 31 March 2019**

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

6 SUKUK AND INVESTMENT SECURITIES (continued)

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

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

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

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

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

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 31 March 2019				
Investment securities at fair value through income statement				
Debt-type instruments	-	42,483	-	42,483
Equity-type securities	4,756	-	-	4,756
Investment securities at fair value through equity				
Equity-type securities	59,131	3,471	92,480	155,082
	63,887	45,954	92,480	202,321
At 31 December 2018				
Investment securities at fair value through income statement				
Debt-type instruments	-	226,243	-	226,243
Equity-type securities	1,932	-	-	1,932
Investment securities at fair value through equity				
Equity-type securities	59,489	3,845	98,204	161,538
	61,421	230,088	98,204	389,713

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	31 March 2019	31 December 2018
Opening balance	98,204	157,652
Total gains/(losses) recognised in		
- Income statement	(5,500)	(23,353)
- Equity	(224)	(42,374)
Movement due to acquisition of subsidiary	-	12,184
Sales	-	(1,421)
Reallocation	-	(4,484)
Closing balance	92,480	98,204
Total income for the three month period included in the interim condensed consolidated income statement	615	1,400

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
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7 INVESTMENT IN ASSOCIATES

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

Name of company	31 March 2019	31 December 2018	% of Shareholding	Country	Activity
Unlisted:					
Citic International Assets Management Limited	43,231	42,189	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	715	720	31	Pakistan	Manufacturing
Ithraa Capital Company	3,439	3,859	23	Saudi Arabia	Investment company
Naseej B.S.C. (c)	94,094	93,658	31	Bahrain	Infrastructure
Islamic Trading Company E.C	288	288	24	Bahrain	Trading
Solidarity Saudi Takaful Company	38,895	42,815	28	Saudi Arabia	Takaful
Listed:					
BBK B.S.C.	405,672	427,665	25	Bahrain	Banking
	586,334	611,194			

During March 2019, the shareholders of BBK approved the conversion of Perpetual Convertible Bonds (PCB) to shares at exercise price of BD0.400 per share. The conversion will be affected 2 May 2019 and the Group's holding in BBK will increase to 26.06% from current 25.38%.

Summarised financial position of associates that have been equity accounted:

	31 March 2019	31 December 2018	31 March 2018
Total assets	10,160,850	10,178,879	10,401,831
Total liabilities	8,276,757	8,295,620	8,549,694
Total revenues	131,594	334,758	271,376
Total net profit	61,407	69,185	69,135

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

Ithmaar Holding B.S.C.

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8 OTHER ASSETS

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	212,038	37,912	249,950	199,391	35,152	234,543
Due from related parties	40,638	-	40,638	11,574	-	11,574
Taxes – deferred	10,638	-	10,638	9,718	-	9,718
Taxes – current	18,310	-	18,310	24,909	57	24,966
Assets acquired against claims	13,217	-	13,217	13,312	-	13,312
	294,841	37,912	332,753	258,904	35,209	294,113
Provision for impairment	(72,110)	(12,154)	(84,264)	(70,640)	(12,154)	(82,794)
	222,731	25,758	248,489	188,264	23,055	211,319

9 PROVISION FOR IMPAIRMENT

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	834,101	49,938	884,039	739,715	29,426	769,141
Impact of FAS 30 on adoption	-	-	-	123,850	888	124,738
Transfer from Investment Risk Reserve	-	-	-	-	17,950	17,950
Charge for the period/year	16,797	159	16,956	88,399	8,880	97,279
Write back during the period/year	(12,431)	-	(12,431)	(33,061)	(394)	(33,455)
Utilised during the period/year	(2,532)	-	(2,532)	(15,605)	(5,741)	(21,346)
Movement due to acquisition of subsidiary	-	-	-	(12,778)	-	(12,778)
Exchange differences	(1,684)	(30)	(1,714)	(56,419)	(1,071)	(57,490)
	834,251	50,067	884,318	834,101	49,938	884,039

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Notes to interim condensed consolidated financial information
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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.

31 March 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	1,093,563	-	-	1,093,563
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	968,007	79,319	-	1,047,326
Acceptable risks (4-6)	1,375,769	64,639	-	1,440,408
Watch list (7)	-	580,264	-	580,264
Non performing (8-10)	-	-	368,336	368,336
Carrying amount - Corporate	2,343,776	724,222	368,336	3,436,334
Retail (un-rated)	1,486,759	12,090	66,341	1,565,190
Carrying amount	3,830,535	736,312	434,677	5,001,524
Sukuk and investment securities	911,873	-	15,412	927,285
Other receivables	377,946	5,714	64,092	447,752
Loss allowance	(50,022)	(66,520)	(361,591)	(478,133)
Total Financial assets carrying amount	6,163,895	675,506	152,590	6,991,991

31 December 2018

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	882,004	-	-	882,004
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	936,356	80,142	-	1,016,498
Acceptable risks (4-6)	1,356,248	365,197	-	1,721,445
Watch list (7)	6,232	643,688	-	649,920
Non performing (8-10)	-	-	352,881	352,881
Carrying amount - Corporate	2,298,836	1,089,027	352,881	3,740,744
Retail (un-rated)	1,425,686	20,339	77,087	1,523,112
Carrying amount	3,724,522	1,109,366	429,968	5,263,856
Sukuk and investment securities	1,366,592	-	15,577	1,382,169
Other receivables	336,495	-	64,249	400,744
Loss allowance	(135,050)	(5,197)	(347,192)	(487,439)
Total Financial assets carrying amount	6,174,563	1,104,169	162,602	7,441,334

Gross financings (funded) as of 31 March 2019 amounted to \$3.4 billion, \$0.7 billion and \$0.4 billion for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: \$3.2 billion, \$0.9 billion and \$0.4 billion). Collateral coverage for gross financing as of 31 March 2019 was 133%, 21% and 53% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: 132%, 17% and 46%).

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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:

	31 March 2019	31 December 2018
Cash and balances with banks and central banks	57,165	57,577
Commodity and other placements with banks, financial and other institutions	15,715	15,827
Murabaha and other financings	1,401,638	1,399,396
Musharaka financing	554,285	495,053
Sukuk and investment securities	232,144	188,717
Assets acquired for leasing	402,906	407,290
Other assets	25,758	23,055
Due from Group	375,966	442,333
	3,065,577	3,029,248
Customers' current accounts	(248,928)	(219,047)
Due to banks, financial and other institutions	(98,330)	(79,927)
Other liabilities	(89,571)	(107,963)
Equity of unrestricted investment accountholders	2,628,748	2,622,311

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 2019	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 March 2019 (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 2018 (Audited)	2,910,160	727,541

Ithmaar's total issued and fully paid share capital at 31 March 2019 comprises 3,030,755,027 shares at \$0.25 per share amounting to \$757,688,757. The share capital of Ithmaar is denominated in United States dollars and these shares are traded on Bahrain Bourse in United States dollars, Boursa Kuwait in Kuwaiti Dinars and Dubai Financial Market in Arab Emirates Dirham.

Ithmaar owned 120,595,238 of its own shares at 31 March 2019 (31 December 2018: 120,595,238). The shares are held as treasury shares and Ithmaar has the right to reissue these shares at a later date.

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
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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:

	31 March 2019				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	407,791	-	12,809	-	420,600
Sukuk and investment securities	-	69,615	-	-	69,615
Investment in associates	-	586,334	-	-	586,334
Other assets	-	39,579	-	1,059	40,638
Liabilities					
Customers' current accounts	1,664	-	-	765	2,429
Due to banks, financial and other institutions	-	68,366	-	-	68,366
Equity of unrestricted investment accounts	-	-	-	2,512	2,512
Other liabilities	107	-	-	-	107
Income					
Return to unrestricted investment accounts	-	-	-	19	19
Income from murabaha and other financings	985	-	-	-	985
Share of profit/(loss) after tax from associates	-	9,251	-	-	9,251
Profit paid to banks, financial and other institutions – net	-	715	-	-	715
Expenses					
Administrative and general expenses	200	-	13	-	213

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
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12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	31 December 2018				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	409,479	-	12,809	-	422,288
Sukuk and investment securities	-	68,234	-	-	68,234
Investment in associates	-	611,194	-	-	611,194
Other assets	-	10,455	-	1,119	11,574
Liabilities					
Customers' current accounts	-	-	-	1,209	1,209
Due to banks, financial and other institutions	-	118,312	-	-	118,312
Equity of unrestricted investment accounts	-	-	-	2,886	2,886
Other liabilities	107	-	-	-	107
					31 March 2018
Income					
Return to unrestricted investment accounts	211	211	2	-	424
Income from murabaha and other financings	1,051	-	-	-	1,051
Share of profit/(loss) after tax from associates	-	27,748	-	-	27,748
Income from investments	1,244	-	-	-	1,244
Other income	451	-	-	-	451
Profit paid to banks, financial and other institutions – net	-	749	-	-	749
Expenses					
Administrative and general expenses	194	-	13	-	207

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information****for the three month period ended 31 March 2019**

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13 DIVIDEND

No dividend was declared for 2018 and 2017.

14 EARNINGS PER SHARE (BASIC & DILUTED)

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

	Three month period ended	
	31 March 2019	31 March 2018
Net income/(loss) attributable to shareholders (\$'000)	7,106	1,655
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	0.24	0.06

15 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	31 March 2019	31 December 2018
Acceptances and endorsements	50,857	78,081
Guarantees and irrevocable letters of credit	614,858	796,057
Customer and other claims	255,310	257,042
	921,025	1,131,180

Commitments

	31 March 2019	31 December 2018
Undrawn facilities, financing lines and other commitments to finance	1,737,568	2,064,257

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

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.

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