الإثمار القابضة
Ithmaar Holding

MOVING FORWARD...

Annual Report 2018

Contents

At a Glance

Ithmaar Holding B.S.C. (Ithmaar Holding, Ithmaar or the Group) is a Bahrain-based holding company that is licensed and regulated as a Category 1 Investment Firm by the Central Bank of Bahrain (CBB) and listed on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market.

Ithmaar Holding is a subsidiary of Dar Al-Maal Al-Islami Trust (DMIT), and has a paid-up capital of US$757.69 million.

Ithmaar Holding owns two wholly-owned subsidiaries Ithmaar Bank B.S.C (closed) (Ithmaar Bank), an Islamic retail bank subsidiary which holds the core retail banking business, and IB Capital B.S.C. (closed) (IB Capital), an investment firm subsidiary, which holds investments and other non-core assets. The two subsidiaries are licensed and regulated by the CBB.

Ithmaar Bank provides a diverse range of Sharia-compliant products and services that cater to the financing and investment needs of individuals and institutions. Ithmaar Bank also maintains a presence in overseas markets through its subsidiary, Faysal Bank Limited (Pakistan).

IB Capital maintains a presence in regional and overseas markets through its investments including in associated companies. These include Bahrain-based BBK (banking), Ithmaar Development Company Limited (real estate), Solidarity (an Islamic insurance company), Naseej (infrastructure) and Citic International Asset Management (Hong Kong) (equity investment and asset management) and Ithraa Capital (Saudi Arabia) (investment and asset management).

Vision, Mission and Values

Our Vision

To help all stakeholders and communities realise their long-term ambitions.

Our Mission

To pursue a portfolio of sustainable investments that enhance shareholder value and encourage future growth.

Our Values

- Comply with Islamic Sharia principles;
- Honesty, integrity and objectivity in all our relationships;
- Continuous improvement, willingness to bring about changes and improve efficiency; and
- Active role in the community.

Financial Highlights

	2018	2017	2016	2015	2014
Net profit/(loss) [US$ 000]	**10,057**	(72,401)	13,798	(46,395)	(8,847)
Net profit/(loss) attributable to shareholders [US$ 000]	**(23,981)**	(84,711)	3,279	(60,797)	(15,012)
Net income before provision for impairment and overseas taxation [US$ 000]	**43,415**	22,060	70,045	77,958	28,962
Total equity attributable to shareholders [US$ 000]	**116,356**	355,330	427,415	414,223	523,386
Book value per share [US cents]	**4**	12	15	14	18
Earnings per share [US cents]	**(0.82)**	(2.91)	0.11	(2.09)	(0.52)
Total assets [US$ 000]	**8,488,656**	8,611,359	8,341,310	8,138,641	7,860,904
Funds under management [restricted investment accounts] [US$ 000]	**110,995**	257,133	290,059	360,073	379,711
Return on average shareholders' equity	**-10.17%**	-21.64%	0.78%	-12.97%	-2.85%
Return on average assets	**0.12%**	-0.85%	0.17%	-0.58%	-0.12%
Market price per share on 31 December [US cents]	**8.5**	13.5	12.5	14.5	16
Market price per share/Book value per share on 31 December	**2.13**	1.11	0.85	1.02	0.89

Joint Message

In the name of Allah, most Gracious, most Merciful

HRH Prince Amr Mohammed Al Faisal
Chairman

Ahmed Abdul Rahim
Chief Executive Officer

Dear Shareholders,

We are pleased to announce that efforts to significantly transform the Group's operations in line with the strategic decisions taken by shareholders in 2016 have paid off in 2018, with Ithmaar Holding reporting profits for the year.

In particular, we are pleased to announce that Ithmaar Holding reported a net profit of US$10.06 million for the year ended 31 December 2018, compared to a net loss of US$72.40 million for 2017. This turnaround into profitability is, in a large part, a result of the persistent efforts over the past two years which paved the way for the Group's gradual transformation and set the stage for a return to sustainable profitability.

Ithmaar Holding's 2018 financial results show that net income before provision for impairment and overseas taxation for the year increased to US$43.42 million, a 96.8 percent increase from the US$22.10 million reported for the same period last year. As a result, our operating income for the year increased to US$259.82 million, a 12.7 percent increase from the US$230.56 million reported for 2017.

These achievements, which are made all the more significant by the challenging market conditions that continue to prevail both in our region and beyond, are only part of the ongoing success story.

The Group continued its planned transformation in 2018, and concluded the year with remarkable achievements, both at the Group and subsidiary levels, that included improved financial performance as well as the realisation of key growth initiatives.

Ithmaar Holding started the year, for example, with the successful listing of its shares on the Dubai Financial Market on 29 January 2018. The additional listing, which added a new key market alongside our listing on the Bahrain Bourse and Boursa Kuwait, opened trading on Ithmaar Holding's shares to new, exciting markets. This, in turn, created new investment opportunities for investors in the Gulf Cooperation Council (GCC) markets.

Similarly, Ithmaar Holding's key subsidiary, Ithmaar Bank, began the year by completing the implementation of major enhancements to its Information Technology (IT) infrastructure. These enhancements were implemented to help support future business growth, improve operational efficiency, improve internal controls and enhance customer experience, included a major project of upgrading the Bank's core banking system as well as the implementation of a new eBanking system. The new system provides a strong foundation to support growth, allowing for the flexibility of quickly launching new, customer-centric products and services and further enhance the management information system.

This, and other key customer-focused initiatives, helped the Bank report improved financial performance in 2018, with net profit for the year increasing to US$37.5 million, a more than 127 percent increase over the net profit of US$16.5 million reported in 2017. This significant improvement is clear testimony to the fact that the Bank's renewed focus on its core retail banking business is paying off.

Meanwhile, Ithmaar Bank's flagship retail banking subsidiary in Pakistan, Faysal Bank Limited, maintained its growth momentum in 2018 and the Bank's footprint now extends to 455 branches in more than 100 cities across Pakistan, after having added 50 branches during the year.

These success stories would not have been possible without the continued support of our shareholders and the guidance of our regulators. We take this opportunity to thank the members of the Board of Directors and the Sharia Supervisory Board and all our shareholders, as well as the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism, the Bahrain Bourse, Boursa Kuwait and the Dubai Financial Market.

Amr Mohammed Al Faisal
Chairman

Ahmed Abdul Rahim
Chief Executive Officer

Review of Operations

Review of Operations

Economic outlook

Global growth for 2018 has been estimated at 3.7 percent, as in the October 2018 WEO forecast, despite weaker performance in some economies, notably Europe and Asia. The global economy is projected to grow at 3.5 percent in 2019 and 3.6 percent in 2020, 0.2 and 0.1 percentage point below last October's projections.

The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted between the United States and China earlier in the year. The further downward revision since October 2018 in part reflects carry over from softer momentum in the second half of 2018—including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand—but also weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated.

Risks to global growth tilt to the downside. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook. Financial conditions have already tightened. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt. These potential triggers include a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China.

Source: International Monetary Fund (IMF) - World Economic Outlook (WEO) Update, January 2019

Bahrain

The Bahraini economy has been projected to grow by 3.2 percent in 2018 and by 2.6 percent in 2019, driven by higher oil production, a raft of mega projects, and continued regional support.

Non-oil exports have shown signs of improvement in recent months, and a myriad of development projects suggest these will expand over the forecast period. Continued guaranteed financing of large infrastructure and other commercial projects will also support growth, although these are likely to start tapering off in 2019.

With elevated oil prices over the horizon, the fiscal deficit is expected to narrow to 5.0 percent of GDP by 2018 and further to 4.8 percent in 2019. Further corrections will require significantly strengthened and accelerated reform efforts.

The current account deficit should narrow to 2.8 percent of GDP in 2018 and further to 1.9 percent in 2019. Despite the improvement in the current account, however, reserves will remain within a couple months' worth of imports in the absence of swift disbursements from GCC partners. Consumer price inflation should increase temporarily as subsidies are removed, utility prices increase, and VAT is introduced in 2019.

Source: World Bank - Bahrain's Economic Outlook, October 2018

The Gulf Cooperation Council (GCC) and MENA Region

The near-tripling of oil prices from their trough in January 2016, to nearly US$80 per barrel in early October 2018, has spurred a recovery in the GCC economies, following three years of persistent weakness. Additional support has come from rising oil production, and a slower pace of fiscal consolidation as government revenues have increased. Saudi Arabia emerged from recession in the first quarter of 2018 and Kuwait, in the second quarter. The United Arab Emirates, Qatar, Oman and Bahrain posted positive economic growth rates in the first half of the year 2018. Higher energy prices and rising oil production are also helping the GCC countries to narrow large fiscal and external deficits, which had emerged in the wake of the 2014 oil shock.

On aggregate, the region is expected to post growth of 2.0 percent in 2018, following a contraction of 0.3 percent in 2017 (the first such contraction in over a decade). Looking further ahead, growth is expected to reach 2.7 percent in 2020, as high energy prices and the expiration of the OPEC+ agreement bolster government revenues, support higher government spending and lift domestic sentiment and activity.

External and fiscal imbalances are also expected to narrow, with Saudi Arabia and the UAE achieving near fiscal balance by 2020 and, along with Qatar and Kuwait, returning to current account surpluses during 2018-20. This positive outlook is underpinned by an upward revision of oil price forecasts from US$60 a barrel for 2019-20 (in the February 2018 issue of the Gulf Economic Monitor) to US$72 a barrel for that time period. Projections also assume that GCC countries will persevere with important structural reforms initiated in recent years.

Source: World Bank - Gulf Economic Monitor, November 2018

Review of Operations Continued

Pakistan

During 2018, Pakistan's political set up witnessed a change in government and the new government had to face serious challenges on the economic front. A major shift in inflation levels was observed because of higher international crude prices, lagged impact of Pakistan Rupee (PKR) depreciation, imposition of import duties and dwindling output gap. The average YoY Consumer Price Index (CPI) for second half of Y18 clocked in at 4.11 percent whereas that of first half FY19 stood at 6.04 percent. As a result, in FY18, policy rate was increased by 425 basis points to 10.0 percent with the intention to curtail inflation to controllable levels.

The PKR/USD parity was devalued by approximately 25 percent. Despite devaluation of PKR against USD, Jul-Dec FY19 current account deficit stood at approximately US$8 billion, marginally less than that of the corresponding period last year. Exports are yet to show tangible increase. Remittances, however, increased by 10 percent during Jul-Dec FY19. Real GDP growth for FY 18 at 5.8 percent and has taken a downward trajectory.

US Dollar deposits from friendly countries and Pakistan Banoa Bond launched for citizens based overseas have increased foreign currency reserves. Euro Bonds issue is in pipe line. Saudi Arabia and China have also shown interest in investment in Pakistan. This has eased the pressure on foreign currency reserves. With better energy supplies, industrial sector output and export oriented policies, exports are likely to increase. Pakistan economy is likely to witness improvement.

Source: State Bank of Pakistan

Strategy and focus

Ithmaar Holding's strategy is to build upon the Group structure that was implemented at the start of 2017.

This was designed to assist in realising long-term strategies to grow the core business and to ensure independent and focused management of investment and other assets. It is an important step in the transformation of the Group and provides greater insight into the strength of its core retail banking operations while also further facilitating the focused management of the Group's investment and non-core assets.

The new structure allows Ithmaar to take advantage of new growth opportunities in the region and help generate greater value to shareholders.

An additional listing

Ithmaar Holding started 2018 with the successful listing of its shares on the Dubai Financial Market (DFM) on 29 January.

The listing on DFM, which added a new key market alongside the listing on Bahrain Bourse and Boursa Kuwait, opened trading on Ithmaar Holding's shares to new, exciting markets. This marked a key step forward in the Group's transformation while also creating new investment opportunities for investors in the Gulf Cooperation Council (GCC) markets.

Ithmaar Holding is traded, on all three stock exchanges, under the ticker ITHMR.

Principal activities

The principal activities of Ithmaar include:

- To own and manage its subsidiaries, associated companies and major investments or to participate in the management of other companies in which it has controlling interests, and to provide the necessary support for such companies;
- To offer financing and guarantees to its subsidiaries and associated companies;
- To own real estate and other assets necessary for its business; and
- To own industrial property rights including patents, trade and industrial marks, concession and other intellectual rights, and to use and lease them to its subsidiaries and associated companies or to other companies.

Major business-focused initiatives

In December 2018, Ithmaar Holding's wholly-owned subsidiary, IB Capital, acquired an additional stake in Solidarity Group Holding, one of the largest Takaful Group companies in Bahrain. As a result, Solidarity Group Holding became a subsidiary of IB Capital.

Also in December 2018, Dilmunia Development Fund I L.P, a fund which is managed by Ithmaar Holding's wholly-owned subsidiary, Ithmaar Bank, became a subsidiary of Ithmaar Bank after the Bank's shareholding in the company increased to more than 50 percent.

Ithmaar Bank (Bahrain)

Ithmaar Bank operates one of the largest retail banking networks in Bahrain with 16 branches and 45 ATMs in strategic locations around the Kingdom.

Strategy and focus

Ithmaar Bank remains resolutely committed to becoming one of the region's premier Islamic retail banks. In line with that commitment, the Bank focused in 2018 on further developing its customer-centric approach. This focus, which drives the Bank's immediate and long-term strategy, saw the implementation of major initiatives during the year.

Key major initiatives in 2018

Major upgrade to Core Banking System

Ithmaar Bank completed in 2018 a major upgrade of its Core Banking System.

This strategic, technology-driven upgrade sets the stage for Ithmaar Bank's continued growth and allows the Bank to respond faster and more efficiently to customer requirements, particularly in terms of quickly launching convenient and engaging new products and services.

The upgraded System provides a strong foundation for future business growth and enables the automation of several processes for back office and risk, thereby improving operational control and efficiency.

New eBanking service launched

In 2018, as part of its far-reaching Digital Transformation Strategy, Ithmaar Bank also launched a new, state-of-the-art eBanking service offering customers a faster, friendlier and more secure online banking experience.

The user-friendly eBanking service provides customers a dynamic digital platform that is accessible directly from mobile phones, tablets and computers at any time and from anywhere in the world. It also allows existing customers to seamlessly execute many of their regular banking transactions and services without ever having to visit a branch. Additional security features were also introduced to help keep the new eBanking service as secure as possible.

The new eBanking service is complemented by the recently launched queuing system, the Ithmaar eQ app, which is accessible from mobile devices. This system provides the Bank's customers a convenient way to visit branches, assuring them of speedy service and reduced waiting times.

Other Digital Strategy initiatives

In 2018, Ithmaar Bank embarked on the phased implementation of an ambitious, three-year Digital Strategy that aims to keep the Bank at the cutting edge of technology.

In addition to the Core Banking upgrade and the launch of the new eBanking service, the Bank also implemented the latest systems for consolidation, budgeting and planning and FAS30. The Bank is also working on implementing various exciting new technologies to help better serve its customers. These include advanced Risk Management systems to address Asset and Liability Management and Profit Rate risk, as well as sophisticated mobile banking solutions and Customer Relationship Management systems.

Later in the year, Ithmaar Bank announced plans to launch the region's first biometric payment network. The Bahrain-created solution by Eazy Financial Services will provide consumers with a safer, more convenient and more secure way to bank, and will bring a revolutionary improvement in customers' experience with banks. When implemented, Ithmaar Bank customers will no longer be required to use their bank cards at Ithmaar ATMs. Instead, they will simply be able to use their fingerprint along with their PIN to process financial transactions. This provides a simpler, more secure way to process financial transactions than ever before.

Investing in our people

Throughout the year, Ithmaar Group and its two wholly-owned subsidiaries, Ithmaar Bank and IB Capital, conducted various training programmes for members of the Board of Directors and Executive Management team.

In January, for example, the Group, commissioned the Bahrain Institute of Banking and Finance (BIBF) to deliver an interactive training course. The course was delivered in two parts: the first part, focused on IFRS9 regulations, anti-money laundering (AML) and compliance issues; while the second part focused on cyber security and the latest trends in Information Technology (IT).

In July, the Group commissioned KPMG and the BIBF to deliver two interactive training courses. The first course focused on Value Added Tax (VAT) and its application, particularly for financial services, as well as its implementation in the region; while the second course, focused on managing and avoiding conflicts of interest.

In October, the Group hosted a Board Evaluation training session. The training session, which was delivered by the BIBF, focused on the assessment of the Board's efficiency and aimed to identify and address any performance gaps. This will help in making high-quality decisions, achieve objectives, manage risks, and safeguard the organisation's reputation.

Compliance with AAOIFI

The consolidated financial statements of the Group are prepared under Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

The Group has certain assets, liabilities and related income and expenses which are not Sharia-compliant as these existed before Ithmaar converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards as appropriate.

The Sharia Supervisory Board has approved the Sharia Compliance Plan for the conversion or disposal of assets and liabilities which are not Sharia-Compliant. The Sharia Supervisory Board continues to monitor the implementation of this plan.

Financial Review

Financial Performance

Ithmaar Holding's financial results show that the continued focus on core retail banking business is paying off, even if the overall results are not immediately obvious as these have been adversely impacted by non-core business. Total income, at US$438.6 million for the year ended 31 December 2018, increased by eleven percent from the total income of US$395.1 million reported for the year ended 31 December 2017, mainly due to higher income from financings and income from associated companies during 2018.

During December 2018, Dilmunia Development Fund I L.P, a fund which is managed by Ithmaar's wholly-owned subsidiary, Ithmaar Bank, became a subsidiary of Ithmaar Bank after the Bank's shareholding in the company increased to more than 50 percent. Accordingly, a gain on bargain purchase of $50.9 million was recognised.

Financial Position

Total assets stood at US$8.49 billion as at 31 December 2018, a 1.4 percent decrease compared to US$8.61 billion as at 31 December 2017.

During December 2018, Ithmaar's wholly-owned subsidiary, IB Capital, acquired, an additional stake in Solidarity Group Holding, one of the largest Takaful Group companies in Bahrain. As a result, Solidarity Group Holding became a subsidiary of IB Capital.

Murabaha and other financings stood at US$4.17 billion as at 31 December 2018, a 2.8 percent decrease compared to US$4.29 billion as at 31 December 2017. The equity of unrestricted investment accountholders, at US$2.62 billion as at 31 December 2018, decreased by 7.3 percent compared to US$2.83 billion as at 31 December 2017 mainly due to market conditions.

Total owners' equity stood at US$116.36 million as at 31 December 2018, a 67.3 percent decrease compared to US$355.33 million as 31 December 2017, mainly due to the Accounting standard, FAS 30 impact of previous years recognised in equity and the foreign exchange impact of devaluation of Pakistani rupee during the year recognised in equity.

Subsidiaries and Associates

Board of Directors

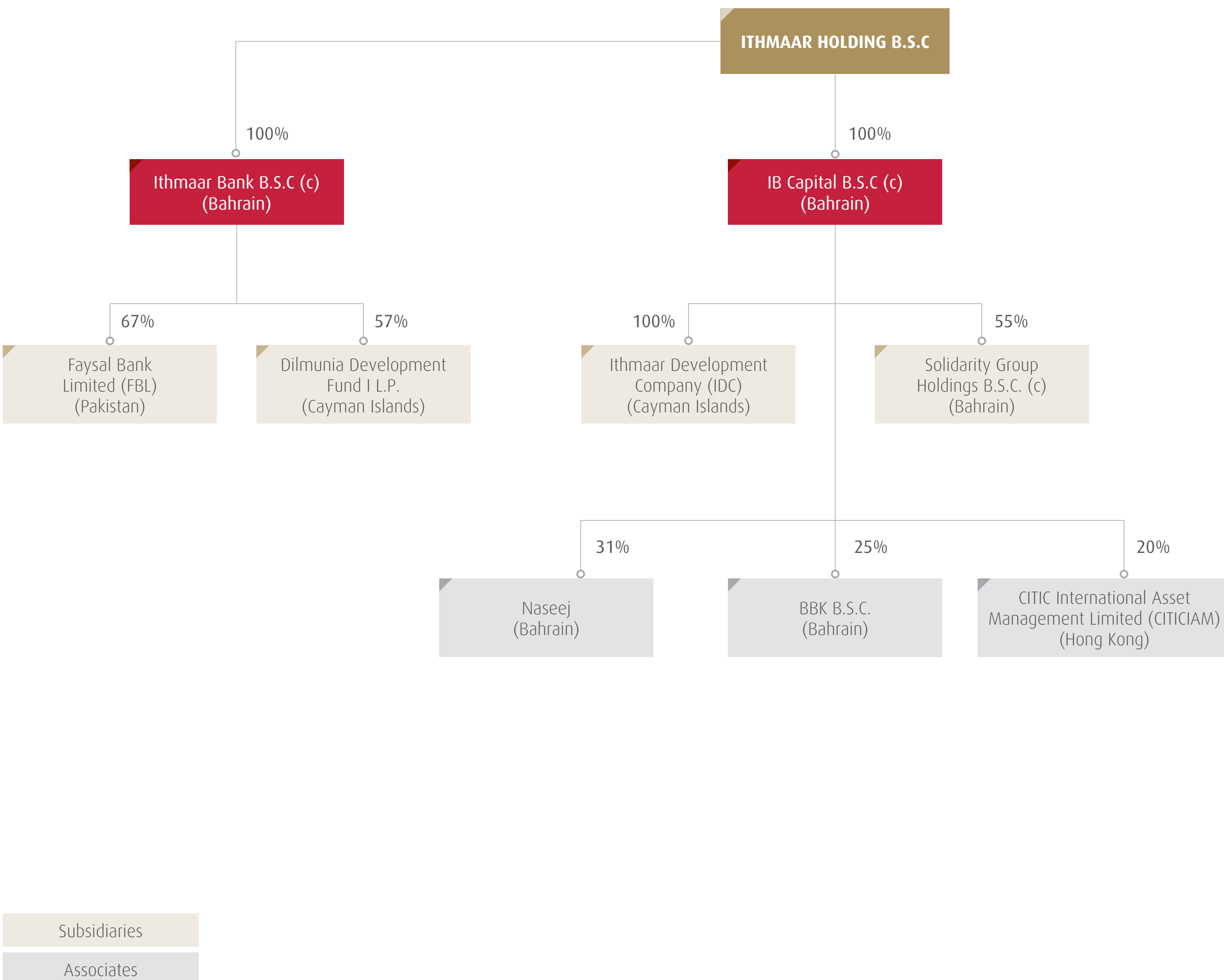
Sharia Supervisory Board

Executive Management

Subsidiaries and Associates

Group Structure

Key Subsidiaries, Associates and Other Major Investments



Key operating subsidiaries

Ithmaar Bank B.S.C. (c)

Ithmaar Bank is one of the largest Islamic retail banks in the Kingdom of Bahrain. The Bank, including its predecessors, has been in operation for more than 30 years.

The strategy for the Bank is to maintain its dominant position in the Kingdom and aim for higher growth. The strategies to achieve Ithmaar Bank's medium-term objective of sustainable profitability includes a firm focus on its core retail business growth.

The standalone (Bahrain Operations) total assets as of 31 December 2018 amounted to US$ 4.33 billion

Ithmaar Holding outsources the following functions from its wholly-owned subsidiary, Ithmaar Bank B.S.C. (c), which in turn provides the required services under an intra-group outsourcing arrangement:

- Information Technology
- Financial Control
- Compliance and AML
- Risk Management
- Internal Audit
- Human Resources
- Internal Sharia Audit
- Legal and Corporate Secretary
- Corporate Communication
- Administration

Faysal Bank Limited (FBL)

FBL is one of the most prominent and fastest growing retail banks in Pakistan.

FBL, including its predecessors, has been in operations for more than 30 years. FBL shares are listed on the Pakistan Stock Exchange. FBL is mainly engaged in Commercial, Retail and Corporate banking activities and strives to provide quality service to its customers to meet their financial needs. FBL's branches have been transformed into multi-product selling hubs through which customers can access a wide variety of products and services. There is also a great deal of focus on realising synergies between FBL's various operating units to ensure maximum value creation and holistic customer solutions. Ithmaar Bank owns 66.57 percent of FBL.

FBL has 455 branches, spread over 130 cities across Pakistan. The Bank has also sizable clients of Corporate, Commercial, SME and Consumer segments. FBL is increasing its branch network to increase customer reach and provide banking services to customers at their doorstep. The Bank is enhancing its technology platform to facilitate customers transactions and reduce the cost of doing business. FBL introduced Virtual Card allowing customers to make secure worldwide online purchases.

With increase in the local policy benchmark rate, decent deposit mix and diversified loan portfolio, the Bank is expected to maintain its growth trajectory.

FBL total assets and total shareholders' equity as of 31 December 2018 amounted to PKR 585.1 billion (equivalent US$ 4.2 billion) and PKR 39 billion (equivalent US$ 278 million) respectively.

IB Capital B.S.C. (c)

IB Capital maintains a presence in regional and overseas markets through its investments in subsidiaries and associated companies.

All non-core assets (subsidiaries, associates and other major investments and financing to shareholders / related parties) of the erstwhile Ithmaar Bank B.S.C. have been transferred to IB Capital as part of the reorganisation that was completed on 2 January 2017. These include Bahrain-based BBK (Banking), Solidarity (an Islamic insurance company), Naseej (Infrastructure), Ithmaar Development Company Limited (Real Estate), Citic International Asset Management (Hong Kong) (equity investment and asset management) and Ithraa Capital (Saudi Arabia) (investment banking).

The strategies to achieve IB Capital's objective of focused management of non-core assets (investments and other assets) include managing these assets and identifying and evaluating opportunities to exit at acceptable prices.

The total standalone assets as of 31 December 2018 amounted to US$ 1.5 billion.

Solidarity Group Holdings B.S.C. (c) (Solidarity Group)

Solidarity Group is one of the largest takaful (Islamic insurance) groups in the region. Solidarity provides general and family takaful products and services. Solidarity Group operates through subsidiaries and associates in Bahrain, Jordan, and Saudi Arabia. Solidarity Group acquired 71% of Al Ahlia Insurance (one of the oldest and largest listed insurance companies in Bahrain) in December 2016 and the merger of Solidarity General Takaful (a wholly-owned subsidiary of Solidarity Group) and Al Ahlia Insurance was completed in 2017.

Subsidiaries and Associates Continued

The merged entity "Solidarity Bahrain" is now one of the leading insurance provider in Bahrain. Solidarity Group's strategy focuses on providing takaful services both locally and in key regional markets, mainly Jordan and Saudi Arabia. The total assets and total shareholders' equity of the Group as of 31 December 2018 amounted to US$404 million and US$ 188 million respectively.

Ithmaar Development Company (IDC)

IDC is a wholly-owned subsidiary of the Group which was established in 2007 with the objective of developing and managing major development, real estate and other infrastructure projects. IDC's flagship projects include Dilmunia, a 1.25 million square meters manmade island off the coast of Bahrain.

The current strategy of IDC focuses on the infrastructure development relating to Dilmunia project as well as providing development management services to Naseej B.S.C. (c).

Dilmunia Development Fund I L.P.

Dilmunia Development Fund I L.P. (the "Fund") is an exempted limited partnership formed and registered under the laws of the Cayman Islands. The General Partner in the Partnership is Ithmaar-Dilmunia General Partner Company Limited. The Fund has been formed to acquire 650,000 square meters of land (the "Land"), within the Health Island — Dilmunia Project in Bahrain to develop the infrastructure and to sell the Land in parcels.

The total assets and total shareholders' equity as of 31 December 2018 amounted to US$167 million and US$136 million respectively.

Key operating associates and other major investments of IB Capital

BBK B.S.C. (BBK)

BBK is one of the largest commercial banks in Bahrain with overseas presence in Kuwait, India and the United Arab Emirates. BBK provides a full range of lending, deposit, treasury and investment services, and has established a number of subsidiaries in the areas of brokerage, financial services and credit cards.

BBK's vision remains to be the premier regional financial services enterprise in providing superior products and services of high quality through innovation, technology and lifelong client relationships.

The total assets and total shareholders' equity as of 31 December 2018 amounted to US$9.5 billion and US$1.32 billion respectively.

Naseej B.S.C. (c) (Naseej)

Naseej is the Middle East and North Africa (MENA) region's first fully-integrated real estate and infrastructure development company, encompassing the entire value chain from concept to completion.

Naseej's core activities comprise design and master planning; development and construction; building components; mortgage facilitation; and asset management. Naseej was established by prominent private and public sector investors to act as a pioneering catalyst for addressing the region's affordable housing development needs.

Naseej's strategy focuses on pursuing property development and investment opportunities in affordable housing and retail real estate sectors in the MENA region besides working on the Private Public Partnership Housing Project (PPPHP) in Bahrain. Apart from the PPPHP, Naseej is also involved in major residential projects in Bahrain like Yasmeenat Saar and Jumana.

The total assets and total shareholders' equity as of 31 December 2018 amounted to US$400million and US$306 million respectively.

CITIC International Asset Management Limited (CITICIAM)

CITICIAM is part of the CITIC Group, a major diversified financial and investment conglomerate wholly-owned by the State Council of the People's Republic of China (CITIC group owns 46% in CIAM). CITICIAM's principal activity is to invest in companies and projects in China and internationally. Established in 2002 to specialise in distressed asset management, the current portfolio of CITICIAM includes direct investments in real estate, high technology, health, retail and industrial projects.

CITICIAM's strategy focuses on investment mainly in China in environmental, agricultural, natural resources and health sector specifically in SME's, which are run in line with the state policies and contribute to the socio-economic development of China.

The total assets and total shareholders' equity as of 31 December 2018 amounted to US$237 million and US$215 million respectively.

Board of Directors

HRH Prince Amr Mohammed Al Faisal

Non-Executive Chairman

Elected 28 March 2016

HRH Prince Amr has more than 30 years of extensive and diversified experience in commercial and investment banking, executive management, architecture and engineering.

He is Chairman of the Board of Supervisors of Dar Al-Maal Al-Islami Trust (DMIT), and Chairman of Ithmaar Bank, Faisal Islamic Bank (Sudan) and Faisal Islamic Bank (Egypt). HRH Prince Amr is also Founder and Director of the Red Sea Design Consultants (Jeddah), Chairman of the Board of Directors of Al Daleel Company for Information Systems (headquartered in Jeddah with sister companies in Tunisia, Sudan and Pakistan), Al Wadi Company for Trading Ltd. (Jeddah) and Amr Establishment for Marketing and Commerce.

He is a Fellow of the Saudi Association for Construction Societies, City Development and Clean Environment and a Member of the Saudi Council of Engineers. HRH Prince Amr holds a Bachelor of Arts Degree in Architecture from King Abdulaziz University, Saudi Arabia.

Tunku Yaacob Khyra

Independent, Non-Executive Board Member

Elected 28 March 2016

Prince Yaacob has more than 35 years of banking and finance experience.

He is Chairman of IB Capital, and Chairman of MAA Group Berhad (Malaysia) which he joined in 1999. Prior to his current position, Prince Yaacob worked for 19 years at Malaysian Assurance Alliance Berhad, where his last position was Chairman. He also worked at PriceWaterhouse, UK and Malaysia.

Prince Yaacob holds a Bachelor of Science Degree with Honours from the City University in London and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Sheikh Zamil Abdullah Al-Zamil

Independent, Non-Executive Board Member

Elected 28 March 2016

Sheikh Al-Zamil is a prominent businessman in the Kingdom of Saudi Arabia and in other GCC, and has more than 37 years of experience in managing business activities in various sectors. He is a member of the Ithmaar Bank Board of Directors. He is also Executive Vice-President of Zamil Group Holdings Company and serves as the Chairman of Zamil Offshore Services Co. and Zamil Operations and Maintenance Co. Ltd. Sheikh Al-Zamil is actively involved in various institutions such as the Chambers of Commerce, industrial companies and banks in his capacity as a Director.

Educated in the United States, he has a BS degree in Petroleum Engineering from the University of Southern California (USC) and an MS degree in the same major from West Virginia University, USA.

Abdelhamid Mohamed Aboumousa

Executive Board Member

Elected 28 March 2016

Mr. Aboumousa has more than 49 years of banking experience.

He is a member of the Ithmaar Bank Board of Directors, and a member of the Dar Al-Maal Al-Islami Trust (DMIT) Board of Supervisors.

He is Governor of Faisal Islamic Bank of Egypt, which he joined in 1979. Prior to joining Faisal Islamic Bank of Egypt, Mr. Aboumousa worked in the Central Bank of Egypt for 16 years. He is a Member of the General Assembly of Misr Holding Company for Insurance - Egypt, and is also Head of the Egyptian–Saudi Business Council.

He holds a Bachelor of Science Degree in Accounting and a Diploma in Finance from Cairo University in Egypt, and a Higher Diploma in Economics from Lwegi Boconi University in Milano, Italy.

Board of Directors Continued

Mohammed A. Rahman Bucheerei

Executive Board Member

Appointed 28 March 2016

Mr. Bucheerei has more than 49 years of experience in Accounting, Commercial and Offshore Banking. He was Chief Executive Officer of Ithmaar Bank from 12 July, 2010 to 31 August, 2013, and has been a member of the Ithmaar Bank Board of Directors since March 2010. Mr. Bucheerei is a member of the Board of Directors of IB Capital.

Mr. Bucheerei is Group Chief Executive Officer of Dar Al-Maal Al-Islami Trust (DMIT). Previously, he served as the General Manager of the Private Offices of HRH Prince Mohamed Al Faisal Al Saud, Saudi Arabia, and Executive Vice-President, Shamil Bank of Bahrain.

He is Chairman of the Islamic Investment Company of the Gulf (Sharjah) Limited, and a member of the Board of Directors of the Islamic Investment Company of the Gulf (Bahamas) Limited. Mr. Bucheerei is Chairman of DMI (Jersey) Limited, MFAI (Jersey) Limited, Cantara S.A. (Switzerland), Faisal Finance Maroc S.A, Faisal Private Bureau, DMI Administrative Services, Ithmaar Development Company, and Naseej Rabat.

He is a member of the Board of Directors of Faysal Bahamas Limited, Crescent International Limited (Bermuda), Gulf Investors Asset Management Company (Saudi Arabia), Overland Capital Group, USA, Crescent International Ltd., DMI NV, Faisal Finance Luxembourg and Shamil Finance Luxembourg.

He studied accounting, mathematics and economics at Gulf Polytechnic, Bahrain.

Nabeel Khalid Kanoo - resigned on 7 January 2019

Independent, Non-Executive Board Member

Elected 28 March 2016

Mr. Kanoo has more than 19 years of business and management experience. He was also a member of the Ithmaar Bank Board of Directors before resigning on 7 January 2019.

Mr. Kanoo is Director of Public Relations and Marketing of YBA Kanoo as a group, a Director of YBA Kanoo's Saudi Arabia Board, a Director of YBA Kanoo's Bahrain Board, a Director of Kanoo Travel Co. UK and France, and a Director of Kanoo and El-Shabrawy Ltd. Co. Egypt.

Mr. Kanoo holds a Bachelor of Business Management Degree from St. Edwards University, Austin, Texas.

Abdulellah Ebrahim Al-Qassimi

Independent, Non-Executive Board Member

Elected 28 March 2016

Mr. Al-Qassimi has more than 34 years of diversified management experience. He is a member of the Ithmaar Bank and the IB Capital Board of Directors.

His previous positions include Chief Executive of Tamkeen (the Labour Fund), from which he resigned in May 2010; Deputy Chief Executive Officer of the Labour Fund Project at the Bahrain Economic Development Board; Assistant Undersecretary for Training at the Bahrain Ministry of Labour and Social Affairs; and Director of Engineering and Maintenance at the Bahrain Ministry of Health. He has also served as the Chairman of the Bahrain Qualifications Framework Steering Committee; and the Steering Committee of Career Expo; and was a Board member of the Bahrain Society of Engineers and the Bahrain Consumer Protection Society.

He is currently a member of the Board of Directors of Solidarity Group Holding, Naseej, Faysal Bank Limited (Pakistan); and Saudi Solidarity Takaful Co. (KSA), as well as a member of the Board of Trustees of Arabian Pearl Gulf School.

Mr. Al-Qassimi holds a BSc in Civil Engineering from Queen Mary College, University of London, UK; a MSc in Health Facility Planning from the University of North London, UK, and a Diploma in Health Care Management from the Royal College of Surgeons in Ireland, Bahrain.

Omar Abdi Ali

Non-Executive Board Member

Elected 28 March 2016

Mr. Ali has more than 49 years of experience in financial and general management in development as well as commercial and investment banking in Africa, the Middle East and Europe. He is a member of the Ithmaar Bank Board of Directors.

Mr. Ali is Founder and Chairman of the Board of Directors of Quadron Investments Co. Ltd. (Sudan) and Integrated Property Investments (United Kingdom and Tanzania). Previously, Mr. Ali served at Dar Al-Maal Al-Islami Trust (DMIT) where he was Chief Executive Officer and Chief Operating Officer from 1986 to 1999 and, before that, Executive Vice-President Finance and Vice-President in charge of Internal Audit from 1983 to 1986.

Prior to his DMI appointments, Mr. Ali was Director of Finance and Chief Financial Officer at the Arab Authority for Agricultural Investment and Development (Sudan). He has served in the African Development Bank for ten years and his last post there was CFO of the Bank. He has also served with the Arab Fund for Economic and Social Development and the Arab Authority for Agriculture and Investment where he was also the CFO. He has served these two institutions for seven years.

Mr. Ali is a Certified Accountant, Leeds College of Commerce, UK, and a Fellow of the Association of Chartered Certified Accountants.

Board of Directors Continued

Dr. Amani Khaled Bouresli

Independent, Non-Executive Board Member

Elected 28 March 2016

Dr. Bouresli, formerly the Kuwait Minister of Commerce and the Minister of Planning and Development affairs, has almost 31 years of experience in training, consulting and banking.

Dr. Bouresli is a member of the Ithmaar Bank and the IB Capital Board of Directors.

She is currently a Professor of Finance at Kuwait University's College of Business Administration, and her research interests include Capital Markets Regulations, Corporate Governance and Strategic Planning. Dr. Bouresli is also a Member at the Board of Trustees at Kuwait Transparency Association for the Anti-Corruption Award for the Public Sector in Kuwait. Recently she earned the 2018 "Kuwaiti Economic Researcher Award" sponsored by the Central Bank of Kuwait. Also, she earned the Middle East Excellence Award in business administration and economics for her contributions toward the development of the capital market structure and regulation in Kuwait. She is the founder of the Governance Excellency Prize.

Prior to her ministerial appointments, Dr. Bouresli was the Chairman and Founder of Capital Standards Rating Co., the first independent credit rating agency in Kuwait, from 2009 to 2011; a Board Member at Burgan Bank, Kuwait, from 2010 to 2011; and Head of the Capital Market Authority Project from 2006 to 2007. Dr. Bouresli, who has many published work in refereed journals as well as in specialised books and magazines, began her banking career at the National Bank of Kuwait in 1987, and her teaching career at Kuwait University in 1988.

Dr. Bouresli holds a BC in Finance and Banking from Kuwait University, Kuwait; an MBA from Seattle University, USA; and a PhD in Finance from Southern Illinois University at Carbondale, USA.

Abdulshakoor Hussain Tahlak

Independent, Non-Executive Board Member

Elected 28 March 2016

Mr. Tahlak has more than 37 years of experience in the United Arab Emirates public and private sectors.

He is a member of the Ithmaar Bank Board of Directors.

Mr. Tahlak is currently a private consultant to the UAE Minister of State for International Cooperation, and ambassador for Expo 2020 after he resigned as Senior Executive Vice President at Emirates NBD following the Emirates NBD 2007 merger between the National Bank of Dubai (NBD) and Emirates Bank International (EBI). He is currently a board member of the World Union of Arab Bankers in Beirut. Mr. Tahlak has held various management and banking positions including Chairman of NBD Islamic Finance "Al Watani Al Islami", Chairman of Abu Dhabi Investment House, Board member of Industrial Bank in Emirates, Board member of Emirates NBD Securities, Board member of Emirates NBD Investment, and Board member of UAE Banks Federation. He built and developed strong relationships between banks and across official and government entities, and contributed to developing expertise within the UAE banking industry. He also played a major role in developing banking and financial system in the UAE and was a member of various committees at the Central Bank as well as several councils at universities and colleges that worked to address local market requirements, and develop the UAE banking system.

Prior to his banking career, Mr. Tahlak served in the UAE Ministry of Foreign Affairs as Head of the International Organization Desk, Diplomatic Department. During his diplomatic career, he joined several official delegations and attended international sessions and meetings. He also participated in several regional and international conferences, and was delegated for short periods to work with the United Nations.

Sheikh Mohamed Abdullah Abdelkarim Elkhereiji

Non-Executive Board Member

Appointed 16 October 2017

Sheikh Elkhereiji has more than 41 years of diversified banking and management experience.

He is a member of the Ithmaar Bank Board of Directors.

Sheikh Elkhereiji is the Chairman of many companies in Saudi Arabia, including Elkhereiji Group Holding Co., Hal International Company and S.A. Elkhereiji Real Estate Limited Company. Sheikh Elkhereiji is a member in the Board of Supervisors of Dar Al-Maal Al-Islami Trust, and is a member of the Board of Directors of Yanbu Cement Company (Saudi Arabia) as well as the Worldcare International Company (United States of America). Sheikh Elkhereiji is also a member in the Honorary Advisory Council for Dar Al Hikma University in Jeddah and the member of Board of Directors of Bayan Educational Institution. Previously, Sheikh Elkhereiji was the Chairman of Faisal Investment Bank (Bahrain).

He holds a Bachelor degree in Law from Cairo University, Egypt, a Diploma in Change Management from Harvard, USA, and a Diploma in Marketing Management from the International Marketing Institute, Cambridge in USA.

Elham Ebrahim Abdulla Hasan

Non-Executive Board Member

Appointed 28 March 2018

Ms Hasan, who has more than thirty years of diversified experience in the financial services industry, is a member of the Ithmaar Bank and the IB Capital Board of Directors.

She is currently Chairwoman of Taaheal Healthcare and an Advisor on Business and Corporate Strategy, as a well as a Board Member of Mumtalakat, Solidarity Group Holding – Bahrain and BNP Paribas Investment Company – Saudi Arabia. A leading business woman in the Kingdom of Bahrain, Ms Hasan was the first female partner at PricewaterhouseCoopers in the Middle East region. She was voted One of the Most Influential Women in the Middle East by Forbes Magazine, and earned the Euro Money Award for Islamic Assurance Advisory Services.

Ms Hasan was previously a Board Member of the Bahrain Economic Development Board (EDB), Tamkeen, BBK, the Bahrain Real Estate Investment Company (EDAMAH), and the University of Bahrain, as well as a member of both the Women Empowerment Economic Committee of the Supreme Council for Women and the Planning and Follow-up Committee of the Bahrain Business Women's Society. She was the Country Senior Partner at PricewaterhouseCoopers in Bahrain until June 2010, and was the financial services leader for PricewaterhouseCoopers Middle East until June 2007. While at PricewaterhouseCoopers, Ms Hasan worked extensively with Islamic institutions since the early eighties.

Ms Hasan qualified as Certified Public Accountant in 1986 and is a member of the American Institute.

Sharia Supervisory Board

Sheikh Abdullah Sulaiman Al Manee'a

Chairman

Appointed 28 March 2016

Sheikh Al Manee'a is a prominent, highly-respected Sharia scholar.

Sheikh Al Manee'a is a member of the Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is a member of the Senior Sharia Board in the Kingdom of Saudi Arabia and a consultant in the Royal Court. He is a member in the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). He is also Chairman or a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions. An expert at the Islamic Fiqh Academy, Sheikh Al Manee'a holds a Master's degree from the Higher Institute for Judgment in Saudi Arabia, and has authored several books including 'Paper Money: Truth, History and Reality', 'Economic Research' 'A window on the community' and others.

Sheikh Nedham Mohammed Saleh Yaqouby

Member

Appointed 28 March 2016

Sheikh Yaqouby is a prominent, highly-respected Islamic Sharia scholar and a successful businessman from the Kingdom of Bahrain.

Sheikh Yaqouby is a member of the Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is a member of the Sharia Board of the AAOIFI, a member of the Sharia Advisory Board of the Central Bank of Bahrain (CBB) and Chairman or a member of the Sharia Supervisory Boards of several banks, Islamic financial institutions, investment funds and international banks in the GCC region, Arab countries and around the world.

In 2007, the King of Bahrain, His Majesty King Hamad bin Isa Al Khalifa, awarded Sheikh Yaqouby the Order Merit in recognition of his services in Bahrain and abroad. Sheikh Yaqouby has also received the Euromoney award for Innovation in Sharia Supervision, as well as the Malaysian Islamic Banking award and other awards.

Sheikh Yaqouby holds many academic, appreciation and honorary degrees. He has authored a large number of books.

Sheikh Mohsin Al-Asfoor

Member

Appointed 28 March 2016

Sheikh Al-Asfoor is a well-known and highly respected Sharia scholar in the Kingdom of Bahrain.

Sheikh Al-Asfoor is a member of the Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is also a member in the Sharia Advisory Board of the CBB and several Sharia Supervisory Boards in the Kingdom of Bahrain and abroad. He has previously been a judge at the Supreme Sharia Court of Appeal (Jaafari).

Sheikh Al-Asfoor is the Head of the Jaafari Endowments and is a member of the Curriculum Development at the Jaafari Religious Institute as well as the Sharia Board of the International Islamic Rating Agency of the Islamic Development Bank. He is a graduate of Islamic Hawza from Qom, Iran, and has authored more than 60 books on Islamic Sharia.

Sheikh Osama Mohammed Saad Bahar

Member

Appointed 28 March 2016

Sheikh Bahar is a well-known, highly-respected Sharia scholar from the Kingdom of Bahrain.

Sheikh Bahar is a member of the Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is currently a member of the Sharia Board at First Energy Bank. He is also a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions, funds and investment portfolios in Bahrain and abroad.

Sheikh Bahar holds a Master's degree from AlImam Ouzai University in Lebanon, and a Bachelor's degree in Islamic Sharia from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria.

Sheikh Bahar has authored several books in Islamic banking as well as society affairs. He has participated in and conducted several radio interviews and written newspaper columns.

Executive Management

ITHMAAR HOLDING EXECUTIVE MANAGEMENT

Ahmed Abdul Rahim

Chief Executive Officer

Qualifications and experience:

- Master of Business Administration, University of Glamorgan, Wales (UK) (1999)
- Fellow of the Institute of Financial Accountants, UK (1995); and the Institute of Public Accountants, Australia (2014)
- 41 years of banking experience
- Joined the group in 2006

ITHMAAR BANK EXECUTIVE MANAGEMENT

Ahmed Abdul Rahim

Chief Executive Officer

(Details as above)

Abdulhakeem Khalil Al Mutawa

Deputy Chief Executive Officer, Banking Group

Qualifications and experience:

- Master of Business Administration, University of Bahrain (1991)
- Post-Graduate Diploma in Management, University of Bahrain (1990)
- Bachelor of Science in Mechanical Engineering, The University of Texas at Austin, USA (1981)
- 37 years of experience, of which 16 years in banking
- Joined the group in 2003

Ravindra Anant Khot

Deputy Chief Executive Officer, Support Group

Qualifications and experience:

- Fellow Chartered Accountant (FCA), the Institute of Chartered Accountants of India (1996)
- Bachelor of Commerce (Financial Accounting), University of Mumbai, India (1983)
- 33 years of banking and finance experience
- Joined the group in 2007

Mohammed Hasan Janahi

Assistant General Manager, Head of Retail Banking

Qualifications and experience:

- Advanced Diploma in Banking and Finance, BIBF (1998)
- 34 years of Banking experience
- Joined the group in 2002

Yousif Abdulla Alkhan

Assistant General Manager, Head of Information Technology and Administrations

Qualifications and experience:

- Master of Business Administration, AMA International University (2005)
- Bachelor of Science in Computer Science, University of Bahrain (1989)
- 30 years of experience
- Joined the group in 1989

Abdulla Abdulaziz Ali Taleb

Assistant General Manager, Head of Commercial and Financial Institutions and Treasury

Qualifications and experience:

- Bachelor of Science in Banking and Finance, Kingdom University (2009)
- Advanced Diploma in Islamic Banking, Bahrain Institute of Banking and Finance (BIBF) (2005)
- 19 years of banking experience
- Joined the group in 2014

Rafed Ahmed Al Mannai

Head of Private Banking

Qualifications and experience:

- Master of Commerce in Information Systems, University of Queensland (2000)
- Bachelor of Science in Architectural Engineering, University of Bahrain (1998)
- 18 years of banking experience
- Joined the group in 2007

Executive Management Continued

Ayoob Yousif Al Awadhi
Head of Asset Management

Qualifications and experience:

- Certified Financial Analyst, CFA Institute (2014)
- Project Management Professional, Project Management Institute (2012)
- Masters of Business Administration, University of Starthclyde (2008)
- B.Sc. In Network Computing, Napier University, Edinburgh (2001)
- 8 years of experience in asset management
- 8 years of experience in information technology
- Joined the group in 2007

Saqib Mahmood Mustafa
Head of Financial Control

Qualifications and experience:

- International Certificate in Banking Risk & Regulation (ICBRR) (2011)
- Member of the Institute of Chartered Accountants of England & Wales (ICAEW) (2010)
- Certified Islamic Professional Accountant (CIPA) (awarded by AAOIFI) (2009)
- Fellow Member of the Association of Chartered Certified Accountants (ACCA) (2003)
- Bachelor of Commerce Karachi University (Pakistan) (1999)
- 20 years of banking and finance experience
- Joined the group in 2007

Balu Tiruvilandur Ramamurthy
Head of Compliance and Anti-Money Laundering, Compliance Officer

Qualifications and experience:

- International Diploma in Compliance (ICA-IDC), International Compliance Association & University of Manchester (2014)
- Certified in the Governance of Enterprise IT (CGEIT), Information Systems Audit and Control Association, USA (2008)
- Certified Information System Auditor (CISA), Information Systems Audit and Control Association, USA (2001)
- Master degree in Commerce (M.Com), Madurai Kamaraj University – India (1996)
- Certified Associate of Indian Institute of Bankers, Institute of Bankers (1986)
- 35 years of banking experience
- Joined the group in 2018

Khalil Ebrahim Al-Asfoor
Head of Internal Audit

Qualifications and experience:

- B.Sc. In Accounting, University of Bahrain (2001)
- Fellow member of the Association of Chartered Certified Accountants (FCCA), UK (2005)
- Associate Professional Risk Manager (APRM), Professional Risk Managers' International Association (PRMIA), US (2012)
- Chartered Institute for Securities and Investment (CISI), UK (2012)
- Certified Internal Auditor (CIA), The Institute of Internal Auditors, US (2018)
- 17 years of experience in banking and financial services
- Joined the group in 2016

Dana Aqeel Raees

Head of Legal Department and Corporate Secretary

Qualifications and experience:

- Admitted as a Solicitor in the Senior Courts of England and Wales (2010)
- Post Graduate Diploma in Legal Practice (LPC), UK (2004)
- Bachelor of Laws (LLB), UK (2003)
- 13 years of legal experience
- Joined the group in 2006

Fatima Abdulla Budhaish

Head of Risk Management

Qualifications and experience:

- Executive Master of Business Management, University of Bahrain. (2007)
- Certified Public Accountant (CPA), U.S.A. (2002)
- Executive Management Leadership, Darden Graduate School of Business, University of Virginia, U.S.A (2011)
- Bachelor in Accounting, University of Bahrain (2000)
- 19 years of banking experience.
- Joined the group in 2018

Taimour Raouf George

Head of Marketing and Corporate Communications

Qualifications and experience:

- B.Sc. Computer Science, University of Bahrain (2001)
- 21 years of communications experience
- Joined the group in 2008

Abdulla Abdulaziz Al Abbasi

Head of Product Development and Management

Qualifications and experience:

- Advanced Diploma in Islamic Finance, BIBF (2017)
- Associate Diploma in Business Management, University of Bahrain (2002)
- 19 years of banking and finance experience
- Joined the group in 2007

Sheikh Adel Ahmed Al Marzooqi

Sharia Coordination and Implementation Officer

Qualifications and experience:

- Master's Degree in Islamic Studies, Allmam Ouzai University, Lebanon (2004)
- Bachelor in Islamic Studies, Allmam Ouzai University, Lebanon (1997)
- 18 years of Sharia experience
- Joined the group in 2009

Enas Mohamed Rahimi

Head of Human Resources

Qualifications and experience:

- Certificate in Personnel Practice (CPP), CIPD (2010)
- MBA specialised in Project Management, AMA International University (2006)
- BSc. In Banking & Finance, University of Bahrain (2001)
- 13 years of human resources experience
- Joined the group in 2005

Murtadha Ali

Head of Administration

Qualifications and experience:

- BEng in Building Services Engineering, Northumbria University (2010)
- Eight years of banking experience
- Joined the group in 2019

Corporate Governance

Corporate Governance

Overview of Policies and Controls

Ithmaar Holding follows the Central Bank of Bahrain's (CBB) requirements stipulated under the High Level Controls (HC) Module of the Rulebook issued by the CBB as well as the Corporate Governance Code of the Ministry of Industry, Commerce and Tourism, Ithmaar Holding's Articles and Memorandum of Association, the Bahrain Commercial Companies Law, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and international best practices, where applicable, as well as the regulatory requirements of Bahrain Bourse, Boursa Kuwait and Dubai Financial Market.

Ithmaar Holding follows the Group's internal policies on corporate governance. This Policy provides guidance on engaging with stakeholder groups.

Recognising its fundamental stewardship role towards shareholders, it is the Group's policy to treat shareholders, major and minor, equally and fairly in line with the governing laws and regulatory guidelines. The overarching goal is to ensure sustainable growth with due consideration to both current and future risks, and thereby generate optimum value to shareholders over the long-term. The Group adheres to Sharia principles in striking a balance between the interests of its various stakeholders.

Ithmaar Holding adheres to a business approach that is transparent, honest and fair. It has established various written policies such as the Code of Ethics and Business Conduct, Anti Money Laundering and Whistle-Blowing Policy for strict adherence by Directors, executives and employees at all levels. These are distributed as guidelines through multiple internal communication channels.

The Board's adherence to corporate governance practices is underlined by various principles, such as integrity, transparency, independence, accountability, responsibility, fairness, Sharia principles and social responsibility.

Moreover, The Group's corporate governance policies are designed to lay a solid foundation for the executive management and the Board of Directors in managing the Group, as well as to promote ethical and responsible decision-making, safeguard integrity in financial reporting, make timely disclosures, respect the rights of shareholders, recognise and manage risk, encourage enhanced performance, remunerate fairly and responsibly and recognise the legitimate interest of stakeholders.

The "Comply or Explain" Principle:

The CBB Rulebook requirements in the High-Level Controls (HC) Module specify that the Company must comply with the Guidelines of the HC Module, or explain its non-compliance in the Annual Report. As part of its commitment to adherence with CBB regulations, Ithmaar Holding wishes to explain the following:

The Chairman is a non-executive director but not an independent director, as defined by the CBB, due to his position as the Chairman of the Board of Supervisors of Dar Al-Maal Al-Islami Trust (DMIT), the Company's controller.

Developments in regulations

On an ongoing basis, Ithmaar Holding monitors updates in the CBB requirements, including those stipulated under the HC Module, and implements the necessary updates to its processes and procedures in response to those regulatory changes. There were no material changes introduced to the HC Module by the CBB during the year 2018.

Board of Directors

The Board of Directors of Ithmaar Holding comprises of twelve members, of whom six are independent. Independence is determined based on the Central Bank of Bahrain (CBB) definition of "Independent Director", which is stipulated in the Glossary section of the CBB Rulebook.

The Board owes a fiduciary duty of obedience, care and loyalty to Ithmaar Holding and the shareholders.

The Board is committed to the role and responsibilities prescribed by the Commercial Companies Law of 2001 (as amended).

The Board's role and responsibilities include, but are not limited to, the overall business performance and strategy for the Company; causing financial statements to be prepared which accurately disclose Ithmaar Holding's financial position; monitoring management's performance; monitoring conflicts of interest and preventing abusive related party transactions; and assuring equitable treatment of shareholders including minority shareholders. In particular, the Board, among other things, ensures that Ithmaar Holding's goals are clearly established, and that strategies are put in place towards achieving those goals.

Members of the Board are responsible, both individually and collectively, for performing these responsibilities, including the following in relation to Ithmaar Holding:

- Maintaining an overall responsibility for performance;
- Establishing policies for strengthening performance, including ensuring that management is pro-actively seeking to build the business through innovation, initiative and the development of its business capital;
- Selecting, appointing, monitoring and evaluating management's performance;
- Appointing the Chief Executive Officer and management, as well as setting the terms of their employment;

Corporate Governance Continued

Board of Directors (Continued)

- Reviewing the performance and compensation of the management;
- Reviewing the structure and succession plan of the management;
- Managing and advising the management;
- Monitoring and managing actual and potential conflicts of interest;
- Deciding on whatever steps are necessary to protect Ithmaar Holding's financial position and viability;
- Ensuring that the financial statements are true and fair, and otherwise conform with applicable law;
- Ensuring that high standards of ethics and corporate governance are adhered to;
- Ensuring that appropriate risk management and regulatory compliance policies are in place;
- Monitoring the effectiveness of the governance, compliance, and internal control framework;
- Ensuring timely and adequate legal and regulatory disclosures;
- Arranging the shareholders' annual and extraordinary general meetings; and
- Ensuring equitable treatment of minority shareholders.

Some of the responsibilities of the Board of Directors are delegated to the Committees of the Board.

The Board of Directors has drawn a 'Business Discretionary Powers' policy which outlines authorities and approval powers for the Board and the Executive Management. In general, all business decisions relating to strategic investment, and financing exceeding certain limits, including business relationship with connected counterparties, require the Board's approval. All transactions that require Board approval have been approved by the Board as per applicable regulations.

The Board's functions, mandate, appointment, responsibilities and terminations are governed by the Articles of Association and Corporate Governance Policy of Ithmaar Holding, which complies with applicable statutory and regulatory rules. Board members serve three-year terms. At the end of each term, a new Board is to be elected (or appointed, as applicable) at Ithmaar Holding's annual general meeting. The next election of the Board of Directors will take place during the annual general meeting to be held in 2019.

Structure and Composition of the Board

Ithmaar Holding is managed at the high level by the Board. The size of the Board is subject to Ithmaar Holding's Articles of Association and the rules and regulations decreed by the Ministry of Industry, Commerce and Tourism and the Central Bank of Bahrain.

Duties of Board Members

The Board members, individually and collectively, are bound by distinct fiduciary duties to Ithmaar Holding. The Board members owe their fiduciary duty to Ithmaar Holding as a corporate entity in its own right and not just individual shareholders and/or group of shareholders. These duties apply to all the Board members whether they are appointed or elected.

The main duties owed by Board members to Ithmaar Holding are the duty of obedience, the duty of care and the duty of loyalty.

Duty of Obedience

The Board members are required to act in accordance with Ithmaar Holding's rules and policies to further its goals and objectives. In addition, the Board members must comply with all relevant laws and regulations. The duty of obedience forbids the Board members from acting outside the scope of Ithmaar Holding's internal authorities and policies.

Duty of Care

The Board members are under duty to exercise, in carrying out their responsibilities in good faith, the same level of care, skill and diligence that an ordinary, prudent person would exercise in the same position or under similar circumstances. Accordingly, the Board members must act in a manner that they reasonably believe is in the best interest of Ithmaar Holding.

Duty of Loyalty

This duty requires the Board members to act in good faith, solely and collectively, in the best interest of Ithmaar Holding. The Board members should not act out of expedience, avarice or self-interest. The Board members are barred from using Ithmaar Holding properties and assets for their personal needs or seeking business opportunities for personal benefit.

Ithmaar Holding provides insurance to indemnify the Board members for negligence, default, breach of duty or breach of trust, provided that the Board member was acting in good faith.

The above duties are detailed in the Corporate Governance Policy and Code of Ethics and Business Conduct, which is approved by the Board.

Board Members' Election and Evaluation System

Any shareholder who owns ten percent or more of the issued share capital of Ithmaar Holding (rounded up to the nearest integer) shall have the right to appoint a representative on the Board, being one representative for each ten percent owned. However, if a shareholder exercises this right, they shall lose his right to vote in the annual general meeting for the percentage of which they used to appoint a Board member.

Subject to the foregoing, the shareholders shall elect members of the Board by a secret cumulative ballot in the annual general meeting. A cumulative ballot means each shareholder has one vote for each share held. The shareholder can use their shares to vote for a single member, or divide their shares to vote for multiple Board members.

All appointments to the Board of Directors are governed by and subject to Ithmaar Holding's Memorandum of Association, Articles of Association, the Corporate Governance Policy and the laws, rules, regulations, policies and charters in place, as amended from time to time.

The Remuneration and Nomination Committee reviews the composition and performance of the Board of Directors annually. The Remuneration and Nomination Committee's duties in relation to the composition and performance of the Board include, among other things, assessing the skills required for the Board members to competently perform their responsibilities and meet their objectives as well as developing and implementing a plan to identify, assess and enhance the Board members' competencies.

The arrangements for the termination of membership in the Board of Directors are stipulated in the Articles of Association of Ithmaar Holding B.S.C. In the event of a vacancy, termination or resignation on the Board of Directors, the Remuneration and Nomination Committee shall make recommendations to the Board for the appointment of a director, which recommendation shall be made pursuant and subject to the legal and regulatory requirements in place.

All Board members receive a letter of appointment signed by the Chairman in which relevant information, including responsibilities, are described.

Board members also receive a copy of the Code of Ethics and Business Conduct.

The Board, its committees and individual members are regularly assessed with respect to their effectiveness and contribution.

Board Induction and Development Programme

Ithmaar Holding prepares an all-day induction programme for newly appoint/elected Board members, which starts with a welcome note from the Chief Executive Officer and the Ithmaar Bank Deputy Chief Executive Officers. Thereafter, members of the Executive Management introduce Ithmaar Holding in detail, covering Ithmaar Holding's history, group structure, subsidiaries, strategy, financial performance and organisational chart. This is followed with presentations from the heads of various departments in respect of their role and function within Ithmaar Holding. Ithmaar Holding also arranges training sessions throughout the year for Board members and Executive Management, to keep them abreast with the recent developments (legal, regulatory, market, technological and others) in the investment sector.

Board Members' Conflict

When the Board deliberates an agenda wherein a conflict of interest arises, the conflicted director declares his/her conflict and abstains from voting or deliberation. Article 189 of the Commercial Companies Law of 2001 (as amended) requires that members of the Board and Management should not have personal direct or indirect interest in transactions and contracts concluded by Ithmaar Holding, without the authorisation of the General Assembly, otherwise such transaction or contract shall be deemed null and void.

Interested member have a duty to inform the Board of any matter which presents a conflict and are then restricted from participating in deliberations of or voting on the matter. Such declaration is to be recorded in the meeting minutes. The Chairman shall inform the General Assembly of the results of such contracts in the AGM following execution of the transactions and such notification is to be accompanied by a special report of an external auditor in respect of the nature and details of the matter, and the extent of interest of the respective member. Violating this Article shall render the member and the Board jointly liable for compensation for any damage caused by the breach. This provision is reflected in Ithmaar Holding's Articles of Association which specify that directors shall not have any direct or indirect interest in any transaction or contract relating to Ithmaar Holding without the approval of the annual general meeting. Any transaction or contract contrary to the above is deemed null and void, unless later confirmed by the majority vote of disinterested directors subject to CBB approval. The Articles of Association specifies that violations of such restriction shall permit the shareholders to claim compensation from the conflicted director, for damage caused to Ithmaar Holding or profit realised by the conflicted director.

Board Members' Remuneration

The Board members' sitting fees for 2018 amounted to $405,000 (2017: $408,000). Sharia Supervisory Board sitting fees for 2018 was $4,000 (31 December 2017: $4,000).

Remuneration strategy

The Variable Remuneration Policy is not applicable to investment companies and hence, post the reorganisation, Ithmaar Holding is not subject to any Remuneration Strategy and the Remuneration Balances were transferred, as part of the reorganisation, to Ithmaar Bank.

Employment of relatives of approved persons

The Human Resources Policy indicates that any employee who is a first degree relative of an existing Approved Person is required to declare the relationship in writing to the Human Recourses Department.

Board Committees

In accordance with regulatory requirements and best practices, the Board has established the following committees and has adopted charters setting out the matters relevant to their composition, responsibilities and administration.

Audit, Governance and Risk Management Committee (AGRMC)

The AGRMC is chaired by an Independent Director and is comprised of:

- Dr. Amani Khaled Bouresli – Chairperson
- Sheikh Zamil Abdullah Al-Zamil – Member
- Mr. Abdulellah Ebrahim Al-Qassimi – Member
- Mr. Nabeel Khalid Kanoo – Member (resigned from the Board on 7 January 2019)
- Sheikh Osama Bahar – Member*

* Sheikh Bahar is a Sharia Supervisory Board Member with a voting right in respect of the agendas relating to the Corporate Governance

The AGRMC meets a minimum of four times in a year.

The aggregate sitting fees paid to its members in 2018 was US$45,000 (2017: US$45,000).

The AGRMC is appointed by the Board of Directors to assist in reviewing the selection and application of the accounting and financial policies, reviewing the integrity of the accounting and financial reporting systems and the effectiveness of the internal controls framework, monitoring the activities and performance of the internal audit function and external auditors and coordinating the implementation of the Corporate Governance Policy framework.

The Committee reviews and, as appropriate, approves and/or recommends for the approval of the Board of Directors, among other things: the interim and annual consolidated financial results; status updates on compliance with various regulatory requirements; implementation on various regulatory reports; internal and external audit reports and status of their implementation (as appropriate); new accounting and regulatory pronouncements and their implications.

This committee also assists the Board in fulfilling its governance responsibility, particularly to (a) oversee and monitor the implementation of a robust compliance framework by working together with the Management and the Sharia Supervisory Board, and (b) provide the Board of Directors with reports and recommendations based on its findings in the exercise of its function.

The objectives of the Committee also include making recommendations to the Board in relation to the overall risk appetite and tolerances and the risk policies within which to manage them. These policies cover credit risk, market risk, operational risk and liquidity risk in addition to any other risk categories Ithmaar faces in carrying out its activities.

The Committee also recommends and monitors the overall risk management framework which involves all business activities and operations policies, internal controls, methods of risk management and risk reporting to the Board.

The key matters reviewed and, as appropriate, approved and/or recommended for the approval of the Board of Directors during the year include:

- Reviewing the consolidated financial statements and recommending to the Board for approval;
- Reviewing and approving the proposed annual Internal Audit plan and strategy and all reports is-sued by the Internal Audit Department;
- Providing oversight for the Corporate Governance, Compliance and Regulatory requirements;
- Updating and aligning all risk policies in line with changes in the regulatory requirements;
- Establishing new risk limits for better control of credit, market, liquidity and concentration risks; and
- Internal Capital Adequacy Assessment Process (ICAAP) report for review.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is appointed by the Board of Directors to provide a formal forum for communication between the Board and Management on human resource issues. The Remuneration and Nomination Committee reviews and, as appropriate, approves and/or recommends for the approval of the Board of Directors:

- Candidates for Board election
- The appointment of new senior management executives
- The remuneration policies as well as guidelines for increments and promotions

The RNC meets at least twice a year.

The aggregate sitting fees paid to its members in 2018 was US$18,000 (2017: US$15,000).

The RNC comprises:

- Mr. Abdulellah Ebrahim Al-Qassimi, Chairman
- Sheikh Zamil Abdullah Al-Zamil, Member
- Mr. Abdulshakoor Hussain Tahlak, Member

The Committee shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, consulting, search or compensation firms used to

(i) identify candidates and

(ii) evaluate the compensation of directors, the CEO or other approved persons, without seeking the approval of the Board or management.

The key matters reviewed, approved (as appropriate) and recommended for approval (as appropriate) to the Board of Directors during the year include:

- Recommending the composition, quantum and structure of remuneration for the members of the Sharia Supervisory Board
- Recommending the organisation chart and succession plan
- There were no significant issues arising during the period.

Attendance

2018 Board of Directors / Board Committees Meetings Attendance

	Board of Directors		Audit, Governance & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
HRH Prince Amr Mohammed Al Faisal	5	5	-	-	-	-
Tunku Yaacob Khyra	5	5	-	-	-	-
Sheikh Zamil Abdullah Al-Zamil	5	5	4	4	2	2
Governor Abdelhamid Abomoussa	5	5	-	-	-	-
Mr. Nabeel Khaled Kanoo (Resigned 7 January 2019)	5	4	4	4	-	-
Mr. Mohammed Bucheerei	5	5	-	-	-	-
Mr. Abdulellah Ebrahim Al-Qassimi	5	5	4	4	2	2
Dr. Amani Khaled Bouresli	5	5	4	4	-	-
Mr. Abdulshakoor Hussain Tahlak	5	5	-	-	2	2
Sheikh Mohamed Abdullah Elkhereiji	5	5	-	-	-	-
Ms. Elham Ebrahim Hasan (Appointed 28 March 2018)	3	3	-	-	-	-
Mr. Omar Abdi Ali	5	5	-	-	-	-

Dates of meeting during 2018	Board of Directors	Audit, Governance & Risk Management Committee	Remuneration & Nomination Committee
	11 February	19 February	4 March
	4 March	8 May	30 September
	1 July	7 August	
	30 September	4 November	
	2 December		

Notes:

- Sheikh Osama Bahar, a member of the Sharia Supervisory Board, is also a member of the Audit, Governance and Risk Management Committee.
- In accordance with the Central Bank of Bahrain requirement and Ithmaar Holding's Articles of Association, the Board of Directors shall meet at least four times a year and each Board member is required to attend at least 75 percent of all Board meetings in a financial year.
- All Board members satisfied the minimum attendance percentage required.

Corporate Governance Continued

Sharia Supervisory Board

The Sharia Supervisory Board (SSB) is an independent board of specialised scholars in Sharia and Fiqh of financial transactions according to Sharia requirements. The SSB contributes in the guidance and development of Ithmaar Holding's activities and it monitors its business to ensure it is compliant with Islamic Sharia principles.

The SSB is appointed, in compliance with licensing requirements of the Central Bank of Bahrain (CBB) and Ithmaar Holding's Memorandum and Articles of Association, by the shareholders at the General Meeting based on recommendations of the Board of Directors through the Remuneration and Nomination Committee. The SSB serves a three-year term.

The SSB has full authority to achieve its goals and responsibilities. It is also allowed to view all records and transactions from any sources without restrictions including; access to the Board and to the management personnel, professional and legal consultants, employees, including access to the Sharia Coordination and Implementation Department at Ithmaar Bank, which is represented by the Sharia officer who is proactively involved in: reviewing and advising on the Sharia compliance of all products and anything related to the products as well as investment projects, conducting training for employees to ensure they understand the products and their implementations, handling the secretary tasks for the SSB and replying to customers' inquiries according to SSB's fatwas. The SSB also communicate directly with the Internal Sharia Audit Department and review its periodic reports and implemented operations according to SSB fatwas and AAOIFI standards and produce periodic reports to the SSB in order to ensure that activities are under a strict and direct oversight of SSB guidelines and decisions.

The SSB operates within its own charter which sets forth its policies, procedures, meeting operations and responsibilities in addition to the qualifications for membership. This charter was developed in coordination with the Board and is disclosed on the website.

SSB members are entitled to remuneration comprising an annual retainer fee and sitting fees paid per meeting attended.

These remunerations are recommended by the Remuneration and Nomination Committee, the structure of which is approved by the shareholders.

Currently, Ithmaar Holding does not pay any performance related remuneration to SSB members. If any, this will be structured in accordance with the Memorandum and Articles of Association and subject to shareholder approval.

The profiles of all SSB members are included in the Sharia Supervisory Board section.

All SSB members receive a letter of appointment signed by the Chairman in which relevant information, including responsibilities, are described.

SSB members also receive a copy of the Code of Ethics and Business Conduct.

Communications with stakeholders

The Board acknowledges the importance of regular communication with stakeholders and particularly investors through a number of means to promote greater understanding and dialogue.

Measures adopted include Annual General Meetings, annual reports, quarterly disclosures of financial reports and various announcements made during the year on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market as well as on the Ithmaar Holding website, through which stakeholders have an overview of Ithmaar Holding's performance and operations.

The Chairman of the Board (or any other Director if delegated by the Chairman) maintains continuing personal contact with major shareholders to solicit their views. The Chairman discusses the views of the major shareholders with the Board of Directors.

Ithmaar Holding maintains a website which stakeholders may access for information, which includes the corporate profile, corporate information, press releases and financial performance, amongst others.

To further assist with shareholder communications, Ithmaar Holding has a dedicated Shareholders Affairs function with the primary responsibility of acting as a liaison between Ithmaar Holding shareholders and the stock exchanges where the shares are listed. Views of shareholders are communicated to and discussed at Board meetings, which are part of the agenda.

Interests of Directors and Executive Management

The interests of Directors and Executive Management in the shares of Ithmaar Holding are disclosed in the Report of the Directors and Share Information respectively.

Share Information

Information on the distribution of share ownership together with key statistics on the performance of Ithmaar Holding's shares on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market are disclosed in the section on Share Information of the annual report.

Shareholders’ Rights

All shares issued have equal rights. Recognising the importance of shareholders, it is Ithmaar Holding’s policy to treat its shareholders equally and fairly in line with the laws of regulatory agencies. Basic legitimate rights of the shareholders include the right to participate in shareholder meetings, the right to appoint other persons as a proxy for participating in and voting at meetings, and the right to participate in the election or disqualification of a Director, individually. Their rights also include voting on the appointments of Board of directors, the appointments of independent auditors, voting for other businesses of Ithmaar, such as increases in, or reduction of capital, right to receive dividend payments, as well as the right to give opinions and the right to inquire during shareholder meetings.

Rights of Minority Shareholders

The Board of Directors is structured to include independent Directors with additional responsibilities of protecting minority shareholders’ rights.

As additional measures to protect minority interests, Ithmaar subscribes to the following guidelines:

- Mandatory shareholder approval of major transactions such as change in capital or transfer of business (as per limits prescribed by the Central Bank of Bahrain);
- Mandatory disclosures of transactions by substantial shareholders;
- Pre-emptive rights on issuance of new shares;
- Limitations on business transactions with Directors, controllers, and related parties as per the rules of the Central Bank of Bahrain;
- Exercise rights to elect independent Directors;
- Penalties for insider trading; and
- Necessary provisions on takeovers, mergers, and acquisitions

External Auditors

The audit fees charged and non-audit services provided by external auditors will be made available to the shareholders as and when requested. Such details will be made available to Ithmaar Holding’s shareholders as per their specific request provided that these disclosures would not negatively impact Ithmaar Holding’s interest and its competition in the market.

Code of Ethics and Business Conduct

Ithmaar Holding’s Code of Ethics and Business Conduct applies to members of the Board, as well as executive management, officers, employees, agents, consultants, and others, when they are representing or acting for Ithmaar.

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to Ithmaar Holding’s policies. Any waiver of the Code of Ethics and Business Conduct for a Director or executive officer may be granted only by the Board of Directors.

Risk Management

Compliance, Anti-Money Laundering and Internal Controls

Risk Management

Risk Management

Risk Management activities of Ithmaar Holding are outsourced to Ithmaar Bank. Ithmaar Bank has a robust risk management framework detailed in the Risk Charter. The risk management framework includes comprehensive risk policies for various risk silos addressing all material risks from an enterprise risk management perspective. The policies address the risk appetite and risk management guidelines for each of the risk silos. The policies are further supported by risk measurement models and methodologies which measure the risks in line with regulatory guidelines. The risk management policies of Ithmaar Bank, along with the latest amendments, are adopted by Ithmaar Holding.

All investments of Ithmaar Holding are monitored on an active basis and representatives from Ithmaar Holding are appointed on the Board of the major investments to monitor the Investments.

Further, any proposals to exit investments or any major developments in the investments are reviewed by the Risk Management Department and submitted to the approving authority as mentioned in the risk policies. The Board-approved Business Discretionary Powers policy establishes the approval authorities for investments based on its value.

Connected counterparties include companies or persons connected with Ithmaar Holding, including, in particular; controllers and their appointed board representatives as defined in the CBB Rulebook; subsidiaries, associates and related parties as defined by IFRS; holders of close family members as defined by IFRS - IAS 24; and members of the Sharia Supervisory Board.

The erstwhile Ithmaar Bank B.S.C. (now Ithmaar Holding B.S.C.) has undergone major reorganisation in 2017. As part of this reorganisation, Ithmaar Holding B.S.C. and its wholly-owned subsidiaries Ithmaar Bank B.S.C. (c) and IB Capital.(c) have executed certain contracts between three entities and, as most of the Directors are common for all three entities, there is an apparent conflict of interest as these contracts were approved by Directors who represented both entities who were party to the contracts. Given the reorganisation requirements, ownership structure and Directors being common, contracts between these entities are considered as related party transactions but the conflict of interest is not considered to be applicable to ensure minimum quorum for voting.

Internal controls are guided by Policies as adopted by the Board; the policies are regularly updated by Ithmaar Bank depending on the prevailing economic conditions and regulatory guidelines. The policies are reviewed on an annual basis.

Declarations of Interest

On taking office, Members of the Board of Directors of Ithmaar Holding are required to disclose to Ithmaar Holding all interests and relationships which could or might be seen to affect their ability to perform their duties as a Member of the Board of Directors. Any such interests declared shall be recorded in the Board of Director's Register of Interests, which are maintained by the shareholders affairs unit of Ithmaar Bank.

Approval of Related Party Transactions

All related party transactions are approved by the Board of Directors.

Where applicable, persons who have interests in the transaction under discussion abstain from voting on the approval of the proposed related party transaction, except where the transaction is required as part of the reorganisation.

Approval of a transaction shall be considered irrespective of the settlement method, whether settled in cash or otherwise.

Certain related party transactions may require advance notice to and approval by the CBB and / or any other applicable regulatory authority as per CBB rulebook.

In particular, Members of the Board of Directors of Ithmaar Holding disclose all relevant information which might give rise to a conflict of interest, or a perceived conflict of interest. Each Member of the Board of Directors informs Ithmaar Holding when there are changes in his / her interests, and the Shareholders affairs unit updates the Register of Interests at least on an annual basis.

During 2018, Directors having conflict of interests in the transaction under discussion abstained from voting on the approval of the proposed related party transaction, except where the transaction is required as part of the reorganisation.

Compliance, Anti Money Laundering and Internal Controls

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that Ithmaar may suffer as a result of its failure to comply with laws, regulations, directives, directions, reporting requirements and codes of conduct, including internal code of conduct.

Compliance risk is managed through the Compliance Management Policy, which provides for the assessment of compliance risks, implementation of controls, monitoring and testing the compliance status, the independence of the compliance unit and reporting of compliance related matters.

Ithmaar Holding's management ensures that business is conducted in conformity with high ethical standards and is in compliance with the applicable laws and regulations. The Compliance Officer has the duty of promoting a sound compliance culture across the organisation through effective training and recommending of improvements, while at the same time ensuring that the management and other personal are aware of the applicable regulatory requirements, and implications thereof, in order to achieve a consistently high level of compliance.

Consolidated financial statements

For the year ended 31 December 2018

Contents

Report of the Sharia Supervisory Board

In the Name of Allah, the Beneficent, the Merciful

Report of the Sharia Supervisory Board on the activities of Ithmaar Holding B.S.C. for the Financial Year from 1 January 2018 until 31 December 2018, corresponding to the Period from 14 Rabi Al-Akher 1439 H until 24 Rabi Al-Akher 1440 H.

Praise be to Allah, the Lord of the worlds, and peace and blessings be upon our Master, Mohammed, the leader of Prophets and Messengers, and upon his scion and companions, and upon those who follow his guidance until the Day of Judgment.

The Sharia Supervisory Board of Ithmaar Holding B.S.C. and subsidiaries ("Ithmaar") performed the following during the financial year from 1 January 2018 until 31 December 2018:

1. Issued fatwas and Sharia resolutions related to Ithmaar's activities and followed its execution through Ithmaar's Sharia Coordination and Implementation Department while also guiding different departments towards implementing Sharia-compliant transactions.
2. Studied different mechanisms of financing, investment and mudaraba accounts and prepared its documents with the concerned departments that develop and market products.
3. Examined the books, records and transactions through the Sharia Coordination and Implementation Department and auditing some of their samples through Internal Sharia Audit Department as per established sharia auditing standards.
4. Examined sources of income and expenditures through reviewing the consolidated statements of financial position, income statement and Ithmaar's overall banking activities.
5. Examined and approved Sharia reports which are published by the Sharia Coordination and Implementation Department and Internal Sharia Audit Department.

We have reviewed the principles and contracts relating to transactions and products that has been executed by Ithmaar during the period from 1 January 2018 to 31 December 2018. We have also conducted the required inspections to provide our opinion on whether Ithmaar had complied with the provisions and principles of Islamic Sharia, as well as fatwas, resolutions and specific guidance that was issued by us.

The management is responsible for ensuring that Ithmaar operates in accordance with the provisions and principles of Islamic Sharia. Our responsibility is to express an independent opinion based on our observations of Ithmaar's operations, and prepare a report to this effect .

In view of the above the Sharia Supervisory Board hereby resolves as follows:

i: With regard to Ithmaar's business in general:

a. Ithmaar's overall operations and activities were conducted in full compliance with the principles and provisions of Islamic Sharia and in accordance with the Sharia Supervisory Board-approved standard contracts.

b. Income generated from non-sharia compliant investments of the conventional assets transferred to the company when Shamil Bank merged with Ithmaar Bank in 2010, these have been identified, disclosed and published to the shareholders in Note 43 of the Consolidated Financial Statements, taking into consideration that the Ithmaar is still in the process of correcting the status of these investment according to the Sharia Supervisory Board instructions.

c. Zakat is calculated in accordance to Sharia Standard on Zakat issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Shareholders are responsible for payment of Zakat on their shares.

Report of the Sharia Supervisory Board (Continued)

ii: Conventional assets transferred to Ithmaar Holding company:

The former Ithmaar Bank B.S.C. and its subsidiaries has been restructured into Ithmaar Holding B.S.C. and two other wholly-owned subsidiaries, Ithmaar Bank B.S.C (closed) (Ithmaar Bank), an Islamic retail bank subsidiary which holds the core retail banking business(for commercial operations in Bahrain and Pakistan), and IB Capital B.S.C. (closed), an Islamic investment subsidiary, which holds investments and other non-core assets, and will take appropriate actions for these assets either through disposal or converting these assets to Islamic alternatives. The Sharia Supervisory Board sees this as a positive step towards conversion of conventional assets.

To ensure compliance with its Fatwas and directions, the Sharia Supervisory Board has reviewed the income statement of Ithmaar for the year ended 31 December 2018 and has satisfied itself that Ithmaar has appropriately disclosed the income and expenses arising from the conventional assets and liabilities in Note 43. Accordingly, the Sharia Supervisory Board guides the shareholders of Ithmaar to dispose of impermissible earnings which has been calculated, in the current year's financial statements, at 1.56 (31 December 2017:0.63) US cents per share.

We pray to Almighty Allah to grant success to Ithmaar and whom are responsible and grant them success for everything He pleases. May peace and blessings be upon our Master, Mohammed, and upon his scion and companions.

His Eminence Shaikh Abdulla Al Manee'a
Chairman

His Eminence Shaikh Dr Nizam Yacooby
Member

His Eminence Shaikh Mohsin Al-Asfoor
Member

His Eminence Shaikh Dr. Osama Bahar
Member

Manama
Kingdom of Bahrain
10 February 2019

Directors' Report

The Directors submit their report dealing with the activities of Ithmaar Holding B.S.C. ("Ithmaar") for the year ended 31 December 2018, together with the audited consolidated financial statements of Ithmaar and its subsidiaries (collectively the "Group") for the year then ended.

Principal activities

Ithmaar Holding B.S.C directly owns two major subsidiaries, Ithmaar Bank B.S.C (C) (Ithmaar Bank) an Islamic retail bank subsidiary which holds the core retail banking business, and IB Capital B.S.C (C), an Islamic investment subsidiary which holds investments and other non-core assets. The two subsidiaries are licensed and regulated by the CBB.

The principal activities of the Group are a wide range of financial services, including retail, commercial, asset management, private banking, takaful and real estate development.

Consolidated financial position and results

The consolidated financial position of the Group as at 31 December 2018, together with the consolidated results for the year then ended is set out in the accompanying consolidated financial statements.

The Group has reported a net profit of US$10.06 million for the year ended 31 December 2018, as compared to a net loss of US$72.40 million for 2017. The net loss attributable to the equity shareholders of the Group is $24 million for 2018, as compared to a net loss of $84.7 million for 2017. Total assets at 31 December 2018 amounted to $8,488.7 million (31 December 2017: $8,611.4 million).

Directors

The following served as Directors of Ithmaar during the year ended 31 December 2018:

HRH Prince Amr Mohamed Al Faisal (Chairman)
Tunku Yaacob Khyra
Mr. Abdel Hamid Abo Moussa
Sheikh Zamil Abdullah Al-Zamil
Mr. Mohammed Bucheerei
Mr. Abdulellah Ebrahim Al-Qassimi
Mr. Omar Abdi Ali
Dr. Amani Khaled Bouresli
Mr. Abdulshakoor Hussain Tahlak
Mr. Mohammed Elkhereiji
Ms. Elham Ebrahim Abdulla Hasan (Appointed with effect from 28 March 2018)
Mr. Nabeel Khalid Kanoo (Resigned with effect from 7 January 2019)

Directors' sitting fees

Directors' sitting fees for 2018 amounted to $405,000 (2017: $408,000).

Directors' Report (Continued)

Interests of Directors

The interests of the Directors in the shares of Ithmaar are disclosed below:

	Number of Shares	
Name	31 December 2018	31 December 2017
HRH Prince Amr Mohamed Al Faisal	106,100	106,100
Tunku Yaacob Khyra	106,100	106,100
Mr. Abdel Hamid Abo Moussa	106,100	106,100
Sheikh Zamil Abdullah Al-Zamil	205,000	205,000
Mr. Mohammed Bucheerei	105,600	105,600
Mr. Abdulellah Ebrahim Al-Qassimi	106,100	106,100
Mr. Omar Abdi Ali	-	-
Dr. Amani Khaled Bouresli	-	-
Mr. Abdulshakoor Hussain Tahlak	-	-
Mr. Mohammed Elkhereiji	-	-
Ms. Elham Ebrahim Abdulla Hasan	-	-
Mr. Nabeel Khalid Kanoo (Resigned with effect from 7 January 2019)	106,100	106,100

Dividend

No dividend has been proposed for 2018 (2017: Nil).

Auditors

The auditors, PricewaterhouseCoopers ME Limited, have expressed their willingness to be reappointed as auditors of Ithmaar for the year ending 31 December 2019.

By order of the Board of Directors

HRH Prince Amr Mohamed Al Faisal
Chairman
13 February 2019

Independent Auditor's Report

To the Shareholders of Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.) ("Ithmaar") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2018 and the related consolidated income statement, changes in owners' equity, cash flows, and changes in restricted investment accounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Sharia rules and principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and the results of its operations, its cash flows, changes in owners' equity and changes in restricted investment accounts for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Report on regulatory requirements and other matters

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 4), we report that:

(i) Ithmaar has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

(ii) the financial information contained in the directors' report is consistent with the consolidated financial statements;

(iii) during the period ended 31 December 2018, Ithmaar Bank B.S.C. (c), one of the subsidiaries, has not complied with the requirements of the CBB's Rule Book Volume 2 – Licensing Requirements module – LR-2.5.2A which states that an Islamic retail bank licensee must maintain a minimum total shareholders' equity of BD 100 million.

Except for the matter described above, we are not aware of any other violation of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, rules and procedures of the Bahrain Bourse or the terms of Ithmaar's memorandum and articles of association, having occurred during the year that might have had a material adverse effect on the business of Ithmaar or on its financial position.

(iv) satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ithmaar has also complied with the Islamic Sharia rules and principles as determined by the Sharia Supervisory Board of the Group.

Pricewaterhousecoopers

Partner's Registration No: 216
13 February 2019
Manama, Kingdom of Bahrain

Consolidated statement of financial position

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

	Notes	At 31 December 2018 (Audited)	At 31 December 2017 (Audited)
ASSETS			
Cash and balances with banks and central banks	3	596,234	701,938
Commodity and other placements with banks, financial and other institutions	4	285,627	261,392
Murabaha and other financings	5	3,264,865	3,577,871
Musharaka financing		495,626	367,131
Investment in mudaraba	6	5,760	5,760
Sukuk and investment securities	7	1,756,695	1,862,885
Investment in associates	8	611,194	186,207
Restricted investment accounts	9	-	74,896
Assets acquired for leasing	10	410,765	347,760
Insurance and related receivables	11	120,034	-
Other assets	13	211,319	196,239
Investment in real estate	14	270,066	247,902
Development Properties	15	269,388	-
Assets classified as held-for-sale	16	-	478,432
Fixed assets	17	63,216	140,820
Intangible assets	18	127,867	162,126
Total assets		**8,488,656**	**8,611,359**
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY			
Customers' current accounts	19	1,476,108	1,781,493
Due to banks, financial and other institutions	20	1,541,346	1,143,964
Due to investors	21	1,694,977	1,907,971
Other liabilities	22	566,122	431,645
Insurance related reserves	12	134,873	-
Total liabilities		**5,413,426**	**5,265,073**
Equity of unrestricted investment accountholders	23	2,622,311	2,827,915
Minority interest	24	336,563	163,041
Total liabilities, equity of unrestricted investment accountholders and minority interest		**8,372,300**	**8,256,029**
Share capital	25	757,690	757,690
Treasury shares	25	(30,149)	(30,149)
Reserves		140,290	233,761
Accumulated losses		(751,475)	(605,972)
Total owners' equity		**116,356**	**355,330**
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		**8,488,656**	**8,611,359**

These consolidated financial statements were approved by the Board of Directors on 13 February 2019 and signed on their behalf by:

HRH Prince Amr Mohamed Al Faisal
Chairman

Dr. Amani Khaled Bouresli
Director

Ahmed Abdul Rahim
CEO

The notes 1 to 46 on pages 47 to 95 form an integral part of the consolidated financial statements.

Consolidated Income Statement

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

	Notes	Year ended 31 December 2018 (Audited)	Year ended 31 December 2017 (Audited)
INCOME			
Income from unrestricted investment accounts		180,236	164,961
Less: return to unrestricted investment accounts and impairment provisions		(108,645)	(88,100)
Group's share of income from unrestricted investment accounts as a Mudarib		71,591	76,861
Group's share of income from restricted investment accounts as a Mudarib		-	68
Income from murabaha and other financings	27	161,098	141,549
Share of profit after tax from associates	8	42,772	22,995
Income from other investments	28	99,307	123,139
Other income	29	63,782	30,470
Total income		**438,550**	**395,082**
Less: profit paid to banks, financial and other institutions		(178,730)	(164,521)
Operating income		**259,820**	**230,561**
EXPENSES			
Administrative and general expenses	30	(183,018)	(180,850)
Depreciation and amortization	8,17,18	(33,387)	(27,651)
Total expenses		**(216,405)**	**(208,501)**
Net income before provision for impairment and overseas taxation		**43,415**	**22,060**
Gain arising on acquisition of a business (net)	44	50,912	-
Provision for impairment (net)	31	(55,338)	(67,588)
Net income/(loss) before overseas taxation		**38,989**	**(45,528)**
Overseas taxation	32	(28,932)	(26,873)
NET PROFIT/(LOSS) FOR THE YEAR		**10,057**	**(72,401)**
Attributable to:			
Equity holders of the Ithmaar		(23,981)	(84,711)
Minority interests	24	34,038	12,310
		10,057	**(72,401)**
Basic and diluted earnings per share	26	**US Cts (0.82)**	**US Cts (2.91)**

These consolidated financial statements were approved by the Board of Directors on 13 February 2019 and signed on their behalf by:

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Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2018 and 2017

(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 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 (note - 2)	-	-	-	-	-	-	-	-	**-**	(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 loss for the year	-	-	-	-	-	-	-	-	**-**	(23,981)	**(23,981)**
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(44,156)	-	-	**(44,156)**	-	**(44,156)**
Movement in fair value of investment in real estate	-	-	-	-	-	-	596	-	**596**	-	**596**
Movement in fair value of associates	-	-	-	-	-	(1,812)	-	-	**(1,812)**	-	**(1,812)**
Foreign currency translation adjustments	-	-	-	-	-	271	(859)	(47,511)	**(48,099)**	-	**(48,099)**
At 31 December 2018 (Audited)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**(6,924)**	**3,187**	**(94,203)**	**140,290**	**(751,475)**	**116,356**

			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 2017 (Audited)	**757,690**	**(27,802)**	**148,662**	**38,418**	**50,727**	**25,711**	**2,648**	**(47,378)**	**218,788**	**(521,261)**	**427,415**
Net loss for the year	-	-	-	-	-	-	-	-	**-**	(84,711)	**(84,711)**
Employee share incentive scheme (note 25)	-	(2,347)	423	-	-	-	-	-	**423**	-	**(1,924)**
Movement in fair value of sukuk and investment securities	-	-	-	-	-	5,061	-	-	**5,061**	-	**5,061**
Movement in fair value of investment in real estate	-	-	-	-	-	-	938	-	**938**	-	**938**
Movement in fair value of associates	-	-	-	-	-	8,009	-	-	**8,009**	-	**8,009**
Foreign currency translation adjustments	-	-	-	-	-	(8)	(136)	686	**542**	-	**542**
At 31 December 2017 (Audited)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**38,773**	**3,450**	**(46,692)**	**233,761**	**(605,972)**	**355,330**

The notes 1 to 46 on pages 47 to 95 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Notes	Year ended 31 December 2018 (Audited)	Year ended 31 December 2017 (Audited)
OPERATING ACTIVITIES			
Net income/(loss) before overseas taxation		38,989	(45,528)
Adjustments for:			
Depreciation and amortization	8,17,18	33,387	27,651
Share of profit after tax from associates	8	(42,772)	(22,995)
Gain arising on acquisition of a business (net)		(50,912)	-
Provision for impairment (net)	31	55,338	67,588
Income from other investments		(99,307)	(123,139)
(Gain)/loss on sale of fixed assets		249	(545)
Operating income before changes in operating assets and liabilities		(65,028)	(96,968)
(Increase)/decrease in balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		16,092	(9,255)
Changes in operating assets and liabilities:			
Murabaha and other financings		(191,856)	(1,200)
Musharaka financing		(235,097)	(159,370)
Other assets		(25,687)	(62,703)
Customers' current accounts		(56,523)	166,353
Due to banks, financial and other institutions		536,526	31,121
Due to investors		216,160	113,940
Other liabilities		46,516	91,210
(Decrease)/Increase in equity of unrestricted investment accountholders		(130,340)	77,951
Taxes paid		(20,110)	(22,731)
Net cash provided by operating activities		**90,653**	**128,348**
INVESTING ACTIVITIES			
Net (increase)/decrease:			
Investment in mudaraba		-	8,665
Assets acquired for leasing		(63,005)	(91,869)
Sukuk and investment securities		(126,808)	6,771
Investment in real estate		4,492	-
Dividend received from associates		44,080	28,730
Purchase of fixed assets		(8,284)	(11,398)
Net cash used in investing activities		**(149,525)**	**(59,101)**
FINANCING ACTIVITIES			
Minority interest		(796)	(1,326)
Net cash used in financing activities		**(796)**	**(1,326)**
Foreign currency translation adjustments		(91,399)	7,515
Net increase/(decrease) in cash and cash equivalents		**(151,067)**	**75,436**
Cash and cash equivalents at the beginning of the year		**792,218**	**716,782**
Cash and cash equivalents at the end of the year	4	**641,151**	**792,218**

The notes 1 to 46 on pages 47 to 95 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Restricted Investment Accounts

For the year ended 31 December 2018 and 2017

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

	At 1 January 2018	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	Movement due to acquisition of a subsidiary (note - 44)	At 31 December 2018
Dilmunia Development Fund I L.P.*	145,329	12,643	-	-	(21,552)	(136,420)	-
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	-	6,250
European Real Estate Placements*	16,404	-	-	(765)	-	-	15,639
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**	**12,643**	**-**	**(765)**	**(21,552)**	**(136,420)**	**47,738**
FUNDS MANAGED ON AGENCY BASIS	63,301	-	-	-	(44)	-	63,257
	257,133	**12,643**	**-**	**(765)**	**(21,596)**	**(136,420)**	**110,995**

	At 1 January 2017	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	At 31 December 2017
Dilmunia Development Fund I L.P.*	149,491	192	-	-	(4,354)	145,329
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	15,915	-	-	-	(15,915)	-
European Real Estate Placements*	16,141	320	(68)	1,696	(1,685)	16,404
US Real Estate Placements*	27,554	-	-	-	(2,318)	25,236
Listed and non-listed equities	47	-	-	8	-	55
Cash and Placements with banks	9,406	-	-	-	(8,848)	558
TOTAL	**224,804**	**512**	**(68)**	**1,704**	**(33,120)**	**193,832**
FUNDS MANAGED ON AGENCY BASIS	65,255	-	-	-	(1,954)	63,301
	290,059	**512**	**(68)**	**1,704**	**(35,074)**	**257,133**

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

The notes 1 to 46 on pages 47 to 95 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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"). Effective 14 April 2010 Ithmaar Bank B.S.C operated under Islamic retail banking license granted by the CBB.

During 2016, shareholders approved the reorganisation of Ithmaar Bank B.S.C at its Extraordinary General Meeting (EGM) held on 28 March 2016 to restructure Ithmaar Bank B.S.C into a holding company and two subsidiaries to segregate core and non-core assets. Effective 2 January 2017, the Bank has been converted in to Ithmaar Holding B.S.C., holding 100% of Ithmaar Bank B.S.C. (c) [retail license] and IB Capital B.S.C.(c) [investment license].

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 regulated by the CBB and are subject to the supervision of Sharia 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 consolidated financial statements as equity of unrestricted investment accountholders and restricted investment accounts. In respect of equity of unrestricted investment accountholders, the investment account holder authorises 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 Ithmaar's head office in Bahrain and its following principal subsidiary companies:

	% owned		Country of Incorporation	Principal business activity
	Voting	Economic		
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)	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.	57	57	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 consolidated financial statements of the Group are prepared under Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before Ithmaar converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards in the consolidated financial statements for the year ended 31 December 2018 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 income and expenses attributable to non-Sharia compliant assets and liabilities is disclosed under note 43.

The consolidated financial statements comprise the financial information of the Group for the year ended 31 December 2018.

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

(i) 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.

(ii) New accounting standard: Issued and effective

FAS 35 "Risk reserves"

Financial Accounting Standard (FAS) 35 – Risk reserves was issued in August 2018 and effective from the financial periods beginning on or after 1 January 2021. The aim of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risk faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions. The Group has early adopted this standard from 1 January 2018 and there is no material impact on the recognition and measurement of the Group's risk reserves.

FAS 30 "Impairment, credit losses & onerous commitments"

Financial Accounting Standard (FAS) 30 – Impairment, credit losses & onerous commitments was issued in November 2017 and effective from the financial periods beginning on or after 1 January 2020. This standard supersedes the earlier FAS 11 - Provisions and Reserves. The Group has early adopted this standard from 1 January 2018. The requirements of FAS 30 represent a significant change in accounting for impairment and credit losses. The aim of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions, and related provisions, enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. This standard also specifies how such impairment and credit losses shall be recognized and when and how the same shall be reversed.

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

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued)

The key changes to the Group's accounting policies resulting from its adoption of FAS 30 are summarized below.

FAS 30 replaces the 'incurred loss' model with an 'expected credit loss' model ("ECL"). The new impairment model also applies to certain financing commitments and financial guarantees. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case the allowance is based on the change in the ECLs over the life of the asset. Under FAS 30, credit losses are recognized earlier than under the previous standard.

Basis of Preparation - Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance of a receivable or exposure measured with the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria for definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar receivables for the purpose of measuring ECL.

Transition

Changes in accounting policies resulting from the adoption of FAS 30 have been applied retrospectively, except as described below.

Comparative periods have not been restated. Relevant difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FAS 30 are recognized in retained earnings and minority interest as at 1 January 2018. Accordingly, the information presented for 2017 is not directly comparable to the information presented for 2018 under FAS 30.

Reconciliation of carrying amounts as at 31 December 2017 & carrying amount as at 1st January 2018

The following table reconciles the carrying amounts as of 31 December 2017 to the carrying amounts under FAS 30 on transition to FAS 30 on 1 January 2018.

Financial assets - amortized cost	Carrying amount as at 31 December 2017	Re-measurement of impairment allowance*	FAS 30 carrying amount as at 1 January 2018
Cash, Commodity and other placements with banks, financial and other institutions	963,330	(143)	963,187
Financing assets (funded & unfunded)	7,144,905	(135,279)	7,009,626
Sukuk and investment securities	1,350,529	(117)	1,350,412
Other receivables	183,070	(7,149)	175,921
Total Financial assets - amortized cost	**9,641,834**	**(142,688)**	**9,499,146**

*Impairment allowance is increased due to change from incurred to expected credit loss (ECL).

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

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued)

Impact on retained earnings and other reserves

	Retained earnings
Opening balance as at 1 January 2018	355,330
Recognition of expected credit losses under FAS 30	(121,522)
Adjusted opening balance as at 1 January 2018	**233,808**

Relevant differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FAS 30 and attributable to unrestricted investment account holders amounted to $70.2 million as of 1 January 2018. This amount has been adjusted against the balance of Investment Risk Reserve (IRR) of $17.9 million which was attributable to unrestricted investment holders and the balance amount of $52.3 million has been adjusted against the retained earnings attributable to shareholders based on appropriate approvals as per Ithmaar's policy. The FAS 30 impact attributable to unrestricted investment account holders for the year ended 31 December 2018 was also absorbed by shareholders.

The following table reconciles the provision recorded as at 31 December 2017 to that of FAS 30 as at 1 January 2018:

	31 December 2017	Re-measurement	FAS 30 1 January 2018
Financial assets - amortized cost			
Cash, Commodity and other placements with banks, financial and other institutions	-	(143)	(143)
Financing assets (funded & unfunded)	(321,577)	(135,279)	(456,856)
Sukuk and investment securities	(19,185)	(117)	(19,302)
Other receivables	(74,339)	(7,149)	(81,488)
	(415,101)	**(142,688)**	**(557,789)**

ECL – Significant increase in credit risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

For the Corporate portfolio, the Group assess for significant increase in credit risk (SICR) at a counterparty level as the internal rating is currently carried out at a counterparty level and a rating is not assigned at facility level. The Group maintains a facility level rating being the counterparty's internal rating at date of facility origination and date of assessment.

For the Retail portfolio, the Group currently manages its retail portfolio at a facility level, therefore assessment for SICR on the retail portfolio is done on a facility level. Days past due (DPD) of individual facilities will reflect on the counterparty SICR assessment.

Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, restructuring, expert credit judgement and, where possible, relevant historical experience.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued)

Determining whether credit risk has increased significantly (Continued)

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews and validations.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.
- Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 more is used as stage 3.

Default

FAS 30 seeks to align accounting for impairment of financial instruments with the manner in which credit risk is internally managed within the Group. In this context, the 'risk of default' of a financial instrument is a key component of the expected loss model under FAS 30.

In general, counterparties with facilities exceeding 90 days past due are considered in default.

Non-Retail:

The Group has set out the following definition of default (as provided by the Basel document and FAS 30 guidelines):

Non-retail customers with the following characteristics:

- All or any of the facility/ies in which any instalment or part thereof is outstanding for a period of 90 days or more
- All or any of the facility/ies put on non-accrual status (i.e. profit suspended)
- All or any of the facility/ies wherein 'specific provision' is set aside individually
- Event driven defaults such as declaration of bankruptcy, death of borrower (in absence of succession plan or professional management), and other specific events which would significantly impact the borrower's ability the Group.

The Group will not consider the 90 days past due criteria in cases of technical defaults (e.g. facilities marked as 90+DPD due to administrative reasons and not credit related concerns and there is no dispute regarding repayment).

Retail:

The Group has set out the following definition of default:

- All facilities in which any instalment or part thereof is outstanding for a period of 90 days or more

The Group will not consider the 90 days past due criteria in cases of technical defaults (e.g. facilities marked as 90+DPD due to administrative reasons and not credit related concerns and there is no dispute regarding repayment).

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, Credit Conversion Factor (CCF) and discount rate. For portfolios wherein instrument level information is not available, the Group carries out ECL estimation on a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

i Probability of default (PD);

ii Loss given default (LGD);

iii Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group has internally estimated the LGD. The LGD in further will be computed based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount currently outstanding.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group annually source macro-economic forecast data from the International Monetary Fund (IMF) database for the relevant exposure country.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued)

Incorporation of forward looking information (Continued)

Macro-economic variables checked for correlation with the probability of default for the past five years and only those variables for which the movement can be explained are used. Management judgement is exercised when assessing the macroeconomic variables. The macro economic variables used for FAS 30 PD modelling include, among others, GDP, population and net lending.

Generating the term structure of PD

Credit risk grades and days past due (DPD) are primary inputs into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of borrower, days past due and as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP, Net Lending and Population.

Based on consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

For Corporate portfolio, through the yearly review of the corporate portfolio, the Group observes yearly performances to compute a count based PD over the one-year horizon for the past 5 years. These PDs are grouped as per internal risk ratings (i.e. from 1 to 7). An average default rate of the 5 yearly observed default provides the through the cycle PDs.

The retail portfolio is segmented based on products that exhibit distinguished behavior into the following categories:

- Auto finance;
- Mortgage finance;
- Personal Finance; and
- Credit cards.

PDs for each segment are measured using Observed Default Estimation and thus PD is calculated based on DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

The PD's derived are adjusted with forward looking information based on macro-economic variables and calibrated to derive the final PD's separately for Corporate and Retail portfolio.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued

Impairment

The Group recognizes loss allowances for ECL on the following type of financial instruments:

- All Islamic financing and certain other assets (including Commodity and Murabaha receivables)
- Debt instruments that are measured at amortised cost or at fair value through equity.
- Financing commitments that are not measured at fair value through profit and loss (FVTPL)
- Financial guarantee contracts that are not measured at fair value through profit and loss (FVTPL)
- Lease receivables and contract assets
- Balances with banks
- Related party balances
- Contingent liabilities

The Group measures loss allowances at an amount equal to lifetime ECL, except for the other financial instruments on which credit risk has not increased significantly since their initial recognition, for which ECL is measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL in case of financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

FAS 30 "Impairment, credit losses & onerous commitments (Continued

Write-off

The Group's existing policy remains the same under FAS 30. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on a collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Group may however write-off financial assets that are still subject to enforcement activity.

Risk Management in the Group

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Risk Management Department under policies approved by the Board of Directors. The Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The most important types of risks identified by the Group are credit risk, liquidity risk, market risk, reputational risk and operational risk. Market risk includes currency risk, profit rate risk, and price risk.

Credit Risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks and financial institutions. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the Risk Management Department which sets parameters and thresholds for the Bank's financing and off-balance sheet financial instruments.

Liquidity risk

Liquidity risk is the risk that Ithmaar is unable to meet its financial obligations as they fall due, which could arise due to mismatches in cash flows.

Liquidity risk arises either:

- From the inability to manage unplanned decreases or changes in funding sources; or
- from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Liquidity risk management ensures that funds are available at all times to meet the funding requirements, Funding and liquidity management is performed centrally by the Asset and Liability Management Committee (ALCO). Group's liquidity policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to generate funds from the market, or have sufficient High Quality Liquid Assets (HQLAs) to sell and raise immediate funds without incurring unacceptable costs and losses. Ithmaar regularly monitors the concentration in the funding sources and ensures that the funding sources are adequately diversified.

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

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) New accounting standard: Issued and effective (Continued)

Risk Management in the Group (Continued)

Market risk

Market risk is the risk of potential loss arising from change in the value of any exposure due to adverse changes in the underlying benchmark market rates, i.e. foreign exchange rates, equity prices and profit rates.

Management of market risk is the responsibility of the relevant business units with the group companies with oversight by the Asset-Liability Committee (ALCO).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes but not limited to legal risk and Sharia compliance risk. This definition excludes strategic and reputational risks.

Through a control framework and by monitoring and responding to potential risks, Ithmaar is able to manage the operational risks to an acceptable level.

Loss allowance

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 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)	-	-	422,090	422,090
Carrying amount - Corporate	**2,298,836**	**1,089,027**	**422,090**	**3,809,953**
Retail (un-rated)	1,425,686	20,339	7,878	1,453,903
Carrying amount including unfunded	**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 December 2018 amounted to $3.2 billion, $0.9 billion and $0.4 billion for Stage 1, Stage 2 and Stage 3 respectively (1 January 2018: $3.3 billion, $0.8 billion and $0.5 billion). Collateral coverage for gross financing as of 31 December 2018 was 132%, 17% and 46% for Stage 1, Stage 2 and Stage 3 respectively (1 January 2018: 128%, 18% and 48%).

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(ii) Basis of preparation

The consolidated financial statements are prepared on a historical cost convention except for investments carried at fair value through income statement and equity and investment in real estate.

(iii) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Sharia rules and principles as determined by the Sharia Supervisory Board of Ithmaar, the Bahrain Commercial Companies Law, the 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).

(iv) Summary of significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are companies in which the Group holds 50% or more of equity shares and as such exercises significant control over such companies. Subsidiaries, including Special Purpose entities that are controlled by Ithmaar, are consolidated from the date on which the Group obtains control and continue to be so consolidated until the date such control ceases.

Associates

Associates are companies in which the Group has significant influence, but not control over the management of affairs, and which are neither subsidiaries nor joint ventures. The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners equity.

In case of associates where audited financial statements are not available, the Group's share of profit or loss is arrived at by using the latest available management accounts. Available upto a date not earlier than three months before the date of Statement of Financial Position.

Investment in associates which meet the criteria for held for sale are classified as assets-held-for-sale.

Intra-Group balances and minority interest

The consolidated financial statements include the assets, liabilities and results of operations of the Ithmaar, its subsidiary companies after adjustment for minority interest and equity of unrestricted investment accountholders managed by the Group for both subsidiaries and associates. All significant intra-group balances and transactions have been eliminated. The financial statements of the subsidiaries are prepared on the same reporting periods as Ithmaar, using consistent accounting policies.

(b) Foreign currency transactions and balances

Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, which is Bahraini Dinars (the functional currency) and presented in US Dollars (the presentation currency). Considering that the Bahraini Dinar is pegged to United States Dollars, the changes in presentation currency will have no impact on the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in owners' equity, consolidated statement of cash flow and consolidated statement of changes in restricted investment accounts.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(b) Foreign currency transactions and balances (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Translation differences on non-monetary items carried at their fair value, such as certain sukuk and investment securities are included in investments fair value reserve.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of statement of financial position;
2. Income and expenses for each income statement are translated at average exchange rates; and
3. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. Translation losses arising in the case of severe devaluation or depreciation (other than temporary) of the currency of the net investment in a foreign operation when the latter is translated at the spot exchange rate at the date of consolidated statement of financial position, are recognised in the first place as a charge against any credit balance on the separate component of the shareholders equity and any remaining amount is recognised as a loss in the consolidated income statement. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill, and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) 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.

1. Classification of investments

   In the process of applying the Group's accounting policies, management decides upon acquisition of an investment, whether it should be classified as investments carried at fair value through income statement, held at amortised cost or investments carried at fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

2. Special purpose entities

   The Group sponsors the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPEs activities, Group's exposure to the risks and rewards, as well as its ability to make operational decisions of the SPEs.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(c) Accounting estimates and judgements (continued)

3. Goodwill and intangible assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amount of the cash-generating units were determined based on Value-in-Use (VIU) and Fair Value Less Cost to Sell (FVLCTS) methods. These calculations require the use of estimates, which are subject to judgement. Changes in the underlying assumptions may impact the reported numbers.

The following valuation methodology for the separately identified cash generating units of the Group [Ex-Shamil Bank of Bahrain B.S.C. (c), Faysal Bank Limited and BBK B.S.C] was used based on the operational activities:

- VIU calculations using cash flow projections from financial budgets approved by the Group's senior management covering a three year period.

- FVLCTS calculations using the Comparable Companies Multiple (CCM) method whereby the price to book value multiple of the listed Islamic banks operating in the region was considered.

4. Impairment on financing assets and investments

Each financing and investment exposure is evaluated individually for impairment. In assessing impairment, the Group exercises judgment in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contracts has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL") in accordance with note 2 (ii).

5. Liquidity mismatch

The Group constantly monitors the liquidity mismatch arising in the normal course of the business. Periodic stress tests are carried out on liquidity position to assess the ability of the Group to meet its liquidity mismatch. The stress testing also incorporates judgement based behavioural approach for various sources of funding and estimated inflows from disposal of assets.

6. Assets classified as held-for-sale

The Group assesses its assets at each reporting date in accordance with the criteria specified by IFRS5 - Non-current assets held for sale and discontinued operations. In determining whether the sale is highly probable, the Group exercises judgement in context of current market appetite in terms of price offered and willing buyer.

(d) Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash on hand, non-restricted balance with central banks and other banks, and short term liquid investments on demand or with an original maturity of three months or less.

(e) Murabaha and other financings

Murabaha financing is stated at cost less allowance for doubtful receivables.

The Group considers the promise made in Murabaha to the purchase orderer as obligatory.

Other financings represent conventional loans and advances, which are non-derivative financial assets with fixed or determinable payments. These are initially recorded at fair value and are subsequently carried at amortised cost using the effective yield method.

The Group receives collateral in the form of cash or other securities including bank guarantees, mortgage over property or shares and securities for Murabaha and other financings where deemed necessary. The Group's policy is to obtain collateral where appropriate. To ensure that the market value of the underlying collateral remains sufficient, collateral is valued periodically.

Provision are made in accordance with FAS 30 in accordance with note 2 (ii).

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(f) Musharaka financing

Musharaka financing is stated at cost less provision for impairment.

Provision are made in accordance with FAS 30 in accordance with note 2 (ii).

(g) Investments

1. Investments carried at amortised cost

Sukuk and debt-type instruments are carried at amortised cost where the investment is managed on a contractual yield basis and their performance evaluated on the basis of contractual cash flows. These investments are measured using effective profit method at initial recognition minus capital/redemption payments and minus any reduction for impairment.

2. Investments carried at fair value through equity

Equity-type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Equity-type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity; these are designated as such at inception. Regular-way purchases and sales of these investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset.

These investments are initially recognised at fair value 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 equity under “Investments fair value reserve”, 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.

The fair value of quoted investments in active market is based on current bid price. If there is no active market for such financial assets, the Group establishes fair values using valuation techniques. These include the use of recent arm’s length transactions and other valuation techniques used by other participants. The Group also refers to valuations carried out by investment managers in determining fair value of certain unquoted financial assets. In certain rare circumstances where the Group is unable to determine reliable measure of fair value of equity instrument on a continuing basis, the instrument is measure at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as financial assets carried at fair value through equity, a significant or prolonged decline in fair value of the security below the cost is considered in determining whether the assets are impaired. If any evidence exists of significant impairment for the investment carried at fair value through equity, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the consolidated income statement is removed from the equity and recognised in the consolidated income statement. Impairment losses on equity instruments previously recognised in the consolidated income statement are not subsequently reversed through the consolidated income statement.

3. Investments carried at fair value through income statement

An investment is classified as investment carried at fair value through income statement if acquired or originated principally for the purpose of generating a profit from short term fluctuations in price or dealers margin. These investments are recognised on the acquisition date at fair value. At the end of each reporting period, investments are re-measured at their fair value at the end of each reporting period and the gain/loss is recognised in the consolidated income statement.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(g) Investments (continued)

4. Restricted investment accounts

Investment in restricted investment accounts is initially recorded at cost and subsequently re-measured at fair value. Unrealised losses are recognised in equity to the extent of the available balance, taking into consideration the portion related to owner's equity and equity of unrestricted investment accountholders. In case cumulative losses exceed the available balance under equity, the excess is recognised in the consolidated income statement.

5. Investment in real estate

All properties held for rental income or for capital appreciation purposes or both are classified as investment in real estate. Investment in real estate held for capital appreciation are initially recognised at cost and subsequently re-measured at fair value in accordance with the fair value model with the resulting unrealised gains being recognised in the consolidated statement of changes in owner's equity under investment in real estate fair value reserves. Any unrealised losses resulting from re-measurement at fair value of investment in real estate carried at fair value are adjusted in equity against the investment in real estate fair value reserve, taking into consideration the split between the portion related to owners' equity and equity of investment accountholders, to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the unrealised losses are recognised in the consolidated income statement. In case there are unrealised losses relating to investment in real estate that have been recognised in the consolidated income statement in a previous financial period, the unrealised gains relating to the current financial period are recognised to the extent of crediting back such previous losses in the consolidated income statement. The realised profits or losses resulting from the sale of any investment in real estate are measured as the difference between the book value (or carrying amount) and the net cash or cash equivalent proceeds from the sale for each investment separately. The resulting profit or loss together with the available balance on the investment in real estate fair value reserve account is recognised in the consolidated income statement for the current financial period.

Investment in real estate held for rental purposes are stated at cost less accumulated depreciation.

6. Development properties

Development properties represents land held by the Group for development and sale in the ordinary course of business, and includes expenditure incurred in acquiring the land and other costs incurred in bringing them to their existing condition. Development properties are stated at lower of cost or estimated net realizable value. Estimated realizable value is determined using the estimated selling price in the ordinary course of business, less estimated development expenses.

7. Investment in mudaraba

Mudaraba investments are recorded at cost. Decline in the value of investment which is not temporary is charged directly to the consolidated income statement.

8. Fair value

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investments where there are no quoted market prices, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows or at net asset value. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(h) Assets acquired for leasing (Ijarah)

Assets acquired for leasing are stated at cost and are depreciated according to the Group's depreciation policy for fixed assets or lease term, whichever is lower.

Provision are made in accordance with FAS 30 in accordance with note 2 (ii)

(i) Takaful and retakaful contracts

- Takaful contracts

As an Islamic insurance provider, the Group issues contracts that are based on cooperative activity by risk sharing. The Group classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Group to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

- Retakaful contracts

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

The participants' takaful funds comprises of general takaful and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

- Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the participants' statement of revenues and expenses.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(i) Takaful and retakaful contracts (Continued)

- Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Group. In respect of proportional and non-proportional retakaful contracts, the amounts are recognised in the participants' statement of revenues and expenses as per the terms of these contracts.

- Unearned contributions

Unearned contributions represent contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

- Gross claims

Gross claims are recognised in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

- Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognised when the related gross claims settled are recognised according to the terms of the relevant contracts.

- Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made as per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the participants' statement of revenues and expenses for that year.

- Takaful and insurance receivables

Takaful and insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Buildings	50 years
Leasehold improvements	over the period of the lease
Furniture, equipment and motor vehicles	3-10 years

Depreciation is calculated separately for each significant part of an asset category. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and renewals are charged to the consolidated income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are determined by comparing proceeds with carrying amounts.

(k) Intangible assets

1. Goodwill

Goodwill acquired at the time of acquisitions of subsidiaries is reported in the consolidated statement of the financial position as an asset. Goodwill is initially measured at cost being the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Subsequently, the goodwill is tested for an impairment on an annual basis. At the end of the financial period, the goodwill is reported in the consolidated statement of financial position at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Negative goodwill resulting from the acquisition of a business or entity is reported in the consolidated income statement.

Acquisition of minority interest is accounted using the Economic Entity Method. Under the Economic Entity Method, the purchase of a minority interest is a transaction with a shareholder. As such, any excess consideration over the Group's share of net assets is recorded in owners' equity.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(k) Intangible assets (Continued)

2. Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their expected useful lives.

3. Other acquired intangible assets

Other acquired intangible assets determined to have finite lives, such as core deposits and customer relationships, are amortised on a straight line basis over their estimated useful lives of up to twenty years. The original carrying amount of core deposits and customer relationships has been determined by independent appraisers, based on the profit rate differential on the expected deposit duration method.

Other acquired intangible assets are tested annually or more often if indicators exist for impairment and carried at cost less accumulated amortization and impairment if any.

(l) Assets classified as held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying value and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

(m) Current taxation

There is no tax on corporate income in the Kingdom of Bahrain. However, the subsidiaries incorporated in tax jurisdictions pay tax as per local regulations.

(n) Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised. Enacted tax rates are used to determine deferred income tax.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(o) Provision for staff benefits

Staff benefits and entitlements to annual leave, holiday air passage and other short-term benefits are recognised when they accrue to employees. The Group's contributions to defined contribution plans are charged to the consolidated income statement in the period to which they relate. In respect of these plans, the Group has a legal and constructive obligation to pay the contributions as they fall due and no obligation exists to pay future benefits.

In respect of end of service benefits, to which certain employees of the Group are eligible, costs are assessed in accordance with the labour law requirements of the applicable jurisdiction.

For variable remuneration, a provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

(p) Due to investors

Funds received from depositors who take the corporate risk of Ithmaar or its subsidiaries are classified as "Due to investors".

(q) Equity of unrestricted investment accountholders

Under the equity of unrestricted investment accountholders (URIA), the investment account holder authorizes 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.

The assets included in the equity of unrestricted investment accountholders are measured on the same basis of various category of the assets as set out above. The amount appropriated to investment risk reserve are out of the total income from URIA assets before charging any expense relating to the management fee, mudarib share of profit, profit equalization reserve and profit to investment accountholders. Profit equalisation reserve is created to maintain a certain level of return on investments for investment accountholders.

(r) Restricted investment accounts

Under the restricted investment accounts (RIA), the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. The assets included in the restricted investment accounts are recorded at Net Asset Value (NAV).

(s) Treasury shares

These shares are treated as a deduction from the owners' equity. Gains and losses on sale of own shares are included in owners' equity.

(t) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 10% of the Group's net income for the year is transferred to a statutory reserve until such time as reserve reaches 50% of the paid up share capital. The reserve is not distributable, but can be utilized as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations.

(u) Revenue recognition

1. Profit participation and management fees

Income from profit participation and management fees charged to funds managed by the Group is recognised on the basis of the Group's entitlement to receive such revenue from restricted and unrestricted investment accounts as defined in the Mudaraba agreement (trust deed), except when the Group temporarily waives its entitlement.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(u) Revenue recognition (Continued)

2. Profit on Murabaha and other financings

Profit on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profits irrespective of whether or not cash is received. However, profit accrual is suspended on Murabaha transactions in respect of which repayment instalments are past due for more than ninety days, unless, in the opinion of the management of Ithmaar, the accrual is justified.

Income from other financings is accrued based on the effective yield method over the period of the transaction. Where income is not contractually determined or quantifiable, it is recognised when reasonably certain of realisation or when realised.

3. Income from assets acquired for leasing

Lease rental revenue is recognised on a time-apportioned basis over the lease term.

4. Income from Mudaraba contracts

Income from Mudaraba contracts are recognised when the Mudarib distributes profits. Any share of losses for the period are recognized to the extent such losses are being deducted from the Mudaraba capital.

5. Profit on Musharaka contracts

In respect of Musharaka contracts that continue for more than one financial period, the Group's share of profits are recognised when a partial or final settlement takes place and its share of the losses are recognised to the extent that such losses are deducted from the Group's share of Musharaka capital. However, in respect of diminishing Musharaka transactions, profits or losses are recognised after considering the decline in the Group's share of the Musharaka capital and, consequently, its proportionate share of the profits or losses.

6. Dividend income

Dividend income is recognised when the right to receive payment is established.

7. Fees and commissions

Fees and commissions (including banking services) are recognised when earned.

Commissions on letters of credit and letters of guarantee are recognised as income over the period of the transaction.

Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when Ithmaar has fulfilled all its obligations in connection with the related transaction.

(v) Profit allocation between group and investment accountholders

The Group maintains separate books for assets financed by owners, unrestricted and restricted investment accounts. All income generated from the assets financed by the investment accounts are allocated to the customers after deducting impairment provisions, profit equalization reserves, mudarib's share of profit and management fees.

Administrative expenses incurred in connection with the management of the funds are borne directly by the Group.

Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

(w) Assets transfer between Owner's equity, Unrestricted Investment Accounts and Restricted Investment Accounts

Assets are transferred between Owner's equity, Unrestricted Investment Accounts and Restricted Investment Accounts at fair value.

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

3. CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	165,526	2,136	167,662	168,927	2,185	171,112
Cash and balances with banks and central banks	373,131	55,441	428,572	462,062	68,764	530,826
	538,657	**57,577**	**596,234**	**630,989**	**70,949**	**701,938**

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

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	269,943	15,827	285,770	261,392	-	261,392
Less: Provision for impairment	(143)	-	(143)	-	-	-
	269,800	**15,827**	**285,627**	**261,392**	**-**	**261,392**

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

	31 December 2018			31 December 2017		
	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	538,657	57,577	596,234	630,989	70,949	701,938
Commodity and other placements with banks, financial and other institutions	269,800	15,827	285,627	261,392	-	261,392
Less: Placement maturing after ninety days	(57,221)	(15,827)	(73,048)	-	-	-
Less: Balances with central bank relating to minimum reserve requirement	(165,526)	(2,136)	(167,662)	(168,927)	(2,185)	(171,112)
	585,710	**55,441**	**641,151**	**723,454**	**68,764**	**792,218**

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

5. MURABAHA AND OTHER FINANCINGS

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	2,211,536	1,433,544	3,645,080	2,407,415	1,492,033	3,899,448
Less: Provision for impairment	(346,067)	(34,148)	(380,215)	(306,644)	(14,933)	(321,577)
	1,865,469	**1,399,396**	**3,264,865**	**2,100,771**	**1,477,100**	**3,577,871**

Other financings represents conventional loans and advances totalling $1,571 million (31 December 2017: $1,683 million) made by a subsidiary of Ithmaar.

The movement in provision for impairment is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	306,644	14,933	321,577	286,791	19,518	306,309
Impact of FAS 30	116,441	888	117,329	-	-	-
Transfer from Investment Risk Reserve for FAS 30 (note 23)	-	17,950	17,950	-	-	-
Charge for the year	16,094	6,606	22,700	43,427	-	43,427
Write back during the year	(31,519)	(284)	(31,803)	(19,341)	-	(19,341)
Utilised during the year	(391)	(5,741)	(6,132)	(1,286)	(7,222)	(8,508)
Reclassification	(15,154)	90	(15,064)	8,792	(261)	8,531
Transfer from Investment Risk Reserve	-	-	-	-	3,000	3,000
Exchange differences and other movements	(46,048)	(294)	(46,342)	(11,739)	(102)	(11,841)
At 31 December	**346,067**	**34,148**	**380,215**	**306,644**	**14,933**	**321,577**

Total provision for impairment of $380.2 million (31 December 2017: $323.8 million) includes general provision for impairment of Nil (31 December 2017: $31.8 million).

6. INVESTMENT IN MUDARABA

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Mudaraba investments	17,594	-	17,594	17,820	-	17,820
Less: Provision for impairment	(11,834)	-	(11,834)	(12,060)	-	(12,060)
	5,760	**-**	**5,760**	**5,760**	**-**	**5,760**

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

6. INVESTMENT IN MUDARABA (Continued)

The movement in provision for impairment is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	12,060	-	12,060	733	11,581	12,314
Reclassification	(226)	-	(226)	11,327	(11,581)	(254)
Exchange differences and other movements	-	-	-	-	-	-
At 31 December	**11,834**	-	**11,834**	**12,060**	-	**12,060**

7. SUKUK AND INVESTMENT SECURITIES

	31 December 2018			31 December 2017		
	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						
Held for trading						
Debt-type instruments – unlisted	226,243	-	226,243	304,895	-	304,895
Equity-type securities – listed	1,932	-	1,932	-	-	-
	228,175	-	**228,175**	**304,895**	-	**304,895**
Investment securities at fair value through equity						
Equity-type securities – listed	62,485	-	62,485	55,271	-	55,271
Equity-type securities – unlisted	269,583	-	269,583	307,705		307,705
	332,068	-	332,068	362,976	-	362,976
Provision for impairment	(170,530)	-	(170,530)	(155,515)	-	(155,515)
	161,538	-	**161,538**	**207,461**	-	**207,461**
Investment securities carried at amortised cost						
Sukuk – unlisted	11,307	188,717	200,024	17,427	232,885	250,312
Other debt-type instruments – listed	128,573	-	128,573	73,798	-	73,798
Other debt-type instruments – unlisted	1,053,572	-	1,053,572	1,045,604	-	1,045,604
	1,193,452	188,717	1,382,169	1,136,829	232,885	1,369,714
Provision for impairment	(15,187)	-	(15,187)	(19,185)	-	(19,185)
	1,178,265	**188,717**	**1,366,982**	**1,117,644**	**232,885**	**1,350,529**
	1,567,978	**188,717**	**1,756,695**	**1,630,000**	**232,885**	**1,862,885**

Sukuk and investment securities include conventional investments totalling $1,334 million (31 December 2017: $1,402.5 million) made by a subsidiary of Ithmaar.

The fair value of investment securities carried at amortised cost was $1,368.3 million (31 December 2017: $1,351.7 million) and these are tradable

Certain assets totalling Nil (31 December 2017: $1.3 million) included above are held by third parties as nominee on behalf of the Group.

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

7. SUKUK AND INVESTMENT SECURITIES (Continued)

The movement in provision for impairment relating to sukuk and investment securities is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	174,700	-	174,700	167,604	5,700	173,304
Impact of FAS 30	111	-	111	-	-	-
Charge for the year	26,417	-	26,417	10,856	-	10,856
Write back during the year	(1,330)	-	(1,330)	(78)	-	(78)
Utilised during the year	(7,607)	-	(7,607)	(333)	-	(333)
Reclassification	401	-	401	(2,179)	(5,700)	(7,879)
Exchange differences and other movements	(6,975)	-	(6,975)	(1,170)	-	(1,170)
At 31 December	**185,717**	**-**	**185,717**	**174,700**	**-**	**174,700**

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

At 31 December 2018	Level 1	Level 2	Level 3	Total
Investment securities at fair value through income statement				
Debt-type instruments	-	226,243	-	226,243
Equity securities	1,932	-	-	1,932
Investment securities at fair value through equity				
Equity securities	59,489	3,845	98,204	161,538
	61,421	**230,088**	**98,204**	**389,713**

At 31 December 2017	Level 1	Level 2	Level 3	Total
Investment securities at fair value through income statement				
Debt-type instruments	-	304,895	-	304,895
Equity securities	-	-	-	-
Investment securities at fair value through equity				
Equity securities	49,081	728	157,652	207,461
	49,081	**305,623**	**157,652**	**512,356**

There was no movement between level 1 and level 2 during the year.

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

7. SUKUK AND INVESTMENT SECURITIES (Continued)

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	2018	**2017**
At 1 January	**157,652**	**158,338**
Total gains/(losses) recognised in		
- Income statement	(23,353)	(9,367)
- Equity	(42,374)	1,148
Movement due to acquisition of subsidiary	12,184	-
Purchases	-	1,000
Sales	(1,421)	(1,120)
Reallocation	(4,484)	7,653
At 31 December	**98,204**	**157,652**
Total gains for the year included in consolidated income statement for 31 December	1,471	6,379

8. INVESTMENT IN ASSOCIATES

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

Name of company	2018	% of Share-holding	2017	% of Share-holding	Country	Activity
Unlisted:						
Solidarity Group Holding B.S.C. (C) (Note a)	-	-	68,834	36	Bahrain	Takaful
Citic International Assets Management Limited (Note b)	42,189	20	-	-	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	720	31	933	31	Pakistan	Manufacturing
Misr Company for Packing Materials "Egywrap"	-	23	2,461	23	Egypt	Trading
Faysal Asset Management Limited	-	-	210	30	Pakistan	Asset management
Ithraa Capital Company	3,859	23	4,183	23	Saudi Arabia	Investment company
Naseej B.S.C. (C)	93,658	31	107,619	31	Bahrain	Infrastructure
Chase Manara B.S.C. (C)	-	-	1,679	40	Bahrain	Real estate
Islamic Trading Company E.C	288	24	288	24	Bahrain	Trading
Solidarity Saudi Takaful Company (Note a)	42,815	28	-	-	Saudi Arabia	Takaful
Listed:						
BBK B.S.C (Note b)	427,665	-	-	25	Bahrain	Banking
	611,194		**186,207**			

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

8. INVESTMENT IN ASSOCIATES (Continued)

Group's share of their results comprise mainly from following associated companies:

Name of company	2018	2017
Unlisted:		
Solidarity Group Holding B.S.C. (C) (Note a)	707	3,269
Citic International Assets Management Limited	(22,914)	(7,443)
Naseej B.S.C. (C)	3,806	4,244
Others	945	319
Listed:		
BBK B.S.C	60,228	22,606
	42,772	**22,995**

Investment in associates include conventional investments totalling $563.5 million (31 December 2017: $107.6 million).

Certain assets totalling Nil (31 December 2017: $2.5 million) included above are held by third parties as nominee on behalf of the Group.

Assets amounting to $427.7 million (31 December 2017: $411 million) are pledged as collateral against borrowings with the terms and conditions in the ordinary course of business.

(Note a): During December 2018, Solidarity Group Holding B.S.C. (C) was classified as a subsidiary (note 44). As a result, Solidarity's associate, Solidarity Saudi Takaful Company has been included as part of the Group's investment in associates.

(Note b): During the year, BBK B.S.C and Citic International Assets Management Limited were reclassified as associates since they no longer met the criteria to classified as assets held-for-sale

Amortisation charge for the intangible assets for the year ended 31 December 2018 amounted to $10.1 million (31 December 2017: $3.4 million)

Summarised financial position of associates that have been equity accounted:

	31 December 2018	31 December 2017
Total assets	10,178,879	898,010
Total liabilities	8,295,620	295,526
Total revenues	334,758	149,531
Total net profit	69,185	20,723

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

9. RESTRICTED INVESTMENT ACCOUNTS

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investment in restricted investment accounts	49,735	-	49,735	140,215	7,500	147,715
Less: Provision for impairment	(49,735)	-	(49,735)	(72,819)	-	(72,819)
	-	**-**	**-**	**67,396**	**7,500**	**74,896**

The movement in provision for impairment is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	72,819	-	72,819	58,651	8,626	67,277
Charge for the year	-	-	-	4,778	-	4,778
Movement due to acquisition of subsidiary	(17,146)	-	(17,146)	-	-	-
Reclassification	(5,938)	-	(5,938)	8,626	(8,626)	-
Exchange differences and other movements	-	-	-	764	-	764
At 31 December	**49,735**	**-**	**49,735**	**72,819**	**-**	**72,819**

10. ASSETS ACQUIRED FOR LEASING

	Relating to owners					
	31 December 2018			31 December 2017		
	Cost	Accumulated depreciation	Net book amount	Cost	Accumulated depreciation	Net book amount
Property & Equipment	459,527	(48,762)	410,765	382,707	(34,947)	347,760

The net book amount of assets acquired for leasing is further analysed as follows:

	31 December 2018	31 December 2017
Relating to owners	3,475	6,535
Relating to unrestricted investment accounts	407,290	341,225
	410,765	**347,760**

11. INSURANCE AND RELATED RECEIVABLES

	31 December 2018
Insurance and other receivables	64,766
Reinsurer's share of outstanding claims	23,758
Reinsurer's share of unearned contribution	35,878
	124,402
Less: Provision for impairment	(4,368)
	120,034

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

12. INSURANCE RELATED RESERVES

	31 December 2018
Outstanding claims - Gross	56,981
Unearned contributions, commission and other reserves	77,892
	134,873

13. OTHER ASSETS

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Account receivable	199,391	35,152	234,543	152,343	40,127	192,470
Due from related parties	11,574	-	11,574	10,922	-	10,922
Taxes – deferred	9,718	-	9,718	22,482	-	22,482
Taxes – current	24,909	57	24,966	27,424	-	27,424
Assets acquired against claims	13,312	-	13,312	17,280	-	17,280
	258,904	35,209	294,113	230,451	40,127	270,578
Provision for impairment	(70,640)	(12,154)	(82,794)	(62,084)	(12,255)	(74,339)
	188,264	**23,055**	**211,319**	**168,367**	**27,872**	**196,239**

The movement in provision for impairment is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	62,084	12,255	74,339	44,685	11,963	56,648
Impact of FAS 30	7,149	-	7,149	-	-	-
Charge for the year	3,712	-	3,712	14,898	-	14,898
Write back during the year	(217)	-	(217)	-	-	-
Utilised during the year	-		-	(1,301)	-	(1,301)
Reclassification	(1,186)	(90)	(1,276)	3,299	292	3,591
Exchange differences and other movements	(902)	(11)	(913)	503	-	503
At 31 December	**70,640**	**12,154**	**82,794**	**62,084**	**12,255**	**74,339**

14. INVESTMENT IN REAL ESTATE

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investment properties	308,212	-	308,212	277,423	-	277,423
Less: Provision for impairment	(38,146)	-	(38,146)	(29,521)	-	(29,521)
	270,066	**-**	**270,066**	**247,902**	**-**	**247,902**

Fair value of investment properties at the year end approximates their carrying value.

Certain assets totalling $0.6 million (31 December 2017: $1.2 million) included above are held by third parties as nominee on behalf of the Group.

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

14. INVESTMENT IN REAL ESTATE (Continued)

The movement in provision for impairment for investment in real estate is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	29,521	-	29,521	19,029	-	19,029
Charge for the year	620	-	620	12,993	-	12,993
Utilised during the year	(7,607)	-	(7,607)	-	-	-
Reclassification	18,103	-	18,103	(4,334)	-	(4,334)
Exchange differences and other movements	(2,491)	-	(2,491)	1,833	-	1,833
At 31 December	**38,146**	**-**	**38,146**	**29,521**	**-**	**29,521**

15. DEVELOPMENT PROPERTIES

	31 December 2018
Land	175,361
Development costs	94,027
	269,388

Development costs represent the infrastructure costs incurred such as roads and networks, electricity stations and design and supervision costs and the infrastructure cost commitments. The infrastructure cost commitments are expected to be met by anticipated sale of plots. Based on this, the management has estimated that the current carrying value is lower that the net realisable value, and accordingly, no impairment has been considered necessary.

16. ASSETS CLASSIFIED AS HELD-FOR-SALE

During the year, the assets held-for-sale were reclassified to investment in associate (note 8) since they no longer met the criteria to classified as assets held-for-sale

At 31 December 2017, the assets classified as held for sale amounted to $478.4 million.

17. FIXED ASSETS

	Relating to owners							
	31 December 2018				31 December 2017			
	Cost	Accumulated depreciation	Provision for impairment	Net book amount	Cost	Accumulated depreciation	Provision for impairment	Net book amount
Land and building	50,226	(10,869)	-	39,357	129,063	(12,890)	(2,859)	113,314
Leasehold improvements	30,358	(21,219)	-	9,139	34,708	(21,822)	-	12,886
Furniture and equipment	77,979	(64,293)	-	13,686	76,847	(63,309)	-	13,538
Motor vehicles	2,951	(1,917)	-	1,034	3,146	(2,064)	-	1,082
	161,514	**(98,298)**	**-**	**63,216**	**243,764**	**(100,085)**	**(2,859)**	**140,820**

Depreciation charge for the year ended 31 December 2018 amounted to $7.3 million (31 December 2017: $7.5 million)

During the year, land amounting to $59 million was transferred to development property due to change in intention with a view to develop and sell in the normal course of business.

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

18. INTANGIBLE ASSETS

	Relating to owners				
	31 December 2018				
	Cost	Accumulated amortisation	Provision for impairment	Exchange differences	Net book amount
Goodwill	90,777	-	(47,500)	(9,518)	33,759
Customer relations	113,565	(67,299)	-	(13,424)	32,842
Core deposits	155,546	(96,251)	-	(19,525)	39,770
Others	50,909	(29,413)	-	-	21,496
	410,797	**(192,963)**	**(47,500)**	**(42,467)**	**127,867**

	Relating to owners				
	31 December 2017				
	Cost	Accumulated amortisation	Provision for impairment	Exchange differences	Net book amount
Goodwill	87,830	-	(8,500)	(9,231)	70,099
Customer relations	113,565	(62,816)	-	(10,381)	40,368
Core deposits	155,546	(88,474)	-	(20,324)	46,748
Others	30,659	(25,748)	-	-	4,911
	387,600	**(177,038)**	**(8,500)**	**(39,936)**	**162,126**

Amortisation charge for the year ended 31 December 2018 amounted to $16 million (31 December 2017: $16.8 million).

The carrying amount of goodwill has been allocated to cash-generating units as follows:

	31 December 2018	31 December 2017
Business units of ex-Shamil Bank of Bahrain B.S.C. (C)	23,570	62,570
Faysal Bank Limited	10,189	7,529
	33,759	**70,099**

The recoverable amount of the cash-generating units were determined based on Value-in-Use (VIU) and Fair Value Less Cost to Sell (FVLCTS). VIU calculations were 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 FVLCTS calculations, the Comparable Companies Multiple (CCM) method was used, whereby the price to book value multiple of the listed Islamic banks operating in the region was considered. The key assumptions used in estimating the recoverable amounts of cash-generating units were assessed to ensure reasonableness of the VIU and FVLCTS and resulting adjustment, if any, is recorded in the consolidated income statement.

19. CUSTOMERS' CURRENT ACCOUNTS

Customers' current accounts include balance relating to a counterparty amounting to $207.4 million which is subject to sanctions under US measures (31 December 2017: $215.6 million).

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

20. DUE TO BANKS, FINANCIAL AND OTHER INSTITUTIONS

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Due to banks	1,343,107	79,927	1,423,034	1,051,925	40,372	1,092,297
Due to financial and other institutions	118,312	-	118,312	51,667	-	51,667
	1,461,419	**79,927**	**1,541,346**	**1,103,592**	**40,372**	**1,143,964**

Due to banks, financial and other institutions include balances totalling $428.5 million from two counterparties which are subject to sanctions under US measures and having contractual maturity ranging to up to one month (31 December 2017: $432.1 million).

Due to banks, financial and other institutions include conventional deposits totalling $625.6 million (31 December 2017: $457.1 million), accepted by a subsidiary of Ithmaar.

At 31 December 2018, there were collateralized borrowings in aggregate $178.7 million (31 December 2017: $117.7 million).

Cash dividends amounting to $25.5 million (31 December 2017: $21.8 million) on certain shares pledged as collateral was directly received by the lender (as per agreed terms and conditions) during the year and adjusted against the outstanding facility amount as per the agreed terms.

Assets which are pledged as collateral are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

21. DUE TO INVESTORS

	Relating to owners	
	31 December 2018	31 December 2017
Due to corporate institutions	751,047	987,820
Due to individuals	716,990	849,545
Due to financial institutions	226,940	70,606
	1,694,977	**1,907,971**

Due to investors represent conventional deposits accepted by a subsidiary of the Group.

22. OTHER LIABILITIES

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts payable	452,852	107,963	560,815	282,937	103,316	386,253
Due to related parties	107	-	107	40,089	-	40,089
Provision for taxation – current	849	-	849	948	-	948
Provision for taxation – deferred	4,351	-	4,351	4,355	-	4,355
	458,159	**107,963**	**566,122**	**328,329**	**103,316**	**431,645**

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

23. 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:

	Note	Relating to owners 31 December 2018	Relating to owners 31 December 2017
Cash and balances with banks and central banks	3	57,577	70,949
Commodity and other placements with banks, financial and other institutions	4	15,827	-
Murabaha and other financings	5	1,399,396	1,477,100
Musharaka financing		495,053	356,845
Sukuk and investment securities	7	188,717	232,885
Restricted investment accounts	9	-	7,500
Assets acquired for leasing	10	407,290	341,225
Other assets	13	23,055	27,872
Due from the Group (net)		442,333	742,957
		3,029,248	3,257,333
Customers' current accounts	19	(219,047)	(285,730)
Due to banks, financial and other institutions	20	(79,927)	(40,372)
Other liabilities	22	(107,963)	(103,316)
Equity of unrestricted investment accountholders		**2,622,311**	**2,827,915**

Due from the Group represents net amount due to Unrestricted Investment Accountholders from owners.

The assets attributable to unrestricted investment accountholders have been disclosed net of impairment provisions amounting to $49.9 million (31 December 2017: $29.4 million). The movement of impairment provisions relating to unrestricted investment accountholders has been disclosed in note 31.

Other liabilities include profit equalization reserve and the movement is as follows:

	31 December 2018	31 December 2017
At 1 January	17,548	17,548
Net addition during the year	4,500	-
At 31 December	**22,048**	**17,548**

Other liabilities include investment risk reserve and the movement is as follows:

	31 December 2018	31 December 2017
At 1 January	17,950	17,850
Net addition during the year	1,500	3,100
Transfer (to)/ from general provision for impairment (note 30)	-	(3,000)
Utilized for FAS 30	(17,950)	-
At 31 December	**1,500**	**17,950**

The average gross rate of return in respect of unrestricted investment accounts was 4.9% for 31 December 2018 (31 December 2017: 5.0%) of which 2.7% (31 December 2017: 2.9%) was distributed to the investors and the balance was either set aside as provision for impairment, management fees (up to 1.5% of the total invested amount per annum to cover administration and other expenses related to the management of such funds) and/or retained by the Group as share of profits in its capacity as a Mudarib.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018
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24. MINORITY INTEREST

The consolidated financial statements include 100% of the assets, liabilities and earnings of subsidiaries. The ownership interests of the other shareholders in the subsidiaries are called minority interests.

The following table summarises the minority shareholders' interests in the equity of consolidated subsidiaries.

	31 December 2018		31 December 2017	
	Minority %		Minority %	
Faysal Bank Limited	33	100,833	33	113,980
Solidarity Group Holding B.S.C. (C)	45	106,506	-	-
Health Island B.S.C. (C)	50	49,324	50	49,386
Dilmunia Development Fund I L.P.	43	80,272	-	-
Cityview Real Estate Development B.S.C. (C)	49	(3,565)	49	(4,490)
Sakana Holistic Housing Solutions B.S.C. (C)	50	3,193	50	4,165
		336,563		**163,041**

Minority interest in the consolidated income statement of $34 million (31 December 2017: $12.3 million) represents the minority shareholders' share of the earnings of these subsidiaries for the respective years.

25. 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 2017	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 December 2017 (Audited)	**2,910,160**	**727,541**
Issued and fully paid		
Total outstanding as at 1 January 2018	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 December 2018 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 December 2018 (31 December 2017: 120,595,238). The shares are held as treasury shares and the Group has the right to reissue these shares at a later date.

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

26. EARNINGS PER SHARE (BASIC & DILUTED)

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

	31 December 2018	31 December 2017
Net loss attributable to shareholders ($ '000)	(23,981)	(84,711)
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	**(0.82)**	**(2.91)**

Earnings per share on non-sharia compliant income and expenses is included under note 43.

27. INCOME FROM MURABAHA AND OTHER FINANCINGS

	Relating to owners	
	31 December 2018	31 December 2017
Income from murabaha financing	6,085	9,259
Income from other financings	155,013	132,290
	161,098	**141,549**

28. INCOME FROM OTHER INVESTMENTS

	Relating to owners	
	31 December 2018	31 December 2017
Income from investment securities at amortised cost	59,717	83,458
Income from investment securities at fair value through equity	5,823	9,519
Income from investment securities at fair value through income statement	27,732	26,204
Income from investment in real estate	6,035	3,958
	99,307	**123,139**

29. OTHER INCOME

	Relating to owners	
	31 December 2018	31 December 2017
Income from banking services	45,525	46,227
Income from commodity placements	5,788	2,623
Foreign exchange income/(loss)	7,618	(20,096)
Gain on disposal of fixed assets	249	545
Income from fees and commissions	4,602	1,171
	63,782	**30,470**

30. ADMINISTRATIVE AND GENERAL EXPENSES

	Relating to owners	
	31 December 2018	31 December 2017
Salaries and other benefits	87,651	90,775
Office expenses	60,322	58,624
Professional fees	12,570	10,744
Other administrative expenses	22,475	20,707
	183,018	**180,850**

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

31. PROVISION FOR IMPAIRMENT

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	739,715	29,426	769,141	659,325	59,626	718,951
Impact of FAS 30	123,850	888	124,738	-	-	-
Transfer from Investment Risk Reserve FAS 30 (note 23)	-	17,950	17,950	-	-	-
Charge for the year	88,399	8,880	97,279	87,008	-	87,008
Write back during the year	(33,061)	(394)	(33,455)	(19,420)	-	(19,420)
Transfer from Investment Risk Reserve (note 23)	-	-	-	-	3,000	3,000
Utilised during the year	(15,605)	(5,741)	(21,346)	(2,920)	(7,222)	(10,142)
Reclassification	-	-	-	25,916	(25,916)	-
Movement due to acquisition of subsidiary	(12,778)	-	(12,778)			
Exchange differences	(56,419)	(1,071)	(57,490)	(10,194)	(62)	(10,256)
At 31 December	**834,101**	**49,938**	**884,039**	**739,715**	**29,426**	**769,141**

The allocation of the provision for impairment to the respective assets is as follows:

	31 December 2018			31 December 2017		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	346,067	34,148	380,215	306,644	14,933	321,577
Musharaka financing	-	3,636	3,636	-	2,238	2,238
Commodity and other placements with banks, financial and other institutions	143	-	143	-	-	-
Investment in mudaraba	11,834	-	11,834	12,060	-	12,060
Investment in associates	75,892	-	75,892	70,528	-	70,528
Sukuk and investment securities	185,717	-	185,717	174,700	-	174,700
Restricted investment accounts	49,735	-	49,735	72,819	-	72,819
Insurance and related receivables	4,368	-	4,368	-	-	-
Other assets	70,640	12,154	82,794	62,084	12,255	74,339
Development Properties	4,059	-	4,059	-	-	-
Investment in real estate	38,146	-	38,146	29,521	-	29,521
Fixed assets	-	-	-	2,859	-	2,859
Intangible assets	47,500	-	47,500	8,500	-	8,500
	834,101	**49,938**	**884,039**	**739,715**	**29,426**	**769,141**

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

31. PROVISION FOR IMPAIRMENT (Continued)

Total provision for impairment of $884 million (31 December 2017: $769.1 million) includes Nil (31 December 2017: $35.2 million) held as general provisions. The movement in general provision for impairment is as follows:

	Relating to owners	
	31 December 2018	31 December 2017
At 1 January	35,246	28,918
Charge for the year	-	21,494
Reallocations	(35,246)	(15,166)
At 31 December	**-**	**35,246**

General provision for impairment of Nil (31 December 2017: $35.2 million) includes Nil (31 December 2017: $31.8 million) in respect of Murabaha and other financings.

32. OVERSEAS TAXATION

	Relating to owners	
	31 December 2018	31 December 2017
Current taxes	17,080	17,752
Deferred taxes	11,852	9,121
	28,932	**26,873**

The Group is subject to income taxes in some jurisdictions. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax receivable/(payable)

	31 December 2018	31 December 2017
At 1 January	26,476	19,179
Charge for the year	(17,080)	(17,752)
Payments made	25,128	22,731
Exchange differences and other movements	(10,407)	2,318
At 31 December	**24,117**	**26,476**

Deferred tax asset/(liability)

	31 December 2018	31 December 2017
At 1 January	18,127	25,799
Charge for the year	(11,852)	(9,121)
Charges due to fair value reserve	672	2,280
Exchange differences and other movements	(1,580)	(831)
At 31 December	**5,367**	**18,127**

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33. 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.

	31 December 2018					31 December 2017				
	Retail & Corporate banking	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**	**Retail & Corporate banking**	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**
Operating income	152,760	67,630	37,884	1,546	**259,820**	173,810	43,122	13,578	51	**230,561**
Total expenses	(146,914)	(30,803)	(37,734)	(954)	**(216,405)**	(168,795)	(11,165)	(28,323)	(218)	**(208,501)**
Net income/(loss) before provision and overseas taxation	**5,846**	**36,827**	**150**	**592**	**43,415**	**5,015**	**31,957**	**(14,745)**	**(167)**	**22,060**
Gain arising on acquisition of a business (net)	-	-	50,912	-	**50,912**	-	-	-	-	-
Provision and overseas taxation	(30,396)	(19,211)	(34,636)	(27)	**(84,270)**	(46,403)	(12,633)	(35,462)	37	**(94,461)**
Net income/(loss) for the year	**(24,550)**	**17,616**	**16,426**	**565**	**10,057**	**(41,388)**	**19,324**	**(50,207)**	**(130)**	**(72,401)**
Attributable to:										
Equity holders of Ithmaar	(31,849)	11,727	(4,207)	348	**(23,981)**	(47,199)	12,864	(50,292)	(84)	**(84,711)**
Minority interests	7,299	5,889	20,633	217	**34,038**	5,811	6,460	85	(46)	**12,310**
	(24,550)	**17,616**	**16,426**	**565**	**10,057**	**(41,388)**	**19,324**	**(50,207)**	**(130)**	**(72,401)**
Total assets	**4,842,981**	**1,563,543**	**1,700,091**	**382,041**	**8,488,656**	**5,015,399**	**1,822,973**	**1,764,533**	**8,454**	**8,611,359**
Total liabilities and equity of unrestricted investment account holders	**7,014,201**	**711,032**	**116,489**	**194,015**	**8,035,737**	**7,463,066**	**525,771**	**104,055**	**96**	**8,092,988**

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

33. SEGMENTAL INFORMATION (Continued)

The Group constitutes of four geographical segments which are Europe, North America, Middle East & Africa, Asia and others

	31 December 2018						31 December 2017					
	Europe	**North America**	**Middle East & Africa**	**Asia**	**Others**	**Total**	**Europe**	**North America**	**Middle East & Africa**	**Asia**	**Others**	**Total**
Operating income	11,047	-	84,284	162,380	2,109	**259,820**	3,793	1,797	34,358	188,493	2,120	**230,561**
Total expenses	(9,963)	-	(84,571)	(121,871)	-	**(216,405)**	(10,501)	-	(74,733)	(123,267)	-	**(208,501)**
Net income/(loss) before provision and overseas taxation	**1,084**	**-**	**(287)**	**40,509**	**2,109**	**43,415**	**(6,708)**	**1,797**	**(40,375)**	**65,226**	**2,120**	**22,060**
Gain arising on acquisition of a business (net)	-	-	50,912	-	-	**50,912**	**-**	**-**	-	**-**	**-**	-
Provision and overseas taxation	(1,934)		(59,779)	(22,557)	-	**(84,270)**	(922)	-	(70,574)	(22,965)	-	**(94,461)**
Net income/(loss) for the year	**(850)**	**-**	**(9,154)**	**17,952**	**2,109**	**10,057**	**(7,630)**	**1,797**	**(110,949)**	**42,261**	**2,120**	**(72,401)**
Attributable to:												
Equity holders of the Ithmaar	(850)	-	(29,531)	4,291	2,109	**(23,981)**	(7,630)	1,797	(109,176)	28,178	2,120	**(84,711)**
Minority interests	-	-	20,377	13,661	-	**34,038**	-	-	(1,773)	14,083	-	**12,310**
	(850)	**-**	**(9,154)**	**17,952**	**2,109**	**10,057**	**(7,630)**	**1,797**	**(110,949)**	**42,261**	**2,120**	**(72,401)**
Total assets	**452,273**	**35,643**	**3,655,272**	**4,301,145**	**44,323**	**8,488,656**	**453,090**	**40,400**	**3,580,212**	**4,509,165**	**28,492**	**8,611,359**
Total liabilities and equity of unrestricted investment account holders	**280,548**	**8,122**	**3,836,191**	**3,906,878**	**3,998**	**8,035,737**	**251,374**	**23,847**	**3,729,712**	**4,084,822**	**3,233**	**8,092,988**

34. ZAKAH

Zakah is directly borne by the owners and investors in restricted and equity of unrestricted investment accountholders. Ithmaar does not collect or pay Zakah on behalf of its owners and its investment accountholders.

35. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	31 December 2018	**31 December 2017**
Acceptances and endorsements	78,081	62,824
Guarantees and irrevocable letters of credit	796,057	878,393
Customer and other claims	257,042	324,995
	1,131,180	**1,266,212**

Commitments

	31 December 2018	**31 December 2017**
Undrawn facilities, financing lines and other commitments to finance	**2,064,257**	**1,897,757**

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

36. CURRENCY RISK

The currency exposure of the assets and liabilities, of the Group, including equity of unrestricted investment accountholders, is as follows:

31 December 2018	United States Dollar	Pakistan Rupee	Bahraini Dinar	Euro	UAE Dirham	Other	Total
Cash and balances with banks and central banks	108,999	257,354	148,186	62,908	1,329	17,458	596,234
Commodity and other placements with banks, financial and other institutions	34,686	37,274	127,776	68,435	-	17,456	285,627
Murabaha and other financings	342,978	1,633,461	1,194,294	9,555	19,511	65,066	3,264,865
Musharaka financing	-	495,626	-	-	-	-	495,626
Investment in mudaraba	5,760	-	-	-	-	-	5,760
Sukuk and investment securities	142,553	1,522,657	83,399	4,296	-	3,790	1,756,695
Investment in associates	-	720	521,611	-	-	88,863	611,194
Assets acquired for leasing	193	-	410,572	-	-	-	410,765
Insurance and related receivables	1,589	-	63,485	-	-	54,960	120,034
Other assets	39,199	104,571	50,669	7,914	8	8,958	211,319
Investment in real estate	-	8,910	182,222	2,180	-	76,754	270,066
Development Properties	-	-	269,388	-	-	-	269,388
Fixed assets	116	45,264	6,409	1	-	11,426	63,216
Intangible assets	108,115	12,473	7,279	-	-	-	127,867
Total assets	**784,188**	**4,118,310**	**3,065,290**	**155,289**	**20,848**	**344,731**	**8,488,656**
Customer current accounts	118,523	862,181	253,847	225,667	135	15,755	1,476,108
Due to banks, financial and other institutions	330,627	617,198	161,708	102,088	329,685	40	1,541,346
Due to investors	109,863	1,564,239	-	6,230	-	14,645	1,694,977
Insurance related reserves	-	-	91,869	-	-	43,004	134,873
Other liabilities	33,674	248,736	263,117	2,919	158	17,518	566,122
Total liabilities	**592,687**	**3,292,354**	**770,541**	**336,904**	**329,978**	**90,962**	**5,413,426**
Equity of unrestricted investment accountholders	396,548	280,184	1,945,508	-	-	71	2,622,311
Total liabilities and equity of unrestricted investment accountholders	**989,235**	**3,572,538**	**2,716,049**	**336,904**	**329,978**	**91,033**	**8,035,737**
Contingent liabilities and commitments	**768,433**	**1,726,759**	**491,565**	**90,048**	**1,838**	**116,794**	**3,195,437**
31 December 2017							
Total assets	**1,004,407**	**4,295,848**	**2,888,592**	**138,512**	**31,362**	**252,638**	**8,611,359**
Total liabilities and equity of unrestricted investment accountholders	**883,037**	**3,780,207**	**2,694,779**	**369,438**	**329,009**	**36,518**	**8,092,988**
Contingent liabilities and commitments	**624,247**	**1,872,336**	**510,623**	**86,250**	**2,331**	**68,182**	**3,163,969**

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

37. MATURITY PROFILE

The contractual maturity profile of the assets and liabilities of the Group, including equity of unrestricted investment accountholders, is as follows:

31 December 2018	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and balances with banks and central banks	594,349	1,885	-	-	-	596,234
Commodity and other placements with banks, financial and other institutions	157,419	55,160	57,208	15,840	-	285,627
Murabaha and other financings	879,017	344,703	481,723	901,450	657,972	3,264,865
Musharaka financing	3,876	11,598	76,393	311,163	92,596	495,626
Investment in mudaraba	-	-	-	5,760	-	5,760
Sukuk and investment securities	489,522	756,389	268,101	170,201	72,482	1,756,695
Investment in associates	-	-	-	-	611,194	611,194
Assets acquired for leasing	127	554	1,441	4,714	403,929	410,765
Insurance and related receivables	-	36,010	84,024	-	-	120,034
Other assets	36,908	45,797	57,219	44,787	26,608	211,319
Investment in real estate	-	-	8,910	62,812	198,344	270,066
Development Properties	-	-	-	269,388	-	269,388
Fixed assets	-	-	246	45,155	17,815	63,216
Intangible assets	-	-	-	-	127,867	127,867
Total assets	**2,161,218**	**1,252,096**	**1,035,265**	**1,831,270**	**2,208,807**	**8,488,656**
Customer current accounts	1,476,108	-	-	-	-	1,476,108
Due to banks, financial and other institutions	885,408	79,192	146,645	223,824	206,277	1,541,346
Due to investors	1,180,118	225,999	276,712	12,148	-	1,694,977
Insurance related reserves	-	40,462	94,411	-	-	134,873
Other liabilities	219,243	61,044	55,063	174,582	56,190	566,122
Total liabilities	**3,760,877**	**406,697**	**572,831**	**410,554**	**262,467**	**5,413,426**
Equity of unrestricted investment accountholders	1,374,172	297,865	731,564	218,710	-	2,622,311
Total liabilities and equity of unrestricted investment accountholders	**5,135,049**	**704,562**	**1,304,395**	**629,264**	**262,467**	**8,035,737**
Contingent liabilities and commitments	**1,739,393**	**303,289**	**714,705**	**335,866**	**102,184**	**3,195,437**
31 December 2017						
Total assets	**2,204,903**	**1,274,863**	**1,085,568**	**1,855,984**	**2,190,041**	**8,611,359**
Total liabilities and equity of unrestricted investment accountholders	**5,276,701**	**768,735**	**1,668,463**	**359,242**	**19,847**	**8,092,988**
Contingent liabilities and commitments	**1,516,946**	**394,922**	**830,791**	**372,412**	**48,898**	**3,163,969**

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

38. CONCENTRATION OF ASSETS, LIABILITIES AND LETTERS OF CREDIT AND GUARANTEE

Assets and liabilities of the Group, including equity of unrestricted investment accountholders, and letters of credit and guarantee are distributed over the following industry sectors and geographical regions:

31 December 2018	Banks and Financial Institutions	Trading and Manu-facturing	Property and Cons-truction	Services	Private individuals	Textile	Other	Total
Cash and balances with banks and central banks	596,234	-	-	-	-	-	-	596,234
Commodity and other placements with banks, financial and other institutions	285,627	-	-	-	-	-	-	285,627
Murabaha and other financings	796,284	973,588	89,206	91,518	981,307	165,186	167,776	3,264,865
Musharaka financing	65,267	144,218	43,480	51,748	151,250	10,490	29,173	495,626
Investment in mudaraba	5,760	-	-	-	-	-	-	5,760
Sukuk and investment securities	1,594,172	39,715	15,738	73,001	-	-	34,069	1,756,695
Investment in associates	567,371	1,009	-	-	-	-	42,814	611,194
Assets acquired for leasing	2,756	26,804	525	241	380,439	-	-	410,765
Insurance and related receivables	-	-	-	112,559	-	-	7,475	120,034
Other assets	36,514	18,968	45,333	31,788	17,476	-	61,240	211,319
Investment in real estate	-	-	250,447	-	-	-	19,619	270,066
Development Properties	-	-	269,388	-	-	-	-	269,388
Fixed assets	60,680	-	2,536	-	-	-	-	63,216
Intangible assets	127,867	-	-	-	-	-	-	127,867
Total assets	**4,138,532**	**1,204,302**	**716,653**	**360,855**	**1,530,472**	**175,676**	**362,166**	**8,488,656**
Customer current accounts	95,683	376,047	50,501	137,567	478,520	62	337,728	1,476,108
Due to banks, financial and other institutions	1,311,723	-	10,700	218,923	-	-	-	1,541,346
Due to investors	154,165	363,168	60,104	291,600	443,453	-	382,487	1,694,977
Insurance related reserves	-	-	-	-	-	-	134,873	134,873
Other liabilities	143,956	195	75,600	1,607	22,906	-	321,858	566,122
Total liabilities	**1,705,527**	**739,410**	**196,905**	**649,697**	**944,879**	**62**	**1,176,946**	**5,413,426**
Equity of unrestricted investment accountholders	239,365	240,861	60,866	130,532	1,726,162	-	224,525	2,622,311
Total liabilities and equity of unrestricted investment accountholders	**1,944,892**	**980,271**	**257,771**	**780,229**	**2,671,041**	**62**	**1,401,471**	**8,035,737**
Contingent liabilities and commitments	**1,343,942**	**876,258**	**52,620**	**393,405**	**7,546**	**34,794**	**486,872**	**3,195,437**
31 December 2017								
Total assets	**4,423,060**	**1,108,351**	**625,802**	**68,337**	**1,828,812**	**251,233**	**305,764**	**8,611,359**
Total liabilities and equity of unrestricted investment accountholders	**1,585,270**	**1,126,419**	**420,700**	**856,368**	**2,792,681**	**30,082**	**1,281,468**	**8,092,988**
Contingent liabilities and commitments	**1,204,590**	**1,106,593**	**61,459**	**30,574**	**16,220**	**65,345**	**679,188**	**3,163,969**

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

38. CONCENTRATION OF ASSETS, LIABILITIES AND LETTERS OF CREDIT AND GUARANTEE (Continued)

31 December 2018	Asia / Pacific	Middle East	Europe	North America	Others	Total
Cash and balances with banks and central banks	324,808	178,349	74,848	17,852	377	596,234
Commodity and other placements with banks, financial and other institutions	37,274	243,956	4,397	-	-	285,627
Murabaha and other financings	1,689,350	1,273,568	272,881	-	29,066	3,264,865
Musharaka financing	495,626	-	-	-	-	495,626
Investment in mudaraba	-	-	-	5,760	-	5,760
Sukuk and investment securities	1,529,718	205,936	5,052	2,699	13,290	1,756,695
Investment in associates	42,909	568,285	-	-	-	611,194
Assets acquired for leasing	-	410,765	-	-	-	410,765
Insurance and related receivables	7,474	110,970	-	-	1,590	120,034
Other assets	104,620	71,572	25,795	9,332	-	211,319
Investment in real estate	11,629	189,137	69,300	-	-	270,066
Development Properties	-	269,388	-	-	-	269,388
Fixed assets	45,264	17,952	-	-	-	63,216
Intangible assets	12,473	115,394	-	-	-	127,867
Total assets	**4,301,145**	**3,655,272**	**452,273**	**35,643**	**44,323**	**8,488,656**
Customer current accounts	965,250	286,525	216,012	8,122	199	1,476,108
Due to banks, financial and other institutions	705,515	801,350	31,287	-	3,194	1,541,346
Due to investors	1,694,972	5	-	-	-	1,694,977
Insurance related reserves	-	134,873	-	-	-	134,873
Other liabilities	260,789	271,479	33,249	-	605	566,122
Total liabilities	**3,626,526**	**1,494,232**	**280,548**	**8,122**	**3,998**	**5,413,426**
Equity of unrestricted investment accountholders	280,352	2,341,959	-	-	-	2,622,311
Total liabilities and equity of unrestricted investment accountholders	**3,906,878**	**3,836,191**	**280,548**	**8,122**	**3,998**	**8,035,737**
Contingent liabilities and commitments	**2,674,967**	**507,166**	**13,201**	**-**	**103**	**3,195,437**
31 December 2017						
Total assets	**4,509,165**	**3,580,212**	**453,090**	**40,400**	**28,492**	**8,611,359**
Total liabilities and equity of unrestricted investment accountholders	**4,084,822**	**3,729,712**	**251,374**	**23,847**	**3,233**	**8,092,988**
Contingent liabilities and commitments	**2,608,341**	**542,427**	**13,201**	**-**	**-**	**3,163,969**

Notes to the Consolidated Financial Statements

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39. RISK MANAGEMENT

Profit rate risk

The table below summarises the Group's exposure to profit rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 December 2018	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Cash and balances with banks and central banks	-	-	-	-	-	596,234	596,234
Commodity and other placements with banks, financial and other institutions	157,419	55,160	57,208	15,840	-	-	285,627
Murabaha and other financings	720,184	344,252	871,230	890,436	438,763	-	3,264,865
Musharaka financing	3,877	11,598	76,392	311,163	92,596	-	495,626
Sukuk and investment securities	489,522	528,214	512,177	13,287	-	213,495	1,756,695
Assets acquired for leasing	-	29	1,441	2,143	407,152	-	410,765
Insurance and related receivables	-	-	-	-	-	120,034	120,034
Other assets	-	-	-	-	-	211,319	211,319
Total financial assets	**1,371,002**	**939,253**	**1,518,448**	**1,232,869**	**938,511**	**1,141,082**	**7,141,165**
Customer current accounts	-	-	-	-	-	1,476,108	1,476,108
Due to banks, financial and other institutions	1,046,848	57,453	23,617	2,586	-	410,842	1,541,346
Due to investors	435,229	902,500	337,629	19,619	-	-	1,694,977
Other liabilities	-	-	-	-	-	566,122	566,122
Total financial liabilities	**1,482,077**	**959,953**	**361,246**	**22,205**	**-**	**2,453,072**	**5,278,553**
Equity of unrestricted investment accountholders	1,146,652	287,543	938,831	249,285	-	-	2,622,311
Total financial liabilities and equity of unrestricted investment accountholders	**2,628,729**	**1,247,496**	**1,300,077**	**271,490**	**-**	**2,453,072**	**7,900,864**
Total repricing gap	**(1,257,727)**	**(308,243)**	**218,371**	**961,379**	**938,511**	**(1,311,990)**	**(759,699)**
31 December 2017							
Total financial assets	**1,438,361**	**1,269,172**	**720,820**	**1,566,025**	**1,146,966**	**1,173,872**	**7,315,216**
Total financial liabilities and equity of unrestricted investment accountholders	**2,213,695**	**810,799**	**2,483,590**	**398,074**	**13,604**	**2,173,226**	**8,092,988**
Total repricing gap	**(775,334)**	**458,373**	**(1,762,770)**	**1,167,951**	**1,133,362**	**(999,354)**	**(777,772)**

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

40. 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 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
Assets classified as held-for-sale	-	-	-	-	-
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
Income					
Return to unrestricted investment accounts	181	343	-	115	639
Income from murabaha and other financings	4,173	-	-	-	4,173
Share of profit after tax from associates	-	42,772	-	-	42,772
Other income	6,509	-	-	-	6,509
Profit paid to banks, financial and other institutions	-	3,298	-	-	3,298
Expenses					
Administrative and general expenses	800	-	50	-	850

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

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	31 December 2017				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	431,320	-	12,809	-	444,129
Sukuk and investment securities	-	68,234	-	-	68,234
Investment in associates	-	186,207	-	-	186,207
Other assets	-	10,456	-	466	10,922
Assets classified as held-for-sale	-	478,432	-	-	478,432
Liabilities					
Customers' current accounts	-	81,863	-	918	82,781
Due to banks, financial and other institutions	-	51,667	-	-	51,667
Equity of unrestricted investment accounts	28,287	18,999	540	2,213	50,039
Other liabilities	40,089	-	-	-	40,089
Income					
Return to unrestricted investment accounts	803	779	20	89	1,691
Income from murabaha and other financings	4,213	-	-	-	4,213
Share of profit after tax from associates	-	22,995	-	-	22,995
Other income	-	1,171	-	-	1,171
Profit paid to banks, financial and other institutions	-	1,342	-	-	1,342
Expenses					
Administrative and general expenses	775	-	50	-	825

Certain collaterals amounting to $306.3 million (31 December 2017: $373.5 million) with respect to certain financing facilities are legally held by related parties for the beneficial interest of the Group.

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and;
- To maintain a strong capital base to support the development of its business.

The Group does not engage in any banking activity at solo level, hence Basel III requirements are not applicable. The Group complies with CBB directives with respect to its investment firm category 1 license. The subsidiaries comply with the directives of the respective local regulators for their capital management.

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

42. PROPOSED DIVIDEND

The Board of Directors has not proposed any dividend for the year ended 31 December 2018 (31 December 2017: Nil).

43. NON-SHARIA COMPLIANT INCOME AND EXPENSES

The Group has earned certain income and incurred certain expenses from conventional assets and liabilities. These conventional assets and liabilities are in accordance with the Sharia Compliance Plan. The details of the total income and total expenses are as follows:

	Year ended	
	31 December 2018	**31 December 2017**
INCOME		
Group's share of income from funds under management	-	68
Income from other financings	155,013	132,290
Share of profit after tax from associates - note (i)	42,091	19,190
Income from investments	92,306	116,506
Other income	26,857	30,324
Gross income	**316,267**	**298,378**
Less: profit paid to banks, financial and other institutions - note (ii)	(120,674)	(119,750)
Total income	**195,593**	**178,628**
EXPENSES		
Administrative and general expenses - note (ii)	(93,235)	(95,977)
Depreciation and amortisation	(22,219)	(17,324)
Total expenses	**(115,454)**	**(113,301)**
Net income before provision for impairment and overseas taxation	**80,139**	**65,327**
Provision for impairment (net)	1,093	(10,831)
Net income before overseas taxation	**81,232**	**54,496**
Overseas taxation	(25,686)	(25,989)
NET INCOME FOR THE YEAR	**55,546**	**28,507**
Attributable to:		
Equity holders of the Bank	45,323	18,209
Minority interests	10,223	10,298
	55,546	**28,507**
Basic and diluted earnings per share	**US Cts 1.56**	**US Cts 0.63**

Note (i) – The share of profit attributable to non-sharia compliant associates is based on their accounting policies which are different from the Group accounting policies. Since the non-sharia income is already disclosed separately and hence no adjustment is made on impact of dissimilar accounting policies.

Note (ii) – Expenses relate to entities which are consolidated line by line and exclude associates.

Note (iii) – One of the subsidiaries presently operating as a conventional bank has increased the number of its Islamic branches during the year to 254 (2017: 197 branches) out of total 454 branches (2017: 404 branches).

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

44. ACQUISITION OF A BUSINESS

- Dilmunia Development Fund I L.P.

During December 2018, the Bank's interest in shareholding of Dilmunia increased to 53.54% from 40.56% resulting from in-kind redemption by investors of fund units against underlying development property. Further, the Bank acquired additional 3.61% interest on 31 December 2018 resulting from settlement of a financing, increasing its total shareholding in the Fund to 57.15%. Hence the Fund was classified as a subsidiary of the Bank from existing accounting as an investment in restricted investment accounts.

The resulting transaction of the Fund being classified as a subsidiary has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 'Business Combinations'. The cost of the transaction has been measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date as follows:

	Amount
Fair value of net assets as of 31 December 2018 (based on independent valuation of Development Properties)	187,332
Percentage of identifiable net assets acquired	57.15%
Fair value of net assets as of 31 December 2018	107,060
Less: Existing equity interest	(78,320)
Gain on bargain purchase	**28,740**
Minority interests	**22,172**
Total Gain on Bargain Purchase	**50,912**

The fair value of the net assets acquired are as follows:

	Acquiree's carrying value as of 31 December 2018	Fair value adjustments	Fair value as of 31 December 2018
ASSETS			
Cash and balances with a financial institution	17,600	-	17,600
Other assets	39,338	(4,225)	35,113
Development properties	111,010	99,324	210,334
	167,948	**95,099**	**263,047**
LIABILITIES			
Other liabilities	31,528	44,187	75,715
	31,528	**44,187**	**75,715**
NET ASSETS	**136,420**	**50,912**	**187,332**

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

44. ACQUISITION OF A BUSINESS (Continued)

- Solidarity Group Holding B.S.C. (C)

During December 2018, the Group acquired additional shareholding in Solidarity Group Holding resulting from part settlement of a financing facility. As a result, Solidarity Group Holding has been converted into a subsidiary from an associate which increased Ithmaar's shareholding in Solidarity to 55.42% from 36.39%.

	Amount
ASSETS	
Cash and balances with banks and central banks	16,532
Commodity and other placements with banks, financial and other institutions	73,786
Murabaha and other financings	17,649
Insurance and related receivables	120,034
Other assets	8,315
Investment securities	74,135
Investment in associates	42,814
Investment in real estate	19,619
Fixed assets	14,526
Intangible assets	12,976
	400,386
LIABILITIES	
Due to banks, financial and other institutions	13,250
Other liabilities	66,364
Insurance related reserves	134,873
	214,487
NET ASSETS	**185,899**
Percentage of identifiable net assets acquired	55.42%
Ithmaar's Share of Net Assets	**103,025**
Fair value of consideration	**103,025**

45. SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organizations.

46. COMPARATIVES

Certain comparatives figures have been reclassified to conform to the current year presentation.

Share Information

Share Information

Shareholding Structure

	31-Dec-18			31-Dec-17		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1-10,000	**219**	**1,057,033**	**0.04**	126	629,044	0.02
10,001 - 100,000	**2,431**	**67,359,493**	**2.22**	2,162	50,266,286	1.66
100,001 - 1,000,000	**872**	**293,145,313**	**9.67**	509	170,446,188	5.62
1,000,001 - 10,000,000	**201**	**574,730,280**	**18.96**	151	451,603,557	14.90
Over 10,000,000	**28**	**2,094,462,908**	**69.11**	31	2,357,809,952	77.80
Total	**3,751**	**3,030,755,027**	**100.00**	2,979	3,030,755,027	100.00

Shareholding by Nationality

Country	31-Dec-18			31-Dec-17		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Bahamas	**2**	**959,467,864**	**31.66**	2	959,467,864	31.66
Bahrain	**773**	**322,054,761**	**10.62**	763	343,378,683	11.33
KSA	**840**	**720,688,708**	**23.78**	848	720,193,617	23.76
Kuwait	**815**	**478,129,770**	**15.78**	767	755,892,728	24.94
Other GCC Countries	**281**	**190,883,385**	**6.29**	228	113,496,752	3.75
Other Countries	**1,040**	**359,530,539**	**11.86**	371	138,325,383	4.56
Total	**3,751**	**3,030,755,027**	**100.00**	2,979	3,030,755,027	100.00

Shareholding by Percentage

Percentage	31-Dec-18			31-Dec-17		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Less than 1%	**3,742**	**1,237,923,080**	**40.85**	2,970	1,005,455,449	33.18
1 % to 5%	**7**	**408,286,723**	**13.47**	6	387,695,705	12.79
5% to 10%	**-**	**-**	**-**	1	253,058,649	8.35
More than 10%	**2**	**1,384,545,224**	**45.68**	2	1,384,545,224	45.68
Total	**3,751**	**3,030,755,027**	**100.00**	2,979	3,030,755,027	100.00

Shares owned by Government

	31-Dec-18	31-Dec-17
Ministry of Finance, Kingdom of Bahrain	**Nil**	22,150,000

Major Shareholders

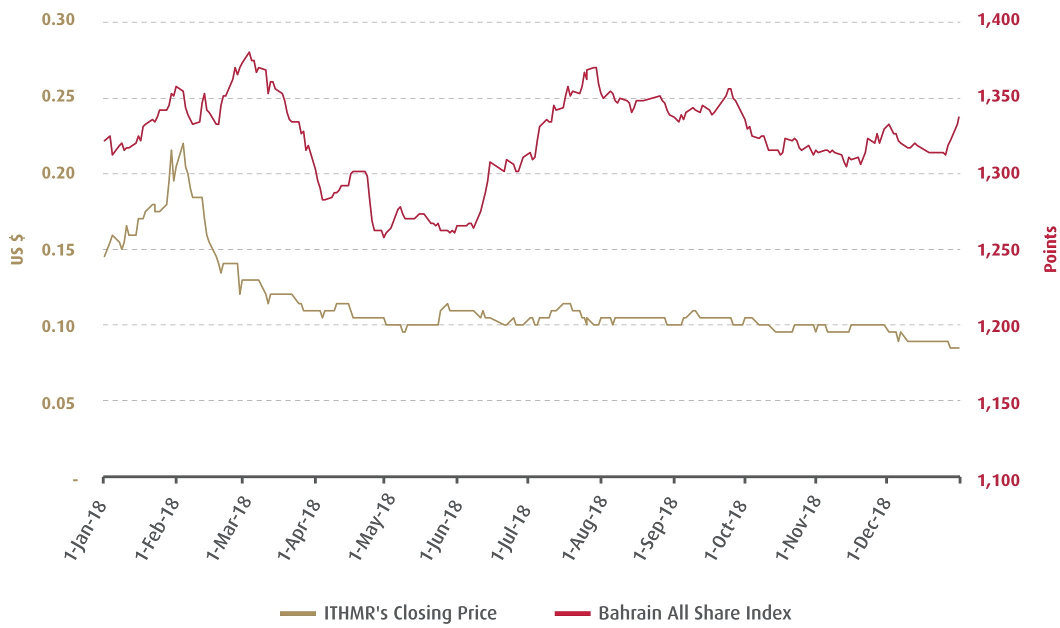
Shareholder	No. of Shares	%
Dar Al-Maal Al-Islami Trust	790,416,000	26.08
Islamic Investment Company Of The Gulf (Bahamas) Limited	594,129,224	19.60
Others (less than 5%)	1,646,209,803	54.32
Total	3,030,755,027	100.00

The Executive Management do not hold shares of Ithmaar Holding.

Share Information Continued

Bahrain Bourse

ITHMR's Trading Activity – Bahrain



Performance in the Bahrain Bourse

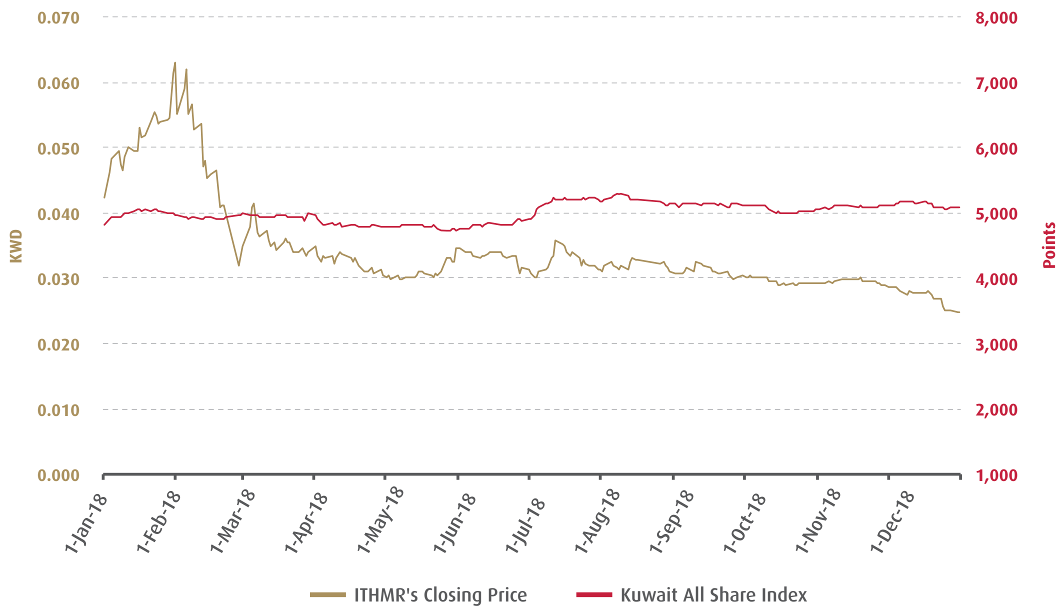
Stock Code: ITHMR			Change in 2018	
Share Price Relative to Indices 2018	Open	Close	Points	%
ITHMR's Share Price (US $)	0.135	0.085	(0.05)	(37.04)
Bahrain All Share Index	1,331.71	1,337.26	5.55	0.42
Commercial Banks Sector's Index	2,772.59	2,769.81	(2.78)	(0.10)
Bahrain Islamic Index	1,089.28	823.10	(266.18)	(24.44)

ITHMR'S Share Trading (Bahrain)

	2018	2017
Volume, No. of Shares	123,458,859	123,299,710
Value, US$	18,793,618	20,510,857

Boursa Kuwait

ITHMR’s Trading Activity – Kuwait



Performance in Boursa Kuwait

Stock Code: ITHMR			Change in 2018	
Share Price Relative to Indices 2018	Open	Close	Points	%
ITHMR’s Share Price (Fils Kuwaiti)	42	25	(17)	(40.48)
Kuwait All Share Index	4,821.17	5,079.56	258.39	5.36
Banking Sector Index	954.56	1,092.67	138.11	14.47

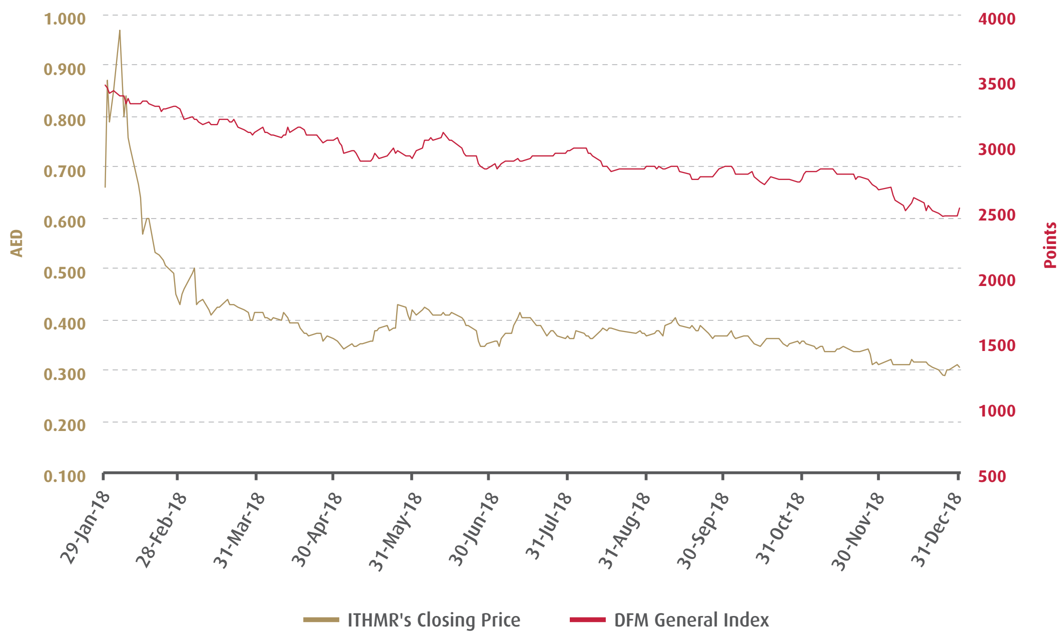
ITHMR’S Share Trading (Kuwait)

	2018	2017
Volume, No. of Shares	1,091,338,175	2,658,182,208
Value, KWD	45,698,688	143,089,878

Share Information Continued

Dubai Financial Market

ITHMR's Trading Activity – Dubai



Performance in Dubai Financial Market

Stock Code: ITHMR			Change in 2018	
Share Price Relative to Indices 2018	Open	Close	Points	%
ITHMR's Share Price (AED)	0.66	0.31	(0.35)	(53.03)
DFM General Index	3,464.14	2,529.75	(934.39)	(26.97)
Banking Sector Index	2,436.56	2,120.30	(316.26)	(12.98)

ITHMR'S Share Trading (Dubai)

	2018
Volume, No. of Shares	181,495,781
Value, AED	64,987,407

Corporate Information

Name of Company	Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)
Legal Form	Ithmaar Holding B.S.C. is a Bahrain-based financial institution that is licensed and regulated as a Category 1 Investment Firm by the Central Bank of Bahrain. Ithmaar Holding B.S.C. is incorporated as a Bahrain Shareholding Company under Bahrain Commercial Law (Law No. 21 of 2001).
Company Registration Number	CR 15210
Stock Exchange Listings	Bahrain Bourse, Boursa Kuwait and Dubai Financial Market
Stock Code	"ITHMR"
Head Office	Seef Tower, Building 2080, Road 2825, Al Seef District 428, P.O. Box 2820, Manama, Kingdom of Bahrain
Telephone	+973 1758 4000
Facsimile	+973 1758 4017
E-mail	info@ithmaarholding.com
Website	www.ithmaarholding.com
Accounting Year End	31 December
Compliance Officer	Balu Tiruvilandur Ramamurthy – Head, Compliance and AML
Company Secretary	Dana Aqeel Raees – Head, Legal Department
Auditors	PriceWaterHouseCoppers ME Limited, P.O. Box 21144, Manama, Kingdom of Bahrain