

ANNUAL REPORT 2024

الإثمار القابضة  
Ithmaar Holding





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## At a Glance

Ithmaar Holding B.S.C. (Ithmaar Holding, Ithmaar, the Company 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 and Dubai Financial Market (DFM).

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 bank subsidiary which holds the core 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 corporate, small and medium enterprises (SMEs) 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 in subsidiaries and associated companies. These include Ithmaar Development Company Limited (real estate), and Naseej (infrastructure) in Bahrain.

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# Vision, Mission and Values

## **Our Vision**

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

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## **Our Mission**

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

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## **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

	2024	2023	2022	2021	2020	2019	2018	2017
Net profit/(loss) [US\$ 000]	<b>33,719</b>	13,355	(20,964)	60,324	(21,479)	12,198	10,057	(72,401)
Net profit/(loss) attributable to shareholders [US\$ 000]	<b>10,459</b>	(9,311)	(38,387)	38,603	(41,719)	669	(23,981)	(84,711)
Net income before allowance for impairment and overseas taxation [US\$ 000]	<b>157,732</b>	100,342	71,764	63,031	34,049	74,120	43,415	22,060
Total equity attributable to shareholders [US\$ 000]	<b>11,418</b>	4,335	4,569	37,762	14,762	95,546	116,356	355,330
Book value per share [US cents]	<b>0</b>	0	0	1	1	3	4	12
Earnings per share [US cents]	<b>0.36</b>	(0.32)	(1.32)	1.33	(1.43)	0.02	(0.82)	(2.91)
Total assets [US\$ 000]	<b>6,847,423</b>	6,104,574	6,055,489	9,032,789	8,383,665	8,085,239	8,488,656	8,611,359
Funds under management [off-balance-sheet assets under management] [US\$ 000]	<b>20,835</b>	42,269	41,943	44,199	44,234	45,632	110,382	257,133
Return on average shareholders' equity	<b>132.79%</b>	-209.14%	-181.37%	146.99%	-75.64%	0.63%	-10.17%	-21.64%
Return on average assets	<b>0.52%</b>	0.22%	-0.28%	0.69%	-0.26%	0.15%	0.12%	-0.85%
Market price per share [US cents]	<b>1.8</b>	3.0	4.0	6.6	7.1	5.0	8.5	13.5
Market price per share/Book value per share	<b>4.62</b>	20.00	25.00	5.08	13.92	1.52	2.13	1.11



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## Joint Message



**HRH Prince Amr Mohammed Al Faisal**  
Chairman



**Maysan Faisal Almaskati**  
Chief Executive Officer



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*In the name of Allah, most Gracious, most Merciful*

**Dear Shareholders,**

We are pleased to report that the Group continued to achieve positive outcomes during 2024 despite all the challenges posed by global and regional turmoil. The Group has further focused on strengthening its position and enhancing its operational efficiencies.

In 2024, the Board of Directors continued to focus on adding value for its shareholders by working on various initiatives to strengthen the Group's consolidated equity and liquidity profile. These initiatives included, amongst others, the following:

- Issuance of Tier 1 capital instrument (T1) of up to \$140 million, subject to regulatory and shareholders' approvals;
- Continuing regulatory support on matters related to capital and liquidity requirements on licensed group entities;
- Sourcing long term funding lines against assets to support unplanned liquidity needs;
- Consideration of sale of core and non-core assets, subject to further review, negotiations and necessary regulatory approvals; and
- Focusing on recovery of financing exposures (including the related party receivables) by way of sale / realization of underlying collateral.

As part of the above initiatives, during February 2024, the Board of Ithmaar Holding and Board of GFH Financial Group B.S.C. ("GFH") agreed to an overall framework of terms regarding sale of certain assets and liabilities of Ithmaar's corporate banking business in Bahrain and investment assets (the "Transaction"). The Transaction was approved by Ithmaar Holding's shareholders during its Extraordinary General Meeting on 29 May 2024. The Transaction remains subject to regulatory approvals and the signing of definitive agreements. Further, the Transaction is expected to be significant

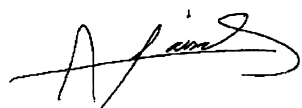
to the overall consolidated financial position of the Group and is expected to yield positive outcomes for all stakeholders of the Group. The Transaction discussions are currently in progress and the negotiations are expected to have an impact on the overall structure of the Transaction, including the scope of assets and liabilities that will form part of the Transaction perimeter. Any structure, once agreed upon between the parties, remains subject to regulatory and, if applicable, revised shareholder approvals.

Ithmaar Holding is consistent in retaining a well-diversified portfolio of international and local financial and other assets, which includes banking businesses both in Bahrain and in Pakistan. In Bahrain, Ithmaar Bank remains a wholly-owned subsidiary of Ithmaar Holding and continues to capitalize on its rich heritage via embarking on the growth of its core business with an exclusive focus on corporate banking related products and services, with primary focus on serving the fast-growing Small and Medium Enterprises (SME) sector.

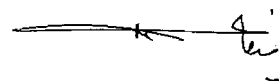
The Company's achievements in 2024 would not have been possible after the grace of Allah without the unwavering support of our stakeholders, which we take big pride in allaying with them.

We take this opportunity to express our appreciation to our members of the Board of Directors and the Sharia Supervisory Board, our management, our employees, our subsidiaries and all our shareholders for all efforts contributed along the years. We consecutively convey our gratitude to the Central Bank of Bahrain, the Ministry of Industry and Commerce, the Bahrain Bourse and the Dubai Financial Market for their continuous prompt valuable support.

We pray to Allah the almighty for an improved performance and prosperity of the Group for the years to come, collaborating all efforts for the best interest of all stakeholders... Ameen.



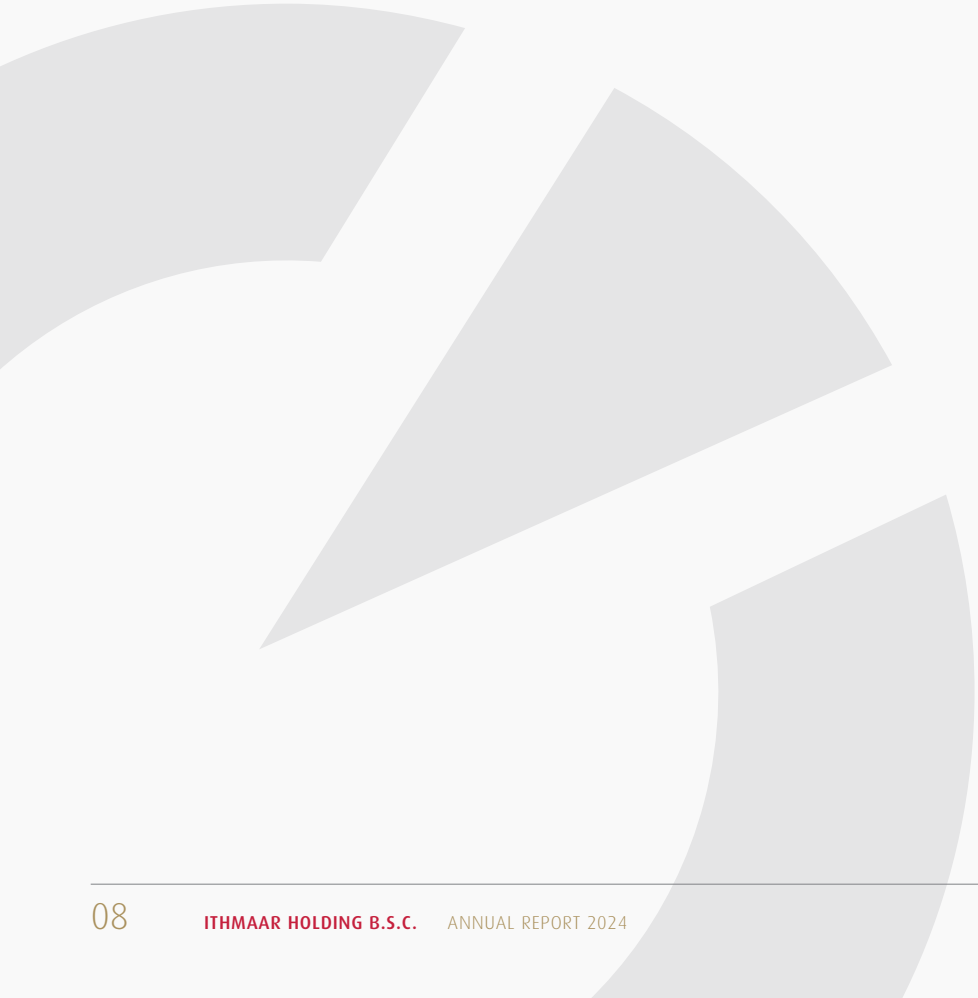
**Amr Mohammed Al Faisal**  
Chairman



**Maysan Faisal Almaskati**  
Chief Executive Officer

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# Review of Operations



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# Review of Operations

## Strategy and focus

Ithmaar Holding remains focused on continuing the Group's transformation, in line with the strategic decisions taken by shareholders, and to realising the long-term objectives of growing the core business and ensuring the independent and focused management of investments and other assets.

This is part of Ithmaar Holding's long-standing strategy of creating value for its shareholders.

## Principal activities

The principal activities of Ithmaar Holding include:

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

Ithmaar Holding's key business model is investing, developing, nurturing and growing with the objective of realising benefits for its shareholders.

## Transformation of The Group

During February 2024, the Board of Ithmaar Holding and Board of GFH Financial Group B.S.C. ("GFH") agreed to an overall framework of terms regarding sale of certain assets and liabilities of Ithmaar's corporate banking business in Bahrain and investment assets (the "Transaction"). The Transaction was approved by Ithmaar Holding's shareholders during its Extraordinary General Meeting on 29 May 2024. The Transaction remains subject to regulatory approvals and the signing of definitive agreements. Further, the Transaction is expected to be significant to the overall consolidated financial position of the Group and is expected to yield positive outcomes for all stakeholders of the Group. The Transaction discussions are currently in progress and the negotiations are expected to have an impact on the overall structure of the Transaction, including the scope of assets and liabilities that will form part of the Transaction perimeter. Any structure, once agreed upon between the parties, remains subject to regulatory and, if applicable, revised shareholder approvals.

Ithmaar Holding continued to focus on adding value for its shareholders and remained committed to realise its long-term objectives.

Ithmaar Holding retains a well-diversified portfolio of international and local financial and other assets, which include banking businesses in Bahrain and Pakistan. Ithmaar Bank, which remains a wholly-owned subsidiary of Ithmaar Holding, continues to operate as an Islamic bank

that is licensed and regulated by the CBB and exclusively focused on corporate banking and related services, particularly the fast-growing SME.

## Role in the community

Ithmaar Holding plays a real and meaningful role in the community primarily through its wholly-owned subsidiaries, Ithmaar Bank and IB Capital. As an Islamic licensed entity, creating value, ethics and well-being of the communities comes as an integral part of the essence of day to day business of Ithmaar Holding and its subsidiaries.

Ithmaar Holding strongly believes that its success wouldn't be possible without the support of the society in which it operates. The Group's corporate social responsibility plans was imbedded in its strategies, values and missions to have active role in supporting the local community and its continuous development and prosperity.

In 2024, Ithmaar Holding continued to being engaged with the society through supporting various initiatives and charitable events. This included providing moral and financial support to noble purpose events in diverse fields directed towards positive impact on the society.

## Investing in our people

Ithmaar Holding and its two wholly-owned subsidiaries, Ithmaar Bank and IB Capital, conducted various training programmes for members of the Board of Directors, Executive Management and subsidiaries' employees to further develop capabilities and enhance performance.

Ithmaar Holding keeps its employees among the best in the market through solid development programs and grooming initiatives that cater for the Group's needs and at the same time fulfil the employees' personal potential.

Ithmaar Holding considers its Human Capital to be the most valuable assets and that investing in developing their skills, well-being and knowledge is itself an investment in the growth and development of the Group, which is essential to its success and sustainability.

## 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 in the Group's consolidated financial statements.

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 on a regular basis.

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# Financial Review

## Financial Performance

In 2024, Ithmaar Holding reported total net profit attributable to equity holders for the year ended 31 December 2024 of US\$10.46 million compared to the net loss of US\$9.31 million reported for 2023.

## Financial Position

Total assets increased to US\$6.85 billion as at 31 December 2024, compared to US\$6.10 billion as at 31 December 2023.

Ithmaar Holding's total owners' equity stood at US\$11.42 million as at 31 December 2024 compared to US\$4.34 million as at 31 December 2023.

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Subsidiaries and Associates

Board of Directors

Sharia Supervisory Board

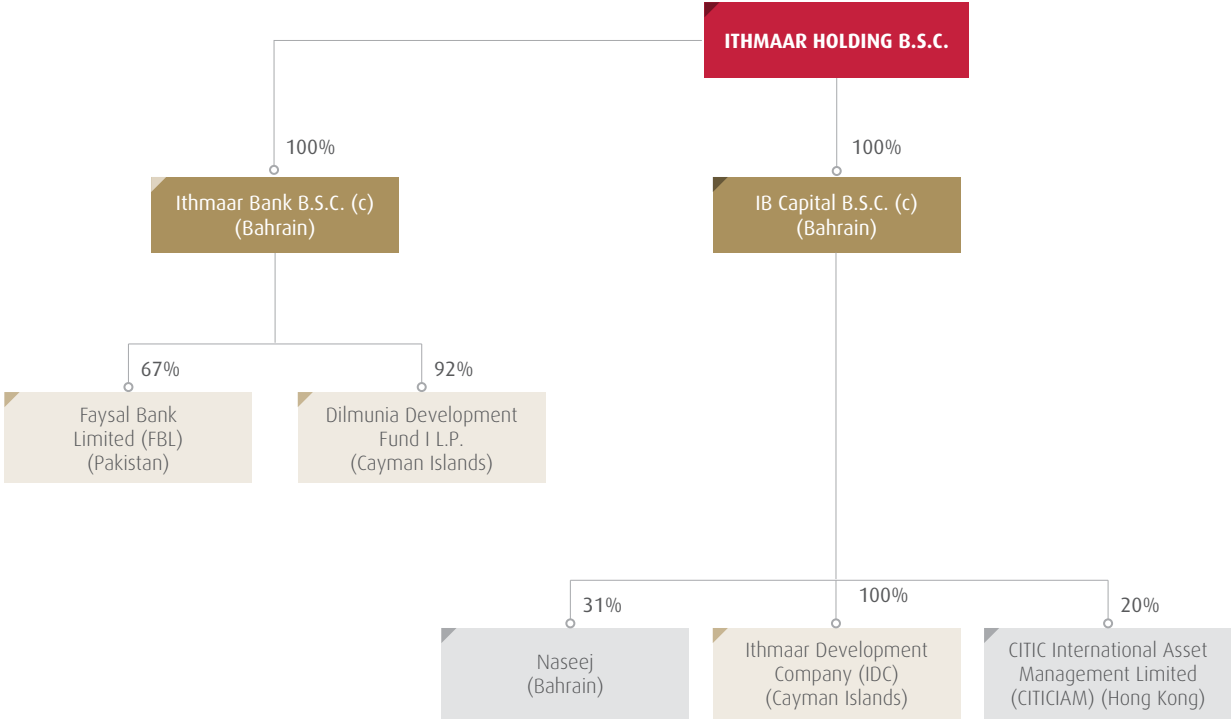
Executive Management



# Subsidiaries and Associates

## Group Structure

### Key Subsidiaries and Associates



- Subsidiaries
- Associates

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## Subsidiaries and Associates (Continued)

### Key operating subsidiaries

#### Ithmaar Bank B.S.C. (c)

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

The standalone (Bahrain Operations) total assets as of 31 December 2024 amounted to US\$1.5 billion.

Ithmaar Holding fully owns Ithmaar Bank.

#### 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. The Bank offers a comprehensive range of Shariah-compliant financial solutions, catering to diverse customer segments, including Retail, Small & Medium Enterprises, Commercial, Agriculture, and Corporate clients.

FBL's nationwide network of 855 branches across 340+ cities serves as multi-product hubs, providing seamless access to a wide array of Islamic banking products and services.

FBL's total assets and total shareholders' equity as of 31 December 2024 amounted to PKR 1,550 billion (equivalent US\$ 5.6 billion) and PKR 109.8 billion (equivalent US\$ 394 million) respectively.

Ithmaar Bank owns 66.57 percent of FBL.

#### IB Capital B.S.C. (c)

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

The total standalone assets as of 31 December 2024 amounted to US\$665 million.

Ithmaar Holding fully owns IB Capital.

#### Ithmaar Development Company (IDC)

IDC was established in 2007 to develop and manage major development, real estate and other infrastructure projects. IDC's flagship projects include Dilmunia, a 1.25 million square metre manmade island off the coast of Bahrain.

Ithmaar Holding fully owns IDC.

#### 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 was formed to acquire 650,000 square meters of 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 2024 amounted to BD65.2 million and BD55.4 million respectively.

Ithmaar Bank owns 92 percent of the Fund.

### Key operating associates of IB Capital

#### 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 (PPP) in Bahrain. Apart from the PPP, Naseej is also involved in major residential projects in Bahrain like Yasmeenat Saar and Jumana.

IB Capital owns 31 percent of Naseej.

#### 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.

IB Capital owns 20 percent of CITICIAM.

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# Board of Directors

## **HRH Prince Amr Mohammed Al Faisal**

### **Non-Executive Chairman**

Elected 28 September 2022

HRH Prince Amr has more than 32 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 Holding, Ithmaar Bank, IB Capital, Faisal Islamic Bank (Sudan), Faisal Islamic Bank (Egypt), and Gulf Investors Asset Management Co J.S.C. (Closed). HRH Prince Amr is also Founder and Director of Red Sea Design Consultants (Jeddah), and Chairman of the Board of Directors of Al Daleel Company for Information Systems (headquartered in Jeddah with sister companies in Tunisia, Sudan and Pakistan).

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 Board Member**

Elected 28 September 2022

Tunku Dato' Yaacob Khyra is a member of the Ithmaar Holding, Ithmaar Bank and IB Capital Board of Directors. He holds a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and a member of the Malaysian Institute of Accountants (MIA). Tunku Yaacob is also a Certified Financial Planner (CFP) with the Financial Planning Association of Malaysia (FPAM).

Tunku Yaacob started his career as an Auditor with Price Waterhouse in London and Kuala Lumpur (from 1982 to 1987). He later joined Malaysian Assurance Alliance Berhad (now known as Zurich Life Insurance Malaysia Berhad) which, under his leadership, became the leading locally owned life and non-life insurance company in Malaysia. Tunku Yaacob later established MAA Takaful Berhad, which became the leading Islamic family and general insurance institution in Malaysia.

Currently, Tunku Yaacob is the Executive Chairman of Malaysian listed companies, MAA Group Berhad, Melewar Industrial Group Berhad and Mycron Steel Berhad, and Non-Executive Chairman of KNM Group Berhad. He is also a Board Member of Melewar Group Berhad, Khyra Legacy Berhad, Yayasan Khyra, Melewar Equities Sdn Bhd and several other private companies. He also sits on the Board of Directors of Altech Batteries Limited (listed in Australia).

Tunku Yaacob is the Founder and Chairman of The Budimas Charitable Foundation ("Budimas") and Maaedicare Charitable Foundation (registered under Yayasan Amal Maaedicare) ("Maaedicare"), and also Registered Trustees of the Joseph William Yee Eu Foundation. Budimas is a non-governmental charity organisation, established in 1998 that provide funding and management support, in the provision of welfare services, for the well-being of orphans and underprivileged children in Malaysia. Maaedicare had been set up primarily to take over the operations carried out previously by MAA Medicare Charitable Foundation ("MMCF"). MMCF was established in 1994 as a non-governmental medical charity organisation, to manage projects and activities to provide care and treatment in Malaysia for people suffering from chronic diseases including but not limited to kidney and heart diseases.

## **Dr. Amani Khaled Bouresli**

### **Independent Board Member**

Elected 28 September 2022

Dr. Bouresli, formerly the Kuwait Minister of Commerce and the Minister of Planning and Development Affairs, has almost 34 years of experience in training, consulting and banking. Dr. Bouresli is the Vice Chairman of Kuwait Airways, and a member of the Board of Directors of Ithmaar Holding, Ithmaar Bank, IB Capital, Faisal Islamic Bank of Egypt and Burgan Bank (Kuwait).

She is currently an Associate Professor at the Finance Department 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. 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 and the head of the Economic Forum annually held in Kuwait.

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 the Head of the Capital Market Authority Project from 2006 to 2007. Dr. Bouresli, who has many published works 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.



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## Board of Directors (Continued)

### Sheikh Mohamed Abdullah Abdulkarim Elkhareiji

#### Non-Executive Board Member

Appointed 28 September 2022 (representing Dar Al-Maal Al-Islami Trust)

Sheikh Elkhareiji has more than 44 years of diversified banking and management experience.

He is a member of the Ithmaar Holding, Ithmaar Bank and IB Capital Board of Directors. Sheikh Elkhareiji is the Chairman of many companies in Saudi Arabia, including Elkhareiji Group Holding Co., Hal International Company and S.A. Elkhareiji Real Estate Limited Company. Sheikh Elkhareiji is the Vice Chairman of the Board of Directors of Yanbu Cement Company (Saudi Arabia) as well as the WorldCare International Company (United States of America). Sheikh Elkhareiji is also a member of the Board of Directors of Faisal Islamic Bank of Egypt.

Previously, Sheikh Elkhareiji was the Ex-Chairman of Faisal Investment Bank (Bahrain).

Sheikh Elkhareiji holds a Bachelor's 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

#### Independent Board Member

Elected 28 September 2022

Ms. Hasan, who has more than thirty years of diversified experience in the financial services industry, is a member of the Ithmaar Holding, Ithmaar Bank, IB Capital and Ithmaar-Dilmunia General Partner Company Limited Boards of Directors.

She is currently Chairwoman of Taaheel Healthcare and an Advisor on Business and Corporate Strategy, as well as a Board Member of Mumtalakat – Bahrain and BNP Paribas Investment Company – Saudi Arabia. A leading businesswoman 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), Solidarity Group Holding and the University of Bahrain, as well as 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.

### Juma Hasan Abul

#### Executive Board Member

Appointed 28 February 2024 (Representing Dar Al-Maal Al-Islami Trust)

Mr. Abul has more than 42 years of experience in banking, investment, finance, and accounting. He is a member of the Board of Directors of Ithmaar Holding, Ithmaar Bank, and IB Capital. He is the Group Chief Executive Officer of Dar Al- Maal Al-Islami Trust (DMIT) since 2024 and the General Manager of MFAI (Jersey) since 2013.

Previously, Mr. Abul was the Executive General Manager of Ithmaar Bank from 2010 to 2013; the General Manager of MFAI (Jersey) from 2000 to 2010 and an Executive Senior Manager of Shamil Bank of Bahrain B.S.C. (formerly, Faysal Islamic Bank of Bahrain) from 1988 to 2000. He worked with Touché Ross, London (now Deloitte) and Peat Marwick Mitchell Bahrain (now KPMG - Chartered Accountants).

Mr. Abul is a Member of the Board of Directors of Faysal Bank Limited (Pakistan), CITIC International Asset Management (Hong Kong), and is the Chairman of Egyptian Investment Co (Egypt), DMI Administrative Services S.A. (Switzerland), Faisal Finance (Luxembourg) S.A. He is also a member of the Board of Directors of other entities ranging from trading and industrial in Europe, Cayman, and Egypt.

Mr. Abul is a fellow member of the Chartered Association of Certified Accountants (England), Certified Director from the Pakistan Institute of Corporate Governance (Pakistan), and holds a bachelor's degree in accounting from Cairo, (Egypt).

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# Sharia Supervisory Board

## Sheikh Abdullah Sulaiman Al Manee'a

### Chairman

Appointed 28 September 2022

Sheikh Al Manee'a is a prominent, highly-respected Sharia scholar. He is the Chairman of the Ithmaar Holding, Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is a member of the Senior Sharia Board in the Kingdom of Saudi Arabia, a consultant at the Royal Court, a member in the International Islamic Fiqh Academy of the Organisation of Islamic Cooperation and 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.

Sheikh Al Manee'a has been appointed in several positions including chairman of the Sharia Supervisory Board of Al Bilad Bank, a member of the Supreme Judicial Council, President of the Makkah Al-Mukarramah Courts, judge in the Court of Cassation in Makkah Al-Mukarramah, and General Deputy of the General President for Scholarly Research, Ifta, Da'wah and Guidance.

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', 'Islamic Economic Fatawa and Research', 'A window on the community' and others.

## Sheikh Nedham Mohammed Saleh Yaqouby

### Member

Appointed 28 September 2022

Sheikh Yaqouby is a prominent and highly-respected Islamic Sharia scholar in the Kingdom of Bahrain.

He is a member of the Ithmaar Holding, Ithmaar Bank and the IB Capital Sharia Supervisory Boards.

He is a member of the Sharia Board of AAOIFI, a member of the Central Sharia Supervisory 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 of 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 among 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 September 2022

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

He is a member of the Ithmaar Holding, Ithmaar Bank and IB Capital Sharia Supervisory Boards.

He is also a member in the Central Sharia Supervisory Board of the CBB and a member of the Sharia Supervisory Board in Solidarity General Takaful and Solidarity Group Holding. He is a member in the Supreme Council for Islamic Affairs and in the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Sheikh Al-Asfoor, who is a former judge at the Sharia Supreme Appeals Court - Jaafari Endowments Directorate, was chairman of The Jaffaria Endowment Board. He was Also a member in several Sharia Supervisory Boards in Bahrain and abroad, including 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 100 books on the Islamic Sharia.

## Sheikh Osama Mohammed Saad Bahar

### Member

Appointed 28 September 2022

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

He is a member of the Ithmaar Holding, Ithmaar Bank and IB Capital Sharia Supervisory Boards.

He is currently a Sharia consultant in Sayacorp and a member of the Central Sharia Supervisory Board of the CBB, as well as of several other Islamic banks and financial institutions, funds and investment portfolios in Bahrain and abroad. He was also a member of the Sharia Supervisory Board of First Energy Bank.

Sheikh Bahar holds a Master's degree from Allmam 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 on Islamic banking as well as on society affairs. He has participated in and conducted several radio interviews and written newspaper columns.

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# Executive Management

## Ithmaar Holding Executive Management

### Maysan Faisal Almaskati

#### Chief Executive Officer

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Mr. Almaskati is the Chief Executive Officer of Ithmaar Holding, Ithmaar Bank and IB Capital with over 25 years of banking experience.

Mr. Almaskati has been with the Ithmaar Bank since 2019 and he represents Ithmaar Holding B.S.C. on a number of boards, including Naseej B.S.C. (Closed), Family Microfinance House B.S.C. (Closed), Cityview Real Estate Development Company B.S.C. (Closed) and Ithmaar-Dilmunia General Partner Company Limited.

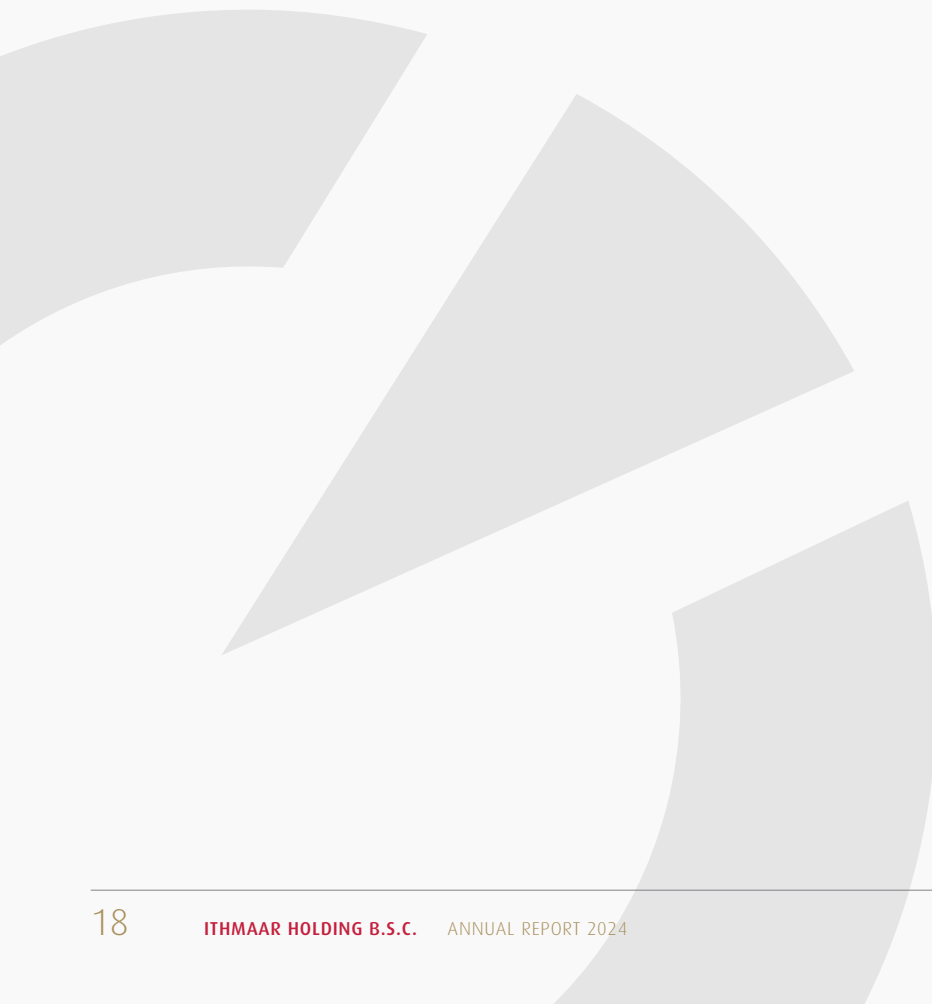
Prior to joining Ithmaar Bank, he was Chief Investment Officer of Dux Capital (UAE) from 2017 to 2018, an Investment Manager in ASMA Capital Partners (Bahrain) from 2014 – 2016, Head of Ithmaar Bank Asset Management Department from 2007 to 2014 and he was a Vice President, Infrastructure in Gulf One Investment Bank (Bahrain) from 2006 to 2007. Throughout his career, he was involved in managing more than US\$5 billion of infrastructure, private equity and real-estate investments.

Mr. Almaskati holds a Bachelor of Science in Industrial Engineering from Kansas State University, USA and completed a number of professional certifications, including the Investment Representative Program (Series 7), Bahrain.

Ithmaar Holding outsources the key 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.

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# Corporate Governance



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# 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 and Commerce, 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 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, 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 to 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. The amendments made by the CBB to the HC Module during the year have been duly complied with.

## Board of Directors

The Board of Directors (the Board) of Ithmaar Holding is comprised of six (6) members, of whom three (3) 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 is committed to the roles and responsibilities prescribed by the Commercial Companies Law of 2001 (as amended), which are reflected in the Company's Board of Directors Charter and constitutive documents.

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:

- Setting Ithmaar Holding's strategic direction;
- Maintaining overall responsibility for the performance of the Company;
- Selecting, appointing and evaluating the performance of the management;
- Reviewing the performance and compensation of the management;
- Reviewing the structure and succession planning of the management;
- Advising and counselling the management;
- Monitoring and managing potential conflicts of interest;
- Ensuring the integrity of the financial information;
- Monitoring the effectiveness of the governance and compliance practices;
- Ensuring compliance with the listing requirements;
- Ensuring timely and adequate legal and regulatory disclosures;
- Ensuring effective internal controls;
- Arranging the shareholders' annual, ordinary and extraordinary general meetings; and
- Ensuring equitable treatment of minority shareholders.

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## Corporate Governance (Continued)

### Board of Directors (Continued)

Some of the responsibilities of the Board are delegated to the committees of the Board.

The Board 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 investments, financings exceeding certain limits, and business relationships with connected counterparties, require the Board's approval. All transactions that require Board approval have been approved by the Board as per the applicable regulations.

The Board's functions, mandate, appointment, responsibilities and terminations are governed by the Company's Articles of Association and the Board of Directors Charter, both of which comply with applicable statutory and regulatory rules. Board members serve three-year terms, extendable by up to six months subject to the CBB's approval. At the end of each term, a new Board is to be elected (or appointed, as applicable) at the Company's annual general meeting.

The next election of the Board of Directors shall take place during 2025.

### Structure and Composition of the Board

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

Diversity has always been at the forefront of the Company's vision, and this starts at the top. Evidently, the Board consists of four (4) men and two (2) women, representing 66.7 percent and 33.3 percent, respectively.

### Duties of Board Members

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

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

Ithmaar 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 below duties are detailed in the Board of Directors Charter and Code of Ethics and Business Conduct, which is approved by the Board.

### Duty of Obedience

The Board members are required to act in accordance with the Company'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 the Company'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.

### Duty of Loyalty

This duty requires the Board members to act in good faith, solely and collectively, in the best interest of the Company. The Board members should not act out of expedience, avarice or self-interest. The Board members are barred from using the Company's properties and assets for their personal needs or seeking business opportunities for personal benefit. This duty also requires the Board members to retain the confidentiality of information that is explicitly deemed confidential by the Company, as well as information that appears to be confidential from its nature or matter.

### 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 (10) percent owned. However, if a shareholder exercises this right, they shall lose their right to vote in the annual general meeting Board elections 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 shareholders can use their shares to vote for a single Board member, or divide their shares to vote for multiple members.

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

The Audit, Governance, Risk, Nomination and Remuneration Committee reviews the composition and performance of the Board annually. The Audit, Governance, Risk, Nomination and Remuneration 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

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## Corporate Governance (Continued)

### Board Members' Election and Evaluation System (Continued)

The arrangements for the termination of membership in the Board of Directors are stipulated in the Company's Articles of Association. In the event of a vacancy, termination or resignation on the Board of Directors, the Audit, Governance, Risk, Nomination and Remuneration Committee shall make recommendations to the Board for the appointment of a new 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 appointed and elected Board members, which starts with a welcome note from the Chief Executive Officer.

Thereafter, members of the Executive Management of the Company and Ithmaar Bank introduce Ithmaar in detail, covering the Company's history, 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 the Company and Ithmaar Bank.

The Company also arranges training sessions throughout the year for Board members and the Executive Management, to keep them abreast with recent developments (legal, regulatory, market, technology and others) in the banking and investment sectors.

### Board Members' Conflict

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

Conflicted members have a duty to inform the Board of any matter which presents a conflict of Interest and are then restricted from 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 annual general meeting 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 189 shall render the Board member and the Board jointly liable for compensation for any damage caused by the breach.

This provision is reflected in the Company's Articles of Association which specify that directors shall not have any direct or indirect interest in any transaction or contract relating to Ithmaar without the approval of the General Assembly. Any transaction or contract contrary to the above is deemed null and void, unless later confirmed by a majority vote of non-conflicted directors, subject to CBB approval. The Company's Articles of Association specify that violations of such restriction shall permit the shareholders to claim compensation from the conflicted Board member for damage caused to the Company or profit realised by the conflicted Board member.

### Board Members Sitting Fees

The Board members' sitting fees for Board and Board committees' meetings in 2024 amounted to US\$ 222,600 (2023: US\$ 240,600).

The Sharia Supervisory Board sitting fees for 2024 was US\$ 16,000 (2023: US\$ 16,000).

### 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 Resources Department.

### Board Committees

In accordance with regulatory requirements, organizational structure and best practices, the Board has established the following committee and has adopted the charter setting out the matters relevant to its composition, responsibilities and administration.

### Audit, Governance, Risk, Nomination and Remuneration Committee

The Audit, Governance, Risk, Nomination and Remuneration Committee (AGRNRC) is appointed by the Board to assist in reviewing the selection and application of the accounting and financial policies, reviewing the integrity of the accounting and financial reporting systems, reviewing the effectiveness of the internal controls framework, monitoring the activities and performance of the internal audit function and external auditors, coordinating the implementation of the Corporate Governance Policy framework, and acting as a formal forum for communication between the Board and Management on human resource issues.

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## Corporate Governance (Continued)

### Board Committees (Continued)

The AGRNRC reviews and, as appropriate, approves and recommends for the approval of the Board, among other things: the interim and annual consolidated financial results; status updates on compliance with various regulatory requirements; implementation of various regulatory reports; internal and external audit reports and the status of their implementation (as appropriate); and new accounting and regulatory pronouncements and their implications. Furthermore, the AGRNRC proposes candidates for Board election; appointment of new senior management executives; and the remuneration policies as well as guidelines for increments and promotions.

The objectives of the AGRNRC 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, liquidity risk and profit rate, in addition to any other risk categories the Company faces in carrying out its activities.

The AGRNRC also recommends and monitors the overall risk management framework in line with the regulatory guidelines which involves all business activities and operations policies, internal controls, methods of risk management and risk reporting to the Board.

The AGRNRC also ensure that the information security and the business continuity management framework of the Company are in line with regulatory guidelines and commensurate to the scale of business operations of the Company.

The AGRNRC is chaired by an Independent Director and comprise of:

- Elham Ebrahim Abdulla Hasan – Chairperson
- Tunku Yaacob Khyra - Member
- Dr. Amani Khaled Bouresli – Member
- Sheikh Dr. Osama Bahar – Member\*

\* Sheikh Dr. Osama Bahar is a member of the Sharia Supervisory Board with voting rights in respect of the agenda items relating to Sharia governance issues.

The AGRNRC meets a minimum of four (4) times in a year.

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 them to the Board for approval;
- Reviewing and approving the proposed annual Internal Audit plan and strategy and all reports issued by the Internal Audit Department;
- Providing oversight of the Corporate Governance, Compliance and Regulatory requirements;
- Updating and aligning all risk and information security policies in line with changes in the regulatory requirements;
- Reviewing of existing risk limits and establishing new risk limits for better control of credit, market, operational, liquidity, profit rate risk and concentration risks;
- The Internal Capital Adequacy Assessment Process (ICAAP) report for review;
- Reviewing the Expected Credit Losses as per the FAS 30 standards;
- Identify Board and executive management candidates;
- Evaluate the sitting fees and/or remuneration of directors, the chief executive officer or other approved persons;
- Recommending the organisation chart and succession plan; and
- Recommending the composition, quantum and structure of remuneration for the members of the Sharia Supervisory Board.

The AGRNRC received an aggregate sitting fees of US\$ 46,200 for the year 2024 (2023: US\$ 64,800), and have met six (6) times.



## Corporate Governance (Continued)

### Attendance

2024 Board of Directors / Board Committees Meetings Attendancee

	Board of Directors		Audit, Governance, Risk, Nomination & Remuneration Committee	
	Eligible	Attended	Eligible	Attended
HRH Prince Amr Mohammed Al Faisal	8	8	-	-
Tunku Yaacob Khyra	8	8	6	6
Dr. Amani Khaled Bouresli	8	8	6	6
Sheikh Mohamed Abdullah Abdulkarim Elkhareiji	8	6	-	-
Elham Ebrahim Abdulla Hasan	8	8	6	6
Juma Hasan Ali Abul (appointed effective 28 February 2024)	6	6	-	-
Dates of meeting during 2024				
	11 February		11 February	
	13 February		12 February	
	3 April		13 May	
	14 May		12 August (Meeting 1)	
	4 July		12 August (Meeting 2)	
	13 August		12 November	
	21 September			
	13 November			

### Notes:

- Sheikh Dr. Osama Bahar, a member of the Sharia Supervisory Board, is also a member of the Audit, Governance, Risk, Nomination and Remuneration Committee. He attended four (4) meetings. Sheikh Dr. Osama Bahar did not attend the other meetings as they did not include any Sharia governance items.
- In accordance with the Central Bank of Bahrain requirements and Ithmaar Holding's Articles of Association, the Board of Directors shall meet at least four (4) 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.

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## 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 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 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 Nomination and Remuneration Committee (NRC). 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 management personnel, professional and legal consultants and employees.

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 sitting fees paid per meeting attended.

This remuneration is recommended by the Nomination and Remuneration Committee (NRC), 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 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

### 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 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 Boards of Directors, the appointments of independent auditors, voting for other businesses of Ithmaar, such as increases in, or reductions of capital, and the right to receive dividend payments, as well as the right to give opinions and the right to enquire during shareholder meetings.

### Rights of Minority Shareholders

The Board of Directors is structured to include Independent Directors with the additional responsibilities of protecting minority shareholders' rights. This is also in accordance with regulatory directives.

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;
- Exercising of rights to elect Independent Directors;
- Penalties for insider trading; and
- Necessary provisions on takeovers, mergers, and acquisitions.

## Corporate Governance (Continued)

### Audit fees and other services provided by the external auditor

During the Annual General Meeting held on 25<sup>th</sup> March 2024, the shareholders approved the appointment of KPMG as external auditors for the year ending 31st December 2024 and authorized the Board of Directors to determine their remuneration, accordingly KPMG and its network firms has provided Ithmaar Group and its subsidiaries with the following services:

Categories of services	Amount in USD	Example Services included in the category
(a) Audit of the group consolidated financial statements	699,994	<ul style="list-style-type: none"> <li>• Audit of Ithmaar Group consolidated financial statements for the year ended 31 December 2024</li> <li>• Audit of the statutory financial statements of Ithmaar Group's subsidiaries.</li> <li>• Review of condensed consolidated interim financial statements of Ithmaar Group for the periods ended 31 March, 30 June, 30 September 2024.</li> <li>• Review of interim financial information of subsidiaries</li> </ul>
(b) Services other than Audit		<p><u>Audit related services</u></p> <ul style="list-style-type: none"> <li>• Includes, amongst others, Agreed Upon Procedures (AUPs) related to compliance requirements of various regulators for Ithmaar Group and its subsidiaries.</li> </ul> <p><u>Other non-audit services</u></p> <ul style="list-style-type: none"> <li>• Tax compliance services</li> <li>• ESG Related Reporting</li> </ul>
• Audit Related	187,378	
• Tax & ESG Reporting	102,456	
• Advisory	-	

The assessment of conflict and independence is subject to review by the Audit Committee of the Group and / or its subsidiaries, as applicable.

### Code of Ethics and Business Conduct

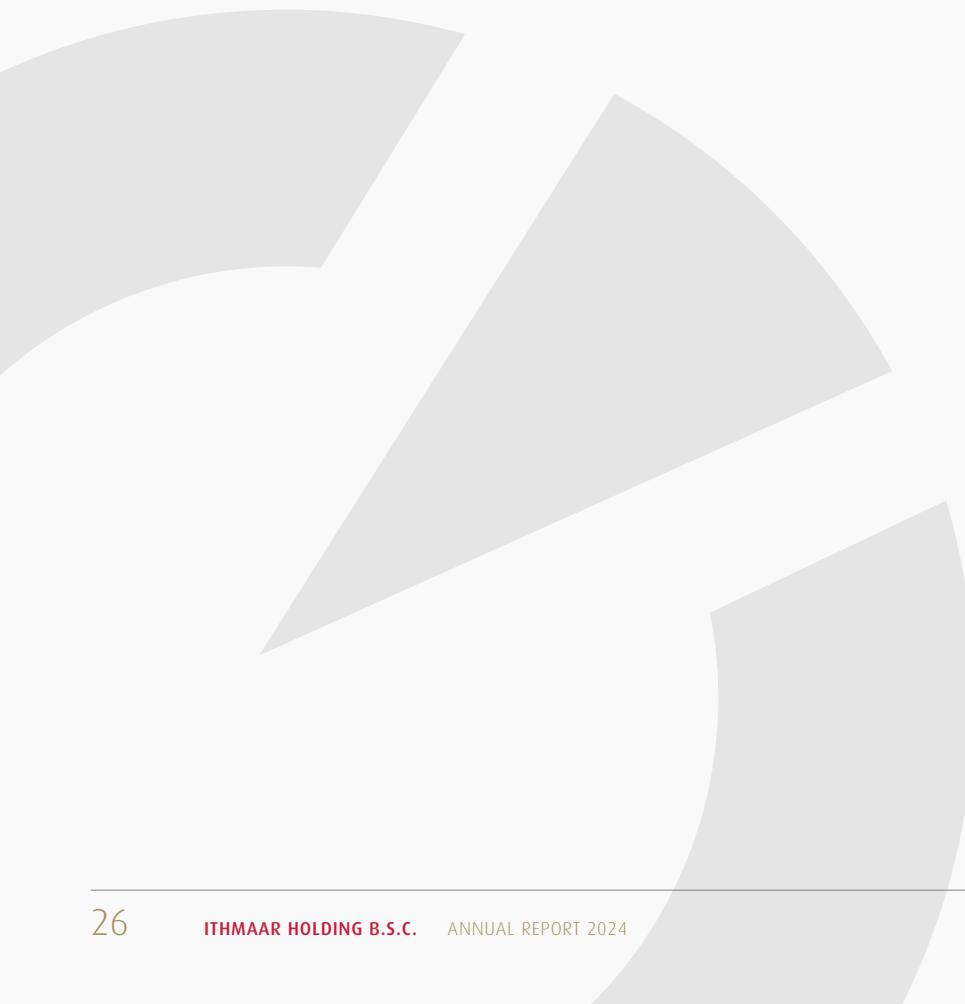
Ithmaar Holding's Code of Ethics and Business Conduct applies to members of the Board, as well as executive management, officers, employees, agents, consultants, and others, when they are representing or acting for the Company.

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.

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## Risk Management

### Compliance, Anti Money Laundering and Internal Controls



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# Risk Management

The Risk Management activities of Ithmaar Holding are outsourced to Ithmaar Bank. Ithmaar Bank has a robust risk management framework detailed in the Risk Charter and 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 to the Boards 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 their value.

## Declarations of Interest

On taking office, Members of the Board of Directors of Ithmaar Holding are required to disclose to the Company all interests and relationships which could or might be seen to affect their ability to perform their duties as Board members. Any such interests declared shall be recorded in the Board of Directors' register of interests. This declaration of interest is updated on an annual basis.

## 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 the CBB rulebook.

In particular, the Board members of Ithmaar Holding disclose all relevant information which might give rise to a conflict of interest, or a perceived conflict of interest. Each Board member informs the Company when there are changes in his/her interests, and the register of interests is updated at least on an annual basis.

During 2024, Board members 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 a company may suffer as a result of its failure to comply with laws, regulations, directives, directions, reporting requirements and codes of conduct, including the internal code of conduct.

The Compliance Management Policy sets the compliance framework for managing compliance risks within Ithmaar through setting the roles and responsibilities of the Board of Directors, the Senior Management and the Compliance function staff, as well as formalising the independence and effectiveness of the Compliance function and the reporting line of the Compliance Officer. The compliance function follows a risk-based approach to compliance Risk Management, in accordance with the Compliance plan approved by the Audit, Governance, Risk, Nomination and Remuneration Committee (AGRNRC) of the Board.

The Company's management ensures that business is conducted in conformity with high ethical standards and is in compliance with all applicable laws and regulations. The Compliance Officer has the duty of promoting a sound compliance culture across the organisation through effective training, supported by periodic compliance testing to identify areas of improvement.

Furthermore, the Compliance function communicates matters of interest from a compliance perspective across the organisation in order to ensure that Senior Management and other personnel are aware of the applicable regulatory requirements, and implications thereof, in order to achieve a consistently high level of compliance across the Company's operations.

Ithmaar Holding complies with Bahrain's relevant legislations on AML/CFT, CBB rules and the guidance of the Financial Crime Module which is based on the principles of the Financial Action Task Force's (FATF) 40 recommendations and the Basel Committee on Banking Supervision Paper.

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# Consolidated Financial Statements

For the year ended 31 December 2024

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# Report of the Sharia Supervisory Board

www.ithmaarholding.com



In the Name of Allah, the Beneficent, the Merciful

**Report of the Sharia Supervisory Board on the activities of Ithmaar Holding B.S.C. and subsidiaries for the Financial Year from 1 January 2024 until 31 December 2024, corresponding to the Year from 19 Jumada Al-Akhirah 1445 H until 30 Jumada Al-Akhirah 1446 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 its subsidiaries ("Ithmaar") performed the following during the financial year ended 31 December 2024:

- 1- Issued fatwas and Sharia resolutions related to the Company's products, activities and the Company's assets, and circulating it through Sharia Coordination and Implementation Department of the group, and follow up its execution through Internal Sharia Audit Department of the group, while also emphasis on the company's management towards more diligence on Sharia-compliant transactions.
- 2- Studied different mechanisms of financing, investment and various mudaraba accounts and preparing its documents with the company's management.
- 3- Examined the accounts, records and transactions and auditing some of their samples through the Group's Internal Sharia Audit Department as per established sharia auditing standards.
- 4- Reviewed the report of the External Shariah Auditor and took his observations into consideration.
- 5- Examined sources of income and expenditures through reviewing the consolidated statements of financial position, income statement and Ithmaar's overall banking activities.

We have reviewed the principles and contracts relating to transactions and products that has been executed by Ithmaar Holding during the year ended 31 December 2024. 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, resolutions of the Centralized Sharia Council and the regulations and instructions issued by the Central Bank of Bahrain.

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 legitimate 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:**

**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. Mudaraba profit and loss distribution reserve is in-compliance with the principles and provisions of Islamic Sharia.
- 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)

www.ithmaarholding.com



**Report of the Sharia Supervisory Board on the activities of Ithmaar Holding B.S.C. and subsidiaries for the Financial Year from 1 January 2024 until 31 December 2024, corresponding to the Year from 19 Jumada Al-Akhirah 1445 H until 30 Jumada Al-Akhirah 1446 H.**

## **Non-sharia compliant income:**

To ensure compliance with the Fatwas and previous Directions of the Sharia Supervisory Board relating to conventional assets, the Sharia Supervisory Board has reviewed the consolidated income statement of Ithmaar for the year ended 31 December 2024 and has satisfied itself that Ithmaar has appropriately disclosed the income and expenses arising from the conventional assets and liabilities in Note (35). And since most of these conventional assets were disposed on 7<sup>th</sup> of July 2022, and no gains made from sources prohibited by Sharia for the year 2024.

We pray to Almighty Allah to grant success to Ithmaar Holding 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.

**This report has been issued on Monday 11 Shaaban 1446 H, 10 February 2025.**

Sharia Supervisory Board

رئيس الهيئة  
شماحة الشيخ عبدالله الخبيز

عضو الهيئة  
فضيلة الشيخ أسامة بحر

عضو الهيئة  
فضيلة الشيخ محمد آل عمار

عضو الهيئة  
فضيلة الشيخ نظام يعقوب

Four handwritten signatures in blue ink, corresponding to the names listed above.



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# Board of Directors' Report

for the year ended 31 December 2024

The Directors submit their report dealing with the activities of Ithmaar Holding B.S.C. ("Ithmaar") for the year ended 31 December 2024, 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 Central Bank of Bahrain.

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

## Consolidated financial position and results

The consolidated financial position of the Group as at 31 December 2024, 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 \$33.7 million for the year ended 31 December 2024, as compared to a net profit of \$13.3 million for 2023. The net profit attributable to shareholders of the Company is \$10.5 million for 2024, as compared to a net loss of \$9.3 million for 2023. Total assets at 31 December 2024 amounted to \$6,847.4 million (31 December 2023: \$6,104.6 million).

## Directors

The following served as Directors of Ithmaar during the year ended 31 December 2024:

HRH Prince Amr Mohammed Al-Faisal (Chairman)

Tunku Yaacob Khyra

Dr. Amani Khaled Bouresli

Sheikh Mohamed Abdullah Abdulkarim El Khereiji

Ms. Elham Ebrahim Abdulla Hasan

Mr. Juma Hasan Ali Abul (Appointed effective 28 February 2024)

# Board of Directors' Report (continued)

for the year ended 31 December 2024

## Board of Directors' & Executive Management Remuneration

In accordance with the provisions of the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No.(3) for the year 2022, the table below shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ended 31 December 2024.

### First: Board of directors' remuneration details:

Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total			
<b>First: Independent Directors</b>											
1. Dr. Amani Khaled Bouresli	-	17,417	-	17,417	-	-	-	-	-	17,417	-
2. Ms. Elham Ebrahim Hasan	-	17,417	-	17,417	-	-	-	-	-	17,417	-
3. Tunku Yaacob Khyra	-	17,417	-	17,417	-	-	-	-	-	17,417	-
<b>Second: Non-Executive Directors:</b>											
1. HRH Prince Amr Mohammed Al-Faisal	-	12,667	-	12,667	-	-	-	-	-	12,667	-
2. Sheikh Mohamed Abdullah El Khereiji	-	9,500	-	9,500	-	-	-	-	-	9,500	-
<b>Third: Executive Directors:</b>											
1. Mr. Juma Hasan Ali Abul (Appointed effective 28 February 2024)	-	9,500	-	9,500	-	-	-	-	-	9,500	-
<b>Total</b>	<b>-</b>	<b>83,918</b>	<b>-</b>	<b>83,918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,918</b>	<b>-</b>

Note: All amounts are stated in Bahraini Dinars

Other remunerations:

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

\*\* It includes the board member's share of the profits - Granted shares (insert the value) (if any).

**Note:**

1.Ithmaar does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors. Further there is no remuneration proposed for the year.

# Board of Directors' Report (continued)

for the year ended 31 December 2024

## Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Remunerations for top 6 executives, including CEO and Senior Financial Officer	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

### Note:

1. There are no salaries, allowances or rewards for the executive management due to the nature of the holding company.

## Interests of Directors

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

Name	Number of Shares	
	31 December 2024	31 December 2023
HRH Prince Amr Mohammed Al-Faisal	106,100	106,100
Tunku Yaacob Khyra	106,100	106,100
Mr. Mohammed A. Rahman Bucheerei (Resigned effective 31 December 2023)	-	105,600

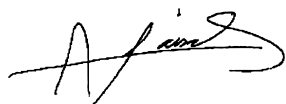
## Dividend

No dividend has been proposed for 2024 (2023: Nil).

## Auditors

The Board of directors recommend KPMG Fakhro Bahrain to be appointed as auditors of the Group for the year ending 31 December 2025, subject to the regulatory and shareholder approvals.

By order of the Board of Directors



**HRH Prince Amr Mohamed Al Faisal**

Chairman

13 February 2025



**Elham Hasan**

Director

# Independent Auditor's Report

To the Shareholders of Ithmaar Holding B.S.C.



KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower,  
P.O. Box 710, Manama,  
Kingdom of Bahrain

Telephone +973 17224807  
Telefax +973 17227443  
Website: www.kpmg.com/bh  
CR No. 6220 - 2

## Independent auditors' report

### To the Shareholders of

*Ithmaar Holding B.S.C.  
Seef Tower  
Seef, Kingdom of Bahrain*

#### Opinion

We have audited the accompanying consolidated financial statements of Ithmaar Holding B.S.C. (the "Company"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of income, comprehensive income, income and attribution related to quasi-equity, changes in owners' equity, cash flows and changes in off-balance sheet assets under management for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated results of operations, consolidated income and attribution related to quasi-equity, consolidated changes in owners' equity, consolidated cash flows and consolidated changes in off-balance sheet assets for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2024.

#### Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter - Basis of going concern

We draw attention to Notes 1.1 and 1.2 to the consolidated financial statements, which describes significant judgments and assumptions relating to the Board of Directors assessment of the appropriateness of the going concern assumption for preparation of the consolidated financial statements. Our opinion is not modified in respect of these matters.

# Independent Auditor's Report (continued)

To the Shareholders of Ithmaar Holding B.S.C.



Independent auditors' report (continued)  
Ithmaar Holding B.S.C.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment allowance on financing assets

Refer to accounting policy in Note 2.4 (d), disclosure on use of estimates and judgment in Note 2.3 and management of credit risk in Note 31 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• of the significance of financing contracts to total assets;</li> <li>• impairment of financing contracts involves:                             <ul style="list-style-type: none"> <li>❖ complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias;</li> <li>❖ use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its expected credit loss ("ECL") models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and</li> <li>❖ complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses.</li> </ul> </li> <li>• the need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them; and</li> <li>• adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.</li> </ul>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice.</li> <li>• Confirming our understanding of management's processes, systems and controls over the ECL calculation process.</li> </ul> <p><b>Control testing</b> We performed process walkthroughs to identify the key systems, applications and controls associated with the ECL calculation process. Key aspects of our control testing involved the following:</p> <ul style="list-style-type: none"> <li>• Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process.</li> <li>• Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays.</li> <li>• Testing controls over the modelling process, including governance over model monitoring, validation and approval.</li> </ul> <p><b>Tests of details</b> Key aspects of our testing involved:</p> <ul style="list-style-type: none"> <li>• Reviewing a sample of credit files for performing accounts and evaluating the financial performance of the borrower, source of repayment and eligible collateral and on this basis assess the appropriateness of credit rating and staging.</li> <li>• Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used.</li> <li>• Re-performing key elements of the Group's model calculations and assessing performance results for accuracy.</li> </ul>

# Independent Auditor's Report (continued)

To the Shareholders of Ithmaar Holding B.S.C.



Independent auditors' report (continued)  
Ithmaar Holding B.S.C.

	<p><b>Tests of details (continued)</b> Key aspects of our testing involved:</p> <ul style="list-style-type: none"><li>• Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified.</li><li>• Selecting a sample of post model adjustments and management overlays in order to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data.</li><li>• Assessing the adequacy of provisions against individually impaired financing assets (stage 3) in accordance with the applicable FAS.</li></ul> <p><b>Use of specialists</b> For the relevant portfolios examined, we have involved our specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following:</p> <ul style="list-style-type: none"><li>• We involved our Information Technology Audit specialists to test the relevant General IT and Application controls over key systems used for data extraction as part of the ECL calculation process.</li><li>• We involved our Credit Risk specialists in:<ul style="list-style-type: none"><li>- Evaluating the appropriateness of the Group's ECL methodologies (including the staging criteria used);</li><li>- On a test check basis, re-performing the calculation of certain components of the ECL model (including the staging criteria);</li><li>- Evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weights applied to them; and</li><li>- Evaluating the overall reasonableness of the management forward looking estimates by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends.</li></ul></li></ul> <p><b>Disclosures</b> We assessed the adequacy of the Group's disclosures relating to impairment of financing contracts by reference to the requirements of the relevant accounting standards.</p>
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# Independent Auditor's Report (continued)

To the Shareholders of Ithmaar Holding B.S.C.



*Independent auditors' report (continued)*  
*Ithmaar Holding B.S.C.*

## Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Ithmaar to cease to continue as a going concern.

# Independent Auditor's Report (continued)

To the Shareholders of Ithmaar Holding B.S.C.



*Independent auditors' report (continued)*  
*Ithmaar Holding B.S.C.*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and (Volume 4) of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 4, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of Ithmaar's memorandum and articles of association that would have had a material adverse effect on the business of Ithmaar or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG Fakhro  
Partner Registration Number 137  
13 February 2025



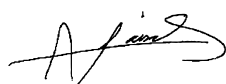
# Consolidated statement of financial position

as at 31 December 2024

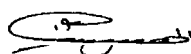
(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	At 31 December 2024 (Audited)	At 31 December 2023 (Audited)
<b>ASSETS</b>			
Cash and balances with banks and central banks	3	439,459	367,962
Commodity placements with banks, financial and other institutions	4	118,506	12,977
Financing contracts	5	2,794,953	2,606,574
Investment securities	6	2,634,441	2,323,480
Investment in associates	7	106,584	94,659
Other assets	8	127,697	93,835
Investment in real estate	9	200,482	243,638
Development properties	10	176,276	174,662
Property and equipment	11	232,179	169,236
Intangible assets	12	16,846	17,551
<b>Total assets</b>		<b>6,847,423</b>	<b>6,104,574</b>
<b>LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY</b>			
Customers' current accounts	13	1,981,786	1,724,829
Due to banks, financial and other institutions	14	1,718,905	1,189,988
Due to investors		-	8,652
Other liabilities	15	438,186	299,468
<b>Total liabilities</b>		<b>4,138,877</b>	<b>3,222,937</b>
<b>Quasi-equity</b>	16	<b>2,527,680</b>	<b>2,719,498</b>
<b>OWNERS' EQUITY</b>			
Share capital	17	757,690	757,690
Treasury shares	17	(30,149)	(30,149)
Reserves	18	112,527	114,857
Accumulated losses		(828,650)	(838,063)
<b>Total equity attributable to shareholders of the Company</b>		<b>11,418</b>	<b>4,335</b>
Non-controlling interests	19	169,448	157,804
<b>Total owners' equity</b>		<b>180,866</b>	<b>162,139</b>
<b>Total liabilities, quasi-equity and owners' equity</b>		<b>6,847,423</b>	<b>6,104,574</b>

These consolidated financial statements were approved by the Board of Directors on 13 February 2025 and signed on its behalf by:



**HRH Prince Amr Mohamed Al Faisal**  
Chairman



**Elham Hasan**  
Director



**Maysan Al Maskati**  
CEO

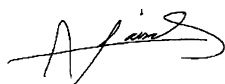
The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

# Consolidated statement of income

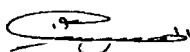
for the year ended 31 December 2024

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

	Notes	Year ended	
		31 December 2024 (Audited)	31 December 2023 (Audited)
<b>INCOME</b>			
Income from financing contracts	21	381,993	355,546
Income from investments	22	472,925	364,457
Other income - net	23	80,434	30,329
Finance expense on placements from financial and non-financial institutions		(18,107)	(15,361)
<b>Net income</b>		<b>917,245</b>	<b>734,971</b>
Share of loss from equity accounted investees		(6,934)	(2,425)
<b>Total income</b>		<b>910,311</b>	<b>732,546</b>
<b>EXPENSES</b>			
Operating expenses	24	(197,794)	(163,802)
Depreciation and amortization		(22,130)	(19,328)
<b>Total expenses</b>		<b>(219,924)</b>	<b>(183,130)</b>
<b>Profit before impairment allowances, income attribution to quasi-equity and tax</b>		<b>690,387</b>	<b>549,416</b>
Allowances for impairment and expected credit losses, net	25	(32,755)	(16,794)
<b>Profit before income attribution to quasi-equity and tax</b>		<b>657,632</b>	<b>532,622</b>
Less: Net profit attributable to quasi-equity		(532,655)	(449,074)
<b>Profit before overseas taxation</b>		<b>124,977</b>	<b>83,548</b>
Tax expense	26	(91,258)	(70,193)
<b>PROFIT FOR THE YEAR</b>		<b>33,719</b>	<b>13,355</b>
<b>Attributable to:</b>			
Shareholders of the Company		10,459	(9,311)
Non-controlling interest		23,260	22,666
		<b>33,719</b>	<b>13,355</b>
<b>Basic and diluted earnings / (losses) per share</b>	20	US Cts 0.36	US Cts (0.32)



HRH Prince Amr Mohamed Al Faisal  
Chairman



Elham Hasan  
Director



Maysan Al Maskati  
CEO

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

for the year ended 31 December 2024

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

	Year ended	
	31 December 2024 (Audited)	31 December 2023 (Audited)
<b>PROFIT FOR THE YEAR</b>	<b>33,719</b>	13,355
<b>Other comprehensive income</b>		
<b>Items that will not be classified to statement of income</b>		
Fair value changes on land and building	(647)	(111)
Attributable to quasi-equity	788	223
<b>Items that may subsequently be classified to statement of income</b>		
Exchange difference arising on translation of foreign operations	5,966	(50,401)
Fair value changes on investments in real estate	(931)	(736)
Fair value changes on investment in associates	1,185	(2,070)
Recycling of translation reserve on disposal of assets	-	5,744
Fair value changes on investments carried at fair value through OCI	32,514	19,750
Attributable to quasi-equity	(27,617)	26,731
Total other comprehensive income for the year	11,258	(870)
<b>Total comprehensive income</b>	<b>44,977</b>	12,485
<b>Attributable to:</b>		
Shareholders of the Company	7,083	(234)
Non-controlling interest	37,894	12,719
	<b>44,977</b>	12,485

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

## Consolidated statement of income and attribution related to quasi-equity

for the year ended 31 December 2024

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

	Year ended	
	31 December 2024 (Audited)	31 December 2023 (Audited)
<b>PROFIT BEFORE IMPAIRMENT ALLOWANCES, INCOME ATTRIBUTION TO QUASI-EQUITY AND TAX</b>	<b>690,387</b>	549,416
Adjusted for:		
Less: (loss)/income not attributable to quasi-equity	(40,232)	(19,634)
Add: expenses not attributable to quasi-equity	219,924	183,130
Less: institution's share of loss for its own/ share of investments	6,934	2,425
Less: Finance expense on placements from financial and non-financial institutions	18,107	15,361
Less: allowance for impairment allowances attributable to quasi-equity	(23,411)	(17,236)
<b>Total income available for quasi-equity holders</b>	<b>871,709</b>	713,462
Less: Mudarib's share	(339,054)	(264,388)
<b>Profit attributable to quasi-equity</b>	<b>532,655</b>	449,074
Other comprehensive income that may subsequently be classified to income statement - attributable to quasi-equity	26,829	(26,954)
<b>Total comprehensive income - attributable to quasi-equity</b>	<b>559,484</b>	422,120
Less: Other comprehensive income not subject to immediate distribution	(26,829)	26,954
<b>Total comprehensive income subject to immediate distribution</b>	<b>532,655</b>	449,074

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in owners' equity

for the year ended 31 December 2024

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

	Share capital	Treasury shares	Reserves	Accumulated losses	Total equity attributable to shareholders of the Company	Non-controlling interests	Total owners' equity
<b>At 1 January 2024</b>	<b>757,690</b>	<b>(30,149)</b>	<b>114,857</b>	<b>(838,063)</b>	<b>4,335</b>	<b>157,804</b>	<b>162,139</b>
Profit for the year	-	-	-	10,459	10,459	23,260	33,719
Other comprehensive income for the year	-	-	(3,376)	-	(3,376)	14,634	11,258
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(3,376)</b>	<b>10,459</b>	<b>7,083</b>	<b>37,894</b>	<b>44,977</b>
Transfer to statutory reserve	-	-	1,046	(1,046)	-	-	-
Movement from dividend distribution by subsidiaries	-	-	-	-	-	(11,543)	(11,543)
Decrease in shareholding of subsidiary	-	-	-	-	-	(14,707)	(14,707)
<b>At 31 December 2024</b>	<b>757,690</b>	<b>(30,149)</b>	<b>112,527</b>	<b>(828,650)</b>	<b>11,418</b>	<b>169,448</b>	<b>180,866</b>

	Share capital	Treasury shares	Reserves	Accumulated losses	Total equity attributable to shareholders of the Company	Non-controlling interests	Total owners' equity
At 1 January 2023	757,690	(30,149)	105,780	(828,752)	4,569	131,481	136,050
Profit / (loss) for the year	-	-	-	(9,311)	(9,311)	22,666	13,355
Other comprehensive income for the year	-	-	9,077	-	9,077	(9,947)	(870)
Total comprehensive income for the year	-	-	9,077	(9,311)	(234)	12,719	12,485
Movement from dividend distribution by subsidiaries	-	-	-	-	-	(5,460)	(5,460)
Increase in shareholding of subsidiary	-	-	-	-	-	19,064	19,064
At 31 December 2023	757,690	(30,149)	114,857	(838,063)	4,335	157,804	162,139

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 December 2024

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

	Notes	Year ended	
		31 December 2024 (Audited)	31 December 2023 (Audited)
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before taxation from:</b>		124,977	83,548
<b>Adjustments for:</b>			
Depreciation and amortization		22,130	19,328
Share of results after tax from associates		6,934	2,425
Provision for impairment - net	25	32,755	16,794
Income from investments		(472,925)	(364,457)
Finance cost on net ijarah liability		6,449	4,832
Gain on sale of property and equipment		(161)	(81)
Operating loss before changes in operating assets and liabilities		(279,841)	(237,611)
<b>Net changes in operating assets and liabilities:</b>			
Balances with banks maturing after 90 days and including with central banks relating to minimum reserve requirement		(4,637)	(14,341)
Financing contracts		(170,209)	(427,859)
Other assets		2,326	93,590
Customers' current accounts		245,365	242,105
Due to banks, financial and other institutions		523,788	179,869
Due to investors		(8,735)	(21,369)
Other liabilities		100,776	(75,189)
Quasi-equity		(204,781)	558,514
Taxes paid		(58,710)	(62,794)
<b>Net cash generated from operating activities</b>		<b>145,342</b>	<b>234,915</b>
<b>INVESTING ACTIVITIES</b>			
Investment securities		124,902	(188,156)
Property and equipment		(76,995)	(33,525)
<b>Net cash generated from / (used) in investing activities</b>		<b>47,907</b>	<b>(221,681)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of net Ijarah liability		(13,016)	(11,030)
<b>Net cash used in financing activity</b>		<b>(13,016)</b>	<b>(11,030)</b>
Foreign currency translation adjustments		431	(9,326)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>180,664</b>	<b>(7,122)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>334,639</b>	<b>341,761</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>515,303</b>	<b>334,639</b>
<b>Details of cash and cash equivalents:</b>			
Cash and balances with banks and central banks		439,459	367,962
Commodity and other placements with banks, financial and other institutions		118,848	13,089
Less: Placements with original maturing after 90 days and balances with central banks relating to minimum reserve requirement		(43,004)	(46,412)
		<b>515,303</b>	<b>334,639</b>

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in off-balance-sheet assets under management for the year ended 31 December 2024

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

	Shamil Bosphorus Modaraba*	European Real Estate Placements*	US Real Estate Placements*	Total
<b>Balance at 1 January 2024</b>	<b>6,250</b>	<b>10,783</b>	<b>25,236</b>	<b>42,269</b>
Additions	-	-	-	-
Foreign exchange movements	-	(906)	-	(906)
Recoveries/ disposals/ maturities	-	-	-	-
Net decrease	-	(906)	-	(906)
Net income	-	-	-	-
Mudarib's share	-	-	-	-
Fixed agency fee	-	-	-	-
Variable agency fee	-	-	-	-
Total Group's management share	-	-	-	-
Distributions/ withdrawals	-	-	(20,528)	(20,528)
<b>At 31 December 2024</b>	<b>6,250</b>	<b>9,877</b>	<b>4,708</b>	<b>20,835</b>

	Shamil Bosphorus Modaraba*	European Real Estate Placements*	US Real Estate Placements*	Total
Balance at 1 January 2023	6,250	10,457	25,236	41,943
Additions	-	-	-	-
Foreign exchange movements	-	326	-	326
Recoveries/ disposals/ maturities	-	-	-	-
Net increase	-	326	-	326
Net income	-	-	-	-
Mudarib's share	-	-	-	-
Fixed agency fee	-	-	-	-
Variable agency fee	-	-	-	-
Total Group's management share	-	-	-	-
Distributions/ withdrawals	-	-	-	-
At 31 December 2023	6,250	10,783	25,236	42,269

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

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 1. REPORTING ENTITY

Ithmaar Holding B.S.C. ("Ithmaar" or the "Company") was incorporated in the Kingdom of Bahrain under the Commercial Companies Law and registered with Ministry of Industry and Commerce (MOIC) under Commercial Registration number 15210-20 on 26 October 2016. Formerly, Ithmaar was incorporated as an investment bank on 13 August 1984 and regulated by the Central Bank of Bahrain ("CBB"). Post restructuring over the years, Ithmaar is now licensed by the CBB under Volume 4, Category 1 investment firm.

The Company's registered office is at Building 2080, Road 2825, Block 428, Al Seef, Kingdom of Bahrain.

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

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

Ithmaar's ordinary shares are listed on the Bahrain Bourse and Dubai Financial Market.

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 and fund management.

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 quasi equity and off-balance-sheet assets under management. In respect of quasi equity, the investment accountholders authorise the Group to commingle and invest the accountholders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. In respect of off-balance-sheet assets under management, 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 off-balance-sheet assets under management.

The Group carries out its business activities through Ithmaar's head office in Bahrain and its following principal subsidiaries:

	% owned		Country of Incorporation	Principal business activities
	2024	2023		
<b>Direct subsidiaries</b>				
Ithmaar Bank B.S.C. (c) (the "Bank")	100	100	Kingdom of Bahrain	Banking
IB Capital B.S.C. (c) (IBC)	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
<b>Principal indirect subsidiaries</b>				
Faysal Bank Limited (FBL) (Note 1)	67	67	Pakistan	Banking
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
Health Island WLL	50	50	Kingdom of Bahrain	Real estate
Dilmunia Development Fund I L.P.	92	92	Cayman Islands	Real estate

Note 1: The Group owns 67% stake in FBL, through a direct legal ownership of 57% and 10% of indirect ownership of DMIT, held for the beneficial interest of the Bank.

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.



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# Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

## 1. REPORTING ENTITY (Continued)

### 1.1 Going Concern

As of 31 December 2024, the total consolidated owners' equity of the Group stood at \$11.4 million and its accumulated losses are in excess of its paid-up capital. Further, the Group's Board of Directors (the "Board") continues to pay utmost attention to the implementation of a capital plan being put in place in order to resolve the regulatory capital requirements. These events and conditions are of significant value to the Group's ability to continue as a going concern.

The Board of Directors of Ithmaar is working on various initiatives to strengthen the Group's consolidated equity and liquidity profile within the next twelve months from reporting date of these consolidated financial statements ("Equity Strengthening Plans"). These initiatives include, amongst other initiatives, the following:

- Issuance of Tier 1 capital instrument (T1) of up to \$140 million, subject to regulatory and shareholders' approvals;
- Continuing regulatory support on matters related to capital and liquidity requirements on licensed group entities;
- Sourcing long term funding lines against assets to support unplanned liquidity needs;
- Consideration of sale of core and non-core assets, subject to further review, negotiations and necessary regulatory approvals (refer Note 1.2); and
- Focusing on recovery of financing exposures (including the related party receivables) by way of sale / realization of underlying collateral.

On 17 March 2022, the Board of Directors summoned an Extraordinary General Meeting of the shareholders and recommended measures such as setting off the accumulated losses against the share capital. However, this will be contemplated after consideration of the above-mentioned measures and will be presented to the shareholders for their consideration and approval subject to the approvals of the competent authorities. The Board of Directors are in the process of discussing the issuance of T1 capital with the regulators and its interested shareholders.

On 4 June 2023, the shareholders, in an Extraordinary General Meeting, approved issuance of Tier 1 Capital instrument of up to \$200 million.

The Group's management has also assessed liquidity and equity projections of the banking and other businesses for the next twelve months from reporting date of this consolidated financial statements. Management's assessment includes the following significant assumptions:

- No change in status of sanctioned liabilities and accordingly no repayments;
- Use of ALCO approved rollover/ renewal related behavioral patterns of liabilities;
- Ability to maintain core deposits through increased focus on corporate customers as part of the new business model (evidenced by actual cash flows till the reporting date);
- Positive progress in key aspects of the Equity Strengthening Plans;
- Stressing the expected behavioral outflows of the liabilities and expected behavioral inflows from assets; and
- Putting in place the necessary liquidity lines in the form of medium-term interbank liquidity support facilities.

The Board of Directors has reviewed the above assumptions and events, along with mitigating factors and concluded that there are no material uncertainties related to these events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the Board of Directors believed that the Group will be able to continue its business without any significant curtailment of operations and will be able to meet its obligations for the next twelve months from the date of reporting of these consolidated financial statements. Accordingly, this consolidated financial statements has been prepared on a going concern basis.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 1. REPORTING ENTITY (Continued)

### 1.2 Transfer of business and sale of assets

During February 2024, the Board of Ithmaar Holding and Board of GFH Financial Group B.S.C. ("GFH") have agreed to an overall framework of terms regarding sale of certain assets and liabilities of Ithmaar's corporate banking business in Bahrain and investment assets (the "Transaction"). The Transaction was approved by Ithmaar Holding's shareholders during its Extraordinary General Meeting on 29 May 2024. The Transaction remains subject to regulatory approvals and the signing of definitive agreements. Further, the Transaction is expected to be significant to the overall consolidated financial position of the Group and is expected to yield positive outcomes for all stakeholders of the Group.

The Transaction discussions are currently in progress and the negotiations are expected to have an impact on the overall structure of the Transaction, including the scope of assets and liabilities that will form part of the Transaction perimeter. Any structure, once agreed upon between the parties, remains subject to regulatory and, if applicable, revised shareholder approvals.

Based on the Group's assessment of the criteria specified by IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", although the Group remains committed to the Transaction, as at the date of approval of the consolidated financial statements the final Transaction terms and perimeter are still under discussion and accordingly the Transaction does not qualify for the classification and disclosure requirements of IFRS 5 as at 31 December 2024.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "Group") as at and for the year ended 31 December 2024 and are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Sharia' rules and Principles as determined by the Sharia' Supervisory Board of the Bank and in conformity with the Bahrain Commercial Companies Law and the guidelines of CBB and Financial Institutions Law.

The consolidated financial statements of the Group are prepared on a historical cost basis, except for certain investment securities and investment properties which are carried at fair value.

The consolidated financial statements are presented in United States Dollars (\$), being the presentation currency of the Group. All values are rounded to nearest thousand [\$ '000] unless otherwise indicated. The functional currency of the Group is Bahraini Dinars and that of one subsidiary is Pakistani Rupees. Items included in the financial statements of each entity are measured using respective functional currency.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the Group takes guidance from the relevant IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.2 BASIS OF CONSOLIDATION

#### (i) Subsidiaries

Subsidiaries are those enterprises (including special purpose entities) controlled by the Group. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its equity of investment accountholders.

The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

#### (ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### (iii) Assets under management

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of SPE are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fiduciary assets under management is set out in consolidated statement of changes in off-balance-sheet assets under management.

#### (iv) Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to the consolidated statement of income.

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's profit in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.2 BASIS OF CONSOLIDATION (continued)

#### (vi) Foreign currency

##### (a) Functional and presentation currency

Items included in the consolidated financial statement of the Group 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”).

##### (b) Foreign currencies

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognised in the consolidated statement of income. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Translation gains or losses on non-monetary items classified as “fair value through equity” are included in consolidated statement of changes in equity until the related assets are sold or derecognised at which time they are recognised in the consolidated statement of income. Translation gains on non-monetary assets classified as “fair value through statement of income” are directly recognised in the consolidated statement of income as part of fair value changes.

##### (c) Translation of foreign operations

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not United States Dollars are translated into United States Dollars at the rates of exchange prevailing at the reporting date. Income and expense items are translated at average exchange rates prevailing for the reporting year. Any exchange differences arising on translation are included in foreign exchange translation reserve forming part of equity except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognised in foreign exchange translation reserve are recognised in the consolidated statement of changes in equity.

Foreign exchange translation arising from consolidation of a foreign operation attributable to quasi equity is attributed to the equity of the investment accountholders.

### 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant use of judgements and estimates are as follows:

#### *Impairment assessment of financial contracts subject to credit risk*

In determining expected credit losses (‘ECL’) on financial contracts subject to credit risk, significant estimates are made in determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. Refer to note 2.4 (ah) for detailed policy.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### *Impairment of goodwill*

Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount of the cash-generating unit's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the Board of Directors, extrapolated for three years projection using nominal projected growth rate. The determination of projected growth rate and discount rate involves judgment whereas, preparation of cash flow projections requires various management assumptions. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates based on the actual loss experience.

#### *Impairment of investment securities at fair value through other comprehensive income (FVTOCI)*

The Group determines that investments carried at fair value through other comprehensive income (FVTOCI) are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. In the case of quoted equity securities in active markets, the Group generally considers a decline in value below cost of 30%, or a decline that persists for more than 12 months as an indicator of impairment. In the case where markets for the investment are assessed to be inactive, the Group determines impairment based on its assessment of fair value and the investee companies' financial health, industry and sector performance.

In the extra-ordinary market conditions, for the purpose of determination of what constitutes significant or prolonged decline in fair value of investments, the management takes into account the following additional factors:

- Their intention relating to the respective holding years of such investments i.e. for trading purposes, or with intention for strategic investment, or for long-term dividends and capital gains etc.;
- As to whether the decline in value of investment is in line with the overall trend of decline in the relevant or local market corresponding to the uncertain economic condition;
- Forecasts of expected recovery of market values within the expected holding years; and/ or
- Forecasts of the expected recovery of the core business of the investee entity within the expected holding years and consequential cash flows to the institution.

#### *Fair value of unquoted equity*

The Group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cash flows, adjusted net asset values, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements. The basis of valuation has been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Valuation of investments in private equity involve judgment and is normally based on one of the following:

- a. valuation by independent external valuers for underlying properties / projects;
- b. recent market transactions;
- c. current fair value of another contract that is substantially similar;
- d. present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- e. application of other valuation models.

#### *Estimating fair value of investment property and net realisable value of development property*

Investment properties are carried at their fair values. Development property is stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The Group appoints experienced external valuers to determine the market value of the investment and development properties at the statement of financial position date. For large development projects, a residual value approach is adopted which forecasts future cost to completion and use of the expected development. The management has forecasted the cost of completion of development properties and has engaged independent valuers to estimate the residual value of the development properties based on estimated / forecasted market selling prices for similar properties. Net realisable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property.

The Group calibrates the valuation techniques yearly and tests these for validity using either prices from observable current market transactions in the same contract or other available observable market data.

#### *Deferred tax asset / liability*

The Group accounts for deferred taxation on material temporary differences using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Deferred tax is reduced to the extent that it is no longer probable that related tax benefits will be realised.

#### **Judgments**

##### **Going concern**

The management has made an assessment of the Group's ability to continue on a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

##### **Control over special purpose entities**

The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's that it does not have the power to control directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group's intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Investment classification

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. 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.

Significant judgement is involved in assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

### 2.4 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial instruments

Financial assets consist of balances with banks and the Central Bank, Sovereign Sukuk, Corporate Sukuk, placements with financial institutions, Murabaha financing (net of deferred profits), Mudaraba financing, Musharaka financing, receivable under finance lease assets contracts, non-trading investments in equity securities, and other receivables.

Financial liabilities contracts consist of placement from financial institutions, placements from customers, customers' current accounts, murabaha term financing and other payables.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value Through Income Statement (FVTIS), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus the capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

*The Group segregates its investment into following categories:*

*i) Equity-type instruments* - instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument in accordance with AAQIFI FAS.

*ii) Debt-type instruments* - Monetary debt-type instruments - instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments - instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah Mawsufah fi al-Dhimmah) or services (service Ijarah) to be delivered in future.

*iii) Other investment securities* - Investment instruments which do not meet the definition of either debt-type or equity-type instruments.

The Group classifies its investments on initial recognition as measured at: (a) amortised cost, (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through income statement ("FVTIS").

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTIS. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Trade date accounting

Purchases and sale of all financial assets and liabilities are recognised on the trade date, i.e. the date that the Group contracts to purchase or sell the asset or liability.

#### (c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay. Financial liabilities are derecognised when the obligation specified in the contract is legally discharged, cancelled, or expired.

#### (d) Financing contracts

Financing contracts comprise of Sharia'a compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Mudaraba contracts and credit card-based receivables. Financing contracts are recognised on the date they are originated and are carried at their amortised cost less allowance for expected credit losses, if any.

##### *Murabaha financing*

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller has purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on installment basis over the agreed finance tenure. Under the Murabaha contract, the Group may act either as a Seller or a Purchaser, as the case may be.

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.

##### *Mudaraba financing*

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide certain amount of funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal. Under the Mudaraba contract, the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

##### *Musharaka financing*

Musharaka is used to provide venture or project finance. The Group and customer contribute towards the capital of the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio, but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka.



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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) 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.

#### (f) Finance lease assets

Finance lease assets (also called Ijarah Mutahia Bitamleek contracts) is an agreement with the customers whereby the Group ("Lessor") leases an asset to the customer ("Lessee") after purchasing / acquiring a specified asset, either from a third-party seller or from the customer, according to the customer's request and promise to lease against certain rental payments for a specific lease term / years, payable on fixed and / or variable rental basis.

The finance lease agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The Lessee provides the Lessor with an undertaking to renew the lease years and pay the relevant rental payment amounts as per the agreed schedule throughout the lease term.

The Lessor retains the ownership of the assets throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the finance lease agreement, the Lessor will sell the leased asset to the Lessee for a nominal value based on sale undertaking given by the Lessor. Leased assets are usually in the type of residential properties and commercial real estate.

Depreciation is provided on a systematic basis on all Finance lease assets other than land (which is deemed to have an indefinite useful life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

The Group measures at each reporting date whether there is objective evidence that finance lease assets are impaired. Impairment loss is recognised when the carrying amount of assets exceeds its recoverable amount. The estimates of future cashflows, when dependent on a single customer, takes into consideration the credit evaluation of the customer in addition to other factors. Impairment losses, if any, are recognised in the consolidated statement of income.

#### *Modification of finance lease assets*

If the terms of the finance lease assets are modified, then the Group evaluates whether the cashflows of the modified asset are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original finance lease assets are deemed to have expired. In this case, the original finance lease assets is derecognised and a new finance lease assets is recognised at fair value plus any eligible transaction cost.

If the modification of a finance lease assets measured at amortized cost does not result in the derecognition of the finance lease assets then the Group first recalculates the gross carrying amount of the finance lease assets using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in consolidated statement of income.

#### (g) Placements with financial institutions

Placements with financial institutions comprise of short-term treasury contracts with financial institutions in the form of Commodity Murabaha receivables and Wakala investments. These placements are stated at amortised cost net of deferred profits and allowance for credit losses, if any.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Non-trading investments

##### Equity-type investments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual profit in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories: 1) at fair value through income statement ('FVTIS') or 2) at fair value through other comprehensive income ('FVTOCI'), consistent with its investment strategy.

##### *Recognition and de-recognition*

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

##### *Measurement*

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTE investments, transaction costs are expensed in the consolidated statement of income. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, equity-type investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of instruments carried at FVTIS are recognised in the consolidated statement of income in the year which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated statement of income.

#### (i) Investments in associates

The Group's investments in associates, that are acquired for strategic purposes, are accounted for under the equity method of accounting. Other equity investments in associates are accounted for as fair value through consolidated statement of income by availing the scope exemption under FAS 24, Investments in Associates. An associate is an entity over which the Group has significant influence, and which is not a subsidiary. An entity is considered as an associate if the Group has more than 20% ownership of the entity or the Group has significant influence through any other manner.

Under the equity method, investment in associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Losses in excess of the cost of the investment in associates are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of results of operations of the associates. 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 equity.

The reporting dates of the Group's associates are identical with the Group and the associates accounting policy conform to those used by the Group for like transactions and events in similar transactions.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Investments in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the profit in associates.

Foreign exchange translation gains / losses arising out of the translation of net assets of investment in associates are included in the consolidated statement of changes in equity.

#### (j) Investments in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investments in real estate. The investment in real estate is initially recognised at cost and subsequently measured based on intention whether the investments in real estate is held-for-use or held-for-sale. The Group has adopted the fair value model for its investments in real estate. Under the fair value model, any unrealized gains are recognised directly in owners' equity under the Real Estate Fair Value Reserve. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these are recognised in the consolidated statement of income. In case there are unrealized losses relating to investments in real estate that have been recognised in the consolidated statement of income in a previous financial year, the unrealized gains relating to the current financial year is recognised to the extent of crediting back such previous losses in the consolidated statement of income. Investments in real estate (held-for-sale) is carried at lower of its carrying value and expected fair value less costs to sell. Investments in real estate carried at fair value shall continue to be measured at fair value.

#### (k) Development properties

Properties acquired exclusively for development are classified as development properties and are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimates costs of completion and the estimated costs necessary to make the sale.

#### (l) Fair value of financial assets

For investments that are actively traded in organised financial markets, fair value is determined by reference to the prevailing market bid price on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to valuation by independent external valuers or based on recent arm's length market transactions. Alternatively, the estimate would also be based on current market value of another contract, which is substantially the same, or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by calculating the present value of future cash flows at current profit rates for contracts with similar terms and risk characteristics.

For assets having fixed or determinable payments, fair value is based on available active broker quotes or the net present value of estimated future cash flows determined by the Group using current market profit rates for contracts with similar terms and risk characteristics.

In limited circumstances where the Group is unable to determine reliable measure of fair value of equity type instruments, the cost of the instruments may be deemed as an approximation of fair value. If on a subsequent date, a reliable measure of fair value is determinable, the instrument is fair valued in accordance with the policy.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for lands & buildings. 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
Right-of-use assets	life of lease

In 2022 the management has changed the accounting policy for land and building from cost method to revaluation method (refer note 11). Land & buildings are initially recognised at cost. After initial recognition, these are carried at the revalued amount. The revaluation is carried out periodically by independent professional property valuers.

The property and equipment fair value reserve is used to record increments and decrements on the revaluation of property and equipment. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

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 statement of income during the financial period in which they are incurred.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts.

#### (n) Goodwill and other intangible assets

##### a. 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. 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.

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

Acquisition of non-controlling interests is accounted using the Economic Entity Method. Under the Economic Entity Method, the purchase of a non-controlling 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.

Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the consolidated statement of income. Goodwill is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised immediately in the consolidated statement of income.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Goodwill and other intangible assets (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is / are not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format

#### b. Intangible assets

##### *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 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.

##### *Other acquired intangible assets*

Other acquired intangible assets determined to have finite lives, such as core deposits, brand 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 is 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.

Other acquired intangible assets with infinite lives are tested annually for impairment and carried at cost less accumulated amortization.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient ceases control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

#### (o) 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.

#### (p) Current taxation

There is no tax on corporate income in the Kingdom of Bahrain. However, taxation related to the subsidiaries incorporated in tax jurisdictions are recorded as per local regulations.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Deferred taxation

Deferred taxation is recognised 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.

#### (r) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 Zakah using the net assets method. Zakah is calculated by the Group based on the eligible reserve and retained earnings balances at the end of the year and the remaining Zakah is payable by individual shareholders. The Group calculates and notifies the shareholders of their pro-rata share of the Zakah payable annually. The calculations of Zakah is approved by the Shari'a Supervisory Board. Payment of Zakah on the quasi equity and other accounts is the responsibility of the relevant account holders. Zakah is not required to be paid by law or by virtue of its constitution documents of the Company.

#### (s) 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 statement of income 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.

Pensions and other social Benefits for Bahraini employees are covered by the Social Insurance Organisation ("SIO") scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration. The provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee benefits, is made by calculating the notional liability had all employees left at the reporting date. Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

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.

For share incentive based variable remuneration, provision is recognized in accordance with the CBB guidelines, based on the adjusted net asset value of the Bank's latest audited consolidated financial statements.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Provision for staff benefits (continued)

##### *Share-based payment*

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

##### *Deferred share-based annual incentives*

In line with its variable remuneration policy, the Group awards a component of its annual bonuses for certain covered employees (material risk-takers and approved persons) in the form of deferred incentives that are released proportionately over a period of three years. The deferred incentives include a cash component and a share component. The share component is converted to phantom shares of the Bank based on the book value per share at the award date. The deferred incentives are cash-settled on each release date based on the most recent book value per share of the Bank. The deferred incentive liability is carried at their settlement amounts at each reporting date and any changes in the carrying value of the liability is recognized as an expense or release in the income statement of the reporting period. All deferred incentives are subject to malus and clawback provisions.

#### (t) Due to investors

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

#### (u) Customers' current accounts

Customers' current accounts balances are in non-investment accounts and are recognised when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the accounting year, the accounts are measured at their book value, which represents the settlement value to the customers.

#### (v) Quasi equity

Quasi-equity are funds held by the Group in one common pool of quasi equity, which is invested by the Group's ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts under multi-level investment arrangements. The funds received under the Wakala arrangement is invested in the Mudaraba investment pool and is considered as investment made by an investment account holder. Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Group to invest the accountholder's funds in a manner which the Group deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Group charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms agreed with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Group and are not charged to investment accounts. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Group in arriving at the equity of investment accountholder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Bank does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib.

Under FAS 30, ECL is allocated to the assets invested using funds from quasi equity.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Off-balance-sheet assets under management

Under the off-balance-sheet assets under management, the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. These accounts are disclosed separately in statement of changes in off-balance-sheet assets under management.

Investment accounts are initially recognised at fair value of the consideration received at the date on which the contract becomes effective.

After initial recognition, subsequent measurement of investment accounts takes into account undistributed profits and other reserves created specifically for the account of investment accountholders less any losses on assets attributable to investment accountholders.

#### (x) 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.

#### (y) Statutory reserve

In accordance with the Bahrain Commercial Companies Law, 10% of the Group's consolidated 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.

#### (z) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment, when a payment under the guarantee has become probable.

#### (aa) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### (ab) URIA Protection Scheme

Funds held with the Group in investment accounts and current accounts are covered by the Deposit and URIA Protection Scheme ('the Scheme') established by the Central Bank of Bahrain regulation in accordance with Resolution No (34) of 2010. An annual contribution is made to the scheme and is recognised as an expense when due.

The Scheme applies to all eligible accounts held with the Group subject to certain specific exclusions, maximum total amount entitled and other regulations governing the establishment of a Deposit and URIA Protection Scheme and a Deposit Protection Board.

#### (ac) Repossessed assets

In certain circumstance, properties are repossessed following the foreclosure on financing facilities that are in default. Repossessed properties are measured at the lower of carrying value and fair value less cost to sell in accordance with IFRS 5 "Non-current assets held-for-sale and discontinued operation".



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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ad) 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 income from off-balance-sheet assets under management and quasi equity as defined in the Mudaraba agreement (trust deed), except when the Group temporarily waives its entitlement.

2. Profit on financing contracts

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 contract. 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. Income from Sukuk

Income on debt-type sukuk is recognised on a time-proportionate basis based on underlying rate of return of the respective type of Sukuk.

Income on equity-type sukuk is recognized when the group's right to receive dividends is established.

7. Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

8. Gain on sale of investment in equity securities

It is recognised on trade date at the time of derecognition of the investment securities. The gain or loss is the difference between the carrying value on the trade date and the consideration received or receivable.

9. Fees and commissions

Fees and commissions 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 the Group has fulfilled all its obligations in connection with the related transaction.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ae) Profit allocation between group and investment accountholders

The Group holds separate books for assets financed by owners, quasi equity and off-balance-sheet assets under management. All income generated from the assets financed by the investment accounts are allocated to the customers after deducting provisions, investment risk reserve, profit equalisation 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.

Some profit incentives are recognised based on term of the contracts with restricted account holders.

#### (af) Assets transfer between Owner's equity, Quasi equity and Off-balance-sheet assets under management

Assets are transferred between Owner's equity, Quasi equity and Off-balance-sheet assets under management at agreed values.

#### (ag) Shari'a compliant risk management instruments and hedge accounting

The Group uses certain shari'a compliant risk management instruments (similar to derivatives) to economically hedge exposures to foreign exchange and profit rate risks. Such instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value. The fair value of a hedging instrument is the equivalent to its prevailing market rates or is based on broker quotes. Instruments with positive market values are disclosed as assets and instruments with negative market values are disclosed as liabilities in the statement of financial position.

In certain circumstances the Group enters into shari'a compliant risk management instruments to hedge foreign currency risks. Changes in the fair value of derivative financial instruments that are designated, and qualify as fair value hedges, are included in the consolidated statement of income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk being hedged. Unrealised gains or losses on hedged assets which are attributable to the hedged risk are adjusted against the carrying values of the hedged assets or liabilities. For derivatives that are not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the statement of changes in owners' equity.

Cash flow hedging attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in statement of changes in owners' equity and presented in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated statement of income. The Group currently has hedged cash flows to manage its profit rate risk on variable rate financial liabilities.

#### *Hedges directly affected by variable profit rate benchmark reforms*

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark variable profit rate is not altered as a result of global variable profit rate benchmark reform. For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark variable profit rate will not be altered as a result of variable profit rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the variable profit rate benchmark cash flows designated as a hedge will not be altered as a result of variable profit rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the variable profit rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from variable profit rate benchmark reform about the timing and the amount of the variable profit rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment

Impairment of financial assets is assessed in accordance with FAS 30 "Impairment, credit losses & onerous commitments" as follows:

##### 1. Financings and receivables

#### 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 income statement (FVTIS)
- Financial guarantee contracts that are not measured at fair value through income statement (FVTIS).
- Lease receivables and contract assets
- Balances with banks
- Related party balances

The Group measures loss allowances at an amount equal to lifetime ECL, except for 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.

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.

#### 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 assesses for significant increase in credit risk (SICR) at a counterparty level as the internal rating is currently carried out at a counterparty level and 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.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment (continued)

##### 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.

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due as applicable. 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- 12 month ECL: 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 - lifetime ECL-not credit impaired: 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 - lifetime ECL-credit impaired: 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).

Its subsidiary, FBL has incorporated an additional criterion of days past due for determining SICR, which requires that all financing facilities in which any installment or part thereof is outstanding for 60 days or more at the reporting date shall be marked as stage 2, irrespective of the credit risk rating.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment (continued)

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).

#### Measurement of ECL

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

- financing contracts 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);
- financing contracts 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;
- undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive
- 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. In case of non-availability of recovery data, the Group uses LGD estimate based on market practice.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment (continued)

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) and Economist Intelligence Unit (EIU) database for the relevant exposure country.

Management judgement is exercised when assessing the macroeconomic variables. The macro economic variables used for FAS 30 PD modelling include, among others, GDP, Inflation and Domestic Credit Growth.

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, Inflation and Domestic Credit Growth.

Based on consideration of a variety of external actual and forecast information, the Group calculates PiT PD estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

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.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment (continued)

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.

#### 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:

- 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
- Breach of financial covenants that are considered material. The Group will determine materiality based on negative impact of breach on the credit rating of the obligor.
- Event driven defaults such as declaration of bankruptcy (filed by the borrower or initiated by the Bank against the borrower), 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 Bank makes a charge-off or account-specific provision resulting from a significant perceived decline in credit quality subsequent to the Bank taking on the exposure;
- The Bank transfers the credit obligation at less than the cash equivalent value;
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of repayment instalments;
- Distressed restructuring refers to situations when the Bank grants a concession that it would not otherwise consider, irrespective of whether the concession is at the discretion of the Bank or otherwise. Forgiveness means reduction in repayment amount or profit. Postponement could include grace periods or changes in instalments leading to delayed maturity.
- The Bank considers that the obligor is unlikely to pay its credit obligations in full (i.e. principal, profit, fees or any other amount), without taking actions such as realizing security (if held).

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Impairment (continued)

##### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and ijarah assets are deducted from the gross carrying amount of the assets. Loss on undrawn commitments and financial guarantees are disclosed in other liabilities.

##### Write-off

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.

#### (ai) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets (other than for financial assets covered above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

#### (aj) Sovereign Sukuk and Corporate Sukuk

These investments are in the nature of debt-type instruments that provide fixed or determinable payments of profits and capital. Sukuk that are assessed under two distinct business models:

- Held-to-collect business model – This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements and consist of high-quality liquid assets that are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.
- Both held-to-collect and for sale business model: The remaining treasury portfolio will be held under active treasury management to collect both contract cash flows and for sale. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through other comprehensive income.



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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ak) Profit Equalisation Reserve (PER)

PER is appropriated out of the income arising from owners or quasi equity accountholders for the purpose of managing rate of return risk (including displaced commercial risk).

Contribution to PER is recognised in consolidated statement of income allocated to owners or quasi equity accountholders as appropriate.

Utilization/ reversal of PER is recognised when the reserve is no longer needed as per management's opinion. The reversal is recognised in consolidated statement of income allocated to owners or quasi equity accountholders as appropriate.

PER is disclosed as part of quasi equity accountholders or owners' equity as appropriate.

The adequacy of PER is assessed on annual basis using quick update approach in accordance with the Group's risk management policies.

Adjustments or transfers between PER and IRR are accounted for when the underlying event occurs.

#### (al) Investment Risk Reserve (IRR)

IRR is appropriated out of the income arising from owners or quasi equity accountholders for the purpose of creating cushion against credit, market and equity investment risk mainly pertaining to residual future probable losses (after impairment and credit losses accounted for under impairment policy).

Contribution to IRR is recognised in consolidated statement of income allocated to owners' equity or quasi equity accountholders as appropriate.

Utilization/ reversal of IRR is recognised when the loss event occurs or the reserve is no longer needed as per management's opinion. The reversal is recognised in consolidated statement of income allocated to owners or quasi equity as appropriate and not netted off with the respective loss.

IRR is disclosed as part of the quasi equity or owners' equity as appropriate.

The adequacy of IRR is assessed on annual basis using quick update approach in accordance with the Group's risk management policies.

Adjustments or transfers between PER and IRR are accounted for when the underlying event occurs.

### A. New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024

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

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

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

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### A. New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024 (continued)

During the period, the Group has adopted FAS 1 (revised). As a result of this adoption following changes were made to the primary statements of the Group.

##### Primary statements introduced

Statement of comprehensive income

Statement of income and attribution related to quasi-equity

Statement of changes in off-balance-sheet assets under management

As a result of adoption of FAS 1 certain of the prior year figures have been represented and regrouped to be consistent with the current year presentation. Such regrouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. Further, the Group elected to present statement of income and statement of other comprehensive income, as two separate statements.

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

##### (i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

##### (ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

The Group does not expect any significant impact on the adoption of this standard.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. New standards, amendments, and interpretations issued but not yet effective (continued)

##### *(iii) FAS 47: Transfer of Assets Between Investment Pools*

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

##### *(iv) FAS 48: Promotional Gifts and Prizes*

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement occurs instantly; b) promotional prizes that are announced in advance to be awarded at a future date and c) loyalty programs where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

##### *(v) FAS 49: Financial Reporting for Institutions Operating in Hyperinflationary Economies*

This standard establishes the principles of financial reporting for the institutions operating in hyperinflationary economies. This standard is applicable to the institutions whose functional currency is the currency of a hyperinflationary economy, and on consolidated financial statements of an institution to the extent of impacts relating to a subsidiary(ies) whose functional currency(ies) is the currency(ies) of a hyperinflationary economy(ies).

The standard prescribes pertinent factors for determination of hyperinflationary economy(ies).

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

AAOIFI recommended that all institutions operating in the same hyperinflationary economy shall apply this standard from the same date to ensure that comparability between their results is possible.

The Group does not expect any significant impact on the adoption of this standard.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. New standards, amendments, and interpretations issued but not yet effective (continued)

(vi) *FAS 50: Financial reporting for Islamic Investment institutions (including investment funds)*

This standard replaces “FAS 14 – Investment funds” and is not applicable to a) financial reporting for Sukuk holders and the Sukuk in the books of the originator; b) off-balance sheet assets under management that do not take form of a separate legal entity; c) investment institutions taking the form of a Waqf from Shari’ah perspective; and d) investment funds (e.g., participants’ investment funds) managed by Takaful institutions.

If these are subject to financial reporting requirements as prescribed in the respective AAOIFI FAS.

This standard is effective for the financial periods beginning on or after 1 January 2027, with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

## 3. CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	31 December 2024	31 December 2023
Cash reserve with central banks	43,004	46,412
Cash and balances with banks and central banks	396,455	321,550
	<b>439,459</b>	<b>367,962</b>

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

	31 December 2024	31 December 2023
Commodity placements/contracts	118,848	13,089
Less: Allowance for impairment	(342)	(112)
	<b>118,506</b>	<b>12,977</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 5. FINANCING CONTRACTS

	31 December 2024	31 December 2023
Murabaha and tawarruq financings	1,536,054	1,502,738
Musharaka financing	1,229,122	1,131,764
Istisna financings	241,965	185,484
Ijarah financing	-	1,568
	3,007,141	2,821,554
Less: Allowance for impairment	(212,188)	(214,980)
	<b>2,794,953</b>	2,606,574

Murabaha financings include conventional loans and advances totalling \$Nil million (31 December 2023: \$56.9 million) made by a subsidiary of Ithmaar.

Financing contracts includes restructured facilities amounting to \$65.9 million (31 December 2023: \$20.4 million).

The movement in allowance for impairment is as follows:

	31 December 2024	31 December 2023
At 1 January	214,980	312,731
Charge for the year	67,676	33,559
Write back during the year	(37,767)	(19,056)
Utilised during the year	(30,751)	(92,972)
Exchange differences	(1,950)	(19,282)
<b>At 31 December</b>	<b>212,188</b>	214,980

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 6. INVESTMENT SECURITIES

	31 December 2024	31 December 2023
<b>Investment securities at fair value through income statement</b>		
Debt-type instruments - unlisted	10,537	16,601
Equity-type securities - listed	2,814	5,132
	<b>13,351</b>	<b>21,733</b>
<b>Investment securities at fair value through other comprehensive income</b>		
Debt-type instruments - listed	144,090	147,199
Debt-type instruments - unlisted	2,291,361	1,977,609
Equity-type securities - listed	39,306	19,921
Equity-type securities - unlisted	169,826	180,441
	2,644,583	2,325,170
Less: Allowance for impairment	(144,674)	(144,501)
	<b>2,499,909</b>	<b>2,180,669</b>
<b>Investment securities carried at amortised cost</b>		
Debt-type instruments - listed	96,290	96,371
Debt-type instruments - unlisted	29,935	29,721
	126,225	126,092
Less: Allowance for impairment	(5,044)	(5,014)
	<b>121,181</b>	<b>121,078</b>
	<b>2,634,441</b>	<b>2,323,480</b>

Investment securities include \$96.3 million (31 December 2023: \$96.4 million) Sukuk which have been repoed with another counterparty.

Sovereign Sukuk comprises 97% of the total debt-type instruments (31 December 2023: 90%).

Investment securities include conventional investments totalling \$2.5 million (31 December 2023: \$32.8 million) made by a subsidiary of the Group.

Certain assets totalling \$4.5 million (31 December 2023: \$4.5 million) included above are held by third parties as nominee on behalf of the Group.

The movement in allowance for impairment relating to impairment is as follows:

	31 December 2024	31 December 2023
At 1 January	149,515	166,174
Charge for the year	5,514	8,823
Write back during the year	(5,652)	(4,874)
Utilised during the year	-	(1,607)
Reclassification*	-	(14,699)
Exchange differences and other movements	341	(4,302)
<b>At 31 December</b>	<b>149,718</b>	<b>149,515</b>

\*Represents assets reclassified to investment in real estate and other assets

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 6. INVESTMENT SECURITIES (Continued)

FAS 33 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 assets and liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

### Investments measured at fair value

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2024</b>				
<b>Investment securities at fair value through income statement</b>				
Debt-type instruments	-	10,537	-	10,537
Equity securities	2,814	-	-	2,814
<b>Investment securities at fair value through other comprehensive income</b>				
Debt-type instruments	-	2,431,659	-	2,431,659
Equity-type securities	36,617	4,536	27,097	68,250
	<b>39,431</b>	<b>2,446,732</b>	<b>27,097</b>	<b>2,513,260</b>
<b>Investments not measured at fair value</b>				
<b>Investment securities carried at amortised cost</b>	<b>90,137</b>	<b>24,891</b>	<b>-</b>	<b>115,028</b>

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2023</b>				
<b>Investment securities at fair value through income statement</b>				
Debt-type instruments	16,601	-	-	16,601
Equity securities	5,132	-	-	5,132
<b>Investment securities at fair value through equity</b>				
Debt-type instruments	-	2,122,411	-	2,122,411
Equity-type securities	15,514	383	42,361	58,258
	<b>37,247</b>	<b>2,122,794</b>	<b>42,361</b>	<b>2,202,402</b>
<b>Investments not measured at fair value</b>				
<b>Investment securities carried at amortised cost</b>	<b>89,266</b>	<b>24,748</b>	<b>-</b>	<b>114,014</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 6. INVESTMENT SECURITIES (Continued)

### Reconciliation of Level 3

	Investment securities at fair value through equity	
	2024	2023
At 1 January	42,361	37,789
Total gains recognised in		
- Income statement	(484)	-
- Equity	595	(399)
Purchases	-	7,601
Reclassification*	(15,375)	(2,630)
<b>At 31 December</b>	<b>27,097</b>	<b>42,361</b>

\*Represents investment that are classified as subsidiaries during the year.

## 7. INVESTMENT IN ASSOCIATES

Investment in associates as adjusted for the Group's share of their results comprise:

Name of company	2024	% holding	2023	% of Share-holding	Country of incorporation	Nature of business
<b>Unlisted:</b>						
Citic International Assets Management Limited	12,964	20	20,072	20	Hong Kong	Asset management
Naseej B.S.C. (c)	68,231	31	68,231	31	Bahrain	Infrastructure
Dilmunia Eduprop Company W.L.L.	18,993	50	-	-	Bahrain	Real estate
Faysal Stock Fund	-	-	24	11	Pakistan	Mutual funds
Faysal Islamic Stock Fund	18	-	446	29	Pakistan	Mutual funds
Faysal Halal Amdani Fund	2,423	1	5,468	4	Pakistan	Mutual funds
Faysal Islamic Financial Growth Fund FISP-1	12	0	401	29	Pakistan	Mutual funds
Faysal Islamic Sovereign Fund FISIP-1	2,949	0	11	0	Pakistan	Mutual funds
Faysal Islamic Special Income Fund FIFGP-I	-	5	6	5	Pakistan	Mutual funds
Faysal Islamic Cash Fund	978	1	-	0	Pakistan	Mutual funds
Faysal Islamic Mehmood Muddat Plan -1	12	0	-	-	Pakistan	Mutual funds
Faysal Islamic Sovereign Fund FISIP-II	4	0	-	-	Pakistan	Mutual funds
	<b>106,584</b>		<b>94,659</b>			

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

- Share of reserves of Investment in associates amount to \$4.4 million (31 December 2023: \$1.6 million).
- Investment in associates include conventional investments totalling \$81.2 million (31 December 2023: \$88.3 million).



# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 7. INVESTMENT IN ASSOCIATES (Continued)

Summarised financial position of significant associates that have been equity accounted:

	31 December 2024	31 December 2023
Total assets	244,920	235,501
Total liabilities	22,596	13,177
Total revenues	3,512	5,481
Total net profit	(2,339)	(1,991)

## 8. OTHER ASSETS

	31 December 2024	31 December 2023
Account receivable	155,329	154,681
Due from related parties (note 32)	98	146
Taxes - deferred	13,570	-
Taxes - current (advance tax)	14,026	702
Non-current assets held for sale	2,722	4,528
	185,745	160,057
Less: Allowance for impairment	(58,048)	(66,222)
	<b>127,697</b>	93,835

The movement in allowance for impairment is as follows:

	31 December 2024	31 December 2023
At 1 January	66,222	77,770
Charge for the year	251	5,278
Write back during the year	(8,177)	(7,139)
Utilised during the year	-	(21,205)
Reclassification*	-	9,499
Exchange differences and other movements	(248)	2,019
<b>At 31 December</b>	<b>58,048</b>	66,222

\*Represents assets reclassified from investment securities in 2023.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 9. INVESTMENT IN REAL ESTATE

	31 December 2024	31 December 2023
Investment properties	222,379	256,604
Less: Allowance for impairment	(21,897)	(12,966)
	<b>200,482</b>	<b>243,638</b>

Fair value is determined by an external independent real estate valuer based on sales comparison approach and accordingly has been categorised as level 2 in the fair value hierarchy.

Certain assets totalling \$0.6 million (31 December 2023: \$0.6 million) included above are held by third parties as nominee on behalf of the Group. The movement in provision for impairment for investment in real estate is as follows:

	31 December 2024	31 December 2023
At 1 January	12,966	7,739
Charge for the year	11,747	-
Write back during the year	(837)	-
Utilised during the year	(1,731)	-
Reclassification*	-	5,199
Exchange differences and other movements	(248)	28
<b>At 31 December</b>	<b>21,897</b>	<b>12,966</b>

\*Represents assets reclassified from investment securities

## 10. DEVELOPMENT PROPERTIES

	31 December 2024	31 December 2023
Land	138,715	138,715
Development costs	37,561	35,947
	<b>176,276</b>	<b>174,662</b>

Development costs represent the infrastructure costs incurred such as roads and networks, electricity stations and design and supervision costs. The infrastructure cost commitments are expected to be met by anticipated sale of plots. Based on this, management has estimated that the current carrying value is not lower than the net realisable value, and accordingly, no impairment has been considered necessary.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 11. PROPERTY AND EQUIPMENT

	31 December 2024			31 December 2023		
	Cost	Accumulated depreciation	Net book amount	Cost	Accumulated depreciation	Net book amount
Land and building (revalued)	102,542	(5,642)	96,900	89,642	(3,834)	85,808
Leasehold improvements	39,325	(18,479)	20,846	27,635	(15,890)	11,745
Furniture and equipment	100,792	(56,736)	44,056	76,065	(48,906)	27,159
Motor vehicles	21,110	(2,401)	18,709	2,952	(1,723)	1,229
Right-of-use assets	59,528	(7,860)	51,668	50,223	(6,928)	43,295
	<b>323,297</b>	<b>(91,118)</b>	<b>232,179</b>	246,517	(77,281)	169,236

Depreciation charge for the year ended 31 December 2024 amounted to \$13.8 million (31 December 2023: \$10.1 million).

## 12. INTANGIBLE ASSETS

	31 December 2024	31 December 2023
Goodwill	3,633	3,601
Customer relations	1,523	2,097
Core deposits	1,587	2,541
Others (Software)	10,103	9,312
	<b>16,846</b>	17,551

Amortisation charge for the year ended 31 December 2024 amounted to \$8.3 million (31 December 2023: \$9.3 million)

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 (P/B) 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 statement of income.

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 13. CUSTOMERS' CURRENT ACCOUNTS

Customers' current accounts include balance relating to a customer amounting to \$186.9 million which is subject to sanctions under US measures (31 December 2023: \$198.3 million).

## 14. DUE TO BANKS, FINANCIAL AND OTHER INSTITUTIONS

	31 December 2024	31 December 2023
Due to banks	1,664,876	1,102,995
Due to financial and other institutions	54,029	86,993
	<b>1,718,905</b>	<b>1,189,988</b>

Due to banks, financial and other institutions include balances totalling \$419.5 million from two counterparties which are subject to sanctions under US measures (31 December 2023: \$424.8 million).

Due to banks, financial and other institutions include \$96.2 million (31 December 2023: \$96 million) consisting of a repo with another counterparty.

## 15. OTHER LIABILITIES

	31 December 2024	31 December 2023
Accounts payable	282,619	170,815
Lease liabilities related to Right-of-use assets	59,212	68,482
Accrued expenses	44,647	42,124
Provision for taxation - current	249	12,720
Provision for taxation - deferred	51,459	5,327
	<b>438,186</b>	<b>299,468</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

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## 16. QUASI EQUITY

Quasi equity comprise:

	31 December 2024	31 December 2023
Modaraba accounts - corporates	1,258,016	1,405,386
Modaraba accounts - financial institutions	500,022	629,183
Modaraba accounts - individuals	745,220	653,993
Wakala from financial institutions	24,547	57,890
Fair value & foreign exchange translation movement from investments attributable to quasi equity	(125)	(26,954)
	<b>2,527,680</b>	<b>2,719,498</b>

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

	31 December 2024	31 December 2023
Cash and balances with banks and central banks	390,205	311,084
Commodity placements with banks, financial and other institutions	313	-
Financing contracts	1,872,915	2,169,703
Other assets	-	23,907
Investments in equity (i)	264,247	214,804
	<b>2,527,680</b>	<b>2,719,498</b>

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

The Quasi-equity assets of the parent company also include investments in its banking subsidiary (refer i above), hence the distribution of assets by ownership has been disclosed accordingly.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 16. QUASI EQUITY (Continued)

### Distribution of income by ownership

	Year ended					
	31 December 2024			31 December 2023		
	Self-financed	Quasi-equity financed	Total	Self-financed	Quasi-equity financed	Total
<b>INCOME</b>						
Income from financing contracts	3,695	378,298	<b>381,993</b>	9,414	346,132	355,546
Income from investments	1,178	471,747	<b>472,925</b>	8,201	356,256	364,457
Other income - net	35,359	45,075	<b>80,434</b>	2,019	28,310	30,329
Finance expense on placements from financial and non-financial institutions	(18,107)	-	<b>(18,107)</b>	(15,361)	-	(15,361)
<b>Net income</b>	<b>22,125</b>	<b>895,120</b>	<b>917,245</b>	4,273	730,698	734,971
Share of loss from equity accounted investees	(6,934)	-	<b>(6,934)</b>	(2,425)	-	(2,425)
<b>Total income</b>	<b>15,191</b>	<b>895,120</b>	<b>910,311</b>	1,848	730,698	732,546
Operating expenses	(197,794)	-	<b>(197,794)</b>	(163,802)	-	(163,802)
Depreciation and amortization	(22,130)	-	<b>(22,130)</b>	(19,328)	-	(19,328)
<b>Total expenses</b>	<b>(219,924)</b>	-	<b>(219,924)</b>	(183,130)	-	(183,130)
<b>Profit before impairment allowances, income attribution to quasi-equity and tax</b>	<b>(204,733)</b>	<b>895,120</b>	<b>690,387</b>	(181,282)	730,698	549,416
Allowances for impairment and expected credit losses, net	(9,344)	(23,411)	<b>(32,755)</b>	442	(17,236)	(16,794)
Group's share as mudarib and wakil	339,054	(339,054)	-	264,388	(264,388)	-
<b>Profit before income attribution to quasi-equity and tax</b>	<b>124,977</b>	<b>532,655</b>	<b>657,632</b>	83,548	449,074	532,622

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 16. QUASI EQUITY (Continued)

The movement in reserves attributable to quasi equity as follows:

	Investments fair value reserve	Fixed assets fair value reserve	Investment in real estate fair value reserve	Foreign currency translation reserve	Total
<b>At 1 January 2024</b>	<b>13,169</b>	<b>(223)</b>	<b>(442)</b>	<b>(39,458)</b>	<b>(26,954)</b>
Movement in fair value of investment securities	21,606	-	-	-	21,606
Movement in fair value of investment in real estate	-	(1,024)	-	-	(1,024)
Movement in fair value of land and building	-	-	281	-	281
Foreign currency translation adjustments	57	236	16	5,657	5,966
<b>At 31 December 2024</b>	<b>34,832</b>	<b>(1,011)</b>	<b>(145)</b>	<b>(33,801)</b>	<b>(125)</b>

	Investments fair value reserve	Fixed assets fair value reserve	Investment in real estate fair value reserve	Foreign currency translation reserve	Total
At 1 January 2023	-	-	-	-	-
Movement in fair value of investment securities	12,266	-	-	-	12,266
Movement in fair value of land and building	-	4,960	-	-	4,960
Foreign currency translation adjustments	903	(5,183)	(442)	(39,458)	(44,180)
At 31 December 2023	13,169	(223)	(442)	(39,458)	(26,954)

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 17. SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	8,000,000	2,000,000
<b>Issued and fully paid</b>		
Total outstanding as at 1 January 2024	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
<b>At 31 December 2024 (Audited)</b>	<b>2,910,160</b>	<b>727,541</b>
<b>Issued and fully paid</b>		
Total outstanding as at 1 January 2023	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
<b>At 31 December 2023 (Audited)</b>	<b>2,910,160</b>	<b>727,541</b>

Ithmaar's total issued and fully paid share capital at 31 December 2024 comprises 3,030,755,027 shares at \$0.25 per share amounting to \$757,688,757 (31 December 2023: \$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 and Dubai Financial Market in Arab Emirates Dirham.

Ithmaar owned 120,595,238 of its own shares at 31 December 2024 (31 December 2023: 120,595,238). The shares are held as treasury shares and the Group has the right to reissue these shares at a later date.

Names and nationalities of the major shareholders and the number of equity shares held in which they have a profit of 5% or more of outstanding share as of 31 December 2024 is as follows:

Shareholder	Nationality	No. of Shares	% of the outstanding shares
Dar Al-Maal Al-Islami Trust	Bahamas	790,416,000	26.08%
Islamic Inv. Co. of the Gulf	Bahamas	594,129,224	19.60%

A distribution schedule of equity shares, setting out the number of holders and the percentages as of 31 December 2024 is presented below:

Percentage	No. of shareholders	No. of shares	Percentage
Less than 1%	4,114	1,328,766,118	43.84%
1 % to 5%	5	317,443,685	10.47%
More than 5%	2	1,384,545,224	45.68%
<b>Total</b>	<b>4,121</b>	<b>3,030,755,027</b>	

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

Name	No. of shares
HRH Prince Amr Mohammed Al-Faisal	106,100
Tunku Yaacob Khyra	106,100

All shareholders have ordinary voting rights.



# Notes to the consolidated financial statements

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## 18. RESERVES

	31 December 2024	31 December 2023
Share premium	149,085	149,085
Statutory reserve	43,391	42,345
General reserve	50,727	50,727
Investments fair value reserve	4,245	2,957
Fixed assets fair value reserve	26,476	26,476
Investment in real estate fair value reserve	2,290	3,005
Foreign currency translation reserve	(163,687)	(159,738)
	<b>112,527</b>	<b>114,857</b>

## 19. NON-CONTROLLING INTERESTS

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 non-controlling interests.

The following table summarises the non-controlling shareholders' interests in the equity of consolidated subsidiaries.

	31 December 2024		31 December 2023	
	Non-controlling %		Non-controlling %	
Faysal Bank Limited	33	136,173	33	127,180
Health Island B.S.C. (c)	50	21,806	50	20,436
Dilmunia Development Fund I L.P.	8	11,251	8	11,419
Others		218		(1,231)
		<b>169,448</b>		<b>157,804</b>

Non-controlling interests in the consolidated statement of income of \$23.3 million (31 December 2023: \$22.7 million) represent the non-controlling shareholders' share of the earnings of these subsidiaries for the respective years.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 20. BASIC AND DILUTED EARNINGS PER SHARE

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

	31 December 2024	31 December 2023
Net profit/(loss) attributable to shareholders (\$ '000)	10,459	(9,311)
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
<b>Profit/(loss) per share (Basic &amp; Diluted) - US Cents</b>	<b>0.36</b>	<b>(0.32)</b>

Earnings per share on non-sharia compliant income and expenses is included under note 35.

## 21. INCOME FROM FINANCING CONTRACTS

	31 December 2024	31 December 2023
Income from Murabaha and tawarruq financings	99,002	99,877
Income from Istisna financings	28,652	19,872
Income from Musharaka financing	254,339	235,797
	<b>381,993</b>	<b>355,546</b>

## 22. INCOME FROM INVESTMENTS

	31 December 2024	31 December 2023
Income from investment securities at amortised cost	8,470	8,514
Income from investment securities at fair value through other comprehensive income	438,283	331,230
Income from investment securities at fair value through income statement	22,710	22,767
Income from investment in real estate	3,462	1,946
	<b>472,925</b>	<b>364,457</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 23. OTHER INCOME - NET

	31 December 2024	31 December 2023
Income from banking services	55,304	31,224
Income from commodity placements	6,630	8,714
Foreign exchange gain/ (loss)	18,339	(9,690)
Gain on disposal of fixed assets	161	81
	<b>80,434</b>	<b>30,329</b>

## 24. OPERATING EXPENSES

	31 December 2024	31 December 2023
Salaries and other benefits	81,922	66,196
Office expenses	81,192	67,404
Professional fees	9,860	8,317
Other administrative expenses	24,820	21,885
	<b>197,794</b>	<b>163,802</b>

## 25. IMPAIRMENT ALLOWANCE

	31 December 2024	31 December 2023
At 1 January	593,166	713,834
Charge for the year*	85,188	48,862
Write back during the year	(52,433)	(32,068)
Utilised during the year	(32,482)	(115,785)
Exchange differences	(10,124)	(21,677)
<b>At 31 December</b>	<b>583,315</b>	<b>593,166</b>

Provision utilised during the year represents write-offs during the year pertaining to stage 3.

\*Provision charge for the period includes an amount of \$30.7 million resulting from modification loss from restructuring of a sovereign exposure of a subsidiary.

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

	31 December 2024	31 December 2023
Commodity placements with banks, financial and other institutions	342	112
Financing contracts	212,188	214,980
Investment in mudaraba	176	176
Investment in associates	1,472	1,474
Investment securities	149,718	149,515
Investment in Off-balance-sheet assets under management	49,735	49,735
Other assets	58,048	66,222
Development properties	17,679	25,916
Investment in real estate	21,897	12,966
Fixed assets	990	1,000
Intangible assets	71,070	71,070
	<b>583,315</b>	<b>593,166</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 25. IMPAIRMENT ALLOWANCE (Continued)

### Loss allowance

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

#### 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
<b>Commodity placements with banks, financial and other institutions</b>				
Gross exposure	118,848	-	-	118,848
Less: expected credit loss	(342)	-	-	(342)
<b>Net exposure</b>	<b>118,506</b>	-	-	<b>118,506</b>
<b>Financing contracts</b>				
Gross exposure	1,963,501	770,108	273,532	3,007,141
Less: expected credit loss	(4,341)	(80,107)	(127,740)	(212,188)
<b>Net exposure</b>	<b>1,959,160</b>	<b>690,001</b>	<b>145,792</b>	<b>2,794,953</b>
<b>Other assets</b>				
Gross exposure	129,645	-	56,100	185,745
Less: expected credit loss	(1,948)	-	(56,100)	(58,048)
<b>Net exposure</b>	<b>127,697</b>	-	-	<b>127,697</b>
<b>Total gross exposure</b>	<b>2,211,994</b>	<b>770,108</b>	<b>329,632</b>	<b>3,311,734</b>
<b>Less: Total expected credit loss</b>	<b>(6,631)</b>	<b>(80,107)</b>	<b>(183,840)</b>	<b>(270,578)</b>
<b>Total Net exposure</b>	<b>2,205,363</b>	<b>690,001</b>	<b>145,792</b>	<b>3,041,156</b>

#### 31 December 2023

	Stage 1	Stage 2	Stage 3	Total
<b>Commodity placements with banks, financial and other institutions</b>				
Gross exposure	13,089	-	-	13,089
Less: expected credit loss	(112)	-	-	(112)
<b>Net exposure</b>	<b>12,977</b>	-	-	<b>12,977</b>
<b>Financing contracts</b>				
Gross exposure	1,874,036	685,859	261,659	2,821,554
Less: expected credit loss	(10,158)	(91,902)	(112,920)	(214,980)
<b>Net exposure</b>	<b>1,863,878</b>	<b>593,957</b>	<b>148,739</b>	<b>2,606,574</b>
<b>Other assets</b>				
Gross exposure	35,857	68,036	56,164	160,057
Less: expected credit loss	(9,860)	(198)	(56,164)	(66,222)
<b>Net exposure</b>	<b>25,997</b>	<b>67,838</b>	-	<b>93,835</b>
<b>Total gross exposure</b>	<b>1,922,982</b>	<b>753,895</b>	<b>317,823</b>	<b>2,994,700</b>
<b>Less: Total expected credit loss</b>	<b>(20,130)</b>	<b>(92,100)</b>	<b>(169,084)</b>	<b>(281,314)</b>
<b>Total Net exposure</b>	<b>1,902,852</b>	<b>661,795</b>	<b>148,739</b>	<b>2,713,386</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 26. TAXATION

	31 December 2024	31 December 2023
Current taxes	97,093	80,281
Deferred taxes	(5,835)	(10,088)
	<b>91,258</b>	<b>70,193</b>

The Group is subject to income taxes in some foreign 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 2024	31 December 2023
At 1 January	(12,018)	(9,518)
Charge for the year	(97,093)	(80,281)
Payments made	58,710	62,794
Exchange differences and other movements	64,178	14,987
<b>At 31 December</b>	<b>13,777</b>	<b>(12,018)</b>

### Deferred tax asset/(liability)

	31 December 2024	31 December 2023
At 1 January	(5,327)	2,786
Charge for the year	5,835	10,088
Charges due to fair value reserve	(38,467)	(17,368)
Exchange differences and other movements	70	(833)
<b>At 31 December</b>	<b>(37,889)</b>	<b>(5,327)</b>

The Kingdom of Bahrain has enacted Decree Law 11 of 2024 effective 1 January 2025 concerning the regulation of tax on Multi-national Enterprises ("tax regulations"). The Group has performed an assessment based on look back periods for minimum consolidated revenue thresholds. Based on its assessment, the Group has determined that it does not fall under the scope of these tax regulations for the financial year 2025.

Effective tax rate for a foreign subsidiary is 54.4% (31 December 2023: 49.6%)

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 27. SEGMENT REPORTING

The Group constitutes of two main business segments, namely;

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

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

	31 December 2024				31 December 2023			
	Retail & Corporate banking	Asset Management / Investment Banking	Others	Total	Retail & Corporate banking	Asset Management / Investment Banking	Others	Total
Operating income	885,757	22,105	2,449	910,311	730,886	1,339	321	732,546
Total expenses	(198,339)	(20,706)	(879)	(219,924)	(167,486)	(15,439)	(205)	(183,130)
<b>Net income before provision and overseas taxation</b>	<b>687,418</b>	<b>1,399</b>	<b>1,570</b>	<b>690,387</b>	563,400	(14,100)	116	549,416
Provision and overseas taxation	(113,898)	(10,072)	(43)	(124,013)	(88,072)	1,115	(30)	(86,987)
Less: Net income attributable to quasi-equity	(532,655)	-	-	(532,655)	(449,074)	-	-	(449,074)
<b>Net income for the year</b>	<b>40,865</b>	<b>(8,673)</b>	<b>1,527</b>	<b>33,719</b>	26,254	(12,985)	86	13,355
<b>Attributable to:</b>								
Equity holders of Ithmaar	18,042	(8,538)	955	10,459	2,006	(11,403)	86	(9,311)
Minority interests	22,823	(135)	572	23,260	24,248	(1,582)	-	22,666
	<b>40,865</b>	<b>(8,673)</b>	<b>1,527</b>	<b>33,719</b>	26,254	(12,985)	86	13,355
Total assets	5,935,600	911,738	85	6,847,423	5,158,738	945,084	752	6,104,574
Total liabilities, quasi equity and equity	6,635,762	30,712	83	6,666,557	5,889,936	51,832	667	5,942,435

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

	31 December 2024			31 December 2023		
	Middle East & Others	Asia	Total	Middle East & Others	Asia	Total
Operating income	29,933	880,378	910,311	12,198	720,348	732,546
Total expenses	(34,701)	(185,223)	(219,924)	(34,974)	(148,156)	(183,130)
<b>Net income before provision and overseas taxation</b>	<b>(4,768)</b>	<b>695,155</b>	<b>690,387</b>	(22,776)	572,192	549,416
Provision and overseas taxation	(12,893)	(111,120)	(124,013)	(9,064)	(77,923)	(86,987)
Less: Net income attributable to quasi-equity	(23,022)	(509,633)	(532,655)	(24,950)	(424,124)	(449,074)
<b>Net income for the year</b>	<b>(40,683)</b>	<b>74,402</b>	<b>33,719</b>	(56,790)	70,145	13,355
<b>Attributable to:</b>						
Equity holders of Ithmaar	(38,427)	48,886	10,459	(55,301)	45,990	(9,311)
Minority interests	(2,256)	25,516	23,260	(1,489)	24,155	22,666
	<b>(40,683)</b>	<b>74,402</b>	<b>33,719</b>	(56,790)	70,145	13,355
Total assets	1,316,849	5,530,574	6,847,423	1,287,855	4,816,719	6,104,574
Total liabilities, quasi equity and equity	1,495,086	5,171,471	6,666,557	1,453,533	4,488,902	5,942,435

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 28. ZAKAH

Zakah is directly borne by the owners and investors in off-balance-sheet assets under management and quasi equity. Ithmaar does not collect or pay Zakah on behalf of its owners and its investment accountholders.

## 29. CONTINGENT LIABILITIES AND COMMITMENTS

### Contingent liabilities

	31 December 2024	31 December 2023
Acceptances and endorsements	86,350	46,785
Guarantees and irrevocable letters of credit	572,112	466,553
Customer and other claims	14,795	104,286
	<b>673,257</b>	<b>617,624</b>

### Commitments

	31 December 2024	31 December 2023
Undrawn facilities, financing lines and other commitments to finance	<b>1,786,459</b>	<b>1,214,024</b>

As at 31 December 2024, there are legal suits pending against the Group in the normal course. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material to the Group's consolidated financial position as the Group has also filed counter cases against these parties.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 30. CONCENTRATION OF ASSETS, LIABILITIES AND LETTERS OF CREDIT AND GUARANTEE

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

31 December 2024	Banks and financial institutions	Trading and manufacturing	Property and Construction	Government & Services	Private individuals	Textile	Others	Total
Cash and balances with banks and central banks	439,459	-	-	-	-	-	-	439,459
Commodity placements with banks, financial and other institutions	118,506	-	-	-	-	-	-	118,506
Financing contracts	322,030	1,151,167	89,024	796,923	197,493	211,339	26,977	2,794,953
Investment securities	128,191	28,881	1,637	2,474,848	-	193	691	2,634,441
Investment in associates	87,593	-	18,991	-	-	-	-	106,584
Other assets	43,217	546	9,241	13,570	61,100	-	23	127,697
Investment in real estate	6,074	-	194,408	-	-	-	-	200,482
Development properties	-	-	176,276	-	-	-	-	176,276
Fixed assets	218,314	-	13,865	-	-	-	-	232,179
Intangible assets	15,003	-	-	-	-	-	1,843	16,846
<b>Total assets</b>	<b>1,378,387</b>	<b>1,180,594</b>	<b>503,442</b>	<b>3,285,341</b>	<b>258,593</b>	<b>211,532</b>	<b>29,534</b>	<b>6,847,423</b>
Customer current accounts	410,456	775,748	109,123	394,216	274,492	10,206	7,545	1,981,786
Due to banks, financial and other institutions	1,712,610	-	-	-	-	-	6,295	1,718,905
Other liabilities	178,927	1,215	65,304	50,212	5,926	-	136,602	438,186
<b>Total liabilities</b>	<b>2,301,993</b>	<b>776,963</b>	<b>174,427</b>	<b>444,428</b>	<b>280,418</b>	<b>10,206</b>	<b>150,442</b>	<b>4,138,877</b>
Quasi equity	522,253	691,300	84,068	810,471	355,111	-	64,477	2,527,680
<b>Total liabilities and quasi equity</b>	<b>2,824,246</b>	<b>1,468,263</b>	<b>258,495</b>	<b>1,254,899</b>	<b>635,529</b>	<b>10,206</b>	<b>214,919</b>	<b>6,666,557</b>
<b>Contingent liabilities and commitments</b>	<b>547,677</b>	<b>1,358,140</b>	<b>33,152</b>	<b>313,833</b>	<b>5,207</b>	<b>187,995</b>	<b>13,712</b>	<b>2,459,716</b>
31 December 2023								
Total assets	1,083,486	871,249	510,838	3,178,720	206,857	180,509	72,915	6,104,574
Total liabilities and quasi equity	2,311,629	1,395,269	269,083	715,677	647,852	24,337	578,588	5,942,435
Contingent liabilities and commitments	516,349	1,017,004	4,232	127,463	3,420	36,677	126,503	1,831,648



# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

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

31 December 2024	Asia / Pacific	Middle East	Europe	Others	Total
Cash and balances with banks and central banks	390,205	39,757	9,497	-	439,459
Commodity placements with banks, financial and other institutions	313	114,862	3,331	-	118,506
Financing contracts	2,306,237	486,798	1,918	-	2,794,953
Investment securities	2,511,054	122,696	691	-	2,634,441
Investment in associates	6,396	100,188	-	-	106,584
Other assets	83,740	25,803	18,154	-	127,697
Investment in real estate	6,074	194,024	384	-	200,482
Development properties	-	176,276	-	-	176,276
Fixed assets	216,652	13,866	1,661	-	232,179
Intangible assets	9,903	6,943	-	-	16,846
<b>Total assets</b>	<b>5,530,574</b>	<b>1,281,213</b>	<b>35,636</b>	<b>-</b>	<b>6,847,423</b>
Customer current accounts	1,658,510	123,500	188,537	11,239	1,981,786
Due to banks, financial and other institutions	1,040,141	652,242	26,522	-	1,718,905
Other liabilities	347,709	27,157	63,320	-	438,186
<b>Total liabilities</b>	<b>3,046,360</b>	<b>802,899</b>	<b>278,379</b>	<b>11,239</b>	<b>4,138,877</b>
Quasi equity	2,125,111	396,397	4,467	1,705	2,527,680
<b>Total liabilities and quasi equity</b>	<b>5,171,471</b>	<b>1,199,296</b>	<b>282,846</b>	<b>12,944</b>	<b>6,666,557</b>
<b>Contingent liabilities and commitments</b>	<b>2,392,599</b>	<b>67,117</b>	<b>-</b>	<b>-</b>	<b>2,459,716</b>
31 December 2023					
Total assets	4,816,719	1,251,301	36,554	-	6,104,574
Total liabilities and quasi equity	4,488,902	1,119,234	307,892	26,407	5,942,435
Contingent liabilities and commitments	1,791,125	40,523	-	-	1,831,648

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 31. FINANCIAL RISK MANAGEMENT

### 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 Group 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 Group's financing and off-balance sheet financial instruments.

The Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

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

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

### 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).

# Notes to the consolidated financial statements

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## 31. FINANCIAL RISK MANAGEMENT (Continued)

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

31 December 2024	United States Dollar	Pakistan Rupee	Bahraini Dinar	Euro	UAE Dirham	Other	Total
Cash and balances with banks and central banks	71,032	342,383	4,495	1,733	1,211	18,605	439,459
Commodity placements with banks, financial and other institutions	-	313	112,189	6,004	-	-	118,506
Financing contracts	289,986	2,270,675	234,292	-	-	-	2,794,953
Investment securities	29,614	2,506,337	97,800	-	-	690	2,634,441
Investment in associates	-	6,396	100,188	-	-	-	106,584
Other assets	7,902	108,552	2,028	357	7	8,851	127,697
Investment in real estate	14,881	6,074	141,725	-	-	37,802	200,482
Development properties	-	-	176,276	-	-	-	176,276
Fixed assets	-	216,652	15,527	-	-	-	232,179
Intangible assets	611	9,903	6,332	-	-	-	16,846
<b>Total assets</b>	<b>414,026</b>	<b>5,467,285</b>	<b>890,852</b>	<b>8,094</b>	<b>1,218</b>	<b>65,948</b>	<b>6,847,423</b>
Customer current accounts	125,128	1,535,641	110,479	209,300	1,238	-	1,981,786
Due to banks, financial and other institutions	255,821	1,040,141	3,201	92,352	327,386	4	1,718,905
Other liabilities	11,217	337,599	65,501	10,114	9,529	4,226	438,186
<b>Total liabilities</b>	<b>392,166</b>	<b>2,913,381</b>	<b>179,181</b>	<b>311,766</b>	<b>338,153</b>	<b>4,230</b>	<b>4,138,877</b>
Quasi equity	70,665	2,121,529	335,486	-	-	-	2,527,680
<b>Total liabilities and quasi equity</b>	<b>462,831</b>	<b>5,034,910</b>	<b>514,667</b>	<b>311,766</b>	<b>338,153</b>	<b>4,230</b>	<b>6,666,557</b>
<b>Contingent liabilities and commitments</b>	<b>866,923</b>	<b>1,391,549</b>	<b>67,117</b>	<b>64,045</b>	<b>5,060</b>	<b>65,022</b>	<b>2,459,716</b>
31 December 2023							
Total assets	518,181	4,792,201	714,494	12,905	223	66,570	6,104,574
Total liabilities and quasi equity	420,165	4,282,683	551,583	330,946	327,420	29,638	5,942,435
Contingent liabilities and commitments	687,771	982,940	40,523	35,052	7,721	77,641	1,831,648

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# Notes to the consolidated financial statements

for the year ended 31 December 2024

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### Credit Risk Mitigation

Group uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collateral. While the existence of collateral is not a precondition for credit, exposures are fully or partially collateralized as a second line of defense. The Group has in place a Credit Risk Mitigation policy which provides guidelines on the types of assets that may be accepted as collateral and the methodology of valuation of these assets. In general, all collateral are valued periodically depending on the collateral type. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers and Sharia scholars.

Group's credit portfolio is supported by various types of collateral such as real estate, listed equity, cash and guarantees. Group prefers liquid and marketable credit collateral; however other types of collateral are accepted provided that such collateral can be reasonably valued.

### Collateral Valuation

Collateral when taken are identified as having reasonable value, their value would however change over a period of time due to prevailing economic conditions, plant and machinery becoming obsolete due to technological advancements, due to passage of time and due to increase in availability of similar collateralized securities. Listed securities are valued at quarterly intervals, unlisted securities are valued at annual intervals, real estate properties are valued at least once in two years' intervals, and special assets of the nature of marine vessels and aircrafts are valued at annual intervals. Value of collateral are accounted post assigning various levels of haircuts depending on the type of collateral, the same are provided in the Credit Risk Mitigation Policy. Real Estate Collaterals associated with exposures classified in stage 2 and stage 3 shall be valued annually.

### Collateral Concentration

Group has established internal limits to avoid over concentration on certain class of collateral. Prudent maximum limits have been set for the acceptance of collateral as credit risk mitigation.

### Reputational Risk

The Reputational Risk Management is defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a Group's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. The Group has developed a framework and has identified various factors that can impact its reputation. Management of reputation risk is an inherent feature of the Group's corporate culture which is embedded as an integral part of the internal control systems.

### 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.

### 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.

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

The contractual maturity profile (based on the repayment schedule) of the assets and liabilities of the Group, including Quasi equity, is as follows:

31 December 2024	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	430,855	8,604	-	-	-	439,459
Commodity placements with banks, financial and other institutions	111,268	7,238	-	-	-	118,506
Financing contracts	621,206	742,532	212,303	943,585	275,327	2,794,953
Investment securities	31,488	-	198,884	2,226,573	177,496	2,634,441
Investment in associates	-	-	25,387	-	81,197	106,584
Other assets	28,085	11,555	59,445	8,869	19,743	127,697
Investment in real estate	6,074	-	-	18,204	176,204	200,482
Development properties	-	-	34,701	141,575	-	176,276
Fixed assets	3,467	40	39,939	45,145	143,588	232,179
Intangible assets	-	-	3,660	12,034	1,152	16,846
<b>Total assets</b>	<b>1,232,443</b>	<b>769,969</b>	<b>574,319</b>	<b>3,395,985</b>	<b>874,707</b>	<b>6,847,423</b>
Customer current accounts	1,981,786	-	-	-	-	1,981,786
Due to banks, financial and other institutions	1,395,450	57,488	85,051	36,693	144,223	1,718,905
Other liabilities	39,233	-	302,315	52,043	44,595	438,186
<b>Total liabilities</b>	<b>3,416,469</b>	<b>57,488</b>	<b>387,366</b>	<b>88,736</b>	<b>188,818</b>	<b>4,138,877</b>
Quasi equity	1,999,126	110,785	395,589	22,180	-	2,527,680
<b>Total liabilities and quasi equity</b>	<b>5,415,595</b>	<b>168,273</b>	<b>782,955</b>	<b>110,916</b>	<b>188,818</b>	<b>6,666,557</b>
<b>Net position</b>	<b>(4,183,152)</b>	<b>601,696</b>	<b>(208,636)</b>	<b>3,285,069</b>	<b>685,889</b>	<b>180,866</b>
<b>Contingent liabilities and commitments</b>	<b>1,671,804</b>	<b>436,688</b>	<b>308,233</b>	<b>39,625</b>	<b>3,366</b>	<b>2,459,716</b>
31 December 2023						
Total assets	1,553,460	388,666	787,656	2,524,028	850,764	6,104,574
Total liabilities and quasi equity	4,300,581	536,946	520,962	264,753	319,193	5,942,435
Net position	(2,747,121)	(148,280)	266,694	2,259,275	531,571	162,139

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### 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 2024	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	-	-	-	-	-	439,459	439,459
Commodity placements with banks, financial and other institutions	-	-	-	-	-	118,506	118,506
Financing contracts	1,578,764	336,096	250,572	419,510	166,501	43,510	2,794,953
Investment securities	308,284	166,427	1,563,740	459,225	66,589	70,176	2,634,441
Other assets	-	-	-	-	-	127,697	127,697
<b>Total financial assets</b>	<b>1,887,048</b>	<b>502,523</b>	<b>1,814,312</b>	<b>878,735</b>	<b>233,090</b>	<b>799,348</b>	<b>6,115,056</b>
Customer current accounts	-	-	-	-	-	1,981,786	1,981,786
Due to banks, financial and other institutions	1,457,069	28,259	99,661	19,491	111,409	3,016	1,718,905
Other liabilities	-	-	-	-	-	438,186	438,186
<b>Total financial liabilities</b>	<b>1,457,069</b>	<b>28,259</b>	<b>99,661</b>	<b>19,491</b>	<b>111,409</b>	<b>2,422,988</b>	<b>4,138,877</b>
Quasi equity	545,552	137,065	606,725	840,420	397,918	-	2,527,680
<b>Total liabilities and quasi equity</b>	<b>2,002,621</b>	<b>165,324</b>	<b>706,386</b>	<b>859,911</b>	<b>509,327</b>	<b>2,422,988</b>	<b>6,666,557</b>
<b>Total repricing gap</b>	<b>(115,573)</b>	<b>337,199</b>	<b>1,107,926</b>	<b>18,824</b>	<b>(276,237)</b>	<b>(1,623,640)</b>	<b>(551,501)</b>
31 December 2023							
Total financial assets	1,000,013	507,252	1,945,068	1,172,624	268,885	510,986	5,404,828
Total liabilities and quasi equity	1,539,166	498,623	585,593	776,905	517,845	2,024,303	5,942,435
Total repricing gap	(539,153)	8,629	1,359,475	395,719	(248,960)	(1,513,317)	(537,607)

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 32. 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. Related party transactions are annually approved by the Board of Directors and are conducted at agreed terms approved by the Board of Directors of respective Group entities.

Significant balances with related parties comprise:

	31 December 2024				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
<b>Assets</b>					
Financing contracts	370,381	-	-	-	370,381
Investment in associates	-	106,584	-	-	106,584
Other assets	-	-	-	98	98
<b>Liabilities</b>					
Customers' current accounts	13,007	60	-	-	13,067
Due to banks, financial and other institutions	-	7,489	-	-	7,489
Quasi equity	24,548	-	-	-	24,548
<b>Income</b>					
Return to quasi equity	(839)	-	-	-	(839)
Income from financing contracts	3,805	-	-	-	3,805
Share of loss after tax from associates	-	(6,934)	-	-	(6,934)
Profit paid to banks, financial and other institutions	-	(457)	-	-	(457)
<b>Expenses</b>					
Administrative and general expenses	(325)	-	(298)	-	(623)

# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2023				Total
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	
<b>Assets</b>					
Financing contracts	374,833	-	-	-	374,833
Investment in associates	-	94,659	-	-	94,659
Other assets	-	-	-	146	146
<b>Liabilities</b>					
Customers' current accounts	14,290	832	-	-	15,122
Due to banks, financial and other institutions	26,487	13,009	-	-	39,496
Other liabilities	23	-	-	-	23
<b>Income</b>					
Income from financing contracts	3,765	-	-	-	3,765
Share of profit after tax from associates	-	(2,425)	-	-	(2,425)
Profit paid to banks, financial and other institutions	(1,398)	(821)	-	-	(2,219)
<b>Expenses</b>					
Administrative and general expenses	(700)	-	(248)	-	(948)

Certain collaterals against financing facilities amounting to \$379.4 million (31 December 2023: \$437.8 million) with respect to certain financing facilities are legally held by related parties for the beneficial interest of the Group.

Certain investment assets amounting to \$5.1 million (31 December 2023: \$5.1 million) are legally held by related parties for the beneficial interest of the Group.

19% of the Bank's ownership in Faysal Bank Limited is held by DMIT, for the beneficial interest of the Group.

## 33. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of financial position, 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.



# Notes to the consolidated financial statements

for the year ended 31 December 2024

(Expressed in thousands of united states dollars unless otherwise stated)

## 34. PROPOSED DIVIDEND

The Board of Directors has not proposed any dividend for the year ended 31 December 2024 (31 December 2023: Nil).

## 35. 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 2024	31 December 2023
<b>INCOME</b>		
Income from other financings	916	5,593
Share of profit after tax from associates	(7,267)	(2,813)
(Loss) / income from investments	(104)	9,999
Other income	83	687
<b>Gross income</b>	<b>(6,372)</b>	13,466
Less: profit paid to banks, financial and other institutions	(1,760)	(3,330)
<b>Total (loss)/ income</b>	<b>(8,132)</b>	10,136
<b>EXPENSES</b>		
Administrative and general expenses	(4,245)	(944)
Depreciation and amortisation	-	(7,544)
<b>Total expenses</b>	<b>(4,245)</b>	(8,488)
<b>Net (loss)/ income before provision for impairment and overseas taxation</b>	<b>(12,377)</b>	1,648
Provision for impairment (net)	5,868	(457)
<b>Net (loss)/ income before overseas taxation</b>	<b>(6,509)</b>	1,191
Overseas taxation	(955)	(3,561)
<b>NET (LOSS) / INCOME FOR THE YEAR</b>	<b>(7,464)</b>	(2,370)
<b>Attributable to:</b>		
Equity holders of the Company	(7,493)	(397)
Non-controlling interests	29	(1,973)
	<b>(7,464)</b>	(2,370)
<b>Basic and diluted earnings per share</b>	<b>US Cts (0.26)</b>	US Cts (0.01)

## 36. SOCIAL RESPONSIBILITY

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

## 37. COMPARATIVES

Certain prior year amounts have been regrouped to conform the current year's presentation. Such regrouping did not affect previously reported profit for the year or owner's equity.

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# Share Information



# Share Information

## Shareholding Structure

	31-Dec-24			31-Dec-23		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1-10,000	435	1,619,634	0.05%	406	1,646,273	0.05%
10,001 - 100,000	2,501	69,571,095	2.30%	2,566	72,433,946	2.39%
100,001 - 1,000,000	924	327,465,273	10.80%	918	320,965,140	10.59%
1,000,001 - 10,000,000	237	655,862,158	21.64%	223	610,355,600	20.14%
Over 10,000,000	24	1,976,236,867	65.21%	27	2,025,354,068	66.83%
<b>Total</b>	<b>4,121</b>	<b>3,030,755,027</b>	<b>100.00%</b>	<b>4,140</b>	<b>3,030,755,027</b>	<b>100.00%</b>

## Shareholding by Nationality

Country	31-Dec-24			31-Dec-23		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Bahamas	2	1,384,545,224	45.68%	2	1,384,545,224	45.68%
Bahrain	773	340,812,747	11.25%	765	327,684,987	10.81%
KSA	818	280,519,591	9.26%	831	283,076,070	9.34%
Kuwait	630	233,057,308	7.69%	636	242,204,635	7.99%
Other GCC Countries	964	511,472,776	16.88%	450	252,572,063	8.33%
Other Countries	934	280,347,381	9.25%	1,456	540,672,048	17.84%
<b>Total</b>	<b>4,121</b>	<b>3,030,755,027</b>	<b>100.00%</b>	<b>4,140</b>	<b>3,030,755,027</b>	<b>100.00%</b>

## Shareholding by Percentage

Percentage	31-Dec-24			31-Dec-23		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Less than 1%	4,114	1,328,766,118	43.84%	4,132	1,295,432,785	42.74%
1% to 5%	5	317,443,685	10.47%	6	350,777,018	11.57%
More than 10%	2	1,384,545,224	45.68%	2	1,384,545,224	45.68%
<b>Total</b>	<b>4,121</b>	<b>3,030,755,027</b>	<b>100.00%</b>	<b>4,140</b>	<b>3,030,755,027</b>	<b>100.00%</b>

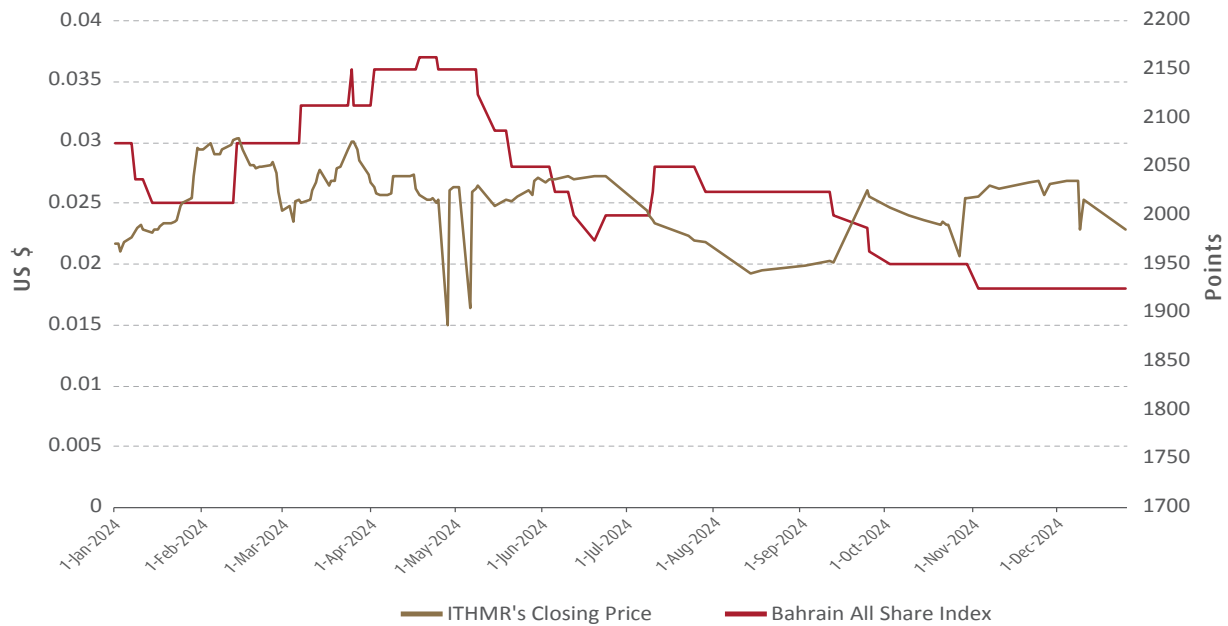
## Major Shareholders

Shareholder	No. of Shares	%
Dar Al-Maal Al-Islami Trust	790,416,000	26.08%
Islamic Inv. Co. of the Gulf	594,129,224	19.60%
Others	1,646,209,803	54.32%
<b>Total</b>	<b>3,030,755,027</b>	<b>100.00%</b>

# Share Information (continued)

## Bahrain Bourse

### ITHMR's Trading Activity – Bahrain



### Performance in the Bahrain Bourse

Stock Code: ITHMR	Change in 2024			
Share Price Relative to Indices 2024	Open	Close	Points	%
ITHMR's Share Price (US \$)	0.03	0.02	-0.012	-40.00%
Bahrain All Share Index	1971.49	1985.91	14.42	0.73%
Bahrain Islamic Index	728.91	779.85	50.94	6.99%

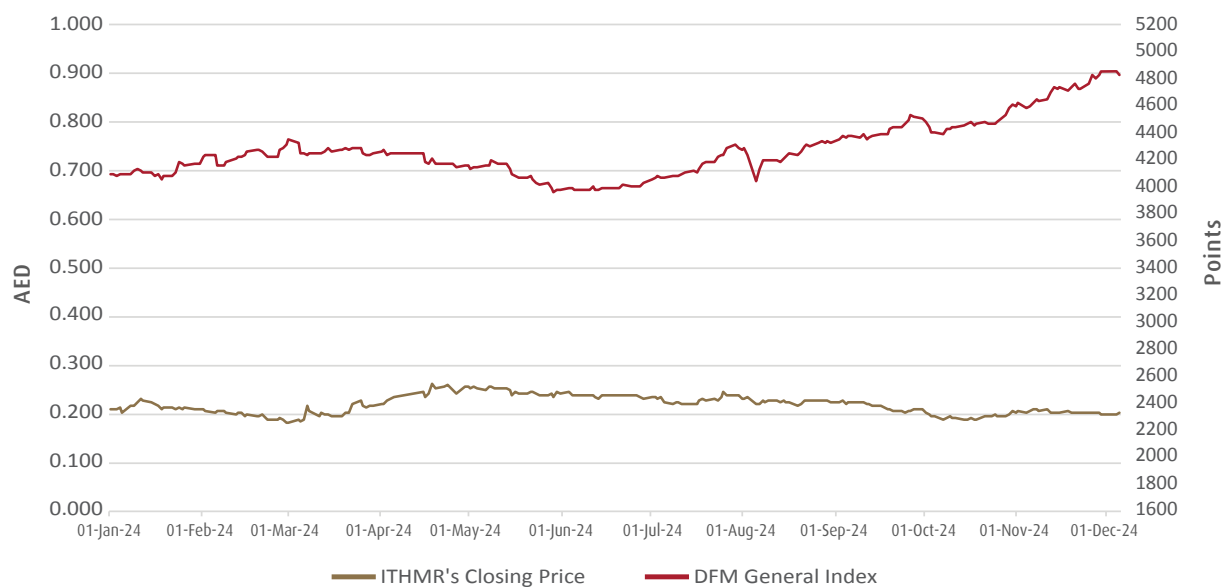
### ITHMR'S Share Trading (Bahrain)

Share Price Relative to Indices 2024	2024	2023
Volume, No. of Shares	21,606,120	41,355,072
Value, US\$	612,085	2,074,976

## Share Information (continued)

### Dubai Financial Market (DFM)

#### ITHMR's Trading Activity – United Arab Emirates



#### ITHMR's Trading Activity – Dubai

Stock Code: ITHMR	Change in 2024			
Share Price Relative to Indices 2024	Open	Close	Points	%
ITHMR's Share Price (AED)	0.21	0.20	-0.008	-3.83%
DFM General Index	4059.8	5158.67	1098.87	27.07%
Financials Sector Index	2,823.68	3,478.95	655.27	23.21%

#### ITHMR's Share Trading (Dubai)

Share Price Relative to Indices 2023	2024	2023
Volume, No. of Shares	1,417,157,158	3,273,767,033
Value, AED	321,978,280	838,420,677

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## Corporate Information

<b>Name of Company</b>	Ithmaar Holding B.S.C.
<b>Legal Form</b>	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).
<b>Company Registration Number</b>	CR 15210-20
<b>Stock Exchange Listings</b>	Bahrain Bourse and Dubai Financial Market
<b>Stock Code</b>	"ITHMR"
<b>Share Registrar</b>	Bahrain Clear
<b>Head Office</b>	Seef Tower, Building 2080, Road 2825, Al Seef District 428, P.O. Box 2820, Manama, Kingdom of Bahrain
<b>Telephone</b>	+973 1758 4000
<b>Facsimile</b>	+973 1758 4017
<b>E-mail</b>	info@ithmaarholding.com
<b>Website</b>	www.ithmaarholding.com
<b>Accounting Year End</b>	31 December
<b>Compliance Officer</b>	Fatema Abdulla Mufeez – Head of Legal, Compliance and AML
<b>Company Secretary</b>	Ali Ahmed Mohamed – Corporate Secretary
<b>Auditors</b>	KPMG Fakhro, P.O. Box 710, Manama, Kingdom of Bahrain