

ITHMAAR HOLDING B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Ithmaar Holding B.S.C. ("Ithmaar") and its subsidiaries (the "Group") which comprises the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated income statement for the three month and six month periods ended 30 June 2019 and the related interim condensed consolidated statements of changes in owners' equity, cash flows, and changes in restricted investment accounts for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation stated in Note 2 to this interim condensed consolidated financial information. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

A handwritten signature in blue ink, appearing to read 'Preetinder Kaur', is written over a light blue horizontal line.

Partner registration no. 216
7 August 2019
Manama, Kingdom of Bahrain

Ithmaar Holding B.S.C.

Interim condensed consolidated statement of financial position

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

	Notes	At 30 June 2019 (Reviewed)	At 31 December 2018 (Audited)	At 30 June 2018 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	759,422	596,234	626,468
Commodity and other placements with banks, financial and other institutions	4	287,745	285,627	300,146
Murabaha and other financings	5	2,921,671	3,264,865	3,691,655
Musharaka financing		497,521	495,626	434,707
Investment in mudaraba		5,760	5,760	5,654
Sukuk and investment securities	6	1,089,689	1,756,695	1,684,324
Investment in associates	7	668,442	611,194	588,758
Restricted investment accounts		-	-	70,603
Assets acquired for leasing		400,590	410,765	414,502
Insurance and related receivables		128,788	120,034	-
Other assets	8	230,945	211,319	220,771
Investment in real estate		254,478	270,066	250,517
Development properties		269,388	269,388	-
Assets classified as held-for-sale		-	-	59,252
Fixed assets		64,140	63,216	116,776
Intangible assets		117,982	127,867	154,207
Total assets		7,696,561	8,488,656	8,618,340
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,482,773	1,476,108	1,735,677
Due to banks, financial and other institutions		1,018,385	1,541,346	1,597,489
Due to investors		1,570,261	1,694,977	1,784,551
Other liabilities		480,196	566,122	413,885
Insurance related reserves		132,862	134,873	-
Total liabilities		4,684,477	5,413,426	5,531,602
Equity of unrestricted investment accountholders	10	2,594,140	2,622,311	2,741,932
Minority interest		324,093	336,563	159,621
Total liabilities, equity of unrestricted investment accountholders and minority interest		7,602,710	8,372,300	8,433,155
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(30,149)	(30,149)
Reserves		109,419	140,290	180,288
Accumulated losses		(743,109)	(751,475)	(722,644)
Total owners' equity		93,851	116,356	185,185
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		7,696,561	8,488,656	8,618,340

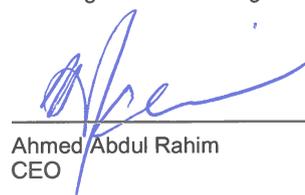
This interim condensed consolidated financial information was approved by the Board of Directors on 7 August 2019 and signed on their behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Ahmed Abdul Rahim
CEO

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Interim condensed consolidated income statement

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

	Notes	Six months ended		Three months ended	
		30 June 2019 (Reviewed)	30 June 2018 (Reviewed)	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
INCOME					
Income from unrestricted investment accounts		105,305	87,303	55,055	44,836
Less: return to unrestricted investment accounts and impairment provisions		(71,421)	(52,076)	(38,331)	(27,100)
Group's share of income from unrestricted investment accounts as a Mudarib		33,884	35,227	16,724	17,736
Income from murabaha and other financings		88,650	71,355	42,527	36,887
Share of profit after tax from associates		20,700	40,366	11,449	12,618
Income from investments		55,401	52,390	30,050	26,098
Other income		48,022	30,005	19,940	21,855
Total income		246,657	229,343	120,690	115,194
Less: profit paid to banks, financial and other institutions – net		(102,680)	(80,661)	(52,788)	(38,669)
Operating income		143,977	148,682	67,902	76,525
EXPENSES					
Administrative and general expenses		(90,040)	(88,636)	(43,452)	(45,655)
Depreciation and amortization		(14,856)	(18,349)	(7,284)	(7,256)
Total expenses		(104,896)	(106,985)	(50,736)	(52,911)
Net income before provision for impairment and overseas taxation		39,081	41,697	17,166	23,614
Provision for impairment – net	9	(9,963)	(14,347)	(5,597)	(8,349)
Net income before overseas taxation		29,118	27,350	11,569	15,265
Overseas taxation		(16,090)	(16,528)	(7,161)	(9,254)
NET INCOME FOR THE PERIOD		13,028	10,822	4,408	6,011
Attributable to:					
Equity holders of Ithmaar		8,366	4,850	1,260	3,195
Minority interests		4,662	5,972	3,148	2,816
		13,028	10,822	4,408	6,011
Basic and diluted earnings per share	14	US Cts 0.29	US Cts 0.17	US Cts 0.04	US Cts 0.11

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Director



Ahmed Abdul Rahim
CEO

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Ithmaar Holding B.S.C.

Interim condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2019

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

	Reserves										Total owners' equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Total reserves	Accumulated losses	
At 1 January 2019 (Audited)	757,690	(30,149)	149,085	38,418	50,727	(6,924)	3,187	(94,203)	140,290	(751,475)	116,356
Net income for the period	-	-	-	-	-	-	-	-	-	8,366	8,366
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(2,166)	-	-	(2,166)	-	(2,166)
Movement in fair value of investment in real estate	-	-	-	-	-	-	794	-	794	-	794
Movement in fair value of associates	-	-	-	-	-	(2,320)	-	-	(2,320)	-	(2,320)
Foreign currency translation adjustments	-	-	-	-	-	283	(516)	(26,946)	(27,179)	-	(27,179)
At 30 June 2019 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	(11,127)	3,465	(121,149)	109,419	(743,109)	93,851

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Interim condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2018

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

	Reserves									Accumulated losses	Total owners' equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Total reserves		
At 1 January 2018 (Audited)	757,690	(30,149)	149,085	38,418	50,727	38,773	3,450	(46,692)	233,761	(605,972)	355,330
Impact of FAS 30	-	-	-	-	-	-	-	-	-	(121,522)	(121,522)
Revised balance at 1 January 2018	757,690	(30,149)	149,085	38,418	50,727	38,773	3,450	(46,692)	233,761	(727,494)	233,808
Net income for the period	-	-	-	-	-	-	-	-	-	4,850	4,850
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(24,834)	-	-	(24,834)	-	(24,834)
Movement in fair value of investment in real estate	-	-	-	-	-	-	596	-	596	-	596
Movement in fair value of associates	-	-	-	-	-	(10,601)	-	-	(10,601)	-	(10,601)
Foreign currency translation adjustments	-	-	-	-	-	28	(905)	(17,757)	(18,634)	-	(18,634)
At 30 June 2018 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	3,366	3,141	(64,449)	180,288	(722,644)	185,185

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Interim condensed consolidated statement of cash flows

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

	Notes	Six months ended	
		30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		29,118	27,350
<u>Adjustments for:</u>			
Depreciation and amortization		14,856	18,349
Share of profit after tax from associates		(20,700)	(40,366)
Provision for impairment – net	9	9,963	14,347
Income from investments		(55,401)	(52,390)
Loss on sale of fixed assets		132	235
Operating income/(loss) before changes in operating assets and liabilities		(22,032)	(32,475)
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		4,398	(12,782)
Changes in operating assets and liabilities:			
Murabaha and other financings		145,102	(429,670)
Musharaka financing		(101,775)	(105,298)
Other assets		(88,396)	(32,240)
Customers' current accounts		168,780	62,011
Due to banks, financial and other institutions		(474,462)	520,865
Due to investors		139,477	53,352
Other liabilities		(59,362)	(2,201)
Increase/(decrease) in equity of unrestricted investment accountholders		19,474	(50,606)
Taxes paid		(18,330)	(14,982)
Net cash used in operating activities		(287,126)	(44,026)
INVESTING ACTIVITIES			
Net changes in:			
Assets acquired for leasing		10,175	(68,550)
Sukuk and Investment securities		535,637	82,526
Dividend received from associates		26,737	26,101
Sale/(purchase) of fixed assets		(12,127)	2,995
Net cash provided by investing activities		560,422	43,072
FINANCING ACTIVITIES			
Minority interest		532	-
Net cash provided by financing activities		532	-
Foreign currency translation adjustments		(97,482)	(44,008)
Net increase/(decrease) in cash and cash equivalents		176,346	(44,962)
Cash and cash equivalents at the beginning of the period		641,152	792,218
Cash and cash equivalents at the end of the period	4	817,498	747,256

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.**Interim condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2019**

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

	At 1 January 2019	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Withdrawals)	At 30 June 2019
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	15,639	-	-	(1,632)	-	14,007
US Real Estate Placements*	25,236	-	-	-	-	25,236
TOTAL	47,125	-	-	(1,632)	-	45,493
Funds managed on agency basis	63,257	-	-	-	-	63,257
	110,382	-	-	(1,632)	-	108,750

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

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.**Interim condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2018**

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

	At 1 January 2018	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Withdrawals)	At 30 June 2018
Dilmunia Development Fund I L.P.*	145,329	(2)	-	-	-	145,327
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	16,404	-	-	1,679	-	18,083
US Real Estate Placements*	25,236	-	-	-	-	25,236
Listed and non-listed equities	55	-	-	(53)	-	2
Cash and Placements with banks	558	-	-	-	-	558
TOTAL	193,832	(2)	-	1,626	-	195,456
Funds managed on agency basis	63,301	-	-	(18)	-	63,283
	257,133	(2)	-	1,608	-	258,739

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

The notes 1 to 17 on pages 11 to 24 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C.

Notes to interim condensed consolidated financial information for the six month period ended 30 June 2019

1 INCORPORATION AND ACTIVITIES

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

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

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

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

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

The Group's activities also include acting as a Mudarib (manager, on a trustee basis), of funds deposited for investment in accordance with Islamic laws and principles particularly with regard to the prohibition of receiving or paying interest. These funds are included in the interim condensed consolidated financial information as equity of unrestricted investment accountholders and restricted investment accounts. In respect of equity of unrestricted investment accountholders, the investment accountholders authorise the Group to invest the accountholders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. In respect of restricted investment accounts, the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. Further, the Group may be restricted from commingling its own funds with the funds of restricted investment accounts.

The Group carries out its business activities through the Bank's head office and its following principal subsidiary companies:

	<u>% owned</u>		Country of Incorporation	Principal business activity
	Voting	Economic		
<u>Direct subsidiaries</u>				
Ithmaar Bank B.S.C. (C)	100	100	Kingdom of Bahrain	Banking
IB Capital B.S.C. (C)	100	100	Kingdom of Bahrain	Asset management
Faisal Private Bureau (Switzerland) S.A.	100	100	Switzerland	Wealth and asset management
Shamil Financial (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
<u>Principal indirect subsidiaries</u>				
Faysal Bank Limited	67	67	Pakistan	Banking
Solidarity Group Holding B.S.C. (C)	55	55	Kingdom of Bahrain	Takaful
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
Health Island B.S.C. (C)	50	50	Kingdom of Bahrain	Real estate
Dilmunia Development Fund I L.P.	58	58	Cayman Islands	Real estate
City View Real Estate Development Co. B.S.C. (C)	51	51	Kingdom of Bahrain	Real estate

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

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

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

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

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

The interim condensed consolidated financial information have been prepared in accordance with the guidance given by the International Accounting Standard 34 – "Interim Financial Reporting". The interim condensed consolidated financial information do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2018. In addition, results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

New accounting standard: Issued and not effective

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

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

FAS 34 "Financial Reporting for Sukuk-holders"

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

Ithmaar Holding B.S.C.

**Notes to interim condensed consolidated financial information
for the six month period ended 30 June 2019**

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

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	160,253	2,360	162,613	165,526	2,136	167,662
Cash and balances with banks and central banks	526,017	70,792	596,809	373,131	55,441	428,572
	686,270	73,152	759,422	538,657	57,577	596,234

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

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	274,429	13,564	287,993	269,943	15,827	285,770
Less: Provision for impairment	(248)	-	(248)	(143)	-	(143)
	274,181	13,564	287,745	269,800	15,827	285,627

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

	30 June 2019			30 June 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash and balances with banks and central banks	686,270	73,152	759,422	560,943	65,525	626,468
Commodity and other placements with banks, financial and other institutions - net	274,181	13,564	287,745	300,146	-	300,146
Less: Placement maturing after ninety days	(53,492)	(13,564)	(67,056)	-	-	-
Less: Balances with central banks relating to minimum reserve requirement	(160,253)	(2,360)	(162,613)	(177,027)	(2,331)	(179,358)
	746,706	70,792	817,498	684,062	63,194	747,256

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
for the six month period ended 30 June 2019**

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

5 MURABAHA AND OTHER FINANCINGS

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	1,887,176	1,377,662	3,264,838	2,211,536	1,433,544	3,645,080
Less: Provision for impairment	(309,082)	(34,085)	(343,167)	(346,067)	(34,148)	(380,215)
	1,578,094	1,343,577	2,921,671	1,865,469	1,399,396	3,264,865

The movement in provisions is as follows:

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	346,067	34,148	380,215	306,644	14,933	321,577
Impact of FAS 30	-	-	-	116,441	888	117,329
Transfer from Investment Risk Reserve for FAS 30	-	-	-	-	17,950	17,950
Charge for the period/year	17,216	236	17,452	16,094	6,606	22,700
Write back during the period/year	(22,320)	(245)	(22,565)	(31,519)	(284)	(31,803)
Utilised during the period/year	(16)	-	(16)	(391)	(5,741)	(6,132)
Reclassification	(6,976)	-	(6,976)	(15,154)	90	(15,064)
Exchange differences and other movements	(24,889)	(54)	(24,943)	(46,048)	(294)	(46,342)
	309,082	34,085	343,167	346,067	34,148	380,215

Ithmaar Holding B.S.C.

**Notes to interim condensed consolidated financial information
for the six month period ended 30 June 2019**

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

6 SUKUK AND INVESTMENT SECURITIES

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investment securities at fair value through income statement						
<i>Held for trading</i>						
Debt-type instruments – unlisted	19,508	-	19,508	226,243	-	226,243
Equity-type securities – listed	4,120	-	4,120	1,932	-	1,932
	23,628	-	23,628	228,175	-	228,175
Investment securities at fair value through equity						
Equity-type securities – listed	55,120	-	55,120	62,485	-	62,485
Equity-type securities – unlisted	269,065	-	269,065	269,583	-	269,583
	324,185	-	324,185	332,068	-	332,068
Provision for impairment	(179,293)	-	(179,293)	(170,530)	-	(170,530)
	144,892	-	144,892	161,538	-	161,538
Investment securities carried at amortised cost						
Sukuk – unlisted	199,688	196,777	396,465	11,307	188,717	200,024
Other debt-type instruments – listed	55,964	-	55,964	128,573	-	128,573
Other debt-type instruments – unlisted	481,761	-	481,761	1,053,572	-	1,053,572
	737,413	196,777	934,190	1,193,452	188,717	1,382,169
Provision for impairment	(13,021)	-	(13,021)	(15,187)	-	(15,187)
	724,392	196,777	921,169	1,178,265	188,717	1,366,982
	892,912	196,777	1,089,689	1,567,978	188,717	1,756,695

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6 SUKUK AND INVESTMENT SECURITIES (continued)

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

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

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

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

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

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 June 2019				
Investment securities at fair value through income statement				
Debt-type instruments	-	19,508	-	19,508
Equity-type securities	4,120	-	-	4,120
Investment securities at fair value through equity				
Equity-type securities	57,466	493	86,933	144,892
	61,586	20,001	86,933	168,520
At 31 December 2018				
Investment securities at fair value through income statement				
Debt-type instruments	-	226,243	-	226,243
Equity-type securities	1,932	-	-	1,932
Investment securities at fair value through equity				
Equity-type securities	59,489	3,845	98,204	161,538
	61,421	230,088	98,204	389,713

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	30 June 2019	31 December 2018
Opening balance	98,204	157,652
Total gains/(losses) recognised in		
- Income statement	(9,800)	(23,353)
- Equity	(1,471)	(42,374)
Movement due to acquisition of subsidiary	-	12,184
Sales	-	(1,421)
Reallocation	-	(4,484)
Closing balance	86,933	98,204
Total (loss)/income for the six month period included in the interim condensed consolidated income statement	(1,927)	3,292

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7 INVESTMENT IN ASSOCIATES

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

Name of company	30 June 2019	31 December 2018	% of Shareholding	Country	Activity
Unlisted:					
Citic International Assets Management Limited	42,196	42,189	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	673	720	31	Pakistan	Manufacturing
Ithraa Capital Company	3,259	3,859	23	Saudi Arabia	Investment company
Naseej B.S.C. (c)	94,517	93,658	31	Bahrain	Infrastructure
Islamic Trading Company E.C	288	288	24	Bahrain	Trading
Solidarity Saudi Takaful Company	38,670	42,815	28	Saudi Arabia	Takaful
Listed:					
BBK B.S.C.	488,839	427,665	26	Bahrain	Banking
	668,442	611,194			

During March 2019, the shareholders of BBK approved the conversion of Perpetual Convertible Bonds (PCB) to shares at exercise price of BD0.400 per share. The conversion was exercised on 2 May 2019 which resulted in increase of Group's holding in BBK to 26.06% from 25.38%.

Summarised financial position of associates that have been equity accounted:

	30 June 2019	31 December 2018	30 June 2018
Total assets	10,179,401	10,178,879	10,640,134
Total liabilities	8,335,883	8,295,620	8,780,924
Total revenues	234,135	334,758	255,250
Total net profit	107,361	69,185	102,031

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

Ithmaar Holding B.S.C.

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8 OTHER ASSETS

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	239,506	40,444	279,950	199,391	35,152	234,543
Due from related parties	1,059	-	1,059	11,574	-	11,574
Taxes – deferred	10,679		10,679	9,718	-	9,718
Taxes – current	15,452	18	15,470	24,909	57	24,966
Assets acquired against claims	9,904	-	9,904	13,312	-	13,312
	276,600	40,462	317,062	258,904	35,209	294,113
Provision for impairment	(73,969)	(12,148)	(86,117)	(70,640)	(12,154)	(82,794)
	202,631	28,314	230,945	188,264	23,055	211,319

9 PROVISION FOR IMPAIRMENT

	30 June 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	834,101	49,938	884,039	739,715	29,426	769,141
Impact of FAS 30 on adoption	-	-	-	123,850	888	124,738
Transfer from Investment Risk Reserve	-	-	-	-	17,950	17,950
Charge for the period/year	32,785	1,806	34,591	88,399	8,880	97,279
Write back during the period/year	(22,822)	(245)	(23,067)	(33,061)	(394)	(33,455)
Utilised during the period/year	(2,531)	-	(2,531)	(15,605)	(5,741)	(21,346)
Movement due to acquisition of subsidiary	-	-	-	(12,778)	-	(12,778)
Exchange differences	(29,497)	(803)	(30,300)	(56,419)	(1,071)	(57,490)
	812,036	50,696	862,732	834,101	49,938	884,039

Ithmaar Holding B.S.C.

Notes to interim condensed consolidated financial information

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9 PROVISION FOR IMPAIRMENT (continued)

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

30 June 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	1,047,415	-	-	1,047,415
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	863,344	74,433	-	937,777
Acceptable risks (4-6)	1,176,317	32,215	-	1,208,532
Watch list (7)	44,113	586,668	-	630,781
Non performing (8-10)	-	-	345,521	345,521
Carrying amount - Corporate	2,083,774	693,316	345,521	3,122,611
Retail (un-rated)	1,449,420	13,702	59,810	1,522,932
Carrying amount	3,533,194	707,018	405,331	4,645,543
Sukuk and investment securities	921,169	-	13,021	934,190
Other receivables	364,551	1,595	62,723	428,869
Loss allowance	(53,593)	(68,291)	(329,554)	(451,438)
Total Financial assets carrying amount	5,812,736	640,322	151,521	6,604,579

31 December 2018

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	882,004	-	-	882,004
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	936,356	80,142	-	1,016,498
Acceptable risks (4-6)	1,356,248	365,197	-	1,721,445
Watch list (7)	6,232	643,688	-	649,920
Non performing (8-10)	-	-	352,881	352,881
Carrying amount - Corporate	2,298,836	1,089,027	352,881	3,740,744
Retail (un-rated)	1,425,686	20,339	77,087	1,523,112
Carrying amount	3,724,522	1,109,366	429,968	5,263,856
Sukuk and investment securities	1,366,592	-	15,577	1,382,169
Other receivables	336,495	-	64,249	400,744
Loss allowance	(64,297)	(75,950)	(347,192)	(487,439)
Total Financial assets carrying amount	6,245,316	1,033,416	162,602	7,441,334

Gross financings (funded) as of 30 June 2019 amounted to \$3.1 billion, \$0.7 billion and \$0.4 billion for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: \$3.2 billion, \$0.9 billion and \$0.4 billion). Collateral coverage for gross financing as of 30 June 2019 was 161%, 26% and 54% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: 132%, 17% and 46%).

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information
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10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

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

	30 June 2019	31 December 2018
Cash and balances with banks and central banks	73,152	57,577
Commodity and other placements with banks, financial and other institutions	13,564	15,827
Murabaha and other financings	1,343,577	1,399,396
Musharaka financing	497,066	495,053
Sukuk and investment securities	196,777	188,717
Assets acquired for leasing	397,152	407,290
Other assets	28,314	23,055
Due from Group	488,757	442,333
	3,038,359	3,029,248
Customers' current accounts	(252,670)	(219,047)
Due to banks, financial and other institutions	(107,301)	(79,927)
Other liabilities	(84,248)	(107,963)
Equity of unrestricted investment accountholders	2,594,140	2,622,311

11 SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	8,000,000	2,000,000
Issued and fully paid		
Total outstanding as at 1 January 2019	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 30 June 2019 (Reviewed)	2,910,160	727,541
Issued and fully paid		
Total outstanding	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 December 2018 (Audited)	2,910,160	727,541

Ithmaar's total issued and fully paid share capital at 30 June 2019 comprises 3,030,755,027 shares at \$0.25 per share amounting to \$757,688,757. The share capital of Ithmaar is denominated in United States dollars and these shares are listed on Bahrain Bourse in United States dollars, Boursa Kuwait in Kuwaiti Dinars and Dubai Financial Market in Arab Emirates Dirham.

Ithmaar owned 120,595,238 of its own shares at 30 June 2019 (31 December 2018: 120,595,238). The shares are held as treasury shares and Ithmaar has the right to reissue these shares at a later date.

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

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

- (a) Directors and companies in which they have an ownership interest.
- (b) Major shareholders of Ithmaar, Ultimate Parent and companies in which Ultimate Parent has ownership interest and subsidiaries of such companies (affiliates).
- (c) Associated companies of Ithmaar.
- (d) Senior management.

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

Significant balances with related parties comprise:

	30 June 2019				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	409,113	-	12,809	-	421,922
Investment in associates	-	668,442	-	-	668,442
Other assets	-	-	-	1,059	1,059
Liabilities					
Customers' current accounts	12,536	1,687	-	1,453	15,676
Due to banks, financial and other institutions	-	79,682	-	-	79,682
Equity of unrestricted investment accounts	-	-	-	3,579	3,579
Other liabilities	231	-	-	-	231
Income					
Return to unrestricted investment accounts	-	-	-	54	54
Income from murabaha and other financings	1,969	-	-	-	1,969
Share of profit/(loss) after tax from associates	-	20,700	-	-	20,700
Profit paid to banks, financial and other institutions – net	2,103	1,512	-	-	3,615
Expenses					
Administrative and general expenses	400	-	25	-	425

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

	31 December 2018				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	409,479	-	12,809	-	422,288
Sukuk and investment securities	-	68,234	-	-	68,234
Investment in associates	-	611,194	-	-	611,194
Other assets	-	10,455	-	1,119	11,574
Liabilities					
Customers' current accounts	7,431	-	-	1,209	8,640
Due to banks, financial and other institutions	-	118,312	-	-	118,312
Equity of unrestricted investment accounts	-	-	-	2,886	2,886
Other liabilities	107	-	-	-	107
30 June 2018					
Income					
Return to unrestricted investment accounts	68	68	-	-	136
Income from murabaha and other financings	2,394	-	-	-	2,394
Share of profit/(loss) after tax from associates	-	12,618	-	-	12,618
Income from investments	1,245	-	-	-	1,245
Other income	996	143	-	-	1,139
Profit paid to banks, financial and other institutions – net	-	1,368	-	-	1,368
Expenses					
Administrative and general expenses	388	-	25	-	413

Ithmaar Holding B.S.C.**Notes to interim condensed consolidated financial information****for the six month period ended 30 June 2019**

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13 DIVIDEND

No dividend was declared for 2018 and 2017.

14 EARNINGS PER SHARE (BASIC & DILUTED)

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

	Six month period ended		Three month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Net income/(loss) attributable to shareholders (\$'000)	8,366	4,850	1,260	3,195
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	0.29	0.17	0.04	0.11

15 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	30 June 2019	31 December 2018
Acceptances and endorsements	50,226	78,081
Guarantees and irrevocable letters of credit	577,558	796,057
Customer and other claims	229,970	257,042
	857,754	1,131,180

Commitments

	30 June 2019	31 December 2018
Undrawn facilities, financing lines and other commitments to finance	1,471,857	2,064,257

