

**ITHMAAR HOLDING B.S.C.**  
**(Formerly Ithmaar Bank B.S.C.)**

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

ITHMAAR HOLDING B.S.C. (FORMERLY ITHMAAR BANK B.S.C.)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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**AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
ITHMAAR HOLDING B.S.C. (FORMERLY ITHMAAR BANK B.S.C.)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated financial information of Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.) ["Ithmaar"] and its subsidiaries (the "Group") which comprises the interim condensed consolidated statement of financial position as at 30 September 2017 and the related interim condensed consolidated statements of income for three month and nine month periods ended 30 September 2017 and the related condensed consolidated statement of changes in owners' equity, cash flows, and changes in restricted investment accounts for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Ithmaar's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. 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 the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

A handwritten signature in blue ink, appearing to read 'Prakash Chandra Coopers', is written over a light blue horizontal line.

Partner registration no.201  
13 November 2017  
Manama, Kingdom of Bahrain

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

	Notes	At 30 September 2017 (Reviewed)	At 31 December 2016 (Audited)	At 30 September 2016 (Reviewed)
<b>ASSETS</b>				
Cash and balances with banks and central banks	3	579,887	736,033	747,271
Commodity and other placements with banks, financial and other institutions	4	269,451	142,607	261,488
Murabaha and other financings	5	3,583,572	3,444,588	3,266,851
Musharaka financing		347,283	229,960	170,061
Investment in mudaraba		5,570	14,425	14,623
Investment in associates	6	259,492	668,403	657,174
Sukuk and investment securities	7	2,047,219	1,874,782	1,550,859
Restricted investment accounts		80,218	79,852	80,090
Assets acquired for leasing		292,051	256,204	238,684
Investment in real estate		257,263	242,594	254,651
Other assets	8	231,151	361,654	386,569
Fixed assets		116,324	112,981	109,987
Intangible assets		166,443	177,227	183,803
Assets classified as held-for-sale	17	399,077	-	-
<b>Total assets</b>		<b>8,635,001</b>	<b>8,341,310</b>	<b>7,922,111</b>
<b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY</b>				
Customers' current accounts		1,695,418	1,581,113	1,489,687
Due to banks, financial and other institutions		1,200,678	1,141,513	916,084
Due to investors		1,935,207	1,903,612	1,858,924
Other liabilities		373,431	342,622	351,490
<b>Total liabilities</b>		<b>5,204,734</b>	<b>4,968,860</b>	<b>4,616,185</b>
Equity of unrestricted investment accountholders	10	2,827,490	2,769,694	2,701,704
Minority interest		180,514	175,341	182,927
<b>Total liabilities, equity of unrestricted investment accountholders and minority interest</b>		<b>8,212,738</b>	<b>7,913,895</b>	<b>7,500,816</b>
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(27,802)	(30,149)
Reserves		242,698	218,460	211,462
Accumulated losses		(547,976)	(520,933)	(517,708)
<b>Total owners' equity</b>		<b>422,263</b>	<b>427,415</b>	<b>421,295</b>
<b>Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity</b>		<b>8,635,001</b>	<b>8,341,310</b>	<b>7,922,111</b>

This interim condensed consolidated financial information was approved by the Board of Directors on 13 November 2017 and signed on their behalf by:

  
HRH Prince Amr Mohamed Al Faisal  
Chairman

  
Dr. Amani Khaled Bouresli  
Director

  
Ahmed Abdul Rahim  
CEO

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

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

Notes	Nine months ended		Three months ended	
	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
<b>INCOME</b>				
Income from unrestricted investment accounts	119,176	107,275	41,379	39,980
Less: return to unrestricted investment accounts and impairment provisions	(67,243)	(72,601)	(23,836)	(26,687)
<b>Group's share of income from unrestricted investment accounts as a Mudarib</b>	<b>51,933</b>	<b>34,674</b>	<b>17,543</b>	<b>13,293</b>
Group's share of income from restricted investment accounts as a Mudarib	-	81	-	-
Income from murabaha and other financings	108,371	99,179	36,289	32,279
Share of profit after tax from associates	27,338	27,982	5,722	8,358
Income from other investments	95,281	110,174	27,713	31,106
Other income	19,419	35,985	7,002	13,185
<b>Total income</b>	<b>302,342</b>	<b>308,075</b>	<b>94,269</b>	<b>98,221</b>
Less: profit paid to banks, financial and other institutions – net	(121,262)	(113,773)	(40,402)	(36,577)
<b>Operating income</b>	<b>181,080</b>	<b>194,302</b>	<b>53,867</b>	<b>61,644</b>
<b>EXPENSES</b>				
Administrative and general expenses	(126,752)	(120,851)	(45,110)	(39,880)
Depreciation and amortization	(21,518)	(22,320)	(5,779)	(7,299)
<b>Total expenses</b>	<b>(148,270)</b>	<b>(143,171)</b>	<b>(50,889)</b>	<b>(47,179)</b>
<b>Net income before loss from assets classified as held-for-sale, provision for impairment and overseas taxation</b>	<b>32,810</b>	<b>51,131</b>	<b>2,978</b>	<b>14,465</b>
Impairment of assets classified as held-for-sale	17 (12,389)	-	(12,389)	-
Provision for impairment – net	9 (12,055)	(14,156)	731	(5,045)
<b>Net income/(loss) before overseas taxation</b>	<b>8,366</b>	<b>36,975</b>	<b>(8,680)</b>	<b>9,420</b>
Overseas taxation	(24,615)	(20,250)	(5,984)	(4,655)
<b>NET INCOME/(LOSS) FOR THE PERIOD</b>	<b>(16,249)</b>	<b>16,725</b>	<b>(14,664)</b>	<b>4,765</b>
<b>Attributable to:</b>				
Equity holders of Ithmaar	(27,043)	6,504	(17,795)	2,101
Minority interests	10,794	10,221	3,131	2,664
	<b>(16,249)</b>	<b>16,725</b>	<b>(14,664)</b>	<b>4,765</b>
<b>Basic and diluted earnings per share</b>	14 <b>US Cts (0.93)</b>	<b>US Cts 0.22</b>	<b>US Cts (0.61)</b>	<b>US Cts 0.07</b>

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CEO

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**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**

**Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2017**

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

	<b>Reserves</b>									<b>Accumulated losses</b>	<b>Total owners' equity</b>
	<b>Share capital</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>General reserve</b>	<b>Investments fair value reserve</b>	<b>Investment in real estate fair value reserve</b>	<b>Foreign currency translation</b>	<b>Total reserves</b>		
<b>At 1 January 2017 (Audited)</b>	<b>757,690</b>	<b>(27,802)</b>	<b>148,662</b>	<b>38,090</b>	<b>50,727</b>	<b>25,711</b>	<b>2,648</b>	<b>(47,378)</b>	<b>218,460</b>	<b>(520,933)</b>	<b>427,415</b>
Net loss for the period	-	-	-	-	-	-	-	-	-	(27,043)	(27,043)
Employee share incentive scheme	-	(2,347)	423	-	-	-	-	-	<b>423</b>	-	(1,924)
Movement in fair value of sukuk and investment securities	-	-	-	-	-	4,734	-	-	<b>4,734</b>	-	4,734
Movement in fair value of associates	-	-	-	-	-	8,009	-	2,670	<b>10,679</b>	-	10,679
Foreign currency translation adjustments	-	-	-	-	-	(11)	(193)	8,606	<b>8,402</b>	-	8,402
<b>At 30 September 2017 (Reviewed)</b>	<b>757,690</b>	<b>(30,149)</b>	<b>149,085</b>	<b>38,090</b>	<b>50,727</b>	<b>38,443</b>	<b>2,455</b>	<b>(36,102)</b>	<b>242,698</b>	<b>(547,976)</b>	<b>422,263</b>

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**

**Interim condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2016**

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

	<b>Reserves</b>										<b>Total owners' equity</b>
	<b>Share capital</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>General reserve</b>	<b>Investments fair value reserve</b>	<b>Investment in real estate fair value reserve</b>	<b>Foreign currency translation</b>	<b>Total reserves</b>	<b>Accumulated losses</b>	
<b>At 1 January 2016 (Audited)</b>	<b>757,690</b>	<b>(30,149)</b>	<b>149,692</b>	<b>38,090</b>	<b>50,727</b>	<b>9,212</b>	<b>1,586</b>	<b>(38,413)</b>	<b>210,894</b>	<b>(524,212)</b>	<b>414,223</b>
Net income for the period	-	-	-	-	-	-	-	-	-	6,504	6,504
Movement in fair value of sukuk and investment securities	-	-	-	-	-	1,460	-	-	<b>1,460</b>	-	1,460
Movement in fair value of associates	-	-	-	-	-	(873)	-	-	<b>(873)</b>	-	(873)
Foreign currency translation adjustments	-	-	-	-	-	3	75	(97)	<b>(19)</b>	-	(19)
<b>At 30 September 2016 (Reviewed)</b>	<b>757,690</b>	<b>(30,149)</b>	<b>149,692</b>	<b>38,090</b>	<b>50,727</b>	<b>9,802</b>	<b>1,661</b>	<b>(38,510)</b>	<b>211,462</b>	<b>(517,708)</b>	<b>421,295</b>

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

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

		<b>Nine months ended</b>	
	<b>Notes</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
		<b>(Reviewed)</b>	<b>(Reviewed)</b>
<b>OPERATING ACTIVITIES</b>			
Net income before overseas taxation		8,366	36,975
<u>Adjustments for:</u>			
Depreciation and amortization		21,518	22,320
Share of profit after tax from associates		(27,338)	(27,982)
Provision for impairment – net	9	12,055	14,156
Impairment of assets classified as held-for-sale		12,389	-
Gain on sale of fixed assets		(163)	(870)
Operating income/(loss) before changes in operating assets and liabilities		26,827	44,599
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		(41,833)	(7,050)
(Increase)/decrease in operating assets:			
Murabaha and other financings		(1,699)	128,355
Musharaka financing		(119,794)	(19,937)
Other assets		(40,164)	(74,405)
Increase/(decrease) in operating liabilities:			
Customers' current accounts		123,731	50,782
Due to banks, financial and other institutions		63,695	(725,588)
Due to investors		48,075	150,353
Other liabilities		28,726	24,212
Increase/(decrease) in equity of unrestricted investment accountholders		60,518	253,878
Taxes paid		(18,834)	(6,731)
<b>Net cash provided by/(used in) operating activities</b>		<b>129,248</b>	<b>(181,532)</b>
<b>INVESTING ACTIVITIES</b>			
Net (increase)/decrease:			
Investment in mudaraba		8,855	6,726
Investment in restricted investment accounts		-	(1,485)
Assets acquired for leasing		(35,847)	(69,202)
Sukuk and Investment securities		(204,550)	370,076
Dividend received from associates		28,730	18,203
Purchase of fixed assets		(5,991)	(5,587)
<b>Net cash provided by/(used in) investing activities</b>		<b>(208,803)</b>	<b>318,731</b>
<b>FINANCING ACTIVITIES</b>			
Minority interest		(1,326)	(2,651)
<b>Net cash used in financing activities</b>		<b>(1,326)</b>	<b>(2,651)</b>
Foreign currency translation adjustments		9,912	5,601
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(70,969)</b>	<b>140,149</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>716,782</b>	<b>586,495</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>645,813</b>	<b>726,644</b>

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**

**Interim condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2017**

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

	At 1 January 2017	Net Deposits / (Withdrawals)	Income / (Expenses)	Mudarib's Fee	Fair value movements	At 30 September 2017
	(Audited)					(Reviewed)
Dilmunia Development Fund I L.P.*	149,491	-	134	-	-	149,625
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	15,915	-	-	-	1,960	17,875
European Real Estate Placements*	16,141	(3,286)	320	-	1,628	14,803
US Real Estate Placements*	27,554	-	-	-	-	27,554
Listed and non-listed equities	47	-	-	-	5	52
Cash and Placements with banks	9,406	(8,848)	-	-	-	558
<b>TOTAL</b>	<b>224,804</b>	<b>(12,134)</b>	<b>454</b>	<b>-</b>	<b>3,593</b>	<b>216,717</b>
Funds managed on agency basis	65,255	(1,954)	-	-	-	63,301
	<b>290,059</b>	<b>(14,088)</b>	<b>454</b>	<b>-</b>	<b>3,593</b>	<b>280,018</b>

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

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**

**Interim condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2016**

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

	<b>At 1 January 2016</b>	<b>Net Deposits / (Withdrawals)</b>	<b>Income/ (Expenses)</b>	<b>Mudarib's Fee</b>	<b>Fair value movements</b>	<b>At 30 September 2016</b>
	<b>(Audited)</b>					<b>(Reviewed)</b>
Dilmunia Development Fund I L.P.*	149,900	-	(416)	-	-	149,484
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	16,641	-	-	-	458	17,099
European Real Estate Placements*	16,782	-	-	(10)	468	17,240
US Real Estate Placements*	28,065	(510)	-	(17)	16	27,554
Listed and non-listed equities	77,205	(29,042)	3,667	(54)	2,117	53,893
Bank Placements	-	7,799	-	-	-	7,799
<b>TOTAL</b>	<b>294,843</b>	<b>(21,753)</b>	<b>3,251</b>	<b>(81)</b>	<b>3,059</b>	<b>279,319</b>
Funds managed on agency basis	65,230	25	-	-	-	65,255
	<b>360,073</b>	<b>(21,728)</b>	<b>3,251</b>	<b>(81)</b>	<b>3,059</b>	<b>344,574</b>

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

The notes 1 to 18 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**  
**Notes to interim condensed consolidated financial information**  
**for the nine month period ended 30 September 2017**

**1 INCORPORATION AND ACTIVITIES**

Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.) (“Ithmaar”) was incorporated in the Kingdom of Bahrain on 13 August 1984 and was licensed as an investment bank regulated by the Central Bank of Bahrain (the “CBB”). Effective 14 April 2010 Ithmaar Bank B.S.C operated under Islamic retail banking license granted by the CBB.

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

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

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

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

Ithmaar’s shares are listed for trading on the Bahrain Bourse and Kuwait Boursa.

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 accountholder authorises the Group to invest the accountholders’ funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. In respect of restricted investment accounts, the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. Further, the Group may be restricted from commingling its own funds with the funds of restricted investment accounts.

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

	<u>% owned</u>		<b>Country of Incorporation</b>	<b>Principal business activity</b>
	<b>Voting</b>	<b>Economic</b>		
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
Faysal Bank Limited	67	67	Pakistan	Banking
Faisal Private Bureau (Switzerland) S.A.(formerly Faisal Private Bank (Switzerland) S.A.)	100	100	Switzerland	Wealth and asset management
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
City View Real Estate Development Co. B.S.C. (C)	51	51	Kingdom of Bahrain	Real estate
Health Island B.S.C. (C)	50	50	Kingdom of Bahrain	Real estate
Sakana Holistic Housing Solutions B.S.C. (C) (Sakana)	63	50	Kingdom of Bahrain	Mortgage finance
Cantara (Switzerland) S.A.	100	100	Switzerland	Investment holding
DMI Administrative Services S.A.	100	100	Switzerland	Management services
Faisal Finance (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
Shamil Finance (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
Faisal Finance (Netherlands Antilles) NV	100	100	Netherlands Antilles	Investment holding

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.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**  
**Notes to interim condensed consolidated financial information**  
**for the nine month period ended 30 September 2017**

**2 SIGNIFICANT GROUP ACCOUNTING POLICIES**

(a) Basis of preparation

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 2016, 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 the Ithmaar 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 for the period ended 30 September 2017 as appropriate.

The Shari'a Supervisory Board has approved the Sharia Compliance Plan ("Plan") for assets and liabilities which are not Shari'a Compliant. The Shari'a 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 2016. All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016. In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**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.

**New accounting standards: Issued and effective**

There are no new AAOIFI accounting standards, amendments to standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that would be expected to have material impact on the Group.

**Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)**  
**Notes to interim condensed consolidated financial information**  
**for the nine month period ended 30 September 2017**  
(Expressed in thousands of United States Dollars unless otherwise stated)

**3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS**

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	162,486	1,713	164,199	160,465	1,393	161,858
Cash and balances with banks and central banks	363,207	52,481	415,688	521,091	53,084	574,175
	<b>525,693</b>	<b>54,194</b>	<b>579,887</b>	<b>681,556</b>	<b>54,477</b>	<b>736,033</b>

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

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	230,125	39,326	269,451	142,607	-	142,607
	<b>230,125</b>	<b>39,326</b>	<b>269,451</b>	<b>142,607</b>	<b>-</b>	<b>142,607</b>

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

	30 September 2017			30 September 2016		
	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	525,693	54,194	579,887	747,271	-	747,271
Commodity and other placements with banks, financial and other institutions - net	230,125	39,326	269,451	261,488	-	261,488
Less: Placement maturing after ninety days	-	(39,326)	(39,326)	(119,089)	-	(119,089)
Less: Balances with central banks relating to minimum reserve requirement	(162,486)	(1,713)	(164,199)	(163,026)	-	(163,026)
	<b>593,332</b>	<b>52,481</b>	<b>645,813</b>	<b>726,644</b>	<b>-</b>	<b>726,644</b>

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**5 MURABAHA AND OTHER FINANCINGS**

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	2,401,200	1,492,573	3,893,773	2,314,642	1,438,493	3,753,135
Less: Provisions	(292,844)	(17,357)	(310,201)	(286,791)	(21,756)	(308,547)
	<b>2,108,356</b>	<b>1,475,216</b>	<b>3,583,572</b>	<b>2,027,851</b>	<b>1,416,737</b>	<b>3,444,588</b>

The movement in provisions is as follows:

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	286,791	21,756	308,547	296,047	52,869	348,916
Charge for the period/year	15,446	-	15,446	33,618	5,550	39,168
Write back during the period/year	(14,146)	-	(14,146)	(13,042)	-	(13,042)
Utilised during the period/year	(1,238)	(7,222)	(8,460)	(26,224)	(36,826)	(63,050)
Reclassification	7,323	(210)	7,113	-	-	-
Transfer from/(to) Investment Risk Reserve	-	3,000	3,000	(4,046)	-	(4,046)
Exchange differences and other movements	(1,332)	33	(1,299)	438	163	601
	<b>292,844</b>	<b>17,357</b>	<b>310,201</b>	<b>286,791</b>	<b>21,756</b>	<b>308,547</b>

Total provision of \$310.2 million (31 December 2016: \$308.5 million) includes general provision of \$18.3 million (31 December 2016: \$13.8 million).

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**6 INVESTMENT IN ASSOCIATES**

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

Name of company	30 September 2017	31 December 2016	% of Shareholding	Country	Activity
<b>Unlisted:</b>					
Solidarity Group Holding B.S.C. (C)	67,797	68,076	36	Bahrain	Takaful
Citic International Assets Management Limited	73,305	74,588	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	533	536	31	Pakistan	Manufacturing
Misr Company for Packing Materials "Egywrap"	2,410	2,224	23	Egypt	Trading
Faysal Asset Management Limited	253	441	30	Pakistan	Asset management
Ithraa Capital Company	4,339	3,858	23	Saudi Arabia	Investment company
Naseej B.S.C. (C)	108,888	107,775	30	Bahrain	Infrastructure
Chase Manara B.S.C. (C)	1,679	1,679	40	Bahrain	Real estate
Islamic Trading Company E.C	288	669	24	Bahrain	Trading
<b>Listed:</b>					
BBK B.S.C.	-	408,557	25	Bahrain	Banking
	<b>259,492</b>	<b>668,403</b>			

Summarised financial position of associates that have been equity accounted:

	30 September 2017	31 December 2016	30 September 2016
Total assets	10,619,091	10,944,636	10,886,283
Total liabilities	8,380,526	8,763,547	8,719,830
Total revenues	245,395	413,721	294,718
Total net profit	91,803	166,421	108,419

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.

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**7 SUKUK AND INVESTMENT SECURITIES**

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
<b>Investment securities at fair value through income statement</b>						
<i>Held for trading</i>						
Debt-type instruments – unlisted	457,437	-	457,437	16,606	-	16,606
Equity-type securities – listed	136	-	136	-	-	-
	<b>457,573</b>	<b>-</b>	<b>457,573</b>	<b>16,606</b>	<b>-</b>	<b>16,606</b>
<b>Investment securities at fair value through equity</b>						
Equity-type securities – listed	40,117	-	40,117	57,401	-	57,401
Equity-type securities – unlisted	307,536	-	307,536	227,689	78,829	306,518
	347,653	-	347,653	285,090	78,829	363,919
Provision for impairment	(154,462)	-	(154,462)	(147,539)	(5,700)	(153,239)
	<b>193,191</b>	<b>-</b>	<b>193,191</b>	<b>137,551</b>	<b>73,129</b>	<b>210,680</b>
<b>Investment securities carried at amortised cost</b>						
Sukuk – unlisted	20,131	231,809	251,940	28,784	156,517	185,301
Other debt-type instruments – listed	75,433	-	75,433	74,201	-	74,201
Other debt-type instruments – unlisted	1,089,205	-	1,089,205	1,408,059	-	1,408,059
	1,184,769	231,809	1,416,578	1,511,044	156,517	1,667,561
Provision for impairment	(20,123)	-	(20,123)	(20,065)	-	(20,065)
	<b>1,164,646</b>	<b>231,809</b>	<b>1,396,455</b>	<b>1,490,979</b>	<b>156,517</b>	<b>1,647,496</b>
	<b>1,815,410</b>	<b>231,809</b>	<b>2,047,219</b>	<b>1,645,136</b>	<b>229,646</b>	<b>1,874,782</b>

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**7 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**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>At 30 September 2017</b>				
<b>Investment securities at fair value through income statement</b>				
Debt-type instruments	-	457,437	-	457,437
Equity securities	136	-	-	136
<b>Investment securities at fair value through equity</b>				
Equity securities	35,452	-	157,739	193,191
	<b>35,588</b>	<b>457,437</b>	<b>157,739</b>	<b>650,764</b>

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>At 31 December 2016 (Audited)</b>				
<b>Investment securities at fair value through income statement</b>				
Debt-type instruments	-	16,606	-	16,606
Equity securities	-	-	-	-
<b>Investment securities at fair value through equity</b>				
Equity securities	52,342	-	158,338	210,680
	<b>52,342</b>	<b>16,606</b>	<b>158,338</b>	<b>227,286</b>

**Reconciliation of Level 3 Items**

	<b>Investment securities at fair value through equity</b>	
	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>Opening balance</b>	<b>158,338</b>	<b>153,078</b>
Total gains/(losses) recognised in		
- Income statement	(9,582)	(5,934)
- Equity	1,452	12,327
Purchases	1,000	-
Sales	(1,120)	(1,133)
Reallocation	7,651	-
<b>Closing balance</b>	<b>157,739</b>	<b>158,338</b>
Total income for the nine month period included in the interim condensed consolidated income statement	7,861	5,871

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**8 OTHER ASSETS**

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	140,046	70,689	210,735	167,614	88,592	256,206
Due from related parties	15,850	-	15,850	93,582	-	93,582
Taxes – deferred	27,787	-	27,787	29,800	-	29,800
Taxes – current	19,718	-	19,718	20,185	-	20,185
Assets acquired against claims	18,370	-	18,370	18,529	-	18,529
	<b>221,771</b>	<b>70,689</b>	<b>292,460</b>	<b>329,710</b>	<b>88,592</b>	<b>418,302</b>
Provision for impairment	(49,089)	(12,220)	(61,309)	(44,685)	(11,963)	(56,648)
	<b>172,682</b>	<b>58,469</b>	<b>231,151</b>	<b>285,025</b>	<b>76,629</b>	<b>361,654</b>

**9 PROVISIONS**

	30 September 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	659,267	59,684	718,951	683,659	91,022	774,681
Charge for the period/year	26,870	-	26,870	47,897	5,550	53,447
Write back during the period/year	(14,815)	-	(14,815)	(14,595)	-	(14,595)
Reclassification	25,916	(25,916)	-	-	-	-
Transfer from/(to) Investment Risk Reserve		3,000	3,000	(4,046)	-	(4,046)
Utilised during the period/year	(2,843)	(7,222)	(10,065)	(52,309)	(36,888)	(89,197)
Exchange differences	1,635	31	1,666	(1,339)	-	(1,339)
	<b>696,030</b>	<b>29,577</b>	<b>725,607</b>	<b>659,267</b>	<b>59,684</b>	<b>718,951</b>

Total provisions of \$725.6 million (31 December 2016: \$719 million) include \$18.5 million (31 December 2016: \$29 million) held as general provisions.

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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:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Cash and balances with banks and central banks	54,194	54,477
Commodity and other placements with banks, financial and other institutions	39,326	-
Murabaha and other financings	1,475,216	1,416,737
Investment in mudaraba	-	14,425
Musharaka financing	346,254	211,926
Investment in associates	-	4,340
Sukuk and investment securities	231,809	229,646
Restricted investment accounts	7,500	35,250
Assets acquired for leasing	283,735	246,651
Other assets	58,469	76,629
Fixed assets	12,099	9,346
Intangible assets	84	66
Due from the Group (net)	656,345	734,911
	<b>3,165,031</b>	<b>3,034,404</b>
Customers' current accounts	(216,533)	(147,469)
Due to banks, financial and other institutions	(2,856)	(11,792)
Other liabilities	(118,152)	(105,449)
Equity of unrestricted investment accountholders	<b>2,827,490</b>	<b>2,769,694</b>

**11 SHARE CAPITAL**

	<b>Number of shares (thousands)</b>	<b>Share capital</b>
Authorised	8,000,000	2,000,000
<b>Issued and fully paid</b>		
Total outstanding	3,030,755	757,690
Treasury shares	(111,207)	(27,802)
<b>At 31 December 2016 (Audited)</b>	<b>2,919,548</b>	<b>729,888</b>
<b>Issued and fully paid</b>		
Total outstanding as at 1 January 2017	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
<b>At 30 September 2017 (Reviewed)</b>	<b>2,910,160</b>	<b>727,541</b>

Ithmaar's total issued and fully paid share capital at 30 September 2017 comprises 3,030,755,027 shares at \$0.25 per share amounting to \$757,688,757. The share capital of Ithmaar is denominated in United States dollars and these shares are traded on Bahrain Bourse in United States dollars and on Bursa Kuwait in Kuwaiti Dinars.

Ithmaar owned 120,595,238 of its own shares at 30 September 2017 (31 December 2016: 111,207,124). The shares are held as treasury shares and Ithmaar has the right to reissue these shares at a later date.

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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.

Related parties include:

- (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 the 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:

	<b>30 September 2017</b>				
	<b>Shareholders &amp; Affiliates</b>	<b>Associates and joint ventures</b>	<b>Directors and related entities</b>	<b>Senior management</b>	<b>Total</b>
<b>Assets</b>					
Murabaha and other financings	425,243	-	12,809	-	438,052
Sukuk and investment securities	437	-	-	-	437
Investment in associates	-	259,492	-	-	259,492
Other assets	5,234	10,456	-	160	15,850
Assets classified as held-for-sale	-	399,077	-	-	399,077
<b>Liabilities</b>					
Customers' current accounts	-	7,592	-	110	7,702
Due to banks, financial and other institutions	-	57,989	-	-	57,989
Equity of unrestricted investment accounts	26,724	20,979	541	-	48,244
Other liabilities	912	54	-	-	966

	<b>30 September 2017</b>				
	<b>Shareholders &amp; Affiliates</b>	<b>Associates and joint ventures</b>	<b>Directors and related entities</b>	<b>Senior management</b>	<b>Total</b>
<b>Income</b>					
Return to unrestricted investment accounts	597	599	10	-	1,206
Income from murabaha and other financings	2,868	-	-	-	2,868
Share of profit after tax from associates	-	27,338	-	-	27,338
Profit paid to banks, financial and other institutions – net	19	972	-	-	991
Other income	7	1,044	-	-	1,051

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**12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

	<b>31 December 2016</b>				
	<b>Shareholders &amp; Affiliates</b>	<b>Associates and joint ventures</b>	<b>Directors and related entities</b>	<b>Senior management</b>	<b>Total</b>
<b>Assets</b>					
Murabaha and other financings	342,775	-	12,809	-	355,584
Sukuk and investment securities	9,778	-	-	-	9,778
Investment in associates	-	668,403	-	-	668,403
Other assets	82,989	10,456	-	137	93,582
<b>Liabilities</b>					
Customers' current accounts	-	20,502	-	233	20,735
Due to banks, financial and other institutions	-	33,813	-	-	33,813
Equity of unrestricted investment accounts	23,249	22,640	541	-	46,430
Other liabilities	2,134	54	-	-	2,188
	<b>30 September 2016</b>				
	<b>Shareholders &amp; Affiliates</b>	<b>Associates and joint ventures</b>	<b>Directors and related entities</b>	<b>Senior management</b>	<b>Total</b>
<b>Income</b>					
Return to unrestricted investment accounts	210	647	17	-	874
Murabaha and other financings	1,828	-	-	-	1,828
Share of profit after tax from associates	-	27,982	-	-	27,982
Profit paid to banks, financial and other institutions – net	16	2,317	-	-	2,333
Other income	7	2,938	-	-	2,945
<b>Expenses</b>					
Administrative and general expenses	450	-	-	-	450

**13 DIVIDEND**

No dividend was declared for 2016 and 2015.

**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.

	<b>Nine month period ended</b>		<b>Three month period ended</b>	
	<b>30 September 2017</b>	<b>30 September 2016</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
Net income/(loss) attributable to shareholders (\$'000)	(27,043)	6,504	(17,795)	2,101
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160	2,910,160	2,910,160
<b>Earnings per share (Basic &amp; Diluted) – US Cents</b>	<b>(0.93)</b>	<b>0.22</b>	<b>(0.61)</b>	<b>0.07</b>

**15 CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingent liabilities**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Acceptances and endorsements	43,601	72,669
Guarantees and irrevocable letters of credit	993,798	746,789
Customer and other claims	340,688	353,571
	<b>1,378,087</b>	<b>1,173,029</b>

**Commitments**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Undrawn facilities, financing lines and other commitments to finance	<b>1,780,833</b>	<b>1,849,842</b>



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**17 ASSETS CLASSIFIED AS HELD-FOR-SALE**

The Group has initiated an active program to locate a buyer for a specific asset. Accordingly, this asset was consequently presented as an asset classified as held for sale in the consolidated statement of financial position.

At the reporting date, the asset classified as held for sale amounted to \$399 million representing the asset's fair value less cost to sell which was \$12.4 million less than the asset's carrying value. Accordingly, an impairment loss of \$12.4 million was recorded in the consolidated statement of income during the period.

**18 COMPARATIVES**

Certain comparative figures have been reclassified to conform to the current period presentation for Islamic income and assets from subsidiaries.