

ITHMAAR HOLDING B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
31 MARCH 2023

ITHMAAR HOLDING B.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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Independent auditors' report on review of condensed consolidated interim financial information

To the Board of Directors of
Ithmaar Holding B.S.C.
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of Ithmaar Holding B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2023;
- the condensed consolidated income statement for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the three-month period ended 31 March 2023; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 Auditing standards for Islamic Financial Institutions 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 31 March 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 20 February 2023. The condensed consolidated interim financial information of the Group as at and for the three months ended 31 March 2022 were reviewed by the same auditor who expressed an unmodified conclusion on that condensed consolidated interim financial information on 14 May 2022.


6 June 2023

Ithmaar Holding B.S.C.**Condensed consolidated statement of financial position****as at 31 March 2023**

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

	Note	At 31 March 2023 (Reviewed)	At 31 December 2022 (Audited)
ASSETS			
Cash and balances with banks and central banks		312,242	333,064
Commodity and other placements with banks, financial and other institutions		43,348	48,871
Murabaha and other financings	3	1,104,919	1,048,394
Musharaka financing	4	1,170,389	1,521,142
Investment securities	5	1,873,623	2,200,496
Investment in associates	6	94,634	104,318
Assets acquired for leasing		808	808
Other assets	7	261,905	183,895
Investment in real estate		239,620	245,239
Development properties		174,461	174,461
Fixed assets		153,099	172,075
Intangible assets		18,523	22,726
Total assets		5,447,571	6,055,489
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS AND TOTAL EQUITY			
LIABILITIES			
Customers' current accounts		1,494,358	1,736,961
Due to banks, financial and other institutions		1,316,916	1,101,718
Due to investors		12,055	37,020
Other liabilities		442,900	427,124
Total liabilities		3,266,229	3,302,823
Equity of unrestricted investment accountholders	9	2,065,344	2,616,616
Total liabilities and equity of unrestricted investment accountholders		5,331,573	5,919,439
OWNERS' EQUITY			
Share capital	10	757,690	757,690
Treasury shares	10	(30,149)	(30,149)
Reserves		105,312	105,780
Accumulated losses		(831,758)	(828,752)
Total owners' equity		1,095	4,569
Non-controlling interests		114,903	131,481
Total equity		115,998	136,050
Total liabilities, equity of unrestricted investment accountholders and total equity		5,447,571	6,055,489

This condensed consolidated interim financial information was approved by the Board of Directors on 6 June 2023 and signed on its behalf by:



HRH Prince Amr Mohammed Al-Faisal
Chairman



Elham Hassan
Director



Abdulla Taleb
CEO


The accompanying notes 1 to 17 form an integral part of the condensed consolidated interim financial information.

Ithmaar Holding B.S.C.**Condensed consolidated income statement****for the three months period ended 31 March 2023**

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

	Three months ended	
	31 March 2023	31 March 2022
	(Reviewed)	(Reviewed)
INCOME		
Income from financing contracts	71,766	54,469
Income from investments	74,455	49,433
Other income - net	(2,434)	19,123
Total income	143,787	123,025
Less: profit to banks, financial and other institutions – net	(3,540)	(35,891)
Return on equity of investment accountholders before Group's share as a mudarib	(142,939)	(72,216)
Group's share as a mudarib	56,354	44,674
Share of profit of unrestricted investment accountholders	(86,585)	(27,542)
Net income	53,662	59,592
EXPENSES		
General and administrative expenses	(35,187)	(38,696)
Depreciation and amortization	(4,810)	(7,905)
Total expenses	(39,997)	(46,601)
Profit before provision for impairment and overseas taxation	13,665	12,991
Provision for impairment - net	(1,418)	(2,743)
Profit before overseas taxation	12,247	10,248
Tax expense	(10,199)	(9,292)
PROFIT FROM CONTINUING OPERATIONS	2,048	956
Net results from discontinued operations	-	5,512
PROFIT FOR THE PERIOD	2,048	6,468
Attributable to:		
Equity holders of Ithmaar	(3,006)	1,138
Non-controlling interest	5,054	5,330
	2,048	6,468
Basic and diluted earnings per share	US Cts (0.10)	US Cts 0.04
Basic and diluted earnings per share - continuing operations	US Cts (0.10)	US Cts (0.12)

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HRH Prince Amr Mohammed Al-Faisal
Chairman



Elham Hassan
Director



Abdulla Taleb
CEO

The accompanying notes 1 to 17 form an integral part of the condensed consolidated interim financial information.

Ithmaar Holding B.S.C.

**Condensed consolidated statement of changes in owners' equity
for the three months period ended 31 March 2023**

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

	Share capital	Treasury shares	Reserves	Accumulated losses	Total owners' equity	Non- controlling interests	Total equity
At 1 January 2023	757,690	(30,149)	105,780	(828,752)	4,569	131,481	136,050
(Loss)/profit for the period	-	-	-	(3,006)	(3,006)	5,054	2,048
Movement from dividend distribution by subsidiaries	-	-	-	-	-	(1,971)	(1,971)
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(1,319)	(1,319)
Movement in fair value of land and building	-	-	-	-	-	(301)	(301)
Movement in fair value of investment in real estate	-	-	-	-	-	(73)	(73)
Movement in fair value reserves of associates	-	-	(1,212)	-	(1,212)	-	(1,212)
Foreign currency translation adjustments	-	-	744	-	744	(17,968)	(17,224)
At 31 March 2023 (Reviewed)	757,690	(30,149)	105,312	(831,758)	1,095	114,903	115,998

**Condensed consolidated statement of changes in owners' equity
for the three months period ended 31 March 2022**

	Share capital	Treasury shares	Reserves	Accumulated losses	Total owners' equity	Non- controlling interest	Total equity
At 1 January 2022	757,690	(30,149)	109,009	(798,788)	37,762	274,452	312,214
Profit for the period	-	-	-	1,138	1,138	5,330	6,468
Movement from acquisition of a subsidiary	-	-	-	(3,870)	(3,870)	3,870	-
Movement from dividend distribution by subsidiaries	-	-	-	-	-	(18,919)	(18,919)
Movement in fair value of sukuk and investment securities	-	-	843	-	843	161	1,004
Movement in fair value of investment in real estate	-	-	(335)	-	(335)	246	(89)
Movement in hedging reserve	-	-	2,043	-	2,043	-	2,043
Movement in fair value reserve of associates	-	-	601	-	601	-	601
Foreign currency translation adjustments	-	-	(8,965)	-	(8,965)	(3,929)	(12,894)
			-				
At 31 March 2022 (Reviewed)	757,690	(30,149)	103,196	(801,520)	29,217	261,211	290,428

Please refer notes 9 and 10.1 for reserves attributable to equity of unrestricted investment accountholders

The accompanying notes 1 to 17 form an integral part of the condensed consolidated interim financial information.

Ithmaar Holding B.S.C.
Condensed consolidated statement of cash flows
for the three months period ended 31 March 2023
(Expressed in thousands of United States Dollars unless otherwise stated)

	Three months ended	
	31 March 2023	31 March 2022
	(Reviewed)	(Reviewed)
OPERATING ACTIVITIES		
Profit before taxes from:		
Continuing operations	12,247	10,248
Discontinued operations	-	5,512
<u>Adjustments for:</u>		
Depreciation and amortization	4,810	7,905
Share of results after tax from associates	381	381
Provision for impairment - net	1,418	2,743
Income from investments	(74,455)	(49,433)
Finance cost on net ijarah liability	1,386	1,970
Loss on sale of fixed assets	(32)	(141)
Operating loss before changes in operating assets and liabilities	(54,245)	(20,815)
Changes in operating assets and liabilities:		
Balances with banks maturing after 90 days including central banks balances relating to minimum reserve requirement	(14,837)	(137,323)
Murabaha and other financings	(169,324)	94,341
Musharaka financing	47,905	(100,016)
Other assets	(82,843)	(39,547)
Customers' current accounts	28,584	217,482
Due to banks, financial and other institutions	324,764	281,207
Due to investors	(19,114)	(173,981)
Other liabilities	78,254	75,335
(Decrease)/increase in equity of unrestricted investment accountholders	(86,920)	155,755
Taxes paid	(18,753)	(9,628)
Net cash generated from operating activities	33,471	342,810
INVESTING ACTIVITIES		
Net changes in:		
Assets acquired for leasing	-	4,065
Sukuk and investment securities	(31,577)	(147,014)
Fixed assets	(15,760)	(14,369)
Net cash used in investing activities	(47,337)	(157,318)
FINANCING ACTIVITY		
Repayment of net ijarah liability	(2,076)	(3,510)
Net cash used in financing activity	(2,076)	(3,510)
Foreign currency translation adjustments	(19,131)	(29,084)
Net (decrease)/increase in cash and cash equivalents	(35,073)	152,898
Cash and cash equivalents at the beginning of the period	341,761	621,220
Cash and cash equivalents at the end of the period	306,688	774,118

The accompanying notes 1 to 17 form an integral part of the condensed consolidated interim financial information.

Ithmaar Holding B.S.C.**Condensed consolidated statement of changes in restricted investment accounts
for the three months period ended 31 March 2023**

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

	At 1 January 2023	Foreign exchange movements	At 31 March 2023
Shamil Bosphorus Modaraba*	6,250	-	6,250
European Real Estate Placements*	10,457	(92)	10,365
US Real Estate Placements*	25,236	-	25,236
Total (Reviewed)	41,943	(92)	41,851

	At 1 January 2022	Foreign exchange movements	At 31 March 2022
Shamil Bosphorus Modaraba*	6,250	-	6,250
European Real Estate Placements*	12,713	(2,063)	10,650
US Real Estate Placements*	25,236	-	25,236
Total (Reviewed)	44,199	(2,063)	42,136

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

The accompanying notes 1 to 17 form an integral part of the condensed consolidated interim financial information.

Ithmaar Holding B.S.C.

Notes to the condensed consolidated interim financial information for the three months period ended 31 March 2023

1 REPORTING ENTITY

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"). Ithmaar is licensed by the CBB under Volume 4, Category 1 investment firm.

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

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

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

Ithmaar's shares are listed on the Bahrain Bourse 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 condensed consolidated interim 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 its head office and its following principal subsidiaries:

	% owned		Country of Incorporation	Principal business activities
	31 March 2023	31 December 2022		
<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
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
Health Island W.L.L.	50	50	Kingdom of Bahrain	Real estate
Dilmunia Development Fund I L.P.	92	92	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.

1.1 As of 31 March 2023, the total consolidated equity of the Group stood at \$1.1 million as compared to \$4.6 million as at 31 December 2022.

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

- Issuance of Tier 1 capital instrument (AT1) of up to \$200 million, subject to regulatory and shareholders' approvals (refer note 16);
- Sale of non-core assets, subject to further review, negotiations and necessary regulatory approvals; and
- Reduction of ECL through 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 (the "Board") summoned an Extraordinary General Meeting of the shareholders as per Article 64(7) of the Group Articles of Association. The Board has 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 Group's management assessed its liquidity and equity projections of the entity for the coming twelve months from reporting date of these condensed consolidated interim financial information. Management's assessment includes following assumptions:

- No change in status of sanctioned liabilities and accordingly no repayments;
- Stressing the expected outflows of the liabilities;
- Stressing the expected inflows from assets;
- Ability to maintain core deposits through increased focus on corporate customers as part of the new business model of the remaining entity (evidenced by actual cash flows till the reporting date);
- Reduction in operating expenses resulting from a leaner entity post transaction with Al Salam;
- Successful execution of aspects of the Equity Strengthening Plans;
- Increased availability of liquid assets in the form of interbank liquidity support facility; and
- Use of ALCO approved rollover/ renewal related behavioral patterns of liabilities post the transaction with Al Salam.

On 4 June 2023, the shareholders, in an Extraordinary General Meeting, approved issuance of Tier 1 Capital instrument of up to \$200 million. Each subscription by a shareholder under this issuance is subject to regulatory approvals. The majority shareholders have confirmed their participation in the T1 issuance subject to requisite approvals.

Ithmaar Holding B.S.C.
Notes to the condensed consolidated interim financial information
for the three months period ended 31 March 2023

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI").

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Comparatives

The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2022 and comparatives for the condensed consolidated income statement, changes in owners' equity, cash flows and changes in restricted investment accounts have been extracted from the reviewed condensed consolidated interim financial information for the three months period ended 31 March 2022.

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before Ithmaar converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards in the condensed consolidated interim financial information for the three months period ended 31 March 2023 as appropriate.

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

2.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2022, except for those arising from adoption of the following standards and amendments to the standards effective from 1 January 2023.

A. Relevant new standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2023

(i) FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group has adopted this standard and will provide the necessary additional disclosures in its annual financial statements.

(ii) FAS 41 Interim financial reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023. The Group has adopted this standard for the basis of preparation of its condensed consolidated interim financial information. The adoption of this standard did not have any significant impact on the Group's condensed consolidated interim financial information.

Ithmaar Holding B.S.C.
Notes to the condensed consolidated interim financial information
for the three months period ended 31 March 2023

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Relevant new standards, amendments, and interpretations issued but not yet effective

(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

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quassi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FAS's; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements in line with the wider market practice.

2.2 ESTIMATES AND JUDGEMENTS

Preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. The areas of significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

Ithmaar Holding B.S.C.**Notes to the condensed consolidated interim financial information
for the three months period ended 31 March 2023**

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

3 MURABAHA AND OTHER FINANCINGS

	31 March 2023	31 December 2022
Murabaha and other financings	1,383,539	1,344,285
Less: Allowance for impairment	(278,620)	(295,891)
	1,104,919	1,048,394

The movement in allowance for impairment is as follows:

	31 March 2023	31 December 2022
At 1 January	295,891	357,437
Charge for the period/year	6,111	18,771
Write back during the period/year	(6,089)	(15,928)
Utilised during the period/year	(179)	(6,110)
Movement due to sale of assets	-	(35,365)
Reclassification to assets classified as held for sale	-	2,516
Exchange differences	(17,114)	(25,430)
	278,620	295,891

4 MUSHARAKA FINANCING

	31 March 2023	31 December 2022
Musharaka financing	1,185,678	1,537,222
Less: Allowance for impairment	(15,289)	(16,080)
	1,170,389	1,521,142

Ithmaar Holding B.S.C.**Notes to the condensed consolidated interim financial information
for the three months period ended 31 March 2023**

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

5 INVESTMENT SECURITIES

	31 March 2023	31 December 2022
	Total	Total
Investment securities at fair value through income statement		
Debt-type instruments – listed	88	110
Debt-type instruments – unlisted	11,180	1,108
Equity-type securities – listed	7,139	1,980
	18,407	3,198
Investment securities at fair value through equity		
Debt-type instruments – listed	8,444	219,259
Debt-type instruments – unlisted	1,639,261	1,815,294
Equity-type securities – listed	28,139	43,564
Equity-type securities – unlisted	192,095	194,720
	1,867,939	2,272,837
Less: Allowance for impairment	(161,344)	(159,686)
	1,706,595	2,113,151
Investment securities carried at amortised cost		
Debt-type instruments – listed	106,696	40,961
Debt-type instruments – unlisted	46,628	49,674
	153,324	90,635
Less: Allowance for impairment	(4,703)	(6,488)
	148,621	84,147
	1,873,623	2,200,496

Ithmaar Holding B.S.C.**Notes to the condensed consolidated interim financial information
for the three months period ended 31 March 2023**

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

5 INVESTMENT SECURITIES (continued)

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.

Investment securities measured at fair value

	Level 1	Level 2	Level 3	Total
At 31 March 2023				
Investment securities at fair value through income statement				
Debt-type instruments	88	11,180	-	11,268
Equity-type securities	7,139	-	-	7,139
Investment securities at fair value through equity				
Debt-type instruments	134,017	1,513,333	-	1,647,350
Equity-type securities	14,129	7,333	37,783	59,245
Investment securities carried at amortised cost				
Debt-type instruments	100,583	48,038	-	148,621
	255,956	1,579,884	37,783	1,873,623
At 31 December 2022				
Investment securities at fair value through income statement				
Debt-type instruments	1,218	-	-	1,218
Equity-type securities	1,980	-	-	1,980
Investment securities at fair value through equity				
Debt-type instruments	218,124	1,815,983	-	2,034,107
Equity-type securities	35,447	5,808	37,789	79,044
Investment securities carried at amortised cost				
Debt-type instruments	40,961	43,186	-	84,147
	297,730	1,864,977	37,789	2,200,496

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	31 March 2023	31 December 2022
Opening balance	37,789	83,803
Total losses recognised in		
- Income statement	-	893
- Equity	(6)	620
Sales	-	(47,527)
Closing balance	37,783	37,789

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

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

Name of entity	31 March 2023	% of Share-holding	31 December 2022	% of Share-holding	Country	Activity
Unlisted:						
Citic International Assets Management Limited	23,856	20	25,381	20	Hong Kong	Asset management
Naseej B.S.C. (c)	70,177	31	70,438	31	Bahrain	Infrastructure
Faysal Stock Fund	-	32	1,167	32	Pakistan	Mutual funds
Faysal Islamic Saving Growth Fund	-	32	3,727	32	Pakistan	Mutual funds
Faysal Islamic Stock Fund	318	21	426	21	Pakistan	Mutual funds
Faysal Saving Growth Fund (B)		29	3,179	29	Pakistan	Mutual funds
Faysal Special Savings Fund - FSSP-I	283	21	-	-	Pakistan	Mutual funds
	94,634		104,318			

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

Summarised financial position/performance of associates that have been equity accounted:

	31 March 2023	31 December 2022
Total assets	372,721	416,946
Total liabilities	22,729	33,749
Total revenues	2,681	8,162
Total net profit	(453)	(2,666)

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

Ithmaar Holding B.S.C.

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7 OTHER ASSETS

	31 March 2023	31 December 2022
Accounts receivable	289,676	217,272
Due from related parties	127	183
Taxes – deferred	11,022	3,998
Taxes – current	8,636	13,341
Non-current assets held for sale	23,581	26,871
	333,042	261,665
Less: Allowance for impairment	(71,137)	(77,770)
	261,905	183,895

8 PROVISION FOR IMPAIRMENT

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 March 2023

	Stage 1	Stage 2	Stage 3	Total
Commodity and other placements with banks, financial and other institutions				
Gross exposure	43,460	-	-	43,460
Less: Allowance for impairment	(112)	-	-	(112)
Net exposure	43,348	-	-	43,348
Murabaha and other financings				
Gross exposure	298,436	747,998	337,105	1,383,539
Less: Allowance for impairment	(9,693)	(78,258)	(190,669)	(278,620)
Net exposure	288,743	669,740	146,436	1,104,919
Musharaka financing				
Gross exposure	810,423	365,337	9,918	1,185,678
Less: Allowance for impairment	(4,105)	(5,204)	(5,980)	(15,289)
Net exposure	806,318	360,133	3,938	1,170,389
Assets acquired for leasing (including Ijara receivables)				
Gross exposure	-	1,569	-	1,569
Less: Allowance for impairment	-	(761)	-	(761)
Net exposure	-	808	-	808
Other assets				
Gross exposure	202,090	69,670	61,282	333,042
Less: Allowance for impairment	(10,337)	(411)	(60,389)	(71,137)
Net exposure	191,753	69,259	893	261,905
Total gross exposure	1,354,409	1,184,574	408,305	2,947,288
Less: Total allowance for impairment	(24,247)	(84,634)	(257,038)	(365,919)
Total Net exposure	1,330,162	1,099,940	151,267	2,581,369

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8 PROVISION FOR IMPAIRMENT (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 2022

Commodity and other placements with banks, financial and other institutions				
Gross exposure	48,983	-	-	48,983
Less: Allowance for impairment	(112)	-	-	(112)
Net exposure	48,871	-	-	48,871
Murabaha and other financings				
Gross exposure	415,339	574,341	354,605	1,344,285
Less: Allowance for impairment	(10,874)	(79,818)	(205,199)	(295,891)
Net exposure	404,465	494,523	149,406	1,048,394
Musharaka financing				
Gross exposure	770,929	754,768	11,525	1,537,222
Less: Allowance for impairment	(3,399)	(6,287)	(6,394)	(16,080)
Net exposure	767,530	748,481	5,131	1,521,142
Assets acquired for leasing (including Ijara receivables)				
Gross exposure	-	1,569	-	1,569
Less: Allowance for impairment	-	(761)	-	(761)
Net exposure	-	808	-	808
Other assets				
Gross exposure	149,718	53,314	58,633	261,665
Less: Allowance for impairment	(19,033)	(104)	(58,633)	(77,770)
Net exposure	130,685	53,210	-	183,895
Total gross exposure	1,384,969	1,383,992	424,763	3,193,724
Less: Total allowance for impairment	(33,418)	(86,970)	(270,226)	(390,614)
Total Net exposure	1,351,551	1,297,022	154,537	2,803,110

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

Equity of unrestricted investment accountholders comprise:

	31 March 2023	31 December 2022
Modaraba accounts - corporates	934,204	1,265,883
Modaraba accounts - financial institutions	571,229	530,703
Modaraba accounts - individuals	572,049	780,744
Wakala from financial institutions	32,610	39,286
Fair value & foreign exchange translation movement from equity accounted investments (i)	(44,748)	-
	2,065,344	2,616,616

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

	31 March 2023	31 December 2022
Cash and balances with banks and central banks	234,290	237,238
Commodity and other placements with banks, financial and other institutions	560	17,861
Financing assets	1,632,844	2,140,423
Sukuk and investment securities	-	40,961
Other assets	25,605	25,125
Due from the Group	-	155,008
Investments in equity (i)	172,045	-
	2,065,344	2,616,616

(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 condensed consolidated interim financial information, foreign exchange translation & fair value reserves arising from consolidation of a foreign subsidiary is attributed to the equity of the investment account holders. While this attribution is at a consolidated level, the URIA 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.

Ithmaar Holding B.S.C.

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10 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 2023	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 March 2023 (Reviewed)	2,910,160	727,541
Issued and fully paid		
Total outstanding as at 1 January 2022	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 December 2022 (Audited)	2,910,160	727,541

Ithmaar's total issued and fully paid share capital at 31 March 2023 comprises 3,030,755,027 shares at \$0.25 per share amounting to \$757,690 thousands. The share capital of Ithmaar is denominated in United States dollars and these shares are listed on Bahrain Bourse in United States dollars and Dubai Financial Market in Arab Emirates Dirham.

Ithmaar owned 120,595,238 (31 December 2022: 120,595,238) of its own shares at 31 March 2023. The shares are held as treasury shares and Ithmaar has the right to reissue these shares at a later date.

10.1 RESERVES

The movement in reserves attributable to equity of unrestricted investment accountholders as follows:

	Share premium	Statutory reserve	General reserve	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 sukuk and investment securities	-	-	-	1,848	-	-	-	1,848
Movement in fair value of land and building	-	-	-	-	(155)	-	-	(155)
Foreign currency translation adjustments	-	-	-	891	(5,336)	(459)	(41,537)	(46,441)
At 31 March 2023 (Reviewed)	-	-	-	2,739	(5,491)	(459)	(41,537)	(44,748)

Ithmaar Holding B.S.C.

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10.1 RESERVES (continued)

The movement in reserves attributable to equity holders of Ithmaar is as follows:

	Share premium	Statutory reserve	General reserve	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	149,085	42,345	50,727	5,059	26,476	3,521	(171,433)	105,780
Movement in fair value reserves of associates	-	-	-	(1,212)	-	-	-	(1,212)
Foreign currency translation adjustments	-	-	-	-	-	-	744	744
At 31 March 2023 (Reviewed)	149,085	42,345	50,727	3,847	26,476	3,521	(170,689)	105,312

The movement in reserves attributable to equity holders of Ithmaar is as follows:

	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Hedging reserve	Investment in real estate fair value reserve	Foreign currency translation reserve	Total
At 1 January 2022	149,085	42,345	50,727	(2,882)	(3,581)	4,551	(131,236)	109,009
Movement in fair value of sukuk and investment securities	-	-	-	843	-	-	-	843
Movement in fair value of investment in real estate	-	-	-	-	-	(335)	-	(335)
Movement in hedging reserve	-	-	-	-	2,043	-	-	2,043
Movement in fair value reserves of associates	-	-	-	601	-	-	-	601
Foreign currency translation adjustments	-	-	-	(42)	-	(225)	(8,698)	(8,965)
At 31 March 2022 (Reviewed)	149,085	42,345	50,727	(1,480)	(1,538)	3,991	(139,934)	103,196

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

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

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

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

Significant balances with related parties comprise:

	31 March 2023				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	374,134	-	-	-	374,134
Investment in associates	-	94,634	-	-	94,634
Other assets	-	-	-	127	127
Liabilities					
Customers' current accounts	9,512	7,184	-	-	16,696
Due to banks, financial and other institutions	32,837	-	-	-	32,837
Other liabilities	48	-	-	-	48
Income					
Income from murabaha and other financings	942	-	-	-	942
Share of results after tax from associates	-	(381)	-	-	(381)
Profit paid to banks, financial and other institutions – net	(360)	-	-	-	(360)
Expenses					
General and administrative expenses	(175)	-	-	-	(175)

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

	31 December 2022				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	372,963	-	-	-	372,963
Investment in associates	-	104,318	-	-	104,318
Other assets	-	-	-	183	183
Liabilities					
Customers' current accounts	11,365	3,124	-	-	14,489
Due to banks, financial and other institutions	37,741	-	-	-	37,741
Other liabilities	43	-	-	-	43
31 March 2022					
Income					
Return to unrestricted investment accountholders	(8)	-	-	(36)	(44)
Income from murabaha and other financings	943	-	-	-	943
Share of results after tax from associates	-	(380)	-	-	(380)
Profit paid to banks, financial and other institutions – net	-	(72)	-	-	(72)
Expenses					
General and administrative expenses	(200)	-	(13)	-	(213)

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12 DIVIDEND

No dividend was declared for 2023 and 2022.

13 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of issued and fully paid up ordinary shares during the period.

	Three months period ended	
	31 March 2023	31 March 2022
(Loss)/income attributable to shareholders (\$'000)	(3,006)	1,138
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	(0.10)	0.04

BASIC AND DILUTED EARNINGS PER SHARE FOR CONTINUED OPERATIONS

	Three months period ended	
	31 March 2023	31 March 2022
Loss attributable to shareholders (\$'000)	(3,006)	(3,375)
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	(0.10)	(0.12)

BASIC AND DILUTED EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS

	Three months period ended	
	31 March 2023	31 March 2022
Income attributable to shareholders (\$'000)	-	4,513
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	-	0.16

14 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	31 March 2023	31 December 2022
Acceptances and endorsements	37,026	30,584
Guarantees and irrevocable letters of credit	310,037	458,390
Customer and other claims	111,945	140,240
	459,008	629,214

Commitments

	31 March 2023	31 December 2022
Undrawn facilities, financing lines and other commitments to finance	1,040,502	1,294,925

Ithmaar Holding B.S.C.

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15 SEGMENTAL INFORMATION

The Group constitutes of three 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 March 2023				31 March 2022			
	Retail & Corporate banking	Asset Management / Investment Banking	Others	Total	Retail & Corporate banking	Asset Management / Investment Banking	Others	Total
Operating income/(loss)	51,068	2,496	98	53,662	57,945	2,137	(490)	59,592
Total expenses	(35,407)	(4,524)	(66)	(39,997)	(39,988)	(6,552)	(61)	(46,601)
Net income/(loss) before provision and overseas taxation	15,661	(2,028)	32	13,665	17,957	(4,415)	(551)	12,991
Provision and overseas taxation - net	(17,940)	6,330	(7)	(11,617)	(10,318)	(1,703)	(14)	(12,035)
Net income/(loss) from continuing operations	(2,279)	4,302	25	2,048	7,639	(6,118)	(565)	956
Net results for the period from discontinued operations	-	-	-	-	4,033	-	1,479	5,512
Net income/(loss) for the period	(2,279)	4,302	25	2,048	11,672	(6,118)	914	6,468
Attributable to:								
Equity holders of Ithmaar	(6,934)	3,898	30	(3,006)	7,618	(6,564)	84	1,138
Minority interests	4,655	404	(5)	5,054	4,054	446	830	5,330
	(2,279)	4,302	25	2,048	11,672	(6,118)	914	6,468
								31 December 2022
Total assets	4,467,656	976,761	3,154	5,447,571	5,029,147	1,023,014	3,328	6,055,489
Total liabilities and equity of unrestricted investment account holders	5,272,186	56,289	3,098	5,331,573	5,861,131	57,811	497	5,919,439

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15 SEGMENTAL INFORMATION (continued)

The Group constitutes of four geographical segments which are Middle East, Asia and others

	31 March 2023				31 March 2022			
	Middle East & Africa	Rest of Asia	Others	Total	Middle East & Africa	Rest of Asia	Others	Total
Operating income/(loss)	(8,302)	61,466	498	53,662	(150)	59,224	518	59,592
Total expenses	(8,557)	(30,834)	(606)	(39,997)	(11,827)	(34,278)	(496)	(46,601)
Net income/(loss) before provision and overseas taxation	(16,859)	30,632	(108)	13,665	(11,977)	24,946	22	12,991
Provision and overseas taxation - net	4,885	(16,467)	(35)	(11,617)	1,010	(12,960)	(85)	(12,035)
Net income/(loss) from continuing operations	(11,974)	14,165	(143)	2,048	(10,967)	11,986	(63)	956
Net results for the period from discontinued operations	-	-	-	-	5,512	-	-	5,512
Net income/(loss) for the period	(11,974)	14,165	(143)	2,048	(5,455)	11,986	(63)	6,468
Attributable to:								
Equity holders of Ithmaar	(12,287)	9,424	(143)	(3,006)	(6,776)	7,977	(63)	1,138
Minority interests	313	4,741	-	5,054	1,321	4,009	-	5,330
	(11,974)	14,165	(143)	2,048	(5,455)	11,986	(63)	6,468
								31 December 2022
Total assets	1,067,924	4,018,377	361,270	5,447,571	821,034	4,869,185	365,270	6,055,489
Total liabilities and equity of unrestricted investment account holders	1,276,890	3,771,493	283,190	5,331,573	1,215,078	4,413,631	290,730	5,919,439

16 SUBSEQUENT EVENT

On 4 June 2023, the shareholders, in an Extraordinary General Meeting, approved issuance of Tier 1 Capital instrument of up to \$200 million. Each subscription by a shareholder under this issuance is subject to regulatory approvals. The majority shareholders have confirmed their participation in the T1 issuance subject to requisite approvals.

17 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current period presentation. Such grouping did not affect previously reported profit for the period or total equity of the Group.