

ITHMAAR HOLDING B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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**AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS 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 September 2019 and the related interim condensed consolidated income statement for the three month and nine month periods ended 30 September 2019 and the related interim condensed consolidated statements 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. 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 'Primitivo Lopez', is written over a light blue horizontal line.

Partner registration no. 216
7 November 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 September 2019 (Reviewed)	At 31 December 2018 (Audited)	At 30 September 2018 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	599,269	596,234	665,559
Commodity and other placements with banks, financial and other institutions	4	400,634	285,627	80,852
Murabaha and other financings	5	2,902,960	3,264,865	3,649,627
Musharaka financing		548,308	495,626	455,875
Investment in mudaraba		5,760	5,760	5,760
Sukuk and investment securities	6	1,412,740	1,756,695	1,260,413
Investment in associates	7	664,586	611,194	586,426
Restricted investment accounts		-	-	72,104
Assets acquired for leasing		396,366	410,765	415,395
Insurance and related receivables		117,169	120,034	-
Other assets	8	197,279	211,319	227,263
Investment in real estate		264,156	270,066	247,523
Development properties		269,388	269,388	-
Assets classified as held-for-sale		-	-	57,690
Fixed assets		67,302	63,216	113,697
Intangible assets		118,283	127,867	154,710
Total assets		7,964,200	8,488,656	7,992,894
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,412,449	1,476,108	1,618,320
Due to banks, financial and other institutions		1,264,471	1,541,346	1,077,809
Due to investors		1,514,706	1,694,977	1,894,054
Other liabilities		468,782	566,122	384,638
Insurance related reserves		128,590	134,873	-
Total liabilities		4,788,998	5,413,426	4,974,821
Equity of unrestricted investment accountholders	10	2,748,206	2,622,311	2,670,554
Minority interest		322,624	336,563	160,234
Total liabilities, equity of unrestricted investment accountholders and minority interest		7,859,828	8,372,300	7,805,609
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(30,149)	(30,149)
Reserves		116,262	140,290	184,508
Accumulated losses		(739,431)	(751,475)	(724,764)
Total owners' equity		104,372	116,356	187,285
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		7,964,200	8,488,656	7,992,894

This interim condensed consolidated financial information was approved by the Board of Directors on 7 November 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 16 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	Nine months ended		Three months ended	
	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)
INCOME				
Income from unrestricted investment accounts	159,433	132,818	54,128	45,515
Less: return to unrestricted investment accounts and impairment provisions	(108,992)	(77,490)	(37,571)	(25,414)
Group's share of income from unrestricted investment accounts as a Mudarib	50,441	55,328	16,557	20,101
Income from murabaha and other financings	137,975	113,343	49,325	41,988
Share of profit after tax from associates	31,342	50,249	10,642	9,883
Income from investments	87,137	74,964	31,736	22,574
Other income	75,396	45,563	27,374	15,558
Total income	382,291	339,447	135,634	110,104
Less: profit paid to banks, financial and other institutions – net	(164,276)	(127,973)	(61,596)	(47,312)
Operating income	218,015	211,474	74,038	62,792
EXPENSES				
Administrative and general expenses	(134,958)	(131,488)	(44,918)	(42,852)
Depreciation and amortization	(22,542)	(25,810)	(7,686)	(7,461)
Total expenses	(157,500)	(157,298)	(52,604)	(50,313)
Net income before provision for impairment and overseas taxation	60,515	54,176	21,434	12,479
Provision for impairment – net	9 (20,099)	(17,656)	(10,136)	(3,309)
Net income before overseas taxation	40,416	36,520	11,298	9,170
Overseas taxation	(21,528)	(25,184)	(5,438)	(8,656)
NET INCOME FOR THE PERIOD	18,888	11,336	5,860	514
Attributable to:				
Equity holders of Ithmaar	12,044	2,730	3,678	(2,120)
Minority interests	6,844	8,606	2,182	2,634
	18,888	11,336	5,860	514
Basic and diluted earnings per share	14 US Cts 0.41	US Cts 0.09	US Cts 0.13	US Cts (0.07)

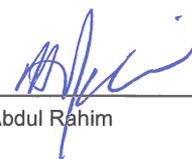
This interim condensed consolidated financial information was approved by the Board of Directors on 7 November 2019 and signed on their behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director



Ahmed Abdul Rahim
CEO

The notes 1 to 16 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 nine month period ended 30 September 2019

(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 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	-	-	-	-	-	-	-	-	-	12,044	12,044
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(993)	-	-	(993)	-	(993)
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	-	-	-	-	-	122	(458)	(21,173)	(21,509)	-	(21,509)
At 30 September 2019 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	(10,115)	3,523	(115,376)	116,262	(739,431)	104,372

The notes 1 to 16 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 nine month period ended 30 September 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	-	-	-	-	-	-	-	-	-	2,730	2,730
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(23,992)	-	-	(23,992)	-	(23,992)
Movement in fair value of investment in real estate	-	-	-	-	-	-	596	-	596	-	596
Movement in fair value of associates	-	-	-	-	-	(2,071)	-	-	(2,071)	-	(2,071)
Foreign currency translation adjustments	-	-	-	-	-	57	(925)	(22,918)	(23,786)	-	(23,786)
At 30 September 2018 (Reviewed)	757,690	(30,149)	149,085	38,418	50,727	12,767	3,121	(69,610)	184,508	(724,764)	187,285

The notes 1 to 16 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)

		Nine months ended	
	Notes	30 September 2019	30 September 2018
		(Reviewed)	(Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		40,416	36,520
<u>Adjustments for:</u>			
Depreciation and amortization		22,542	25,810
Share of profit after tax from associates		(31,342)	(50,249)
Provision for impairment – net	9	20,099	17,656
Income from investments		(87,137)	(74,964)
Loss on sale of fixed assets		602	238
Operating loss before changes in operating assets and liabilities		(34,820)	(44,989)
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		3,588	(1,251)
Changes in operating assets and liabilities:			
Murabaha and other financings		216,513	(389,155)
Musharaka financing		(127,044)	(129,884)
Other assets		(54,954)	(46,572)
Customers' current accounts		55,045	(48,534)
Due to banks, financial and other institutions		(219,902)	(23,354)
Due to investors		15,304	186,050
Other liabilities		(78,918)	(34,387)
Increase/(decrease) in equity of unrestricted investment accountholders		165,424	(120,614)
Taxes paid		(25,015)	(24,842)
Net cash used in operating activities		(84,779)	(677,532)
INVESTING ACTIVITIES			
Net changes in:			
Assets acquired for leasing		14,399	(72,494)
Sukuk and Investment securities		250,434	531,032
Dividend received from associates		45,632	44,080
Sale/(purchase) of fixed assets		(15,982)	1,415
Net cash provided by investing activities		294,483	504,033
FINANCING ACTIVITIES			
Minority interest		532	-
Net cash provided by financing activities		532	-
Foreign currency translation adjustments		(85,550)	(44,379)
Net increase/(decrease) in cash and cash equivalents		124,686	(217,878)
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	765,838	574,340

The notes 1 to 16 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 nine month period ended 30 September 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 September 2019
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	15,639	-	-	(1,933)	-	13,706
US Real Estate Placements*	25,236	-	-	-	-	25,236
TOTAL	47,125	-	-	(1,933)	-	45,192
Funds managed on agency basis	63,257	-	-	(1)	-	63,256
	110,382	-	-	(1,934)	-	108,448

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

The notes 1 to 16 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 nine month period ended 30 September 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 September 2018
Dilmunia Development Fund I L.P.*	145,329	(1,277)	-	-	-	144,052
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Placements*	16,404	-	-	(872)	-	15,532
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	(1,277)	-	(925)	-	191,630
Funds managed on agency basis	63,301	-	-	(42)	-	63,259
	257,133	(1,277)	-	(967)	-	254,889

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

The notes 1 to 16 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 nine month period ended 30 September 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, Bursa Kuwait and Dubai Financial Market. During an Ordinary General Meeting on 29 August 2019, the shareholders approved to voluntarily delist from Bursa Kuwait. The formalities for delisting are in process.

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	Principal business
	Voting	Economic	Incorporation	activity
<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.	62	62	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 nine months ended 30 September 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 but not yet 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.

FAS 31 "Investment Agency (Al-Wakala Bi-AI – Istithmar)"

FAS 31 "Investment Agency (Al-Wakala Bi-AI – Istithmar)" deals with contracts under Wakala arrangement where the Bank acts as an agent of the customer. The standard requires the liabilities under Wakala contract to be treated as off-balance sheet for the agent. 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 consolidated financial statements.

Ithmaar Holding B.S.C.

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

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

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 September 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	166,390	2,564	168,954	165,526	2,136	167,662
Cash and balances with banks and central banks	362,984	67,331	430,315	373,131	55,441	428,572
	529,374	69,895	599,269	538,657	57,577	596,234

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

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	389,651	11,231	400,882	269,943	15,827	285,770
Less: Provision for impairment	(248)	-	(248)	(143)	-	(143)
	389,403	11,231	400,634	269,800	15,827	285,627

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

	30 September 2019			30 September 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	529,374	69,895	599,269	609,460	56,099	665,559
Commodity and other placements with banks, financial and other institutions - net	389,403	11,231	400,634	80,852	-	80,852
Less: Placement maturing after ninety days	(53,880)	(11,231)	(65,111)	-	-	-
Less: Balances with central banks relating to minimum reserve requirement	(166,390)	(2,564)	(168,954)	(169,955)	(2,116)	(172,071)
	698,507	67,331	765,838	520,357	53,983	574,340

Ithmaar Holding B.S.C.

**Notes to interim condensed consolidated financial information
for the nine month period ended 30 September 2019**

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

5 MURABAHA AND OTHER FINANCINGS

	30 September 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	1,915,506	1,325,796	3,241,302	2,211,536	1,433,544	3,645,080
Less: Provision for impairment	(313,930)	(24,412)	(338,342)	(346,067)	(34,148)	(380,215)
	1,601,576	1,301,384	2,902,960	1,865,469	1,399,396	3,264,865

The movement in provisions is as follows:

	30 September 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 on adoption	-	-	-	116,441	888	117,329
Transfer from Investment Risk Reserve for FAS 30 on adoption	-	-	-	-	17,950	17,950
Charge for the period/year	23,762	308	24,070	16,094	6,606	22,700
Write back during the period/year	(29,983)	(238)	(30,221)	(31,519)	(284)	(31,803)
Utilised during the period/year	(61)	(9,832)	(9,893)	(391)	(5,741)	(6,132)
Reclassification	(6,976)	-	(6,976)	(15,154)	90	(15,064)
Exchange differences and other movements	(18,879)	26	(18,853)	(46,048)	(294)	(46,342)
	313,930	24,412	338,342	346,067	34,148	380,215

Ithmaar Holding B.S.C.

Notes to interim condensed consolidated financial information

for the nine month period ended 30 September 2019

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

6 SUKUK AND INVESTMENT SECURITIES

	30 September 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	99,750	-	99,750	226,243	-	226,243
Equity-type securities – listed	2,714	-	2,714	1,932	-	1,932
	102,464	-	102,464	228,175	-	228,175
Investment securities at fair value through equity						
Equity-type securities – listed	62,575	-	62,575	62,485	-	62,485
Equity-type securities – unlisted	268,917	-	268,917	269,583	-	269,583
	331,492	-	331,492	332,068	-	332,068
Provision for impairment	(189,988)	-	(189,988)	(170,530)	-	(170,530)
	141,504	-	141,504	161,538	-	161,538
Investment securities carried at amortised cost						
Sukuk – unlisted	202,860	201,289	404,149	11,307	188,717	200,024
Other debt-type instruments – listed	85,583	-	85,583	128,573	-	128,573
Other debt-type instruments – unlisted	692,620	-	692,620	1,053,572	-	1,053,572
	981,063	201,289	1,182,352	1,193,452	188,717	1,382,169
Provision for impairment	(13,580)	-	(13,580)	(15,187)	-	(15,187)
	967,483	201,289	1,168,772	1,178,265	188,717	1,366,982
	1,211,451	201,289	1,412,740	1,567,978	188,717	1,756,695

Ithmaar Holding B.S.C.

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for the nine month period ended 30 September 2019

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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 September 2019				
Investment securities at fair value through income statement				
Debt-type instruments	-	99,750	-	99,750
Equity-type securities	2,714	-	-	2,714
Investment securities at fair value through equity				
Equity-type securities	61,344	513	79,647	141,504
	64,058	100,263	79,647	243,968
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 September 2019	31 December 2018
Opening balance	98,204	157,652
Total gains/(losses) recognised in		
- Income statement	(16,800)	(23,353)
- Equity	(1,757)	(42,374)
Movement due to acquisition of subsidiary	-	12,184
Sales	-	(1,421)
Reallocation	-	(4,484)
Closing balance	79,647	98,204
Total (loss)/income for the nine month period included in the interim condensed consolidated income statement	(3,000)	3,664

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

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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 September 2019	31 December 2018	% of Shareholding	Country	Activity
Unlisted:					
Citic International Assets Management Limited	40,573	42,189	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	674	720	31	Pakistan	Manufacturing
Ithraa Capital Company	3,079	3,859	23	Saudi Arabia	Investment company
Naseej B.S.C. (c)	90,628	93,658	31	Bahrain	Infrastructure
Islamic Trading Company E.C	288	288	24	Bahrain	Trading
Listed:					
Solidarity Saudi Takaful Company	36,952	42,815	28	Saudi Arabia	Takaful
BBK B.S.C.	492,392	427,665	26	Bahrain	Banking
	664,586	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 September 2019	31 December 2018	30 September 2018
Total assets	11,116,436	10,178,879	10,387,889
Total liabilities	9,270,781	8,295,620	8,519,685
Total revenues	327,217	334,758	370,424
Total net profit	152,540	69,185	134,719

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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8 OTHER ASSETS

	30 September 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	198,762	47,080	245,842	199,391	35,152	234,543
Due from related parties	1,096	-	1,096	11,574	-	11,574
Taxes – deferred	11,144	-	11,144	9,718	-	9,718
Taxes – current	14,922	18	14,940	24,909	57	24,966
Assets acquired against claims	10,692	-	10,692	13,312	-	13,312
	236,616	47,098	283,714	258,904	35,209	294,113
Provision for impairment	(74,286)	(12,149)	(86,435)	(70,640)	(12,154)	(82,794)
	162,330	34,949	197,279	188,264	23,055	211,319

9 PROVISION FOR IMPAIRMENT

	30 September 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	50,592	2,095	52,687	88,399	8,880	97,279
Write back during the period/year	(30,493)	(279)	(30,772)	(33,061)	(394)	(33,455)
Utilised during the period/year	(2,577)	(9,832)	(12,409)	(15,605)	(5,741)	(21,346)
Movement due to acquisition of subsidiary	-	-	-	(12,778)	-	(12,778)
Exchange differences	(23,501)	(489)	(23,990)	(56,419)	(1,071)	(57,490)
	828,122	41,433	869,555	834,101	49,938	884,039

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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 September 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	1,000,151	-	-	1,000,151
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	815,263	82,515	-	897,778
Acceptable risks (4-6)	1,256,347	45,924	-	1,302,271
Watch list (7)	-	600,079	-	600,079
Non performing (8-10)	-	-	375,827	375,827
Carrying amount - Corporate	2,071,610	728,518	375,827	3,175,955
Retail (un-rated)	1,426,611	14,508	52,314	1,493,433
Carrying amount	3,498,221	743,026	428,141	4,669,388
Sukuk and investment securities	1,168,875	-	13,477	1,182,352
Other receivables	295,439	20,882	63,567	379,888
Loss allowance	(47,765)	(69,211)	(332,050)	(449,026)
Total Financial assets carrying amount	5,914,921	694,697	173,135	6,782,753

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 September 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 September 2019 was 101%, 17% and 55% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: 132%, 17% and 46%).

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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 September 2019	31 December 2018
Cash and balances with banks and central banks	69,895	57,577
Commodity and other placements with banks, financial and other institutions	11,231	15,827
Murabaha and other financings	1,301,384	1,399,396
Musharaka financing	547,914	495,053
Sukuk and investment securities	201,289	188,717
Assets acquired for leasing	392,928	407,290
Other assets	34,949	23,055
Due from Group	624,931	442,333
	3,184,521	3,029,248
Customers' current accounts	(264,084)	(219,047)
Due to banks, financial and other institutions	(95,342)	(79,927)
Other liabilities	(76,889)	(107,963)
Equity of unrestricted investment accountholders	2,748,206	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 September 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 September 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 September 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
for the nine month period ended 30 September 2019**

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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 September 2019				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	395,159	-	12,809	-	407,968
Investment in associates	-	664,586	-	-	664,586
Other assets	-	-	-	1,096	1,096
Liabilities					
Customers' current accounts	6,409	1,301	-	678	8,388
Due to banks, financial and other institutions	-	95,763	-	-	95,763
Equity of unrestricted investment accounts	-	-	-	3,851	3,851
Other liabilities	179	-	-	-	179
Income					
Return to unrestricted investment accounts	-	-	-	(87)	(87)
Income from murabaha and other financings	3,412	-	-	-	3,412
Share of profit/(loss) after tax from associates	-	31,342	-	-	31,342
Profit paid to banks, financial and other institutions – net	(2,103)	(3,220)	-	-	(5,323)
Expenses					
Administrative and general expenses	600	-	38	-	638

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 September 2018					
Income					
Return to unrestricted investment accounts	(65)	(148)	-	-	(213)
Income from murabaha and other financings	3,252	-	-	-	3,252
Share of profit/(loss) after tax from associates	-	50,249	-	-	50,249
Income from investments	1,245	-	-	-	1,245
Other income	1,446	143	-	-	1,589
Profit paid to banks, financial and other institutions – net	-	(2,355)	-	-	(2,355)
Expenses					
Administrative and general expenses	581	-	38	-	619

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

	Nine month period ended		Three month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Net income/(loss) attributable to shareholders (\$'000)	12,044	2,730	3,678	(2,120)
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	0.41	0.09	0.13	(0.07)

15 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	30 September 2019	31 December 2018
Acceptances and endorsements	29,131	78,081
Guarantees and irrevocable letters of credit	594,517	796,057
Customer and other claims	221,379	257,042
	845,027	1,131,180

Commitments

	30 September 2019	31 December 2018
Undrawn facilities, financing lines and other commitments to finance	1,806,873	2,064,257

