

ITHMAAR BANK B.S.C. (C)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

ITHMAAR BANK B.S.C. (C)
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FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF
ITHMAAR BANK B.S.C. (C)

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Ithmaar Bank B.S.C. (c) (the "Bank") and its subsidiaries (the "Group") which comprises the interim condensed consolidated statement of financial position as at 31 March 2019 and the related interim condensed consolidated income statement, changes in owners' equity, cash flows, and changes in restricted investment accounts for the three 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.

Partner registration no. 216
12 May 2019
Manama, Kingdom of Bahrain

Ithmaar Bank B.S.C. (C)

Interim condensed consolidated statement of financial position

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Notes	At 31 March 2019 (Reviewed)	At 31 December 2018 (Audited)	At 31 March 2018 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	216,638	217,138	218,985
Commodity and other placements with banks, financial and other institutions	4	167,070	86,055	167,600
Murabaha and other financings	5	1,640,638	1,683,865	1,789,336
Musharaka financing		209,164	186,851	147,711
Sukuk and investment securities	6	335,677	576,171	466,630
Restricted investment accounts		-	-	27,183
Assets acquired for leasing		153,199	154,859	144,989
Other assets	7	75,797	79,085	65,756
Investment in real estate		3,334	3,359	3,821
Development Properties		79,296	79,296	-
Fixed assets		18,280	17,802	21,603
Intangible assets		41,954	43,314	60,226
Total assets		2,941,047	3,127,795	3,113,840
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		589,686	561,506	654,181
Due to banks, financial and other institutions		424,448	603,731	436,756
Due to investors		640,578	639,005	681,116
Other liabilities		131,974	173,908	133,063
Total liabilities		1,786,686	1,978,150	1,905,116
Equity of unrestricted investment accountholders	9	997,019	994,780	1,063,265
Minority interest		70,444	69,480	44,304
Total liabilities, equity of unrestricted investment accountholders and minority interest		2,854,149	3,042,410	3,012,685
Share capital	10	100,000	100,000	100,000
Reserves		14,029	14,178	30,384
Accumulated losses		(27,131)	(28,793)	(29,229)
Total owners' equity		86,898	85,385	101,155
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		2,941,047	3,127,795	3,113,840

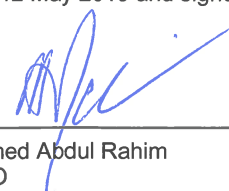
This interim condensed consolidated financial information was approved by the Board of Directors on 12 May 2019 and signed on their behalf by:



HRH Prince Amr Mohamed Al Faisal
Chairman



Elham Hasan
Director




Ahmed Abdul Rahim
CEO


The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

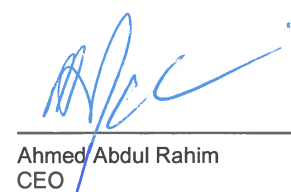
Ithmaar Bank B.S.C. (C)
Interim condensed consolidated income statement
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Notes	Three months ended	
		31 March 2019 (Reviewed)	31 March 2018 (Reviewed)
INCOME			
Income from unrestricted investment accounts		18,944	16,010
Less: return to unrestricted investment accounts and impairment provisions		(12,475)	(9,416)
Group's share of income from unrestricted investment accounts as a Mudarib		6,469	6,594
Income from murabaha and other financings		19,493	16,076
Income from sukuk and investment securities		8,730	9,268
Other income		5,905	4,807
Total income		40,597	36,745
Less: profit paid to banks, financial and other institutions – net		(19,171)	(16,176)
Operating income		21,426	20,569
EXPENSES			
Administrative and general expenses		(13,851)	(13,993)
Depreciation and amortization		(2,168)	(2,270)
Total expenses		(16,019)	(16,263)
Net income before provision for impairment and overseas taxation		5,407	4,306
Provision for impairment – net	8	886	385
Net income before overseas taxation		6,293	4,691
Overseas taxation		(3,490)	(2,665)
NET INCOME FOR THE PERIOD		2,803	2,026
Attributable to:			
Equity holders of the Bank		1,662	832
Minority interests		1,141	1,194
		2,803	2,026
Basic and diluted earnings per share	12	Fils 1.66	Fils 0.83

This interim condensed consolidated financial information was approved by the Board of Directors on 12 May 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 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves							Accumulated losses	Total owners' equity
	Share capital	Statutory reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Share Premium	Total reserves		
At 1 January 2019 (Audited)	100,000	299	3,446	808	(30,655)	40,280	14,178	(28,793)	85,385
Net income for the period	-	-	-	-	-	-	-	1,662	1,662
Movement in fair value of sukuk and investment securities	-	-	266	-	-	-	266	-	266
Foreign currency translation adjustments	-	-	2	(109)	(308)	-	(415)	-	(415)
At 31 March 2019 (Reviewed)	100,000	299	3,714	699	(30,963)	40,280	14,029	(27,131)	86,898

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)

Interim condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2018

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	Reserves							Retained Earnings/(accumulated losses)	Total owners' equity
	Share capital	Statutory reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Share Premium	Total reserves		
At 1 January 2018 (Audited)	100,000	158	3,815	890	(13,241)	40,280	31,902	22,701	154,603
Impact of FAS 30	-	-	-	-	-	-	-	(52,762)	(52,762)
Adjusted balance at 1 January 2018	100,000	158	3,815	890	(13,241)	40,280	31,902	(30,061)	101,841
Net income for the period	-	-	-	-	-	-	-	832	832
Movement in fair value of sukuk and investment securities	-	-	397	-	-	-	397	-	397
Foreign currency translation adjustments	-	-	(4)	(35)	(1,876)	-	(1,915)	-	(1,915)
At 31 March 2018 (Reviewed)	100,000	158	4,208	855	(15,117)	40,280	30,384	(29,229)	101,155

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)
Interim condensed consolidated statement of cash flows
(Expressed in thousands of Bahraini Dinars unless otherwise stated)

		Three months ended	
Notes	31 March 2019	31 March 2018	
	(Reviewed)	(Reviewed)	
OPERATING ACTIVITIES			
	6,293	4,691	
	<u>Adjustments for:</u>		
	2,168	2,270	
8	(886)	(385)	
	(8,730)	(9,268)	
	6	16	
	(1,149)	(2,676)	
	(1,259)	(4,645)	
Changes in operating assets and liabilities:			
	37,493	(30,841)	
	(23,786)	(14,996)	
	3,087	(31,671)	
	30,901	(3,762)	
	(152,882)	(17,500)	
	6,149	(3,569)	
	(64,204)	19,355	
	3,037	1,683	
	(3,865)	(3,101)	
Net cash used in operating activities	(166,478)	(91,723)	
INVESTING ACTIVITIES			
Net changes in:			
	1,660	(13,884)	
	246,567	133,270	
	(1,274)	930	
Net cash provided by investing activities	246,953	120,316	
FINANCING ACTIVITIES			
	201	-	
Net cash used in financing activities	201	-	
	(812)	(6,086)	
Net increase in cash and cash equivalents	79,864	22,507	
Cash and cash equivalents at the beginning of the period	234,023	297,854	
Cash and cash equivalents at the end of the period	313,887	320,361	4

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in restricted investment accounts
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2019	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	At 31 March 2019
Shamil Bosphorus Modaraba*	2,356	-	-	-	-	2,356
European Real Estate Placements*	5,896	-	-	(108)	-	5,788
US Real Estate Placements*	9,514	-	-	-	-	9,514
TOTAL	17,766	-	-	(108)		17,658
Funds managed on agency basis	23,848	-	-	-	-	23,848
	41,614	-	-	(108)		41,506

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

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)**Interim condensed consolidated statement of changes in restricted investment accounts
for the three month period ended 31 March 2018**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

	At 1 January 2018	Income / (Expenses)	Mudarib's Fee	Fair value movements	Net Deposits / (Redemptions)	At 31 March 2018
Dilmunia Development Fund I L.P.*	54,789	(14)	-	-	-	54,775
Shamil Bosphorus Modaraba*	2,356	-	-	-	-	2,356
European Real Estate Placements*	6,184	-	-	167	-	6,351
US Real Estate Placements*	9,514	-	-	-	-	9,514
TOTAL	72,843	(14)	-	167		72,996
Funds managed on agency basis	23,864	(18)	-	-	-	23,846
	96,707	(32)	-	167		96,842

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

The notes 1 to 14 on pages 11 to 23 form an integral part of the interim condensed consolidated financial information.

Ithmaar Bank B.S.C. (C)

Notes to interim condensed consolidated financial information for the three month period ended 31 March 2019

1 INCORPORATION AND ACTIVITIES

Ithmaar Bank B.S.C. (c) (the "Bank") was incorporated in the Kingdom of Bahrain on 12 May 2016 as a Closed Joint Stock entity and registered with the Ministry of Industry, Commerce & Tourism under commercial registration number 99336-1 and was licensed as an Islamic retail bank by the Central Bank of Bahrain (the "CBB") on 14 August 2016.

Ithmaar Holding B.S.C. ["Ithmaar"], a Category 1 investment firm licensed and regulated by the Central Bank of Bahrain (CBB) is the ultimate parent company of the Bank.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are a wide range of financial services, including retail, commercial and private banking services.

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

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, 16 commercial branches in Bahrain and its following principal subsidiary companies:

	<u>% owned</u>		Country of Incorporation	Principal business activity
	Voting	Economic		
Faysal Bank Limited	67	67	Pakistan	Banking
Dilmunia Development Fund I L.P.	58	58	Cayman Islands	Real estate
Sakana Holistic Housing Solutions B.S.C. (C) (Sakana) [under Voluntary Liquidation]	63	50	Kingdom of Bahrain	Mortgage finance

Ithmaar Bank B.S.C. (C)
Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019

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 the Bank, 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 three months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

New accounting standard: Issued and effective

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

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

FAS 34 "Financial Reporting for Sukuk-holders"

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

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	31 March 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	63,064	833	63,897	62,403	805	63,208
Cash and balances with banks and central banks	132,022	20,719	152,741	133,028	20,902	153,930
	195,086	21,552	216,638	195,431	21,707	217,138

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

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	161,239	5,924	167,163	80,142	5,967	86,109
Less: Provision for impairment	(93)	-	(93)	(54)	-	(54)
	161,146	5,924	167,070	80,088	5,967	86,055

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

	31 March 2019			31 March 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	195,086	21,552	216,638	187,945	31,040	218,985
Commodity and other placements with banks, financial and other institutions - net	161,146	5,924	167,070	167,600	-	167,600
Less: Placement maturing after ninety days	-	(5,924)	(5,924)	-	-	-
Less: Balances with central banks relating to minimum reserve requirement	(63,064)	(833)	(63,897)	(65,354)	(870)	(66,224)
	293,168	20,719	313,887	290,191	30,170	320,361

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

5 MURABAHA AND OTHER FINANCINGS

	31 March 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	1,241,667	541,349	1,783,016	1,287,322	540,446	1,827,768
Less: Provision for impairment	(129,446)	(12,932)	(142,378)	(131,029)	(12,874)	(143,903)
	1,112,221	528,417	1,640,638	1,156,293	527,572	1,683,865

The movement in provisions is as follows:

	31 March 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	131,029	12,874	143,903	108,323	5,630	113,953
Impact of FAS 30 on adoption	-	-	-	47,090	336	47,426
Transfer from Investment Risk Reserve for FAS 30 on adoption	-	-	-	-	6,767	6,767
Charge for the period/year	3,565	60	3,625	6,068	2,490	8,558
Write back during the period/year	(4,680)	-	(4,680)	(11,883)	(107)	(11,990)
Utilised during the period/year	(6)	-	(6)	(147)	(2,164)	(2,311)
Reclassification	-	-	-	(1,061)	34	(1,027)
Exchange differences and other movements	(462)	(2)	(464)	(17,361)	(112)	(17,473)
	129,446	12,932	142,378	131,029	12,874	143,903

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

6 SUKUK AND INVESTMENT SECURITIES

	31 March 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	16,016	-	16,016	85,294	-	85,294
Equity-type securities – listed	1,793	-	1,793	728	-	728
	17,809	-	17,809	86,022	-	86,022
Investment securities at fair value through equity						
Equity-type securities – listed	21,859	-	21,859	21,993	-	21,993
Equity-type securities – unlisted	1,684	-	1,684	1,837	-	1,837
	23,543	-	23,543	23,830	-	23,830
Provision for impairment	(3,710)	-	(3,710)	(3,721)	-	(3,721)
	19,833	-	19,833	20,109	-	20,109
Investment securities carried at amortised cost						
Sukuk – unlisted	85,412	87,518	172,930	4,263	71,146	75,409
Other debt-type instruments – listed	1,642	-	1,642	3,160	-	3,160
Other debt-type instruments – unlisted	129,164	-	129,164	397,197	-	397,197
	216,218	87,518	303,736	404,620	71,146	475,766
Provision for impairment	(5,701)	-	(5,701)	(5,726)	-	(5,726)
	210,517	87,518	298,035	398,894	71,146	470,040
	248,159	87,518	335,677	505,025	71,146	576,171

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.

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

6 SUKUK AND INVESTMENT SECURITIES (continued)**Investments measured at fair value****At 31 March 2019****Investment securities at fair value
through income statement**

	Level 1	Level 2	Level 3	Total
Debt-type instruments	-	16,016	-	16,016
Equity-type securities	1,793	-	-	1,793

**Investment securities at fair value
through equity**

Equity-type securities	19,758	75	-	19,833
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	Level 1	Level 2	Level 3	Total
	21,551	16,091	-	37,642

Investments measured at fair value**At 31 December 2018****Investment securities at fair value
through income statement**

	Level 1	Level 2	Level 3	Total
Debt-type instruments	-	85,294	-	85,294
Equity-type securities	728	-	-	728

**Investment securities at fair value
through equity**

Equity-type securities	19,893	216	-	20,109
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	Level 1	Level 2	Level 3	Total
	20,621	85,510	-	106,131

Total income for the three month period included in the
interim condensed consolidated income statement

	31 March 2019	31 March 2018
	70	528

Ithmaar Bank B.S.C. (C)

**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

7 OTHER ASSETS

	31 March 2019			31 December 2018		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	52,307	14,265	66,572	54,440	13,226	67,666
Due from related parties	12,288	-	12,288	12,135	-	12,135
Taxes – deferred	4,010	-	4,010	3,664	-	3,664
Taxes – current	6,900	-	6,900	9,390	20	9,410
Assets acquired against claims	4,983	-	4,983	5,019	-	5,019
	80,488	14,265	94,753	84,648	13,246	97,894
Provision for impairment	(14,374)	(4,582)	(18,956)	(14,227)	(4,582)	(18,809)
	66,114	9,683	75,797	70,421	8,664	79,085

8 PROVISION FOR IMPAIRMENT

	31 March 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	176,184	18,830	195,014	141,004	11,094	152,098
Impact of FAS 30 on adoption	-	-	-	53,639	335	53,974
Transfer from Investment Risk Reserve	-	-	-	-	6,767	6,767
Charge for the period/year	3,800	60	3,860	20,726	3,348	24,074
Write back during the period/year	(4,686)	-	(4,686)	(12,466)	(149)	(12,615)
Utilised during the period/year	(6)	-	(6)	(143)	(2,164)	(2,307)
Movement due to acquisition of subsidiary	-	-	-	(6,464)	-	(6,464)
Exchange differences	(548)	(11)	(559)	(20,112)	(401)	(20,513)
	174,744	18,879	193,623	176,184	18,830	195,014

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
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8 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.

31 March 2019

	Stage 1	Stage 2	Stage 3	Total
Financial assets - amortized cost				
Cash, Commodity and other placements with banks, financial and other institutions	383,801	-	-	383,801
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	364,939	29,903	-	394,842
Acceptable risks (4-6)	1,149,048	24,369	-	1,173,417
Watch list (7)	-	40,792	-	40,792
Non performing (8-10)	-	-	138,872	138,872
Carrying amount - Corporate	1,513,987	95,064	138,872	1,747,923
Retail (un-rated)	560,508	4,558	28,519	593,585
Carrying amount	2,074,495	99,622	167,391	2,341,508
Sukuk and investment securities	297,927	-	5,810	303,737
Other receivables	71,353	2,154	14,473	87,980
Loss allowance	(43,886)	(3,621)	(125,003)	(172,510)
Total Financial assets carrying amount	2,783,690	98,155	62,671	2,944,516

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	303,248	-	-	303,248
Financings (Funded and unfunded exposure) Corporate				
Low risks (1-3)	353,006	30,214	-	383,220
Acceptable risks (4-6)	1,143,480	137,679	-	1,281,159
Watch list (7)	2,349	64,068	-	66,417
Non performing (8-10)	-	-	159,128	159,128
Carrying amount - Corporate	1,498,835	231,961	159,128	1,889,924
Retail (un-rated)	537,484	7,668	6,489	551,641
Carrying amount	2,036,319	239,629	165,617	2,441,565
Sukuk and investment securities	469,894	-	5,872	475,766
Other receivables	76,693	-	14,530	91,223
Loss allowance	(49,267)	(4,546)	(119,981)	(173,794)
Total Financial assets carrying amount	2,836,887	235,083	66,038	3,138,008

Gross financings (funded) as of 31 March 2019 amounted to BD1.2 billion, BD0.3 billion and BD0.2 billion for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: BD1.2 billion, BD0.3 billion and BD0.2 billion). Collateral coverage for gross financing as of 31 March 2019 was 133%, 21% and 53% for Stage 1, Stage 2 and Stage 3 respectively (31 December 2018: 132%, 17% and 46%).

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

9 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:

	31 March 2019	31 December 2018
Cash and balances with banks and central banks	21,552	21,707
Commodity and other placements with banks, financial and other institutions	5,924	5,967
Murabaha and other financings	528,417	527,572
Musharaka financing	208,965	186,635
Sukuk and investment securities	87,518	71,146
Assets acquired for leasing	151,896	153,549
Other assets	9,683	8,664
Due from the Group (net)	146,573	172,957
	1,160,528	1,148,197
Customers' current accounts	(93,846)	(82,581)
Due to banks, financial and other institutions	(37,070)	(30,133)
Other liabilities	(32,593)	(40,703)
Equity of unrestricted investment accountholders	997,019	994,780

10 SHARE CAPITAL

	Number of shares (thousands)	Share capital
Authorised	7,540,000	754,000
Issued and fully paid		
Total outstanding as at 1 January 2019	1,000,000	100,000
At 31 March 2019 (Reviewed)	1,000,000	100,000
Issued and fully paid		
Total outstanding as at 1 January 2018	1,000,000	100,000
At 31 December 2018 (Audited)	1,000,000	100,000

The Bank's total issued and fully paid share capital at 31 March 2019 comprises 1,000,000,000 shares at 100 fils per share amounting to BD 100,000,000.

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
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(Expressed in thousands of Bahraini Dinars unless otherwise stated)

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 the Bank, Ultimate Parent and companies in which Ultimate Parent has ownership interest and subsidiaries of such companies (affiliates).
- (c) Associated companies of the Bank.
- (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 2019				
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	606,156	-	4,828	-	610,984
Other assets	12,078	-	-	210	12,288
Liabilities					
Customers' current accounts	627	-	-	288	915
Due to banks, financial and other institutions	23,457	25,774	-	-	49,231
Equity of unrestricted investment accounts	6,035	-	-	947	6,982
Commitments	1,621	-	-	-	1,621
					31 March 2019
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Income					
Return to unrestricted investment accounts	49	-	-	7	56
Income from murabaha and other financings	2,476	-	-	-	2,476
Profit paid to banks, financial and other institutions	299	269	-	-	568
Other income - Management fees expenses	(199)	-	-	-	(199)
Expenses					
Administrative and general expenses	52	-	5	-	57

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

11 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	607,948	-	4,828	-	612,776
Other assets	11,971	-	-	164	12,135
Liabilities					
Customers' current accounts	940	-	-	456	1,396
Due to banks, financial and other institutions	24,889	44,603	-	-	69,492
Equity of unrestricted investment accounts	6,195	-	-	1,088	7,283
Other liabilities	40	-	-	-	40
Commitments	273	-	-	-	273
					31 March 2018
	Shareholders & Affiliates	Associates and other investments	Directors and related entities	Senior management	Total
Income					
Return to unrestricted investment accounts	80	80	1	-	161
Income from murabaha and other financings	3,489	-	-	-	3,489
Other income - Management fees	170	-	-	-	170
Profit paid to banks, financial and other institutions – net	336	282	-	-	618
Expenses					
Administrative and general expenses	54	-	-	-	54

Ithmaar Bank B.S.C. (C)**Notes to interim condensed consolidated financial information
for the three month period ended 31 March 2019**

(Expressed in thousands of Bahraini Dinars unless otherwise stated)

12 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.

	Three month period ended	
	31 March 2019	31 March 2018
Net income attributable to shareholders (BD'000)	1,662	832
Weighted average number of issued and fully paid up ordinary shares ('000)	1,000,000	1,000,000
Earnings per share (Basic & Diluted) – Fils	1.66	0.83

13 CONTINGENT LIABILITIES AND COMMITMENTS**Contingent liabilities**

	31 March 2019	31 December 2018
Acceptances and endorsements	19,173	29,436
Guarantees and irrevocable letters of credit	164,802	231,088
Customer and other claims	91,275	91,928
	275,250	352,452

Commitments

	31 March 2019	31 December 2018
Undrawn facilities, financing lines and other commitments to finance	623,187	751,245

