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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

ITHMAAR HOLDING B.S.C. (FORMERLY ITHMAAR BANK B.S.C.)
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Contents

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

Introduction

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information has not been properly prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

PricewaterhouseCoopers

Partner registration no. 201
10 August 2017
Manama, Kingdom of Bahrain

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

	Notes	At 30 June 2017 (Reviewed)	At 31 December 2016 (Audited)	At 30 June 2016 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	645,476	736,033	600,353
Commodity and other placements with banks, financial and other institutions	4	202,401	142,607	286,264
Murabaha and other financings	5	3,641,657	3,444,588	3,443,292
Musharaka financing		304,512	229,960	167,433
Investment in mudaraba		5,657	14,425	14,850
Investment in associates	6	663,553	668,403	647,307
Sukuk and investment securities	7	2,105,459	1,874,782	2,097,647
Restricted investment accounts		80,121	79,852	80,005
Assets acquired for leasing		292,107	256,204	208,270
Investment in real estate		252,962	242,594	255,879
Other assets	8	237,837	361,654	373,857
Fixed assets		114,537	112,981	108,302
Intangible assets		170,133	177,227	187,821
Total assets		**8,716,412**	**8,341,310**	**8,471,280**
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,733,272	1,581,113	1,500,673
Due to banks, financial and other institutions		1,293,946	1,141,513	1,596,929
Due to investors		1,909,466	1,903,612	1,839,538
Other liabilities		380,959	342,622	345,318
Total liabilities		**5,317,643**	**4,968,860**	**5,282,458**
Equity of unrestricted investment accountholders	10	2,781,045	2,769,694	2,593,872
Minority interest		180,115	175,341	182,637
Total liabilities, equity of unrestricted investment accountholders and minority interest		**8,278,803**	**7,913,895**	**8,058,967**
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(27,802)	(30,149)
Reserves		240,577	218,788	204,581
Accumulated losses		(530,509)	(521,261)	(519,809)
Total owners' equity		**437,609**	**427,415**	**412,313**
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		**8,716,412**	**8,341,310**	**8,471,280**

This interim condensed consolidated financial information was approved by the Board of Directors on 10 August 2017 and signed on their behalf by:

HRH Prince Amr Mohamed Al Faisal Chairman	Dr. Amani Khaled Bouresli Director	Ahmed Abdul Rahim CEO

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

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

		Six months ended		Three months ended	
	Notes	30 June 2017 (Reviewed)	30 June 2016 (Reviewed)	30 June 2017 (Reviewed)	30 June 2016 (Reviewed)
INCOME					
Income from unrestricted investment accounts		77,797	67,295	40,845	34,401
Less: return to unrestricted investment accounts and impairment provisions		(43,407)	(45,914)	(21,133)	(23,801)
Group's share of income from unrestricted investment accounts as a Mudarib		**34,390**	**21,381**	**19,712**	**10,600**
Group's share of income from restricted investment accounts as a Mudarib		-	81	-	40
Income from murabaha and other financings		72,082	66,900	36,410	33,655
Share of profit after tax from associates		21,616	19,624	9,926	10,422
Income from other investments		67,568	79,068	31,242	43,328
Other income		12,417	22,800	4,295	11,120
Total income		**208,073**	**209,854**	**101,585**	**109,165**
Less: profit paid to banks, financial and other institutions – net		(80,860)	(77,196)	(42,711)	(37,984)
Operating income		**127,213**	**132,658**	**58,874**	**71,181**
EXPENSES					
Administrative and general expenses		(81,642)	(80,971)	(41,592)	(42,712)
Depreciation and amortization		(15,739)	(15,021)	(7,704)	(7,663)
Total expenses		**(97,381)**	**(95,992)**	**(49,296)**	**(50,375)**
Net income before provision for impairment and overseas taxation		**29,832**	**36,666**	**9,578**	**20,806**
Provision for impairment – net	9	(12,786)	(9,111)	(8,653)	(5,259)
Net income before overseas taxation		**17,046**	**27,555**	**925**	**15,547**
Overseas taxation		(18,631)	(15,595)	(8,300)	(8,412)
NET INCOME/(LOSS) FOR THE PERIOD		**(1,585)**	**11,960**	**(7,375)**	**7,135**
Attributable to:					
Equity holders of Ithmaar		(9,248)	4,403	(9,823)	3,187
Minority interests		7,663	7,557	2,448	3,948
		(1,585)	**11,960**	**(7,375)**	**7,135**
Basic and diluted earnings per share	14	**US Cts (0.32)**	**US Cts 0.15**	**US Cts (0.34)**	**US Cts 0.11**

This interim condensed consolidated financial information was approved by the Board of Directors on 10 August 2017 and signed on their behalf by:

HRH Prince Amr Mohamed Al Faisal Chairman	Dr. Amani Khaled Bouresli Director	Ahmed Abdul Rahim CEO

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

Ithmaar Holding B.S.C. (formerly Ithmaar Bank B.S.C.)
Interim condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2017
(Expressed in thousands of United States Dollars unless otherwise stated)

			Reserves								
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Total reserves	Accumulated losses	Total owners' equity
At 1 January 2017 (Audited)	**757,690**	**(27,802)**	**148,662**	**38,418**	**50,727**	**25,711**	**2,648**	**(47,378)**	**218,788**	**(521,261)**	**427,415**
Net loss for the period	-	-	-	-	-	-	-	-	-	(9,248)	(9,248)
Employee share incentive scheme	-	(2,347)	423	-	-	-	-	-	**423**	-	(1,924)
Movement in fair value of sukuk and investment securities	-	-	-	-	-	5,294	-	-	**5,294**	-	5,294
Movement in fair value of associates	-	-	-	-	-	8,009	-	-	**8,009**	-	8,009
Foreign currency translation adjustments	-	-	-	-	-	(23)	(216)	8,302	**8,063**	-	8,063
At 30 June 2017 (Reviewed)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**38,991**	**2,432**	**(39,076)**	**240,577**	**(530,509)**	**437,609**

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

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

Interim condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2016

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

			Reserves								
	Share capital	**Treasury shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Investments fair value reserve**	**Investment in real estate fair value reserve**	**Foreign currency translation**	**Total reserves**	**Accumulated losses**	**Total owners' equity**
At 1 January 2016 (Audited)	**757,690**	**(30,149)**	**149,692**	**38,090**	**50,727**	**9,212**	**1,586**	**(38,413)**	**210,894**	**(524,212)**	**414,223**
Net income for the period	-	-	-	-	-	-	-	-	**-**	4,403	4,403
Movement in fair value of sukuk and investment securities	-	-	-	-	-	448	-	-	**448**	-	448
Movement in fair value of associates	-	-	-	-	-	(5,535)	-	-	**(5,535)**	-	(5,535)
Foreign currency translation adjustments	-	-	-	-	-	92	50	(1,368)	**(1,226)**	-	(1,226)
At 30 June 2016 (Reviewed)	**757,690**	**(30,149)**	**149,692**	**38,090**	**50,727**	**4,217**	**1,636**	**(39,781)**	**204,581**	**(519,809)**	**412,313**

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

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

	Notes	Six months ended 30 June 2017 (Reviewed)	Six months ended 30 June 2016 (Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		17,046	27,555
Adjustments for:			
Depreciation and amortization		15,739	15,021
Share of profit after tax from associates		(21,616)	(19,624)
Provision for impairment – net	9	12,786	9,111
Gain on sale of fixed assets		(106)	(845)
Operating income before changes in operating assets and liabilities		23,849	31,218
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		(43,425)	(6,556)
(Increase)/decrease in operating assets:			
Murabaha and other financings		(47,031)	(46,495)
Musharaka financing		(75,429)	(17,311)
Other assets		(90,759)	(66,807)
Increase/(decrease) in operating liabilities:			
Customers' current accounts		205,117	61,719
Due to banks, financial and other institutions		154,363	(45,424)
Due to investors		12,591	119,222
Other liabilities		30,929	17,438
Increase/(decrease) in equity of unrestricted investment accountholders		12,265	157,844
Taxes paid		(18,393)	(1,511)
Net cash provided by operating activities		**164,077**	**203,337**
INVESTING ACTIVITIES			
Net (increase)/decrease:			
Investment in mudaraba		8,769	6,499
Investment in restricted investment accounts		-	(1,378)
Assets acquired for leasing		(35,903)	(38,788)
Sukuk and Investment securities		(243,685)	(176,174)
Dividend received from associates		27,029	18,202
Sale/(purchase) of fixed assets		(3,011)	2,055
Net cash used in investing activities		**(246,801)**	**(189,584)**
Foreign currency translation adjustments		8,568	4,088
Net (decrease)/increase in cash and cash equivalents		**(74,156)**	**17,841**
Cash and cash equivalents at the beginning of the period		**716,782**	**586,495**
Cash and cash equivalents at the end of the period	4	**642,626**	**604,336**

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

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

Interim condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2017

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

	At 1 January 2017	Net Deposits / (Withdrawals)	Income / (Expenses)	Mudarib's Fee	Fair value movements	At 30 June 2017
Dilmunia Development Fund I L.P.*	149,491	-	15	-	-	149,506
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	15,915	-	-	-	1,437	17,352
European Real Estate Placements*	16,141	(3,192)	226	-	1,081	14,256
US Real Estate Placements*	27,554	-	-	-	-	27,554
Listed and non-listed equities	47	-	-	-	-	47
Cash and Placements with banks	9,406	(9,406)	-	-	-	-
TOTAL	**224,804**	**(12,598)**	**241**	**-**	**2,518**	**214,965**
Funds managed on agency basis	65,255	(1,954)	-	-	-	63,301
	290,059	**(14,552)**	**241**	**-**	**2,518**	**278,266**

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

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

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

Interim condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2016

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

	At 1 January 2016	Net Deposits / (Withdrawals)	Income/ (Expenses)	Mudarib's Fee	Fair value movements	At 30 June 2016
Dilmunia Development Fund I L.P.*	149,900	-	(681)	-	-	149,219
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	16,641	-	-	-	250	16,891
European Real Estate Placements*	16,782	-	-	(10)	285	17,057
US Real Estate Placements*	28,065	(510)	-	(17)	16	27,554
Listed and non-listed equities	77,205	-	2,273	(54)	17,365	96,789
TOTAL	**294,843**	**(510)**	**1,592**	**(81)**	**17,916**	**313,760**
Funds managed on agency basis	65,230		-	-	-	65,230
	360,073	**(510)**	**1,592**	**(81)**	**17,916**	**378,990**

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

The notes 1 to 17 on pages 11 to 22 form an integral part of the interim condensed consolidated financial information.

1 INCORPORATION AND ACTIVITIES

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

(a) Basis of preparation

The interim condensed consolidated financial information has been prepared using accounting policies consistent with those adopted by the Group in its consolidated financial statements for the year ended 31 December 2016, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of Ithmaar, the Bahrain Commercial Companies Law, Central Bank of Bahrain (CBB) and the Financial Institutional Law. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Group uses the relevant International Financial Reporting Standards (IFRS).

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before the Ithmaar converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards in the interim condensed consolidated financial information for the period ended 30 June 2017 as appropriate.

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

The interim condensed consolidated financial information have been prepared in accordance with the guidance given by the International Accounting Standard 34 – "Interim Financial Reporting". The interim condensed consolidated financial information do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2016. All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016. In addition, results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

New accounting standards: Issued and effective

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

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

3 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	164,591	1,672	166,263	160,465	1,393	161,858
Cash and balances with banks and central banks	414,581	64,632	479,213	521,091	53,084	574,175
	579,172	**66,304**	**645,476**	**681,556**	**54,477**	**736,033**

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

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	160,544	41,857	202,401	142,607	-	142,607
	160,544	**41,857**	**202,401**	**142,607**	**-**	**142,607**

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

	30 June 2017			30 June 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash and balances with banks and central banks	579,172	66,304	645,476	562,798	37,555	600,353
Commodity and other placements with banks, financial and other institutions - net	160,544	41,857	202,401	139,706	146,558	286,264
Less: Placement maturing after ninety days	-	(38,988)	(38,988)	-	(117,379)	(117,379)
Less: Balances with central banks relating to minimum reserve requirement	(164,591)	(1,672)	(166,263)	(163,589)	(1,313)	(164,902)
	575,125	**67,501**	**642,626**	**538,915**	**65,421**	**604,336**

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

5 MURABAHA AND OTHER FINANCINGS

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	2,461,501	1,496,756	3,958,257	2,314,642	1,438,493	3,753,135
Less: Provisions	(299,233)	(17,367)	(316,600)	(286,791)	(21,756)	(308,547)
	2,162,268	**1,479,389**	**3,641,657**	**2,027,851**	**1,416,737**	**3,444,588**

The movement in provisions is as follows:

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	286,791	21,756	308,547	296,047	52,869	348,916
Charge for the period/year	12,240	-	12,240	33,618	5,550	39,168
Write back during the period/year	(8,165)	-	(8,165)	(13,042)	-	(13,042)
Utilised during the period/year	(1,134)	(7,222)	(8,356)	(26,224)	(36,826)	(63,050)
Relcassification	9,669	(206)	9,463	-	-	-
Transfer from/(to) Investment Risk Reserve	-	3,000	3,000	(4,046)	-	(4,046)
Exchange differences and other movements	(168)	39	(129)	438	163	601
	299,233	**17,367**	**316,600**	**286,791**	**21,756**	**308,547**

Total provision of $316.6 million (31 December 2016: $308.5 million) includes general provision of $18.3 million (31 December 2016: $13.8 million).

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

6 INVESTMENT IN ASSOCIATES

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

Name of company	30 June 2017	31 December 2016	% of Shareholding	Country	Activity
Unlisted:					
Solidarity Group Holding B.S.C. (C)	66,502	68,076	36	Bahrain	Takaful
Citic International Assets Management Limited	70,619	74,588	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	537	536	31	Pakistan	Manufacturing
Misr Company for Packing Materials "Egywrap"	2,319	2,224	23	Egypt	Trading
Faysal Asset Management Limited	357	441	30	Pakistan	Asset management
Ithraa Capital Company	3,776	3,858	23	Saudi Arabia	Investment company
Naseej B.S.C. (C)	105,742	107,775	30	Bahrain	Infrastructure
Chase Manara B.S.C. (C)	1,679	1,679	40	Bahrain	Real estate
Islamic Trading Company E.C	557	669	24	Bahrain	Trading
Listed:					
BBK B.S.C.	411,465	408,557	25	Bahrain	Banking
	663,553	**668,403**			

Summarised financial position of associates that have been equity accounted:

	30 June 2017	31 December 2016	30 June 2016
Total assets	10,628,961	10,944,636	11,078,607
Total liabilities	8,385,422	8,763,547	8,980,048
Total revenues	233,662	413,721	203,587
Total net profit	69,334	166,421	82,619

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.

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

7 SUKUK AND INVESTMENT SECURITIES

	30 June 2017			31 December 2016		
	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						
Held for trading						
Debt-type instruments – unlisted	374,099	-	374,099	16,606	-	16,606
Equity-type securities – listed	22	-	22	-	-	-
	374,121	**-**	**374,121**	**16,606**	**-**	**16,606**
Investment securities at fair value through equity						
Equity-type securities – listed	29,842	-	29,842	57,401	-	57,401
Equity-type securities – unlisted	307,019	-	307,019	227,689	78,829	306,518
	336,861	-	336,861	285,090	78,829	363,919
Provision for impairment	(153,680)	-	(153,680)	(147,539)	(5,700)	(153,239)
	183,181	**-**	**183,181**	**137,551**	**73,129**	**210,680**
Investment securities carried at amortised cost						
Sukuk – unlisted	19,996	224,602	244,598	28,784	156,517	185,301
Other debt-type instruments – listed	74,085	-	74,085	74,201	-	74,201
Other debt-type instruments – unlisted	1,249,645	-	1,249,645	1,408,059	-	1,408,059
	1,343,726	224,602	1,568,328	1,511,044	156,517	1,667,561
Provision for impairment	(20,171)	-	(20,171)	(20,065)	-	(20,065)
	1,323,555	**224,602**	**1,548,157**	**1,490,979**	**156,517**	**1,647,496**
	1,880,857	**224,602**	**2,105,459**	**1,645,136**	**229,646**	**1,874,782**

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

7 SUKUK AND INVESTMENT SECURITIES (continued)

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

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

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

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

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

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 June 2017				
Investment securities at fair value through income statement				
Debt-type instruments	-	374,099	-	374,099
Equity securities	22	-	-	22
Investment securities at fair value through equity				
Equity securities	25,155	-	158,026	183,181
	25,177	**374,099**	**158,026**	**557,302**

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

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	30 June 2017	**31 December 2016**
Opening balance	**158,338**	**153,078**
Total gains/(losses) recognised in		
- Income statement	(8,917)	(5,934)
- Equity	1,081	12,327
Purchases	1,000	-
Sales	(1,120)	(1,133)
Reallocation	7,644	-
Closing balance	**158,026**	**158,338**
Total income for the six month period included in the interim condensed consolidated income statement	8,387	5,871

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

8 OTHER ASSETS

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	169,666	38,747	208,413	167,614	88,592	256,206
Due from related parties	14,946	-	14,946	93,582	-	93,582
Taxes – deferred	27,344	-	27,344	29,800	-	29,800
Taxes – current	25,987	-	25,987	20,185	-	20,185
Assets acquired against claims	18,463	-	18,463	18,529	-	18,529
	256,406	38,747	295,153	329,710	88,592	418,302
Provision for impairment	(45,097)	(12,219)	(57,316)	(44,685)	(11,963)	(56,648)
	211,309	**26,528**	**237,837**	**285,025**	**76,629**	**361,654**

9 PROVISIONS

	30 June 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	659,267	59,684	718,951	683,659	91,022	774,681
Charge for the period/year	21,621	-	21,621	47,897	5,550	53,447
Write back during the period/year	(8,835)	-	(8,835)	(14,595)	-	(14,595)
Relcassification	25,906	(25,906)	-			-
Transfer from/(to) Investment Risk Reserve	-	3,000	3,000	(4,046)	-	(4,046)
Utilised during the period/year	(2,739)	(7,222)	(9,961)	(52,309)	(36,888)	(89,197)
Exchange differences	1,864	39	1,903	(1,339)	-	(1,339)
	697,084	**29,595**	**726,679**	**659,267**	**59,684**	**718,951**

Total provisions of $726.7 million (31 December 2016: $719 million) include $21.7 million (31 December 2016: $29 million) held as general provisions.

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

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

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

	30 June 2017	31 December 2016
Cash and balances with banks and central banks	66,304	54,477
Commodity and other placements with banks, financial and other institutions	41,857	-
Murabaha and other financings	1,479,389	1,416,737
Investment in mudaraba	-	14,425
Musharaka financing	302,106	211,926
Investment in associates	-	4,340
Sukuk and investment securities	224,602	229,646
Restricted investment accounts	7,500	35,250
Assets acquired for leasing	283,735	246,651
Other assets	26,528	76,629
Fixed assets	11,887	9,346
Intangible assets	81	66
Due from the Group (net)	709,274	734,911
	3,153,263	3,034,404
Customers' current accounts	(253,948)	(147,469)
Due to banks, financial and other institutions	(4,316)	(11,792)
Other liabilities	(113,954)	(105,449)
Equity of unrestricted investment accountholders	**2,781,045**	**2,769,694**

11 SHARE CAPITAL

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

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

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

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

12 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties include:

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

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

Significant balances with related parties comprise:

					30 June 2017
	Shareholders & Affiliates	Associates and joint ventures	Directors and related entities	Senior management	Total
Assets					
Murabaha and other financings	426,526	-	12,809	-	439,335
Sukuk and investment securities	437	-	-	-	437
Investment in associates	-	663,553	-	-	663,553
Other assets	4,318	10,456	-	172	14,946
Liabilities					
Customers' current accounts	-	41,244	-	167	41,411
Due to banks, financial and other institutions	-	36,591	-	-	36,591
Equity of unrestricted investment accounts	32,393	20,209	541	-	53,143
Other liabilities	905	50	-		955

					30 June 2017
	Shareholders & Affiliates	Associates and joint ventures	Directors and related entities	Senior management	Total
Income					
Return to unrestricted investment accounts	395	409	10	-	814
Income from murabaha and other financings	2,131	-	-	-	2,131
Share of profit after tax from associates	-	21,616	-	-	21,616
Profit paid to banks, financial and other institutions – net	19	555	-	-	574
Other income	5	1,044	-	-	1,049

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

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

					31 December 2016
	Shareholders & Affiliates	**Associates and joint ventures**	**Directors and related entities**	**Senior management**	**Total**
Assets					
Murabaha and other financings	342,775	-	12,809	-	355,584
Sukuk and investment securities	9,778	-	-	-	9,778
Investment in associates	-	668,403	-	-	668,403
Other assets	82,989	10,456	-	137	93,582
Liabilities					
Customers' current accounts	-	20,502	-	233	20,735
Due to banks, financial and other institutions	-	33,813	-	-	33,813
Equity of unrestricted investment accounts	23,249	22,640	541	-	46,430
Other liabilities	2,134	54	-		2,188

					30 June 2016
	Shareholders & Affiliates	**Associates and joint ventures**	**Directors and related entities**	**Senior management**	**Total**
Income					
Return to unrestricted investment accounts	90	385	11	-	486
Murabaha and other financings	1,902	-	-	-	1,902
Share of profit after tax from associates	-	19,624			19,624
Profit paid to banks, financial and other institutions – net	16	1,370	-		1,386
Other income	5	1,071	-	-	1,076
Expenses					
Administrative and general expenses	300	-	-	-	300

13 DIVIDEND

No dividend was declared for 2016 and 2015.

14 EARNINGS PER SHARE (BASIC & DILUTED)

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

	Six month period ended		**Three month period ended**	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Net income/(loss) attributable to shareholders ($'000)	(9,248)	4,403	(9,823)	3,187
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	**(0.32)**	**0.15**	**(0.34)**	**0.11**

15 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	30 June 2017	**31 December 2016**
Acceptances and endorsements	55,497	72,669
Guarantees and irrevocable letters of credit	868,417	746,789
Customer and other claims	342,456	353,571
	1,266,370	**1,173,029**

Commitments

	30 June 2017	**31 December 2016**
Undrawn facilities, financing lines and other commitments to finance	**2,603,717**	**1,849,842**

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

16 SEGMENTAL INFORMATION

The Group constitutes of three main business segments, namely;

(i) Retail and Corporate banking, in which the Group receives customer funds and deposits and extends financing to its retail and corporate clients.
(ii) Trading Portfolio, where the Group trades in equity deals, foreign exchange and other transactions with the objective of realizing short-term gains.
(iii) Asset Management/Investment Banking, in which the Group directly participates in investment opportunities.

	30 June 2017					30 June 2016				
	Retail & Corporate banking	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**	**Retail & Corporate banking**	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**
Operating income	95,052	26,203	5,891	67	**127,213**	93,097	38,364	1,215	(18)	**132,658**
Total expenses	(80,426)	(5,954)	(10,908)	(93)	**(97,381)**	(85,426)	(1,099)	(9,353)	(114)	**(95,992)**
Net income/(loss) before provision and overseas taxation	**14,626**	**20,249**	**(5,017)**	**(26)**	**29,832**	**7,671**	**37,265**	**(8,138)**	**(132)**	**36,666**
Provision and overseas taxation	(13,595)	(8,482)	(9,298)	(42)	**(31,417)**	(8,007)	(13,410)	(3,293)	4	**(24,706)**
Net income/(loss) for the period	**1,031**	**11,767**	**(14,315)**	**(68)**	**(1,585)**	**(336)**	**23,855**	**(11,431)**	**(128)**	**11,960**
Attributable to:										
Equity holders of the Ithmaar	(1,853)	6,877	(14,238)	(34)	**(9,248)**	(263)	15,881	(11,101)	(114)	**4,403**
Minority interests	2,884	4,890	(77)	(34)	**7,663**	(73)	7,974	(330)	(14)	**7,557**
	1,031	**11,767**	**(14,315)**	**(68)**	**(1,585)**	**(336)**	**23,855**	**(11,431)**	**(128)**	**11,960**
					30 June 2017					**As at 31 December 2016**
Total assets	**5,072,698**	**1,893,047**	**1,739,668**	**10,999**	**8,716,412**	**5,383,828**	**1,878,554**	**1,197,689**	**11,209**	**8,471,280**
Total liabilities and equity of unrestricted investment account holders	**7,670,164**	**393,275**	**35,112**	**137**	**8,098,688**	**6,918,860**	**869,503**	**87,872**	**95**	**7,876,330**

17 COMPARATIVES

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