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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE 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 31 March 2017 and the related interim condensed consolidated statements of income, 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 interim condensed consolidated financial information is the responsibility of Ithmaar's management. 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
14 May 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 31 March 2017 (Reviewed)	At 31 December 2016 (Audited)	At 31 March 2016 (Reviewed)
ASSETS				
Cash and balances with banks and central banks	3	628,463	736,033	587,228
Commodity and other placements with banks, financial and other institutions	4	72,335	142,607	314,008
Murabaha and other financings	5	3,396,647	3,444,588	3,376,945
Musharaka financing		254,859	229,960	156,939
Investment in mudaraba		14,425	14,425	16,147
Investment in associates	6	666,938	668,403	633,670
Sukuk and investment securities	7	2,010,574	1,874,782	1,534,591
Restricted investment accounts		80,065	79,852	80,146
Assets acquired for leasing		278,742	256,204	194,060
Investment in real estate		246,102	242,594	259,212
Other assets	8	365,275	361,654	330,148
Fixed assets		113,702	112,981	107,738
Intangible assets		174,061	177,227	191,409
Total assets		**8,302,188**	**8,341,310**	**7,782,241**
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY				
Customers' current accounts		1,589,799	1,581,113	1,443,578
Due to banks, financial and other institutions		1,157,770	1,141,513	1,134,565
Due to investors		1,948,338	1,903,612	1,780,231
Other liabilities		331,323	342,622	324,034
Total liabilities		**5,027,230**	**4,968,860**	**4,682,408**
Equity of unrestricted investment accountholders	10	2,654,588	2,769,694	2,514,508
Minority interest		177,866	175,341	177,773
Total liabilities, equity of unrestricted investment accountholders and minority interest		**7,859,684**	**7,913,895**	**7,374,689**
Share capital	11	757,690	757,690	757,690
Treasury shares	11	(30,149)	(27,802)	(30,149)
Reserves		235,649	218,788	203,007
Accumulated losses		(520,686)	(521,261)	(522,996)
Total owners' equity		**442,504**	**427,415**	**407,552**
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		**8,302,188**	**8,341,310**	**7,782,241**

This interim condensed consolidated financial information was approved by the Board of Directors on 14 May 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 16 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)

	Notes	Three months ended 31 March 2017 (Reviewed)	Three months ended 31 March 2016 (Reviewed)
INCOME			
Income from unrestricted investment accounts		26,965	24,934
Less: return to unrestricted investment accounts and impairment provisions		(18,407)	(18,164)
Group's share of income from unrestricted investment accounts as a Mudarib		**8,558**	**6,770**
Group's share of income from restricted investment accounts as a Mudarib		-	41
Income from murabaha and other financings		42,664	37,285
Share of profit after tax from associates		11,690	9,202
Income from other investments		38,819	36,980
Other income		8,623	12,044
Total income		**110,354**	**102,322**
Less: profit paid to banks, financial and other institutions – net		(42,015)	(40,845)
Operating income		**68,339**	**61,477**
EXPENSES			
Administrative and general expenses		(40,050)	(38,259)
Depreciation and amortization		(8,035)	(7,358)
Total expenses		**(48,085)**	**(45,617)**
Net income before provision for impairment and overseas taxation		**20,254**	**15,860**
Provision for impairment – net	9	(4,133)	(3,852)
Net income before overseas taxation		**16,121**	**12,008**
Overseas taxation		(10,331)	(7,183)
NET INCOME FOR THE PERIOD		**5,790**	**4,825**
Attributable to:			
Equity holders of Ithmaar		575	1,216
Minority interests		5,215	3,609
		5,790	**4,825**
Basic and diluted earnings per share	14	**US Cts 0.02**	**US Cts 0.04**

This interim condensed consolidated financial information was approved by the Board of Directors on 14 May 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 16 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 three month period ended 31 March 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 income for the period	-	-	-	-	-	-	-	-	-	575	575
Employee share incentive scheme	-	(2,347)	423	-	-	-	-	-	**423**	-	(1,924)
Movement in fair value of sukuk and investment securities	-	-	-	-	-	4,574	-	-	**4,574**	-	4,574
Movement in fair value of associates	-	-	-	-	-	11,063	-	-	**11,063**	-	11,063
Foreign currency translation adjustments	-	-	-	-	-	(9)	(38)	848	**801**	-	801
At 31 March 2017 (Reviewed)	**757,690**	**(30,149)**	**149,085**	**38,418**	**50,727**	**41,339**	**2,610**	**(46,530)**	**235,649**	**(520,686)**	**442,504**

The notes 1 to 16 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 three month period ended 31 March 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	-	-	-	-	-	-	-	-	-	1,216	1,216
Movement in fair value of sukuk and investment securities	-	-	-	-	-	392	-	-	**392**	-	392
Movement in fair value of associates	-	-	-	-	-	(10,907)	-	-	**(10,907)**	-	(10,907)
Foreign currency translation adjustments	-	-	-	-	-	(20)	20	2,628	**2,628**	-	2,628
At 31 March 2016 (Reviewed)	**757,690**	**(30,149)**	**149,692**	**38,090**	**50,727**	**(1,323)**	**1,606**	**(35,785)**	**203,007**	**(522,996)**	**407,552**

The notes 1 to 16 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	Three months ended 31 March 2017 (Reviewed)	Three months ended 31 March 2016 (Reviewed)
OPERATING ACTIVITIES			
Net income before overseas taxation		16,121	12,008
Adjustments for:			
Depreciation and amortization		8,035	7,358
Share of profit after tax from associates		(11,690)	(9,202)
Provision for impairment – net	9	4,133	3,852
Gain on sale of fixed assets		-	(868)
Operating income before changes in operating assets and liabilities		16,599	13,148
Balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		(1,126)	(1,445)
(Increase)/decrease in operating assets:			
Murabaha and other financings		42,792	22,078
Musharaka financing		(25,720)	(6,977)
Other assets		(7,652)	(1,170)
Increase/(decrease) in operating liabilities:			
Customers' current accounts		12,332	5,571
Due to banks, financial and other institutions		18,008	(506,789)
Due to investors		51,330	46,330
Other liabilities		(17,999)	(2,987)
Increase/(decrease) in equity of unrestricted investment accountholders		(114,146)	94,003
Taxes paid		(9,761)	3,891
Net cash used in operating activities		**(35,343)**	**(334,347)**
INVESTING ACTIVITIES			
Net (increase)/decrease:			
Investment in mudaraba		-	5,201
Investment in restricted investment accounts		(141)	(1,553)
Assets acquired for leasing		(22,538)	(24,578)
Sukuk and Investment securities		(139,558)	387,125
Sale/(purchase) of fixed assets		(1,854)	4,453
Net cash (used in)/provided by investing activities		**(164,091)**	**370,648**
Foreign currency translation adjustments		20,466	2,043
Net (decrease)/increase in cash and cash equivalents		**(178,968)**	**38,344**
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	**537,814**	**624,839**

The notes 1 to 16 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 three month period ended 31 March 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 31 March 2017
Dilmunia Development Fund I L.P.*	149,491	-	103	-	-	149,594
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	15,915	-	-	-	455	16,370
European Real Estate Placements*	16,141	(3,187)	221	-	170	13,345
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**	**(12,593)**	**324**	**-**	**625**	**213,160**
Funds managed on agency basis	65,255	(1,954)	-	-	-	63,301
	290,059	**(14,547)**	**324**	**-**	**625**	**276,461**

* 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 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 three month period ended 31 March 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 31 March 2016
Dilmunia Development Fund I L.P.*	149,900	-	(217)	-	-	149,683
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	16,641	-	-	-	592	17,233
European Real Estate Placements*	16,782		-	(6)	642	17,418
US Real Estate Placements*	28,065		-	(14)	14	28,065
Listed and non-listed equities	77,205	-	-	(21)	1,741	78,925
TOTAL	**294,843**	**-**	**(217)**	**(41)**	**2,989**	**297,574**
Funds managed on agency basis	65,230		-	-	-	65,230
	360,073	**-**	**(217)**	**(41)**	**2,989**	**362,804**

* 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 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 31 March 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 three months ended 31 March 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

	31 March 2017			31 December 2016		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Cash reserve with central banks	162,984	-	162,984	161,858	-	161,858
Cash and balances with banks and central banks	463,199	2,280	465,479	551,069	23,106	574,175
	626,183	**2,280**	**628,463**	**712,927**	**23,106**	**736,033**

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

	31 March 2017			31 December 2016		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	**Relating to owners**	**Relating to unrestricted investment accounts**	**Total**
Commodity placements	72,335	-	72,335	142,607	-	142,607
	72,335	**-**	**72,335**	**142,607**	**-**	**142,607**

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

	31 March 2017			31 March 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	626,183	2,280	628,463	587,228	-	587,228
Commodity and other placements with banks, financial and other institutions - net	72,335	-	72,335	266,261	47,747	314,008
Less: Placement maturing after ninety days		-	-	(115,577)	-	(115,577)
Less: Balances with central banks relating to minimum reserve requirement	(162,984)	-	(162,984)	(160,820)	-	(160,820)
	535,534	**2,280**	**537,814**	**577,092**	**47,747**	**624,839**

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

5 MURABAHA AND OTHER FINANCINGS

	31 March 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	2,276,223	1,430,549	3,706,772	2,329,617	1,423,518	3,753,135
Less: Provisions	(298,362)	(11,763)	(310,125)	(289,394)	(19,153)	(308,547)
	1,977,861	**1,418,786**	**3,396,647**	**2,040,223**	**1,404,365**	**3,444,588**

The movement in provisions is as follows:

	31 March 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	289,394	19,153	308,547	298,650	50,266	348,916
Charge for the period/year	3,689	-	3,689	33,618	5,550	39,168
Write back during the period/year	(4,234)	-	(4,234)	(13,042)	-	(13,042)
Utilised during the period/year	-	(7,222)	(7,222)	(26,224)	(36,826)	(63,050)
Relcassification	9,661	(199)	9,462			-
Transfer to Investment Risk			-			
Reserve	-	-	-	(4,046)	-	(4,046)
Exchange differences and other movements	(148)	31	(117)	438	163	601
	298,362	**11,763**	**310,125**	**289,394**	**19,153**	**308,547**

Total provision of $310.1 million (31 December 2016: $308.5 million) includes general provision of $22.3 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	31 March 2017	31 December 2016	% of Shareholding	Country	Activity
Unlisted:					
Solidarity Group Holding B.S.C. (C)	68,802	68,076	36	Bahrain	Takaful
Citic International Assets Management Limited	73,809	74,588	20	Hong Kong	Asset management
Sanpak Engineering Industries (Pvt) Limited	537	536	31	Pakistan	Manufacturing
Misr Company for Packing Materials "Egywrap"	2,177	2,224	23	Egypt	Trading
Faysal Asset Management Limited	357	441	30	Pakistan	Asset management
Ithraa Capital Company	3,777	3,858	23	Saudi Arabia	Investment company
Naseej B.S.C. (C)	108,934	107,775	30	Bahrain	Infrastructure
Chase Manara B.S.C. (C)	1,679	1,679	40	Bahrain	Real estate
Islamic Trading Company E.C	669	669	24	Bahrain	Trading
Listed:					
BBK B.S.C.	406,197	408,557	25	Bahrain	Banking
	666,938	**668,403**			

Summarised financial position of associates that have been equity accounted:

	31 March 2017	31 December 2016	31 March 2016
Total assets	10,774,480	10,944,636	11,197,615
Total liabilities	8,557,979	8,763,547	9,366,003
Total revenues	153,534	413,721	215,425
Total net profit	51,361	166,421	86,737

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

	31 March 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	211,007	-	211,007	16,606	-	16,606
Equity-type securities – listed	80	-	80	-	-	-
	211,087	**-**	**211,087**	**16,606**	**-**	**16,606**
Investment securities at fair value through equity						
Equity-type securities – listed	31,089	-	31,089	57,401	-	57,401
Equity-type securities – unlisted	305,088	-	305,088	227,689	78,829	306,518
	336,177	-	336,177	285,090	78,829	363,919
Provision for impairment	(149,619)	-	(149,619)	(147,539)	(5,700)	(153,239)
	186,558	**-**	**186,558**	**137,551**	**73,129**	**210,680**
Investment securities carried at amortised cost						
Sukuk – unlisted	180,523	-	180,523	185,301	-	185,301
Other debt-type instruments – listed	75,470	-	75,470	74,201	-	74,201
Other debt-type instruments – unlisted	1,376,853	-	1,376,853	1,408,059	-	1,408,059
	1,632,846	-	1,632,846	1,667,561	-	1,667,561
Provision for impairment	(19,917)	-	(19,917)	(20,065)	-	(20,065)
	1,612,929	**-**	**1,612,929**	**1,647,496**	**-**	**1,647,496**
	2,010,574	**-**	**2,010,574**	**1,801,653**	**73,129**	**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 31 March 2017				
Investment securities at fair value through income statement				
Debt-type instruments	-	211,007	-	211,007
Equity securities	80	-	-	80
Investment securities at fair value through equity				
Equity securities	26,528	-	160,030	186,558
	26,608	211,007	160,030	397,645

	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	
	31 March 2017	31 December 2016
Opening balance	**158,338**	**153,078**
Total gains/(losses) recognised in		
- Income statement	(5,219)	(5,934)
- Equity	(1,239)	12,327
Purchases	-	-
Sales	-	(1,133)
Reallocation	8,150	-
Closing balance	**160,030**	**158,338**
Total income for the three month period included in the interim condensed consolidated income statement	7,758	5,871

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

8 OTHER ASSETS

	31 March 2017			31 December 2016		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts receivable	206,560	33,212	239,772	167,614	88,592	256,206
Due from related parties	117,236	-	117,236	93,582	-	93,582
Taxes – deferred	32,417	-	32,417	29,800	-	29,800
Taxes – current	15,024	-	15,024	20,185	-	20,185
Assets acquired against claims	18,465	-	18,465	18,529	-	18,529
	389,702	33,212	422,914	329,710	88,592	418,302
Provision for impairment	(45,478)	(12,161)	(57,639)	(44,685)	(11,963)	(56,648)
	344,224	**21,051**	**365,275**	**285,025**	**76,629**	**361,654**

9 PROVISIONS

	31 March 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	661,928	57,023	718,951	686,320	88,361	774,681
Charge for the period/year	8,997	-	8,997	47,897	5,550	53,447
Write back during the period/year	(4,864)	-	(4,864)	(14,595)	-	(14,595)
Relcassification	25,906	(25,906)	-			-
Transfer to Investment Risk Reserve	-	-	-	(4,046)	-	(4,046)
Utilised during the period/year	(995)	(7,222)	(8,217)	(52,309)	(36,888)	(89,197)
Exchange differences	155	31	186	(1,339)	-	(1,339)
	691,127	**23,926**	**715,053**	**661,928**	**57,023**	**718,951**

Total provisions of $715 million (31 December 2016: $719 million) include $25.7 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:

	31 March 2017	31 December 2016
Cash and balances with banks and central banks	2,280	23,106
Murabaha and other financings	1,418,786	1,404,365
Investment in mudaraba	-	14,425
Musharaka financing	253,922	211,926
Investment in associates	-	4,340
Sukuk and investment securities	-	73,129
Restricted investment accounts	7,628	35,250
Assets acquired for leasing	269,424	246,651
Other assets	21,051	76,629
Due from Ithmaar	777,800	775,521
	2,750,891	2,865,342
Other liabilities	(96,303)	(95,648)
Equity of unrestricted investment accountholders	**2,654,588**	**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 31 March 2017 (Reviewed)	**2,910,160**	**727,541**

Ithmaar's total issued and fully paid share capital at 31 March 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 31 March 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 major shareholders of Ithmaar and companies in which they have an ownership interest.
(b) Corporate, whose ownership and management is common with Ithmaar.
(c) DMIT and companies in which DMIT has ownership interest and subsidiaries of such companies.
(d) Associated companies of Ithmaar.

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 2017		31 December 2016	
	Relating to owners	**Relating to unrestricted investment accounts**	**Relating to owners**	**Relating to unrestricted investment accounts**
Assets				
Murabaha and other financings	343,631	12,809	317,773	37,811
Sukuk and investment securities	-	-	-	9,778
Other assets	117,236	-	93,582	-
Liabilities				
Customers' current accounts	20,473	-	20,502	-
Due to banks, financial and other institutions	36,242	-	33,813	-
Equity of unrestricted investment accounts	-	64,114	-	45,889
Other liabilities	1,683	-	2,188	-
Funds managed by related parties	14,425	-	-	14,425

The Group entered into the following significant transactions with related parties during the period:

	Three month period ended	
	31 March 2017	**31 March 2016**
Income from financings and short-term liquid funds	856	63
Profit paid	-	16
Dividend receivable	21,843	18,203
Expense recovery	976	1,345
Fee income	586	891
Fee expense	150	150

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

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.

	Three month period ended	
	31 March 2017	**31 March 2016**
Net income attributable to shareholders ($'000)	575	1,216
Weighted average number of issued and fully paid up ordinary shares ('000)	2,910,160	2,910,160
Earnings per share (Basic & Diluted) – US Cents	**0.02**	**0.04**

15 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	31 March 2017	31 December 2016
Acceptances and endorsements	51,266	72,669
Guarantees and irrevocable letters of credit	805,648	746,789
Customer and other claims	353,123	353,571
	1,210,037	**1,173,029**

Commitments

	31 March 2017	31 December 2016
Undrawn facilities, financing lines and other commitments to finance	**1,547,433**	**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.

					31 March 2017					**31 March 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	45,726	14,291	8,370	(48)	**68,339**	45,452	16,331	(302)	(4)	**61,477**
Total expenses	(40,550)	(2,388)	(5,096)	(51)	**(48,085)**	(38,937)	(2,073)	(4,555)	(52)	**(45,617)**
Net income/(loss) before provision and overseas taxation	**5,176**	**11,903**	**3,274**	**(99)**	**20,254**	**6,515**	**14,258**	**(4,857)**	**(56)**	**15,860**
Provision and overseas taxation	(2,527)	(6,385)	(5,559)	7	**(14,464)**	(4,509)	(5,497)	(1,045)	16	**(11,035)**
Net income/(loss) for the period	**2,649**	**5,518**	**(2,285)**	**(92)**	**5,790**	**2,006**	**8,761**	**(5,902)**	**(40)**	**4,825**
Attributable to:										
Equity holders of the Bank	546	2,551	(2,453)	(69)	**575**	1,064	5,832	(5,655)	(25)	**1,216**
Minority interests	2,103	2,967	168	(23)	**5,215**	942	2,929	(247)	(15)	**3,609**
	2,649	**5,518**	**(2,285)**	**(92)**	**5,790**	**2,006**	**8,761**	**(5,902)**	**(40)**	**4,825**
					31 March 2017					**As at 31 December 2016**
Total assets	**4,759,023**	**1,779,267**	**1,752,941**	**10,957**	**8,302,188**	**5,498,591**	**1,646,567**	**1,185,085**	**11,067**	**8,341,310**
Total liabilities and equity of unrestricted investment account holders	**7,136,063**	**511,572**	**34,075**	**108**	**7,681,818**	**7,156,975**	**507,141**	**74,356**	**82**	**7,738,554**