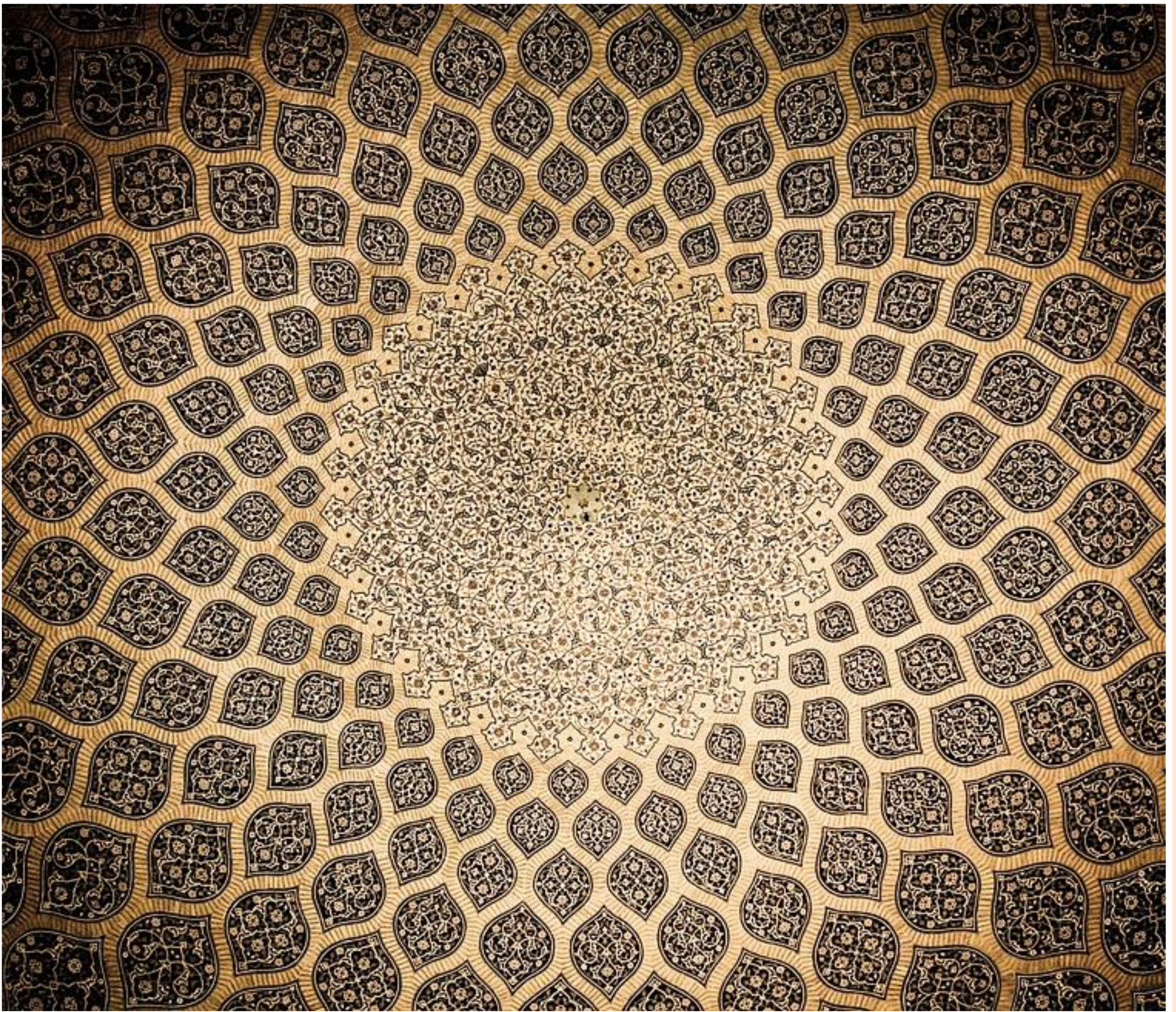

Dar Al-Maal Al-Islami Trust

ANNUAL REPORT
2019

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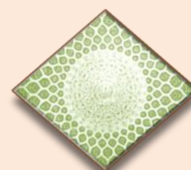

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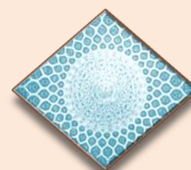

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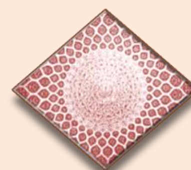

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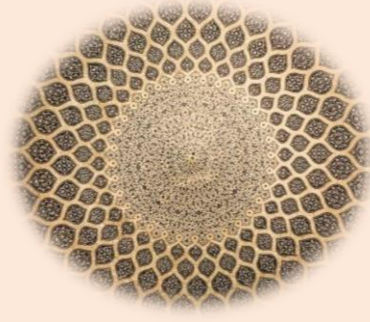


Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda

Ebrahim Khalifa Al Khalifa

Mohamed A. Abdelkarim El Kheriji

Omar Abdi Ali

Moustafa Abu Bakr Azzam

Khalid Omar Abdel Rahman Azzam

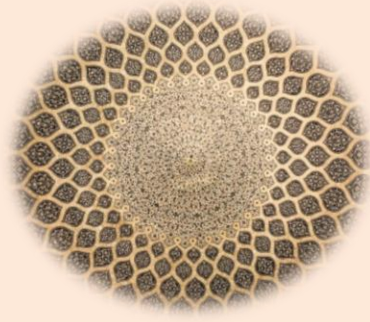
Faisal Islamic Bank-Egypt
(Represented by Abdelhameed Abou Moussa)

Religious Board

Nasr Farid Mohamed Wasel, Chairman

Halil Gonenc

Osama Mohamed Ali



DAR AL-MAAL AL-ISLAMI TRUST

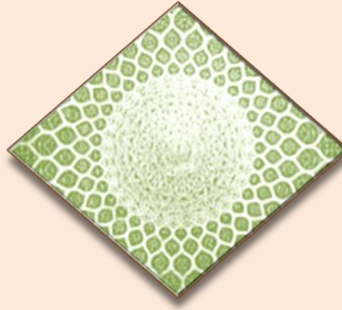
Dar Al-Maal Al-Islami Trust (DMI) was founded in 1981. It has an extensive network stretching over four continents, with well-integrated regional subsidiaries enabling it to respond to local business needs and conditions. Based on this geographic structure, the DMI Group and associates act as a financial bridge between the world's leading financial centres and Islamic countries.

The Group comprises three main business sectors: Islamic banking, Islamic investment and Islamic insurance.

The Group is offering commercial and retail banking in the Gulf region and other parts of the world. Fund management and financial services as well as Islamic investment companies are located in Bahrain, Egypt and Pakistan. There are also associated Islamic insurance companies based in Bahrain and Jordan, providing services to the Islamic communities in the Middle East.

The Board of Supervisors of DMI directs and oversees the business of the Group.

DMI is an institution that creates, maintains and promotes Islamic financial institutions. Asset management is one of the Group's core business activities. Clients' funds are invested prudently with the objective of optimal return as well as asset preservation. DMI has devised a comprehensive range of Islamic financial instruments to channel investors' funds into viable Sharia compatible operations and investments.



CHAIRMAN'S MESSAGE

Dear Participants,

May the peace, blessings and mercy of Allah be upon you.

On behalf of the Board of Supervisors, I am pleased to present the thirty-eighth annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2019.

I am pleased to report the Group's progress and key achievements in 2019. In pursuit of our ambitious global growth plans, we continued to scale and strengthen our business. We broadened our reach by diversifying our offerings, pursuing new solutions and achieving even greater milestones. As our international presence continues to grow, our global retail network expanded in tandem, reflecting the critical role that diverse perspectives played in shaping the future of our business. In the light of the challenges emerging from Covid-19 pandemic, we will continue to enhance Group's resilience and ability to achieve our strategic aims.

Measures of global economic activities have continued to decelerate since March 2019. Global growth for 2019 touched 2.9%, significantly below IMF forecast for the year of 3.2%. The slowdown has been particularly acute in the manufacturing where the lagged effect of heightened policy uncertainty, last year's Chinese deleveraging, and higher US interest rates has taken its toll on sentiment and business investment decision-making.

The services sector in contrast, has been somewhat buoyant, bolstered by resilient US consumer spending. Low unemployment and decent real-wage growth remain tailwinds for the segment. Still, a sustained downtrend in manufacturing could have far-reaching effect, which may already be evident in the recent services gauge decline. This year's policy shifts by the US Federal Reserve ("US Fed") and the Chinese leadership may well brighten the outlook for manufacturing, assuming the rising USA-China trade frictions do not tip the sector into outright recession first. Should this happen, it could be expected that the rest of the economy would likely fall into line and hopes for a further extension of the current cycle could quickly evaporate.

The US Fed cut interest rate twice in March 2020, for the first time since global financial crisis of 2008 and introduced unlimited quantitative easing (buying bonds). US short-term interest rate now stands at 0 - 0.2%. US also approved a US$ 2 trillion stimulus package, to stimulate the economy.

The Covid-19 outbreak profoundly affected global market towards the end of the fourth quarter 2019. Equities suffered steep decline and government bond yields fell as investors favoured their perceived safety. Corporate bonds underperformed government bonds.

Despite the more dovish stance, it is yet to be seen whether the new framework will spur a reorientation of long-term inflation expectations. Inflation still faces structural headwind that are difficult to quantify, including the effects of technological innovations and globalization. Taken together, however, many analysts are of the

view that the various dynamics will engender a slightly higher path for inflation in coming quarters. Such an outcome will likely be welcomed by developed market central banks and governments alike, especially in Europe, where social disturbances in France and Italy continue to suggest a need to ease the pressure through higher nominal wages. These are expected to feed into somewhat higher prices down the line.

Crude oil prices increased from January through April 2019, driven by the efforts of OPEC and its non-OPEC partners to remove excess oil supplies from the market, further augmented by failing oil output within OPEC. May and June 2019 registered a decline in oil prices on the back of global geopolitical tensions and concerns over a global slowdown. Overall, Brent crude oil prices averaged US$ 64 per barrel during 2019, compared to US$ 71 per barrel in 2018. For most part of the first quarter, there was a growing realisation that the slowdown of the global economies will see that demand for oil to fall, with consequent drop in oil prices. However, on April 20, 2020 oil price was crashed following a severe competition between a key OPEC member and a key non-OPEC partner, which resulted in supply to the market to exceed 100 million barrels a day, against a demand in the region of 70 million barrel per day i.e. excess supply of about 30%, which pushed oil future contacts into the negative zone. At one-point, future contract touched negative US$ 47. However, following agreement among OPEC and Non-OPEC partners, on cutting oil output, price of oil in late April 2020 and early May 2020, started to average at about 52-weeks low of US$ 20 per barrel.

The overall GCC real GDP in 2019 grew by 0.8% compared with 2.3% in 2018. Government spending and multiyear infrastructure plans are likely to support economic activities in Saudi Arabia, Kuwait and the UAE.

After recording a growth of 2.43% during 2018, the Saudi economy - the leading economy in the GCC - grew in 2019 by 0.33%, due to declining oil prices. The non-oil segment grew in 2019 by 3.3% compared to 2.1% in 2018. Saudi Arabia recorded a budget surplus of US$ 7.4 billion during the first quarter of 2019, the first surplus registered by the Kingdom since the decline of oil prices in 2014.

Emerging markets equities in 2019 tumbled slightly, underperforming developed markets, impacted by Covdi-19 pandemic. In addition, a strong US Dollar proved to be on additional headwind. In 2019 performance of MSCI World Index registered a positive performance of 27.67% compared to a negative performance of 8.71% in 2018. However, performance of MSCI Emerging Markets Index reported 18.42% increase compared to a negative performance of 14.57%, in 2018. In Q 1 2020, Emerging Markets Index decreased in value and underperformed the MSCI World Index which lost -21.1%. There has been considerable recovery in global equities prices since then.

Coronavirus (Covid-19) Impact

With the inception of Coronavirus pandemic, the entire world has been facing unprecedented disruptions. Millions have been left out of job - in the US 36 million. The bulk of world's workforce remain at home, world output has shrunk drastically. Covid-19 pandemic has brought changes to lifestyle and business that may remain even after the threat abates. World tourism, Airline industries, Oil prices, Textiles around the world and other sectors have been affected severely. This has affected all countries. And all of them at once and in every aspect possible - not just financial. IMF has predicted that the global GDP of US$ 88 trillion, to shrink during 2020 by 3% in a Coronavirus driven collapse of activity that will mark the steepest downturn since the Great Depression of the 1930's. The IMF served as a reminder that it could be a lot worse than what we have seen in recent decades. The world to run large budget deficits and current account deficits, borrowing is increasing at an alarming rate, but very low bond yields make the task easier. Economists are of the view that if the Coronavirus era is not over by August 2020, global economy will face a depression that the world has not seen, not even in the 1930's Great Depression, hence recovery will take years.

The US economy declined by 4.8% in Q 1, 2020, dragged down by the pandemic's grip. Economists expect the US economy to decline by over 4.8% by end of 2020. In response to ease the situation, the US Fed has allocated a sum of $ 2 trillion to push the economy from sinking into recession. The EU GDP is expected to contract by 8%-12% in 2020 as a result of Covid-19. The EU

have set up a fund of $ 750 billion, designed to help the most vulnerable EU states recover from the deep economic scars left by the pandemic.

According to latest IMF projections, in the face of a global recession, China looks set to be one of the few countries that its economy will grow by just over 1% in 2020.

In May 2020, KSA has implemented austerity measures among which raising VAT from 5% to 15%, amid Covide-19 economic slump and loss of about half of its oil income, which contributes about 70% of public revenue, as oil prices have fallen two-third since the beginning of 2020. The IMF in April 2020 projected that economy of KSA would contract by 2-3% in 2020.

In 2019 the Group achieved a net profit after tax of $ 33.8 million compared with a loss in 2018 of $ 44.9 million, Net profit attributable to Unitholders amounted to $ 12.7 million (2018 – loss $ 27.5 million). This result is primarily attributable to increase in total income by 31.8%, from $ 434.6 million to $ 572.66 million in 2019. The Group suffered amortisation and impairment of goodwill of $ 50 million (2018 - $ 63 million). Despite expansion in retails network by adding 50 branches in 2019, staff and general costs has been reduced by 4%, from $ 192.5 million in 2018 to $ 185.7 million, due to implementation of successful rationalisation programme. Net profit before tax for the year amounted to $ 61.5 million, compared with a loss in 2018 of $ 17.5 million. The Group in 2019 recognized a fair value adjustment of $ 24.6 million (2018 - $ 15.9 million) Due to slide in Pakistani Rupee against the US Dollar, from PKR 139.8 to PKR 154.9, the Group suffered a foreign currency translation loss of $ 9.6 million (2018 - $.22.2 million). Accordingly, the Trust capital has increased from $161 million at the end of 2018 to $175 million in 2019. Similarly, the value of each equity participation unit has increased from $ 40.67 in 2018 to $ 44.30 in 2019.

Due to cost rationalisation and better management control of the situation in respect of liquidation of IICG's Modarabas, the overall situation is being kept under close monitoring.

In the light of the expansion plans in retail banking, considering the economic outlook and pursuing this strategy, and the need to maintain sufficient resources, the Board of Supervisors has therefore resolved not to recommend a dividend in respect of the year ended 31 December 2019 at the Annual General Meeting.

Ithmaar Holding BSC ("Ithmaar") is regulated by the Central Bank of Bahrain and its shares are listed on the Bourse of Bahrain, Boursa Kuwait, and Dubai Financial Market. Ithmaar is a key subsidiary in which the Group owns 46.49% interest. Despite the severe competition, Ithmaar has successfully devised a series of rewarding measure which resulted in improving the net yield and enhanced the net operating income by 14% to $ 296 million from $ 260 million in 2018. Net profit for the year before minority interest amounted to $ 12 million compared with $ 10 million in 2018. In 2018, IB Capital BSC (c) acquired a controlling interest 55.42% in Solidarity Group Holding B.S.C. (c), with a net equity of US$ 186 million, a group offering a wide range of Takaful insurance services and related products in the Middle East. The new organization of Ithmaar, will further focus its efforts, allowing the Group to take advantage of new growth opportunities, and further consolidating Group's share in Takaful insurance.

In 2019, Ithmaar turned into profit and achieved a net profit attributed to shareholders of $ 700K, compared with a loss of $ 24 million in 2018. In 2019 Ithmaar recognized an impairment on goodwill and amortisation of intangibles of $ 30 million and an impairment on investments of $ 32 million (2018- $ 55.3 million). This reaffirms Board of Supervisors' view of the new organisation and the outlook.

During 2019, Ithmaar has continued yielding the strategic decision through continuous efforts to improve its products, innovation and services, while rationalising costs, enhance its customer service offerings and enhancing its network. Ithmaar will continue focusing on the core retail banking business.

Faysal Bank Limited, Pakistan ("FBL") which is 66.7% owned by Ithmaar Bank, has continued expansion of its retail network in Pakistan. FBL achieved a net profit after tax of PKR 6 billion ($ 40 million) compared with PKR 4.8 billion ($39.6 million) in 2018. The exchange rate of PKR against the US Dollar declined from 139.8 in December 2018 to 154.87 by end of 2019. FBL's result

was the achievement of timely and effective measures taken for maintaining core revenue in line with improvement on banking spreads and profitability. Total assets registered an increase of 5% in local currency term, from PKR 600 billion ($ 4.3 billion) at 31 December 2018 to PKR 630 billion ($ 4.1 billion) at 31 December 2019. During the year, FBL made concentrated efforts to acquire low cost CASA deposit (current and saving accounts), resulting in an increase in CASA by 16% from PKR 282 billion ($ 2.0 billion) in 2018 to PKR 324 billion ($2.1 billion) in 2019 – achieving CASA ratio of 71%. Similarly, total deposits registered an increase by 12% over 2018, from PKR 409 billion (US$ 2.9 billion) to PKR 458 billion ($3.0 billion) in 2019.

In line with the growth strategy of FBL, retail banking reorganised its management structure and distribution networks to strengthen and optimise growth. In 2019 FBL successfully invested in network expansion and worked towards improving efficiencies to enhance deposits share. FBL has successfully undertaken one of the largest conversions in Pakistan is expected to be completed by end of 2020. In addition, FBL implemented Environmental Risk Rating model and implemented Environmental Risk Management framework. Branch Led model was initiated for leveraging the strength of distribution channels, for promoting commercial and SME business while maximising benefit of digitalisation.

In the light of series of measures taken by FBL during 2019, FBL maintained stable outlook long and short-term credit ratings of AA and A1+, respectively, as reported by two reputable local rating agencies. During 2019, FBL opened 100 new branches to achieve a network of 555 branches of which 414 (75%) are dedicated to Islamic banking. FBL will continue its horizontal growth in branch network, as strengthened by digital banking, in providing easy access to customers. These branches will not only generate low cost core deposits but will also improve the current and saving accounts mix, with the goal to continue reducing the average cost of funding, in line with the peer banks continues to focus on expanding development of new innovative Islamic products, aiming to attracting more low cost deposits and increasing cross-selling and benefiting from the synergies with its wholly owned asset management arm; Faysal Asset Management Ltd.

With the new business structure at FBL, future strategy will continue to focus on conversion of remaining 140 conventional branches, Islamic finance which enjoyed a successful year, taking lead role in several syndications and big-ticket transactions. The Bank is confident that synergies will be captured, and expectations of its shareholders will be met. Reflecting FBL's commitment to provide a better, easier and seamless customer experience, FBL has initiated a comprehensive digital strategy, implementing a new online banking platform, with rapid yet well planned expansion in branch network.

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of $ 19.1 million in 2019 compared to $ 14.8 million in 2018. Shareholder's equity in 2019 increased to $ 76 million compared to $ 63 million in 2018. IICG's total assets reported a decrease by 12%, from $ 99.8 million in 2018, to $ 88.3 million in 2019. The decrease is of primarily due to impairment investment in subsidiaries. On conservative ground, a sum of $15.7 million has been transferred to Contingency Reserve. IICG's Funds Under Management amounted to $ 2.07 billion in December 2019, a marginal decrease of 2% from $ 2.12 billion in 2018, due to partial redemptions to the investors.

Following the directives of the regulatory authorities in the Kingdom of Saudi Arabia in 2015, IICG has continued liquidation of its Modarabas. All assets are under liquidation and distributions to investors, are made proportionately. As the liquidation of the assets progresses, further repayments of Modarabas capital, will be made as and when more assets are liquidated. The overall Group risk in respect of Funds Under Management is under close monitoring.

IICG's 73% owned subsidiary, Gulf Investors Asset Management Company ("GIAMCO"), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, recorded a net loss of $ 0.8 million in 2019 compared to a net loss of $ 1.8 million in the previous year. Total Funds Under Management as at December 31, 2019 amounted to $ 86 million (2018: $86 million). In line with liquidation of IICG's Modarabas, in 2019 the paid-up capital of GIAMCO was reduced by 20%

and refunded to its shareholders. The Board of GIAMCO decided to liquidate GIAMCO's 3 real estate funds during 2020.

Faisal Islamic Bank of Egypt ("FIBE"), 49% owned by Group's managed funds, achieved a remarkable result in 2019. The best performance since incorporation in 1981. The exchange rate for the L.E. against the US Dollar strengthened during 2019, in favour of the L.E., from L.E. 17.869 in 2018 to L.E.15.993 in 2019, in line with improvements in Egyptian economy's indicators. As a result, FIBE maintained its leadership in Islamic banking activities within the Egyptian market and strengthened its competitive position considerably on local and regional levels. Branch network expanded horizontally during 2019 and reached 36 branches, while another branch is planned for 2020. As per new regulatory rules in Egypt, the minimum Capital Adequacy Ratio ("CAR") increased in 2019 to 13.23%. Despite its impact, the banking sector in Egypt appears to have digested the effect of IFRS 9 during 2019, which reflects soundness of the banking sector in Egypt.

FIBE has continued its policy of strengthening its capital base and mitigating the risks related to its activities. As 31 December 2019, the CAR for FIBE reached 22% (2018: 17.13%) compared with a regulatory minimum requirement of 13.23%.

FIBE's net profit after tax in 2019 amounted to L.E. 2,715 million ($ 162 million) compared with L.E. 2,519 million ($ 142 million) in 2018. The result for 2019 represents an impressive increase of 7.8% over 2018. Total assets in 2019 amounted to L.E. 102.7 billion ($ 6.4 billion) represents an increase by 9.6% over December 2018 of L.E. 93.8 billion ($5.2 billion). The equity in 2019 amounted to L.E. 13.4 billion ($ 797 million) compared to L.E. 11.7 billion ($ 656 million) for the previous year. The most important source of funds for the Bank, savings pools and investment certificates (funds under management) increased by 8.8%, from L.E. 79.1 billion ($ 4.4 billion) in 2018, to L.E. 86 billion ($ 5.4 billion) in 2019. The shareholders approved distribution of cash dividend at 8 Cents per share (2018: 8 Cents and 20% bonus shares). FIBE will continue to play a pioneering role in the development of Islamic banking in Egypt and consolidation of its position.

Looking forward to 2020 and beyond, the external environment continues to present some challenges especially in the light of adverse impact of Covid-19 on Egypt in 2020, in which the economy is expected to shrink by 2.1% - 4.8%, and uncertainty in respect of oil price volatility.

The Board of Supervisors will continue to oversee the implementation of the second phase of the Group's strategy, enhancing the utilisation of the capital and improving returns, while strengthening our organisational health and operating efficiency, while expanding Group retails network.

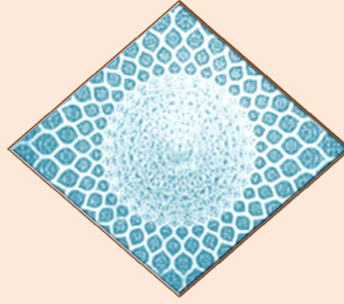
We are optimistic that the investments made have positioned the Group to capture more business. Despite the challenges presented by Covid-19, the coming years will witness acceleration in our digital transformation and expansion in retail network across business and geographies.

I express my gratitude to the entire Group's staff for their hard work, loyalty, commitment and adaptability in a year of significant challenges.

On behalf of the Board of Supervisors, I would like to thank our participants for their continued support, the Religious Board for its counsel and guidance.

Allah is the purveyor of success.

Amr Mohammed Al Faisal



REPORT OF THE RELIGIOUS BOARD

The DMI Trust Religious Board held a meeting in Cairo, Egypt, on Wednesday 25, Shawwal 1441H, corresponding to 17 June 2020.

During the said meeting the Religious Board went through and reviewed the investment operations of DMI and its subsidiaries during the period under review.

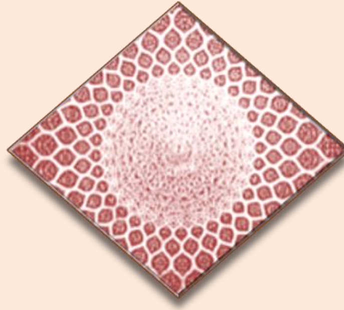
Furthermore the Religious Board reviewed the 2019 balance sheet and financial statements presented to it and after examining and discussing the same, the Religious Board considered that all DMI Group investment activities, projects and banking services undertaken during the year were in conformity with the principles of the glorious Sharia and in line with the standard contracts previously approved by the Religious Board.

The Board expressed its thanks to the DMI Group Management for the correct understanding and implementation of the standard contracts, rulings and directives issued by the Religious Board, complying thereby with principles of the Glorious Islamic Sharia.

The Board wishes further success to the DMI Group.

Allah is the purveyor of success.

Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net profit/(loss)	26.2	(30.9)	4.0	(34.8)	35.1	(28.1)	(36.4)	(14.6)	(27.5)	12.7
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trust capital	420	353	382	322	361	331	295	289	161	175
Return on average capital	6.2%	(8.8)%	1%	(10.8)%	9.7%	(8.5)%	(11.1)%	(5.0)%	(12.2)%	8.6%
Funds under management	8,589	8,098	8,355	8,399	9,009	9,105	9,053	8,705	8,620	8,271
Average number of employees	2,845	4,726	3,978	4,075	3,882	3,628	3,866	4,244	5,516	6,572
Book value per unit	$106.18	$89.24	$96.57	$81.40	$91.26	$83.69	$74.51	$73.06	$40.67	$44.3

Ten-Year Financial Summary

Dar Al-Maal Al-Islami Trust

2019

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Financial Statements

1 January 2019 – 31 December 2019

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REPORT OF THE INDEPENDENT AUDITOR

To the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Independent auditor's report to the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dar Al-Maal Al-Islami Trust (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

Emphasis of matter

We draw your attention to Note 35 to the consolidated financial statements which sets out details of the circumstances and status of various claims against Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), a subsidiary of the Group, amounting to US$ 95.6 million as at 31 December 2019, in respect of its fund management operations. IICG is contesting the validity and jurisdiction of such claims which are in various stages of appeal. Our opinion is not modified in respect of this matter.

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

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Other information

The Board of Supervisors are responsible for the other information. The other information comprises the chairman's message and the report of the religious board but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Supervisors and those charged with governance for the consolidated financial statements

The Board of Supervisors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Supervisors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Supervisors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Supervisors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Supervisors.

- Conclude on the appropriateness of the Board of Supervisors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
24 June 2020

Consolidated Statement of Financial Position as at 31 December

(Thousands of US dollars except participation units)

	Notes	2019	2018
Assets			**(Restated)**
Cash and cash equivalents	5	856,838	630,755
Cash at Central Bank – statutory reserve	5	169,111	167,661
Investments with Islamic institutions		69,380	111,126
Trading securities	6	324,890	360,220
Investments in financings	7	1,587,841	1,836,909
Investment securities	10	1,352,457	1,502,996
Accounts receivable and other financial assets	12	454,142	501,035
Current tax receivable	20	16,197	24,561
Investment property	13	407,895	437,377
Investments in associates	15	689,503	636,886
Property and equipment	16	158,055	63,920
Intangible assets	17	265,125	292,076
Deferred tax assets	20	-	7,106
Total assets		**6,351,434**	**6,572,628**
Equity and liabilities			
Liabilities			
Accounts payable	19	402,994	486,463
Current tax payable	20	1,399	848
Due to customers, banks and other financial institutions	21	5,387,219	5,529,933
Provisions	22	62,090	68,317
Deferred tax liabilities	20	8,757	4,351
Total liabilities		**5,862,459**	**6,089,912**
Equity			
Trust capital attributable to equity participants			
Capital	42	390,316	390,316
Reserves		(215,087)	(229,449)
Total trust capital		**175,229**	**160,867**
Non-controlling interests	33	313,746	321,849
Total equity		**488,975**	**482,716**
Total equity and liabilities		**6,351,434**	**6,572,628**
Number of trust capital participation units		3,955,606	3,955,606
Book value per unit		$44.30	$40.67

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2019	2018
Income			
Fund management and services	34	93,646	91,421
Income from investments with Islamic institutions		13,723	3,794
Net trading income	24	33,953	23,069
Income from investments in financings	25	228,757	181,792
Fee and commission income	26	49,500	48,732
Gains from investment securities	10	105,411	69,835
Income from investments	27	13,219	11,416
Other gains and losses	28	34,451	4,572
		572,660	434,631
Profit paid to financial institutions and customers		(289,766)	(206,388)
Operating income		282,894	228,243
Expenses			
Staff costs	29	(91,527)	(92,868)
General and administrative expenses	30	(94,202)	(99,582)
Depreciation, amortisation and impairment of goodwill	16,17	(50,042)	(63,095)
Exchange loss		(521)	(2,562)
Allowance for impairment	9	(24,548)	(15,870)
Total expenses		(260,840)	(273,977)
Operating gain/(loss)		**22,054**	**(45,734)**
Share of profit of associated companies	15	39,428	28,284
Profit/(loss) for the year before income taxes		**61,482**	**(17,450)**
Taxes	32	(27,707)	(27,418)
Profit/(loss) for the year after income taxes		**33,775**	**(44,868)**
Attributable to:			
Equity participants		12,736	(27,510)
Non-controlling interests	33	21,039	(17,358)
		33,775	**(44,868)**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December

(Thousands of US dollars)

	2019		2018	
	Equity holders	Non-controlling interests	Equity holders	Non-controlling interests
Profit/(loss) for the year	**12,736**	**21,039**	**(27,510)**	**(17,358)**
Items that may be subsequently reclassified to the consolidated statement of income				
Movements in fair value reserves of associated companies	4,443	5,114	(1,255)	(1,444)
Movement in fair value of investments at FVOCI	6,858	13,968	(22,646)	(25,607)
Movements in deferred tax of investments at FVOCI	(1,007)	(2,246)	312	360
Foreign currency translation differences of foreign entities	(9,645)	(22,217)	(21,982)	(46,796)
Items that will not be reclassified to the consolidated statement of income				
Re-measurements of post-employment benefit obligations	-	-	(2,290)	(2,633)
Other comprehensive income/(loss)	649	(5,381)	(47,861)	(76,120)
Total comprehensive income/(loss)	**13,385**	**15,658**	**(75,371)**	**(93,478)**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Note	Paid in capital	Fiduciary reserve	Fair value reserve	Currency translation	Accumulated losses	Contingency reserve	Total	Non-controlling interests	Total equity
At 1 January 2018		390,316	60,000	23,318	11,892	(249,288)	-	(154,078)	416,386	652,624
Loss after income tax		-	-	-	-	(27,510)	-	(27,510)	(17,358)	(44,868)
Total other comprehensive (loss)		-	-	(23,589)	(21,982)	(2,290)	-	(47,861)	(76,120)	(123,981)
Transfers to contingency reserve		-	-	-	-	(11,376)	11,376	-	-	-
Dividend		-	-	-	-	-	-	-	(1,059)	(1,059)
At 31 December 2018		**390,316**	**60,000**	**(271)**	**(10,090)**	**(290,464)**	**11,376**	**(229,449)**	**321,849**	**482,716**
Profit after income tax		-	-	-	-	12,736	-	12,736	21,039	33,775
Increase in shareholding of subsidiary		-	-	-	-	977	-	977	(13,342)	(12,365)
Total other comprehensive income/(loss)		-	-	10,294	(9,645)	-	-	649	(5,381)	(4,732)
Transfers to contingency reserve		-	-	-	-	(15,748)	15,748	-	-	-
Dividend		-	-	-	-	-	-	-	(10,419)	(10,419)
At 31 December 2019		**390,316**	**60,000**	**10,023**	**(19,735)**	**(292,499)**	**27,124**	**(215,087)**	**313,746**	**488,975**

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2019	2018
Cash flows from operating activities			
Profit / (loss) before taxes and non-controlling interests		61,482	(17,450)
Adjustments for:			
Depreciation and amortisation	16,17	50,042	63,095
Fair value adjustments on trading securities	24	(8,677)	3,104
income on retirement benefit plans		-	111
Net trading income	24	(25,276)	(23,039)
Income from associated companies	15	(39,428)	28,284)
Changes in fair value of investment properties	14	1,325	6,769
Provisions for impairment	9,10,16,17,22	(6,384)	(53,920)
Taxes paid	20	(12,635)	(19,728)
Adjusted cash flow before changes in operating assets and liabilities		20,449	20,449
Net increase/(decrease) in investments with Islamic institutions		41,746	(110,930)
Net increase/ (decrease) of trading securities		44,007	(34,653)
Net increase/ (decrease) in investments in financings		255,979	(13,696)
Net increase/(decrease) in accounts and other financial assets		19,647	(67,370)
Net (decrease)/increase in accounts payable, excluding taxes		(83,469)	118,469
Cash at central banks - statutory reserve		5,632	16,092
Net (decrease) in due to customers, banks and other financial institutions		(142,714)	(108,331)
Net cash generated from/(used in) operating activities		161,277	(269,761)

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER (CONTINUED)

(Thousands of US dollars)

	Notes	2019	2018
Cash flows from investing activities			
Purchase of investment property	13	-	(14,444)
Sale of investment property	13	-	17,247
Dividends from associated companies	15	45,632	37,387
Net decrease of investment securities		150,539	90,114
Purchase of property, plant and equipment and intangibles	16,17	(29,131)	(53,557)
Sale of property, plant and equipment and intangibles	16,17	1,740	90,645
Sold/Acquired non-current assets via settlements	18	-	385
Net cash generated from investing activities		168,780	167,777
Cash flows from financing activities			
Dividend paid to owners of the parent		(26)	(427)
Dividends paid to non-controlling interests		(532)	(796)
Net cash used in financing activities		(558)	(1,223)
Foreign currency translation adjustments		(103,416)	(103,382)
Net increase/(decrease) in cash and cash equivalents		**226,083**	**(206,589)**
Cash and cash equivalents at beginning of year		630,755	837,344
Cash and cash equivalents at end of year		**856,838**	**630,755**

The notes on pages 22 to 87 form an integral part of these consolidated financial statements.

1. Formation and activities

Dar Al-Maal Al-Islami Trust (DMI) was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and traditions. DMI subsidiaries and associates offer a wide range of Islamic financial services including investment, commercial and private banking, private equity, public and private issue of securities, mergers and acquisitions advice, takaful, equipment leasing real estate development and modarabas which are similar to investment funds. The modarabas, being separate entities, do not have their funds consolidated in the annexed financial statements. They are included in off-balance sheet accounts as disclosed in note 34.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of DMI and its subsidiaries (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations. The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of assets at FVOCI, trading securities, financial assets held at fair value through profit or loss, derivative instruments and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Impact of new accounting pronouncements

New standards, amendments and interpretations effective for the financial year beginning 1 January 2019

IFRS 16 'Leases' - This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below.

IFRS 17- 'Insurance Contracts' (effective 1 January 2023). IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how the Company account for its financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by the company.

There is a modification of the general measurement model called the 'variable fee approach'.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Summary of significant accounting policies

Impact of new and amended standards adopted by the Group on the financial statements

Leasing

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. As indicated above, the Group has adopted IFRS 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Group recognised lease liability in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. This liability was

measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liability on 1 January 2019 was 6% per annum.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedient permitted by the standard:

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of lease liability

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 determining whether an arrangement contains a Lease.

	USD'000
	2019
Operating lease commitment disclosed as at 31 December 2018	29,844
Discounted using the Group's incremental borrowing rate	(1,749)
Adjustments as a result of a different treatment of extension and termination options	598
Lease liability recognised as at 1 January 2019	**28,693**

Of which are:	USD'000
Current lease liability - note 34	3,273
Non-current lease liability - note 34	25,420

Measurement of right-of-use asset

The associated right-of-use asset for lease was measured on a retrospective basis as if the new rules had always been applied. Right-of use asset was measured at the amount equal to the lease liability in the statement of financial position as at 1 January 2019.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Costs associated with the restructuring of a subsidiary as a part of the acquisition or subsequent to the acquisition are included in the consolidated statement of income upon the date of commitment.

(b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill

(net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in OCI of the investee is recorded in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounts for associated companies have been restated to conform with Group accounting policies, if necessary, except as otherwise disclosed.

Where a subsidiary or an associated company is acquired and held exclusively with a view to its disposal within the next twelve months, the subsidiary or associated company is classified as an investment held for sale in the Group's consolidated financial statements.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in United States dollars, which is DMI's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income, except where hedge accounting is applied.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component in the statement of comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other effective hedged portions of currency instruments designated as hedges of such investments, are taken to the statement of other comprehensive income on consolidation. When a foreign operation is sold, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised in the consolidated statement of financial position at fair value and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, discounted cash flow models, and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in trading income.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains and losses reported in the consolidated statement of income.

Income from investments with Islamic institutions and investments in financings

Income from investments with Islamic institutions and investments in financings are both contractually determined and quantifiable at the commencement of the transaction, are accrued on the effective return method basis over the period of the transaction. Where income is not contractually determined or quantifiable, it is recognised when reasonably certain of realisation or when realised.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, income is thereafter recognised using the rate of return used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and other income from banking services are recognised on an accrual basis as the service is performed, when it is probable that associated economic benefits will flow to the Group and a reliable estimate of amount can be made. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or liability are included in the measurement of the effective profit rate.

Other fees and commission income earned and expense incurred from the provision of services are recognised as revenue and expense, as and when the services are rendered.

Foreign exchange income on foreign exchange transactions undertaken on behalf of customers is recognised as and when these transactions are completed.

Asset management fees related to investment funds are recognised over the period the service is provided and are recorded in fund management and services income when capable of being reliably measured.

Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for trading or investment securities. The counterparty liability for amounts received under these agreements is included in customer investment accounts. The difference between the sale and repurchase value is accrued over the period of the contract and recorded as expense in the consolidated statement of income.

Securities purchased under agreement to resell (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included under investments in financings. The difference between the contracted price and the resale price is amortised over the period of the contract and is recognised as income in the consolidated statement of income.

Obligations for the return of securities or for forward sales, which are a part of the repurchase agreements, are recognised as commitments as disclosed in note 37.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill on subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or the value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits

exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their useful lives.

(c) Other acquired intangible assets

Other acquired intangible assets determined to have finite lives, such as core deposits and customer relationships, are amortised on a straight line basis over their estimated useful lives of up to twenty years. The original carrying amount of core deposits and customer relationships has been determined by independent appraisers, based on the interest differential on the expected deposit duration method.

Investment property

Investment property principally comprises office buildings and plots of land which are held to earn rental income or for long term capital appreciation or both. Investment property is initially recognised at cost, including transaction expenses. Subsequently, it is carried at fair value, representing open market value determined annually by reference either to external valuers or to other independent valuation sources. Changes in fair values are recorded in the consolidated statement of income and are included in other income. Investment property also include development properties which are carried at cost.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Land is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Building: 50 years
Leasehold improvements:
over the period of the lease or useful life
Furniture, equipment and motor
vehicles: 3-10 years

Depreciation is calculated separately for each significant part of an asset category. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each statement of financial position date.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and renewals are charged to the consolidated statement of income during the financial period in which they are incurred.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts. These are included as other operating income or expenses in the consolidated statement of income.

Right of use assets and lease liabilities

The Group lease consists of office spaces. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leased office spaces were classified as operating leases. From 1 January 2019, leases were recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities includes the net present value of the lease payments for fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the leases. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing. Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities and;

- any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Extension and termination options

Extension and termination options are included in the lease for the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Rental expense under operating leases is charged to profit or loss over the period of the respective lease.

Leases until 31 December 2018

Total payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group company is the lessee of property, plant and equipment and the Group has substantially all the risks and rewards of ownership, they are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The profit element of the finance cost is charged to the consolidated statement of income over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

When a Group company is the lessor and assets are held subject to a finance lease, the value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the statement of financial position date.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups). Its sale must be planned and committed and an active programme initiated to locate a buyer and complete the plan within one year. The asset (or disposal group) must be actively marketed for a price that is reasonable in relation to its current fair value.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the consolidated statement of income for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group held for sale.

The Group separately classifies the material non-current assets held for sale (or disposal group) in the consolidated statement of financial position. Furthermore, all major classes of assets and liabilities are disclosed. Any cumulative income or expense is disclosed as a separate item within equity. Prior period amounts are not re-presented to reflect the classification of the assets (or disposal group) in the current period.

Non-current assets, which are to be abandoned, are not classified as held for sale and are reclassified as discontinued operations, to the extent they meet the requirements of discontinued operations in the paragraph which follows.

If a non-current asset (or disposal group) ceases to be classified as held for sale or as discontinued operations, the results of operations are reclassified and included in the consolidated statement of income from continuing operations for all periods presented.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major

line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Due to banks and financial institutions

Due to banks and financial institutions are initially recorded at fair value and subsequently measure at amortised cost using the effective return method.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective return method.

Insurance liabilities

Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs and reduction for the expiated value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the statement of financial position date. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Unexpired risk

The provision for unexpired risk represents premiums received for risks that have not yet expired. The reserve is matched with the premiums earned and realised.

Liability adequacy test

At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an additional unexpired risk provision is created.

Retirement benefit plans

The Group operates a number of defined benefit pension plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group’s contributions to defined contribution pension plans are charged in the consolidated statement of income in the year to which they relate.

Taxation

Taxes are provided and charged in the consolidated statement of income on the basis of the estimated tax expense payable currently and in future years, arising in respect of the results of current operations.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at

the date of the statement of financial position in the countries where the Group's subsidiaries and associates operate.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their respective carrying values for financial reporting purposes. The amount of deferred taxes on these differences is determined using the provisions of local tax laws, including rates, and is adjusted upon enactment of changes in these laws. Provision is made for potential taxes which could arise on the remittance of retained overseas earnings where there is a current intention to remit such earnings.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised.

Deferred tax related to fair value remeasurement of investments available-for-sale which is charged or credited directly to the statement of comprehensive income, is also credited or charged directly to statement of comprehensive income and is subsequently recognised in the consolidated statement of income together with the deferred gain or loss.

Deferred tax related to fair value remeasurement of investment property, which is charged or credited to the consolidated statement of income, is also charged or credited to the consolidated statement of income.

Trust capital and treasury stock

Dividends on participation units

Dividends on participation units are recognised in Trust capital in the period in which they are declared.

Treasury stock

Where DMI purchases its own capital or obtains rights to purchase its own capital, the consideration paid is shown as a deduction from Trust capital.

Fiduciary risk reserve

The fiduciary risk reserve is a component of Trust capital and is established by an appropriation of net results, other reserves or by a transfer from paid in capital, for the financial year. The fiduciary risk reserve is not distributable and was created by the Board of Supervisors on their discretion.

Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments, unless payment is probable.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, including cash and non-restricted balances with central banks, amounts due from other banks and short term government securities.

Fiduciary activities

The Group through its asset management subsidiary provides fund management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Income arising from fund management and advisory services comprises the revenues earned from the management of the funds in the modarabas accrued on the basis of the terms and conditions of the related management agreements. Funds under management represent amounts invested by clients and placed with funds managed by the Group.

Financial assets:

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPP), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance.

Profit from these financial assets is included in profit and similar income' using the effective profit rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the asset's cash flow represents solely payments of principal and profit, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in consolidated statement of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated statement of income and recognises in 'Net investment income'. Profit from these financial assets is included in profit income' using the effective profit rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of income within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are net held for trading, in which case they are presented separately in Net investment income'. Profit from these financial assets is included in profit using effective profit rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments; cash flows represent solely payments of principal and profit (the 'SPPI' test). In making the assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that inconsistent with a basis lending arrangement, the related financial assets is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual profit in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investment, continue to be recognised in consolidated statement of income as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the 'Net trading income' line in the consolidated statement of income.

Impairment

The Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual profit.

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to derivatives.

Decrecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Determining criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Fair value of investment properties

The Group may from time to time hold investment properties which are carried at fair value, representing open market value determined annually by reference either to external valuers or to other independent valuation sources.

Income taxes

The Group is subject to income taxes in some jurisdictions. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Consolidation of entities in which the Group holds less than 50%

The Group considers it has de facto control of Ithmaar Holding B.S.C. even though it has less than 50% of the voting rights. The Group is the majority shareholder with a 46.49% equity interest. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continues to consolidate Ithmaar Holding B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10. There is no history of other shareholders forming a group to exercise their votes collectively.

The de facto control of Ithmaar Holding BSC is constantly assessed for changes in shareholding which may impact this assessment.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The determination of whether an outflow is probable and the amount, which is assessed by Group management, in conjunction with the Group's legal and other advisors, requires the judgement of the Group's management.

Impairment of associated companies

The Group assesses at each statement of financial position date whether there is objective evidence that its investments in associated companies are impaired. In general, an investment in an associated company is impaired and an impairment loss incurred when the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is defined as the higher of its fair value less costs to sell and its value in use.

On assessing its investments for impairment at the year end, the Group has relied upon cash flow projections as approved by the board of the underlying associates that are based upon judgements and estimates related to future events which ultimately could have a significant impact on the recoverable amounts of these investments in the consolidated financial statements.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on estimated future cash flows and comparisons with market multiples. These calculations require the use of estimates, which are subject to judgement. Changes in the underlying assumptions may impact the reported numbers.

Ithmaar Holding BSC

During 2019 and 2018 the Group used a sum-of-the-parts approach to arrive at a business value of the Ithmaar Holding B.S.C. CGU as Ithmaar Holding B.S.C did not had any independent cash flow generating activity at its own level. Management has considered both PB multiple and value in use calculation for the impairment assessment.

Level 2 PB multiple valuation method were used instead of Level 1 listed share price as it did not consider that an active market existed for the shares of Ithmaar as the trading activity in the past years have been very minimal.

The valuation methodology for the separately identified parts at Ithmaar Holding B.S.C. level based on the operational activities is the following:

- Formerly Shamil Bank: residual income based on discounted cash flows; (2018: residual income based on discounted cash flows);
- Faysal Bank Limited: distributable income based on discounted cash flows; (2018: distributable income based on discounted cash flows);
- BBK: Based on Market Approach using Comparable Companies Multiple Method ("CCM") (2018: Market Approach using CCM method).

Ithmaar Holding B.S.C. residual assets: investments measured at their carrying value adjusted for fair value changes.

Management has also considered PB multiple approach for further assessing the impairment for both Ex-Shamil and Faysal Bank Limited. The resultant impairment based on lower end PB multiple and the additional stress test, has been recorded.

Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

4. Financial instruments

A. Strategy in using financial instruments

By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts investments from customers at varying rates of return and for various periods and seeks to earn above average profits by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short term funds and investing for longer periods at higher return potential whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its profit margins by obtaining above average margins, net of provisions, through transactions with its commercial and retail customers. Such exposures involve not just on-balance sheet Islamic financings but the Group also enters into Islamically acceptable guarantees and other commitments such as letters of credit and performance and other bonds.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short term market movements in the equity and bond markets and in currency and profit rates. The individual subsidiary's boards place trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and profit rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The Group utilises the following derivative instruments for both hedging and non-hedging purposes.

(i) Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions; (ii) equity futures are contractual obligations to receive or sell shares on a future date at a specified price established in an organised financial market; and (iii) equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of shares at a predetermined price. In consideration for the assumption of the risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter).

B. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

(i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To maintain a strong capital base to support the development of its business; and

(iii) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate.

DMI itself does not engage in banking business and is therefore not required to comply with any minimum capital adequacy requirements. The regulatory capital requirement are applicable to Ithmaar Bank BSC(C) which is 100% owned subsidiary of Ithmaar Holding.

Ithmaar Bank has not complied with the requirements of the Central Bank of Bahrain's Rulebook Volume 2 "Licensing requirements" which states that an Islamic retail bank licensee must maintain a minimum total shareholders' equity of BHD 100 million. Faysal Bank Limited and Solidairty Group Holding B.S.C © has complied with its regulatory capital requirement. As at the reporting date other subsidiaries within DMI group do not have any specific regulatory capital requirement.

In order to maintain or adjust capital, the Group may adjust the amounts of dividends paid to equity participants, issue new equity or sell assets. The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as due to banks and financial institutions less cash and cash equivalents. Total capital is calculated as equity as shown on the face of the consolidated financial statements.

The Group's debt-to-equity ratios for the given years were as follows:

	2019	2018
Total debt (Note 21)	1,293,640	1,554,059
Less: Cash and bank balances	(1,025,949)	(798,416)
Net debt	267,691	755,643
Total equity	**174,875**	**160,867**
Debt-to-equity ratio	153%	470%

C. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by individual entities within the Group under policies approved by their respective Boards of Directors. The Boards provide written principles for overall management, as well as written policies covering specific areas, such as market rate risk, credit risk and use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit, liquidity and market risk. Market risk includes currency risk, profit rate and other price risk.

D. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, client or market counterparties fail to fulfil their contractual obligations to the Group.

Credit risk arises mainly from cash and cash equivalents, investments in islamic institution, investments in financing, investment securities (amortised cost and FVOCI) and accounts and other financial assets and cash at Central Bank.

Credit risk measurement

Investments in financings (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is consistent with the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group use internal rating models tailored to the various categories of counterparty. In addition, the models enable expert judgement from the management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in light of all actually observed defaults. The Group's internal rating scale are set out below:

Ratings	Description of the class	External rating: Standard & Poor's equivalent
1-5	Investment grade	AAA, AA+, AA- A+, A-, BBB+, BBB, BBB-
6-10	Standard monitoring	BB+, BB, BB-, B+, B, B-, CCC to C
11-12	Sub-standard	D

Expected credit loss measurement

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, Credit Conversion Factor (CCF) and discount rate. For portfolios wherein instrument level information is not available, the Group carries out ECL estimation on a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

i Probability of default (PD);

ii Loss given default (LGD);

iii Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group has internally estimated the LGD. The LGD in further will be computed based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount currently outstanding.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL). Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Significant increase in credit risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

For the Corporate portfolio, the Group assess for significant increase in credit risk (SICR) at a counterparty level as the internal rating is currently carried out at a counterparty level and a rating is not assigned at facility level. The Group maintains a facility level rating being the counterparty's internal rating at date of facility origination and date of assessment.

For the Retail portfolio, the Group currently manages its retail portfolio at a facility level, therefore assessment for SICR on the retail portfolio is done on a facility level. Days past due (DPD) of individual facilities will reflect on the counterparty SICR assessment.

Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, restructuring, expert credit judgement and, where possible, relevant historical experience.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since

the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews and validations.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.
- Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 more is used as stage 3.

Non-Retail

The Group has set out the following definition of default.

Non-retail customers with the following characteristics:

- All or any of the facilities in which any instalment or part thereof is outstanding for a period of 90 days or more;
- All or any of the facilities put on non-accrual status (i.e. profit suspended);
- All or any of the facilities wherein 'specific provision' is set aside individually;
- Event driven defaults such as declaration of bankruptcy, death of borrower (in absence of succession plan or professional management), and other specific events which would significantly impact the borrower's ability the Group.

The Group will not consider the 90 days past due criteria in cases of technical defaults (e.g. facilities marked as 90+DPD due to administrative reasons and not credit related concerns and there is no dispute regarding repayment).

Retail

The Group has set out the following definition of default:

- All facilities in which any instalment or part thereof is outstanding for a period of 90 days or more.

The Group will not consider the 90 days past due criteria in cases of technical defaults (e.g. facilities marked as 90+DPD due to administrative reasons and not credit related concerns and there is no dispute regarding repayment).

Forward-looking information incorporated in the ECL models

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group annually source macro-economic forecast data from the International Monetary Fund (IMF) database for the relevant exposure country.

Macro-economic variables checked for correlation with the probability of default for the past five years and only those variables for which the movement can be explained are used. Management judgement is exercised when assessing the macroeconomic variables. The macro economic variables used for PD modelling include, among others, GDP, population and net lending.

Generating the term structure of PD

Credit risk grades and days past due (DPD) are primary inputs into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of borrower, days past due and as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP, Net Lending and Population.

Based on consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

For Corporate portfolio, through the yearly review of the corporate portfolio, the Group observes yearly performances to compute a count based PD over the one-year horizon for the past 5 years. These PDs are grouped as per internal risk ratings (i.e. from 1 to 7). An average default rate of the 5 yearly observed default provides the through the cycle PDs.

The retail portfolio is segmented based on products that exhibit distinguished behavior into the following categories:

- Auto finance;
- Mortgage finance;
- Personal Finance and
- Credit cards.

PDs for each segment are measured using Observed Default Estimation and thus PD is calculated based on DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

The PD's derived are adjusted with forward looking information based on macro-economic variables and calibrated to derive the final PD's separately for Corporate and Retail portfolio.

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	2019 ECL staging				**2018**
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000	**Total** USD'000
Investment grade					
Low Risk (1-3)	1,125,769	52,794	-	1,178,563	952,505
Acceptable risk (4-6)	2,644,250	-	-	2,644,250	3,693,641
Watch list (7)	-	55,778	-	55,778	44,491
Non-performing (8-10)	-	-	606,514	606,514	89,206
Loss allowance	**(91,090)**	**(14,852)**	**(524,965)**	**(630,907)**	**(618,608)**
Carrying amount	**3,678,929**	**93,720**	**81,564**	**3,854,213**	**4,161,235**

Collateral and other credit enhancements

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The fair value of the collateral held as at 31 December 2019 amounts to USD 2,036,776 (2018: to USD 3,608,111).

Loss allowance

The following table explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	2019			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Amortised cost				
Cash and cash equivalents				
Loss allowance as at 1 January	(143)	-	-	(143)
Loss allowance as at 31 December	(143)	-	-	(143)
Investments in financing				
Loss allowance as at 1 January	(99,996)	(10,109)	(245,025)	(355,130)
Net financial assets originated	14,627	(5,518)	(2,196)	6,913
FX and other movements	2,551	895	9,240	12,686
Write-offs	-	-	6,762	6,762
Loss allowance as at 31 December	(82,818)	(14,732)	(231,219)	(328,769)
Accounts receivable and other financial assets (excluding derivative financial instruments)				
Loss allowance as at 1 January	(1,931)	(17)	(61,922)	(63,870)
Net financial assets originated	(230)	(116)	(4,485)	(4,831)
FX and other movements	39	13	1,034	1,086
Loss allowance as at 31 December	(2,122)	(120)	(65,373)	(67,615)
Financial assets at amortised cost				
Loss allowance as at 1 January	(19,560)	-	-	(19,560)
Net financial assets matured	19,560	-	-	19,560
Loss allowance as at 31 December	-	-	-	-

	2019			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Fair value through other comprehensive income (FVOCI) Investment securities				
Loss allowance as at 1 January	(103)	-	(179,802)	(179,905)
Net financial assets originated	(5,960)	-	(11,119)	(17,079)
FX and other movements	56	-	(44,877)	(44,821)
Loss allowance as at 31 December	(6,007)	-	(235,798)	(241,805)

	2018			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Investments in financing				
Loss allowance as at 1 January	(103,198)	(11,415)	(311,526)	(426,139)
Net financial assets originated	765	1,107	12,009	13,881
FX and other movements	2,437	199	54,492	57,128
Loss allowance as at 31 December	(99,996)	(10,109)	(245,025)	(355,130)
Accounts receivable and other financial assets (excluding derivative financial instruments)				
Loss allowance as at 1 January	(656)	-	(63,747)	(64,403)
Net financial assets originated	(1,275)	(17)	(3,399)	(4,691)
FX and other movements	-	-	5,224	5,224
Loss allowance as at 31 December	(1,931)	(17)	(61,922)	(63,870)
Financial assets at amortised cost				
Loss allowance as at 1 January	(19,185)	-	-	(19,185)
Net financial assets originated	(375)	-	-	(375)
Loss allowance as at 31 December	(19,560)	-	-	(19,560)

	2018			
	Stage 1	Stage 2	Stage 3	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Fair value through other comprehensive income (FVOCI) Investment securities				
Loss allowance as at 1 January	(94)	-	(155,515)	(155,609)
Net financial assets originated	(9)	-	(24,287)	(24,296)
Loss allowance as at 31 December	(103)	-	(179,802)	(179,905)

Gross carrying amount

The following table further explains the changes in the gross carrying amount from 1 January to 31 December 2019:

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2019	631,017	-	-	631,017
Net financial assets originated	225,964	-	-	225,964
Gross carrying amount as at 31 December 2019	856,981	-	-	856,981
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2019	111,126	-	-	111,126
Net financial assets matured	(41,746)	-	-	(41,746)
Gross carrying amount as at 31 December 2019	69,380	-	-	69,380
Investments in financing				
Gross carrying amount as at 1 January 2019	1,794,963	70,086	326,990	2,192,039
Net financial assets matured	(351,167)	71,632	4,106	(275,429)
Gross carrying amount as at 31 December 2019	1,443,796	141,718	331,096	1,916,610

	2019			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Amortised cost				
Accounts and other financial assets (excluding derivative financial instruments)				
Gross carrying amount as at 1 January 2019	394,892	52,255	78,665	525,812
Net financial assets matured	(33,849)	827	247	(32,775)
Gross carrying amount as at 31 December 2019	361,043	53,082	78,912	493,037
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2019	167,685	-	-	167,685
Net financial assets originated	1,426	-	-	1,426
Gross carrying amount as at 31 December 2019	169,111	-	-	169,111
Investment securities at FVOCI				
Gross carrying amount as at 1 January 2019	897,620	301,748	308,133	1,507,501
Net financial assets matured	(32,624)	(35,302)	(10,435)	(78,361)
Gross carrying amount as at 31 December 2019	864,996	266,446	297,698	1,429,140
Amortised cost				
Investment securities				
Gross carrying amount as at 1 January 2019	187,200	-	-	187,200
Net financial assets matured	(22,078)	-	-	(22,078)
Gross carrying amount as at 31 December 2019	165,122	-	-	165,122

The following table further explains the changes in the gross carrying amount from 1 January to 31 December 2018:

	2018			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL USD'000	**Lifetime ECL** USD'000	**Lifetime ECL** USD'000	**Total** USD'000
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2018	837,344	-	-	837,344
Net financial assets matured	(206,470)	-	-	(206,470)
Gross carrying amount as at 31 December 2018	630,874	-	-	630,874
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2018	196	-	-	196
Net financial assets originated	110,930	-	-	110,930
Gross carrying amount as at 31 December 2018	111,126	-	-	111,126
Investments in financing				
Gross carrying amount as at 1 January 2018	1,679,866	75,414	371,150	2,126,430
Net financial assets originated	115,097	(5,328)	(44,160)	65,609
Gross carrying amount as at 31 December 2018	1,794,963	70,086	326,990	2,192,039

	2018			
	Stage 1	Stage 2	Stage 3	
	12-month ECL USD'000	Lifetime ECL USD'000	Lifetime ECL USD'000	Total USD'000
Amortised cost				
Accounts and other financial assets (excluding derivative financial instruments)				
Gross carrying amount as at 1 January 2018	87,691	52,255	63,747	203,693
Net financial assets originated	307,201	-	14,918	322,119
Gross carrying amount as at 31 December 2018	394,892	52,255	78,665	525,812
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2018	171,113	-	-	171,113
Net financial assets originated	(3,428)	-	-	(3,428)
Gross carrying amount as at 31 December 2018	167,685	-	-	167,685
Investment securities at FVOCI				
Gross carrying amount as at 1 January 2018	864,267	416,063	259,031	1,539,361
Net financial assets (matured)/ originated	(129,473)	41,294	(12,798)	(100,977)
Gross carrying amount as at 31 December 2018	734,794	457,357	246,233	1,438,384
Fair value through profit or loss (FVTPL)				
Trading securities				
Gross carrying amount as at 1 January 2018	391,729	-	-	391,729
Net financial assets originated	45,382	-	-	45,382
Gross carrying amount as at 31 December 2018	437,111	-	-	437,111
Financial assets carried at amortised cost				
Investment securities				
Gross carrying amount as at 1 January 2018	141,445	-	-	141,445
Net financial assets originated	45,755	-	-	45,755
Gross carrying amount as at 31 December 2018	187,200	-	-	187,200

Write-off policy

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on a collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Group may however write-off financial assets that are still subject to enforcement activity.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL in case of financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

E. Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in currency, equity, profit rate and other products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks, arising from trading and non-trading activities, are monitored by individual entities within the Group. Regular reports are submitted to management.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's available-for-sale investments and held-to-maturity investments.

(a) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The boards of directors of individual entities within the Group set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Currency risk

Assuming that all other variables held constant, the impact of currency risk on the consolidated statement of income and comprehensive income and consolidated statement of changes in equity based on reasonable shift is summarised below:

	USD/EUR	USD/PKR
At 31 December 2019		
Total currency exposure	(244,647)	(196,829)
Reasonable shift	2.99%	7.51%
Total effect on income	(7,315)	(14,762)
At 31 December 2018		
Total currency exposure	(183,096)	(118,258)
Reasonable shift	3.08%	2.60%
Total effect on income	(5,639)	(3,075)

The basis for calculation of the reasonable shift is arrived at by comparing the foreign exchange spot rate at 31 December as compared to the one-year forward rate for the same period.

(b) Profit rate risk

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates. Movement in the market profit rates may affect the earnings of the Group.

The profit rate exposure taken by the Group arises from investing in corporate, small-medium enterprises, consumer financing, investment banking and inter-banking activities where variation in market profit rates may affect the Profitability of the Group.

The risk is managed by the management of individual entities. The profit rate dynamics are reviewed at regular intervals and repricing of assets and liabilities are adjusted to ensure that the spread of the subsidiary remains at an acceptable level.

The financings and deposits of the Group are broadly linked to the market variable rates and thus get automatically repriced on a periodic basis based on profit rate scenarios.

Profit rate risk

The table below summarises the Group's exposure to profit rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or settlement dates.

At 31 December 2019

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and bank balances	366,713	-	-	-	-	659,236	1,025,949
Investments with Islamic institutions	9,957	8,169	37,169	12,241	-	1,844	69,380
Trading securities	172	201,257	46,303	3,918	-	73,240	324,890
Investments in financings	707,106	70,288	293,018	688,670	373,217	(544,458)	1,587,841
Investment securities	314,558	525,778	233,413	18,183	-	260,525	1,352,457
Accounts and other financial assets	-	-	-	-	-	257,179	257,179
Total financial assets	1,398,506	805,492	609,903	723,012	373,217	707,566	4,617,696
Liabilities							
Due to customers, banks and other financial institutions	1,806,330	471,001	515,091	43,684	13,126	2,537,987	5,387,219
Accounts payable			1,872	25,420	-	375,702	402,994
Total financial liabilities	1,806,330	471,001	516,963	69,104	13,126	2,913,689	5,790,213
Total repricing gap	(407,824)	334,491	92,940	653,908	360,091	(2,206,123)	(1,172,517)

At 31 December 2018

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and bank balances	178,845	-	-	-	-	619,571	798,416
Investments with Islamic institutions	25,371	6,947	68,062	10,730	-	16	111,126
Trading securities	3,872	-	277,474	4,695	-	74,179	360,220
Investments in financings	560,278	264,892	358,363	506,080	136,240	11,056	1,836,909
Investment securities	490,554	524,228	284,002	13,287	1	190,693	1,502,765
Accounts and other financial assets	-	3	-	-	-	487,508	487,511
Total financial assets	1,258,920	796,070	987,901	534,792	136,241	1,383,023	5,096,947
Liabilities							
Due to customers, banks and other financial institutions	2,021,986	759,953	1,093,863	22,200	-	1,631,931	5,529,933
Accounts payable	-	-	-	-	-	486,463	486,463
Total financial liabilities	2,021,986	759,953	1,093,863	22,200	-	2,118,394	6,016,396
Total repricing gap	(763,066)	36,117	(105,962)	512,592	136,241	(735,371)	(919,449)

At 31 December 2019	USD	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	(219,839)	313,659	1,486,657
Reasonable shift (+/-)	1.16%	0.04%	0.80%
Total effect on loss (+/-)	(2,550)	110	11,893

At 31 December 2018	USD	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	535,632	320,047	1,000,864
Reasonable shift (+/-)	0.92%	0.00%	4.00%
Total effect on loss (+/-)	4,928	-	40,035

The basis for calculation of the reasonable shift is arrived at by comparing the interbank lending rate at the beginning and the end of the period.

Price risk

Price risk is the risk that the fair values of the equities or the managed funds increase or decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks held at fair value through other comprehensive income.

The table below summarises the impact of increase/decrease of equity indices on the Group's post tax profit for the year and on other components of equity. The analysis is based on the assumptions that equity indices increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the indices.

Other components of equity

	2019	2018
Pakistan stock exchange (+/-10%)	3,134	4,615
Cairo stock exchange (+/-10%)	530	525

Impact on post tax profit

	2019	2018
Bahrain Bourse (+/-10%)	-	136
Saudi Stock exchange (+/-10%)	-	437

F. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group and monitored by management in individual entities within the Group, includes:

(i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Similarly the overall liquidity maintenance is done through monthly maturity gap analysis at balance sheet level. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Group also monitors unmatched medium term assets.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities or settlement dates at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows (except for long term lease liabilities), whereas the Group manages the inherent liquidity risk based on expected cash inflows.

At 31 December 2019

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,512,885	-	-	-	-	1,512,885
Customer investment accounts	944,103	201,374	1,421,200	14,017	-	2,580,694
Due to banks and financial institutions	1,119,441	90,208	61,966	22,025	-	1,293,640
Derivative Financial instruments	-	-	6,670	-	-	6,670
Deferred Income	-	-	181	-	-	181
Accounts payable	105,205	67,032	196,614	27,292	-	396,143
Total liabilities liquidity risk	3,681,634	358,614	1,686,631	63,334	-	5,790,213

At 31 December 2018

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,386,187	59,905	7,567	12,535	3,901	1,470,095
Customer investment accounts	1,061,774	275,890	1,148,501	19,614	-	2,505,779
Due to banks and financial institutions	1,312,787	60,850	135,267	31,850	13,305	1,554,059
Derivative Financial instruments	-	-	702	1,863	2,952	5,517
Deferred Income	4,561	-	139	-	-	4,700
Accounts payable	136,748	161,052	178,446	-	-	476,246
Total liabilities liquidity risk	3,902,057	557,697	1,470,622	65,862	20,158	6,016,396

4. Financial instruments (continued)

The table below presents the expected cash outflow by the Group under off-balance sheet liabilities.

At 31 December 2019

	No later than one year	One-five years	Over five years	Total
Acceptances and endorsements	50,340	8,698	-	59,038
Guarantees and irrevocable letters of credit	335,590	63,354	178,215	577,159
Performance bid bonds	30,449	3,836	2	34,287
Other contingent liabilities	-	239,898	13,201	253,099
Undrawn facilities and other commitments to finance	737,326	-	111,303	848,629
Open foreign currency positions	555,039	-	-	555,039
Repurchased and resale transactions	140,515	-	-	140,515
Total off-balance sheet liabilities	1,849,259	315,786	302,721	2,467,766

At 31 December 2018

	No later than one year	One-five years	Over five years	Total
Acceptances and endorsements	68,491	9,590	-	78,081
Guarantees and irrevocable letters of credit	654,489	78,292	7,677	740,458
Performance bid bonds	46,418	4,142	-	50,560
Other contingent liabilities	-	243,841	13,201	257,042
Undrawn facilities and other commitments to finance	978,442	-	4,054	982,496
Open foreign currency positions	586,522	-	64,139	650,661
Repurchased and resale transactions	444,086	-	-	444,086
Total off-balance sheet liabilities	2,778,448	335,865	89,071	3,203,384

Assets held for managing liquidity risk

The Group holds a diversified portfolio of cash and high-quality high-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios and investment carried at fair value through other comprehensive income.

4. Financial instruments (continued)

Derivative assets and liabilities

The Group's derivatives that will be settled on a gross basis include foreign exchange derivatives i.e. currency forward, currency swaps. The table below analyses the Group's derivative financial assets that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for hedging:					
Foreign exchange derivatives					
- Outflow	-	-	(1,271)	(4,486)	(5,757)
- Inflow	-	(913)	-	-	(913)
Total outflow	-	(913)	(1,271)	(4,486)	(6,670)

At 31 December 2018

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for hedging:					
Foreign exchange derivatives					
- Outflow	-	-	(2,565)	(2,952)	(5,517)
- Inflow	-	-	-	-	-
Total outflow	-	-	(2,565)	(2,952)	(5,517)

Funding approach

Sources of liquidity are regularly reviewed to maintain a diversification by currency, geography, provider, product and term.

Assets available to meet liabilities and to cover outstanding loan commitments include cash and bank balances; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain assets have been pledged to secure liabilities. The Group would also be able to meet unexpected net cash outflows by selling strategic investments, securities and accessing additional funding sources such as undrawn facilities.

5. Cash and cash equivalents and investments in Islamic institutions

5.1 Cash and cash equivalents

	2019	2018
Cash on hand	131,533	129,165
Cash at central banks - current account	242,935	141,463
Cash at other banks	482,370	360,127
Cash and cash equivalents	856,838	630,755
Cash at central banks - statutory reserve	169,111	167,661
Cash and bank balances	**1,025,949**	**798,416**

All cash at other banks have original maturities of less than 3 months. The cash at central bank-statutory reserve is not available for use.

5.2 Investments with Islamic institutions

Investments with Islamic institutions represent placements of a short-term nature carried for a period less than 1 year and earn average profit rate of 1.5% (2018: 1.41%).

6. Trading securities

	2019	2018
Trading securities - at fair value		
- Government securities	253,387	278,210
- Corporate securities	71,503	82,010
Trading securities	**324,890**	**360,220**

The movement in trading securities is summarised as follows:

	2019	2018
At 1 January	360,220	314,851
Additions	5,333,907	4,465,248
Disposals	(5,344,047)	(4,430,525)
Loss on trading (Note 24)	(2,075)	(1,315)
Revaluation of trading securities (Note 24)	8,677	(3,104)
Exchange differences	(31,792)	15,065
At 31 December	**324,890**	**360,220**

7. Investments in financings

	2019	2018
Islamic investments in financings	1,877,694	2,148,929
Financings subject to finance leases	38,916	43,110
Provision for expected credit losses (Note 9)	(328,769)	(355,130)
Investments in financings	**1,587,841**	**1,836,909**

Islamic investments in financings include conventional loans and advances made by subsidiaries of the Group.

7. Investments in financings (continued)

Financings subject to finance leases

2019	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	10,722	639	11,361
Later than one year and not later than five years	27,402	142	27,544
Later than five years	11	-	11
	38,135	**781**	**38,916**

2018			
Not later than one year	11,878	708	12,586
Later than one year and not later than five years	30,356	157	30,513
Later than five years	11	-	11
	42,245	**865**	**43,110**

8. Collateral received and re-pledged

There were no assets held as collateral against advances to financial institutions in the Group at 31 December 2019 (2018: Nil).

Repossessed collateral

Assets obtained by the Group during 2019 in the form of repossessed collateral as at 31 December 2019 amounted to USD 8.2 million (2018: USD 13.3 million).

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

9. Allowance account from credit losses

Allowance for impairment

Reconciliation of allowance account for losses on investments in financings by class and receivables is as follows:

	Investments in financings						
2019	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	305,993	13,429	7,014	22,523	6,171	63,870	419,000
Provisions for impairment	-	-	337	5,273	1,415	4,946	11,971
Reversal of impairment provision	-	-	-	(13,781)	-	(115)	(13,896)
Loans written off as uncollectable	-	-	-	(1,470)	-	(400)	(1,870)
Foreign exchange	(14,726)	(696)	(2,203)	(513)	3	(687)	(18,822)
Balance at 31 December	291,267	12,733	5,148	12,032	7,589	67,614	396,383
2018							
Balance at 1 January	265,396	9,325	7,065	29,951	1,736	63,748	377,221
Impact of adoption of IFRS 9 (Note 1)	95,386	3,352	2,539	10,765	624	655	113,321
Provisions for impairment	1,290	2,451	-	6,671	8,011	4,908	23,331
Reversal of impairment provision	(7,713)	-	(1,303)	(19,015)	(3,884)	(217)	(32,132)
Loans written off as uncollectable	-	-	-	(391)	-	-	(391)
Foreign exchange	(48,366)	(1,699)	(1,287)	(5,458)	(316)	(5,224)	(62,350)
Balance at 31 December	305,993	13,429	7,014	22,523	6,171	63,870	419,000

During the year ended 31 December 2019, a provision for impairment amounting to USD 17,119 (2018: USD 24,671) was charged against investment securities.

10. Investment securities

	2019	2018
Investment securities carried at fair value through other comprehensive income (FVOCI)	1,187,335	1,258,479
Investment securities carried at fair value through profit or loss (debt)	-	76,878
Investment securities at amortised cost (debt)	165,122	167,639
	1,352,457	**1,502,996**
Net gains from investment securities		
Investment securities at FVOCI	105,359	69,793
Term finance certificates	52	42
	105,411	**69,835**

The movement in investment securities at FVOCI is summarised as follows:

	2019	2018
At 1 January	1,258,479	1,393,742
Additions	2,324,946	3,344,713
Disposals	(2,300,352)	(3,149,332)
Net unrealised gains/(losses) from changes in fair value	34,641	(21,780)
Losses fair value designated to income	-	(723)
Exchange differences	(113,300)	(283,845)
Reversal of impairment provision	-	40
Provision for impairment	(17,079)	(24,336)
At 31 December	**1,187,335**	**1,258,479**

The movement in investment securities at amortised cost is summarised as follows:

	2019	2018
At 1 January	167,639	122,260
Additions	90,304	102,065
Matured	(90,605)	(30,854)
Provision for impairment	(40)	(369)
Exchange differences	(2,176)	(25,463)
At 31 December	**165,122**	**167,639**

The carrying value of investment securities at amortised cost (net of impairment provision) approximates fair value.

11. Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

In the opinion of Group management, the fair value of those financial instruments which are measured at amortised cost in the consolidated statement of financial position are not significantly different from their carrying values since financial assets and liabilities are either short term in nature or in the case of customer financing and deposits, are linked to the market variable rates and hence are being regularly repriced.

Assets and liabilities measured at fair value

At 31 December 2019	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	57,768	3,918	9,719	71,405
Debt securities	52,718	200,767	-	253,485
Investment securities - investment securities at FVOCI				
Equity securities	19,598	519	169,909	190,026
Debt securities	-	996,717	-	996,717
Hedging derivatives	-	592	-	592
Total financial assets measured at fair value	130,084	1,202,513	179,628	1,512,225
Derivatives held for trading	-	(6,670)	-	(6,670)
Total financial liabilities measured at fair value	-	(6,670)	-	(6,670)

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2019	175,795	12,205	188,000	-
Total (losses)/gains	(5,528)	-	(5,528)	-
Gains - other comprehensive income	-	-	-	-
Purchases	17,492	-	17,492	-
Sales	(17,849)	(2,487)	(20,336)	-
At 31 December 2019	169,910	9,718	179,628	-
Total profit for the year included in profit or loss for financial assets/liabilities held				
At 31 December 2019	(5,528)	-	(5,528)	-

11. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2018	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	56,497	8,568	12,205	77,270
Debt securities	51,947	231,003	-	282,950
Investment securities - carried at fair value through profit or loss				
Debt securities	-	-	76,878	76,878
Investment securities - investment securities at FVOCI				
Equity securities	97,311	217	98,917	196,445
Debt securities	-	1,061,804	-	1,061,804
Total financial assets measured at fair value	205,755	1,301,592	188,000	1,695,347
Derivatives held for trading	-	(5,517)	-	(5,517)
Total financial liabilities measured at fair value	-	(5,517)	-	(5,517)

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2018	84,446	-	84,446	-
Total (losses)/gains	(15,352)	-	(15,352)	-
Gains - other comprehensive income	(10,973)	-	(10,973)	-
Purchases	-	12,205	12,205	-
Sales	-	-	-	-
Transfers into Level 3	135,957	-	135,957	-
Transfer out of Level 3	(29,283)	-	(29,283)	-
At 31 December 2018	164,795	12,205	177,000	-
Total profit for the year included in profit or loss for financial assets/liabilities held				
At 31 December 2018	(15,352)	-	(15,352)	-

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Pakistan Stock Exchange equity investments classified as Investment securities carried at fair value through profit or loss or investment securities at FVOCI.

11. Fair value of financial instruments (continued)

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Pakistan Investment Bonds / Market Treasury Bills: Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the secondary market rates provided by the Mutul Fund Association of Pakistan.
- Sukuk: Fair values of Sukuk are derived using the market rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different approved dealers / brokers.
- Term Finance Certificates ("TFCs"): Fair values of TFCs and Sukuk certificates are derived using the secondary market rates provided by the Mutul Fund Association of Pakistan.
- Forward foreign exchange contracts: The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
- Convertible bond: valuation is based on market yield for comparable bonds discounted to arrive at the fair value.

Sensitivity of Level 3 measurements to changes in assumptions

An assumed ± 10% movement in the fair value of Level 3 measurement has the following impact:

	Impact in equity	
At 31 December 2019	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI	16,991	(16,991)

At 31 December 2018	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI	17,579	(17,579)

12. Accounts receivable and other financial assets

	2019	2018
Accounts receivable	187,272	220,293
Provision for bad and doubtful debts (Note 9)	(67,614)	(63,870)
Repossessed assets	8,232	13,312
Prepayments	19,895	25,781
Derivative financial instruments	592	-
Other receivables	305,765	305,519
	454,142	**501,035**

13. Investment property

	2019	2018
At 1 January	437,377	526,060
Additions	23,032	8,511
Disposals	(47,544)	(87,629)
Change in fair value during the year	(1,325)	(6,769)
Transfer to property, plant and equipment	(2,340)	-
Net exchange differences	(1,305)	(2,796)
At 31 December	**407,895**	**437,377**

Rental income from investment property amounting to USD 3.5 million (2018: USD 4.5 million) has been included in the consolidated statement of income under other income (Note 28).

Investment properties are located in the Middle East, Canada, Asia and Europe. The valuation of the investment properties is based on the sales comparable approach with the key inputs being the price per square foot or on market comparable approach using rents, sale and discounted cash flows. On this basis and considering that there are no observable inputs, these investment properties are classified as level 3.

Sensitivity of Level 3 measurements to changes in assumptions

An assumed ± 10% movement in the fair value of Level 3 measurement has the following impact due to sensitivity of price per square foot or meter used in the valuation methodology:

	Impact in income	
At 31 December 2019	Favourable changes	Unfavourable changes
Investment property	40,790	40,790
At 31 December 2018		
Investment property	43,738	43,738

Investment property under operating leases

The Group leases out part of its investment property under operating leases. The leases are for terms of one to five years.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2019	2018
Not later than one year	1,934	1,951
Later than one year and not later than five years	1,077	2,452
	3,011	**4,403**

14. Fair values of land and buildings

An independent valuation of the Group's land and buildings recognised as investment property in the consolidated statement of financial position was performed by valuers to determine the fair value of the land and buildings as at 31 December 2018 on and based on management's assessment the valuations did not differ significantly as at 31 December 2019. The revaluation surplus net of applicable deferred income taxes was debited or credited to the consolidated statement of income for assets recorded as investment property. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Land and buildings in Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Land and buildings in Level 2

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

(c) Land and buildings in Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Recurring fair value measurements

At 31 December 2019	**Significant unobservable input (Level 3)**	**Total**
Land	238,019	238,019
Office buildings	41,746	41,746
Other	128,130	128,130
	407,895	**407,895**
At 31 December 2018		
Land	258,490	258,490
Office buildings	43,565	43,565
Other	135,322	135,322
	437,377	**437,377**

14. Fair values of land and buildings (continued)

Fair value measurements using significant unobservable inputs (Level 3) for significant properties

2019	Tour de Cointrin	Al Khumrah Land	Domaine Saint Alexandre	Hidd Land
At 1 January	43,565	59,532	21,357	2,708
Revaluation gains or losses recognised in profit or loss	(2,651)	-	-	-
Provision	-	-	-	-
Category change from PPE	-	-	-	-
Exchange gains or losses recognised in other comprehensive income	832	-	-	-
Disposals	-	-	-	-
At 31 December	**41,746**	**59,532**	**21,357**	**2,708**

2019	Barbar Land	Polish Assets	Health Island
At 1 January	58,435	24,077	92,003
Revaluation gains or losses recognised in profit or loss	-	-	-
Provision	(6,976)	-	-
Category change from PPE	-	-	-
Exchange gains or losses recognised in other comprehensive income	-	(1,054)	-
Disposals	-	(4,708)	(7,355)
At 31 December	**51,459**	**18,315**	**84,648**

14. Fair values of land and buildings (continued)

Fair value measurements using significant unobservable inputs (Level 3) for significant properties

2018	Tour de Cointrin	Emile De Mot	Al Khumrah Land	Hidd Land
At 1 January	45,472	-	69,889	2,563
Revaluation gains or losses recognised in profit or loss	(1,253)	-	(10,357)	145
Provision	-	-	-	-
Category change from PPE	-	-	-	-
Exchange gains or losses recognised in other comprehensive income	(654)	-	-	-
Disposals	-	-	-	-
At 31 December	**43,565**	**-**	**59,532**	**2,708**

2018	Domaine Saint Alexandre	Richmond Road	Barbar Land	Polish Assets	Health Island
At 1 January	21,357	3,350	62,115	34,917	76,507
Revaluation gains or losses recognised in profit or loss	-	-	-	-	-
Provision	-	-	(3,680)	(4,593)	-
Category change from PPE	-	-	-	-	15,496
Exchange gains or losses recognised in other comprehensive income	-	34	-	(1,860)	-
Disposals	-	(3,384)	-	(4,387)	-
At 31 December	**21,357**	**-**	**58,435**	**24,077**	**92,003**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings.

The external valuations of the Level 3 land and buildings have been performed using a sales comparison approach or market comparable approach using rents and sales and a discounted cash flow.

14. Fair values of land and buildings (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) for significant properties

Description **At 31 December 2019**	**Fair Value**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Tour de Cointrin Switzerland	41,746	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 260-650 (CHF 450), CHF 7,500-9,000 (CHF 7,840), 5.25-5.75% (5.7%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	59,532	Residual Approach & Comparables	Price per square meter	Residential Plots SAR 700-750 (SAR 700). Commercial Plots SAR 2,500-3,500 (SAR 2,600) or SAR 2,000-2,500 (SAR 2,080) or SAR 1,000-1,250 (SAR 1,150)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	2,708	Sales Comparison Approach	Price per square foot	BHD 19	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Direct Comparison Approach	Price Per Acre	CAD 47,000 - 50,000 (CAD 48,750)	The higher the price per acre the higher the fair value.
Barbar Land Bahrain	51,459	Sales Comparable & Market Value Approach	Price per square foot	BD 14.86	The higher the price per square foot the higher the fair value.
Polish Assets Poland	18,315	Residual Method	Price per square meter	PLN 1,541 per square meter	The higher the price per square meter the higher the fair value.
Health Island Bahrain	84,648	Sales Comparable Approach	Price per square foot	BD 25.03	The higher the price per square foot the higher the fair value.

* The valuation of Al Khumrah Land Land was based on the assumption that the land will be used for residential developments. Thus, development costs are taken into consideration when fair valuing the property.

14. Fair values of land and buildings (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) for significant properties

Description **At 31 December 2018**	**Fair Value**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Tour de Cointrin Switzerland	43,565	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 260-650 (CHF 450), CHF 7,500-9,000 (CHF 7,840), 5.25-5.75% (5.7%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	59,532	Residual Approach & Comparables	Price per square meter	Residential Plots SAR 700-750 (SAR 700). Commercial Plots SAR 2,500-3,500 (SAR 2,600) or SAR 2,000-2,500 (SAR 2,080) or SAR 1,000-1,250 (SAR 1,150)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	2,708	Sales Comparison Approach	Price per square foot	BHD 19	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Direct Comparison Approach	Price Per Acre	CAD 47,000 - 50,000 (CAD 48,750)	The higher the price per acre the higher the fair value.
Barbar Land Bahrain	58,435	Sales Comparable & Market Value Approach	Price per square foot	BD 13.49	The higher the price per square foot the higher the fair value.
Polish Assets Poland	24,077	Residual Method	Price per square meter	PLN 1,444 per square meter	The higher the price per square meter the higher the fair value.
Health Island Bahrain	92,003	Sales Comparable Approach	Price per square foot	BD 34.76	The higher the price per square foot the higher the fair value.

* The valuation of Al Khumrah Land was based on the assumption that the land will be used for residential developments. Thus, development costs are taken into consideration when fair valuing the property.

15. Investments in associates

	2019	2018 Restated
At 1 January	636,886	220,207
Share of profit of associated companies	39,428	28,284
Dividends received	(45,632)	-
Share of fair value	(3,387)	(2,092)
Transferred as a result of reclassifying an investment in associate	-	(123,915)
Reclassified from/(to) non-current assets held for sale	-	521,246
Increase in share of associate	73,825	-
Exchange differences	(11,617)	(6,844)
At 31 December	**689,503**	**636,886**

Set out below are the associates of the Group as at 31 December 2019 and 2018, which, in the opinion of the Group management, are material. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by a subsidiary of the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates

Entity	Place of business/country of incorporation	% of ownership subsidiary	% of ownership Group	Measurement method
2019				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C	Bahrain	26	12	Equity
2018				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C	Bahrain	25	12	Equity

BBK B.S.C., one of the largest commercial banks in Bahrain with a presence in Kuwait, India and Dubai, provides services in the following four segments:

- Retail Banking customer deposit, consumer finance and credit facilities;
- Corporate Banking deposits and current account facilities to corporations;
- International Banking loans, deposits and credit facilities to international units;
- Investment Banking treasury and other activities.

15. Investments in associates (continued)

During December 2018, the Group acquired through its wholly owned Subsidiary IB Capital additional shareholding in Solidarity Group Holding (the "investee") resulting from part settlement of a financing facility. As a result, Solidarity Group Holding has been converted into a subsidiary from an associate which increased IB Capital's shareholding in the investee to 55.42% from 36.39%.

Group's share of fair value of net assets acquired were less than the consideration by the Group therefore, a residual goodwill was recorded from such business combination.

Solidarity Group Holding B.S.C. (c) is a Bahrain based joint stock company engaged in providing cooperative insurance services according to the Islamic Sharia principles. There is no quoted market price for its shares. The company's products are structured into two segments; individual products and corporate products.

Contingent liabilities relating to the Group's interest in the associates are found in Note 37.

Summarised financial information for associates

Set out below are the summarised financial information for Naseej B.S.C. (c) and Solidarity Group Holding B.S.C. (c) which are accounted for using the equity method.

Summarised statement of financial position

At 31 December	Naseej B.S.C. (c)		BBK B.S.C.		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	115,212	63,916	507,035	507,109	622,247	571,025
Other assets	211,758	336,002	9,753,119	9,000,988	9,964,877	9,336,990
Total assets	**326,970**	**399,918**	**10,260,154**	**9,508,097**	**10,587,124**	**9,908,015**
Financial liabilities	28,191	92,576	2,679,851	1,598,659	2,708,042	1,691,235
Other liabilities	9,208	1,394	6,128,219	6,580,957	6,137,427	6,582,351
Total liabilities	**37,399**	**93,970**	**8,808,070**	**8,179,616**	**8,845,469**	**8,273,586**
Net assets	**289,571**	**305,947**	**1,452,084**	**1,328,481**	**1,741,655**	**1,634,429**

15. Investments in associates (continued)

Summarised statement of comprehensive income

At 31 December

	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Income	9,232	17,023	401,750	416,500	410,982	433,523
Expense	(6,182)	(6,317)	(199,682)	(235,866)	(205,864)	(242,183)
Income tax expense	-	-	(530)	(1,082)	(530)	(1,082)
Post-tax profit	**3,050**	**10,706**	**201,538**	**179,552**	**204,588**	**190,258**
Dividends received from associate	**-**	**17,979**	**10,342**	**25,483**	**10,342**	**43,462**

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Opening net assets	**305,947**	**348,481**	**1,328,481**	**1,328,122**	**1,634,428**	**1,676,604**
Profit for the period	3,050	10,706	201,538	179,552	204,588	190,258
Other comprehensive income/(loss)	-	360	89,897	(52,290)	89,897	(51,930)
Dividends	-	-	(114,149)	(100,242)	(114,149)	(100,242)
Convertible capital securities issued	-	-	-	-	-	-
Convertible capital securities accrued profit	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Foreign exchange differences	(19,426)	(53,600)	(53,683)	(26,661)	(73,109)	(80,261)
Closing net assets	**289,571**	**305,947**	**1,452,084**	**1,328,481**	**1,741,655**	**1,6,34,429**
Adjusted for convertible capital securities	-	-	-	-	-	-
Adjusted net assets	289,571	305,946	1,452,084	1,328,482	1,741,655	1,634,428
% Interest in associates	31%	31%	26	25%	-	-
Attributable to the Group	**89,767**	**94,843**	**377,542**	**332,121**	**467,309**	**426,964**
Interest in associates	**89,767**	**94,843**	**377,542**	**332,121**	**-**	**426,964**
Goodwill	-	-	115,128	110,952	115,128	110,952
Intangible assets	-	-	57,851	62,969	57,851	62,969
Carrying value at 31 December	**89,767**	**94,843**	**550,521**	**506,042**	**640,288**	**600,885**

15. Investments in associates (continued)

The summarised financial information of the Group's other associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	Group
2019						
Unlisted:						
Solidarity Saudi Takaful (Bahrain)	153,038	99,848	29,863	3,532	28	13
CITIC International Asset Management Limited (Hong Kong)	231,664	23,097	2,433	(8,195)	20	9
Sanpak Engineering (Pakistan)	10,751	5,931	4,256	1,505	31	14
*Ithraa Capital (Saudia Arabia)	9,761	1,398	19	(3,966)	23	11
Naseej B.S.C. (c) (Bahrain)	327,836	37,496	9,233	3,050	31	14
*Islamic Trading Company E.C. (Bahrain)	-	-	-	-	-	-

*For some of the associates, published information is not available for 31 December 2019 and therefore the income and profit and loss have been arrived at by using the last available audited financial statements.

15. Investments in associates (continued)

The summarised financial information of the Group's other associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	Group
2018						
Unlisted:						
Solidarity Saudi Takaful (Bahrain)	141,470	73,399	32,165	8,295	28	13
CITIC International Asset Management Limited (Hong kong)	241,284	25,879	(107,507)	(117,597)	20	9
Sanpak Engineering (Pakistan)	11,723	7,072	6,068	2,877	31	14
*Ithraa Capital (Sauida Arabia)	17,406	1,198	142	(1,381)	23	11
Naseej B.S.C. (c) (Bahrain)	358,781	52,464	11,545	10,483	31	14
*Islamic Trading Company E.C. (Bahrain)	1,240	214	34	(175)	24	11

*For some of the associates, published information is not available for 31 December 2018 and therefore the income and profit and loss have been arrived at by using the last available audited financial statements.

16. Property and Equipment

	Land and buildings	Leasehold property, furniture, equipment and motor vehicles	Right-of-use assets	Total
Cost				
At 1 January 2019	51,861	115,234	-	167,095
Additions	58,785	18,603	28,644	106,032
Disposals	(2,561)	821	-	(1,740)
Foreign exchange differences	2,681	(9,014)	-	(6,333)
At 31 December 2019	**110,766**	**125,644**	**28,644**	**265,054**
Depreciation				
At 1 January 2019	12,042	91,133	-	103,175
Charge for the year	10,389	6,686	3,028	20,103
Disposals	(9,444)	(808)	-	(10,252)
Foreign exchange differences	(1,527)	(4,500)	-	(6,027)
At 31 December 2019	**11,460**	**92,511**	**3,028**	**106,999**
Cost				
At 1 January 2018	130,696	121,782	-	252,478
Additions	14,940	19,102	-	34,042
Disposals	(83,396)	(7,249)	-	(90,645)
Foreign exchange differences	(10,379)	(18,401)	-	(28,780)
At 31 December 2018	**51,861**	**115,234**	**-**	**167,095**
Depreciation				
At 1 January 2018	16,841	93,915	-	110,756
Charge for the year	393	7,086	-	7,479
Disposals	472	2,420	-	2,892
Foreign exchange differences	(5,664)	(12,288)	-	(17,952)
At 31 December 2018	**12,042**	**91,133**	**-**	**103,175**
Net book value				
At 31 December 2019	**99,306**	**33,133**	**25,616**	**158,055**
At 31 December 2018	**39,819**	**24,101**	**-**	**63,920**

Land and buildings at 31 December 2019 included cost of land aggregated USD 24.0 million (2018: USD 22.3 million).

Leasehold property at 31 December 2019 aggregated USD 25.2 million (2018: USD 29.5 million), less accumulated depreciation of USD 15.3 million (2018: USD 12 million).

17. Intangible assets

2019	Goodwill	Customer relations	Core deposits	Other	Total
Year ended 31 December					
Opening net book amount	180,613	44,052	42,966	24,445	292,076
Additions	-	-	-	5,300	5,300
Foreign exchange	(2,191)	(492)	474	(103)	(2,312)
Amortisation/impairment	(13,000)	(6,203)	(8,063)	(2,673)	(29,939)
Closing net book amount	**165,422**	**37,357**	**35,377**	**26,969**	**265,125**
At 31 December					
Cost	405,222	118,048	173,996	62,565	759,831
Accumulated amortisation and impairment	(239,800)	(80,691)	(138,619)	(35,596)	(494,706)
Net book amount	**165,422**	**37,357**	**35,377**	**26,969**	**265,125**

2018 - Restated	Goodwill	Customer relations	Core deposits	Others	Total
Year ended 31 December					
Opening net book amount	217,323	45,340	50,227	4,912	317,802
Acquisition of subsidiaries (17.1)	2,578	6,647	-	22,407	31,632
Foreign exchange	(288)	(1,675)	802	(581)	(1,742)
Amortisation/impairment	(39,000)	(6,260)	(8,063)	(2,293)	(55,616)
Closing net book amount	**180,613**	**44,052**	**42,966**	**24,445**	**292,076**
At 31 December					
Cost	407,413	118,540	173,522	57,368	756,843
Accumulated amortisation and impairment	(226,800)	(74,488)	(130,556)	(32,923)	(464,767)
Net book amount	**180,613**	**44,052**	**42,966**	**24,445**	**292,076**

The carrying amount of goodwill relates to acquisition of Ithmaar Holding and Ithmaar's cash-generating units as follows:

	2019	2018
Ithmaar Holding B.S.C	165,422	180,613
	165,422	**180,613**

17. Intangible assets (continued)

17.1 Acquisition of subsidiaries

Solidarity Group Holding B.S.C. (C)

During December 2018, through its wholly owned Subsidiary IB Capital B.S.C ©, the Group acquired additional shareholding in Solidarity Group Holding (the "investee") due to part settlement of a financing facility which increased IB Capital's shareholding in the investee to 55.42% from 36.39%. As a result, Solidarity Group Holding was converted into a subsidiary from an associate. During the year 2019, the Group completed the fair valuation exercise with respect to this acquisition in Solidarity Group Holding. As a result of the fair valuation exercise, the Group has identified certain intangibles and adjustments to asset values which have been treated as retrospective adjustments in accordance with the requirements of IFRS 3. As a result, the consolidated balance sheet for 31 December 2018 has been restated.

	Amount
Fair value of net assets as of 31 December 2018	**181,247**
Percentage of identifiable net assets acquired	55.42%
Fair value of net assets as of 31 December 2018	**100,447**
Fair value of consideration	**103,025**
Goodwill	**2,578**

Egyptian Investment Company

EIC was incorporated in 1992 as a joint stock company in Cairo, Arab Republic of Egypt, and its principal activity is of investments and in all related fields and provide all investments and financial and administrative advisory services. The company may conduct other related activities within the framework of the provisions of the investment law. EIC was owned 100% by IICG FUM, it was written off during restructuring in June 2014, since then was managed by IICG. IICG formally acquired EIC's net assets of USD 1,702,800 during February 2019 for a consideration of USD 1. The fair value of the net assets approximates the the carrying value on the transaction date hence a gain on acquisition of USD 1,702,800 is recorded in the consolidated statement of profit and loss. During 2019, GCFI and ECBT merged into EIC. As at 31 December 2019, management recognized an impairment of USD 1 million on its investment in EIC.

	Amount
Fair value of net assets as of 31 December 2019	1,703
Percentage of identifiable net assets acquired	100%
Fair value of net assets as of 31 December 2019	**1,703**
Gain on bargain purchase	**1,703**

18. Assets classified as held-for-sale

During 2018, the assets held-for-sale were reclassified to investment in associate (note 15) since they no longer met the criteria to classified as assets held-for sale.

19. Accounts payable

	2019	2018
Accounts payable and other provisions	219,906	203,392
Lease Liability – note 34	27,292	-
Advance received from customers	1,597	6,509
Demand drafts	53,960	168,409
Accruals	54,769	52,651
Security deposits on consumer leases	7,763	14,791
Dividends payable	13,649	12,854
Derivative financial instruments	6,670	5,517
Employee payables	17,207	17,640
Deferred income	181	4,700
	402,994	**486,463**

There were no liabilities against assets subject to finance leases at 31 December 2019 (2018: Nil).

20. Tax liability

	2019	2018
Current tax (receivable)/payable		
At 1 January	(23,636)	(25,696)
Charge for the period	31,250	14,567
Payments made	(22,804)	(18,707)
Adjustment due to withholding tax payment	515	-
Refund	-	(19)
Exchange differences	(123)	6,219
At 31 December	**(14,798)**	**(23,636)**
Deferred tax (asset)/liability		
At 1 January	(2,755)	(16,787)
Charge for the period	1,344	10,576
Changes due to fair value reserve	-	(801)
Adjustment due to withholding tax payment	10,169	1,279
Refund	-	(3)
Exchange differences	(1)	2,981
At 31 December	**8,757**	**(2,755)**

21. Due to customers, banks and other financial institutions

	2019	2018
Customer current accounts		
Individuals	816,786	869,759
Financial institutions	6,258	7,527
Corporate institutions	1,706,808	1,403,681
Customer investment accounts		
Individuals	720,583	716,920
Financial institutions	68,922	226,940
Corporate institutions	774,222	751,047
Due to banks and financial institutions	1,293,640	1,554,059
	5,387,219	**5,529,933**

Customer current accounts include balances relating to a counterparty amounting to USD 203.8 million (2018: USD 207.4 million) which was subject to sanctions under US, EU and UN measures.

The remaining due to customers represents conventional deposits accepted by a subsidiary of the Group.

Due to banks and financial institutions include balances totalling USD 428 million from two counterparties (2018: USD 428.5 million) which were subject to sanctions under US, EU and UN measures and having contractual maturity ranging to up to one month as at 31 December 2019.

Due to banks include short- and medium-term borrowings by the Group under bilateral and multilateral arrangement with maturities ranging from one year to five years.

22. Provisions

Included under liabilities are the following provisions:

	2019	2018
Funds under management guarantee*	56,264	62,491
Other provision	5,826	5,826
	62,090	**68,317**

* This includes provision related indemnity agreement. As per the indemnity agreement dated 12 April 2011, IICG a related party, acting as Modareb for funds managed by IICG, it was induced to purchase certain assets from another related parties for a value which exceeded the fair value by USD 55 million as at that date. DMI has given an unconditional and irrevocable guarantee to IICG funds under management (IICG FUM) for this fair value difference of USD 55 million. This obligation under the indemnity agreement will remain inforce till assets are liquidated and the IICG FUM can request indemnity for USD 55 million during the term of the agreement.

23. Collateralised borrowings

Financial assets pledged to secure liabilities:

At 31 December 2019, there were collateralised borrowings in aggregate of USD 228.9 million (2018: USD 178.7 million).

Cash dividends amounting to USD 36.3 million (2018: USD 25.5 million) on certain shares pledged as collateral was directly received by the lender during the year and adjusted against the outstanding facility amount as per the agreed terms.

24. Net trading income

	2019	2018
Income from foreign exchange trading	18,048	15,455
Income from government securities	9,303	12,033
Losses on trading securities (Note 6)	(2,075)	(1,315)
Gains/(losses) from revaluation (Note 6)	8,677	(3,104)
	33,953	**23,069**

Foreign exchange trading includes gains and losses from spot and forward contracts translated from foreign currency assets and liabilities.

25. Income from investments in financings

Income from investment in financing mainly arises from banking subsidiaries in Bahrain and Pakistan.

26. Fee and commission income

	2019	2018
Arrangement fees	7,584	2,364
Guarantee fees	1,209	1,456
Documentary credit fees	4,072	4,063
Other fees from banking services	36,635	40,849
	49,500	**48,732**

27. Income from investments

	2019	2018
Investment securities carried at amortised cost	11,887	10,176
Investment securities at FVOCI	1,332	1,240
	13,219	**11,416**

Income from investment represents a mixture of dividend and profit rate income.

28. Other gains and losses

	2019	2018
Fair value loss on investment properties (Note 13)	(1,325)	(6,769)
Rental income from investment properties (Note 13)	3,446	4,452
(Loss)/gain on disposal of investment properties	(2,100)	1,583
Insurance underwriting profit (note 28.1)	24,356	-
Other	10,074	5,306
	34,451	**4,572**

28.1 Insurance underwriting profit	2019	2018
Net insurance premiums earned	74,305	-
Net insurance claims incurred	(49,949)	-
	24,356	-

29. Staff costs

	2019	2018
Salaries	76,107	70,192
Social security and other statutory costs	2,083	2,345
Pension and end of service	2,908	9,317
Other benefits	10,429	11,014
	91,527	**92,868**

Other benefits include housing allowance, home leave, relocation expense, medical and health expense, training, severance costs and end of service benefit costs.

30. General and administrative expenses

	2019	2018
Office expenses	33,165	45,697
Professional fees	17,507	16,079
Other	43,530	37,806
	94,202	**99,582**

31. Proposed dividend

No dividend has been proposed for 2019 (2018: Nil).

32. Taxes

	2019	2018
Current taxes	29,051	16,842
Deferred taxes	(1,344)	10,576
	27,707	27,418

The expected income tax expense for the Group is an aggregate of individual amounts representing the mix of profits and losses and the applicable tax rates in each jurisdiction. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings. Most affiliates of the Group operate in tax free jurisdictions.

32. Taxes (continued)

A reconciliation between the reported income tax and the amount computed, using the weighted average of applicable domestic corporate tax rates, is as follows:

	2019	2018
Net accounting (loss)	62,156	(17,450)
Attributable to zero tax jurisdictions	(2,566)	(67,091)
Attributable to taxable jurisdictions	64,722	49,641
Weighted average tax rate	32%	35%
Weighted average effective tax	(20,399)	(17,616)
Government levied exceptional tax	(7,308)	(9,802)
Effective tax expense	(27,707)	(27,418)

The relationship between profit before taxes and non-controlling interests and the expected current income tax expense reflects the mix of profits earned in jurisdictions with relatively high tax rates and those with relatively low tax rates.

Deferred tax assets and liabilities arises from the banking subsidiary in Pakistan. Deferred tax assets mainly arises due to different treatment within tax law for provision for impairment in investment in financing and diminution in the value of investment. Similarly, differed tax liabilities arises mainly on account of revaluation of fixed assets and different depreciation rates within the tax law.

33. Non-controlling interests

The consolidated financial statements include 100% of the assets, liabilities and earnings of consolidated companies. The ownership interests of the other shareholders are called non-controlling interests.

The following table summarises the non-controlling shareholders' interests in the equity of consolidated subsidiaries:

	2019		2018	
	Non-controlling		Non-controlling	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	53	(377)	53.1	(19,711)
Faysal Bank Limited	33	104,344	33	100,833
Solidarity Group Holding B.S.C (c)	45	95,435	45	106,506
Dilmunia Development Fund I LP	34	71,544	43	80,272
Gulf Investors Asset Management	27	2,820	27	4,997
Health Island B.S.C. (C)	50	40,202	50	49,324
Cityview Real Estate Development B.S.C. (C)	49	(2,867)	49	(3,565)
Sakana Holistic Housing Solutions B.S.C. (C)	50	2,645	50	3,193
		313,746		321,849

The non-controlling interest appropriation in the consolidated statement of income of USD 21 million represents the non-controlling shareholders' share of the profit of these subsidiaries for 2019 (2018: USD (17.4) million loss).

33. Non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for significant subsidiary that has non-controlling interests that are material to the Group.

	Ithmaar Holding B.S.C. Period ended 31 December	
Summarised Balance Sheet	**2019**	**2018**
Assets	6,127,063	6,344,031
Liabilities	5,785,394	6,000,884
Net assets	341,669	343,147
Summarised Income Statement	**2019**	**2018**
Income	287,773	224,668
Gain / (loss) before income tax	53,606	(13,249)
Income tax expense	(27,708)	(27,419)
Post-tax gain / (loss)	25,898	(40,668)
Other comprehensive income	2,808	(101,306)
Total comprehensive income / (loss)	28,705	(141,974)
Total comprehensive (loss) / income allocated to non-controlling interests	(8,087)	11,617
Dividend paid to non-controlling interests	-	-
Summarised Cash Flows	**2019**	**2018**
Cash flows from operating activities	(59,101)	(65,028)
Cash generated from operations	46,537	90,653
Net decrease / (increase) in investments	233,233	(150,321)
Taxes paid	(29,895)	(20,110)
Foreign currency translation adjustments	38,358	(31,162)
Net increase/(decrease) in cash and cash equivalents	**229,132**	**(175,968)**
Cash and cash equivalents at beginning of year	787,362	963,330
Cash and cash equivalents at end year	1,016,494	787,362

The information above is the amount before intercompany eliminations.

34. Right-of-use-asset and lease liability

The separate statement of financial position shows the following amounts relating to lease (net of depreciation)

	31 December 2019	1 January 2019
a) Right of use asset		
Office space	**25,616**	**28,644**

	31 December 2019	1 January 2019
b) Lease liability		
Current	1,872	3,273
Non-current	25,420	25,420
Total	**27,292**	**28,693**

There were no additions to right of use asset during the years ended 31 December 2019. The total cash outflow for lease in 2019 was USD 3,034.

	2019
Interest expenses	1,664
Depreciation on right-of-use assets (Note 16)	3,028

35. Funds under management

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), a subsidiary of the Group, manages Funds Under Management (FUM) totaling US Dollars 2.08 billion (2018: US Dollars 2.09 billion) of which US Dollars 1.71 billion (2018: US Dollars 1.76 billion) has been marketed in Saudi Arabia by the Private Offices of His Royal Highness Late Prince Mohamed Al Faisal Al Saud.

In February 2016, IICG communicated to its investors in Saudi Arabia that it intended to wind up IICG's Funds Under Management ("FUM") in Saudi Arabia as the regulator, Capital Markets Authority ("CMA"), declined to grant any exemptions with respect to the registration and transfer of such FUM to a CMA registered subsidiary of IICG. The FUM has commenced distribution of the disposal proceeds of the underlying assets to the investors as and when such proceeds are realised. The final liquidation proceeds will only be known upon completion of the liquidation process which may take several years.

As a part of winding up of the operations, IICG's management recognises that claims may be initiated against IICG (as Mudarib) by investors who are unlikely to recover the full value of their investments.

As of the date of these financial statements, three hundred sixteen investors (2018: two hundred thirty) have filed legal claims in Saudi Arabian courts against IICG claiming refund of the full value of their investments totaling to USD 95.6 million (2018: USD 76.8 million). Of the three hundred sixteen legal cases, the court has rendered judgment in one hundred ninety three legal claims (2018: one hundred ten) amounting to US Dollars 69.7 million (2018: US Dollars 32 million). The Company has challenged such judgments in the Appeal Court. The Appeal Court has rendered its judgement in seven cases amounting to US Dollars 2.3 million (2018: US Dollars 0.3 million). IICG has challenged the judgement of the Appeal Court in the Royal Court.

Based on the Mudaraba agreement and external lawyer's advice, management believes that any resultant liability will be ultimately settled from the assets of the funds under management. In addition, based on an external lawyer's confirmation, management believes that the courts in Saudi Arabia lack enforcement jurisdiction since IICG does not have any presence or assets in Saudi Arabia. Therefore, the Company does not carry any provision for any such claims.

36. Related party transactions and balances

Related parties include equity participation holders, directors, associated companies and other companies, whose ownership and management is common with DMI or its subsidiaries and associates. A number of transactions are entered into with related parties in the normal course of business. These include loans, current and investment accounts. Transactions and balances disclosed as with associated companies are those with companies in which DMI owns 20% to 50% of the voting rights and over which it exerts significant influence, but does not have control. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows.

a) Loans to key management personnel

	2019	2018
Loans		
Loans outstanding at 1 January	1,510	1,550
Loans issued during the year	1,097	844
Loan repayments during the year	(513)	(594)
Foreign exchange	(123)	(290)
Loans outstanding at 31 December	1,971	1,510

No provisions were recognised in respect of loans given to related parties (2018: USD Nil).

Loans advanced to key management personnel bear no return and are unsecured.

b) Loans to employees

All employees of the Group are entitled to receive employee loans on favourable terms not equivalent to those of transactions made on an arm's length basis. Included in accounts receivable are amounts due from employees at 31 December 2019 of USD 22.1 million (2018: USD 19.5).

c) Current and investment accounts

	Associated companies	
Period ended	2019	2018
Amounts receivable from:		
Naseej B.S.C. (c)	-	10,456
Amounts payable to:		
Naseej B.S.C. (c)	73,133	118,312

d) Key management compensation

	2019	2018
Salaries and other short term benefits	11,627	11,196
Post-employment benefits	39	100
Other long term benefits	360	345
	12,026	11,641

Related party transactions, balances and other relevant disclosures with IICG FUM are disclosed in Note 15 Note 34.

37. Contingent liabilities and commitments

Contingent liabilities	2019	2018
Acceptances and endorsements	59,038	78,081
Performance bid bonds	34,287	50,560
Customer claims	253,099	257,042
Guarantees and irrevocable letters of credit	577,160	740,458
	923,584	**1,126,141**

The Group operates in certain countries which have tax regimes, but for which no provision for income tax has been recorded in these financial statements. It is believed that the Group's potential tax liability arising in respect of its operations in those countries is remote at the present time.

One of the subsidiaries which operates in Saudi Arabia is registered in the Commonwealth of the Bahamas and regulated by the Bahamian authorities. The Private offices of Late HRH Price Mohammad Al Faisal Al Saud (Ex-Chairman and major shareholder of DMIT) is the representative to market its investment products in Saudi Arabia. A potential risk of tax liability in Saudi Arabia is remote and no inquiries or notifications have been received from the authorities in Saudi Arabia. Therefore, no provision for tax has been recorded in these consolidated financial statements.

Sanpak Engineering carried at 31 December 2019 contingent liabilities of USD 3.1 million (2018: USD 0.7 million), of which the Group's share was USD 1 million (2018: USD 0.1 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Commitments	2019	2018
Undrawn facilities, financing lines	841,941	977,297
Other commitments to finance	6,688	5,199
Repurchase and resale transactions	140,515	444,086
Significant net open foreign currency position	555,039	650,662
	1,544,183	**2,077,244**

38. Current and non-current assets and liabilities

At 31 December 2019	Current	Non-current	Total
Cash and bank balances	1,025,924	25	1,025,949
Due from Islamic institutions	55,576	13,804	69,380
Trading securities	251,546	73,344	324,890
Investments in financings	874,307	713,534	1,587,841
Investment securities	792,107	560,350	1,352,457
Accounts and other financial assets	252,760	201,383	454,143
Current tax receivable	16,197	-	16,197
Investment property	6,362	401,533	407,895
Investments in associates	4,086	685,417	689,503
Property, plant and equipment	19,840	138,215	158,055
Intangible assets	16,512	248,612	265,124
Deferred tax assets	-	-	-
Total assets	**3,315,217**	**3,036,217**	**6,351,434**
Customer current accounts	1,357,517	62,443	1,419,960
Customer investment accounts	2,659,602	14,017	2,673,619
Due to banks and other financial institutions	1,271,615	22,025	1,293,640
Provisions	-	62,090	62,090
Accounts payable	402,994	-	402,994
Current tax payable	1,381	18	1,399
Deferred tax liabilities	8,757	-	8,757
Total liabilities	**5,701,866**	**160,593**	**5,862,459**
Net assets/liabilities	**(2,386,649)**	**2,875,624**	**488,975**
At 31 December 2018			
Total assets	**3,645,805**	**2,926,823**	**6,572,628**
Total liabilities	**5,822,659**	**267,253**	**6,089,912**
Net assets/liabilities	**(2,176,854)**	**2,659,570**	**482,716**

39. Concentration of assets and liabilities

Assets and liabilities of the Group are located in the following geographical regions and industry sectors:

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
At 31 December 2019						
Cash and bank balances	407,813	547,880	63,647	6,609	-	1,025,949
Due from Islamic institutions	12,062	57,305	13	-	-	69,380
Trading securities	247,560	75,314	1,272	744	-	324,890
Investments in financings	1,257,155	75,747	68,004	180,878	6,057	1,587,841
Investment securities	1,078,671	262,603	4,133	2,199	4,851	1,352,457
Accounts and other financial assets	22,162	267,650	164,282	49	-	454,143
Current tax receivable	15,903	292	2	-	-	16,197
Investment property	11,237	326,834	48,467	21,357	-	407,895
Investments in associates	41,622	647,881	-	-	-	689,503
Property, plant and equipment	111,184	19,325	27,546	-	-	158,055
Intangible assets	11,885	253,238	1	-	-	265,124
Deferred tax assets	-	-	-	-	-	-
Total assets	**3,217,254**	**2,534,069**	**377,367**	**211,836**	**10,908**	**6,351,434**
Customer current accounts	987,471	1,331,059	204,431	6,746	144	2,529,851
Customer investment accounts	1,563,722	5	-	-	-	1,563,727
Due to banks	471,501	821,359	-	-	780	1,293,640
Provisions	-	5,826	56,264	-	-	62,090
Accounts payable	181,298	196,719	21,767	3,210	-	402,994
Current tax payable	445	198	756	-	-	1,399
Deferred tax liabilities	-	8,757	-	-	-	8,757
Total liabilities	**3,204,437**	**2,363,924**	**283,218**	**9,956**	**924**	**5,862,459**
Net on-balance sheet position	**12,816**	**179,146**	**94,149**	**201,880**	**9,984**	**488,975**
Contingent liabilities and commitments	**1,512,025**	**387,501**	**13,201**	**-**	**-**	**1,912,727**
At 31 December 2018						
Total assets	**3,833,560**	**2,303,145**	**353,414**	**47,691**	**34,818**	**6,572,628**
Total liabilities	**3,770,852**	**1,941,839**	**365,740**	**387**	**11,094**	**6,089,912**
Net on-balance sheet position	**62,708**	**361,306**	**(12,326)**	**47,304**	**23,724**	**482,716**
Contingent liabilities and commitments	**2,024,305**	**515,218**	**13,201**	**-**	**-**	**2,552,724**

39. Concentration of assets and liabilities continued)

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
At 31 December 2019								
Cash and bank balances	873,183	-	20	-	152,743	-	3	1,025,949
Due from Islamic institutions	69,380	-	-	-	-	-	-	69,380
Trading securities	53,175	15,572	-	-	252,960	-	3,183	324,890
Investments in financings	568,625	490,940	16,258	299,275	100,802	-	111,941	1,587,841
Investment securities	798,856	74,977	-	-	414,861		63,763	1,352,327
Accounts and other financial assets	287,429	-	20,751	15,907	103,848	-	26,209	454,274
Current tax receivable	282	-	-	-	15,915	-	-	16,197
Investment property	6,362	-	380,556	-	-	-	20,977	407,895
Investments in associates	658,986	6,974	4,086	-	-	-	19,457	689,503
Property, plant and equipment	1,470	-	139,280	-	-	-	17,304	158,054
Intangible assets	166,183	-	-	-	-	-	98,941	265,124
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	**3,483,931**	**588,463**	**560,951**	**315,182**	**1,041,129**	**-**	**361,778**	**6,351,434**
Customer current accounts	12,423	425,705	108,314	378,995	150,417	-	1,453,997	2,529,851
Customer investment accounts	160,858	466,683	64,871	494,494	326,783	-	50,038	1,563,727
Due to banks	1,221,390	-	10,775	-	61,475	-	-	1,293,640
Provisions	5,826	-	56,264	-	-	-	-	62,090
Accounts payable	251,818	622	72,828	36,527	41,199	-	-	402,994
Current tax payable	18	-	-	-	1,147	-	234	1,399
Deferred tax liabilities	8,757	-	-	-	-	-	-	8,757
Total liabilities	**1,661,091**	**893,010**	**313,052**	**910,016**	**581,021**	**-**	**1,504,269**	**5,862,459**
Net on-balance sheet position	**1,822,840**	**(304,547)**	**247,899**	**(594,834)**	**460,108**	**-**	**(1,142,491)**	**488,975**
Contingent liabilities and commitments	**464,200**	**795,278**	**37,865**	**19,444**	**157,756**	**96,804**	**341,379**	**1,912,726**
At 31 December 2018								
Total assets	**2,270,488**	**911,043**	**432,523**	**116,279**	**2,428,388**	**-**	**413,907**	**6,572,628**
Total liabilities	**2,269,559**	**752,603**	**255,196**	**698,569**	**963,291**	**-**	**1,150,694**	**6,089,912**
Net on-balance sheet position	**929**	**158,440**	**177,327**	**(582,290)**	**1,465,097**	**-**	**(736,787)**	**482,716**
Contingent liabilities and commitments	**471,720**	**846,251**	**39,506**	**7,546**	**637,617**	**34,948**	**515,136**	**2,552,724**

40. Maturities of assets and liabilities

The maturity profiles of assets and liabilities of the Group are as follows:

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
At 31 December 2019						
Cash and bank balances	1,018,737	7,187	-	25	-	1,025,949
Due from Islamic institutions	14,170	-	41,406	13,804	-	69,380
Trading securities	1	198,519	53,026	26,644	46,700	324,890
Investments in financings	646,261	157,991	70,055	527,146	186,388	1,587,841
Investment securities	73,531	647,635	70,940	99,078	461,272	1,352,456
Accounts and other financial assets	100,391	5,834	146,535	201,383	-	454,143
Current tax receivable	281	15,915	2	-	-	16,198
Investment property	-	-	6,362	221,445	180,088	407,895
Investments in associates	4,086	-	-	-	685,417	689,503
Property, plant and equipment	19,743	14	83	70,678	67,537	158,055
Intangible assets	-	-	16,512	1	248,611	265,124
Deferred tax assets	-	-	-	-	-	-
Total assets	**1,877,202**	**1,033,095**	**404,921**	**1,160,204**	**1,876,013**	**6,351,434**
Customer current accounts	2,529,851	-	-	-	-	2,529,851
Customer investment accounts	944,103	201,374	404,233	14,017	-	1,563,727
Due to banks	1,119,441	90,208	61,966	22,025	-	1,293,640
Provisions	-	-	-	1,264	60,826	62,090
Accounts payable	96,771	24,971	210,410	31,859	38,983	402,994
Current tax payable	234	410	737	18	-	1,399
Deferred tax liabilities	8,757	-	-	-	-	8,757
Total liabilities	**4,699,158**	**316,963**	**677,346**	**69,183**	**99,809**	**5,862,459**
Net liquidity gap	**(2,821,956)**	**716,132**	**(272,425)**	**1,091,021**	**1,776,204**	**488,975**
At 31 December 2018						
Total assets	**1,757,909**	**951,771**	**1,029,254**	**1,258,237**	**1,575,457**	**6,572,628**
Total liabilities	**4,690,476**	**557,683**	**547,698**	**216,023**	**78,032**	**6,089,912**
Net liquidity gap	**(2,932,567)**	**394,088**	**481,556**	**1,042,214**	**1,497,425**	**482,716**

The customer current and investment account and due to banks, although contractually short term in nature, tend to be renewed on maturity and expected to remain with the Group for a longer term.

41. Currency exposure

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
At 31 December 2019									
Cash and bank balances	157,199	332,128	406,359	92,434	10,655	10,747	616	15,811	1,025,949
Due from Islamic institutions	7,721	11,702	32,669	-	13	-	2,086	15,189	69,380
Trading securities	61,995	247,560	9,328	-	-	4,089	1	1,917	324,890
Investments in financings	314,417	1,201,926	61,442	6,186	-	-	938	2,932	1,587,841
Investment securities	156,485	1,073,222	110,711	3,871	257	-	3,059	4,852	1,352,457
Accounts and other financial assets	257,886	21,749	95,852	8	10,932	1,732	1,414	64,571	454,143
Current tax receivable	28	15,904	252	-	2	-	11	-	16,197
Investment property	90,110	6,362	169,723	8,360	40,107	62,316	-	30,917	407,895
Investments in associates	616,336	608	4,086	-	-	21,381	6,078	41,014	689,503
Property, plant and equipment	1,303	111,184	4,755	-	26,829	8	71	13,905	166,995
Intangible assets	253,238	11,885	-	1	-	-	-	-	265,124
Deferred tax assets	-	-	-	-	-	-	-	-	-
Total assets	**1,916,718**	**3,034,230**	**895,177**	**110,860**	**88,795**	**100,273**	**14,274**	**191,108**	**6,351,434**
Customer current accounts	115,425	884,920	1,292,901	217,203	-	5,526	-	13,876	2,529,851
Customer investment accounts	-	1,548,684	5	2,585	-	-	-	12,453	1,563,727
Due to banks	352,510	415,410	98,247	100,057	-	19	-	327,397	1,293,640
Provisions	5,826	-	-	56,264	-	-	-	-	62,090
Accounts payable	158,435	173,409	-	3,420	5,397	-	4,268	58,065	402,994
Current tax payable	29	410	169	18	773	-	-	-	1,399
Deferred tax liabilities	-	-	8,757	-	-	-	-	-	8,757
Total liabilities	**632,225**	**3,022,833**	**1,400,080**	**379,547**	**6,170**	**5,545**	**4,268**	**411,791**	**5,862,859**
Net on-balance sheet position	**1,284,493**	**11,397**	**(504,903)**	**(268,687)**	**82,625**	**94,728**	**10,006**	**(220,683)**	**488,975**
Contingent liabilities and commitments	**224,499**	**1,260,151**	**343,133**	**35,844**	**13,705**	**10,778**	**-**	**24,618**	**1,912,728**
At 31 December 2018									
Total assets	**1,653,686**	**3,705,915**	**604,345**	**167,026**	**79,338**	**131,193**	**1,609**	**229,516**	**6,572,628**
Total liabilities	**1,140,935**	**3,425,740**	**729,302**	**393,241**	**39,532**	**1,830**	**728**	**358,604**	**6,089,912**
Net on-balance sheet position	**512,751**	**280,175**	**(124,957)**	**(226,215)**	**39,806**	**129,363**	**881**	**(129,088)**	**482,176**
Contingent liabilities and commitments	**-**	**2,024,306**	**514,881**	**-**	**13,201**	**336**	**-**	**-**	**2,552,724**

42. Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 20 June 2020 and are subject to approval at the Annual General Meeting, which will be held on 18 July 2020.

43. Principal subsidiaries in the consolidated financial statements

	Nature of Business	% owned		Country of Incorporation
		Subsidiary	DMI	
Islamic Investment Company of the Gulf (Bahamas) Limited	Investment Banking	100	100	Bahamas
Ithmaar Holding B.S.C.*	Retail Banking	49	49	Kingdom of Bahrain
Faysal Bank Limited	Retail Banking	67	31	Pakistan
Ithmaar Development Company Limited	Real Estate Investment	100	46	Cayman Islands
Sakana Holistic Housing Solutions B.S.C. (C)	Mortgage Finance	63	29	Kingdom of Bahrain
DMI Administrative Services S.A.	Management Services	100	46	Switzerland
Ithmaar Bank B.S.C.(C)	Banking	100	46	Kingdom of Bahrain
IB Capital B.S.C.(C)	Asset Management	100	46	Kingdom of Bahrain
Solidarity Group Holding B.S.C. (C)	Insurance	55	26	Kingdom of Bahrain

Consolidation of entities in which the Group holds less than 50%

The Group considers it has de facto control of Ithmaar Holding B.S.C. even though it has less than 50% of the voting rights. The Group is the majority shareholder with a 49.56% equity interest. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continues to consolidate Ithmaar Holding B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10. There is no history of other shareholders forming a group to exercise their votes collectively.
Ithmaar Holding B.S.C. is subject to the consolidated supervision of the Central Bank of Bahrain.

44. Capital management

One of the subsidiaries of the DMI Group is subject to supervision of the Central Bank of Bahrain and is required to comply with Capital adequacy ratio requirements. The capital adequacy ratio has been calculated in accordance with CBB guidelines and CBB directives incorporating credit risk, operational risk and market risk. The minimum regulatory requirements is 12.5% under Basel III. As at 31 December 2019 and 2018 the subsidiary has complied with these requirements. Similar requirements are also applicable to a banking subsidiary in Pakistan as per the local requirements which was also complied as at 31 December 2019 and 2018. Ithmaar Bank has not complied with the requirements of the Central Bank of Bahrain's Rulebook Volume 2 "Licensing requirements" which states that an Islamic retail bank licensee must maintain a minimum total shareholders' equity of BHD 100 million.

45. Contingency reserve

As approved by the board of directors of Islamic Investment Company of the Gulf (Bahamas) Limited, on 3 December 2017, 40% of the management fee (Note 34) plus any other discretionary amounts, are transferred to a contingency reserve with effect from January 2018. This reserve is distributable at the discretion of the board of directors.

46. Subsequent events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post statement of financial position event. As the situation is fluid and rapidly evolving the management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. Management is in the process of assessing the impact on the Group's financial statements for the year ending 31 December 2020.