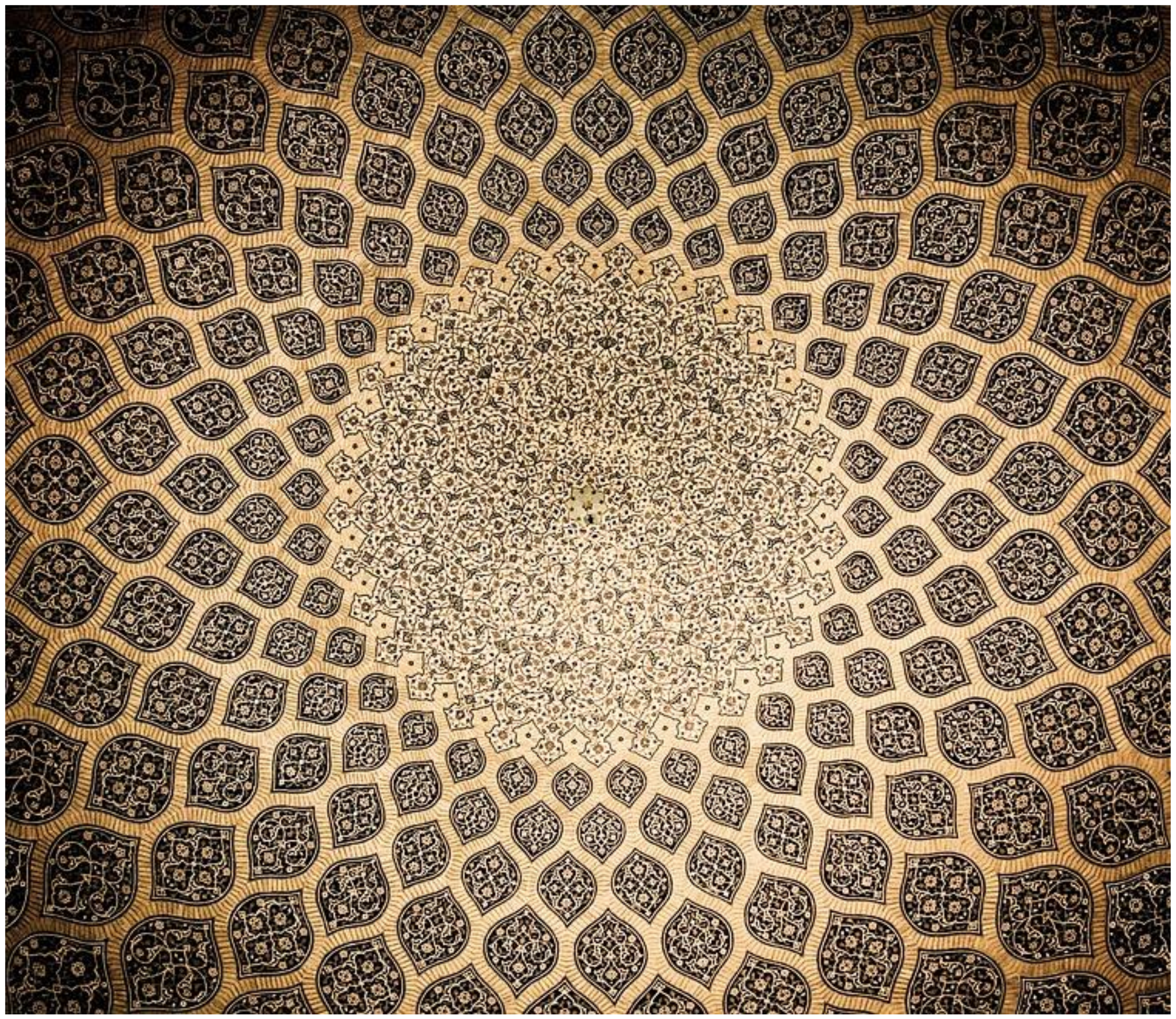


Dar Al-Maal Al-Islami Trust

ANNUAL REPORT
2020

Registered Office:

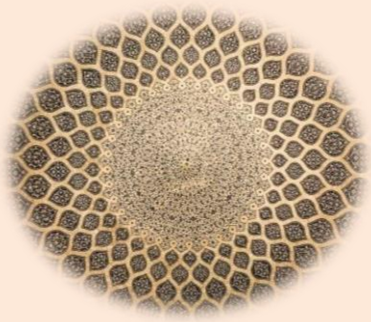
Dar Al-Maal Al-Islami Trust
Trinity Place Annex
Corner of Frederick and Shirley Streets
P.O. Box N-4805
Nassau
Commonwealth of the Bahamas

For information, please contact:

MFAI (Jersey) Ltd.
Bahrain Branch
Manama
Kingdom of Bahrain

Phone: +973 1756 0884
E-mail: Info@DMITrust.com

Contents



Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda

Ebrahim Khalifa Al Khalifa
(Resigned on 2 November 2020)

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)

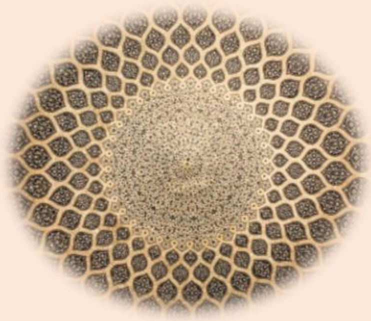
Abdulaziz Abdulrahman Alessa
(Appointed on 5 December 2020)

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-nineth annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2020.

I am pleased to report the Group's progress and key achievements in 2020. The global Covid-19 pandemic has created significant volatility in the financial markets and with greater uncertainty, valuation of various assets were negatively impacted, resulting in quite an adverse valuation of the Group's equity portfolio as at December 31, 2020. In fact, the progress we have delivered building a more diverse, global and multi-assets class platform, has helped drive our resiliency and mitigate the negative impact from Covid-19.

Consistent with Group's commitment to our Unitholders and communities, we continued to advance initiatives across all business and geographies as evidence of our continued desire to be good corporate citizen. These efforts ranged from enhancing our Diversity & Inclusion practices to strengthening our commitment to Environmental, Social and Corporate Governance (ESG) and playing our part in helping to address the many urgent public health and economic needs stemming from the pandemic.

Indications suggest that after the devastating health and economic crisis caused by Covid-19 in 2020, the global economy appears to be emerging from one of the deepest recessions ECB and the Bank of England or the Bank of Japan raising interest rates before 2023, at and beginning a subdued recovery. Beyond the short-term economic outlook, policy makers face formidable challenges- in public health, debt management, budget policies, central banking and structural reforms- as they try to ensure that this still- fragile global recovery gains traction and sets a foundation for robust growth and development in the longer run.

Investment in particular, collapsed in 2020 in many developing economies and emerging markets, following a decade of persistent weakness. Investment growth is expected to resume in 2021, but, despite an uplift from advances in digital technology, the decline in global GDP in 2020 by 3.3%. Experience of past crises raises a further concern- without urgent course correction, investment could remain feeble for years to come. Global GDP is projected to grow at 6% in 2021, moderating to 4.4% in 2022.

The US GDP which contracted by 2.3% in 2020, is expected to register a positive growth of 6.4% in 2021. The Chinese GDP, on the other side, which registered a low growth of 2.3% in 2020, is expected to continue its growth at 8.4% in 2021.

While headline inflation rate is likely to jump in the next few months, central banks are unlikely to take concrete action, given the transitory influence of oil prices and some temporary supply shortages. Indeed, we anticipate that three-quarters of the central banks will keep policy rates on hold in 2021, including almost all advanced economies. We do not see the US Fed, the

the earliest. This contrasts with the consensus expectation for rate hikes as early as next year in the UK.

The International Energy Agency (IEA) estimates Global energy demand is set to increase by 4.6% in 2021, led by emerging markets and developing economies, pushing it to above its 2019 level. Demand for all fossil fuels is on course to grow significantly in 2021.

The impact of Covid-19 pandemic hammered the oil industry in 2020, forcing US oil prices to go negative for the first time on records and touched US$ 18 a barrel on April 20, 2020. The May 2020 contract future prices for WTI, plummeted from US$ 18 a barrel, to around negative $37 a barrel. However, following suspension of oil price war and agreement among OPEC and its partners countries, to cut output, oil prices started improving. In November 2020, Brent crude oil spot prices increased to an average of US$ 43 per barrel and continued rising to $73.14 by July 8, 2021.

Pursuant to stabilize oil prices, OPEC and its oil-producing allies agreed to cut oil production by a record of 9.7 million barrels per day, commencing from February through March 2021. This production cut has helped to stabilize oil prices. Brent Crude, in the last week of April 2021, touched about US$ 66 per barrel. As per IEA, oil prices are rebounding strongly, but is expected to stay below its 2019 peak, as the overall demand on oil, remains under pressure.

In the light of Covid-19, the overall GCC real GDP which accounts 1.9% of World GDP, in 2020 contracted by about 6%, compared with a growth in 2019 of 0.8%. Forecast for economic recoveries in the six-GCC members in 2021 have been trimmed while expectations for GDP declines in 2020, were mixed. The hydrocarbon-dependent region's economic fortune which accounts for about 50% of the GCC's real GDP, would turn around in 2021 after it was hammered by the pandemic and historic slide in the price of the GCC's main commodity. But growth forecast for 2021 were cut for all the six GCC members with varying degrees. It will take about a year before GDP in the GCC to rise above its pre-crisis peak. Saudi Arabia ("KSA") GDP is expected to remain GCC's highest. KSA is expected to see GDP growth of 2.8% in 2021, down from 3.1% expected few months ago. The median forecast for its GDP contracting in 2020, improving to 4.4% in 2021. The economy is expected to grow 3.2% in 2022 and 3.1% in 2023.

KSA the region's largest economy, the sharp decline KSA's net exports, due to OPEC+ related oil production cuts, brought down real GDP in 2020 to about 3.1%. It is expected a broad decline across non-oil sectors and steep drop in wholesale and retails, with increase in VAT to 15%, as well as weakening in the service sector due to Covid-19 restrictions. In 2021, the Saudi economy is to grow by about 3%. Recovery in the economy is expected to continue over the course of 2021, but with oil output being ramped up gradually and fiscal policy to remain tight, the recovery is likely to be slow. It is expected that GDP to grow further in 2022 by 3.2%. In the years ahead, the government will continue to pursue its Vision 2030 program, largely aimed at supporting the non-oil economy and social transmission of the country via a series of large projects.

Emerging markets stocks made up about 13% of the global stock markets (using the MSCI All Country world Investable Market Index as a proxy) as of the end of 2020. The recent performance of Emerging markets stocks in 2020 presented a continuation of the trends that has been seen in recent years. Despite the impact of Covdi-19 pandemic, MSCI Emerging Markets achieved a positive performance in 2020 of 18.69% (2019: 18.88%), and outperformed MSCI World Index of 16.50% (2019: 28.40%) for the same year. Over the next 12 months, these trends are likely to persist if markets continue to price in low global growth and inflation.

In 2020 the Group suffered a net loss after tax of $ 52.0 million compared with a net profit of $ 34.1 million in 2019. The loss is primarily, attributable to the impact of Covid-19 on income stream as well as the adverse on valuation of investments. Similarly, the net loss attributable to Unitholders amounted to $ 26.9 million (2019 – profit $ 13.1 million). The Group suffered amortisation and impairment of goodwill of $ 28 million (2019 - $ 30 million). Staff cost and administrative expenses increased by 6% from $ 186 million in 2019 to $ 197 million due to expansion in retail network by adding 21 branches by FBL in 2020 and inflation adjustment. The Group reversed a sum of $7 million in 2020 from previously recognized fair value adjustment (2019 - $ 15.9 million), due to improvement in certain assets class. Due to slide in Pakistani Rupee against the US Dollar, from PKR 154.9 to PKR 160.4 by end of 2020, the Group suffered a foreign currency translation loss of about $ 1.4 million (2019 - $.9.6 million). Accordingly, the Trust capital has declined from (restated) $180.5 million at the end of 2019 to $137.1 million at end of 2020. Similarly, the value of each equity participation unit has decreased from $45.62 in 2019 to $34.68 in 2020.

Despite the loss as a result of Covid-19 pandemic, and implementation of more effective corporate governance measures, as associated with better cost rationalisation throughout the Group, and better management of IICG's Modarabas liquidation, the overall situation is kept under meticulous monitoring. Profitable diversified growth will be our focus in the coming years.

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 of the Group with 46.49% interest. Despite the severe competition, Ithmaar has successfully devised a series of rewarding measures which resulted in improving the net yield on Unrestricted Investment Accounts ("URIA") and the net income on URIA increased in 2020 by 28% to $95 million from $ 75 million in 2019. In 2020, IB Capital BSC (c) continued to consolidate its 55.91% interest in Solidarity Group Holding B.S.C. (c). Solidarity Group with a net equity of $ 173.2 million, achieved a net profit attributable to equity holders of $ 9.5 million, compared with $ 1.5 million in 2019. Solidarity Group offers a wide range of Takaful insurance services and related products in the Middle East. Ithmaar, will continue to focus its efforts, allowing the Group to take advantage of new growth opportunities, and further consolidating Group's share in Takaful insurance market.

In 2020, Ithmaar made a net loss attributed to shareholders of $ 41.7 million, compared to a profit of $ 0.7 million in 2019. The adverse performance is primarily, attributed to Covid-19 and its implication on assets valuation, as well adverse performance of its associated entities. In 2020, Ithmaar suffered a net loss of $ 51.4 million due to framework. Branch Led model was initiated for leveraging the strength of distribution channels, for promoting commercial and deferment of instalments. This amount was charged at Ithmaar, directly to reserves as per direction of the regulators. In addition, in 2020 Ithmaar recognized an impairment on goodwill and amortisation of intangibles of $ 26.8 million (2019: $ 30 million) and net provision for impairment of $ 28.7 million (2019: $ 32 million).

Despite the challenging year, Ithmaar has continued yielding the strategic decisions through meticulous efforts to improve its products, innovation and services, while rationalising costs, enhancing its customer service offerings and enhancing its distribution network. Ithmaar will continue focusing on the core retail banking business and innovation.

Faysal Bank Limited, Pakistan ("FBL") which is 66.7% owned by Ithmaar Bank, has continued expansion of its retail network in Pakistan and digitalization. FBL achieved a net profit after tax of PKR 6.5 billion ($ 40.2 million) compared with PKR 6 billion ($ 40 million) in 2019. The exchange rate of PKR against the US Dollar declined from 154.9 in December 2019 to PKR 160.4 by end of 2020. 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 13% in local currency term, from PKR 710 billion, ($ 4.4 billion) compared with PKR 629 billion ($4.1 billion) at 31 December 2019. During the year, FBL made concentrated efforts to acquire low cost CASA deposit (current and saving accounts), resulting in an increase in CASA from 70.7% in 2019 to 72.1% in 2020. Similarly, total deposits amounted to PKR 541 billion, ($ 3.4 billion) compared with PKR 458 billion ($3.0 billion) in 2019.

In line with the growth strategy approved by the Board of Directors, FBL retail banking reorganised its management structure and distribution channels to strengthen and optimise growth. In 2020 FBL continued to successfully invest in network expansion and worked towards improving efficiencies to enhance deposits share. FBL has successfully undertaken one of the largest conversions in Pakistan and is expected to be completed by end of 2021. In addition, FBL implemented Environmental Risk Rating model and implemented Environmental Risk Management

SME business while maximising benefit of digitalisation.

In the light of series of measures taken by FBL during 2020, rating agencies reaffirmed FBL's ratings; long-term outlook and short-term credit ratings of AA and A1+, respectively, as reported by two reputable local rating agencies. During 2020, FBL opened 21 new branches to achieve a network of 576 branches of which 500 (87%) 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 continue to 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, which has achieved positive earnings in 2020.

In the light of Covid-19 pandemic, and on prudence grounds, FBL has maintained its Capital Adequacy Ratio (CAR) at 18.7%. The new business structure at FBL, future strategy will continue to focus on conversion of remaining 76 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. FBL will continue to invest in branch infrastructure. Reflecting FBL's commitment to provide a better, easier and seamless customer experience. FBL is focused on providing comprehensive yet innovative digital services and will continue to invest in technologies, to improve FBL's digital offerings.

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of $ 12.8 million in 2020 compared to $ 19.1 million in 2019 (inclusive of non-recurring items of $ 6.7 million). Shareholder's equity in 2020 increased to $ 88.7 million compared to $76.0 million in 2019. IICG's total assets reported an increase by 17%, from $88.3 million in 2019, to $102.8 million in 2020. The increase is primarily attributed to increase in amounts due from funds under management. On conservative ground, a sum of $7.2 million has been transferred to Contingency Reserve in 2020. IICG's Funds Under Management amounted to $ 2.04 billion in December 2020, a marginal decrease of 1% from $ 2.06 billion in 2019, 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 $0.5 million in 2020 compared to a net loss of $ 0.8 million in 2019. Total Funds Under Management as at December 31, 2020 amounted to $ 65 million (2019: $86 million). In line with the soft liquidation plan of GIAMCO's Modarabas, in 2019 the paid-up capital of GIAMCO was reduced by 60% and refunded as sum of $7.2 million to its shareholders. The Board of GIAMCO decided to fully liquidate the remainder of GIAMCO's three real estate funds by end of 2021.

Faisal Islamic Bank of Egypt ("FIBE"), 49% owned by Group's managed funds, has continued its journey in delivering stunning performance at all levels. The exchange rate has continued to gain more strength against the US Dollar. As at December 31, 2020 the exchange rate was L.E. 15.69 compared with L.E.15.93 in 2019, reflecting improvement in Egypt's economic 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 to 37 branches, while more branches are planned for in 2021. As per new regulatory rules in Egypt, the minimum Capital Adequacy Ratio ("CAR") increased in 2020 to12.5%.

FIBE has continued its policy of strengthening its capital base and mitigating the risks related to its activities, in particular to absorb the impact of Covdi-19 pandemic. As 31 December 2020, the CAR for FIBE improved to 31.4% (2019: 22.1%) as compared with a regulatory minimum requirement of 12.5%.

FIBE's net profit after tax in 2020 amounted to L.E. 2,058 million ($ 131 million) compared with L.E. 2,715 million ($ 162 million) in 2019. The results for 2020 has been lower than 2019 by 24%, after fully absorbing the impact of Covid-19. Total assets in 2020 amounted to L.E. 114.9 billion ($ 7.3 billion) represents an increase by 11.8% over December 2019 of L.E. 102.7 billion ($6.4 billion). Shareholders' equity in 2020 amounted to L.E. 14.4 billion ($ 917 million) compared to L.E. 13.4 billion ($ 797 million) for the previous year, an increase by 7.7%. The most important source of funds for the Bank, savings pools and investment certificates (funds under management) increased by 12.6%, from L.E. 86.1 billion ($5.4 billion) in 2019, to L.E. 96.9 billion ($ 6.2 billion) in 2020. Pursuant to preserve the capital base of banks in view of Covid-19 pandemic, in December 2020, the Central Bank of Egypt directed banks to suspend dividend pay outs, until further notice. Thus, FIBE has not approved any dividend pay-out for 2020. FIBE will continue its journey, in playing a pioneering role in the development of Islamic banking in Egypt and consolidation of its position.

Future Outlook

The world today is in the grip of a pandemic which has been unprecedent. This has led to the global economy witnessing a downturn. While the short-term economic outlook remains uncertain due to the ongoing pandemic, the Group remains committed to advancing our ambitious, yet prudent growth strategy. As we move forward, we will continue to leverage our fundamental strengths, including our talent, robust balance sheet, and increasing global and diversified platform to meet our clients' needs with innovative products and solutions.

The Group's operating arms in Egypt and Pakistan have been well established in their respective geographical areas and have continued to show good performance. The joint ventures and associates are consolidating their position and gaining traction for the next level of profitable growth.

We remain well positioned to continue navigate challenges from the Covid-19 pandemic that may lie ahead, and we are confident that we will emerge stronger. We will continue to encourage product innovation and have extended support to branch expansion and digitalization.

The Board of Supervisors will continue to assure you that your Group has been fully geared up to support the economies in which it operates and would continue to focus to achieve in the nearest future, profitable diversified growth and will be of our focus in the coming years.

I express my gratitude to the entire Group's staff for their continued support, hard work, loyalty, and commitment in another year of 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 Monday 25, Dhul Qadah 1442H, corresponding to 14 June 2021.

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 2020 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

Ten-Year Financial Summary

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net profit/(loss)	26.2	(30.9)	4.0	(34.8)	35.1	(28.1)	(36.4)	(14.6)	(14.2)	13.1	(26.9.)
Dividends	0.0	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	168	180	137
Return on average capital	6.2%	(8.8)%	1%	(10.8)%	9.7%	(8.5)%	(11.1)%	(5.0)%	(8.5)%	7.3%	(17.2)%
Funds under Management	8,589	8,098	8,355	8,399	9,009	9,105	9,053	8,705	8,620	8,271	8,969
Average number of employees	2,845	4,726	3,978	4,075	3,882	3,628	3,866	4,244	5,516	6,572	7,026
Book value per unit (US dollars)	106.18	89.24	96.57	81.40	91.26	83.69	74.51	73.06	42.53	45.62	34.68

Dar Al-Maal Al-Islami Trust

2020

Consolidated
Financial Statements

1 January 2020 – 31 December 2020

Index to the Consolidated Financial Statements

Independent auditor's report to the Bearers and Owners of Equity Participants 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 2020 and its consolidated financial performance and 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 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 these requirements and the IESBA code.

Emphasis of matters

Claims against Islamic Investment Company of the Gulf (Bahamas) Limited

We draw your attention to Note 37 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 dollars 100.7 million as at 31 December 2020, 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.

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

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

Significant estimation uncertainty in investment and development properties

We draw attention to note 3 (critical accounting estimates and judgments), note 14 (investment properties) and note 15 (development properties) to the consolidated financial statements. These notes explain that there is a significant estimation uncertainty in determining the fair valuation of investment properties and development properties of US dollars 349 million and US dollars 272 million respectively. In particular, the external valuer engaged by management for the fair valuation assessment of the majority of the investment properties and development properties has also included a material valuation uncertainty clause in its report based on the recent guidance issued by the Royal Institute of Chartered Surveyors ("RICS") as a result of COVID-19. This clause highlights that less certainty and, consequently, a higher degree of caution should be attached to the valuation than normal. Our opinion is not modified with respect to this matter.

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.

Report on the audit of the consolidated financial statements (continued)

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
13 July 2021

Consolidated Statement of Financial Position

(Thousands of US dollars except participation units)

	Notes	As at 31 December 2020	As at 31 December 2019 (restated)	As at 1 January 2019 (restated)
Assets				
Cash and cash equivalents	5	735,993	862,725	648,356
Cash at Central Bank – statutory reserve	5	111,367	169,111	167,661
Investments with Islamic institutions	6	135,681	69,380	111,126
Investment securities carried at fair value through profit and loss ("FVTPL")	7	185,742	324,890	360,220
Investment securities carried at fair value through other comprehensive income ("FVOCI")	8	1,661,192	1,100,146	1,257,868
Investment securities carried at amortised cost	9	58,677	165,122	167,639
Investments in financings	10	1,078,633	1,587,841	1,836,909
Accounts receivable and other assets	13	445,575	471,975	535,319
Current tax receivable	20	171	16,197	24,561
Deferred tax assets	20	3,341	-	7,106
Investment properties	14	348,977	324,647	372,322
Development properties	15	272,018	278,410	269,388
Investments in associates	16	657,161	689,503	636,886
Property, equipment and right-of-use assets	17	155,288	158,055	63,920
Intangible assets	18	242,927	265,125	292,076
Total assets		**6,092,743**	**6,483,127**	**6,751,357**
Equity and liabilities				
Liabilities				
Accounts payable	19	612,532	659,323	657,830
Current tax payable	20	1,777	1,399	848
Due to customers	21	3,944,032	3,963,716	3,975,874
Due to banks and other financial institutions	22	1,077,340	1,293,640	1,554,059
Provisions	23	64,100	62,090	68,317
Deferred tax liabilities	20	3,643	8,757	4,351
Total liabilities		**5,703,424**	**5,988,925**	**6,261,279**
Equity				
Trust capital attributable to equity participants				
Paid in capital		390,316	390,316	390,316
Reserves		(253,242)	(209,860)	(222,087)
Total trust capital		**137,074**	**180,456**	**168,229**
Non-controlling interests	35	252,245	313,746	321,849
Total equity		**389,319**	**494,202**	**490,078**
Total equity and liabilities		**6,092,743**	**6,483,127**	**6,751,357**
Number of trust capital participation units		3,952,481	3,955,606	3,955,606
Book value per unit in US dollars		34.68	45.62	42.53

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2020	2019 (restated)
Income			
Fund management and services		70,299	93,646
Income from investments carried at FVTPL	24	15,620	24,650
Income from investments carried at FVOCI	25	142,559	116,046
Income from investments carried at amortised costs	26	8,293	11,887
Income from investments with Islamic institutions	27	6,669	13,920
Income from investments in financings	28	96,986	228,757
Fee and commission income	29	38,220	49,500
Other income	30	60,094	38,417
		438,740	576,823
Profit paid to financial and non-financial institutions	31	(241,309)	(292,572)
Operating income		197,431	284,251
Expenses			
Staff costs	32	(98,359)	(91,527)
General and administrative expenses	33	(97,988)	(94,906)
Depreciation, amortisation and impairment of goodwill	17, 18	(48,406)	(50,042)
Exchange loss		(19,668)	(521)
Reversal/(charge) of allowance for impairment		7,115	(24,835)
Total expenses		(257,306)	(261,831)
Operating (loss)/gain		**(59,875)**	**22,420**
Share of profit of associated companies	16	33,282	39,428
(Loss)/profit for the year before income taxes		**(26,593)**	**61,848**
Taxes	34	(25,411)	(27,707)
(Loss)/profit for the year after income taxes		**(52,004)**	**34,141**
Attributable to:			
Equity participants		(26,890)	13,102
Non-controlling interests	35	(25,114)	21,039
		(52,004)	**34,141**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	2020			2019 (restated)		
	Equity holders	Non-controlling interests	Total	Equity holders	Non-controlling interests	Total
(Loss)/profit for the year	**(26,890)**	**(25,114)**	**(52,004)**	**13,102**	**21,039**	**34,141**
Items that may be subsequently reclassified to the consolidated statement of income						
Net movements in fair value reserves of associated companies	2,322	2,672	4,994	4,443	5,114	9,557
Net movement in fair value of investments carried at FVOCI	(20,071)	(22,513)	(42,584)	(2,931)	(6,422)	(9,353)
Net movements in deferred tax of investments at FVOCI	(1,734)	(3,868)	(5,602)	(1,007)	(2,246)	(3,253)
Foreign currency translation differences of foreign entities	721	(5,477)	(4,756)	(9,645)	(17,105)	(26,750)
Items that will not be reclassified to the consolidated statement of income						
Movement in the fair value of equity investments at FVOCI	(360)	1,515	1,155	5,769	15,278	21,047
Other comprehensive (loss)	(19,122)	(27,671)	(46,793)	(3,371)	(5,381)	(8,752)
Total comprehensive (loss)/profit	**(46,012)**	**(52,785)**	**(98,797)**	**9,731**	**15,658**	**25,389**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 48 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 reserves	Non-controlling interests	Total equity
At 1 January 2019 (prior to restatement)		390,316	60,000	(271)	(10,090)	(290,464)	11,376	(229,449)	321,849	482,716
Effect of restatement		-	-	-	-	7,362	-	7,362	-	7,362
At 1 January 2019 (restated)		390,316	60,000	(271)	(10,090)	(283,102)	11,376	(222,087)	321,849	490,078
Profit after income tax		-	-	-	-	13,102	-	13,102	21,039	34,141
Increase in shareholding of subsidiary		-	-	-	-	2,496	-	2,496	(13,342)	(10,846)
Total other comprehensive income/(loss)		-	-	6,274	(9,645)	-	-	(3,371)	(5,381)	(8,752)
Transfers to contingency reserve		-	-	-	-	(15,748)	15,748	-	-	-
Dividend		-	-	-	-	-	-	-	(10,419)	(10,419)
At 31 December 2019 (restated)		**390,316**	**60,000**	**6,003**	**(19,735)**	**(283,252)**	**27,124**	**(209,860)**	**313,746**	**494,202**
Loss after income tax		-	-	-	-	(26,890)	-	(26,890)	(25,114)	(52,004)
Increase in shareholding of subsidiary		-	-	-	-	2,630	-	2,630	-	2,630
Total other comprehensive (loss)		-	-	(19,843)	721	-	-	(19,122)	(27,671)	(46,793)
Transfers to contingency reserve *		-	-	-	-	(7,161)	7,161	-	-	-
Dividend		-	-	-	-	-	-	-	(8,716)	(8,716)
Release of Fiduciary Reserve (Note 47)		-	(60,000)	-	-	60,000	-	-	-	-
At 31 December 2020		**390,316**	**-**	**(13,840)**	**(19,014)**	**(254,673)**	**34,285**	**(253,242)**	**252,245**	**389,319**

*As approved by the Board of Directors on 3 December 2017, 40% of the management fee plus any other discretionary amounts are transferred to a contingency reserve. This reserve is distributable at the discretion of the Board of Directors.

The notes from 1 to 48 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	2020	2019 (restated)
Cash flows from operating activities			
(Loss)/profit before taxes and non-controlling interests		(26,593)	61,848
Adjustments for:			
Depreciation, amortisation and impairment	17,18	48,406	50,042
Interest expenses on lease liabilities	36	1,603	1,664
Fair value adjustments on trading securities	24	(1,045)	(8,677)
Income from investments carried at FVTPL	24	(15,620)	(25,276)
Income from associated companies	15	(33,282)	(39,428)
Changes in fair value of investment properties	14	(836)	1,325
Loss on disposal of property, equipment, right-of-use assets and intangibles		133	798
Provisions/(reversal) of charge for impairment		7,115	(6,097)
Taxes paid	20	39,486	(12,635)
Adjusted cash flow before changes in operating assets and liabilities		19,367	23,564
Net increase/(decrease) in investments with Islamic institutions		(66,301)	41,746
Net increase of investment securities carried at FVTPL		139,148	44,007
Net increase in investments in financings		509,208	255,979
Net increase in accounts and other financial assets		26,400	35,732
Net increase in accounts payable, excluding taxes		(92,669)	49,552
Cash at central banks - statutory reserve		57,744	5,632
Net decrease / (increase) in development properties		6,392	(18,059)
Net decrease in due to banks and other financial institutions		(216,300)	(260,419)
Net decrease in due to customers		(19,684)	(12,158)
Net cash generated from operating activities		363,305	165,576

The notes from 1 to 48 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	2020	2019 (restated)
Cash flows from investing activities			
Sale of investment properties	13	2,159	-
Dividends from associated companies	15	28,649	45,632
Purchase of investment securities		(1,796,832)	(2,237,757)
Disposal of investment securities		1,342,231	2,388,296
Purchase of property, equipment, right-of-use assets and intangibles		(32,182)	(29,131)
Sale of property, equipment, right-of-use assets and intangibles	17, 18	23,703	942
Net cash (used in)/generated from investing activities		(432,272)	167,982
Cash flows from financing activities			
Dividend paid to owners of the parent		(46)	(26)
Dividends paid to non-controlling interests		(1,127)	(532)
Repayment of lease liabilities		(14,639)	(15,215)
Net cash used in financing activities		(15,812)	(15,773)
Net (decrease)/increase in cash and cash equivalents		(84,779)	317,785
Foreign currency translation		(41,953)	(103,416)
Cash and cash equivalents at beginning of year		862,725	648,356
Cash and cash equivalents at end of year	5	735,993	862,725

Non-cash transactions:

*Above cash flow does not include the impact of a non-cash increase in investment in a subsidiary of USD 13,342 during the year ended 31 December 2019.

The notes from 1 to 48 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. Accordingly, the modarabas are disclosed in note 39.

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, except for securities carried at fair value through other comprehensive income, investment securities carried at fair value through profit and loss and investment properties which are carried at fair value.

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.

New standards, amendments and interpretations effective for the financial year beginning 1 January 2020

Amendments to IAS 1 and IAS 8 - Definition of material

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

• the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

There is no significant impact of this amendment on the Group's consolidated financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest rate benchmark reform

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. There is no significant impact of this amendment on the Group's consolidated financial statements.

New standards, amendments and interpretations not yet effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group

Amendments to IFRS 16: Covid-19 related rent concessions (effective from 1 Jun 2020)

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

There is no significant impact of this amendment on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of liabilities as current / non-current (effective from 1 Jan 2022)

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before intended use (effective from 1 Jan 2022)

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendments to IAS 37: Onerous contracts – cost of fulfilling a contract (effective from 1 Jan 2022)

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to IFRS Standards 2018–2020 (effective from 1 Jan 2022)

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (effective from 1 Jan 2021)

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

These standards and interpretations have been issued but are not mandatory for annual reporting year ended on 31 December 2020. The Group is currently assessing the impact of these standards and interpretations and will apply them from the effective date.

Summary of significant accounting policies

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 IFRS 9.

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 ("US 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 financial assets carried at fair value through other comprehensive income, 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.

The Group uses certain shari'a compliant risk management instruments (similar to derivatives) to economically hedge exposures to foreign exchange and profit rate risks. Such instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value. The fair value of a hedging instrument is the equivalent to its prevailing market rates or is based on broker quotes. Instruments with positive market values are disclosed as assets and instruments with negative market values are disclosed as liabilities in the statement of financial position.

In certain circumstances the Group enters into shari'a compliant risk management instruments to hedge foreign currency risks.

Changes in the fair value of derivative financial instruments that are designated, and qualify as fair value hedges, are included in the consolidated income statement together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk being hedged. Unrealised gains or losses on hedged assets which are attributable to the hedged risk are adjusted against the carrying values of the hedged assets or liabilities.

For derivatives that are not designated in a qualifying hedge relationship, all changes in its fair value is recognised immediately in the statement of changes in owners' equity.

Cash flow hedging attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in statement of changes in owners' equity and presented in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated income statement.

The Group currently has hedged cash flows to manage its profit rate risk on variable rate financial liabilities.

Hedges directly affected by variable profit rate benchmark reforms

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark variable profit rate is not altered as a result of global variable profit rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark variable profit rate will not be altered as a result of variable profit rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the variable profit rate benchmark cash flows designated as a hedge will not be altered as a result of variable profit rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the variable profit rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued.

For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from variable profit rate benchmark reform about the timing and the amount of the variable profit rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

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

Fee and commission income is recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur. Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction.

The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations.

Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

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 39.

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 properties

Properties that are held to earn rentals or for capital appreciation or both, and that is not self-occupied by the Group are classified as investment properties. Transfers to or from, investment property into other categories such as inventory, development properties or furniture and equipment is made when there is a change in use of the property. Investment properties is measured initially at its cost, including related transaction costs. After initial recognition, investment properties is carried at fair value. Fair value changes are recognised in the consolidated statement of comprehensive income. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually.

Development properties

Development properties represent land held by the Group for development and sale in the ordinary course of business, and include expenditure incurred in acquiring the properties and other costs incurred in bringing them to their existing condition.

Development properties are carried at lower of cost or estimated net realisable value. Estimated net realisable value is determined using the estimated selling price in the ordinary course of business, less estimated development expenditure.

Property, 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.

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.

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.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below US dollars 5,000) and those having variable lease payment terms. Such leases are recognised as expense on a straight-line basis over the lease term.

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.

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.

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.
Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Group has fulfilled all its obligations in connection with the related transaction.

Insurance liabilities

Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts.

Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the participants' statement of revenues and expenses.

Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Group. In respect of proportional and non-proportional retakaful contracts, the amounts are recognised in the participants' statement of revenues and expenses as per the terms of these contracts.

Unearned contributions

Unearned contributions represent contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

Gross claims

Gross claims are recognised in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries.

Claims recovered from retakaful and other parties are recognized when the related gross claims settled are recognised according to the terms of the relevant contracts.

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

Staff benefits and entitlements to annual leave, holiday air passage and other short-term benefits are recognised when they accrue to employees. The Group's contributions to defined contribution plans are charged to the consolidated income statement in the period to which they relate. In respect of these plans, the Group has a legal and constructive obligation to pay the contributions as they fall due and no obligation exists to pay future benefits.

In respect of end of service benefits, to which certain employees of the Group are eligible, costs are assessed in accordance with the labour law requirements of the applicable jurisdiction.

For variable remuneration, a provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

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 carried at fair value through other comprehensive income 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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.

Endorsements

Endorsements comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most endorsements to be settled simultaneously with the reimbursement from the customers.

Endorsements 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 securities with original maturity of less than 3 months.

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 (FVTPL);
- 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 FVTPL, 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 loss ('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.

Derecognition

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.

Each financing and investment exposure is evaluated individually for impairment. In assessing impairment, the Group exercises judgment in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contracts has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (“ECL”) in accordance with impairment policy.

The staging and ECL of related party exposures is considered separately from the other financing assets. The ECL is assessed using the cash shortfall method since the underlying collateral can be taken over without having to apply any haircut.

Further, the increase in credit risk is also assessed separately for related parties, given their commitment to honour the amounts due to the Group.

The economic uncertainties caused by COVID-19 have required the Group to update the inputs and assumptions used for the determination of ECL as at 31 December 2020. ECL were estimated based on a range of forecast economic conditions available as at latest available date.

The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are inherently subjective and, as a result, actual results may differ from these estimates.

COVID-19

On 11 March 2020, the COVID-19 outbreak was declared, a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets, and in particular oil prices, have also experienced great volatility and a significant drop in prices. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including GDP, employment, oil prices etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVlD-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The management and the Board of Supervisor (BOS) have been closely monitoring the potential impact of the COVlD-19 developments on the Group’s operations and financial position; including possible loss of revenue, impact on asset valuations, impairment of financial and non-financial assets, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

In preparing the consolidated financial statements, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

Fair value of investment properties

The Group reviews the carrying amounts of the investment properties at each annual reporting date to determine the fair value of the properties. In making this judgement, the Group evaluates the fair value of investment property based on report from an independent valuer. Fair value is based on comparable transactions identified by an independent valuer with reference to proposed sales transactions in the same vicinity, adjusted if necessary, for any difference in the nature, location or condition of the specific asset.
The nature and reliability of information available to third party independent valuers and management to support the fair value accounting estimates for investment properties varies widely, thereby affecting the associated degree of estimation uncertainty as a result of COVID-19.

Impairment of development properties

The Group's management reviews the carrying amount of the development properties at each annual reporting date to assess for any impairment. Development properties are carried at the lower of its carrying value and the net realisable value. Hence, the Group's management need to determine the net realisable value. In making this judgment, the Group's management evaluates the net realisable value based on a report from an independent valuer who uses an acceptable method.

The nature and reliability of information available to third party independent values and management to support the net realisable value accounting estimates for investment properties varies widely, thereby affecting the associated degree of estimation uncertainty as a result of COVID-19.

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. For details of provision on Funds under management, please refer to Note 23.

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 2020 and 2019 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 have any independent cash flow generating activity at its own level. Management has considered both Price to Book ("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 an active market did not exist for the shares of Ithmaar as the trading activity in the prior years have been 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; (2019: residual income based on discounted cash flows);
- Faysal Bank Limited: dividend discount model based on the expected dividends that shareholders will receive (2019: dividend discount model);
- BBK: Based on Market Approach using Comparable Companies Multiple Method ("CCM") (2019: Market Approach using Comparable Companies Multiple Method ("CCM")).

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.

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.

The Board of Directors are responsible to set out risk management policies and guidelines. In order to maintain or adjust the capital structure, the Board of Directors may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

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 Solidarity

Group Holding B.S.C (c) have complied with their 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 and lease liabilities less cash and cash equivalents. Total capital is calculated as equity as shown on the face of the consolidated financial statements.

As at 31 December 2020 and 2019, the Group did not breach any covenant terms.

(Thousands of US dollars)

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

	2020	2019 (restated)
Due to banks and other financial institutions	1,077,340	1,293,640
Lease liabilities	80,691	83,034
Less: cash and cash equivalents	(735,993)	(862,725)
Less: cash at Central Bank – statutory reserve	(111,367)	(169,111)
Net debt	310,671	344,838
Total equity	**389,319**	**494,202**
Debt-to-equity ratio	79.8%	69.8%

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.

Considering this evolving situation of COVID-19, the Group has taken pre-emptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Payment holidays have been extended to customers, including private and SME sector, in line with the instructions of Central Bank of Bahrain ("CBB"). These measures may lead to lower disbursement of financing facilities, resulting in lower net financing income and decrease in other revenue.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential Significant increase in Credit Risk (SICR).

Modification loss and government assistance

During the current period, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to US dollars 12.3 million arising from the 6-month payment holidays provided to financing customers without charging additional profits by the banking associate has been recognized in the consolidated statement of income.

The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification.

Further, as per the regulatory directive, financial assistance amounting to US dollars 3.4 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government and/or regulators, in response to its COVID-19 support measures, has been recognized in the consolidated statement of income.

Modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan restructured when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Restructuring may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor restructured loans to help ensure that future payments continue to be likely to occur. If modifications are substantial, the loan is derecognised.

Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 restructured asset until it is collected or written off.

Once an asset has been classified as restructured, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period has passed from the date the restructuring contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contracts that are more than 30 days past due;

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).

During the year, in accordance with CBB instructions the Group has granted payment holidays to its eligible customers by deferring up to six months instalments. These deferrals are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. The Group uses judgement to individually differentiate between a borrowers' short-term liquidity constraints taking into account of customers who requested for further deferment and a change in its lifetime credit risk.

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.
Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. The Group derives a forward-looking economic scenario which reflects the Group's view of the most likely future macro-economic conditions.

Any changes made to ECL to estimate the overall impact of COVID-19 is subject to high levels of uncertainty as limited forward-looking information is currently available on which to base those changes. The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Many of the macroeconomic variables which were used in the ECL model are updated or published by external agencies or government agencies.

The Group has reviewed its portfolio which is expected to be most impacted due to COVID-19 to determine if any provisions are necessary. The Group continues to individually assess significant exposures to adequately safeguard against any adverse movements due to COVID-19.

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 analysed by type of borrower, days past due and as well as by credit risk grading.

The Group employs statistical models to analyse 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 behaviour 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.

	2020 ECL staging				2019
	Stage 1 **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**	**Total**
	US dollars'000	US dollars'000	US dollars'000	US dollars'000	US dollars'000
Investment grade					
Low risk (1-3)	2,909,579	452,890	-	3,362,469	1,639,835
Acceptable risk (4-6)	418,278	243,151	-	661,429	2,644,250
Watch list (7)	-	32,530	-	32,530	55,778
Non-performing (8-10)	-	-	715,176	715,176	606,514
Total carrying amount before loss allowance	**3,327,857**	**728,571**	**715,176**	**4,771,604**	**4,946,377**
Loss allowance	**(101,031)**	**(15,969)**	**(536,983)**	**(653,983)**	**(640,977)**

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

• GDP growth

• Net lending

• Population

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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 Group prefers liquid and marketable credit collateral; however other types of collateral are accepted provided that such collateral can be reasonably valued. Third party guarantees are accepted as collateral only after analysing the financial strength of the guarantors.

The fair value of the collateral held as at 31 December 2020 amounts to US dollars 1,959,767 (2019: to US dollars 2,036,776).

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:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	US dollars'000	US dollars'000	US dollars'000	US dollars'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	(82,818)	(14,732)	(231,219)	(328,769)
FX and other movements	228	216	(31,262)	(30,818)
Write-offs	-	-	31,529	31,529
Loss allowance as at 31 December	(82,590)	(14,516)	(230,952)	(328,058)
Accounts receivable and other assets (excluding derivative financial instruments)				
Loss allowance as at 1 January	(2,122)	(120)	(65,372)	(67,614)
Net financial assets matured	(577)	(59)	(6,477)	(7,113)
FX and other movements	32	6	4,258	4,296
Write-offs	-	-	5,561	5,561
Loss allowance as at 31 December	(2,667)	(173)	(62,030)	(64,870)
Investment securities carried at (FVOCI)				
Loss allowance as at 1 January	(6,007)	-	(228,374)	(234,381)
Net financial assets originated	(59)	(1,326)	(17,860)	(19,245)
FX and other movements	11	46	2,233	2,290
Loss allowance as at 31 December	(6,055)	(1,280)	(244,001)	(251,336)
Investment securities at amortised cost (debt)				
Loss allowance as at 1 January	(10,070)	-	-	(10,070)
Net financial assets matured	494	-	-	494
Loss allowance as at 31 December	(9,576)	-	-	(9,576)

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US dollars'000	US dollars'000	US dollars'000	US dollars'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 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	1,035	1,087
Loss allowance as at 31 December	(2,122)	(120)	(65,372)	(67,614)
Investment securities at amortised cost (debt)				
Loss allowance as at 1 January	(10,030)	-	-	(10,030)
Net financial assets originated	(40)	-	-	(40)
Loss allowance as at 31 December	(10,070)	-	-	(10,070)
Investment securities carried at (FVOCI)				
Loss allowance as at 1 January	(103)	-	(172,378)	(172,481)
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)	-	(228,374)	(234,381)

Gross carrying amount

The following table further explains the changes in the gross carrying amount from 1 January to 31 December 2020:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	US dollars'000	US dollars'000	US dollars'000	US dollars'000
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2020	862,868	-	-	862,868
Net financial assets matured	(126,732)	-	-	(126,732)
Gross carrying amount as at 31 December 2020	736,136	-	-	736,136
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2020	69,380	-	-	69,380
Net financial assets originated	66,301	-	-	66,301
Gross carrying amount as at 31 December 2020	135,681	-	-	135,681
Investments in financings				
Gross carrying amount as at 1 January 2020	1,443,796	141,718	331,096	1,916,610
Net financial assets matured	(505,093)	(23,587)	18,761	(509,919)
Gross carrying amount as at 31 December 2020	938,703	118,131	349,857	1,406,691
Accounts receivable and other assets (excluding derivative financial instruments)				
Gross carrying amount as at 1 January 2020	378,876	53,082	107,631	539,589
Net financial assets matured	(20,055)	1,177	(10,266)	(29,144)
Gross carrying amount as at 31 December 2020	358,821	54,259	97,365	510,445
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2020	169,111	-	-	169,111
Net financial assets matured	(57,744)	-	-	(57,744)
Gross carrying amount as at 31 December 2020	111,367	-	-	111,367

	2020			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US dollars'000	US dollars'000	US dollars'000	US dollars'000
Investment securities carried at FVOCI				
Gross carrying amount as at 1 January 2020	548,089	266,446	427,811	1,242,346
Net financial assets originated	470,847	289,735	(159,857)	600,725
Gross carrying amount as at 31 December 2020	1,018,936	556,181	267,954	1,843,071
Amortised cost				
Investment securities at amortised cost (debt)				
Gross carrying amount as at 1 January 2020	175,192	-	-	175,192
Net financial assets matured	(106,939)	-	-	(106,939)
Gross carrying amount as at 31 December 2020	68,253	-	-	68,253

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	Lifetime ECL	Lifetime ECL	Total
	US dollars'000	US dollars'000	US dollars'000	US dollars'000
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2019	648,499	-	-	648,499
Net financial assets originated	214,369	-	-	214,369
Gross carrying amount as at 31 December 2019	862,868	-	-	862,868
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 financings				
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	Lifetime ECL	Lifetime ECL	Total
	US dollars'000	US dollars'000	US dollars'000	US dollars'000
Amortised cost				
Accounts and other financial assets (excluding derivative financial instruments)				
Gross carrying amount as at 1 January 2019	394,892	52,255	107,384	554,531
Net financial assets matured	(16,016)	827	247	(14,942)
Gross carrying amount as at 31 December 2019	378,876	53,082	107,631	539,589
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 carried at FVOCI				
Gross carrying amount as at 1 January 2019	805,439	301,748	230,981	1,338,168
Net financial assets matured	(257,350)	(35,302)	196,830	(95,822)
Gross carrying amount as at 31 December 2019	548,089	266,446	427,811	1,242,346
Amortised cost				
Investment securities at amortised cost (debt)				
Gross carrying amount as at 1 January 2019	187,200	-	-	187,200
Net financial assets matured	(12,008)	-	-	(12,008)
Gross carrying amount as at 31 December 2019	175,192	-	-	175,192

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.

(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.

(Thousands of US dollars)

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:

	US dollars /EUR	US dollars /PKR
At 31 December 2020		
Total currency exposure	(272,882)	(116,742)
Reasonable shift	7.49%	2.5%
Total effect on income	(20,434)	(2,919)
At 31 December 2019		
Total currency exposure	(244,647)	(196,829)
Reasonable shift	2.99%	7.51%
Total effect on income	(7,315)	(14,782)

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.

(Thousands of US dollars)

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 2020

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents and statutory reserve	204,358	1,229	-	-	-	641,773	847,360
Investments with Islamic institutions	22,377	3,685	95,538	221	-	13,860	135,681
Investment securities carried at FVTPL	-	81,849	-	30,811	-	73,082	185,742
Investments in financings	199,331	154,255	630,451	30,169	18,509	45,918	1,078,633
Investment securities carried at amortised cost	14,936	7,918	9,987	20,786	5,050	-	58,677
Investment securities carried at FVOCI	300,319	644,637	47,610	230,862	322,784	114,980	1,661,192
Accounts receivable and other assets	-	-	-	-	-	177,976	177,976
Total financial assets	741,321	893,573	783,586	312,849	346,343	1,067,589	4,145,261
Liabilities							
Due to customers, banks and other financial institutions	1,527,759	407,554	436,874	46,079	12,675	2,590,431	5,021,372
Accounts payable	-	-	-	-	-	612,532	612,532
Total financial liabilities	1,527,759	407,554	436,874	46,079	12,675	3,202,963	5,633,904
Total repricing gap	(786,438)	486,019	346,712	266,770	333,668	(2,135,374)	(1,488,643)

(Thousands of US dollars)

At 31 December 2019 (restated)

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents and statutory reserve	366,713	-	-	-	-	665,123	1,031,836
Investments with Islamic institutions	9,957	8,169	37,169	12,241	-	1,844	69,380
Investment securities carried at FVTPL	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 carried at FVOCI	260,093	497,792	150,742	18,183	-	173,336	1,100,146
Investment securities at amortised cost	54,465	27,986	39,987	42,684	-	-	165,122
Accounts receivable and other assets	-	-	-	-	-	510,870	510,870
Total financial assets	1,398,506	805,492	567,219	765,696	373,217	879,955	4,790,085
Liabilities							
Due to customers, banks and other financial institutions	1,806,330	471,001	515,091	43,684	13,126	2,408,124	5,257,356
Accounts payable	-	-	1,872	25,420	-	632,031	659,323
Total financial liabilities	1,806,330	471,001	516,963	69,104	13,126	3,040,155	5,916,679
Total repricing gap	(407,824)	334,491	50,256	696,592	360,091	(2,160,200)	(1,126,594)

At 31 December 2020	US dollars	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	265,681	311,864	1,607,840
Reasonable shift (+/-)	1.54%	0.13%	3.55%
Total effect on loss (+/-)	4,091	405	57,078

At 31 December 2019	US dollars	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)	125	11,893

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.

(Thousands of US dollars)

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

	2020	**2019**
Pakistan stock exchange (+/-10%)	2,522	3,134
Cairo stock exchange (+/-10%)	601	530

Impact on post tax profit

	2020	**2019**
Bahrain Stock exchange (+/-10%)	2,200	801
Pakistan stock exchange (+/-10%)	-	556

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 Group constantly monitors the liquidity mismatch arising in the normal course of the business. Periodic stress tests are carried out on liquidity position to assess the ability of the Group to meet its liquidity mismatch particularly in view of the impact of Covid-19. The stress testing also incorporates judgement based behavioural approach for various sources of funding, estimated inflows from disposal of assets.

(Thousands of US dollars)

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 2020

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	3,389,822	303,216	244,232	6,731	31	3,944,032
Due to banks and financial institutions	644,608	157,499	216,397	30,781	28,055	1,077,340
Derivative financial instruments	-	-	-	6,015	-	6,015
Deferred Income	-	-	2,582	-	-	2,582
Accounts payable	169,568	173,849	211,963	48,555	-	603,935
Total liabilities liquidity risk	4,203,998	634,564	675,174	92,082	28,086	5,633,904

At 31 December 2019

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	2,327,125	201374	1421200	14017	-	3,963,716
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	290,007	229,968	27,292	-	652,472
Total liabilities liquidity risk	3,551,771	581,589	1,719,985	63,334	-	5,916,679

(Thousands of US dollars)

4. Financial instruments (continued)

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

At 31 December 2020

	No later than one year	One-five years	Over five years	Total
Endorsements	66,883	-	-	66,883
Guarantees and irrevocable letters of credit	528,497	8,356	14,317	551,170
Undrawn facilities and other commitments to finance	987,633	-	4,054	991,687
Open foreign currency positions	486,915	103,161	-	590,076
Repurchased and resale transactions	18,612	-	-	18,612
Total	2,088,540	111,517	18,371	2,218,428

At 31 December 2019

	No later than one year	One-five years	Over five years	Total
Endorsements	50,340	8,698	-	59,038
Guarantees and irrevocable letters of credit	335,590	63,355	178,215	577,160
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	1,818,810	72,053	289,518	2,180,381

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.

(Thousands of US dollars)

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 2020

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for trading:					
Foreign exchange derivatives					
- Outflow	-	(567)	(4,595)	(897)	(6,059)
- Inflow	-	-	44	-	44
Total outflow	-	(567)	(4,551)	(897)	(6,015)

At 31 December 2019

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

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.

(Thousands of US dollars)

5. Cash and cash equivalents and statutory reserve

	2020	2019 (restated)
Cash on hand	164,070	131,533
Cash at central banks - current account	156,252	242,935
Cash at other banks	415,671	488,257
Cash and cash equivalents	735,993	862,725
Cash at central banks - statutory reserve	111,367	169,111
Cash and bank balances	**847,360**	**1,031,836**

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

6. Investments with Islamic institutions

Investments with Islamic institutions represent placements of a short-term nature carried for a period less than 1 year but more than three months. These investments earn average profit rate of 1.01% (2019: 1.5%).

7. Investment securities carried at FVTPL

	2020	2019 (restated)
- Government securities	92,940	253,387
- Corporate securities	92,802	71,503
Total	**185,742**	**324,890**

The movement in investment securities carried at FVTPL is summarised as follows:

	2020	2019 (restated)
At 1 January	324,890	360,220
Additions	3,992,099	5,333,907
Disposals	(4,124,588)	(5,344,047)
Gain/(loss) on investment securities carried at FVTPL (Note 24)	2,285	(2,075)
Revaluation of investment securities carried at FVTPL (Note 24)	1,045	8,677
Exchange differences	(9,989)	(31,792)
At 31 December	**185,742**	**324,890**

(Thousands of US dollars)

8. Investment securities carried at FVOCI

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category.
- Debt securities where the contractual cash flows are solely principal, and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

	2020	2019 (restated)
Listed securities		
Debt-type investments	329,600	288,031
Equity-type investments	12,164	13,584
	341,764	**301,615**

	2020	2019 (restated)
Unlisted securities		
Debt-type investments	1,262,135	719,934
Equity-type investments	57,293	78,597
	1,319,428	**798,531**
Total	**1,661,192**	**1,100,146**

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

	2020	2019 (restated)
At 1 January	1,100,146	1,171,290
Additions	1,796,832	2,237,757
Disposals	(1,342,231)	(2,388,296)
Net unrealised (losses) / gains from changes in fair value	(21,139)	17,562
Exchange differences	127,584	61,833
At 31 December	**1,661,192**	**1,100,146**

9. Investment securities carried at amortised cost

	2020	2019 (restated)
Investment securities carried at amortised cost (debt)	68,253	175,192
Provision for expected credit losses	(9,576)	(10,070)
	58,677	**165,122**

(Thousands of US dollars)

9. Investment securities carried at amortised cost (continued)

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

	2020	2019
At 1 January	165,122	167,639
Additions	-	90,304
Matured	(104,522)	(90,605)
Provision for impairment	494	(40)
Exchange differences	(2,417)	(2,176)
At 31 December	**58,677**	**165,122**

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

10. Investments in financings

	2020	2019
Investments in financings	1,396,259	1,877,694
Financings subject to finance leases	10,432	38,916
Provision for expected credit losses (Note 11)	(328,058)	(328,769)
Investments in financings	**1,078,633**	**1,587,841**

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

Financings subject to finance leases

2020	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	5,963	81	6,044
Later than one year and not later than five years	4,345	43	4,388
	10,308	**124**	**10,432**

2019			
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**

(Thousands of US dollars)

11. Allowance account from credit losses

Allowance for impairment

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

	Investments in financings						
2020	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	291,267	12,733	5,148	12,032	7,589	67,614	396,383
Net charge for impairment	25,369	-	416	9,733	1,573	7,115	44,206
Amounts recovered	(22,834)	-	-	(7,784)	(912)	(5,561)	(37,091)
Foreign exchange	(4,614)	-	(217)	(787)	(654)	(4,298)	(10,570)
Balance at 31 December	289,188	12,733	5,347	13,194	7,596	64,870	392,928
2019							
Balance at 1 January	305,993	13,429	7,014	22,523	6,171	63,870	419,000
Net charge/(reversal) for impairment	-	-	337	(8,508)	1,415	4,831	(1,925)
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

(Thousands of US dollars)

12. Fair value of financial instrument

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 2020	Level 1	Level 2	Level 3	Total
Investment securities carried at FVTPL				
Equity securities	78,811	4,869	9,458	93,138
Debt securities	52,196	40,408	-	92,604
Investment securities carried at FVOCI				
Equity securities	12,164	-	57,293	69,457
Debt securities	329,600	1,260,949	-	1,590,549
Hedging derivatives	-	1,186	-	1,186
Total financial assets measured at fair value	472,771	1,307,412	66,751	1,846,934
Derivatives held for trading	-	(6,015)	-	(6,015)
Total financial liabilities measured at fair value	-	(6,015)	-	(6,015)

Reconciliation of Level 3 items

	Investment securities and Trading securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2020	179,628	-	179,628	179,628
Total (losses)/gains	(16,234)	-	(16,234)	(16,234)
(Losses) other comprehensive income	(19)	-	(19)	(19)
Purchases	454	-	454	454
Sales	(2,926)	-	(2,926)	(2,926)
Settlements	(94,152)	-	(94,152)	(94,152)
At 31 December 2020	66,751	-	66,751	66,751

(Thousands of US dollars)

12. Fair value of financial instruments (continued)

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 and Trading securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2019	188,000	-	188,000	-
Total (losses)/gains	(5,528)	-	(5,528)	-
Purchases	17,492	-	17,492	-
Sales	(20,336)	-	(20,336)	-
At 31 December 2019	179,628	-	179,628	-

(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 equity and debt investments classified as investment securities carried at FVTPL or investment securities carried at FVOCI.

(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;

(Thousands of US dollars)

12. Fair value of financial instruments (continued)

- 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 Mutual 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 Mutual 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.

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 2020	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI and FVTPL	5,729	(5,729)

At 31 December 2019	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI and FVTPL	16,991	(16,991)

13. Accounts receivable and other assets

	2020	**2019 (restated)**
Accounts receivable	161,461	187,271
Insurance receivable (Note 13.2)	104,514	115,991
Repossessed assets (Note 13.1)	22,339	8,232
Prepayments	16,515	19,895
Derivative financial instruments	1,186	592
Other receivables	204,430	207,608
Provision for expected credit losses (Note 9)	(64,870)	(67,614)
	445,575	**471,975**

Other receivables include amount receivable from funds under management in terms of the management fee.

13.1 Repossessed assets

Assets obtained by the Group during 2020 in the form of repossessed collateral as at 31 December 2020 amounted to US dollars 22.3 million (2019: US dollars 8.2 million).

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

13.2 Insurance receivables (continued)

	2020	**2019 (restated)**
Insurance and other receivables	51,660	57,455
Reinsurance share of outstanding claims	18,831	21,107
Reinsurance share of unearned premium	34,023	37,429
At 31 December	**104,514**	**115,991**

(Thousands of US dollars)

13. Accounts receivable and other assets (continued)

13.2 Insurance receivables (continued)

Outstanding insurance claims	Gross	Reinsurance	Net
Reported claims	43,974	(18,054)	25,920
Incurred but not reported ("IBNR")	6,728	(3,053)	3,675
At 1 January 2020	50,702	(21,107)	29,595
Claims paid/recovered	(68,096)	23,562	(44,534)
Claims incurred	69,440	(21,286)	48,154
Net movement during the year	1,344	2,276	3,620
At 31 December 2020	52,046	(18,831)	33,215
Reported claims	37,719	(15,852)	21,867
IBNR	14,327	(2,979)	11,348
At 31 December 2020	**52,046**	**(18,831)**	**33,215**

	Gross	Reinsurance	Net
Reported claims	48,959	(22,209)	26,750
IBNR	8,022	(1,549)	6,473
At 1 January 2019	56,981	(23,758)	33,223
Claims paid/recovered	(80,366)	26,766	(53,600)
Claims incurred	74,087	(24,115)	49,972
Net movement during the year	(6,279)	2,651	(3,628)
At 31 December 2019	50,702	(21,107)	29,595
Reported claims	43,974	(18,054)	25,920
IBNR	6,728	(3,053)	3,675
At 31 December 2019	**50,702**	**(21,107)**	**29,595**

Reinsurers' share of unearned premium	Gross	Reinsurance	Net
1 January	77,989	(37,429)	40,560
Premiums written	144,367	(77,001)	67,366
Premiums earned	(149,110)	80,407	(68,703)
Net movement during the year	(4,743)	3,406	(1,337)
Refund of premiums	(243)	-	(243)
At 31 December 2020	**73,003**	**(34,023)**	**38,980**

Reinsurers' share of unearned premium	Gross	Reinsurance	Net
1 January	77,223	(36,237)	40,986
Premiums written	147,325	(79,129)	68,196
Premiums earned	(146,134)	77,937	(68,197)
Net movement during the year	1,191	(1,192)	(1)
Refund of premiums	(425)	-	(425)
At 31 December 2019	**77,989**	**(37,429)**	**40,560**

(Thousands of US dollars)

14. Investment properties

	2020	2019 (restated)
At 1 January	324,647	372,322
Additions	38,557	23,032
Disposals	(14,845)	(65,737)
Fair value gain/ (losses) (Note 30)	836	(1,325)
Transfer to property, equipment and right-of-use assets	-	(2,340)
Net exchange differences	(218)	(1,305)
At 31 December	**348,977**	**324,647**

Certain assets totalling USD 86 million (31 December 2019: USD 86 million) included above are held by related parties as nominee on behalf of the Group.

The estimates and associated assumptions of fair value are based on the historical experience and other factors that are believed to be reasonable under circumstances, the result of which form the basis of making the judgement about carrying value of investment property. Although the Board of Directors believes that its estimate of fair value is appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value.

The valuation of the certain investment properties was carried out by an independent registered third-party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") using market approach. The valuer has included a material valuation uncertainty clause, in its report based on the recent guidance issued by RICS as a result of COVID19. This clause highlights that less certainty, and consequently a higher degree of caution should be attached to the valuation than normal.

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 2020	Favourable changes	Unfavourable changes
Investment properties	34,898	(34,898)
At 31 December 2019		
Investment properties	32,465	(32,465)

Investment property under operating leases

The Group leases out part of its investment properties 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:

	2020	2019
Not later than one year	1,663	1,934
Later than one year and not later than five years	1,126	1,077
	2,789	**3,011**

(Thousands of US dollars)

14. Investment properties (continued)

14.1 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 2020. 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 2020	**Significant unobservable input (Level 3)**	**Total**
Land	236,007	236,007
Office buildings	50,176	50,176
Other	62,794	62,794
	348,977	**348,977**
At 31 December 2019		
Land	238,019	238,019
Office buildings	41,746	41,746
Other	44,882	44,882
	324,647	**324,647**

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

2020	**Tour de Cointrin**	**Al Khumrah Land**	**Domaine Saint Alexandre**	**Hidd Land**
At 1 January	41,746	62,315	21,357	2,708
Revaluation gains or losses recognised in profit or loss	(293)	-	-	-
Exchange gains or losses recognised in other comprehensive income	3,812	-	-	-
Additional/ (Disposals)	4,910	-	-	-
At 31 December	**50,175**	**62,315**	**21,357**	**2,708**

(Thousands of US dollars)

14. Investment properties (continued)

14.1 Fair values of land and buildings (continued)

2020	Barbar Land	Polish Assets	Health Island	Others
At 1 January	51,459	18,315	84,648	42,099
Exchange gains or losses recognised in other comprehensive income	-	228	-	-
Transfer to Non-current assets available for sale	-	(5,325)	-	-
Additional/ (Disposals)	-	-	3,085	17,913
At 31 December	**51,459**	**13,218**	**87,733**	**60,012**

2019	Tour de Cointrin	Al Khumrah Land	Domaine Saint Alexandre	Hidd Land
At 1 January	43,565	62,315	21,357	2,708
Revaluation gains or losses recognised in profit or loss	(2,651)	-	-	-
Exchange gains or losses recognised in other comprehensive income	832	-	-	-
At 31 December	**41,746**	**62,315**	**21,357**	**2,708**

2019	Barbar Land	Polish Assets	Health Island	Others
At 1 January	58,435	24,077	92,003	42,099
Fair value losses	(6,976)	-	-	-
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**	**42,099**

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.

(Thousands of US dollars)

14. Investment properties (continued)

14.1 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 2020**	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	50,175	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 375-450 (CHF 390), CHF 7,000-8,000 (CHF 7,172), 5.13-5.73% (5.63%)	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*	62,315	Residual Approach & Comparable	Price per square meter	Residential Plots SAR 1,125-1,300 (SAR 850). Commercial Plots SAR 3,359 - 4,000 (SAR 2,600) or SAR 1,183-2,000 (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 18	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Development Subdivision Approach	Price Per Square Feet	CAD 5- 9.5 (CAD 7.73)	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	13,218	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	87,733	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 was based on the assumption that the freeze order will be lifted and the Property has been serviced, subdivided and benefits from planning consent for the residential villa masterplan. The Group will be compensated for the land relinquished due to development hence the Infrastructure and other development cost is reflected in the value of the property.

(Thousands of US dollars)

14.1 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*	62,315	Residual Approach & Comparable	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 was based on the assumption that the freeze order will be lifted and the Property has been serviced, subdivided and benefits from planning consent for the residential villa masterplan. The Group will be compensated for the land relinquished due to development hence the Infrastructure and other development cost is reflected in the value of the property.

(Thousands of US dollars)

15. Development properties

	2020	2019 (restated)
Land	197,610	197,748
Development costs	74,408	80,662
At 31 December	**272,018**	**278,410**

Development costs represent the infrastructure costs incurred such as roads and networks, electricity stations and design and supervision costs and the infrastructure cost. The infrastructure cost commitments are expected to be met by anticipated sale of plots. Based on this, management has estimated that the current carrying value is lower than the net realisable value, and accordingly, no impairment has been considered necessary.

The valuation of the development properties was carried out by an independent registered third-party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") taking into account the most recent independent valuations. The valuer has included a material valuation uncertainty clause, in its report based on the recent guidance issued by RICS as a result of COVID19. This clause highlights that less certainty, and consequently a higher degree of caution should be attached to the valuation than normal.

Below assumptions were used in the valuation of the development properties:
- land forming the valuation is saleable with freehold title, subject to site development covenants;
- any land plots sold to third party developers have specific covenants in place;
- plots are sold on a plot by plot basis with the current master developer being responsible for the implementation of infrastructure and services to each plot;
- all services are or will be available to the property;
- planning permissions are in place for the uses as provided.

16. Investments in associates

	2020	2019
At 1 January	689,503	636,886
Share of profit of associated companies	33,282	39,428
Dividends received	(28,649)	(45,632)
Share of fair value	(15,152)	(3,387)
Disposals	(852)	-
Provision	(1,924)	-
Transferred to non-current assets held for sale	(608)	-
Increase in share of associate	-	73,825
Exchange differences	(18,439)	(11,617)
At 31 December	**657,161**	**689,503**

(Thousands of US dollars)

16. Investments in associates (continued)

Set out below are the associates of the Group as at 31 December 2020 and 2019, 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
2020				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C	Bahrain	26	12	Equity
2019				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C	Bahrain	26	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.

As at 31 December 2020, shares of BBK are quoted at US dollars 1.4 (2019: US dollars 1.5).

Contingent liabilities relating to the Group's interest in the associates are found in Note 3.

Summarised financial information for associates

Set out below are the summarised financial information for Naseej B.S.C. (c) and Bank of Bahrain and Kuwait B.S.C. which are accounted for using the equity method.

(Thousands of US dollars)

16. Investments in associates (continued)

Summarised statement of financial position

At 31 December	Naseej B.S.C. (c)		BBK B.S.C.		Total	
	2020	2019	2020	2019	2020	2019
Cash and cash equivalents	19,429	115,212	543,767	762,334	563,196	877,546
Investment securities	-	-	1,580,902	1,653,846	1,580,902	1,653,846
Other assets	75,905	11,789	2,472,148	2,560,743	2,548,053	2,572,532
Total current assets	95,334	127,001	4,596,817	4,976,923	4,692,151	5,103,924
Non-current assets	181,290	199,969	5,388,313	5,283,231	5,569,603	5,483,200
Total assets	276,624	326,970	9,985,130	10,260,154	10,261,754	10,587,124
Financial liabilities	29,877	28,191	1,793,000	1,719,363	1,822,877	1,747,554
Other liabilities	12,850	9,208	1,092,838	1,501,592	1,105,688	1,510,800
Total current liabilities	42,727	37,399	2,885,838	3,220,955	2,928,565	3,258,354
Non-current liabilities	-	6,497	5,733,017	5,587,115	5,733,017	5,593,612
Total liabilities	42,727	43,896	8,618,855	8,808,070	8661,582	8,851,966
Net assets	233,897	283,074	1,366,275	1,452,084	1,600,172	1,735,158

Summarised statement of comprehensive income

At 31 December	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2020	2019	2020	2019	2020	2019
Income	2,668	9,232	314,938	401,750	317,606	410,982
Expense	(6,288)	(6,182)	(174,582)	(199,682)	-180,870	-205,864
Income tax expense	-	-	(796)	(530)	(796)	(530)
Post-tax (Loss) / profit	**(3,620)**	**3,050**	**139,560**	**201,538**	**135,940**	**204,588**
Other comprehensive income/(loss)	-	-	(61,289)	89,897	(61,289)	89,897
Total comprehensive income	**(3,620)**	**3,050**	**78,271**	**291,435**	**74,651**	**294,485**
Dividends received from associate	**-**	**-**	**102,230**	**114,149**	**102,230**	**114,149**

(Thousands of US dollars)

16. Investments in associates (continued)

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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Opening net assets	283,074	305,947	1,452,084	1,328,481	1,735,158	1,634,428
(Loss) / profit for the period	-3,620	3,050	139,560	201,538	135,940	204,588
Other comprehensive income/(loss)	-	-	-61,289	89,897	-61,289	89,897
Dividends	-	-	-102,230	-114,149	-102,230	-114,149
Foreign exchange differences	-45,557	-25,923	-61,850	-53,683	-107,407	-79,606
Closing net assets	233,897	283,074	1,366,275	1,452,084	1,600,172	1,735,158
Adjusted net assets	233,897	283,074	1,366,275	1,452,084	1,600,172	**1,735,158**
% Interest in associates	31%	31%	26%	26%	-	-
Attributable to the Group	72,508	89,767	355,205	377,542	427,713	467,309
Interest in associates	72,508	89,767	355,205	377,542	427,713	467,309
Goodwill	-	-	142,479	115,128	142,479	115,128
Intangible assets	-	-	50,671	57,851	50,671	57,851
Carrying value at 31 December	72,508	89,767	548,355	550,521	620,863	640,288

The fair value of the listed associate as at 31 December 2020 is USD 564 million. 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	% holding Group
2020						
Unlisted:						
CITIC International Asset Management Limited (Hong Kong)	190,748	22,087	8,250	(11,547)	20%	9%
Sanpak Engineering (Pakistan)	10,751	5,931	4,256	1,505	31%	14%
*Ithraa Capital (Saudi Arabia)	1,732	1,119	-	(5,914)	23%	11%

*For some of the associates, audited information is not available for 31 December 2020 and therefore the above information have been arrived at by using the best available financial information.

(Thousands of US dollars)

16. 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 (Saudi Arabia)	9,761	1,398	19	(3,966)	23	11

*For some of the associates, audited information was not available for 31 December 2019 at the time of issuance of the consolidated financial statements for the year ended 31 December 2019 and therefore the above information was arrived by using the best available financial information.

(Thousands of US dollars)

17 Property, equipment and right-of-use assets

	Land and buildings	Leasehold improvements, furniture, equipment and motor vehicles	Right-of-use assets	Total
Cost				
At 1 January 2020	44,942	125,644	94,468	265,054
Additions	2,123	17,084	8,619	27,826
Disposals	(24,535)	(6,041)	-	(30,576)
Foreign exchange differences	11,037	(2,453)	(1,556)	7,028
At 31 December 2020	**33,567**	**134,234**	**101,531**	**269,332**
Depreciation				
At 1 January 2020	2,040	92,511	12,448	106,999
Charge for the year	843	7,536	12,234	20,613
Disposals	-	(11,362)	-	(11,362)
Foreign exchange differences	(1,753)	(453)	-	(2,206)
At 31 December 2020	**1,130**	**88,232**	**24,682**	**114,044**
Cost				
At 1 January 2019	51,861	115,234	-	167,095
Additions / Transfer	(9,989)	18,603	97,418	106,032
Disposals	(2,561)	821	-	(1,740)
Foreign exchange differences	5,631	(9,014)	(2,950)	(6,333)
At 31 December 2019	**44,942**	**125,644**	**94,468**	**265,054**
Depreciation				
At 1 January 2019	12,042	91,133	-	103,175
Charge for the year	969	6,686	12,448	20,103
Disposals	(9,444)	(808)	-	(10,252)
Foreign exchange differences	(1,527)	(4,500)	-	(6,027)
At 31 December 2019	**2,040**	**92,511**	**12,448**	**106,999**
Net book value				
At 31 December 2020	**32,437**	**46,002**	**76,849**	**155,288**
At 31 December 2019	**42,902**	**33,133**	**82,020**	**158,055**

Land and buildings at 31 December 2020 included cost of land aggregated US dollars 23.6 million (2019: US dollars 24.0 million).

There were no property, equipment and right-of-use assets held as collateral against liabilities in the Group at 31 December 2020 (2019: Nil).

Right-of-use assets contains only one class of asset (buildings).

(Thousands of US dollars)

18. Intangible assets

2020	Goodwill	Customer relations	Core deposits	Other	Total
Year ended 31 December					
Opening net book amount	165,422	37,357	35,377	26,969	265,125
Additions	-	-	-	4,356	4,356
Foreign exchange	(468)	421	1,392	(106)	1,239
Amortisation/impairment	(10,570)	(6,118)	(8,063)	(3,042)	(27,793)
Closing net book amount	**154,384**	**31,660**	**28,706**	**28,177**	**242,927**
At 31 December					
Cost	404,754	118,468	175,389	66,213	764,824
Accumulated amortisation and impairment	(250,370)	(86,808)	(146,683)	(38,036)	(521,897)
Net book amount	**154,384**	**31,660**	**28,706**	**28,177**	**242,927**

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**

The carrying amount of goodwill relates to acquisition of Ithmaar Holding B.S.C. as follows:

	2020	2019
Ithmaar Holding B.S.C	154,384	165,422

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 have any independent cash flow generating activity at its own level. Management has considered both Price to Book ("PB") multiple and value in use calculation for the impairment assessment. The recoverable amount of the cash-generating units were determined based on value-in-use (VIU) and fair value less cost to sell (FVLCTS). VIU calculations were determined using cash flow projections from financial budgets approved by the Group's senior management covering a three-year period. The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these cash-generating units.

(Thousands of US dollars)

18. Intangible assets (continued)

For FVLCTS calculations, the Comparable Companies Multiple (CCM) method was used, whereby the price to book value (P/B) multiple of the listed Islamic banks operating in the region was considered. The key assumptions used in estimating the recoverable amounts of cash-generating units were assessed to ensure reasonableness of the VIU and FVLCTS and resulting adjustment, if any, is recorded in the consolidated income statement.

18.1 Acquisition of subsidiaries

Egyptian Investment Company

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 US dollars 1,702,800 during February 2019 for a consideration of US dollars 1. The fair value of the net assets approximates the carrying value on the transaction date hence a gain on acquisition of US dollars 1,702,800 was recorded in the consolidated statement of profit and loss. During the year ended 31 December 2019, Gulf Companies for Financial Investments ("GCFI") and Egyptian Company for Business and Trade SAE ("ECBT") merged into EIC. As at 31 December 2019, management recognized an impairment of US dollars 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**

19. Accounts payable

	2020	**2019 (restated)**
Accounts payable	176,840	197,518
Insurance related reserves	126,046	129,863
Lease Liability (Note 36)	80,691	83,034
Advance received from customers	1,050	1,597
Demand drafts	84,448	53,960
Accruals	56,006	54,769
Security deposits on consumer leases	3,675	7,763
Dividends payable	12,476	13,649
Derivative financial instruments	6,015	6,670
Employee payables	16,039	17,207
Due to unitholders	46,664	93,112
Deferred income	2,582	181
	612,532	**659,323**

(Thousands of US dollars)

20. Tax liability

	2020	2019
Current tax (receivable)/payable		
At 1 January	(14,798)	(23,636)
(Charge)/income for the period	(29,234)	31,250
Refund/(payment) made	44,601	(22,804)
Adjustment due to withholding tax payment	-	515
Exchange differences	1,037	(123)
At 31 December	**1,606**	**(14,798)**
Deferred tax (asset)/liability		
At 1 January	8,757	(2,755)
(Charge) / income for the period	(3,936)	1,344
Changes due to fair value reserve	(4,609)	-
Adjustment due to withholding tax payment	(5,115)	10,169
Adjustment	5,331	-
Exchange differences	(126)	(1)
At 31 December	**302**	**8,757**

Current tax receivable	171	16,197
Current tax payable	(1,777)	(1,399)
	(1,606)	**14,798**

Deferred tax assets	3,341	-
Deferred tax liabilities	(3,643)	(8,757)
	(302)	**(8,757)**

21. Due to customers

	2020	2019
Customer current accounts		
Individuals	1,091,360	816,786
Financial institutions	6,240	6,258
Corporate institutions	1,482,483	1,576,945
Customer investment accounts		
Individuals	578,686	720,583
Financial institutions	72,129	68,922
Corporate institutions	713,134	774,222
	3,944,032	**3,963,716**

Customer current accounts include balances relating to a counterparty amounting to US dollars 223.2 million (2019: US dollars 203.8 million) which was subject to sanctions under US, EU and UN measures.

The remaining due to customers represents Islamic deposits accepted by subsidiaries of the Group.

(Thousands of US dollars)

22. Due to banks and other financial institutions

Due to banks and financial institutions include balances totalling US dollars 438.2 million from two counterparties (2019: US dollars 428 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 2020.

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

22.1 Collateralised borrowings

At 31 December 2020, there were collateralised borrowings in aggregate of US dollars 550.5 million (2019: US dollars 228.9 million).

Cash dividends amounting to US dollars 26.9 million (2019: US dollars 36.3 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.

Investment in associates amounting to US dollars 548.3 million (2019: US dollars 497.5 million) are pledged as collateral against borrowings with the terms and conditions in the ordinary course of business.

23. Provisions

Included under liabilities are the following provisions:

	2020	2019
Funds under management guarantee*	58,274	56,264
Other provisions	5,826	5,826
	64,100	**62,090**

* This includes provision related indemnity agreement. As per the indemnity agreement dated 12 April 2011, IICG subsidiary, acting as Modareb for funds managed by IICG, purchased certain assets from another related party for which the value exceeded the fair value by US dollars 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 US dollars 55 million. This obligation under the indemnity agreement will remain in force till assets are liquidated and the IICG FUM can request indemnity for US dollars 55 million during the term of the agreement.

24. Income from investment securities carried at FVTPL

	2020	2019
Income from foreign exchange trading	12,290	18,048
Gain/(losses) on trading securities (Note 7)	2,285	(2,075)
Gains from revaluation (Note 7)	1,045	8,677
	15,620	**24,650**

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

Income from government securities mainly represents income from investment in treasury bills with government of Pakistan. It represents treasury bills with maturity period 3 months up to 1 year and profit rates range is 7% - 7.5%

(Thousands of US dollars)

25. Income from investment securities carried at FVOCI

	2020	2019
Income from government securities	14,426	9,303
Gains from investment securities	125,860	105,411
Income from investments	2,273	1,332
	142,559	**116,046**

26. Income from investments carried at amortised cost

	2020	2019
Investment securities carried at amortised cost	8,293	11,887
	8,293	**11,887**

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

27. Income from investments with Islamic institutions

Income from investment in Islamic institutions arises from assets placed in financial institutions located in Pakistan and totalled US dollars 6.6 million as at 31 December 2020.

Income from investments with Islamic institutions pertains to short term lending (call lending and reverse repos). T Bills and PIBS are kept as security. Rate of income is not relevant with security tenor/ maturity. Rate of return is in the range of 6% to 13%.

28. Income from investments in financings

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

29. Fee and commission income

	2020	2019
Arrangement fees	5,222	7,584
Guarantee fees	1,151	1,209
Documentary credit fees	-	4,072
Other fees from banking services	31,847	36,635
	38,220	**49,500**

30. Other income

	2020	2019
Rental income from investment properties	3,864	3,446
Fair value loss on investment properties (Note 14)	836	(1,325)
Insurance underwriting profit (note 30.1)	25,938	24,356
Other	29,456	11,940
	60,094	**38,417**

(Thousands of US dollars)

30. Other income (continue)

Other includes certain reversals of provisions and accrual which were older than three years and in the management's assessment were not needed.

30.1 Insurance underwriting profit	2020	2019
Net insurance premiums earned	74,150	74,305
Net insurance claims incurred	(48,212)	(49,949)
	25,938	24,356

31. Profit paid to financial and non-financial institutions

	2020	2019
Profit paid to financial institutions	175,007	216,247
Profit paid to non-financial institutions	66,389	75,499
Interest on due to unitholders	(87)	826
	241,309	**292,572**

32. Staff costs

	2020	2019
Salaries	79,652	76,107
Social security and other statutory costs	1,955	2,083
Pension and end of service	6,600	2,908
Other benefits	10,152	10,429
	98,359	**91,527**

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

33. General and administrative expenses

	2020	2019
Office expenses	33,877	33,398
Professional fees	20,035	17,978
IT expenses	16,581	15,061
Other	27,495	28,469
	97,988	**94,906**

34. Taxes

	2020	2019
Current taxes	29,347	29,051
Deferred taxes	(3,936)	(1,344)
	25,411	27,707

(Thousands of US dollars)

34. Taxes (continued)

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.

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

	2020	2019
Net accounting	(26,890)	62,156
Attributable to zero tax jurisdictions	(73,285)	(2,566)
Attributable to taxable jurisdictions	46,604	64,722
Weighted average tax rate	35%	32%
Weighted average effective tax	(16,435)	(20,399)
Government levied exceptional tax	(8,976)	(7,308)
Effective tax expense	(25,411)	(27,707)

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 arise 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 arise mainly on account of revaluation of fixed assets and different depreciation rates within the tax law.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profit arising from the reversal of the existing taxable temporary differences.

35. 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:

		2020		2019 (restated)	
Name of the subsidiary	Principal place of business	Non-controlling		Non-controlling	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	Kingdom of Bahrain	(516)	53	53	71,167
Faysal Bank Limited	Pakistan	116,101	33	33	104,344
Solidarity Group Holding B.S.C (c)	Kingdom of Bahrain	101,002	45	45	95,435
Gulf Investors Asset Management	Kingdom of Saudi Arabia	2,659	27	27	2,820
Health Island B.S.C. (C)	Kingdom of Bahrain	34,150	50	50	40,202
Cityview Real Estate Development B.S.C. (C)	Kingdom of Bahrain	(3,795)	49	49	(2,867)
Sakana Holistic Housing Solutions B.S.C. (C)	Kingdom of Bahrain	2,644	50	50	2,645
		252,245			313,746

The non-controlling interest appropriation in the consolidated statement of income of US dollars 25.1 million represents the non-controlling shareholders' share of the losses of these subsidiaries for 2020 (2019: US dollars 21 million profit).

(Thousands of US dollars)

35. 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. Year ended 31 December	
Summarised Balance Sheet	**2020**	**2019**
Assets	5,866,078	6,127,063
Liabilities	5,577,746	5,785,394
Net assets	288,332	341,669
Summarised Income Statement	**2020**	**2019**
Income	212,339	287,773
(Loss)/gain before income tax	(36,829)	53,606
Income tax expense	(25,374)	(27,708)
Post-tax (loss)/gain	(62,203)	25,898
Other comprehensive (loss)/income	(28,099)	2,808
Total comprehensive (loss)/income	(90,302)	28,706
Total comprehensive income/(loss) allocated to non-controlling interests	85,911	(8,087)
Summarised Cash Flows	**2020**	**2019**
Cash flows from operating activities	(111,523)	(59,101)
Cash generated from operations	423,031	46,537
Net (decrease)/increase in investments	(490,782)	233,233
Taxes paid	(15,162)	(29,895)
Foreign currency translation adjustments	18,723	38,358
Net (decrease)/increase in cash and cash equivalents	**(175,713)**	**229,132**
Cash and cash equivalents at beginning of year	1,016,494	787,362
Cash and cash equivalents at end year	840,781	1,016,494

The information above is the amount before intercompany eliminations and consolidation adjustments.

(Thousands of US dollars)

36. Right-of-use-assets and lease liabilities

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

	2020	2019
a) Right-of-use assets (Note 17)		
Office space	**76,849**	**82,020**
b) Lease liabilities (Note 19)		
Current	2,190	2,234
Non-current	78,501	80,800
Total	**80,691**	**83,034**

Additions to right of use assets during the years ended 31 December 2020 were amounted to US dollars 8.6 million (2019: US dollars 14.8 million). The total cash outflow for lease in 2020 was US dollars 14.6 million (2019: US dollars 15.2 million).

	2020	2019
Interest expenses	1,603	1,664
Depreciation on right-of-use assets (Note 16)	12,234	12,448

37. Funds under management

The Group manages Funds Under Management ("FUM") through its different subsidiaries totalling US dollars 5.54 billion (2019: US dollars 4.88 billion) of which US dollars 1.68 billion (2019: US dollars 1.71 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 at 31 December 2020, three hundred thirty-six investors (2019: three hundred sixteen) have filed legal claims in Saudi Arabian courts against IICG claiming refund of the full value of their investments totalling to US dollars 100.7 million (2019: US dollars 95.6 million). Of the three hundred thirty-six legal cases, the court has rendered judgment in two hundred forty-seven legal claims (2019: one hundred ninety-three) amounting to US dollars 80.7 million (2019: US dollars 69.7 million). The Company has challenged such judgments in the Appeal Court. The Appeal Court has rendered its judgement in seventy-six cases amounting to US dollars 18.97 million (2019: US dollars 2.3 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.

(Thousands of US dollars)

38. 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

	2020	2019
Loans		
Loans outstanding at 1 January	1,971	1,510
Loans issued during the year	672	1,097
Loan repayments during the year	(688)	(513)
Foreign exchange	(61)	(123)
Loans outstanding at 31 December	1,894	1,971

No provisions were recognised in respect of loans given to related parties (2019: 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 2020 of US dollars 24.5 (2019: US dollars 22.1 million).

c) Current and investment accounts

	Associated companies	
	2020	2019
Amounts payable to:		
Naseej B.S.C. (c)	10,540	73,133

The terms and conditions of the current and investment account with related party are on arm's length basis (or normal commercial terms).

d) Key management compensation

	2020	2019
Salaries and other short-term benefits	10,682	11,627
Post-employment benefits	42	39
Other long-term benefits	398	360
	11,122	12,026

(Thousands of US dollars)

39. Contingent liabilities and commitments

Contingent liabilities	2020	2019
Endorsements	66,883	59,038
Performance bid bonds	38,666	34,287
Customer claims	230,377	253,099
Guarantees and irrevocable letters of credit	551,170	577,160
	887,096	**923,584**

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.

There are certain claims filed by the borrowers against the banking subsidiary in Pakistan – Faysal Bank Limited ("FBL"). These mainly represent counter claims filed by the borrowers for restricting FBL from disposal of assets (such as mortgaged/pledged assets kept as security), cases where FBL was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of FBL for damages sustained by them consequent to the termination from FBL's employment and cases for damages towards opportunity losses suffered by the customers due to non-disbursements of running finance facility as per the agreed terms. The above suit filed against FBL for declaration, recovery of monies, release of securities, rendition of account and damages.

Based on legal advice and/or internal assessment, the management is confident that the above matters will be decided in FBL's favor and the possibility of any outcome against FBL is remote and accordingly no provision has been made in these consolidated and financial statements.

Commitments	2020	2019
Undrawn facilities, financing lines	986,813	841,941
Other commitments to finance	4,874	6,688
Repurchase and resale transactions	18,613	140,515
Significant net open foreign currency position	590,075	555,039
	1,600,375	**1,544,183**

(Thousands of US dollars)

40. Current and non-current assets and liabilities

At 31 December 2020	Current	Non-current	Total
Cash and cash equivalents	735,993	-	735,993
Cash at Central Bank – statutory reserve	111,367	-	111,367
Investment with Islamic institutions	114,820	20,861	135,681
Investment securities carried at FVTPL	83,532	102,210	185,742
Investments in financings	827,547	251,086	1,078,633
Investment securities carried at FVOCI	1,655,962	5,230	1,661,192
Investment securities carried at amortised cost	53,627	5,050	58,677
Accounts receivable and other financial assets	213,730	231,845	445,575
Current tax receivable	171	-	171
Investment properties	-	348,977	348,977
Development properties	6,143	265,875	272,018
Investments in associates	-	657,161	657,161
Property, equipment and right-of-use assets	15,156	140,132	155,288
Intangible assets	10,165	232,762	242,927
Deferred tax assets	3,341	-	3,341
Total assets	**3,831,554**	**2,261,189**	**6,092,743**
Due to customers	3,937,270	6,762	3,944,032
Due to banks and other financial institutions	1,018,505	58,835	1,077,340
Provisions	2,608	61,492	64,100
Accounts payable	557,962	54,570	612,532
Current tax payable	1,777	-	1,777
Deferred tax liabilities	3,302	341	3,643
Total liabilities	**5,521,424**	**182,000**	**5,703,424**
Net assets/liabilities	**(1,689,870)**	**2,079,189**	**389,319**

At 31 December 2019			
Total assets	**3,446,910**	**3,036,217**	**6,483,127**
Total liabilities	**5,828,332**	**160,593**	**5,988,925**
Net assets/liabilities	**(2,381,422)**	**2,875,624**	**494,202**

(Thousands of US dollars)

41. 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 2020						
Cash and cash equivalents	386,324	213,354	55,001	81,314	-	735,993
Cash at Central Bank – statutory reserve	-	111,367	-	-	-	111,367
Investments with from Islamic institutions	31,219	100,032	4,430	-	-	135,681
Investment securities carried at FVTPL	82,068	101,688	1,249	737	-	185,742
Investments in financings	929,333	149,300	-	-	-	1,078,633
Investment securities carried at FVOCI	1,583,743	62,537	4,632	5,429	4,851	1,661,192
Investment securities carried at amortised cost	-	58,677	-	-	-	58,677
Accounts receivable and other assets	45,964	228,601	167,434	3,576	-	445,575
Current tax receivable	-	100	71	-	-	171
Investment properties	6,143	259,034	62,443	21,357	-	348,977
Development properties	-	272,018	-	-	-	272,018
Investments in associates	33,070	624,091	-	-	-	657,161
Property, equipment and right-of-use assets	62,208	55,891	37,189	-	-	155,288
Intangible assets	11,652	231,275	-	-	-	242,927
Deferred tax assets	3,341	-	-	-	-	3,341
Total assets	**3,175,065**	**2,467,965**	**332,449**	**112,413**	**4,851**	**6,092,743**
Customer current accounts	1,169,065	362,571	221,348	-	-	1,752,984
Customer investment accounts	1,363,945	827,103	-	-	-	2,191,048
Due to banks	366,270	710,442	186	-	442	1,077,340
Provisions	-	5,826	58,274	-	-	64,100
Accounts payable	155,714	437,837	18,981	-	-	612,532
Current tax payable	1,724	46	7	-	-	1,777
Deferred tax liabilities	3,643	-	-	-	-	3,643
Total liabilities	**3,060,361**	**2,343,825**	**298,796**	**-**	**442**	**5,703,424**
Net on-balance sheet position	**114,704**	**124,140**	**33,653**	**112,413**	**4,409**	**389,319**
Contingent liabilities and commitments	**2,385,108**	**102,363**	**-**	**-**	**-**	**2,487,471**
At 31 December 2019						
Total assets	**3,348,947**	**2,534,069**	**377,367**	**211,836**	**10,908**	**6,483,127**
Total liabilities	**3,237,791**	**2,457,036**	**283,218**	**9,956**	**924**	**5,988,925**
Net on-balance sheet position	**111,156**	**77,033**	**94,149**	**201,880**	**9,984**	**494,202**
Contingent liabilities and commitments	**2,067,065**	**387,501**	**13,201**	**-**	**-**	**2,467,767**

(Thousands of US dollars)

41 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 2020								
Cash and cash equivalents	657, 657	-	2,438	-	75,898	-	-	735,993
Cash at Central Bank – statutory reserve	111,367	-	-	-	-	-	-	111,367
Investments with Islamic institutions	99,143	-	20,206	-	16,332	-	-	135,681
Investment securities carried at FVTPL	57,221	12,637	-	-	112,743	-	3,141	185,742
Investments in financings	165,559	202,101	18,753	310,267	239,202	46,079	96,672	1,078,633
Investment securities carried at FVOCI	48,275	258,658	14,924	-	1,323,607	-	15,728	1,661,192
Investment securities carried at amortised cost	18,342	27,321	13,014	-	-	-	-	58,677
Accounts receivable and other assets	262,916	1,114	33,086	21,964	112,961	-	13,534	445,575
Current tax receivable	171	-	-	-	-	-	-	171
Investment properties	-	-	328,072	-	-	-	20,905	348,977
Development properties	6,143	-	265875	-	-	-	-	272,018
Investments in associates	646,407	6,505	3,784	-	-	-	465	657,161
Property, equipment and rights-of-use assets	71,164	-	63,164	-	-	-	20,960	155,288
Intangible assets	219,936	-	-	-	-	-	22,991	242,927
Deferred tax assets	3,341	-	-	-	-	-	-	3,341
Total assets	**2,367,642**	**508,336**	**763,316**	**332,231**	**1,880,743**	**46,079**	**194,396**	**6,092,743**
Due to customers	1,098,286	940,797	229,955	562,112	481,678	73,399	557,805	3,944,032
Due to banks and other financial institutions	1,021,786	-	9,155	-	46,399	-	-	1,077,340
Provisions	9,100	-	55,000	-	-	-	-	64,100
Accounts payable	210,298	6,698	78,241	74,177	2,418	-	240,700	612,532
Deferred tax liabilities	3,643	-	-	-	-	-	-	3,643
Current tax payable	1,723	-	17	-	-	-	37	1,777
Total liabilities	**2,344,836**	**947,495**	**372,368**	**636,289**	**530,495**	**73,399**	**798,542**	**5,703,424**
Net on-balance sheet position	**22,806**	**(439,159)**	**390,948**	**(304,058)**	**1,350,248**	**(27,320)**	**(604,146)**	**389,319**
Contingent liabilities and commitments	**23,579**	**1,634,468**	**87,389**	**15,076**	**27,955**	**165,418**	**533,586**	**2,487,471**
At 31 December 2019								
Total assets	**3,615,624**	**588,463**	**561,081**	**315,182**	**1,040,999**	**-**	**361,778**	**6,483,127**
Total liabilities	**1,694,445**	**893,010**	**313,052**	**910,016**	**674,133**	**-**	**1,504,269**	**5,988,925**
Net on-balance sheet position	**1,921,179**	**(304,547)**	**248,029**	**(594,834)**	**366,866**	**-**	**(1,142,491)**	**494,202**
Contingent liabilities and commitments	**464,200**	**1,350,318**	**37,865**	**19,444**	**157,756**	**96,805**	**341,379**	**2,467,767**

(Thousands of US dollars)

42 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 2020						
Cash and cash equivalents	729,375	5,389	1,229	-	-	735,993
Cash at Central Bank – statutory reserve	-	111,367	-	-	-	111,367
Investments with Islamic institutions	30,399	-	84,421	20,861	-	135,681
Investment securities carried at FVTPL	5,775	35,160	42,188	29,548	73,071	185,742
Investments in financings	233,529	288,440	305,578	117,186	133,900	1,078,633
Investment securities carried at FVOCI	358,119	581,941	45,542	292,303	383,287	1,661,192
Investment securities carried at amortised cost	-	58,677	-	-	-	58,677
Accounts receivable and other financial assets	61,815	452	151,463	231,259	586	445,575
Current tax receivable	85	11	75	-	-	171
Investment properties	-	-	6,143	55,706	287,128	348,977
Development properties	-	-	-	272,018	-	272,018
Investments in associates	-	-	-	-	657,161	657,161
Property, equipment and right-of-use assets	1,577	6,013	7,699	55,824	84,175	155,288
Intangible assets	10,165	-	-	1,487	231,275	242,927
Deferred tax assets	-	-	3,341	-	-	3,341
Total assets	**1,430,839**	**1,087,450**	**647,679**	**1,076,192**	**1,850,583**	**6,092,743**
Due to customers	3,389,822	303,216	244,232	6,731	31	3,944,032
Due to banks	644,609	157,499	216,397	30,781	28,054	1,077,340
Provisions	-	-	2,608	667	60,825	64,100
Accounts payable	329,840	1,139	226,983	43,456	11,114	612,532
Current tax payable	171	-	1,606	-	-	1,777
Deferred tax liabilities	-	3,302	-	-	341	3,643
Total liabilities	**4,364,442**	**465,156**	**691,826**	**81,635**	**100,365**	**5,703,424**
Net liquidity gap	**(2,933,603)**	**622,294**	**(44,147)**	**994,557**	**1,750,218**	**389,319**
At 31 December 2019						
Total assets	**2,008,894**	**1,033,095**	**404,921**	**1,160,204**	**1,876,013**	**6,483,127**
Total liabilities	**4,825,624**	**316,963**	**677,346**	**69,183**	**99,809**	**5,988,925**
Net liquidity gap	**(2,816,730)**	**716,132**	**(272,425)**	**1,091,021**	**1,776,204**	**494,202**

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.

(Thousands of US dollars)

43 Currency exposure

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
At 31 December 2020									
Cash and cash equivalents	173,563	306,937	166,284	53,357	4,901	7,983	189	22,779	735,993
Cash at Central Bank – statutory reserve	-	-	111,367	-	-	-	-	-	111,367
Due from Islamic institutions	19,447	31,208	67,026	4,430	-	-	-	13,570	135,681
Investment securities carried at FVTPL	65,596	81,660	9,339	-	-	27,333	-	1,814	185,742
Investments in financings	140,720	842,068	59,128	33,581	-	-	-	3,136	1,078,633
Investment securities carried at FVOCI	49,913	1,587,431	11,227	3,891	737	-	3,142	4,851	1,661,192
Investment securities carried at amortised cost	23,785	34892	-	-	-	-	-	-	58,677
Accounts receivable and other assets	237,689	45,368	73,716	2,622	13,822	1,053	624	70,681	445,575
Current tax receivable	8	-	77	11	75	-	-	-	171
Investment properties	51,259	6,143	112,733	6,201	52,882	62,316	-	57,443	348,977
Development properties	-	-	272,018	-	-	-	-	-	272,018
Investments in associates	612,237	-	3,784	-	-	1,853	6,217	33,070	657,161
Property, equipment and right of use assets	1,103	62,342	39,482	2	37,187	1	62	15,109	155,288
Intangible assets	228,079	11,652	3,196	-	-	-	-	-	242,927
Deferred tax assets	-	3,341	-	-	-	-	-	-	3,341
Total assets	**1,603,399**	**3,013,042**	**929,377**	**104,095**	**109,604**	**100,539**	**10,234**	**222,453**	**6,092,743**
Due to customers	283,633	2,166,849	1,211,487	240,553	-	9,599	-	31,911	3,944,032
Due to banks and other financial institutions	207,393	366,269	67,444	109,322	-	11	-	326,901	1,077,340
Provisions	5,826	-	-	55,666	2,608	-	-	-	64,100
Accounts payable	54,203	419,036	57,824	3,451	4,549	1,053	1,035	71,381	612,532
Current tax payable	8	1,724	38	7	-	-	-	-	1,777
Deferred tax liabilities	-	-	3,302	-	341	-	-	-	3,643
Total liabilities	**551,063**	**2,953,878**	**1,340,095**	**408,999**	**7,498**	**10,663**	**1,035**	**430,193**	**5,703,424**
Net on-balance sheet position	**1,052,336**	**59,164**	**(410,718)**	**(304,904)**	**102,106**	**89,876**	**9,199**	**(207,740)**	**389,319**
Contingent liabilities and commitments	**1,216,008**	**921,668**	**138,690**	**104,607**	**975**	**16,486**	**-**	**89,037**	**2,487,471**
At 31 December 2019									
Total assets	**2,048,410**	**3,034,230**	**895,177**	**110,860**	**88,795**	**100,273**	**14,274**	**191,108**	**6,483,127**
Total liabilities	**758,691**	**3,022,833**	**1,400,080**	**379,547**	**6,170**	**5,545**	**4,268**	**411,791**	**5,988,925**
Net on-balance sheet position	**1,289,719**	**11,397**	**(504,903)**	**(268,687)**	**82,625**	**94,728**	**10,006**	**(220,683)**	**494,202**
Contingent liabilities and commitments	**779,538**	**1,260,151**	**343,133**	**35,844**	**13,705**	**10,778**	**-**	**24,618**	**2,467,767**

(Thousands of US dollars)

44 Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 12 July 2021 and are subject to approval at the Annual General Meeting, which will be held on 7 August 2021.

45 Principal subsidiaries in the consolidated financial statements

	Nature of Business	% owned Subsidiary	% owned DMI	Country of Incorporation
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
Dilmunia Development Fund I L.P.	Real Estate Investment	90	42	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	56	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 CBB.

46 Capital management

One of the subsidiaries of the DMI Group is subject to supervision of CBB 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%. As at 31 December 2020 and 2019 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 2020 and 2019. 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.

47 Contingency and fiduciary 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 37 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.

The Board of Supervisor on 5 December 2020 resolved to release the amount of US dollars 60 million from Fiduciary Reserve, to the accumulated losses.

(Thousands of US dollars)

48 Restatement of consolidated financial statements

(i) The Group has restated their financial statement to incorporate Dilmunia Development Fund I L.P which was not consolidated in 2019. The Group has control over Dilmunia Fund I L.P. Dilmunia Development Fund I L.P. (the "Fund") is an exempted limited partnership formed and registered under the laws of the Cayman Islands. The General Partner in the Partnership is Ithmaar-Dilmunia General Partner Company Limited. The Fund was formed to acquire 650,000 square meters of land within the Health Island — Dilmunia Project in Bahrain to develop the infrastructure and to sell the Land in parcels. The total assets and total shareholders' equity as of 31 December 2020 amounted to US dollars 143 million and US dollars 127 million respectively.

(ii) During the year, the group classified certain amounts in the statement of financial position, statement of comprehensive income and statement of cash flows. The key reclassifications related to:

- Reclassification of its investment securities carried at FVOCI and amortised cost which were presented in total as "investment securities",
- Development properties which were presented as "investment properties" have been classified as development properties; and
- Due to customers and due to banks and other financial institutions which were presented together as "Due to customers, banks and other financial institutions".

The comparative information has been restated to reflect the appropriate classification and adjustments. The reclassifications have not resulted in change in last year's reported total comprehensive income and equity of the Group, however the impact of the consolidation error on the total comprehensive income and equity is presented below.

The table below sets out the impact of the restatements:

Consolidated statement of financial position:

	As at 31 December 2019	Adjustment due to consolidation	Adjustment due to reclassification	As at 31 December 2019 (restated)
Cash and cash equivalents	856,838	5,887	-	862,725
Investment securities at FVOCI	-	-	1,100,146	1,100,146
Investment securities	1,352,457	(87,189)	(1,265,268)	-
Investment securities at amortised cost (debt)	-	-	165,122	165,122
Accounts receivable and other assets	454,142	17,833	-	471,975
Investment properties	407,895	-	(83,248)	324,647
Development properties	-	195,162	83,248	278,410
Due to customers, banks and other financial institutions	5,387,219	-	(5,387,219)	-
Due to customers	-	-	3,963,716	3,963,716
Due to banks and other financial institutions	-	-	1,293,640	1,293,640
Accounts payable	402,994	126,466	129,863	659,323
Reserves	(215,087)	5,227	-	(209,860)
Total Trust Capital	175,229	5,227	-	180,456

(Thousands of US dollars)

48. Restatement of consolidated financial statements (continued)

	1 January 2019	Adjustment due to consolidation	Adjustment due to reclassification	1 January 2019 (restated)
Cash and cash equivalents	630,755	17,601	-	648,356
Investment securities at FVOCI	-	-	1,257,868	1,257,868
Investment securities	1,502,996	(77,489)	(1,425,507)	-
Investment securities at amortised cost (debt)	-	-	167,639	167,639
Accounts receivable and other assets	501,035	34,284	-	535,319
Investment properties	437,377		(65,055)	372,322
Development properties	-	204,333	65,055	269,388
Due to customers, banks and other financial institutions	5,529,933	-	(5,529,933)	-
Due to customers	-	-	3,975,874	3,975,874
Due to banks and other financial institutions	-	-	1,554,059	1,554,059
Accounts payable	486,463	171,367	-	657,830
Reserves	(229,449)	7,362	-	(222,087)
Total Trust Capital	160,867	7,362	-	168,229

(Thousands of US dollars)

48. Restatement of consolidated financial statements (continued)

Consolidated statement of comprehensive income:

	For the year ended 31 December 2019 (previously reported)	Adjustment due to consolidation	Adjustment due to reclassification	For the year ended 31 December 2019 (restated)
Statement of profit or loss (extract)				
Income from investments carried at FVTPL	-	-	24,650	24,650
Income from investments carried at FVOCI	-	-	116,046	116,046
Income from investments carried at amortised costs	-	-	11,887	11,887
Net trading income	33,953	-	(33,953)	-
Gains from investment securities	105,411	-	(105,411)	-
Income from investments	13,219	-	(13,219)	-
Income from investments with Islamic institutions	13,723	197	-	13,920
Other income	34,451	3,966	-	38,417
	572,660	4,163	-	576,823
Profit paid to financial and non-financial institutions	(289,766)	(2,806)	-	(292,572)
Operating income	282,894	1,357	-	284,251
General and administrative expenses	(94,202)	(704)	-	(94,906)
Allowance for impairment	(24,548)	(287)	-	(24,835)
Total expenses	**(260,840)**	**(991)**	-	**(261,831)**
Operating gain	**22,054**	**366**	-	**22,420**
Profit for the year after income taxes	**33,775**	**366**	-	**34,141**

(Thousands of US dollars)

48. Restatement of consolidated financial statements (continued)

	For the year ended 31 December 2019 (previously reported)	Adjustment due to consolidation	Adjustment due to reclassification	For the year ended 31 December 2019 (restated)
Statement of cash flows (extract)				
(Loss) / Profit before taxes and non-controlling interests	61,482	366	-	61,848
Interest expense on lease liabilities	-	-	1,664	1,664
Fair value adjustments on FVTPL securities	-	-	(8,677)	(8,677)
Fair value adjustments on trading securities	(8,677)	-	8,677	-
Income from investments carried at FVTPL	-	-	(25,276)	(25,276)
Net trading income	(25,276)	-	25,276	-
Loss on disposal of property, equipment, right-of-use assets and intangibles	-	-	798	798
Provisions/(reversal) of charge for impairment	(6,384)	287	-	(6,097)
Adjusted cash flow before changes in operating assets and liabilities	**20,449**	**653**	**2,462**	**23,564**
Net increase of investment securities carried at FVTPL	-	-	44,007	44,007
Net income of trading securities	44,007	-	(44,007)	-
Net (decrease) in accounts and other financial assets	19,647	15,798	-	35,445
Net (decrease)/increase in accounts payable, excluding taxes	(83,469)	(10,106)	143,414	49,552
Net (decrease)/increase due to banks and other financial institutions	-	-	(260,419)	(260,419)
Net decrease in due to customers	-	-	(12,158)	(12,158)
Net decrease to due to customers, banks and other financial institutions	(142,714)	-	142,714	-
Net increase in development properties	-	(18,059)	-	(18,059)
Net cash generated from operating activities	**161,277**	**(11,714)**	**16.013**	**165,576**
Purchase of investment securities	-	-	(2,237,757)	(2,237,757)
Disposal of investment securities	-	-	2,388,296	2,388,296
Net decrease in investment securities	150,539	-	(150,539)	-
Sale of property, equipment, right-of-use assets and intangibles	1,740	-	(798)	942
Net cash generated from investing activities	**168,780**	**-**	**(798)**	**167,982**
Repayment of lease liabilities	-	-	(15,215)	(15,215)
Net cash used in financing activities	**(558)**	**-**	**(15,215)**	**(15,773)**
Net increase in cash and cash equivalents	**329,499**	**(11,714)**	**-**	**317,785**
Cash and cash equivalents at beginning of year	**630,755**	**17,601**	**-**	**648,356**
Cash and cash equivalents at end of year	**856,838**	**5,887**	**-**	**862,725**