بسم الله الرحمن الرحيم

Al Baraka Islamic Bank B.S.C. (c)

UNIFIED SHARI'A SUPERVISORY BOARD REPORT, REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Date: 08 Jumada Al-Thani 1441 A.H.
Corresponding to: 02 February 2020

In the Name of Allah, the Most Gracious, the Most Merciful

Report of the Fatwa and Sharia Supervisory Board From 01.01.2019 to 31.12.2019

To the Shareholders of alBraka Islamic Bank
Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad, his Family, and Companions.

In accordance with the General Assembly Resolution appointing the Sharia Supervisory Board of Al Baraka Islamic Bank and entrusting us with this task, we present to you the following report:

We have independently and under no duress reviewed the applicable principles, contracts, financial reports, relating to the Bank's activities and products offered by Al Baraka Islamic Bank during the period from January 1st until the end of December 2019. We have done the necessary reviewing to express an opinion as to whether the Bank has complied with the provisions and principles of Islamic Sharia as well as the Fatwa, resolutions and guidelines that we have issued within this period. In addition, we have reviewed the report of the IESCA that was issued by KPMG and reviewed the points mentioned therein.

We also have monitored the procedures of the Bank on the basis of testing each type of transactions, either directly or through the Sharia Officer or the Sharia Auditor, All of that was through an establishment of 4 meetings of SSB and supervising: ("86" documents), (audits on "646" executed transactions), (Sharia training program for staff, trainees), ("31" new advertisement and promotional material), (re-arrangement the profit distribution mechanism).

We have also planned and supervised in order to obtain all the information and explanations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic Sharia.

In our opinion:

1. The contracts, transactions and services entered into and provided by the Bank during the financial year ended 31st December 2019 which we reviewed (except those we decided as a non-halal income) were made in compliance with the provisions and principles of Islamic Sharia.
2. The management has committed itself to segregate all the unintended gains obtained from sources or means prohibited by the provisions and principles of Islamic Sharia and disburse of it towards charitable causes under the supervision of the Sharia Supervisory Board.
3. The allocation of profits and charging of losses related to investment accounts conform to the basis that has been approved by us in accordance with Sharia provisions and principles.
4. The management is not authorized to pay the Zakat on behalf of the shareholders, and as such the responsibility for payment of the Zakat lies with the shareholders in accordance with the Zakat calculation approved by the Sharia Supervisory Board, which is equivalent to USD 0.213 per share.

We pray to Allah Almighty to guide us to the righteous path.

Shaikh Dr. Abdulsattar Abughuddah **Chairman of Sharia Supervisory Board**	**Shaikh Esam Mohamed Ishaq** **Member of Sharia Supervisory Board**	**Shaikh Dr. Nedham Yaqoobi** **Member of sharia Supervisory Board**

Mohamed Jasim Mohamed
Sharia Officer & Secretory of Sharia Supervisory Board

BOARD OF DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

In the name of Allah, the most beneficent, the most merciful. Prayers and peace be upon the last Apostle and Messenger, Prophet Muhammad (Peace be upon him) and his family and companions.

Dear Shareholders,
On behalf of the Board of Directors, it is my pleasure to present the annual report of Al Baraka Islamic Bank and its subsidiaries (the "Bank" or the "Group") for the year ended 31 December 2019.

Economic Review
Pursuant to prolonged trade disputes and wide-ranging policy uncertainties, the world economy has seen a significant and broad-based deterioration during the financial year 2019. World gross product growth slipped to 2.4% in 2019, the lowest rate since the global financial crisis, as per latest reports published by United Nations. This slowdown is occurring alongside growing discontent with the social and environmental quality of economic growth, amid pervasive inequalities and the deepening climate crisis. This weakness was widespread, affecting both advanced economies, particularly the Euro Area, and emerging market and developing economies. Various key indicators of economic activity declined in parallel, approaching their lowest levels. In particular, global trade in goods was in contraction for a significant part of 2019, and manufacturing activity slowed markedly over the course of the year. To a lesser extent, services activity also moderated. A broad range of economies has experienced feeble growth during 2019. As per the World Bank's "Global Economic Prospects Report", the Global growth projected to rise by 2.5% in 2020, a small uptick from 2.4% in 2019, as trade and investment gradually recover.

Growth in Middle East and North Africa decelerated to 0.1% in year 2019 as per the above report. Geopolitical and policy constraints on oil sector production slowed growth in oil-exporting economies, despite support from public spending. Growth in oil importers remained stable, as reform progress and resilient tourism activity were offset by structural and external headwinds.

Despite its diversified economy, Bahrain nonetheless faced pressures in recent years as a result of decline in demand and prices of hydrocarbon in recent financial years. In this regards, the overall economic growth expected to further decelerate (4.1% in 2017 to 2.2% in 2018) to 1.8%-2.1% in 2019 as per latest surveys issued by domestic and global agencies. However, an aid package from other Gulf states, announced late in 2018, accompanied by fiscal reformation plan, as well as growth on the back of a partial oil price recovery and a recent major oil and gas discovery, provided a support in such a testing times. Further, the increase in manufacturing activity after addition of ALBA's sixth line and continued investment on mega infrastructure projects will stimulate the growth in coming financial periods.

Pakistan's GDP growth slowed as economic policies to address the twin deficits took effect. Growth slowed to 3.3% in 2019, 2.2% decline compared to the previous year, due to the stabilization measures undertaken by the authorities as per reports published by World Bank. Over the past year, the exchange rate was allowed to substantially depreciate, the development budget was cut, energy prices were increased, and the policy rate sharply raised. As a result, private consumption growth decelerated and investments were also materially contracted. On the supply side, the industrial and services sectors growth was slowed in 2019 compared to 2018. Adverse weather conditions have dampened agricultural performance and reduced growth to in 2019, significantly lower than the targeted growth of 3.8%. Average headline inflation increased to 7.3% in 2019 compared with 3.9% in 2018, primarily because of the exchange rate pass-through. Moving forwards, the real GDP growth is projected to decelerate to 2.4% in 2020 as the government tightens fiscal and monetary policies.

Board of Directors' Report
for the year ended 31 December 2019

Performance Review

Despite challenges the bank managed to return to profitability this year by booking net profit of USD 5.1 million comparing to net losses of USD 18 million last year. The Bank maintained a continuous growth momentum throughout the financial year ended 31 December 2019 despite of significant depreciation of Pakistani Rupee (down stating such balances in reporting currency terms). In this regard, the size of financial position was reached to US$ 2,214 million by end of financial year 2019 as compared to US$ 2,180 million maintained at end of preceding year. Further, the funds under agency and fiduciary management were reached to levels of US$ 642 million by end of reporting year 2019 in comparison with corresponding position of US$ 413 million. Such growth in operations emphasized our strong presence in domestic and regional market and trust reposed by our esteemed customer base. The Bank maintained excellent liquidity ratio of 21%, average return on assets at 0.2%, and average return on equity at 2.0%.

Revenues earned during 2019 grown by 19% to reach US$ 167 million, compared to US$ 140 million reported in 2018. Such increase is attributable to building of core banking assets and improved liquidity management. Alongside, the profit distribution to equity of investments account holders and other investors as well as fund providers also reached to US$ 78 million in comparison with US$ 53 million paid in previous year. In due course, operating income increased to US$ 89 million from US$ 87million reported in 2018.

Investments towards securities issued by domestic and regional sovereign entities marked a sharp increase and reached to US$ 774 million by end of 2019 against such balances amounted to US$ 565 million carried at end of 2018. However, the financing assets closed at US$958 million in 2019 compared with US$ 1,086 million at 2018. It is hereby emphasized that the core focus in financial year 2019 was to improve the quality and risk profile of such assets, which is clearly eminent from financial results.

The Bank regained the growth momentum in liability-base during 2019. These balances were flourished to levels of US$ 2,000 million at end of 2019 as compared to US$ 1,805 million carried at end of prior year (i.e. a growth of 10.8%). Such growth was attributable to our wide geographical presences, availability of customized solution and provision of competitive returns on investments.

During the year 2019, the Bank concluded a capitalization plan with the support of our Parent company (Al Baraka Banking Group) to improve the Bank's capital position. This plan was approved by the Central Bank of Bahrain.

The Bank secured a commendable growths in revenues earned during the financial year 2019 reaching to levels of US$ 167 million (an increase of 19% as compared to income generated amounts to US$ 140 million in 2018). Moreover, a considerable drop in operating cost was observed in current financial year 2019. Its hereby mentioned that these expenses incurred in 2019 amounted to US$ 67 million were below by 6% from US$ 72 million paid for such activities in 2018, despite of challenges posed by consumer price inflation, imposition of indirect taxes and rise in prices of utilities in domestic markets. As being a core strategic focus, the Bank continued to increase coverage against the identified and expected losses from portfolio of assets. The Bank has further incorporated net provision amounted to US$ 17 million.

Credit rating
The Islamic International Rating Agency (IIRA), a well-known Bahrain-based rating agency, has maintained an international scale investment grade credit rating of BBB- (long term)/A3 (short term) and a national scale rating of BBB+ (long term)/A3(short term) to the Bank.

At the same time, Al Baraka Bank Pakistan Limited has sustained local currency long-term and short-term rating entity A, and A1, respectively, as assigned by Pakistan Credit Rating Agency (PACRA). While the JCRvis reaffirmed short term/ long term credit rating A+/A-1 to ABPL.

Such ratings reflects the strong capacity of the Bank to meet its financial obligations/ commitments and presence of compliance and governance environment.

Sustainability and Social Responsibility
Sustainability and social responsibility is corner stone of our business philosophy. The essence behind each business transaction executed by the Bank is to generate real business activity being transformed into resources/capital for our communities to improve their quality of living. It is hereby emphasized that the sustainability and responsibility is base for development of our business plans, which focused on deployment of resources for job creation opportunities, provision of support for implementation of projects of social importance (like financing education, healthcare, etc.) and participate with sovereign or other entities in supporting local communities (like building affordable houses for low income citizens, etc.).

As being core obligation to our community, a significant amount was being provided as a direct donation to educational institutions, hospitals, orphanage and other charitable institutions. Further, the Bank provides on-job training to students of universities and continues to provide support to organizations in the field of Islamic banking and finance research. Furthermore, the Bank remained partner and key sponsor in many Islamic finance and banking events and conferences, more particularly, the World Islamic Banking Conference organized by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), etc.

Future Outlook
We have every reason to be positive to continue our journey towards the acclamation of strategic outcomes of fostering growth, moderation of riskiness and rationalization of efficiencies of operations. Further, the Bank will invest heavily to move with rapid changes in technology/ Fintech to sustain competitive position and capitalize prospective opportunities available in such field. Furthermore, the development of skill levels within the organization will remain our utmost priority in coming financial periods.

Alongside, the Bank is working on a numerous initiatives to develop contemporary solutions meeting duly customized with requirements of various customer segments. Successful implementation of such projects provide dynamism and strengthen our competitive position in the market.

Acknowledgment
All praises for master of Universe for sailing us through such a testing time and bestowed us with another year with achievements and successes on many fronts. We are really grateful to Allah for providing strength, wisdom and plenty of resources to our organization.

On behalf of Board of Directors, I would like to express my gratitude to His Majesty King Hamad bin Isa Al-Khalifa, His Royal Highness Prince Khalifa bin Salman Al-Khalifa (the Prime Minister), and His Royal Highness Prince Salman bin Hamad Al-Khalifa (the Crown Prince, Deputy Supreme Commander of the Bahrain Defence Force and First Deputy Prime Minister), for their unlimited support.

Board of Directors' Report
for the year ended 31 December 2019

Our deepest gratitude to the Ministry of Industry, Commerce and Tourism, the Central Bank of Bahrain, the State Bank of Pakistan, and other government agencies for their continues assistance and counsel. We are really grateful to our shareholders, valued customers, and business partners for faith reposed on the Bank. We offer since regards to our parent company, Al Baraka Banking Group and our Sharia Supervisory Board, for their patronage and priceless guidance. We cannot go without accrediting the dedicated efforts, hard work and continuous contribution of our team that supported the organization to sustain its progress aligned with strategic directions in such a testing times.

Khalid Rashid Al-Zayani
Chairman
Al Baraka Islamic Bank B.S.C. (c)
Manama, Kingdom of Bahrain
24 February 2020

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL BARAKA ISLAMIC BANK B.S.C. (c)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Al Baraka Islamic Bank B.S.C (c) ("the Bank") and its subsidiary ("the Group") as of 31 December 2019 and the related consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2019, the results of its operations, its cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL BARAKA ISLAMIC BANK B.S.C. (c) (continued)

Report on Other Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2019 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

Ernst + Young

Partner's registration no. 244
24 February 2020
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 BD '000	2018 BD '000
ASSETS			
Cash and balances with banks and financial institutions	3	**129,969**	70,622
Receivables	4	**169,548**	268,567
Ijara Muntahia Bittamleek and Ijara receivables	5	**106,580**	107,330
Musharakas	6	**89,535**	102,502
Investments	7	**280,515**	205,328
Investment in joint venture	8	**5,548**	5,531
Investments in real estate	9	**5,790**	1,975
Premises and equipment	10	**17,830**	20,965
Goodwill	11	**5,467**	6,096
Other assets	12	**23,984**	33,100
TOTAL ASSETS		**834,766**	822,016
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		**32,585**	21,724
Current accounts		**104,385**	103,897
Medium term financing		**14,714**	23,026
Other liabilities	13	**35,440**	42,879
Total liabilities		**187,124**	191,526
Equity of investment accountholders (IAH)	14	**541,691**	531,864
Subordinated debts	15	**5,529**	6,589
Owners' Equity	16		
Share capital		**51,445**	46,167
Additional tier-1 capital		**41,847**	41,470
Reserves		**(1,536)**	1,805
Accumulated losses		**(755)**	(8,210)
Equity attributable to parent's shareholders		**91,001**	81,232
Non-controlling interest		**9,421**	10,805
Total owners' equity		**100,422**	92,037
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY		**834,766**	822,016
OFF-BALANCE SHEET ITEMS: EQUITY OF INVESTMENT ACCOUNTHOLDERS		**242,212**	32,707
CONTINGENCIES AND COMMITMENTS	17	**127,165**	113,890

Khalid Rashid Al-Zayani Chairman	Adnan Ahmed Yousif Deputy Chairman	Hamad Abdulla Aloqab Chief Executive Officer

The attached explanatory notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 BD '000	2018 BD '000
INCOME FROM JOINTLY FINANCED ASSETS			
Financings	18	**34,335**	32,865
Investments	19	**3,175**	2,116
Income from jointly financed assets		**37,510**	34,981
Return on equity of investment accountholders before Group's share as a Mudarib		**(28,335)**	(22,539)
Group's share as a Mudarib		**3,485**	6,212
Return on equity of investment accountholders		**(24,850)**	(16,327)
Group's share as a Mudarib and Rabalmal		**12,660**	18,654
INCOME FROM SELF FINANCED ASSETS			
Financings	18	**3,810**	3,222
Investments	19	**14,360**	8,323
Income from self financed assets		**18,170**	11,545
INCOME FROM BANKING SERVICES AND OTHERS			
Revenue from banking services	20	**3,265**	4,629
Other income	21	**2,421**	1,463
Group's mudarib / agency fee from off-balance sheet equity of investment account holders		**542**	34
Income from banking services and others		**6,228**	6,126
TOTAL INCOME		**37,058**	36,325
Other financing costs		**(3,533)**	(3,711)
TOTAL OPERATING INCOME		**33,525**	32,614
OPERATING EXPENSES			
Staff expenses		**(11,560)**	(12,698)
Depreciation	10	**(2,132)**	(2,117)
Other operating expenses	22	**(11,661)**	(12,191)
TOTAL OPERATING EXPENSES		**(25,353)**	(27,006)
NET OPERATING INCOME		**8,172**	5,608
Allowances for impairment - net	23	**(6,553)**	(12,235)
Recovery from written off financing		**759**	-
INCOME / (LOSS) BEFORE TAXATION		**2,378**	(6,627)
Taxation	24	**(446)**	(247)
INCOME / (LOSS) FOR THE YEAR		**1,932**	(6,874)
Attributable to:			
Equity shareholders of the parent		**1,999**	(6,983)
Non-controlling interest		**(67)**	109
		1,932	(6,874)

Khalid Rashid Al-Zayani Chairman	Adnan Ahmed Yousif Deputy Chairman	Hamad Abdulla Aloqab Chief Executive Officer

The attached explanatory notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2019

	Equity attributable to shareholders of the parent											
			Reserves									
	Share capital BD '000	Additional tier-1 capital BD '000	Statutory BD '000	General BD '000	Employee defined benefit plan BD '000	Cumulative changes in fair value of investments BD '000	Revaluation of premises and equipment BD '000	Foreign exchange BD '000	Accumulated losses BD '000	Total BD '000	Non-controlling interest BD '000	Total owners' equity BD '000
Balance at 1 January 2019	46,167	41,470	8,557	3,275	(12)	390	269	(10,674)	(8,210)	81,232	10,805	92,037
Cumulative changes in fair value	-	-	-	-	-	(845)	-	-	-	(845)	1	(844)
Foreign currency translation reserve	-	-	-	-	-	-	-	(2,415)	-	(2,415)	(1,311)	(3,726)
Issuance of share capital	5,278	-	-	-	-	-	-	-	-	5,278	-	5,278
Issuance of additional tier 1 capital	-	11,310	-	-	-	-	-	-	-	11,310	-	11,310
Write down of additional tier 1 capital	-	(5,655)	-	-	-	-	-	-	5,655	-	-	-
Redemption of additional tier-1 capital	-	(5,278)	-	-	-	-	-	-	-	(5,278)	-	(5,278)
Changes in fair value of premises and equipment	-	-	-	-	-	-	(269)	-	-	(269)	-	(269)
Net income / (loss) for the year	-	-	-	-	-	-	-	-	1,999	1,999	(67)	1,932
Remeasurement loss on defined benefit plan	-	-	-	-	(11)	-	-	-	-	(11)	(7)	(18)
Allocation to statutory reserve	-	-	199	-	-	-	-	-	(199)	-	-	-
Balance at 31 December 2019	**51,445**	**41,847**	**8,756**	**3,275**	**(23)**	**(455)**	**-**	**(13,089)**	**(755)**	**91,001**	**9,421**	**100,422**
Restated balances as at 1 January 2018	46,167	-	8,557	3,275	(44)	364	450	(5,246)	31	53,554	13,514	67,068
Cumulative changes in fair value	-	-	-	-	-	26	-	-	-	26	18	44
Foreign currency translation reserve	-	-	-	-	-	-	-	(5,428)	-	(5,428)	(2,858)	(8,286)
Changes in fair value of premises and equipment	-	-	-	-	-	-	(181)	-	-	(181)	-	(181)
Net (loss) / income for the year	-	-	-	-	-	-	-	-	(6,983)	(6,983)	109	(6,874)
Remeasurement gain on defined benefit plan	-	-	-	-	32	-	-	-	-	32	22	54
Issuance of additional Tier 1 Capital	-	41,470	-	-	-	-	-	-	-	41,470	-	41,470
Profit distribution on additional Tier 1 Capital	-	-	-	-	-	-	-	-	(1,258)	(1,258)	-	(1,258)
Balance at 31 December 2018	46,167	41,470	8,557	3,275	(12)	390	269	(10,674)	(8,210)	81,232	10,805	92,037

The attached explanatory notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 BD '000	2018 BD '000
OPERATING ACTIVITIES		
Net income / (loss) before taxation	**2,378**	(6,627)
Adjustments for:		
Depreciation	**2,132**	2,117
Provision for impairment - net	**6,553**	12,235
Gain on sale of premises and equipment	**(18)**	(5)
Share of income from investment in joint venture	**(17)**	(13)
Gain on sale of investments	**(3,914)**	(536)
Unrealized loss on revalution of investment properties	**-**	277
Operating profit before changes in operating assets and liabilities	**7,114**	7,448
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	**(24,298)**	(7,927)
Receivables	**28,907**	(2,496)
Ijara Muntahia Bittamleek and Ijara receivables	**149**	4,767
Musharakas	**12,623**	23,988
Other assets	**7,017**	7,856
Other liabilities	**(7,360)**	(5,375)
Due to banks and other financial institutions	**10,861**	2,085
Current accounts	**488**	(7,181)
Equity of investment accountholders	**9,827**	(23,050)
Taxation paid	**(446)**	(94)
Net cash generated from operating activities	**44,882**	21
INVESTING ACTIVITIES		
Purchase of investments	**(223,412)**	(56,104)
Investments sold / matured	**162,401**	45,033
Purchase of premises and equipment	**(1,660)**	(694)
Sale of premises and equipment	**31**	51
Net cash used in investing activities	**(62,640)**	(11,714)
FINANCING ACTIVITIES		
Repayment of subordinated debts	**(1,060)**	(3,225)
Receipt of additional tier-1 capital	**-**	18,850
Dividend distribution on additional tier-1 capital	**-**	(1,258)
Repayment of medium term financing	**(8,312)**	(14,605)
Net cash used in financing activity	**(9,372)**	(238)
Foreign currency translation adjustments	**(2,434)**	(4,925)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,564)**	(16,856)
Cash and cash equivalents at 1 January	**103,700**	120,556
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (note 25)	**74,136**	103,700

The attached explanatory notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

For the year ended 31 December 2019

	Balance at 1 January 2019	***Write offs***	***Net deposits / withdrawals***	***Gross income***	***Mudarib's / agency fee***	***Balance at 31 December 2019***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Wakala Bi Al-Istithmar (note 27)						
Receivables	-	-	58,125	1,225	(293)	59,057
Investments	-	-	1,720	164	(129)	1,755
On balance sheet jointly finanaced assets	122,813	-	(58,685)	6,568	(3,817)	66,879
	122,813	**-**	**1,160**	**7,957**	**(4,239)**	**127,691**
Others						
Receivables	29,118	(525)	24,133	1,026	(120)	53,632
Investments	3,590	-	57,299	-	-	60,889
	32,708	**(525)**	**81,432**	**1,026**	**(120)**	**114,521**
	155,521	**(525)**	**82,592**	**8,983**	**(4,359)**	**242,212**

	Balance at 1 January 2018	*Write offs*	*Net deposits / withdrawals*	*Gross income*	*Mudarib's / agency fee*	*Balance at 31 December 2018*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Wakala Bi Al-Istithmar (note 27)						
On Balance sheet equity of Investment Accountholders	89,090	-	31,244	8,564	(6,086)	122,812
Others						
Receivables	28,654	-	54	443	(34)	29,117
Investments	3,617	-	(27)	-	-	3,590
	32,271	-	27	443	(34)	32,707

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Bank's licence number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has seven commercial branches in the Kingdom of Bahrain. The Bank is 92% (2018: 91%) owned by Al Baraka Banking Group ("Ultimate Parent").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha financing, Ijara financing and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

The consolidated financial statements were approved by the Board of Directors on 24 February 2020.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are prepared on historical cost basis, except for investment in real estate, equity-type instruments through equity and land owned by the Bank (classifed as premises and equipment) that have been measured at fair value.

The consolidated financial statements are presented in Bahraini Dinars, being the reporting currency of the Group. All values are rounded to nearest Bahraini Dinar (BD) thousand unless otherwise indicated. However, the functional currency of the Bank is Bahraini Dinars and that of the subsidiary is Pakistani Rupees. Items included in the financial statements of each entity are measured using respective functional currency.

2.2 Statement of compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group and in conformity with the Bahrain Commercial Companies Law, the CBB and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives. In accordance with the requirements of AAOIFI, for matters which are not covered by the AAOIFI standards, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

2.3 Share Capital

During the year, the Bank has issued 140,000 ordinary shares against cash consideration of USD 14 million through right issuance, to reinstate compliance with the consolidated core equity ratio ("CET1"), which is to maintain the minimum requirements of 9% prescribed as per rule CA-2.2.1 of Volume II of CBB rule book.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at and for the year ended 31 December each year. The financial statements of the subsidiary is prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses are eliminated in full on consolidation.

Subsidiary is fully consolidated from the date control is transferred to the Bank and continue to be consolidated until the date that control ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate line item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

2 ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

The subsidiary of the Bank, which is consolidated in these consolidated financial statements is follows:

Bank	*Ownership for 2019 / 2018*	*Year of incorporation*	*Country of incorporation*	*No. of branches/ offices at 31 December 2019 / 2018*
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	59.13%/ 59.13%	2004	Pakistan	192/ 192

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

Investment in Itqan Capital

The Bank has ownership interest of 83.07% in Itqan Capital (the "Company").The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on the Company to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

The financial statements of the Company are not consolidated as it is controlled by the Ultimate Parent pursuant to the terms of the management agreement. The Ultimate Parent consolidates the financial statements of the Company in its consolidated financial statements which are prepared in accordance with AAOIFI standards and the same was approved by the CBB.

The investment acquired is initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, the investment is carried at cost less impairment losses, if any.

2.5 New standards, interpretations and amendments adopted by the Group

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

2.5.1 Adoption of FAS 28 - Murabaha and Other Deferred Payment Sale

The Group has adopted FAS 28 which is effective for periods begnining on or after 1 January 2019. This standard prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. This standard supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sale". This standard has been applied on a prospective basis for transaction executed on or after the effective date. The standard did not have any significant impact on the financial statements except for additional disclosure that has been added in the relevant section (note 4).

2 ACCOUNTING POLICIES (continued)

2.5 New standards, interpretations and amendments adopted by the Group (continued)

2.5.2 Adoption of FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)

The Group has early adopted FAS 31, from 1 January 2019 which has a mandatory date of initial application of 1 January 2020. This standard provides detailed guidance on recognition and disclosures requirements for Islamic finance transactions entered under such mode.

a) Wakala as Muwakkil (Principle)

At the inception of the transaction, the Bank as "principle /(investor)" shall evaluate the nature of investment as either:

i. pass-through investment – as a preferred option; or
ii. Wakala venture.

Pass through Investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. On initial recognition, the asset shall be recognized underlying the Wakala arrangement applying the initial recognition principles as applicable in line with respective FAS, and in absence thereof, in line with the generally accepted accounted principles applicable to such balances.

Wakala Venture

These are investments, under a Wakala agency contract, in transferable instruments or the investment made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognized at cost in Wakala Venture. Subsequently, the carrying amount is adjusted to incorporate gains/ losses net of agent's remuneration and impairments, if any.

b) Wakala as Wakeel (Agent)

These transaction will be recognized as an agency arrangement under off-balance sheet approach whereby, at inception of arrangement, since the Bank does not control the related assets / business, it does not record the assets and related income and expenditure in its books of account.

The agency remuneration, including fixed and variable components thereof, will be recognized on an accrual basis i.e. when the relevant services are provided. Any expenses, including losses reimbursable will be recognized when due.

c) Multi level arrangements

The Bank maintains multi-level investment arrangements to invest funds received under "Wakala "to invest as "Mudaraba" in jointly financed assets. The funds invested under such arrangements are recorded and disclosed as "On Balance Sheet Equity Accountholders" in consolidated statement of financial position.

d) Transition

The Bank has applied the off balance sheet approach on transaction executed after the creation of a separate Wakala Pool during the current financial period. The deals entered before creation of the pool were being duly reported as investment in On Balance Sheet Jointly Financed Assets under multilevel arrangements under the consolidated statement of changes in Off balance sheet Equity of Investment Account Holders. Accordingly transition impact on adoption of FAS 31 is disclosed on "Consolidated statement of Off Balance Sheet Equity of Investment Accountholders".

2 ACCOUNTING POLICIES (continued)

2.5 New standards, interpretations and amendments adopted by the Group (continued)

2.5.2 Adoption of FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

d) Transition (continued)

Off balance sheet Wakala pool assets as at creation date - 30 June 2019	***BD '000***
Murabaha	**15,742**
Wakala	**26,438**
Investments	**2,892**
Commodities	**13,381**
	58,453

2.6 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.6.1 Financial instruments - initial recognition and subsequent measurement

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through statement of income.

2.6.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash in hand, balances with central banks in non-restricted accounts, balances with other banks and financial institutions and receivables with an original maturity of 90 days or less.

2.6.3 Receivables

Murabaha receivable

Murabaha receivable are stated net of deferred profits and allowances for ECL, if any.

Murabaha receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in murabaha receivables to the purchase orderer as obligatory.

Wakala receivable

Wakala receivable are stated cost plus accrued profit, less expected credit losses.

Salam receivable

Salam receivable is the outstanding amount at the end of the year less any expected credit losses.

Istisna'a receivable

Istisna'a receivable is the outstanding amount at the end of the year less any expected credit losses.

2.6.4 Mudaraba financing and Musharaka

Mudaraba financing and Musharaka are partnerships in which the Group contributes capital. These contracts are stated at the fair value of consideration given less impairment.

2.6.5 Ijara Muntahia Bittamleek and Ijara income receivable

Ijara muntahia bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease) term, provided that all Ijarah installments are settled.

Assets acquired for leasing (Ijara) are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the period of the lease or useful life whichever is lower.

Ijara income receivable represent outstanding rentals at the end of the year less any expected credit losses.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.6 FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30")
Financial assets consist of cash and balances with banks and financial institution, receivables and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek and certain other assets. Balances relating to these contracts are stated net of allowance for expected credit losses.

Impairment of financial assets
FAS 30 replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity type investments.

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: twelve months ECL
For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between sum of the present value of all cash shortfalls and the carring value. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired
Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Bank recognises the lifetime expected credit losses for these financing with the PD set at 100%.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the obligor or issuer;
- a breach of contract such as a default or past due event; or
- probability that the borrower will enter bankruptcy or other financial reorganization.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.6 FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30") (continued)

Measurement of ECL
Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

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

Definition of default
The Group considers a financial asset to be in default when the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or usually when the obligor is past due more than 90 days for any material credit obligation to the Group. In assessing whether a obligor is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment of another obligation by the same issuer to the Group.

Probability of default
Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generates estimates of 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 changes in key macro-economic factors, across various geographies in which the Group operates.

Types of PDs used for ECL computaion

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information
The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy the, methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.6 FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30") (continued)

Loss Given Default
LGD is a magnitude that determines the amount of loss that will arise if the obligor was to default. This is calculated by looking at the collateral and other recourses available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available LGD can be estimated using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability. However, the Group applies 10% floor regardless of collateral coverage of the exposure.

Exposure At Default (EAD)
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 amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to on balance sheet equivalents.

On-balance sheet EADs
EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs
Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following method to work out CCF for off- balance sheet EADs.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging
ECL on individually large exposures and credit-impaired finances are generally measured individually. For retail exposures and other exposures to small sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates obligor-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.6 FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30") (continued)

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information, including days past due and risk rating.

The assessment is carried out for specific facility rather than a counterparty. As each facility may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing, then such restructured accounts are categorized under stage 3.

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers backwards to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present;
- Up to date payment with no arrears; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.6 FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30") (continued)

Backward transition (continued)

Credit Conversion Factor
The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including estimation of expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF times undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioral utilization over the last five years or capital charge.

Write-offs
Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the consolidated statement of financial position
Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilites; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities; where the Group has not identified the the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented against the drawn commitment.

2.6.7 Investments
Investments comprise equity-type instruments at fair value through statement of income and through equity, debt-type instruments at amortised cost and through statement of income and investment in real estate.

Investment in real estate
Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, Investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.7 Investments (continued)

Equity-type instruments at fair value through profit and loss
Investments at fair value through statement of income include investments held for trading and investments designated upon initial recognition as investments at fair value through statement of income. An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.Investments classified as 'fair value through statement of income' are subsequently measured at fair value. The unrealised gains and losses arising from the remeasurement to fair value are included in the consolidated statement of income.

Equity-type instruments at fair value through equity
This includes all equity-type instruments that are designated as fair value through equity upon initial recognition. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income.

Debt-type instruments at fair value through statement of income
These include debt-type investments held for trading purposes and those investments that are designated under this category on initial recognition. Subsequent to acquisition, investments designated at fair value through consolidated statement of income are re-measured at fair value with unrealised gains or losses recognised in consolidated statement of income.

Debt-type instruments at amortised cost
Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

2.6.8 Premises and equipment
Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value except for land which is carried at fair value subsequent to initial recognition. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is calculated using the straight-line method at rates intended to write-off the cost of the assets over their estimated useful lives. Any subsequent change in fair value of land (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair value of land is first adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the land is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

2.6.9 Fair values
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability, and the principal or the most advantageous market must be accessible to by the Group.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.9 Fair values (continued)

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

2.6.10 Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities (including contingent liabilities) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of income in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.6.11 Equity of investment accountholders

All equity of investment accountholders are measured by the amount received during the time of contracting. At the end of the financial period equity of investment accountholders is measured at the amount received plus accrued profit and related reserves less amounts settled.

2.6.12 Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

2.6.13 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.14 Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders include Wakala funds (as explained earlier) and received by the Group from third parties for investment in specified products as directed by the investment accountholders. These assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. Off-balance sheet equity of investment accountholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these investments except within the conditions of the contract between the Group and off-balance sheet equity of investment accountholders.

2.6.15 Revenue recognition

Murabaha receivable
Profit from sales transactions (murabaha) is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Mudaraba financing
Income on mudaraba financing is recognised when the right to receive payment is established or on distribution by the mudarib, whereas losses are charged to income on declaration by the mudarib.

Wakala financing
Income on Wakala financing is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Ijara Muntahia Bittamleek
Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing ijara muntahia bittamleek accounts that are above 90 days is excluded from the consolidated statement of income.

Musharaka
Income on musharaka is recognised when the right to receive payment is established or on distribution.

Group's share of income from equity of investment accountholders (as a Mudarib)
The Group's share as a Mudarib for managing equity of investment accountholders is accrued based on the terms and conditions of the related Mudarib agreements.

Fees and commission income
Fees and commission income including structuring fees is recognised when earned.

Dividends
Dividends are recognised when the right to receive payment is established.

Mudarib's share of off-balance sheet equity of investment accountholders
The Group shares profit for managing off-balance sheet equity of investment accountholders based on the terms and conditions of related contracts.

Income from investments
Income from investments is recognised when earned.

Rental income
Rental income is accounted for on a straight-line basis over the Ijara terms.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.16 Return on equity of investment accountholders
Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib expenses". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff costs and depreciation. The Group's "mudarib profit" is deducted from the investors' share of income before distributing such income. In some cases, equity of investment accountholders withdrawn before maturity are entitled to income only after deducting a penalty charge.

The basis applied by the Group in arriving at the investment accountholders share of income is [total investment income less investment pool expenses] divided by [average funds generating income (shareholders and investment accountholders) times average funds of equity of investment accountholders].

2.6.17 Investment pool expenses
Investment pool expenses include business, administrative, general and other expenses.

2.6.18 Taxation
There is no tax on corporate income in the Kingdom of Bahrain. The subsidiary in Pakistan pays tax as per Pakistan tax regulations.

Current
Provision for current taxation is based on taxable income in accordance with the tax laws as applicable in Pakistan.

Deferred
The Group accounts for deferred taxation on material temporary differences using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Deferred tax is reduced to the extent that it is no longer probable that related tax benefits will be realised.

2.6.19 Contingencies and Commitments
Contingencies are possible obligation or assets that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Further, the obligation arisen from past events where the liability cannot be determined with reasonable certainty or probability of outflow of resources cannot be determined are also contingencies.

A commitment is a binding contract for the exchange of a specified quantity of resources at a specific price on a specified future dates or date.

2.6.20 Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.20 Derecognition (continued)
When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.6.21 Earnings prohibited by Shari'a
The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non Islamic income is credited to a charity fund where the Group uses these funds for social welfare activities.

2.6.22 Foreign currencies

(i) Transactions and balances
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of income at the entity level.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(ii) Group companies
As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollar) at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of owners' equity. On disposal of a foreign operation, the deferred cumulative amount recognised in owners' equity relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6.23 Employees' end of service benefits
Provision is made for leaving indemnity payable under the Bahraini Labour Law applicable to non-Bahraini employees' accumulated periods of service at reporting date. Moreover provision for indemnity payable is also made for Bahraini employees.

Bahraini employees of the Group are covered by contributions made to the Social Insurance Organisation (SIO) as a percentage of the employees' salaries. the Group's obligations are limited to these contributions, which are expensed when due.

The subsidiary in Pakistan also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the subsidiary and the employees, to the fund at a rate of 10 percent of basic salary.

The subsidiary in Pakistan operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendation. The actuarial valuation is carried out using the projected unit credit method.

2.6.24 Zakah
The responsibility of payment of zakah is on individual shareholders and investment accountholders. In Pakistan, zakah is deducted at source from accountholders as required by local laws. Zakah per share is presented in the Shari'a Supervisory Board Report.

2 ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.25 Joint and self financed
Investments, financing and receivable that are jointly owned by the Group and the equity of investment accountholders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivable that are financed solely by the Group are classified under "self financed".

2.6.26 Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6.27 Shari'a supervisory board
The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of three members appointed by the general assembly of shareholders.

2.6.28 Trade date accounting
All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

2.7 Judgements and estimates
In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as equity-type instrument at fair value through statement of income, equity-type instrument at fair value through equity, debt-type instrument at fair value through statement of income or debt-type instrument at amortised cost.

Fair valuation of investments
The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the reporting date.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

Impairment and uncollectibility of financial assets
In determining impairment on financial assets, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL").

Impairment of Goodwill
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2 ACCOUNTING POLICIES (continued)

2.7 Judgements and estimates (continued)

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	2019 *BD '000*	*2018* *BD '000*
Cash in hand	**13,730**	13,259
Balances with State Bank of Pakistan		
Current account	**2,838**	2,659
Mandatory reserves	**50,091**	26,147
	52,929	28,806
Balances with CBB		
Current account	**1,947**	2,216
Mandatory reserves	**10,117**	9,763
	12,064	11,979
Balances with other banks and financial institutions	**51,246**	16,578
	129,969	70,622

The mandatory reserves with central banks are not available for use in the day-to-day operations.

4 RECEIVABLES

	2019			2018		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
Commodities and Wakala	-	**4,374**	**4,374**	1,755	67,416	69,171
Salam financing	-	**36,254**	**36,254**	-	29,151	29,151
Istisna'a financing	-	**42,789**	**42,789**	-	34,327	34,327
Murabaha and others	**756**	**85,463**	**86,219**	955	125,204	126,159
Bills receivable and others	-	**27,375**	**27,375**	-	48,123	48,123
Gross receivables	**756**	**196,255**	**197,011**	2,710	304,221	306,931
Deferred profits	**(20)**	**(7,564)**	**(7,584)**	(21)	(10,073)	(10,094)
	736	**188,691**	**189,427**	2,689	294,148	296,837
Allowances for expected credit losses	**(140)**	**(19,739)**	**(19,879)**	(140)	(28,130)	(28,270)
Net receivables	**596**	**168,952**	**169,548**	2,549	266,018	268,567

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2019				2018
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000	Total BD '000
Good (1-4)	**73,349**	**403**	-	**73,752**	84,498
Satisfactory (5-7)	**35,141**	**53,578**	-	**88,719**	176,773
Default (8-10)	-	-	**26,956**	**26,956**	35,566
	108,490	**53,981**	**26,956**	**189,427**	296,837

Movements in deferred profit from murabaha contracts:

	2019 BD '000	2018 BD '000
Deferred profit at the beginning of the year	**7,394**	7,014
Murabaha sales revenue during the year	**143,139**	334,273
Murabaha cost of sales	**(126,107)**	(319,929)
Profit accrued during the year	**(14,068)**	(12,942)
Deferred profit written off during the year	**(263)**	-
Deferred profit waived during the year	**(2,198)**	(1,022)
Deferred profit at the end of the year	**7,897**	7,394

4 RECEIVABLES (continued)

An analysis of the changes in ECL allowances, is as follows:

	2019				2018
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Balance at 1 January	**505**	**3,073**	**24,693**	**28,271**	22,765
Changes during the year:					
- transferred to Stage 1: 12 month ECL	**5**	**(2)**	**(4)**	**(1)**	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(7)**	**12**	**(5)**	**-**	(1)
- transferred to Stage 3: Lifetime ECL credit-impaired	**(5)**	**(5)**	**10**	**-**	-
Net remeasurement of loss allowance	**(65)**	**897**	**5,462**	**6,294**	9,116
Recoveries / write-backs	**-**	**-**	**(797)**	**(797)**	(1,030)
	(72)	**902**	**4,666**	**5,496**	8,085
Reclassification to Wakala Pool	**(69)**	**(100)**	**-**	**(169)**	-
Amounts written off during the year	**-**	**-**	**(12,654)**	**(12,654)**	(13)
FX translation	**(14)**	**(24)**	**(1,027)**	**(1,065)**	(2,567)
Balance at 31 December	**350**	**3,851**	**15,678**	**19,879**	28,270

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	2019			2018		
	Self financed BD '000	*Jointly financed BD '000*	*Total BD '000*	*Self financed BD '000*	*Jointly financed BD '000*	*Total BD '000*
Ijara Muntahia Bittamleek	**10,463**	**83,463**	**93,926**	10,623	88,731	99,354
Ijara receivables	**3,780**	**11,839**	**15,619**	2,216	11,418	13,634
	14,243	**95,302**	**109,545**	12,839	100,149	112,988
Allowance for expected credit losses	**(45)**	**(2,920)**	**(2,965)**	(44)	(5,614)	(5,658)
	14,198	**92,382**	**106,580**	12,795	94,535	107,330

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2019				2018
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Good (1-4)	**89,401**	**31**	**-**	**89,432**	86,709
Satisfactory (5-7)	**610**	**8,997**	**-**	**9,607**	16,425
Default (8-10)	**-**	**-**	**10,506**	**10,506**	9,854
	90,011	**9,028**	**10,506**	**109,545**	112,988

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

5.1 Ijara muntahia bittamleek

	2019 Self financed BD '000	2019 Jointly financed BD '000	2019 Total BD '000	2018 Self financed BD '000	2018 Jointly financed BD '000	2018 Total BD '000
Land and building						
Cost	-	111,048	111,048	-	112,812	112,812
Accumulated depreciation	-	(28,193)	(28,193)	-	(28,595)	(28,595)
Net book value	-	82,855	82,855	-	84,217	84,217
Equipment						
Cost	16,400	428	16,828	14,072	2,497	16,569
Accumulated depreciation	(5,936)	(221)	(6,157)	(3,449)	(1,410)	(4,859)
Net book value	10,464	207	10,671	10,623	1,087	11,710
Others						
Cost	-	2,404	2,404	-	6,611	6,611
Accumulated depreciation	-	(2,004)	(2,004)	-	(3,184)	(3,184)
Net book value	-	400	400	-	3,427	3,427
TOTAL						
Cost	16,400	113,880	130,280	14,072	121,920	135,992
Accumulated depreciation	(5,936)	(30,418)	(36,354)	(3,449)	(33,189)	(36,638)
Net book value	10,464	83,462	93,926	10,623	88,731	99,354

5.2 Ijara receivables

	2019 Self financed BD '000	2019 Jointly financed BD '000	2019 Total BD '000	2018 Self financed BD '000	2018 Jointly financed BD '000	2018 Total BD '000
Ijara receivable	3,780	11,839	15,619	2,216	11,418	13,634
Allowances for expected credit losses	(45)	(2,920)	(2,965)	(44)	(5,614)	(5,658)
	3,735	8,919	12,654	2,172	5,804	7,976

5 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

5.3 Allowances for credit losses

An analysis of the changes in ECL allowances, is as follows:

	2019				2018
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Balance at 1 January	**83**	**284**	**5,290**	**5,657**	3,303
Changes during the year:					
- transferred to Stage 1: 12 month ECL	8	(8)	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(3)	3	-	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(102)	102	-	(1)
Net remeasurement of loss allowance	(22)	46	734	758	2,899
Recoveries / write-backs	-	-	(157)	(157)	(192)
Allowances for credit losses	(17)	(61)	679	601	2,706
Amounts written off during the year	-	-	(3,162)	(3,162)	-
FX translation	(2)	(9)	(120)	(131)	(351)
Balance at 31 December	**64**	**214**	**2,687**	**2,965**	5,658

6 MUSHARAKAS

	2019			2018		
	Self financed BD '000	*Jointly financed BD '000*	*Total BD '000*	*Self financed BD '000*	*Jointly financed BD '000*	*Total BD '000*
Musharakas	**15,055**	**77,398**	**92,453**	18,163	87,210	105,373
Allowances for expected credit losses	-	**(2,918)**	**(2,918)**	-	(2,871)	(2,871)
	15,055	**74,480**	**89,535**	18,163	84,339	102,502

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2019				2018
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Good (1-4)	**78,743**	**869**	**-**	**79,612**	93,363
Satisfactory (5-7)	**5,638**	**3,155**	**-**	**8,793**	9,389
Default (8-10)	**-**	**-**	**4,048**	**4,048**	2,621
	84,381	**4,024**	**4,048**	**92,453**	105,373

6 MUSHARAKAS (continued)

An analysis of the changes in ECL allowances, is as follows:

	2019				2018
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000	Total BD '000
Balance at 1 January	581	447	1,842	2,870	3,203
Changes during the year:					
- transferred to Stage 1: 12 month ECL	26	(26)	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	- (15)	- 15	- -	- -	- -
Net remeasurement of loss allowance	(111)	187	384	460	558
Recoveries / write-backs	-	-	(116)	(116)	(234)
	(100)	176	268	344	324
FX translation	(60)	(46)	(190)	(296)	(656)
Balance at 31 December	421	577	1,920	2,918	2,871

7 INVESTMENTS

	2019			2018		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
i) Equity-type instruments at fair value through statement of income						
Quoted						
Listed equity shares	-	77	77	-	296	296
ii) Debt-type instruments at amortised cost (Note 7.1)						
Quoted						
Sukuk	105,290	10,236	115,526	69,505	34,388	103,893
Unquoted						
Sukuk	45,816	85,476	131,292	67,691	5,730	73,421
	151,106	95,712	246,818	137,196	40,118	177,314
Allowances for expected credit losses	(90)	(23)	(113)	(883)	(138)	(1,021)
	151,016	95,689	246,705	136,313	39,980	176,293
iii) Equity-type instruments at fair value through equity - note 7.2						
Quoted						
Listed equity shares	10,800	126	10,926	3,312	140	3,452
Unquoted						
Unlisted equity shares	23,877	127	24,004	22,719	142	22,861
Managed funds	377	-	377	377	-	377
Real estate funds	617	-	617	3,558	566	4,124
	35,671	253	35,924	29,966	848	30,814
Provision for impairment	(2,009)	(182)	(2,191)	(1,891)	(184)	(2,075)
	33,662	71	33,733	28,075	664	28,739
Total investments	184,678	95,837	280,515	164,388	40,940	205,328

7 INVESTMENTS (continued)

The investments in quoted equity type instruments, amounted to BD 9.7 million (2018: BD 1 million) are fair valued using quoted prices in active markets.

Within unquoted investments which are held at fair value through equity are investments amounting to BD 24.1 million (2018: BD 26.5 million) which are held at cost less provision for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to BD 246.7 million (2018: BD 176.3 million) has a fair value amounting to BD 251.7 million (2018: BD 176.0 million).

Investments stated at a carrying amount of BD 112.6 million (2018: BD 95.2 million) are placed in custody of a financial institution to secure a financing line. Further no investments were pledged to secure additional financing line.

7.1 Debt-type instruments at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses allowances.

	2019				*2018*
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Good (1-4)	**64,776**	-	-	**64,776**	62,576
Satisfactory (5-7)	**182,042**	-	-	**182,042**	113,870
Default (8-10)	-	-	-	-	868
	246,818	-	-	**246,818**	177,314

An analysis of the changes in ECL allowances, is as follows:

	2019				*2018*
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*	*Total BD '000*
Balance at 1 January	220	86	714	1,020	865
Changes during the year					
- transferred to Stage 1: 12 month ECL	14	(14)	-	-	-
Net remeasurement of loss allowance	(122)	(71)	154	(39)	156
	(108)	(85)	154	(39)	156
Amounts written off during the year	-	-	(868)	(868)	-
FX translation	-	-	-	-	-
Balance at 31 December	**112**	1	-	113	1,021

7.2 Provision for impairment on equity type investments

	2019 BD '000	*2018 BD '000*
Balance at 1 January	**2,075**	984
Charge for the year	**375**	1,203
Reversal for the year	**(128)**	-
Exchange difference	**(131)**	(112)
Balance at 31 December	**2,191**	2,075

8 INVESTMENT IN JOINT VENTURE

	2019 BD '000	2018 BD '000
Balance at 1 January	**5,531**	5,518
Net share of income for the year	**17**	13
Balance at 31 December	**5,548**	5,531

Name	*Nature of Business*	*Ownership* 2019	2018
Danat-al- Barakat	Real estate development	**51.00%**	51.00%

Summarised statement of financial position

	2019 BD '000	2018 BD '000
Non-current assets	**10,368**	6,978
Current assets	**582**	3,953
Current liabilities	**(74)**	(87)
Net assets	**10,876**	10,844
Group's ownership in equity	**5,548**	5,531
Net carrying amount	**5,548**	5,531

Summarised statement of profit and loss

	2019	2018
Total income	**52**	81
Total expenses	**(19)**	(55)
Total comprehensive income	**33**	26
Group's net share of profit	**17**	13

9 INVESTMENTS IN REAL ESTATE

	2019 BD '000	2018 BD '000
Balance at 1 January	**1,975**	2,252
Transfer from other assets (note 12.1)	**2,098**	-
Transfer from premises and equipment (note 10)	**1,717**	-
Unrealized loss on remeasurement	**-**	(277)
Balance at 31 December	**5,790**	1,975

10 PREMISES AND EQUIPMENT

	Land and Buildings *BD '000*	*Computer Software & license* *BD '000*	*Office furniture and equipment* *BD '000*	*Vehicles* *BD '000*	*Total* *BD '000*
Cost:					
At 1 January 2019	**17,578**	**7,012**	**13,666**	**267**	**38,523**
Additions	**837**	**268**	**546**	**9**	**1,660**
Disposals	**(12)**	**(3)**	**(60)**	**(34)**	**(109)**
Revaluation	**(269)**	**-**	**-**	**-**	**(269)**
Transfer to investment properties	**(3,770)**	**-**	**-**	**-**	**(3,770)**
Exchange difference on opening balance	**(532)**	**(420)**	**(573)**	**(18)**	**(1,543)**
At 31 December 2019	**13,832**	**6,857**	**13,579**	**224**	**34,492**
Accumulated depreciation:					
At 1 January 2019	**3,790**	**5,054**	**8,481**	**234**	**17,559**
Depreciation for the year	**559**	**456**	**1,106**	**11**	**2,132**
Related to disposals	**(7)**	**(1)**	**(57)**	**(33)**	**(98)**
Transfer to investment properties	**(2,053)**	**-**	**-**	**-**	**(2,053)**
Exchange difference	**(180)**	**(245)**	**(438)**	**(15)**	**(878)**
At 31 December 2019	**2,109**	**5,264**	**9,092**	**197**	**16,662**
Net book values:					
At 31 December 2019	**11,723**	**1,593**	**4,487**	**27**	**17,830**
At 31 December 2018	13,788	1,961	5,185	31	20,965
Estimated useful lives for calculation of depreciation	20-30 years	4-5 years	1-10 years	4-5 years	

11 GOODWILL

	2019 ***BD '000***	*2018* *BD '000*
Balances at 1 January	**6,097**	7,667
Foreign exchange translation	**(630)**	(1,571)
Balances at 31 December	**5,467**	6,096

Goodwill acquired through business combination has been entirely allocated to a single cash generating unit (CGU), Al Baraka Bank (Pakistan) Limited by the Group's management.

The recoverable amount of the CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. Management determined budgeted spreads based on the CGU's past performance and its expectation of market development.

The key assumptions used in estimating recoverable amounts of cash generating units were sensitised to test the resilience of value in use calculations. Accordingly, management believes that reasonable changes in key assumptions used to determine the recoverable amount of the Group's cash generating units will not result in an impairment.

12 OTHER ASSETS

	2019 *BD '000*	*2018* *BD '000*
Collaterals pending sale (12.1)	**5,613**	8,199
Deferred tax (12.2)	**8,640**	9,503
Advance against financing transactions	**-**	5,459
Advance against capital expenditure	**1,521**	2,204
Accounts receivable	**3,997**	1,347
Advance tax	**563**	854
Income receivable	**612**	115
Others	**4,007**	6,505
Total	**24,953**	34,186
Provision for impairment	**(969)**	(1,086)
	23,984	33,100

12.1 At 31 december 2018, this included collaterals acquired against settlement of claim amounted to BD 2.1 million, which in 2019 have been reclassified to "Investment Properties" because of change in management plan for holding such assets for capital appreciation and generation of rental income.

12.2 The above net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

13 OTHER LIABILITIES

	2019 *BD '000*	*2018* *BD '000*
Accounts payable	**5,439**	5,653
Margins received	**14,193**	23,221
Security deposit against Ijara Muntahia Bittamleek	**1,284**	2,234
Bills payable	**7,849**	3,750
Provision for employees benefits	**2,157**	2,949
Charity fund	**236**	208
Allowance for expected credit losses for off balance sheet commitments	**290**	225
Others	**3,992**	4,639
	35,440	42,879

14 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

The Group manages and deploys Equity of IAH according to its Article of Association – Chapter 3 on Rules of Business. In this respect, the Group invests its own funds separately or jointly with amount received from Equity of Investment Account Holders. These funds received are managed in accordance with Shari'a requirements and standard of prudence is applied in the context of managing the overall portfolios to enable the Group to exercise its fiduciary responsibilities. The Group is authorised by the Equity of Investment Accountholders to invest the funds on the basis of mudaraba, murabaha, salam, ijara transactions and other forms of contract in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

	2019 *BD '000*	*2018* *BD '000*
IAH - Non-banks	**441,699**	393,847
IAH - Banks	**99,906**	137,974
Profit equalisation reserve (note 14.1)	**86**	43
Investment risk reserve (note 14.2)	**-**	-
	541,691	531,864

14 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

14.1 Movement in profit equalisation reserve

	2019 BD '000	2018 BD '000
Balance at 1 January	**43**	216
Amount apportioned from income allocable to equity of investment accountholders	**43**	43
Amount utilised during the year for expected credit losses	**-**	(216)
Balance at 31 December	**86**	43

The Group appropriates a certain amount in excess of the profit to be distributed to equity of investment accountholders before taking into consideration the mudarib share of income. This is used to maintain a certain level of return on investment for equity of IAH.

14.2 Movement in investment risk reserve

	2019 BD '000	2018 BD '000
Balance at 1 January	-	641
Amount apportioned to expected credit losses	-	(641)
Balance at 31 December	-	-

The Group deducts investment risk reserve as per approved policy from the profit distributable to equity of investment accountholders of its Bahrain operations, after allocating the Mudarib share in order to meet future losses for equity of IAH.

The profit equalisation reserve and investment risk reserve will revert to investment accountholders as per terms and conditions of the Mudaraba contract.

As investment accountholder's funds are commingled with the Group's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

The Group's share, as Mudarib, in the profits of equity of investment accountholders is upto a maximum of 70% (2018: upto 70%) as per the terms of IAH agreements.

The Group has charged a total administrative expense of BD 3.3 million (2018: BD 4.0 million) to equity of investment account holders for the year ended 31 December 2019.

14.3 Equity of Investment Accountholders by type

	2019 BD '000	2018 BD '000
Saving Accounts	**232,508**	216,871
One Month Investment Account	**43,643**	61,755
Three Months Investment Account	**66,597**	101,647
Six Months Investment Account	**53,159**	17,777
Nine Months Investment Account	**3,975**	288
1 Year Investment Account	**117,149**	110,630
2 Years Investment Account	**3,007**	4,491
3 Years Investment Account	**14,803**	10,261
4 Years Investment Account	**8**	8
5 Years Investment Account	**6,842**	8,136
	541,691	531,864

14 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

14.4 Equity of Investment Accountholders by maturity

	2019	*2018*
	BD '000	*BD '000*
Accounts on demand	**232,508**	216,870
Accounts on a contractual basis *	**309,183**	314,994
	541,691	531,864

* These can be withdrawn subject to deduction of profit upon management discretion.

15 SUBORDINATED DEBTS

	2019	*2018*
	BD '000	*BD '000*
Subordinated Mudaraba Sukuk	**5,529**	6,589
	5,529	6,589

Particular	**Principal**	**Profit**	**Profit rate**	**Maturity**
Al Baraka Pakistan Limited Tier 2 Sukuk first issue	Semi-Annually	Semi-Annually	6 M Kibor + 1.25%	2021
Al Baraka Pakistan Limited Tier 2 Sukuk second issue	Bullet	Semi-Annually	6 M Kibor + 0.75%	2024

16 OWNERS' EQUITY

	2019	*2018*
	BD '000	*BD '000*
(i) Share capital		
Authorised 6,000,000 ordinary shares (2018: 6,000,000) of US$ 100 each	**226,200**	226,200

	2019	*2018*
	BD '000	*BD '000*
Issued and fully paid 1,364,578 ordinary shares (2018: 1,224,578) of US $ 100 each	**51,445**	46,167

Additional information on shareholding pattern:

Names and nationalities of the major shareholder having an interest of 5% or more are as follows:

		2019	
Name	***Domicile***	***No. of shares***	***% holding***
Al Baraka Banking Group B.S.C.	Bahrain	1,255,755	92.03%

		2018	
Name	*Domicile*	*No. of shares*	*% holding*
Al Baraka Banking Group B.S.C.	Bahrain	1,115,755	91.11%

The Bank has only one class of shares and the holders of these shares have equal voting rights.

16 OWNERS' EQUITY (continued)

Following is the distribution schedule of shares, setting out the number and percentage of other shareholders along with categories:

	2019 Number of shares	**2019** Number of shareholders	**2019** % of total outstanding shares	*2018* Number of shares	*2018* Number of shareholders	*2018* % of total outstanding shares
Less than 1%	**58,823**	**12**	**4.31%**	58,823	12	4.81%
1% up to less than 5%	**50,000**	**1**	**3.66%**	50,000	1	4.08%
	108,823	**13**	**7.97%**	108,823	13	8.89%

(ii) Additional Tier 1 (AT1) Capital

	2019 **BD '000**	*2018* *BD '000*
Subordinated Mudaraba debt	**41,847**	41,470

The Bank held additional tier 1 capital (subordinated mudaraba) amounted to USD $ 111 million, received from ultimate parent. Such capital was raised from time to time to ensure compliance with minimum capital requirement (MCR) and capital adequacy requirement (CAR) requirements as prescribed by Central Bank of Bahrain. The Bank raised additional tier 1 capital amounted to USD $ 81 million against cash considertation and USD 30 million against equity shares.

Summary of terms and conditions are as follows:

- Subordinated mudaraba amounted to BD 30.5 million carries expected profit ranging from 6% to 9% per annum, on a semi-annual basis;
- Subordinated mudaraba amounted to BD 11.3 million carries expected profit rate, which is 30% of the dividend or profit to be received on such equity investments shall be distributed to the Ultimate Parent, subject to and in accordance with terms and conditions, on an annual basis;
- the investor will not have a right to claim the profit and such event of nonpayment of profit will not be considered as event of default; and
- such instruments are recognised under equity in the consolidated statement of financial position and the corresponding profits paid to investor are accounted as appropriation of profits.

(iii) Statutory reserve
In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

(iv) General reserve
In accordance with the Bank's articles of association, the Bank may transfer any amount, as approved by the General Assembly, out of net income for the year to the general reserve after appropriating statutory reserve. The general reserve is distributable, subject to the approval of the CBB.

(v) Cumulative changes in fair value
This represents the net unrealised fair value changes relating to the equity of the parent on equity-type instruments at fair value through equity and investment in real estate.

(vi) Revaluation reserve on premises and equipment
This represents the net surplus on revaluation relating to the equity of the parent on premises and equipment carried at fair value.

16 OWNERS' EQUITY (continued)

(vii) Foreign exchange reserve
This represents the translation reserve arising as a result of consolidation of the foreign subsidiary.

(viii) Employee defined benefit plan reserve
This represents the reserve created in lieu of actuarial gains or losses on defined benefit liabilities and planned assets.

17 CONTINGENCIES AND COMMITMENTS

	2019 *BD '000*	*2018* *BD '000*
Letters of credit	**24,005**	32,827
Guarantees	**21,301**	22,286
Foreign exchange contracts	**64,947**	46,245
Acceptances	**16,337**	11,874
Taxation	**561**	626
Others	**14**	32
	127,165	113,890

18 INCOME FROM FINANCINGS

	2019 *BD '000*	*2018* *BD '000*
Sales and other receivables	**18,828**	17,646
Ijarah Muntahia Bittamleek	**6,086**	6,994
Musharakas	**13,232**	11,447
	38,146	36,087

	2019 *BD '000*	*2018* *BD '000*
Income from jointly financed financings	**34,335**	32,865
Income from self financed financings	**3,810**	3,222
	38,145	36,087

19 INCOME FROM INVESTMENTS

	2019 *BD '000*	*2018* *BD '000*
Yield, coupon or return on investments	**13,496**	9,735
Gain on sale of investments	**3,914**	536
Dividends	**79**	112
Rental income	**45**	57
	17,534	10,440

	2019 *BD '000*	*2018* *BD '000*
Income from jointly financed investments	**3,175**	2,116
Income from self financed investments	**14,360**	8,323
	17,535	10,439

20 REVENUE FROM BANKING SERVICES

	2019 *BD '000*	*2018* *BD '000*
Fees and commissions	**2,373**	2,359
Letters of credit and acceptances	**719**	2,069
Guarantees	**173**	201
	3,265	4,629

21 OTHER INCOME

	2019 *BD '000*	*2018* *BD '000*
Foreign exchange gain - net	**2,032**	1,407
Unrealised fair value loss on investment in real estate (note 9)	**-**	(277)
Others	**389**	333
	2,421	1,463

22 OTHER OPERATING EXPENSES

	2019 *BD '000*	*2018* *BD '000*
Administrative expenses	**2,485**	2,566
Premises costs	**4,162**	4,906
Business expenses	**4,327**	4,022
General expenses	**687**	697
	11,661	12,191

23 ALLOWANCES FOR IMPAIRMENT - NET

	2019 *BD '000*	*2018* *BD '000*
Receivables (note 4)	**(5,497)**	(8,085)
Ijara Muntahia Bittamleek and Ijara Receivables (note 5)	**(600)**	(2,706)
Musharakas (note 6)	**(343)**	(324)
Investments at amortized cost (note 7)	**40**	(156)
Investments at fair value through equity (note 7.2)	**(248)**	(1,202)
Contingencies and commitments	**95**	238
	(6,553)	(12,235)

24 TAXATION

Taxation relates to subsidiary in Pakistan and comprise:

	2019 BD '000	2018 BD '000
Consolidated statement of financial position:		
Advance tax - net	**563**	854
Consolidated statement of income:		
Current tax	**(593)**	(312)
Deferred tax	**147**	65
	(446)	(247)

25 CASH AND CASH EQUIVALENTS

For the purpose of cash flows, cash and cash equivalents represent:

	2019 BD '000	2018 BD '000
Cash in hand	**13,730**	13,259
Balances with central banks (unrestricted accounts)	**4,786**	4,875
Balances with other banks and financial institutions	**51,246**	16,578
Receivables, commodities and wakala placements (with an original maturity of 90 days or less)	**4,374**	68,988
	74,136	103,700

26 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Bank, Shari'a supervisory board and external auditors.

The significant balances with related parties at 31 December were as follows:

	Shareholders		Other Related Parties		Total	
Assets:	2019 BD '000	2018 BD '000	2019 BD '000	2018 BD '000	2019 BD '000	2018 BD '000
Cash and balances with banks and financial institutions	**35**	16	**2,076**	68	**2,111**	84
Receivables	**-**	-	**73**	3,029	**73**	3,029
Ijara Muntahia Bittamleek	**-**	-	**23**	77	**23**	77
Musharaka	**-**	82	**612**	717	**612**	799
Ijara receivables	**-**	-	**9**	20	**9**	20
Investments	**6,922**	-	**29,640**	32,742	**36,562**	32,742
Other assets	**2,957**	247	**38**	60	**2,995**	307
	9,914	345	**32,471**	36,713	**42,385**	37,058
Liabilities:						
Due to banks and financial institutions	**2,532**	1,544	**2,108**	235	**4,640**	1,779
Current account	**55**	60	**10,606**	7,283	**10,661**	7,343
Other liabilities	**2**	2	**181**	97	**183**	99
	2,589	1,606	**12,895**	7,615	**15,484**	9,221
Equity of investment accountholders	**2,529**	3,391	**48,182**	32,253	**50,711**	35,644
Subordinated debts	**41,847**	41,470	**-**	-	**41,847**	41,470
Off-balance sheet equity of investment accountholders	**57,824**	-	**52,745**	23,997	**110,569**	23,997
Contingencies and commitments	**-**	-	**1,022**	1,442	**1,022**	1,442

26 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The transactions with the related parties included in the consolidated statement of income are as follows:

	Shareholders		*Other Related Parties*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	BD '000	*BD '000*	***BD '000***	*BD '000*	***BD '000***	*BD '000*
Income						
Financings	-	-	**89**	238	**89**	238
Investments	-	-	**202**	394	**202**	394
Other income	**121**	120	-	-	**121**	120
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	**7**	17	**17**	17	**24**	34
	128	137	**308**	649	**436**	786
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	**76**	229	**1,348**	658	**1,424**	887
Other expenses	**120**	340	**588**	867	**708**	1,207
	196	569	**1,936**	1,525	**2,132**	2,094

Compensation of key management personnel is as follows:

Key management personnel includes the staff in grade of senior manager and above.

	2019	*2018*
	BD '000	*BD '000*
Salaries	**1,323**	1,558
Other benefits	**794**	867
	2,117	2,425

27 WAKALA BI AL-ISTITHMAR

	2019	*2018*
	BD '000	*BD '000*
RECEIVABLES		
Commodities and wakala placements with FIs	**53,289**	-
Murabaha	**3,413**	-
Bills receivables	**2,355**	-
	59,057	-
Investments		
Real Estate Funds	**1,755**	-
Wakala Pool	**60,812**	-
On balance sheet jointly finance assets	**66,879**	122,812
Total wakala bi al-istithmar financed assets	**127,691**	122,812

28 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The risk management committee and executive committees, guide and assist with overall management of the Group's consolidated statement of financial position risks. The Group manages exposures by setting limits approved by the Board of Directors.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2019 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months BD '000	*3 to 6 months BD '000*	*6 months to 1 year BD '000*	*1 to 3 years BD '000*	*3 to 5 years BD '000*	*5 to 10 years BD '000*	*10 to 20 years BD '000*	*Over 20 years BD '000*	*No fixed maturity BD '000*	*Total BD '000*
ASSETS										
Cash and balances with banks	62,108	7,654	-	-	-	-	-	-	60,207	129,969
Receivables	64,869	54,677	13,555	14,015	7,048	1,691	-	-	13,693	169,548
Ijara Muntahia Bittamleek and Ijara Receivables	3,119	11,551	5,238	16,016	9,335	21,506	32,900	5,572	1,343	106,580
Musharaka	412	1,484	3,370	36,876	29,855	11,004	4,442	-	2,092	89,535
Investments	39,983	22,938	13,074	36,912	14,823	118,821	377	-	33,587	280,515
Investments in real estate	-	-	-	5,790	-	-	-	-	-	5,790
Investment in Joint Venture	-	-	-	-	-	5,548	-	-	-	5,548
Premises and equipment	-	-	-	-	-	-	-	-	17,830	17,830
Goodwill	-	-	-	-	-	-	-	-	5,467	5,467
Other assets	7,221	1,254	4,561	1,216	8,700	152	-	-	880	23,984
Total assets	177,712	99,558	39,798	110,825	69,761	158,722	37,719	5,572	135,099	834,766
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS SUBORDINATED DEBT AND OWNERS' EQUITY										
Due to banks and financial institutions	26,584	6,001	-	-	-	-	-	-	-	32,585
Current accounts	104,385	-	-	-	-	-	-	-	-	104,385
Medium term financing	388	-	-	14,326	-	-	-	-	-	14,714
Other liabilities	33,565	799	290	774	12	-	-	-	-	35,440
Total liabilities	164,922	6,800	290	15,100	12	-	-	-	-	187,124
Equity of investment accountholders	275,248	51,518	64,846	58,721	25,771	58,615	6,972	-	-	541,691
Subordinated debts	599	-	582	696	-	3,652	-	-	-	5,529
Total owners' equity	-	-	-	-	-	-	-	-	100,422	100,422
Total liabilities, Equity of investment accountholders, subordinate debts and owner's equity	440,769	58,318	65,718	74,517	25,783	62,267	6,972	-	100,422	834,766
Net gap	(263,057)	41,240	(25,920)	36,308	43,978	96,455	30,747	5,572	34,677	-
Cumulative net gap	(263,057)	(221,817)	(247,737)	(211,429)	(167,451)	(70,996)	(40,249)	(34,677)	-	-
Off-balance sheet equity of investment accountholders	103,014	73,406	10,369	1,427	11,858	37,700	-	-	4,438	242,212

28 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2018 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months BD '000	*3 to 6 months BD '000*	*6 months to 1 year BD '000*	*1 to 3 years BD '000*	*3 to 5 years BD '000*	*5 to 10 years BD '000*	*10 to 20 years BD '000*	*Over 20 years BD '000*	*No fixed maturity BD '000*	*Total BD '000*
ASSETS										
Cash and balances with banks	27,714	-	-	6,998	-	-	-	-	35,910	70,622
Receivables	149,953	66,769	21,680	15,096	5,834	1,940	-	-	7,295	268,567
Ijara Muntahia Bittamleek and Ijara Receivables	564	2,953	6,185	23,071	13,596	20,605	30,135	6,025	4,196	107,330
Musharakas	161	521	4,988	35,019	42,901	12,907	5,227	-	778	102,502
Investments	24,452	14,194	9,298	43,748	5,535	83,758	377	-	23,966	205,328
Investments in real estate	-	-	-	1,975	-	-	-	-	-	1,975
Investment in Joint Venture	-	-	-	-	-	5,531	-	-	-	5,531
Premises and equipment	-	-	-	-	-	-	-	-	20,965	20,965
Goodwill	-	-	-	-	-	-	-	-	6,096	6,096
Other assets	11,636	3,417	1,871	4,408	10,354	-	-	-	1,414	33,100
Total assets	214,480	87,854	44,022	130,315	78,220	124,741	35,739	6,025	100,620	822,016
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS										
Due to banks and financial institutions	15,442	6,282	-	-	-	-	-	-	-	21,724
Current accounts	103,897	-	-	-	-	-	-	-	-	103,897
Medium term finance	406	-	8,294	14,326	-	-	-	-	-	23,026
Other liabilities	40,051	188	1,160	1,420	60	-	-	-	-	42,879
Total liabilities	159,796	6,470	9,454	15,746	60	-	-	-	-	191,526
Equity of investment accountholders	299,810	53,715	71,230	52,325	26,424	21,270	7,090	-	-	531,864
Subordinated debts	586	-	378	1,553	-	4,072	-	-	-	6,589
Total owners' equity	-	-	-	-	-	-	-	-	92,037	92,037
Total liabilities, Equity of investment accountholders subordinated debts and owner's equity	460,192	60,185	81,062	69,624	26,484	25,342	7,090	-	92,037	822,016
Net gap	(245,712)	27,669	(37,040)	60,691	51,736	99,399	28,649	6,025	8,583	-
Cumulative net gap	(245,712)	(218,043)	(255,083)	(194,392)	(142,656)	(43,257)	(14,608)	(8,583)	-	-
Off-balance sheet equity of investment accountholders	15,804	13,313	3,590	-	-	-	-	-	-	32,707

28 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

Net stable funding Ratio (NSFR)
In August 2018, the Central Bank of Bahrain (CBB) issued its regulations on Liquidity Risk Management (LM). Amongst other things, the LM regulations mandate banks to implement NSFR by end of December 2019. The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

The Consolidated NSFR for Group, calculated as per the requirements of the CBB rulebook, as of 31 December is as follows*:

	2019
	BD '000
Total Available Stable Funding	**525,092**
Total Required Stable Funding	**236,536**
Net Stable Funding Ratio (NSFR)	**222%**
Minimum NSFR	**100%**

*Further details on the NSFR are available on the Group's website under "Regulatory Disclosures" section.

b) Market risk
Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Profit rate risk
Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and IAH. The profit distribution to IAH is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

The Group is exposed to displaced commercial risk in the event of having equity of IAH profit rates that are lower than market rates. The policies and procedures to manage displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

Foreign exchange risk
Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2019
	Total equivalent BD '000
Pakistani Rupees	**38,907**
Euro	**(678)**
Kuwaiti Dinars	**851**
Pound Sterling	**(1,971)**

	2018
	Total equivalent BD '000
Pakistani Rupees	35,514
Euro	(1,034)
Kuwaiti Dinars	874
Pound Sterling	(2,262)

The strategic currency risk represents the amount of equity of the subsidiary.

28 RISK MANAGEMENT (continued)

b) Market risk (continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks approach, which calculates the effect on equity and income of the Group as a result of 20% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the Bahraini DInar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

Currency	**Particular**	***Change***	***Exposures in BD '000***	***Effect on equity/ Income Statement in BD '000***
2019				
Pakistani Rupees	Net long Position	**20.00%**	**38,907**	**7,781**
Euro	Net short Position	**20.00%**	**(678)**	**(136)**
Kuwaiti Dinars	Net long Position	**20.00%**	**851**	**170**
Pound Sterling	Net short Position	**20.00%**	**(1,971)**	**(394)**

Currency	Particular	*Change*	*Exposures in BD '000*	*Effect on equity/ Income Statement in BD '000*
2018				
Pakistani Rupees	Net long Position	20%	35,514	7,103
Euro	Net short Position	20%	(1,034)	(207)
Kuwaiti Dinars	Net long Position	20%	874	175
Pound Sterling	Net short Position	20%	(2,262)	(452)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

In order to measure the risk of equity on its financial position, the Group adopts a sensitivity analysis on its equity portfolio for 10% increase and decrease of the portfolio's value:

Market indices	***Change in equity price 2019 %***	***Effect on equity/ Income Statement 2019 BD '000***	*Change in equity price 2018 %*	*Effect on equity/ Income Statement 2018 BD '000*
Pakistan Stock Exchange	**10%**	**149,005**	10%	375
Egyption Stock Exchange	**10%**	**128,015**	-	-
Jordan Stock Exchange	**10%**	**692,197**	-	-

28 RISK MANAGEMENT (continued)

b) Market risk (continued)

Concentration of investment portfolio

Concentration of an investment portfolio arises when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The industry and geographical concentration of the Group's investment portfolio is as follows:

31 December 2019	**GCC BD '000*	*Rest of the world BD '000*	*Total BD '000*
Banking	15,378	2,300	17,678
Government	171,124	25,110	196,234
Investment companies	31,017	-	31,017
Manufacturing	-	28,923	28,923
Real estate	2,027	-	2,027
Others	-	4,636	4,636
	219,546	**60,969**	**280,515**

31 December 2018	**GCC BD '000*	*Rest of the world BD '000*	*Total BD '000*
Banking	10,695	13,669	24,364
Government	88,429	41,636	130,065
Investment companies	31,089	-	31,089
Manufacturing	-	3,896	3,896
Real estate	3,155	2,375	5,530
Others	1,115	9,269	10,384
	134,483	70,845	205,328

* GCC countries comprise members of the Gulf Co-operation Council being Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and the United Arab Emirates.

c) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of the counterparty, by collateral in form of mortgage of the objects financed or other tangible security.

Type of credit risk

Financing contracts mainly comprise Sales receivable, Istisna'a receivable, Musharaka and Ijara Muntahia Bittamleek.

Sales receivable

The Group finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabeh over the agreed period. The transactions are secured at times by the object of the murabaha (in case of real estate finance) and other times by a total collateral package securing the facilities given to the client.

Istisna'a receivable

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

28 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Musharaka
An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Ijara Muntahia Bittamleek
This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijara (lease) term, provided that all Ijara installments are settled.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk by type of Islamic financing contracts before the effect of mitigation through the use of collateral or other credit enhancements.

	Maximum Exposure to Credit Risk	
	2019	*2018*
	BD '000	*BD '000*
Receivables	**169,548**	268,565
Musharakas	**89,535**	102,503
Ijara Muntahia Bittamleek and Ijara receivables	**106,580**	107,330
Investments at amortized cost	**246,705**	176,294
Balances with banks and financial institutions	**116,239**	57,363
Other assets	**8,616**	7,967
Contingencies and commitments	**126,589**	113,232
	863,812	833,254

Credit quality by type of Islamic financing contracts
The table below shows the credit quality by type of Islamic financing contracts, based on the Group's quality of assets. The balances presented are gross of impairment provision.

	31 December 2019			
	Neither past due nor non performing	***Past due but performing***	***Non performing Islamic financing contracts***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Type of Islamic Financing Contract				
Receivables	**147,548**	**14,923**	**26,956**	**189,427**
Musharakas	**87,685**	**720**	**4,048**	**92,453**
Ijara Muntahia Bittamleek and Ijara receivables	**98,922**	**117**	**10,506**	**109,545**
	334,155	**15,760**	**41,510**	**391,425**

	31 December 2018			
	Neither past due nor non performing	*Past due but performing*	*Non performing Islamic financing contracts*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Type of Islamic Financing Contract				
Receivables	250,400	10,871	35,566	296,837
Musharakas	102,010	742	2,621	105,373
Ijara Muntahia Bittamleek and Ijara receivables	102,836	298	9,854	112,988
	455,246	11,911	48,041	515,198

28 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Aging analysis of past due but performing Islamic financing contracts

	31 December 2019			
	Less than 30 days BD '000	31 to 60 days BD '000	61 to 90 days BD '000	Total BD '000
Type of Islamic Financing Contracts				
Receivable	**8,764**	**942**	**5,217**	**14,923**
Musharaka	**587**	**107**	**26**	**720**
Ijara Muntahia Bittamleek & Ijara income receivable	**78**	**38**	**1**	**117**
	9,429	**1,087**	**5,244**	**15,760**

	31 December 2018			
	Less than 30 days BD '000	31 to 60 days BD '000	61 to 90 days BD '000	Total BD '000
Type of Islamic Financing Contracts				
Receivable	8,135	1,981	754	10,870
Musharaka	548	158	37	743
Ijara Muntahia Bittamleek and Ijara receivable	186	90	22	298
	8,869	2,229	813	11,911

Aging of Non-Performing Facilities

	31 December 2019				
	3-6 Months BD '000	6-12 Months BD '000	1-3 Years BD '000	3 Years & above BD '000	Total BD '000
Receivable	**8,794**	**4,552**	**7,190**	**6,420**	**26,956**
Musharaka	**668**	**1,845**	**472**	**1,063**	**4,048**
Ijara Muntahia Bittamleek and Ijara receivable	**3,992**	**840**	**3,842**	**1,832**	**10,506**
	13,454	**7,237**	**11,504**	**9,315**	**41,510**

	31 December 2018				
	3-6 Months BD '000	6-12 Months BD '000	1-3 Years BD '000	3 Years & Above BD '000	Total BD '000
Receivable	9,709	4,511	7,343	14,003	35,566
Musharaka	729	372	466	1,054	2,621
Ijara Muntahia Bittamleek and Ijara receivable	1,313	2,415	5,001	1,125	9,854
	11,751	7,298	12,810	16,182	48,041

Credit Risk Mitigation

For exposures secured by real estate or other collateral, the Group carries out regular and periodic collateral verification and evaluation. This collateral verification is conducted by an independent qualified assessor or Collateral Analyst at the Group. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group allows cars, premises and equipment, plant and machinery etc, as collateral for a credit and investment product but does not accept perishable assets. The Group does not accept any assets as collateral if the assets are susceptible for obsolescence. The Group also ensure that these assets are insured in order to be accepted as collateral.

28 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Credit Risk Mitigation (continued)

Collaterals listed hereunder attract capital relief from capital adequacy requirements:

1) Hamish Jiddiyyah (HJ) (Good faith deposit): The Group takes this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the Group has recourse to the HJ. HJ is taken by the Group at the inception of the transaction but before signing the contracts. HJ constitutes partial guarantee to the Group for the performance of the contract by the customer. The Group will still have recourse to the customers for the unsecured position in case of default.

2) Third party guarantee: The Group should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, should provide the Group with signed audited financial statements.

3) Underlying assets of the lease contract: The underlying asset must be of monetary value and the Group must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any kind of encumbrance. In the same lease contract a customer can pledge other assets that customers own other than the underlying assets in the contract. In order for the Group to consider these assets as pledged assets, it must meet all the conditions for the underlying assets under the lease contract. It must be legally enforceable, accessible, saleable and free of any kind of encumbrance. The value of the pledged asset must be used only to offset the amount against the customers.

   Any excess amount resulting from the closure of the pledge by the Group should be returned to the customer (pledger). The Group is conducting at least annual evaluation of the pledged assets and keeping adequate documentation of this evaluation.

4) Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

5) Rated and unrated senior Sukuk issued by financial institutions or sovereigns.

Credit Quality

Countries, governments and financial institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating. Corporates will be rated on their senior unsecured medium term local currency obligations, unless the credit granted is across border or in foreign currency. In the latter case, the obligor's country's rating will be the ceiling on corporates' rating. Where all credit to a government is in local currency, the rating for that government is the best i.e. 1 on the rating scale, however, if the exposure to the government includes foreign currency, the rating for that government will be the same as the country's rating.

A rating is a forward looking indication of creditworthiness. It is based on an evaluation of past performance, present conditions and outlook for the future. For the purpose of rating, the Group is using only those External Credit Assessment Institutions (ECAIs) which are allowed/ approved by the CBB and are mainly used in Banking exposures.

28 RISK MANAGEMENT (continued)

c) Credit risk (continued)

Credit Quality (continued)

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to Countries and Single Obligors. Single Obligors, in turn are categorised as financial institutions, corporates and governments. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security, structure etc in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiary internally to also rate facilities).

d) Operational risk

The Group categorises operational risk loss events into the following categories:

Infrastructure risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group might be disrupted and severe operational risks could occur.

In order to protect the Group from the infrastructure risk as outlined above, the Group is taking necessary measures as indicated in the Business Continuity Plan and/or Disaster Recovery Plan to cater for these risks.

Information technology risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access, by third parties or employees, etc.

Staff risk

The main risks that might arise from staff risks are risks due to fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established a corporate culture which entails constructive ways of dealing with mistakes. The Group has also established an approval control steps in business processes as well as creating separate control processes. Further, the Group has already established measures of organisational structure in terms of segregation of duties as well as diverse training measures to reduce human error.

29 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS

The distribution by geographic region and industry sector was as follows:

	Assets		*Liabilities and Subordinated debt*		*Equity of investment accountholders*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	BD '000	*BD '000*	***BD '000***	*BD '000*	***BD '000***	*BD '000*
Geographical region						
Middle East	**424,482**	434,037	**60,189**	66,211	**217,613**	226,872
Europe	**10,860**	22,492	**2,672**	1,015	**3,461**	-
Asia	**365,765**	335,403	**97,622**	105,168	**252,666**	204,808
Others	**33,659**	30,084	**32,171**	25,721	**67,951**	100,184
	834,766	822,016	**192,654**	198,115	**541,691**	531,864

29 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

	Assets		*Liabilities and Subordinated debt*		*Equity of investment accountholders*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	BD '000	*BD '000*	***BD '000***	*BD '000*	***BD '000***	*BD '000*
Industry sector						
Trading and manufacturing	**138,844**	132,384	**21,159**	25,084	**46,805**	40,600
Banks and financial institutions	**401,276**	332,134	**72,219**	74,442	**120,996**	162,259
Construction	**9,455**	15,794	**4,024**	3,838	**2,111**	3,157
Others	**285,191**	341,704	**95,251**	94,751	**371,779**	325,848
	834,766	822,016	**192,653**	198,115	**541,691**	531,864

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of investments are dislcosed in note 7 to these financial statements. However, a certain equity-type instruments at fair value through equity which are carried at cost, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

31 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

31 SEGMENTAL INFORMATION (continued)

The segmental results of the Group were as follows:

	Middle East		*Other Asian Countries*	
	2019	*2018*	***2019***	*2018*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Assets	**452,667**	479,242	**382,099**	342,774
Liabilities, equity of investment accountholders, and Subordinated debt	**383,575**	419,745	**350,769**	310,234
Total income	**17,387**	16,270	**16,138**	16,344
Total operating expenses	**(12,503)**	(12,666)	**(12,850)**	(14,340)
Net operating income	**4,884**	3,604	**3,288**	2,004
Provision for impairment - net	**(2,788)**	(10,745)	**(3,006)**	(1,490)
Taxation	**-**	-	**(446)**	(247)
Income / (loss) for the year	**2,096**	(7,141)	**(164)**	267

32 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations.

33 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported net income or owner's equity.