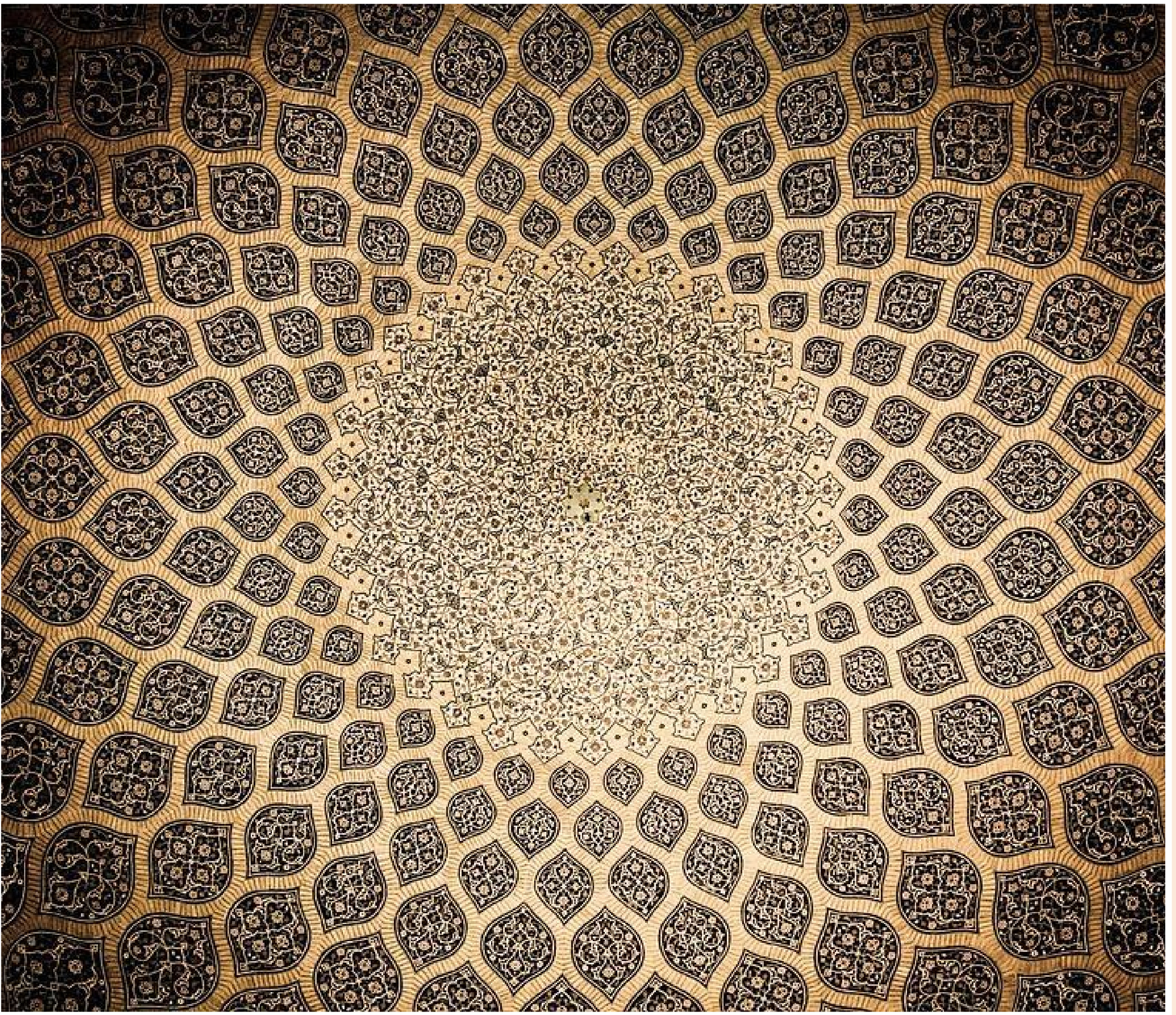

Dar Al-Maal Al-Islami Trust

ANNUAL REPORT
2022

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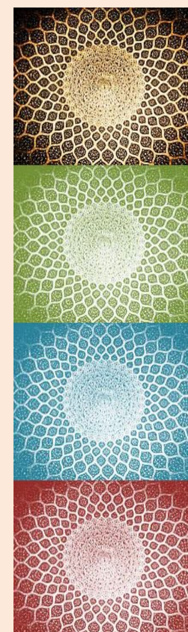


Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda
(Resigned on 24 September 2022)

Omar Abdi Ali

Moustafa Abu Bakr Azzam

Khalid Omar Abdel Rahman Azzam

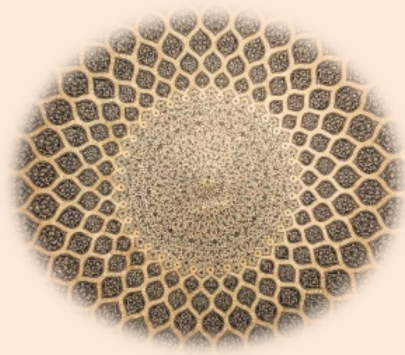
Abdulaziz Abdulrahman Alessa

Religious Board

Nasr Farid Mohamed Wasel, Chairman

Halil Gonenc

Osama Mohamed Ali



DAR AL-MAAL AL-ISLAMI TRUST

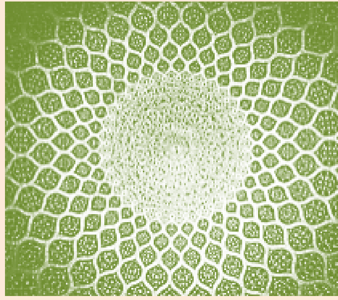
Dar Al-Maal Al-Islami Trust (DMI) was founded in 1981. It has an extensive network stretching over four continents, with well-integrated regional subsidiaries enabling it to respond to local business needs and conditions. Based on this geographic structure, the DMI Group and associates act as a financial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

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

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

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

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



CHAIRMAN'S MESSAGE

Dear Participants,

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

On behalf of the Board of Supervisors, I am pleased to present the forty-one annual report of Dar Al-Maal Al-Islami Trust ("DMIT") for the financial year ended 31 December 2022.

I am pleased to report the 2022 Group's progress and key achievements. 2022 was transformative for DMIT as we created our new compass organization and continued to embed a high-performance culture. We continued to build towards vision of demonstrating that sustainable business delivers winning performance.

We have continued to invest in the future of the Group, including stepping up our innovation and technology investment, and we now have an exciting set of transformative business development opportunities and partnerships to share with the investors.

2022 witnessed many economic challenges remained the most prominent of which were geopolitical tensions and high inflation rates which forced central banks to tighten monetary policies thereby intensifying expectations of slower global economic growth.

The IMF cut is the outlook for global economic growth in October 2022, due to the war in Ukraine as well as higher interest rates as central banks around the world attempt to rein in rising prices. Since then, China has scrapped its Coronavirus zero-policy and started to reopen its economy, even as Coronavirus infections have spread rapidly in the country.

Many commentators believe that such step would have a negative impact on the Chinese growth and global growth will likely to be negative, not least in Asia which endured a difficult year in 2022. Recent figures released pointed to the weakness in the Chinese economy in 2022.

Inflation has been steadily rising across the regions, largely due to the war in Ukraine, while higher interest rates have also hit households and businesses. Inflation in the US has dropped to 6.4% (May 2022: 8.6%) in the 12 months to January 2023, driven higher by jumps in housing, food and energy cost, officials have warned that inflation will take time to stabilise prices, despite recent signs of improvements. Inflation across the Eurozone rose by 5.5% in the year to June 2023, down from an annual rate of 8.1% in May 2022. In the UK, inflation is unexpectedly shot up in February 2023 to 10.4%. IMF have pointed out that UK's exposure to high gas prices, rising interest rates and a sluggish trade performance, as reasons for its weak economic performance. However, the Bank of England forecast a growth rate in GDP of 0.4% in 2023 and 1.2% in 2024.

The US Fed in July 2023 raised interest rate for the 11th time since 2022 by 0.25% to 5.25% - 5.50%, its highest level in 22 years. Commentators fear that the move could add to the financial turmoil after a string of bank failures e.g. collapse of Silicon Valley; Signature Bank, Silvergate; and First Republic Bank, backing in part due to problems caused by higher interest rate.

However, the FED said in a statement after its latest meeting in November 2023 that it would keep its benchmark rate at about 5.4%.

The downturn in the US also means there is less demand for the products that are made in China and other Asian countries. The US Fed responded by injecting liquidity in the markets of US$ 3 trillion. The impact on higher interest rates on loans affects economies at the government level too- especially emerging markets, which may struggle to pay their debts.

For decades the Asian-Pacific region has depended on China as a major trading partner and for economic support in times of crisis. Now the Asian economies are facing the lasting economic effects of how China has handled the pandemic.

Even though labour markets around the world are fairly strong, the kind of jobs being created are not necessarily high paying, this is likely to push more towards recession, as interest rates are not expected to fall rapidly as the markets may think. This indeed will create a whole series of consequences that will keep markets on tenterhooks for at least the first nine months of 2023.

Crude oil has made a robust start to the year on the back of eased concerns over weak, demand diminished continued economic recovery in major economies, tighter supplies, and geographical tensions. Brent crude oil started the year at $77.45 per barrel and ended the year at $84.97 per barrel. Meanwhile, WTI went from $76.99 per barrel at the beginning of 2022 and stretched to $123.7 per barrel on March 8, 2022, as well, the highest for the year, then eased to conclude the year at $80.26 per barrel.

The OPEC+ alliance is proving effective yet challenging to the oil marks. After oil prices traded relatively calm during August, with volatility at multi-year lows, the decision by KSA and Russia in early September 2023 to extend output cuts of a combined 1.3 mb/d through end of 2023 triggered a price spike in Brent oil to a 10-month high.

As forecast by International Energy Agency, oil markets were already tightening and in August 2023 observed global inventories plunged by a sharp 2.46 million barrel a day. At the same time, an expected rise in global oil demand of 1.5 million barrel a day in the 2nd half of 2023, bringing total demand to 103 million barrel a day. On 28 September 2023, Brent oil price touched US$ 95.03, marking the highest since August 2022

Despite the challenging business environment, tight monetary policies and high level of uncertainty, the Group had another successful year, with net profit in 2022 of $ 5.2 million compared with $73.1 million in 2021. The Group's good performance reflects our adherence to our resilience, good assets quality standards, investment diversification, operating within an acceptable risk parameter, and high levels of liquidity aiming to enhance profitability.

Gulf Cooperation Council's ("GCC") economies have rebounded strongly in 2022 with an average real GDP growth of 5.4%. Saudi Arabia continues to be in the lead in terms of real GDP growth logging 7.3% jump (2021: 3.3%). The economic growth of the region has outpaced the world's average, which is estimated at 3.5%. Contribution of the hydrocarbons to real GDP has slightly inched compared to its levels in the past couple of years in almost all GCC countries. Non- hydrocarbon real GDP also improved during 2022 achieving an average growth of 4.1%. Saudi Arabia has outperformed the region from this angle with a jump of 5.68%. Almost all the GCC countries, have recorded a positive fiscal balance. The average size of fiscal deficit as a share of GDP for the region is about 7.56%.

KSA's economy is undergoing a transformation as it implements reforms to reduce oil dependence, diversify income and enhance competitiveness. The year 2023 is an important juncture as the mid-point of KSA's ambitious Vision 2030 journey. As per IMF review (Sept 2023) of the country's economy, progress has been most notably reflected in non-oil growth which has accelerated since 2021 averaging 4.8% percent in 2022.

Despite lower overall growth reflecting additional oil production cuts, non-oil growth will remain close to 5 percent in 2023, spurred by strong domestic demand.

Tight monetary policy in advanced economies weighted on emerging markets and developing economies' capital flows, with China experiencing sizable debt market outflow in 2022 worth $ 58 billion. Emerging markets securities attracted total portfolio flows of $58 billion for 2022 of which $ 50 billion debt flows and $9 billon equity flows (as per IIF). Performance of Emerging Equity Markets in 2022 declined by -20.09% (2021: -2.5%), as per the MSCI Emerging Markets Index. In 2022, MSCI World Index, was down by -18.14% (2021: +21.82). The largest negative performance gap to developed markets since 2013. Russian- Ukraine geopolitical landscape, high interest rate, global energy, and commodities prices, all have contributed further to weakness in the emerging markets to add volatility to emerging markets in general.

In 2022 the Group achieved a net profit after tax of $ 5.2 million compared with a net profit of $ 73.1 million in 2021. In 2022 the Group suffered an impairment on its investment in subsidiaries of $ 44 million, as well as a loss $16 million due to discontinued operations following the sale of Bahrain's retail operations to Al Salam Bank. Furthermore, the Group made a provision for expected credit losses of $ 22 million due to adverse business environment. However, such charges were mitigated by an increase in value of real estate available for sale of $ 51 million. In 2021 a sum of $ 25.4 million was recognised as share of income of associated entities i.e. BBK. Such investments were disposed in 2022. Group's operating income in 2022 registered an increase of 47% and amounted to $ 316 million compared with $ 208 million in 2021, due to substantial enhancement in the income stream.

Staff cost and administrative expenses in 2022 amounted to $167 million compared with $152 million in 2021, an increase of 11% reflecting Group's retail expansion and inflation impact. During 2022 FBL's branch network was expanded by 94 new branches, increasing the total number of branches to 700.

Net profit attributable to Unitholders amounted to $ 1.7 million (2021 – $ 31.2 million). Due to slide in Pakistani Rupee against the US Dollar, from PKR 176.42 on 31 December 2021 to PKR 226.60 by end of 2022, the Group suffered a foreign currency translation loss of about $ 19 million (2021 - $10 million). The Trust capital has improved from $ 153.2 million at the end of 2021 to $154.1 million at end of 2022. Similarly, the value of each equity participation Unit has increased from $38.77 in 2021 to $38.98 in December 2022.

2022 was a landmark year for the Group through our deeply rooted commitment to drive sustainable economic and business growth. The Group made great strides in its Environmental, Social and Corporate Governance ("ESG") efforts, reflecting Group's promise to create and deliver shared value to our stakeholders. We are convinced that we must fully embrace the environmental challenges facing our planet. We must build stronger, more equitable, and more diverse social fabrics among all the people impacted by our business, and we do this by assuming a leading role in financing the transition and becoming a responsible and strategic partner to our customers and communities. During 2022, the Group launched its sustainable financing framework to support and advance Group's goal to ESG into its culture, business, and operations, thereby advancing the transition to a sustainable and low-carbon economy. By reinforcing our responsible banking commitments and integrating a resilient governance and risk culture, the Group strives to empower all stakeholders, drive a positive impact on society, and deliver superior returns to our Unitholders.

The Group will continue to implement more effective corporate governance measures associated with improvement in performance and cost rationalisation throughout the Group. The overall situation with IICG's Modarabas liquidation is kept under meticulous monitoring of the Board of Supervisors. The Group will continue focus on more profitable and diversified growth in the coming years.

Ithmaar Holding BSC ("Ithmaar") is regulated by the Central Bank of Bahrain and its shares are listed on the Bourse of Bahrain and Dubai Financial Market. Ithmaar is a key subsidiary of the Group with 46.49% interest. On 7 July 2022, Ithmaar completed its transaction for selling some of its key assets in Bahrain, including Ithmaar Bank's retail consumer banking business as well as Ithmaar's ownership stake in BBK and Solidarity Group Holding, to Al Salam Bank Bahrain This marks an important milestone in Ithmaar's transformation, and adds to our decades-long history as key pioneer in Islamic banking and finance industry.

In 2022 Ithmaar reported a loss attributed to shareholders of $38.4 million compared to a profit of $ 38.6 million in 2021. The loss suffered in 2022 was primarily attributed to the loss arising from discontinued operations of $ 16 million and a provision for expected credit losses of $ 22 million.

Despite the challenging year, Ithmaar has continued yielding the strategic decisions through meticulous efforts to further improve value to its shareholders innovation and services while rationalising costs, enhancing its customer service offerings and enhancing its distribution network with focus on corporate client.

Faysal Bank Limited, Pakistan ("FBL") which is 66.7% owned by Ithmaar Bank has completed the biggest ever conversion into an Islamic bank. Accordingly, with effect from January 2023, FBL has been operating as a full-fledged Islamic bank. FBL continued expansion of its retail network in Pakistan, digitalization and enhancement of services. FBL achieved a net profit after tax of PKR 11.2 billion ($ 54.9 million) compared with PKR 8.2 billion ($ 50.4 million) in 2021. The exchange rate of PKR against the US Dollar declined from 176.4 in December 2021 to PKR 226.6 by end of 2022. FBL's result was the achievement of timely and effective measures taken for maintaining core revenue in line with improvement on banking spreads and profitability. Total assets registered an increase of 23.5% in local currency terms, from PKR 870 billion ($ 5.4 billion) in 2021 to PKR 1,074 billion ($4.7 billion) as at 31 December 2022.

During the year, FBL made concentrated efforts to acquire low-cost CASA deposit (current and saving accounts), resulting in an enhancement in CASA from 75.4% in 2021 to 80.2% in 2022. Current Accounts Ratio improved from 32.8.% in December 2021 to 35.5% on 31 December 2022. Similarly, total deposits registered 21% increase in 2022 in local currency terms, amounting to PKR 782 billion ($ 3.4 billion) compared with PKR 644 billion ($3.7 billion) in 2021.

In line with the growth strategy approved by the Board of Directors, FBL retail banking reorganised its management structure and distribution channels to strengthen and optimise growth and meet the challenge. In 2022 FBL continued to successfully invest in network expansion and worked towards improving efficiencies to enhance deposits share. FBL has successfully completed one of the largest conversions in the world which was started 6 years and completed by end of 2022. In addition, FBL implemented Environmental Risk Rating model and implemented Environmental Risk Management framework. Branch Led model was initiated for leveraging the strength of distribution channels, for promoting commercial and SME business, as well as its retail business, while maximising benefit of digitalisation.

In the light of series of measures taken by FBL during 2022, rating agencies reaffirmed FBL's ratings; long-term outlook and short-term credit ratings of AA and A1+, respectively, as reported by two reputable local rating agencies. During 2022, FBL opened 94 new branches to achieve a network of 700 branches which all are compliant with the Islamic Sharia'a. FBL will continue its horizontal growth in branch network, as strengthened by digital banking in providing easy access to customers. These branches will not only generate low-cost core deposits but will continue to improve the current and saving accounts mix, with the goal to continue reducing the average cost of funding. In 2022 FBL launched its Noor Card, the first Islamic credit card in Pakistan which is expected to secure a sizeable market share.

In line with the peer banks, FBL continues to focus on expanding development of new innovative Islamic products, aiming to attracting more low-cost deposits and increasing cross-selling and benefiting from the synergies with its wholly owned asset management arm; Faysal Asset Management Ltd, which achieved net earnings of PKR 192 million ($ 1.0 million) in 2022.

Pursuant to strengthen its capital base, FBL has maintained its Capital Adequacy Ratio (CAR) at 15.5%. The new business structure at FBL, future strategy will focus on building up and expanding Islamic finance which enjoyed a successful year taking lead role in several syndications and big-ticket transactions. FBL is confident that synergies will be captured, and expectations of its shareholders will be met. FBL will continue to invest and expand in branch infrastructure. Reflecting FBL's commitment to provide a better, easier, and modern Islamic banking. FBL is focused on providing comprehensive yet innovative digital services and will continue to invest in innovative technologies, to improve FBL's digital offerings.

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of $ 11.8 million in 2022 compared to $ 15.8 million in 2021 (inclusive of non-recurring income of $ 4.1 million in 2021). Shareholder's equity in 2022 increased to $ 116.3 million compared to $104.5 million in 2021. IICG's total assets reported an increase by 11%, from $117.5 million in 2021, to $130.6 million in 2022. The increase is primarily attributed to increase in amounts due from funds under management, from $78.1 million in 2021 to $93.9 million in 2022. On conservative grounds, a sum of $6.3 million has been transferred to Contingency Reserve in 2022. IICG's Modarabas (Funds Under Management) amounted to $ 1.6 billion in December 2022, a marginal decrease of 1% from $ 1.66 billion in 2021, due to partial redemptions to the investors.

IICG has continued its efforts to liquidate its Modarabas. All such Modaraba assets are under liquidation and distributions to the investors, proportionately. As the liquidation of the assets progresses, further repayments of Modarabas capital, will be made to the investors when more assets are liquidated. The overall Group risk in respect of Funds Under Management is under close monitoring.

IICG's 73.3% owned subsidiary, Gulf Investors Asset Management Company ("GIAMCO"), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, recorded a net loss of $0.1 million in 2022 compared to a net loss of $ 0.23 million in 2021. Total Funds Under Management as at December 31, 2022, amounted to $ 44 million (2021 $53 million), following distribution to investors during 2022. In line with the soft liquidation plan of GIAMCO's Modarabas, the Board decided to fully liquidate the remainder of GIAMCO's three real estate funds by end of 2023 depending on market conditions.

Faisal Islamic Bank of Egypt ("FIBE"), 44.9% owned by Group's managed funds, has continued its journey in delivering stunning performance at all levels. As at December 31, 2022, the exchange rate was US$1 = L.E. 24.74 compared with L.E. 15.66 in 2021. However, pursuant to address economic pressures e.g., migration of funds, sharp drop in proceeds from tourism and Egyptians overseas workers repatriation of funds, surge in cost of import of foods, the Central Bank of Egypt on 21 March 2022, devalued the Egypt Pound by 14%, to US$ 1 = L.E. 18.27. FIBE has continued to maintain its leadership in Islamic banking activities within the Egyptian market and strengthened its competitive position considerably on local and regional levels. Branch network expanded to 41 branches, while 3 more branches are planned for 2023. Similarly, ATM's network expanded to 552 by December 2022.

FIBE has continued its policy of strengthening its capital base and mitigating the risks related to its activities, in particular to absorb the impact of Covid-19 pandemic. As 31 December 2022, the Capital Adequacy Ratio ("CAR") for FIBE amounted 29% (2021: 32.2%) as compared with a regulatory minimum requirement of 12.5%

FIBE's net profit after tax in 2022 amounted to L.E. 4,475 million ($ 231 million) compared with L.E. 2,683 million ($ 171 million) in 2021. The results for 2022 have been higher than previous year by 67% due to improvement in income stream by 11%. Total assets in 2022 amounted to L.E. 151.6 billion ($ 6.1 billion) represents an increase to 16% over December 2021 of L.E. 130.9 billion ($8.4 billion). Shareholders' equity in 2022 amounted to L.E. 21.96 billion ($ 888 million) compared to L.E. 17.0 billion ($ 1,086 million) for the previous year, an increase of 28.9% in local currency terms. The most important source of funds for FIBE's savings pools and investment certificates (funds under management) increased by 12.8%, from L.E. 109.6 billion ($7.0 billion) in 2021 to L.E. 123.6 billion ($ 4.6 billion) in 2022. For 2022, the shareholders have approved 8% dividend pay-out (2021: 8%). FIBE will continue its journey in playing a leading role in the development and flourishing of Islamic banking in Egypt and consolidation of its position, as a leading Islamic bank.

Outlook

Uncertainties are expected to persist during 2023 in relation to reappearance of Covid-19 and the Russian-Ukraine ware and Middle East geopolitical landscape, shortage of energy, food, commodities, and disruptions in supply chains. However, we can see rewarding opportunities that are compelling.

According to IMF estimates, Global growth is projected to fall from an estimated 3.5% in 2022, to 3.0% in 2023 (China 4.9%), and 2.9% in 2024. Commodity prices could become more volatile under renewed geopolitical tensions and disruptions linked to climate change.

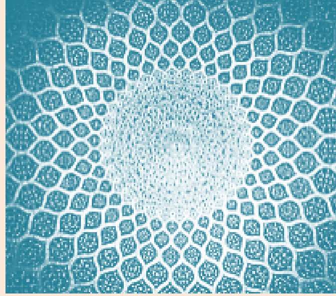
The Board of Supervisors will continue to oversee the task of striking the right balance between the opportunities and risks that we see. We will continue to encourage product innovation and have extended support to branch expansion and digitalization.

The Group's performance and success during 2022 amid the economic challenges it faced e.g., in Egypt and Pakistan, increases our determination towards achieving better results in the near future and actively contributing to supporting our clients, gaining traction for the next level of growth and profitability and achieving added value to our valuable Unitholders. The Group is well-positioned with good momentum in coming months. The Group will continue to invest in modern technologies to improve digital offerings and customer experience. We will keep investing in our workforce and foster a culture that encourages our core values, Integrity, Teamwork, innovation, and care.

On behalf of the Board of Supervisors, I would like to thank our participants for their continued support, the Religious Board for its counsel and guidance. I would also like to express my gratitude and appreciation to Executive Management as well as all staff of the Group for their commitments and effort during the year in achieving Group's goals.

Allah is the purveyor of success.

Amr Mohammed Al Faisal



REPORT OF THE RELIGIOUS BOARD

The DMI Trust Religious Board held a meeting in Cairo, Egypt, on Wednesday 22, Muharram 1445H, corresponding to 9 August 2023.

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

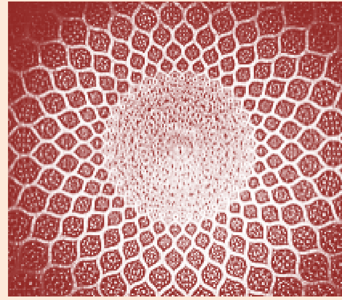
Furthermore the Religious Board reviewed the 2022 balance sheet and financial statements presented to it and after examining and discussing the same, the Religious Board considered that all DMI Group investment activities, projects and banking services undertaken during the year were in conformity with the principles of the glorious Sharia and in line with the standard contracts previously approved by the Religious Board.

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

The Board wishes further success to the DMI Group.

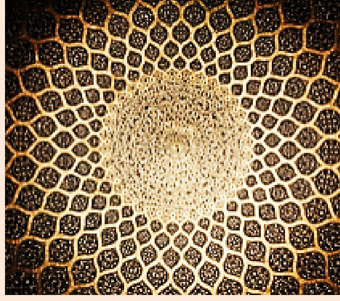
Allah is the purveyor of success.

Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board



Ten-Year Financial Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net profit/(loss)	(34.8)	35.1	(28.1)	(36.4)	(14.6)	(14.2)	13.1	(26.9)	31.2	1.7
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trust capital	322	361	331	295	289	168	180	137	153	154
Return on average capital	(10.8) %	9.7%	(8.5) %	(11.1) %	(5.0) %	(8.5) %	7.3%	(17.2) %	20.4%	1.1%
Funds under Management	8,399	9,009	9,105	9,053	8,705	8,620	8,271	8,969	9,493	7,371
Average number of employees	4,075	3,882	3,628	3,866	4,244	5,516	6,572	7,026	7,405	7,749
Book value per unit (US dollars)	81.40	91.26	83.69	74.51	73.06	42.53	45.62	34.68	38.77	38.98



Dar Al-Maal Al-Islami Trust

2022

Consolidated
Financial Statements

1 January 2022 – 31 December 2022

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dar Al-Maal Al-Islami Trust (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 December 2022 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited
The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Emphasis of matter

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

We draw your attention to Note 37 to the consolidated financial statements which sets out details of the circumstances and status of various claims against Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), a subsidiary of the Group, amounting to US dollars 102.7 million as at 31 December 2022 (31 December 2021: US dollars 102.7 million), in respect of IICG's fund management operations. IICG is contesting the validity and jurisdiction of such claims which are in various stages of appeal. Our opinion is not modified in respect of this matter.

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Jacques Fakhoury, Douglas O'Mahony, Wassim El Afchal, Murad Alnsour, Rami Sarhan and Virendra Dhirajlal Lodhia are registered as practicing auditors with the UAE Ministry of Economy

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Supervisors.
- Conclude on the appropriateness of the Board of Supervisors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

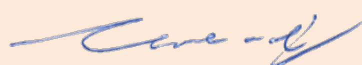
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
24 November 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of US dollars except participation units)

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Cash and cash equivalents	5	365,561	453,304
Cash at Central Bank – statutory reserve	5	40,286	110,411
Investments with Islamic institutions	6	25,361	301,291
Investment securities carried at fair value through profit and loss ("FVTPL")	7	11,159	166,063
Investment securities carried at fair value through other comprehensive income ("FVOCI")	8	1,056,206	1,955,788
Investment securities carried at amortised cost	9	44,468	85,749
Investments in financings	10	925,370	1,031,590
Accounts receivable and other assets	13	351,929	429,529
Current tax receivable	20	17,754	195
Deferred tax assets	20	3,172	9,608
Investment properties	14	386,117	356,648
Development properties	15	174,326	192,259
Investments in associates	16	138,318	709,395
Property, equipment and right-of-use assets	17	166,903	170,572
Intangible assets	18	122,553	234,202
Total assets		**3,829,483**	**6,206,604**
Liabilities and equity			
Liabilities			
Accounts payable	19	460,148	575,787
Current tax payable	20	27,441	5,142
Due to customers	21	1,933,442	3,803,486
Due to banks and other financial institutions	22	1,066,630	1,347,024
Provisions	23	56,938	62,055
Deferred tax liabilities	20	1,212	3,356
Total liabilities		**3,545,811**	**5,796,850**
Equity			
Trust capital attributable to equity participants			
Paid in capital		385,161	385,161
Reserves		(231,111)	(231,936)
Total trust capital		**154,050**	**153,225**
Non-controlling interests	35	129,622	256,529
Net equity		**283,672**	**409,754**
Total equity and liabilities		**3,829,483**	**6,206,604**
Number of trust capital participation units		3,952,481	3,952,481
Book value per unit in US dollars		38.98	38.77



Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 49 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2022	2021
Income			
Fund management and services		236,558	140,479
Income from investments carried at FVTPL	24	12,725	7,511
Income from investments carried at FVOCI	25	247,962	147,992
Income from investments carried at amortised cost	26	1,129	2,483
Income from investments with Islamic institutions	27	5,649	9,007
Income from investments in financings	28	41,207	59,902
Fee and commission income	29	41,237	49,820
Other income	30	59,641	5,230
		646,108	422,424
Profit paid to financial and non-financial institutions	31	(329,759)	(214,320)
Operating income		316,349	208,104
Expenses			
Staff costs	32	(68,553)	(68,724)
General and administrative expenses	33	(98,146)	(83,906)
Depreciation, amortisation and impairment of goodwill	17, 18	(77,849)	(26,787)
Exchange gain		10,590	18,041
Charge/(reversal) of allowance for impairment		(5,493)	27,732
Total expenses		(239,451)	(133,644)
Operating profit		**76,898**	**74,460**
Share of (loss) of associated companies	16	(165)	(1,395)
Profit for the year before income taxes		**76,733**	**73,065**
Taxes	34	(55,982)	(29,717)
Profit from continuing operations		**20,751**	**43,348**
(Loss) / profit from discontinued operation		**(15,592)**	**29,722**
Profit for the year		**5,159**	**73,070**
Attributable to:			
Equity participants		1,731	31,154
Non-controlling interests	35	3,428	41,916
		5,159	**73,070**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 49 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	2022			2021		
	Equity holders	Non-controlling interests	Total	Equity holders	Non-controlling interests	Total
Profit for the year after income taxes	**1,731**	**3,428**	**5,159**	**31,154**	**41,916**	**73,070**
Items that may be subsequently reclassified to the consolidated statement of income						
Net movements in fair value reserves of associated companies	8,904	10,248	19,152	2,191	2,521	4,712
Net movement in fair value of investments carried at FVOCI	(4,974)	(2,915)	(7,889)	(4,131)	(10,416)	(14,547)
Net movements in deferred tax of investments at FVOCI	1,052	2,348	3,400	2,024	4,520	6,544
Revaluation of fixed assets	12,947	14,902	27,849	-	-	-
Foreign currency translation differences of foreign entities	(18,885)	(47,692)	(66,577)	(9,701)	(24,736)	(34,437)
Items that will not be reclassified to the consolidated statement of income						
Movement in the fair value of equity investments at FVOCI	420	1,575	1,995	(278)	1,423	1,145
Other comprehensive loss	(536)	(21,534)	(22,070)	(9,895)	(26,688)	(36,583)
Total comprehensive income / (loss)	**1,195**	**(18,106)**	**(16,911)**	**21,259**	**15,228**	**36,487**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes from 1 to 49 form an integral part of these consolidated financial statements.

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

(Thousands of US dollars)

	Paid in capital	Fair value reserve	Currency translation	Accumulated losses	Contingency reserve	Total reserves	Non-controlling interests	Net equity
At 1 January 2021	390,316	(13,840)	(19,014)	(254,673)	34,285	(253,242)	252,245	389,319
Profit for the year after income tax	-	-		31,154	-	31,154	41,916	73,070
Increase in shareholding of subsidiary	-	-	-	47	-	47	34	81
Other comprehensive loss	-	3,120	(9,979)	(3,036)	-	(9,895)	(26,688)	(36,583)
Transfers to contingency reserve *	-	-		(6,576)	6,576	-	-	-
Dividends paid	-	-	-	-	-	-	(10,978)	(10,978)
Treasury shares	(5,155)	-	-	-	-	-	-	(5,155)
At 31 December 2021	385,161	(10,720)	(28,993)	(233,084)	40,861	(231,936)	256,529	409,754
Profit for the year after income tax	-			1,731	-	1,731	3,428	5,159
Decrease in shareholding of subsidiary	-	-	-	(370)	-	(370)	-	(370)
Other comprehensive loss	-	18,349	(18,885)	-	-	(536)	(21,534)	(22,070)
Transfers to contingency reserve *	-	-		(6,326)	6,326	-	-	-
Sale of non-controlling interest in a subsidiary (Note 35)	-	-		-	-	-	(103,577)	(103,577)
Dividends paid	-	-	-	-	-	-	(5,224)	(5,224)
At 31 December 2022	**385,161**	**7,629**	**(47,878)**	**(238,049)**	**47,187**	**(231,111)**	**129,622**	**283,672**

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

The notes from 1 to 49 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows for the year ended 31 December

(Thousands of US dollars)

	Notes	2022	2021
Cash flows from operating activities			
Profit for the year before income taxes and non- controlling interests		76,733	73,065
Adjustments for:			
Depreciation, amortisation and impairment	17, 18	77,849	26,787
Interest expenses on lease liabilities	36	7,562	9,341
Fair value adjustments on investment carried at FVTPL	24	(1,364)	4,533
Loss from associated companies	16	165	1,365
Changes in fair value of investment properties	14	(54,398)	(3,865)
Gain on disposal of property and equipment	30	(258)	(1,578)
Charge/(reversal) of allowance for impairment		5,493	(27,732)
Adjusted cash flow before changes in operating assets and liabilities		111,782	81,946
Net decrease/(increase) in investments with Islamic institutions		275,930	(165,610)
Net decrease of investment securities carried at FVTPL		144,196	3,209
Net decrease in investments in financings		106,220	57,958
Net decrease in accounts receivable and other assets		102,975	12,980
Net (decrease)/increase in accounts payable, excluding taxes		(150,999)	54,804
Cash at central banks - statutory reserve		70,125	956
Net decrease in development properties		17,933	68,781
Net (decrease)/increase in due to banks and other financial institutions		(280,394)	269,684
Net decrease in due to customers		(1,375,923)	(140,546)
Cash (used in)/generated from operating activities		(978,155)	244,162
Taxes paid	20	(48,834)	(29,681)
Net cash (used in)/generated from operating activities		(1,026,989)	214,481

The notes from 1 to 49 form an integral part of these consolidated financial statements.

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

(Thousands of US dollars)

	Notes	2022	2021
Cash flows from investing activities			
Proceeds from sale of investment properties		29,055	6,664
Purchase of investment properties		(6,023)	-
Dividends from associated companies	16	20,705	20,012
Purchase of investment securities at FVOCI	8	(1,867,807)	(4,510,181)
Disposal of investment securities at FVOCI	8	2,740,879	4,021,223
Purchase of property, equipment, right-of-use assets and intangibles	17, 18	(19,664)	(37,831)
Sale of property, equipment, right-of-use assets and intangibles	17, 18	71,901	6,918
Net cash generated from/(used in) investing activities		969,046	(493,195)
Cash flows from financing activities			
Dividends paid to owners of the parent		(629)	(135)
Repayment of lease liabilities	36	(41,243)	(23,681)
Net cash used in financing activities		(41,872)	(23,816)
Net decrease in cash and cash equivalents		(99,815)	(302,530)
Foreign currency translation		12,072	19,841
Cash and cash equivalents at beginning of year		453,304	735,993
Cash and cash equivalents at end of year	5	365,561	453,304

Non-cash transactions:

	2022	2021
Addition to right-of-use assets (Notes 17, 36)	16,968	13,330
Addition to lease liabilities (Notes 17, 36)	(16,968)	(13,330)
Distribution of in-kind dividends to minority shareholders	-	10,978
Distribution of development properties to minority shareholders	-	(10,978)

The notes from 1 to 49 form an integral part of these consolidated financial statements.

1. Formation and activities

Dar Al-Maal Al-Islami Trust (DMI) was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and traditions. DMI subsidiaries and associates offer a wide range of Islamic financial services including investment, commercial and private banking, private equity, public and private issue of securities, mergers and acquisitions advice, takaful, equipment leasing real estate development and modarabas which are similar to investment funds. Accordingly, the modarabas are disclosed in note 39.

2. Accounting policies

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

Basis of preparation

The consolidated financial statements of DMI and its subsidiaries (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations. The consolidated financial statements are prepared under the historical cost convention, except for securities carried at fair value through other comprehensive income, investment securities carried at fair value through profit and loss and investment properties which are carried at fair value.

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

New standards, amendments and interpretations effective for the financial year beginning 1 January 2022

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

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

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

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

There is no significant impact of this amendment on

the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in May 2020:

• IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

• IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

• IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

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

New standards, amendments and interpretations not yet effective for the financial year beginning on or after 1 January 2022 and have not been early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

• IFRS 17 Insurance Contracts

• Classification of Liabilities as Current or Non-current – Amendments to IAS 1

• Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

• Definition of Accounting Estimates – Amendments to IAS 8

• Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

• Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

Management is still assessing the impact of these standards on the Group in the current and future reporting periods. These standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022.

Summary of significant accounting policies

Consolidation

(a) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of income.

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

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

(b) Transactions and non-controlling interests

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

Gains or losses on disposals to non- controlling interests are also recorded in equity.

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

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

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in OCI of the investee is recorded in OCI.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of income.

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

Hedges directly affected by variable profit rate benchmark reforms

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

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

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

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

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

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

Cash flow hedge reserve

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

Income from investments with Islamic institutions and investments in financings

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

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

Fee and commission income

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

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

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

Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for trading or investment securities. The counterparty liability for amounts received under this agreement is included in customer investment accounts.

The difference between the sale and repurchase value is accrued over the period of the contract and recorded as expense in the consolidated statement of income.

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

Obligations for the return of securities or for forward sales, which are a part of the repurchase agreements, are recognised as commitments as disclosed in note 39.

Offsetting financial instruments

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

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets

(a) Goodwill

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

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

(b) Computer software

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

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

(c) Other acquired intangible assets

Other acquired intangible assets determined to have finite lives, such as core deposits and customer relationships, are amortised on a straight-line basis over their estimated useful lives of up to twenty years.

The original carrying amount of core deposits and customer relationships has been determined by independent appraisers, based on the interest differential on the expected deposit duration method.

Investment properties

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

Development properties

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

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

Property, equipment and depreciation

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

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

- Building: 50 years
- Leasehold improvements: over the period of the lease or useful life
- Furniture, equipment and motor: 5 years
- Vehicles: 3-10 years

Depreciation is calculated separately for each significant part of an asset category. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

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

Right of use assets and lease liabilities

The Group lease consists of office spaces. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments for fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

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

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

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

- the amount of the initial measurement of lease liabilities and;
- any lease payments made at or before the commencement date less any lease incentives received.

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

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Short-term leases and leases of low-value assets

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

Extension and termination options

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the statement of financial position date.

Non-current assets held for sale

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

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the consolidated statement of income for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell.

Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded.

A non-current asset is not depreciated while classified as held for sale or while part of a disposal group held for sale.

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

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

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

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Due to banks and financial institutions

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

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Group has fulfilled all its obligations in connection with the related transaction.

Insurance liabilities

Gross contributions

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

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

Retakaful contributions

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

Unearned contributions

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

Gross claims

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

Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognized when the related gross claims settled are recognised according to the terms of the relevant contracts.

Outstanding claims

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

Unexpired risk

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

Liability adequacy test

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

Retirement benefit plans

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

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

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

Taxation

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

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group's subsidiaries and associates operate.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their respective carrying values for financial reporting purposes.

The amount of deferred taxes on these differences is determined using the provisions of local tax laws, including rates, and is adjusted upon enactment of changes in these laws. Provision is made for potential taxes which could arise on the remittance of retained overseas earnings where there is a current intention to remit such earnings.

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

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Trust capital and treasury stock

Dividends on participation units

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

Treasury stock

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

Fiduciary risk reserve

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

Endorsements

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

Endorsements are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments, unless payment is probable.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, including cash and non-restricted balances with central banks, amounts due from other banks and short-term securities with original maturity of less than 3 months.

Fiduciary activities

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

Income arising from fund management and advisory services comprises the revenues earned from the management of the funds in the modarabas accrued on the basis of the terms and conditions of the related management agreements.

Funds under management represent amounts invested by clients and placed with funds managed by the Group.

Financial assets:

Classification and subsequent measurement

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

- Fair value through profit or loss (FVTPL);

Fair value through other comprehensive income (FVOCI); or

- Amortised cost.

The classification requirements for debt instruments are described below:

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

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

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

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

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

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

Equity instruments

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on such investment, continue to be recognised in the consolidated statement of income as other income when the Group's right to receive payments is established.

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

Impairment

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Derecognition other than on a modification

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

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

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

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

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

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

Financial liabilities

Classification and subsequent measurement

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

Derecognition

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

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

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

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

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

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

Derivatives and hedging activities

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

3. Critical accounting estimates and judgements in applying accounting policies

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

Measurement of the expected credit loss allowance

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

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

Determining criteria for significant increase in credit risk;

a. Choosing appropriate models and assumptions for the measurement of ECL;

b. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

c. Establishing groups of similar financial assets for the purposes of measuring ECL.

Each financing and investment exposure is evaluated individually for impairment.

In assessing impairment, the Group exercises judgement in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contracts has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL in accordance with impairment policy.

The staging and ECL of related party exposures is considered separately from the other financing assets.

The ECL is assessed using the cash shortfall method since the underlying collateral can be taken over without having to apply any haircut.

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

ECL were estimated based on a range of forecast economic conditions available as at the latest available date.

Fair value of investment properties

The Group reviews the carrying amounts of the investment properties at each annual reporting date to determine the fair value of the properties. In making this judgement, the Group evaluates the fair value of investment property based on a report from an independent valuer. Fair value is based on comparable transactions identified by an independent valuer with reference to proposed sales transactions in the same vicinity, adjusted if necessary, for any difference in the nature, location or condition of the specific asset.

Impairment of development properties

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

The nature and reliability of information available to third party independent values and management to support the net realisable value accounting estimates for investment properties varies widely.

Income taxes

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

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The determination of whether an outflow is probable and the amount, which is assessed by Group management, in conjunction with the Group's legal and other advisors, requires the judgement of the Group's management. For details of provision on Funds under management, please refer to Note 23.

Impairment of associated companies

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

On assessing its investments for impairment at the year end, the Group has relied upon cash flow projections as approved by the board of the underlying associates that are based upon judgements and estimates related to future events

which ultimately could have a significant impact on the recoverable amounts of these investments in the consolidated financial statements.

Estimated impairment of goodwill

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

Ithmaar Holding B.S.C.

During 2022 and 2021 the Group used a sum-of-the-parts approach to arrive at a business value of the Ithmaar Holding CGU as Ithmaar Holding did not have any independent cash flow generating activity at its own level. Management has considered both Price to Book ("PB") multiple and value in use calculation for the impairment assessment.

Level 2 PB multiple valuation method was used instead of Level 1 listed share price as an active market did not exist for the shares of Ithmaar as the trading activity in the prior years had been minimal.

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

- Ithmaar CGU (formerly "Shamil Bank"): comparable companies multiple; (2021: residual income based on discounted cash flows);
- Faysal Bank Limited: dividend discount model based on the expected dividends that shareholders will receive (2021: dividend discount model);

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

Management has also considered PB multiple approaches for further assessing the impairment for both Formerly Shamil Bank and Faysal Bank Limited.

4. Financial instruments

A. Strategy in using financial instruments

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

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

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short-term market movements in the equity and bond markets and in currency and profit rates.

The individual subsidiary's boards place trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and profit rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. The Group utilises the following derivative instruments for both hedging and non-hedging purposes.

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

B. Capital management

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

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

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

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

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

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

Ithmaar Bank has not complied with the requirements of the Central Bank of Bahrain's Rulebook Volume 2 "Licensing requirements" which states that an Islamic retail bank licensee must maintain a minimum total shareholders' equity of BHD 100 million.

As at the reporting date other subsidiaries within the DMI group do not have any specific regulatory capital requirement.

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

As at 31 December 2022 and 2021, the Group did not breach any covenant terms.

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

	2022	2021
Due to banks and other financial institutions	1,066,630	1,347,024
Lease liabilities	62,968	79,681
Less: cash and cash equivalents	(365,561)	(453,304)
Less: cash at Central Bank – statutory reserve	(40,286)	(110,411)
Net debt	723,751	862,990
Net equity	**283,672**	**409,754**
Debt-to-equity ratio	255%	211%

C. Financial risk management

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

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

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

D. Credit risk

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

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

Credit risk measurement

Investments in financings (incl. loan commitments and guarantees)

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

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

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

Modified loans

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

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

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

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

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

Credit risk grading

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

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

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

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

Expected credit loss measurement

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

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

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

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

i Probability of default (PD);
ii Loss given default (LGD);
iii Exposure at default (EAD).

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

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

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

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

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount currently outstanding.

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

Significant increase in credit risk (SICR)

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

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

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

Determining whether credit risk has increased significantly

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

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

The Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews and validations.

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

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

Non-Retail

The Group has set out the following definition of default.

Non-retail customers with the following characteristics:

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

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

Retail

The Group has set out the following definition of default:

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

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

Forward-looking information incorporated in the ECL models

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

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

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

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

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

Generating the term structure of PD

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

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

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators include: GDP, Net Lending and Population. Based on consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

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

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

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

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

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

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

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

	2022 ECL staging			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Investment grade				
Low risk (1-3)	993,981	174,194	-	1,168,175
Acceptable risk (4-6)	503,690	621,667	-	1,125,357
Watch list (7)	-	180,619	-	180,619
Non-performing (8-10)	-	-	806,430	806,430
Total carrying amount before loss allowance	1,497,671	976,480	806,430	**3,280,581**
Loss allowance	**(92,536)**	**(16,579)**	**(401,029)**	**(510,144)**

	2021 ECL staging			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Investment grade				
Low risk (1-3)	3,170,837	199,134	-	3,369,971
Acceptable risk (4-6)	153,296	402,296	-	555,592
Watch list (7)	-	187,667	-	187,667
Non-performing (8-10)	-	-	684,259	684,259
Total carrying amount before loss allowance	3,324,133	789,097	684,259	**4,797,489**
Loss allowance	**(87,355)**	**(17,252)**	**(532,072)**	**(636,679)**

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

- GDP growth
- Net lending
- Population

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

Collateral and other credit enhancements

Collateral

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

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

The fair value of the collateral held as at 31 December 2022 amounts to US dollars 1,814,676 (2021: to US dollars 2,288,662).

Loss allowance

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

	2022			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Amortised cost				
Cash and cash equivalents and investment in Islamic institutions				
Loss allowance as at 1 January	(143)	-	-	(143)
Loss allowance as at 31 December	(143)	-	-	(143)
Investments in financing				
Loss allowance as at 1 January	(77,934)	(14,801)	(224,408)	(317,143)
Net financial assets originated	(7,481)	(7,484)	5,953	(9,012)
FX and other movements	7,004	6,341	19,358	32,703
Write-offs	-	-	34,144	34,144
Loss allowance as at 31 December	(78,411)	(15,944)	(164,953)	(259,308)
Accounts receivable and other assets (excluding derivative financial instruments)				
Loss allowance as at 1 January	(2,298)	(124)	(65,514)	(67,936)
Net financial assets originated	(71)	25	(158)	(204)
FX and other movements	(130)	(6)	843	707
Write-offs	-	-	(965)	(965)
Loss allowance as at 31 December	(2,499)	(105)	(65,794)	(68,398)
Investment securities carried at (FVOCI)				
Loss allowance as at 1 January	(4,992)	(2,327)	(242,150)	(249,469)
Net financial assets originated	1,174	(683)	276	767
FX and other movements	(1,189)	2,480	71,592	72,883
Loss allowance as at 31 December	(5,007)	(530)	(170,282)	(175,819)
Investment securities at amortised cost (debt)				
Loss allowance as at 1 January	(1,988)	-	-	(1,988)
Net financial assets matured	(4,488)	-	-	(4,488)
Loss allowance as at 31 December	(6,476)	-	-	(6,476)

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amortised cost				
Cash and cash equivalents and investment in Islamic institutions				
Loss allowance as at 1 January	(143)	-	-	(143)
Loss allowance as at 31 December	(143)	-	-	(143)
Investments in financing				
Loss allowance as at 1 January	(82,590)	(14,516)	(230,952)	(328,058)
Net financial assets originated	-	-	(17,411)	(17,411)
FX and other movements	4,656	(285)	20,885	25,256
Write-offs	-	-	3,070	3,070
Loss allowance as at 31 December	(77,934)	(14,801)	(224,408)	(317,143)
Accounts receivable and other assets (excluding derivative financial instruments)				
Loss allowance as at 1 January	(2,667)	(173)	(62,030)	(64,870)
Net financial assets matured	-	-	(734)	(734)
FX and other movements	369	49	(2,750)	(2,332)
Loss allowance as at 31 December	(2,298)	(124)	(65,514)	(67,936)
Investment securities carried at (FVOCI)				
Loss allowance as at 1 January	(6,055)	(1,280)	(244,001)	(251,336)
Net financial assets originated	1,080	(2,561)	1,361	(120)
FX and other movements	(17)	1,514	490	1,987
Loss allowance as at 31 December	(4,992)	(2,327)	(242,150)	(249,469)
Investment securities at amortised cost (debt)				
Loss allowance as at 1 January	(9,576)	-	-	(9,576)
Net financial assets originated	7,588	-	-	7,588
Loss allowance as at 31 December	(1,988)	-	-	(1,988)

Gross carrying amount

The following table further explains the changes in the gross carrying amount from 1 January to 31 December 2022:

	2022			
Amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Cash and cash equivalents				
Gross carrying amount as at 1 January 2022	332,888	-	-	332,888
Net financial assets matured	72,959	-	-	72,959
Gross carrying amount as at 31 December 2022	405,847	-	-	405,847
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2022	301,291	-	-	301,291
Net financial assets originated	(275,930)	-	-	(275,930)
Gross carrying amount as at 31 December 2022	25,361	-	-	25,361
Investments in financings				
Gross carrying amount as at 1 January 2022	845,471	174,326	328,936	1,348,733
Net financial assets (matured)/originated	(225,240)	23,992	37,193	(164,055)
Gross carrying amount as at 31 December 2022	620,231	198,318	366,129	1,184,678
Accounts receivable and other assets (excluding prepayment, repossessed asset and derivative financial instruments)				
Gross carrying amount as at 1 January 2022	308,265	59,573	88,287	456,125
Net financial assets (matured)/originated	(257)	(58,013)	(9,637)	(67,907)
Gross carrying amount as at 31 December 2022	308,008	1,560	78,650	388,218
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2022	110,411	-	-	110,411
Net financial assets matured	(70,143)	-	-	(70,143)
Gross carrying amount as at 31 December 2022	40,268	-	-	40,268

	2022			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Investment securities carried at FVOCI				
Gross carrying amount as at 1 January 2022	1,340,058	555,198	267,036	2,162,292
Net financial assets originated/(matured)	(1,293,046)	221,404	94,615	(977,027)
Gross carrying amount as at 31 December 2022	47,012	776,602	361,651	1,185,265
Amortised cost				
Investment securities at amortised cost (debt)				
Gross carrying amount as at 1 January 2022	85,749	-	-	85,749
Net financial assets originated	(34,805)	-	-	(34,805)
Gross carrying amount as at 31 December 2022	50,944	-	-	50,944

The following table further explains the changes in the gross carrying amount from 1 January to 31 December 2021:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2021	572,066	-	-	572,066
Net financial assets matured	(239,178)	-	-	(239,178)
Gross carrying amount as at 31 December 2021	**332,888**	-	-	**332,888**
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2021	135,681	-	-	135,681
Net financial assets originated	165,610	-	-	165,610
Gross carrying amount as at 31 December 2021	**301,291**	-	-	**301,291**
Investments in financings				
Gross carrying amount as at 1 January 2021	938,703	118,131	349,857	1,406,691
Net financial assets (matured)/originated	(93,232)	56,195	(20,921)	(57,958)
Gross carrying amount as at 31 December 2021	**845,471**	**174,326**	**328,936**	**1,348,733**

	2021			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Amortised cost				
Accounts and other financial assets (excluding prepayment, repossessed assets and derivative financial instruments)				
Gross carrying amount as at 1 January 2021	318,781	54,259	97,365	470,405
Net financial assets (matured)/originated	(10,516)	5,314	(9,078)	(14,280)
Gross carrying amount as at 31 December 2021	**308,265**	**59,573**	**88,287**	**456,125**
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2021	111,367	-	-	111,367
Net financial assets matured	(956)	-	-	(956)
Gross carrying amount as at 31 December 2021	**110,411**	**-**	**-**	**110,411**
Investment securities carried at FVOCI				
Gross carrying amount as at 1 January 2021	1,018,936	556,181	267,954	1,843,071
Net financial assets originated/(matured)	321,122	(983)	(918)	319,221
Gross carrying amount as at 31 December 2021	**1,340,058**	**555,198**	**267,036**	**2,162,292**
Amortised cost				
Investment securities at amortised cost (debt)				
Gross carrying amount as at 1 January 2021	68,253	-	-	68,253
Net financial assets matured	17,496	-	-	17,496
Gross carrying amount as at 31 December 2021	**85,749**	**-**	**-**	**85,749**

Write-off policy

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

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

Presentation of allowance for ECL in the statement of financial position

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

E. Market risk

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

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

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the management of the entity’s retail and commercial banking assets and liabilities.

(a) Foreign exchange risk

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

Currency risk

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

	US dollars /EUR	US dollars /PKR
At 31 December 2022		
Total currency exposure	(308,083)	(695,055)
Reasonable shift	1.98%	4.02%
Total effect on income	(6,100)	(27,941)
At 31 December 2021		
Total currency exposure	(199,000)	(1,474,198)
Reasonable shift	1.54%	8.38%
Total effect on income	(3,065)	(123,538)

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

(b) Profit rate risk

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

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

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

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

Profit rate risk

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

At 31 December 2022

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents and statutory reserve	7,810	-	-	-	-	398,037	405,847
Investments with Islamic institutions	20,004	-	-	328	5,013	16	25,361
Investment securities carried at FVTPL	-	-	8,611	2,548	-	-	11,159
Investments in financings	163,065	221,551	296,921	3,428	174,868	65,537	925,370
Investment securities carried at amortised cost	-	-	-	44,468	-	-	44,468
Investment securities carried at FVOCI	15,506	228,230	90,458	623,742	33,606	64,664	1,056,206
Accounts receivable and other assets	-	-	-	-	-	174,070	174,070
Total financial assets	206,385	449,781	395,990	674,514	213,487	702,324	2,642,481
Liabilities							
Due to customers, banks and other financial institutions	306,243	210,209	179,590	202,007	204,920	1,897,103	3,000,072
Accounts payable	-	-	-	-	-	460,148	460,148
Total financial liabilities	306,243	210,209	179,590	202,007	204,920	2,357,251	3,460,220
Total repricing gap	(99,858)	239,572	216,400	472,507	8,567	(1,654,927)	(817,739)

At 31 December 2021

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents and statutory reserve	1,234	-	-	-	-	562,481	563,715
Investments with Islamic institutions	-	-	89,686	12,731	185,550	13,324	301,291
Investment securities carried at FVTPL	-	112,033	-	3,099	-	50,931	166,063
Investments in financings	73,543	249,857	436,004	183,372	-	88,814	1,031,590
Investment securities carried at amortised cost	-	-	3,402	31,439	50,908	-	85,749
Investment securities carried at FVOCI	250,221	597,260	77,231	23,310	908,300	99,466	1,955,788
Accounts receivable and other assets	-	-	-	-	-	165,934	165,934
Total financial assets	324,998	959,150	606,323	253,951	1,144,758	980,950	4,270,130
Liabilities							
Due to customers, banks and other financial institutions	748,089	478,951	338,146	278,646	295,753	3,010,925	5,150,510
Accounts payable	-	-	-	-	-	575,787	575,787
Total financial liabilities	748,089	478,951	338,146	278,646	295,753	3,586,712	5,726,297
Total repricing gap	(423,091)	480,199	268,177	(24,695)	849,005	(2,605,762)	(1,456,167)

At 31 December 2022	US dollars	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	257,243	309,551	1,476,799
Reasonable shift (+/-)	4.98%	3.83%	5.55%
Total effect on loss (+/-)	12,811	11,856	81,962

At 31 December 2021	US dollars	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	698,592	255,813	1,562,135
Reasonable shift (+/-)	0.13%	0.08%	3.95%
Total effect on loss (+/-)	908	205	61,704

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

Price risk

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

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

Other components of equity

	2022	2021
Pakistan stock exchange (+/-10%)	2,882	3,845
Cairo stock exchange (+/-10%)	919	565

F. Liquidity risk

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

Liquidity risk management process

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

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

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

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

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

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

The Group also monitors unmatched medium-term assets.

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

F. Liquidity risk (continued)

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

At 31 December 2022

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	1,602,153	329,942	-	1,342	5	1,933,442
Due to banks and financial institutions	491,672	200,349	176,813	27,875	169,921	1,066,630
Derivative financial instruments	-	-	-	6,653	-	6,653
Deferred income	-	-	4,290	-	-	4,290
Accounts payable	86,483	1,547	281,933	19,752	59,490	449,205
Total liabilities liquidity risk	2,180,308	531,838	463,036	55,622	229,416	3,460,220

At 31 December 2021

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	2,591,341	1,207,224	-	4,915	6	3,803,486
Due to banks and financial institutions	636,540	306,870	183,471	17,672	202,471	1,347,024
Derivative Financial instruments	-	-	116	5,363	-	5,479
Deferred Income	-	-	4,390	-	-	4,390
Accounts payable	235,995	-	262,020	29,073	38,830	565,918
Total liabilities liquidity risk	3,463,876	1,514,094	449,997	57,023	241,307	5,726,297

4. Financial instruments (continued)

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

At 31 December 2022

	No later than one year	One-five years	Over five years	Total
Endorsements	23,766	6,818	-	30,584
Guarantees and irrevocable letters of credit	374,805	19,024	9,247	403,076
Undrawn facilities and other commitments to finance	846,806	-	-	846,806
Open foreign currency positions	398,637	-	-	398,637
Repurchase and resale transactions	49,906	-	-	49,906
Total	1,693,920	25,842	9,247	1,729,009

At 31 December 2021

	No later than one year	One-five years	Over five years	Total
Endorsements	42,619	4,676	-	47,295
Guarantees and irrevocable letters of credit	613,604	520	22,042	636,166
Undrawn facilities and other commitments to finance	875,640	-	-	875,640
Open foreign currency positions	561,872	-	-	561,872
Repurchase and resale transactions	112,714	-	-	112,714
Total	2,206,449	5,196	22,042	2,233,687

Assets held for managing liquidity risk

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

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

4. Financial instruments (continued)

Derivative assets and liabilities

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

At 31 December 2022

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for trading:					
Foreign exchange derivatives					
- Outflow	-	-	-	(6,653)	(6,653)
- Inflow	-	-	-	-	-
Total outflow	-	-	-	(6,653)	(6,653)

At 31 December 2021

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for trading:					
Foreign exchange derivatives					
- Outflow	-	(116)	(4,478)	(897)	(5,491)
- Inflow	-	12	-	-	12
Total outflow	-	(104)	(4,478)	(897)	(5,479)

Funding approach

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

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

5. Cash and cash equivalents and statutory reserve

	2022	2021
Cash on hand	81,257	120,559
Cash at central banks - current account	175,848	172,804
Cash at other banks	108,456	159,941
Cash and cash equivalents	365,561	453,304
Cash at central banks - statutory reserve	40,286	110,411
Cash and bank balances	**405,847**	**563,715**

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

6. Investments with Islamic institutions

Investments with Islamic institutions represent placements of a short-term nature carried for a period less than 1 year but more than three months. These investments earn an average profit rate of 0.9% (2021: 0.7%).

7. Investment securities carried at FVTPL

	2022	2021
- Government securities	110	66,223
- Corporate securities	11,049	99,840
Total	**11,159**	**166,063**

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

	2022	2021
At 1 January	166,063	185,742
Additions	1,380,969	3,000,205
Disposals	(1,523,513)	(3,004,379)
(Loss)/gain on investment securities at FVTPL (Note 24)	(1,652)	965
Revaluation gain/(loss) of investment securities at FVTPL (Note 24)	1,364	(4,533)
Exchange differences	(12,072)	(11,937)
At 31 December	**11,159**	**166,063**

During 2022, the Group sold investment securities carrier at FVTPL amounting to US dollar 83.7 million to Al Salam Bank B.S.C. (Note 48).

8. Investment securities carried at FVOCI

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

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

	2022	2021
Listed securities		
Debt-type investments	257,016	338,754
Equity-type investments	2,292	1,986
	259,308	**340,740**

	2022	2021
Unlisted securities		
Debt-type investments	928,249	1,823,538
Provision for expected credit losses	(175,819)	(249,469)
	752,430	**1,574,069**
Equity-type investments	**44,468**	**40,979**
	796,898	**1,615,048**
Total	**1,056,206**	**1,955,788**

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

	2022	2021
At 1 January	1,955,788	1,661,192
Additions	2,354,204	4,510,181
Disposals	(2,740,879)	(4,021,223)
Net unrealised losses from changes in fair value	(27,277)	(7,455)
Reversal of provision for impairment	767	1,867
Exchange differences	(486,397)	(188,774)
At 31 December	**1,056,206**	**1,955,788**

9. Investment securities carried at amortised cost

	2022	2021
Investment securities carried at amortised cost	50,944	87,737
Provision for expected credit losses	(6,476)	(1,988)
	44,468	**85,749**

9. Investment securities carried at amortised cost (continued)

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

	2022	2021
At 1 January	85,749	58,677
Additions	11,101	50,744
Matured	(44,134)	(13,326)
(Charge)/reversal of provision for impairment	(4,488)	7,588
Exchange differences	(3,760)	(17,934)
At 31 December	**44,468**	**85,749**

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

10. Investments in financings

	2022	2021
Investments in financings	1,182,683	1,345,707
Financings subject to finance leases	1,994	3,026
Provision for expected credit losses (Note 11)	(259,307)	(317,143)
Investments in financings	**925,370**	**1,031,590**

Certain assets totalling US dollar 4.5 million (31 December 2021: US dollar 4.5 million) included above are held by third parties as nominee on behalf of the Group.

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

Financings subject to finance leases

2022	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	1,689	305	1,994
Later than one year and not later than five years	-	-	-
	1,689	**305**	**1,994**

2021			
Not later than one year	2,437	432	2,869
Later than one year and not later than five years	153	4	157
	2,590	**436**	**3,026**

11. Allowance account from credit losses

Allowance for impairment

Reconciliation of allowance ECL on investments in financings by class and receivables is as follows:

	Investments in financings						
2022	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	281,637	12,602	9,111	8,375	5,418	67,936	385,079
Net charge for impairment	8,083	(13)	(2,329)	8,670	(5,401)	204	9,214
Loans written off as uncollectible	(25,637)	-	-	(8,508)	-	965	(33,180)
Amounts recovered	(4,009)	-	-	-	-	-	(4,009)
Foreign exchange	(28,692)	-	-	-	-	(707)	(29,399)
Balance at 31 December	**231,382**	**12,589**	**6,782**	**8,537**	**17**	**68,398**	**327,705**
2021							
Balance at 1 January	289,188	12,733	5,347	13,194	7,596	64,870	392,928
Net charge for impairment	12,817	38	4,008	2,051	(1,502)	734	18,146
Loans written off as uncollectible	-	-	-	(3,069)	-	-	(3,069)
Amounts recovered	(8,553)	-	-	(2,916)	(341)	-	(11,810)
Foreign exchange	(11,815)	(169)	(244)	(885)	(335)	2,332	(11,116)
Balance at 31 December	281,637	12,602	9,111	8,375	5,418	67,936	385,079

12. Fair value of financial instrument

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

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

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

Assets and liabilities measured at fair value

At 31 December 2022	Level 1	Level 2	Level 3	Total
Investment securities carried at FVTPL				
Equity securities	8,501	2,548	-	11,049
Debt securities	-	110	-	110
Investment securities carried at FVOCI				
Equity securities	37,799	550	8,411	46,760
Debt securities	220,299	789,147	-	1,009,446
Total financial assets measured at fair value	266,599	792,355	8,411	1,067,365
Derivatives held for trading	-	(6,653)	-	(6,653)
Total financial liabilities measured at fair value	-	(6,653)	-	(6,653)

Reconciliation of Level 3 items

	Investment securities carrier at FVTPL and FVOCI			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2022	38,071	-	38,071	-
Total losses	46,602	-	46,602	-
Sales	(76,262)	-	(76,262)	-
At 31 December 2022	8,411	-	8,411	-

12. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2021	Level 1	Level 2	Level 3	Total
Investment securities carrier at FVTPL				
Equity securities	52,923	3,099	10,201	66,223
Debt securities	-	99,840	-	99,840
Investment securities carrier at FVOCI				
Equity securities	1,986	10,400	30,579	42,965
Debt securities	338,754	1,574,057	-	1,912,811
Hedging derivatives	-	12	-	12
Total financial assets measured at fair value	393,663	1,687,408	40,780	2,121,851
Derivatives held for trading	-	(5,479)	-	(5,479)
Total financial liabilities measured at fair value	-	(5,479)	-	(5,479)

Reconciliation of Level 3 items

	Investment securities carrier at FVTPL and FVOCI			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2021	66,751	-	66,751	-
Total losses	(4,397)	-	(4,397)	-
Losses other comprehensive income	584	-	584	-
Purchases	236	-	236	-
Sales	(22,394)	-	(22,394)	-
At 31 December 2021	40,780	-	40,780	-

(a) Financial instruments in Level 1

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

(b) Financial instruments in Level 2

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

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

12. Fair value of financial instruments (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Valuations carried out by investment managers in determining fair value of certain unquoted financial assets;
- Pakistan Investment Bonds / Market Treasury Bills: Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the secondary market rates provided by the Mutual Fund Association of Pakistan.
- Sukuk: Fair values of Sukuk are derived using the market rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different approved dealers / brokers.
- Term Finance Certificates ("TFCs"): Fair values of TFCs and Sukuk certificates are derived using the secondary market rates provided by the Mutual Fund Association of Pakistan.
- Forward foreign exchange contracts: The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

Sensitivity of Level 3 measurements to changes in assumptions

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

	Impact in equity	
At 31 December 2022	Favourable changes	Unfavourable changes
Investment securities at FVOCI and FVTPL	841	(841)

At 31 December 2021	Favourable changes	Unfavourable changes
Investment securities at FVOCI and FVTPL	6,078	(6,078)

13. Accounts receivable and other assets

	2022	2021
Accounts receivable	168,832	153,897
Insurance receivable (Note 13.2)	-	103,553
Repossessed assets (Note 13.1)	26,871	29,291
Prepayments	5,238	12,037
Derivative financial instruments	-	12
Other receivables	219,386	198,675
Provision for expected credit losses (Note 11)	(68,398)	(67,936)
	351,929	**429,529**

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

13.1 Repossessed assets

Assets in the form of repossessed collateral as at 31 December 2022 amounted to US dollars 26.9 million (2021: US dollars 29.3 million). Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

13.2 Insurance receivables

	2022	2021
Insurance and other receivables	-	46,099
Reinsurance share of outstanding claims	-	20,840
Reinsurance share of unearned premium	-	36,614
At 31 December	**-**	**103,553**

14. Investment properties

	2022	2021
At 1 January	356,648	348,977
Additions	6,023	30,521
Disposals	(29,055)	(6,530)
Fair value gain (Note 30)	54,398	3,865
Transfer to property, equipment and right-of-use assets (Note 17)	-	(17,101)
Net exchange differences	(1,897)	(3,084)
At 31 December	**386,117**	**356,648**

Certain assets totalling US dollars 96.5 million (31 December 2021: US dollars 86 million) included above are held by related parties as nominee on behalf of the Group.

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

The valuation of the certain investment properties was carried out by an independent registered third-party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") using market approach.

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

Sensitivity of Level 3 measurements to changes in assumptions

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

	Impact in income	
At 31 December 2022	Favourable changes	Unfavourable changes
Investment properties	38,612	(38,612)
At 31 December 2021		
Investment properties	35,665	(35,665)

Investment property under operating leases

The Group leases out part of its investment properties under operating leases. The leases are for terms of one to five years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2022	2021
Not later than one year	2,093	2,108
Later than one year and not later than five years	4,768	6,557
	6,861	**8,665**

14. Investment properties (continued)

14.1 Fair values of land and buildings

An independent valuation of the Group's land and buildings recognised as investment property in the consolidated statement of financial position was performed by valuers to determine the fair value of the land and buildings as at 31 December 2022. The revaluation surplus net of applicable deferred income taxes was debited or credited to the consolidated statement of income for assets recorded as investment property. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Land and buildings in Level 1

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

(b) Land and buildings in Level 2

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

(c) Land and buildings in Level 3

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

Recurring fair value measurements

At 31 December 2022	Significant unobservable input (Level 3)	Total
Land	307,793	307,793
Office buildings	51,482	51,482
Other	26,842	26,842
	386,117	**386,117**

At 31 December 2021		
Land	254,830	254,830
Office buildings	52,625	52,625
Other	49,193	49,193
	356,648	**356,648**

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

2022	Tour de Cointrin	Al Khumrah Land	Domaine Saint Alexandre	Hidd Land
At 1 January	52,625	62,315	21,357	2,708
Revaluation (losses) / gains	(393)	31,211	21,399	353
Foreign exchange losses	(750)	-	-	-
At 31 December	**51,482**	**93,526**	**42,756**	**3,061**

14. Investment properties (continued)

14.1 Fair values of land and buildings (continued)

2022	Barbar Land	Health Island	Others
At 1 January	51,995	116,455	49,193
Revaluation gain	-	-	1,828
Disposal	-	-	(24,179)
At 31 December	**51,995**	**116,455**	**26,842**

2021	Tour de Cointrin	Al Khumrah Land	Domaine Saint Alexandre	Hidd Land
At 1 January	50,175	62,315	21,357	2,708
Revaluation gains	2,450	-	-	-
At 31 December	**52,625**	**62,315**	**21,357**	**2,708**

2021	Barbar Land	Polish Assets	Health Island	Others
At 1 January	51,459	13,218	87,733	60,012
Revaluation gain / (losses)	536	-	2,954	(2,075)
Foreign exchange losses	-	-	(4,632)	-
(Disposal) / addition	-	(13,218)	30,400	(8,744)
At 31 December	**51,995**	**-**	**116,455**	**49,193**

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

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

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

14. Investment properties (continued)

14.1 Fair values of land and buildings (continued)

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

Description At 31 December 2022	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Tour de Cointrin Switzerland	51,482	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 350-450 (CHF 350), CHF 7,000-8,000 (CHF 7,172), 3.0-3.25% (3.12%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	93,526	Residual Approach & Comparable	Price per square meter	Residential Plots SAR 1,083-1,375(SAR 1,300). Commercial Plots SAR 1,750 3,889(SAR 3,000)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	3,061	Sales Comparison Approach	Price per square foot	BHD 19	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	42,756	Development Subdivision Approach	Price Per Square Feet	CAD 7.25 CAD15 (CAD 9.23)	The higher the price per acre the higher the fair value.
Barbar Land Bahrain	51,995	Sales Comparable & Market Value Approach	Price per square foot	BD 12	The higher the price per square foot the higher the fair value.
Health Island Bahrain	116,455	Sales Comparable Approach	Price per square foot	BD 29.88	The higher the price per square foot the higher the fair value.

* The valuation of Al Khumrah Land was based on the assumption that the freeze order will be lifted and the Property has been serviced, subdivided and benefits from planning consent for the residential villa masterplan. The Group will be compensated for the land relinquished due to development hence the infrastructure and other development cost is reflected in the value of the property

14.1 Fair values of land and buildings (continued)

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

Description At 31 December 2021	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Tour de Cointrin Switzerland	52,625	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 350-450 (CHF 350), CHF 7,000-8,000 (CHF 7,172), 5.13-5.70% (5.74%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	62,315	Residual Approach & Comparable	Price per square meter	Residential Plots SAR 936-2,987(SAR 1,962). Commercial Plots SAR 1,217-2,430(SAR 2,430)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	2,708	Sales Comparison Approach	Price per square foot	BHD 18	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Development Subdivision Approach	Price Per Square Feet	CAD 5- 9.5 (CAD 7.73)	The higher the price per acre the higher the fair value.
Barbar Land Bahrain	51,995	Sales Comparable & Market Value Approach	Price per square foot	BD 12	The higher the price per square foot the higher the fair value.
Health Island Bahrain	116,455	Sales Comparable Approach	Price per square foot	BD 29.88	The higher the price per square foot the higher the fair value.

15. Development properties

	2022	2021
Land	138,580	144,103
Development costs	35,746	48,156
At 31 December	**174,326**	**192,259**

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

The valuation of the development properties was carried out by an independent registered third-party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") taking into account the most recent independent valuations.

Below assumptions were used in the valuation of the development properties:

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

16. Investments in associates

	2022	2021
At 1 January	709,395	657,161
Share of profit of associated companies	(165)	(1,395)
Dividends received	(20,705)	(20,012)
Share of fair value	-	5,765
Disposals (Note 48)	(565,275)	-
Discontinued operations	5,496	64,659
Increase in share of associate	10,767	6,848
Exchange differences	(1,195)	(3,631)
At 31 December	**138,318**	**709,395**

During 2022, the Group sold investment in associate amounting US dollar 565.3 million to Al Salam Bank B.S.C. (Note 48).

16. Investments in associates (continued)

Set out below are the associates of the Group as at 31 December 2022 and 2021, which, in the opinion of the Group management, are material. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by a subsidiary of the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates

Entity	Place of business/country of incorporation	% of ownership subsidiary	% of ownership Group	Measurement method
2022				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
2021				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C.	Bahrain	26	12	Equity

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

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

16. Investments in associates (continued)

Summarised financial information for associates

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

Summarised statement of financial position

At 31 December

	Naseej B.S.C. (c)		BBK B.S.C.		Total	
	2022	**2021**	**As at 7 July 2022**	**2021**	**2022**	**2021**
Cash and cash equivalents	11,967	5,921	-	755,438	11,967	761,359
Investment securities	-	-	-	2,614,854	-	2,614,854
Other assets	81,852	61,904	-	1,322,158	81,852	1,384,062
Total current assets	93,819	67,825	-	4,692,450	93,819	4,760,275
Non-current assets	150,044	194,547	-	5,049,460	150,044	5,244,007
Total assets	**243,863**	262,372	-	9,741,910	**243,863**	10,004,282
Financial liabilities	9,504	22,940	-	2,342,706	9,504	2,365,646
Other liabilities	2,738	4,039	-	5,953,050	2,738	5,957,089
Total current liabilities	12,242	26,979	-	8,295,756	12,242	8,322,735
Non-current liabilities	2,738	-	-	-	2,738	-
Total liabilities	**14,980**	26,979	-	8,295,756	**14,980**	8,322,735
Net assets	**228,883**	235,393	-	1,446,154	**228,883**	1,681,547

Summarised statement of comprehensive income

At 31 December

	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Income	3,428	3,107	187,620	306,794	191,048	309,901
Expense	(2,909)	(4,726)	(105,470)	(164,544)	(108,379)	(169,270)
Income tax expense	-	-	(530)	(265)	(530)	(265)
Post-tax profit /(loss)	**519**	(1,619)	**81,620**	141,985	**82,139**	140,366
Other comprehensive (loss)/income	(4,215)	-	(34,340)	16,981	(38,555)	16,981
Total comprehensive (loss)/income	**(3,696)**	(1,619)	**47,280**	158,966	**43,584**	157,347
Dividends received from associate	-	-	**78,705**	71,618	**78,705**	71,618

16. Investments in associates (continued)

Reconciliation of summarised financial information

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

	Nassej B.S.C. (c)		BBK B.TS.C.		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Opening net assets	**235,393**	233,897	**1,446,154**	1,366,275	**1,681,547**	1,600,172
Profit / (loss) for the Period	519	(1,619)	81,620	141,985	82,139	140,366
Other comprehensive (loss) / income	(4,215)	-	(34,340)	16,981	(38,555)	16,981
Dividends	-	-	(78,705)	(71,618)	(78,705)	(71,618)
Foreign exchange differences	(2,814)	3,115	(7,469)	(7,469)	(10,283)	(4,354)
Closing net assets	**228,883**	235,393	**1,407,260**	1,446,154	**1,636,143**	1,681,547
Adjusted net assets	228,882	235,393	1,407,260	1,446,154	1,636,143	1,681,547
% Interest in associates	31%	31%	26%	26%	-	-
Attributable to the Group	**72,564**	72,564	**365,888**	378,892	**438,452**	451,456
Interest in associates	**72,564**	72,564	**365,888**	378,892	**438,452**	451,456
Goodwill	-	-	143,479	143,479	143,479	143,479
Intangible assets	-	-	55,908	43,494	55,908	43,494
Disposal	-	-	(565,275)	-	(565,275)	-
Carrying value at 31 December	**72,564**	72,564	**-**	565,865	**72,564**	638,429

The fair value of the listed associate as at 31 December 2022 is nil (2021: US dollars 568 million). The summarised financial information of the Group's other associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	% holding Group
2022						
Unlisted:						
CITIC International Asset Management Limited (Hong Kong)	137,375	11,094	4,194	1,677	20%	9%
Faysal Stock Fund	3,870	182	(1,590)	(192)	32%	15%
Faysal Income & Growth Fund	11,677	109	1,429	74	32%	15%
Faysal Stock Fund	2,071	24	(343)	-	21%	10%
Faysal Growth Fund	11,101	147	1,469	245	29%	13%

16. Investments in associates (continued)

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

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	Group
2021						
Unlisted:						
CITIC International Asset Management Limited (Hong Kong)	168,053	21,765	13,403	8,406	20%	9%
Faysal Income & Growth Fund	18,112	455	29,863	-	35%	16%
Health 360 Ancillary Services W.L.L	4,703	2,568	188	(42)	20%	9%
Faysal Asset Allocation Fund	1,879	55	(214)	13	21%	10%

For some of the associates', audited information is not available for 31 December 2022 and 31 December 2021 and therefore the above information has been arrived at by using the best available financial information.

17 Property, equipment and right-of-use assets

	Land and buildings	Leasehold improvements, furniture, equipment and motor vehicles	Right-of-use assets	Total
Cost				
At 1 January 2022	34,491	139,951	107,053	281,495
Additions	1,010	1,686	16,968	19,664
Disposals	(23,993)	(29,714)	-	(53,707)
Foreign exchange differences	15,082	37	(22,988)	(7,869)
At 31 December 2022	**26,590**	**111,960**	**101,033**	**239,583**
Depreciation				
At 1 January 2022	272	73,145	37,506	110,923
Charge for the year	-	70	12,038	12,108
Disposals	(10,107)	(22,141)	-	(32,248)
Foreign exchange differences	16,625	(33,056)	(1,672)	(18,103)
At 31 December 2022	**6,790**	**18,018**	**47,872**	**72,680**
Cost				
At 1 January 2021	33,567	134,234	101,531	269,332
Additions	7,005	15,016	13,330	35,351
Disposals	(24,361)	(865)	-	(25,226)
Transfer from investment properties	16,921	180	-	17,101
Foreign exchange differences	1,359	(8,614)	(7,808)	(15,063)
At 31 December 2021	**34,491**	**139,951**	**107,053**	**281,495**
Depreciation				
At 1 January 2021	1,130	88,232	24,682	114,044
Charge for the year	1,508	78	8,581	10,167
Disposals	-	(865)	-	(865)
Foreign exchange differences	(2,366)	(22,108)	12,051	(12,423)
At 31 December 2021	**272**	**65,337**	**45,314**	**110,923**
Net book value				
At 31 December 2022	**19,800**	**93,942**	**53,161**	**166,903**
At 31 December 2021	**34,219**	**74,614**	**61,739**	**170,572**

Land and buildings at 31 December 2022 included cost of land aggregated US dollar 28.3 million (2021: US dollar 26.1 million). During 2022, the Group disposed property, plant and equipment amounting to US dollar 14.5 million to Al Salam Bank B.S.C. (Note 48). There were no property, equipment and right-of-use assets held as collateral against liabilities in the Group at 31 December 2022 (2021: Nil).

18. Intangible assets

	Goodwill	Customer relations	Core deposits	Other	Total
2022					
Year ended 31 December					
Opening net book amount	154,082	27,141	24,595	28,384	234,202
Disposals	-	(18,566)	(16,184)	(15,692)	(50,442)
Foreign exchange	(300)	369	2,706	1,759	4,534
Amortisation/impairment	(52,422)	(3,200)	(6,428)	(3,691)	(65,741)
Closing net book amount	**101,360**	**5,744**	**4,689**	**10,760**	**122,553**
At 31 December					
Cost	404,152	101,857	165,862	54,930	726,801
Accumulated amortisation and impairment	(302,792)	(96,113)	(161,173)	(44,170)	(604,248)
Net book amount	**101,360**	**5,744**	**4,689**	**10,760**	**122,553**

	Goodwill	Customer relations	Core deposits	Other	Total
2021					
Year ended 31 December					
Opening net book amount	154,384	31,660	28,706	28,177	242,927
Additions	-	-	-	2,480	2,480
Foreign exchange	(302)	1,586	3,952	179	5,415
Amortisation/impairment	-	(6,105)	(8,063)	(2,452)	(16,620)
Closing net book amount	**154,082**	**27,141**	**24,595**	**28,384**	**234,202**
At 31 December					
Cost	404,452	120,054	179,340	68,873	772,719
Accumulated amortisation and impairment	(250,370)	(92,913)	(154,745)	(40,489)	(538,517)
Net book amount	**154,082**	**27,141**	**24,595**	**28,384**	**234,202**

18. Intangible assets (continued)

The carrying amount of goodwill relates to acquisition of Ithmaar Holding as follows:

	2022	2021
Ithmaar Holding B.S.C.	101,360	154,082

The Group used a sum-of-the-parts approach to arrive at a business value of the Ithmaar Holding CGU as Ithmaar Holding did not have any independent cash flow generating activity at its own level. Management has considered both Price to Book ("PB") multiple and value in use calculation for the impairment assessment. The recoverable amount of the cash-generating units were determined based on value-in-use (VIU) and fair value less cost to sell (FVLCTS). VIU calculations were determined using cash flow projections from financial budgets approved by the Group's senior management covering a three-year period. The discount rate applied to cash flow projections represents the cost of capital adjusted for an appropriate risk premium for these cash-generating units.

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

19. Accounts payable

	2022	2021
Accounts payable	192,994	155,546
Insurance related reserves	-	130,424
Lease Liability (Note 36)	62,968	79,681
Advance received from customers	1,479	2,063
Demand drafts	94,042	80,053
Accruals	48,499	52,457
Security deposits on consumer leases	480	1,085
Dividends payable	15,312	12,341
Derivative financial instruments (Note 4)	6,653	5,479
Employee payables	10,318	17,032
Due to unitholders	23,113	35,236
Deferred income	4,290	4,390
	460,148	**575,787**

During 2022, the Group fully disposed its insurance related reserves to Al Salam Bank B.S.C. (Note 48).

20. Tax liability

	2022	2021
Current tax payable		
At 1 January	4,947	1,606
Charge for the year (Note 34)	50,962	33,032
Payment made	(48,834)	(29,681)
Exchange differences	2,612	(10)
At 31 December	**9,687**	**4,947**
Deferred tax (asset)/liability		
At 1 January	(6,252)	302
Charge/(reversal) for the year (Note 34)	5,020	(3,315)
Gain due to fair value reserve	(252)	(3,786)
Adjustment	(2,145)	(286)
Exchange differences	1,669	833
At 31 December	**(1,960)**	**(6,252)**

	2022	2021
Current tax receivable	17,754	195
Current tax payable	(27,441)	(5,142)
	(9,687)	**(4,947)**

	2022	2021
Deferred tax assets	3,172	9,608
Deferred tax liabilities	(1,212)	(3,356)
	1,960	**6,252**

21. Due to customers

	2022	2021
Customer current accounts		
Individuals	1,029,602	1,171,802
Financial institutions	777	6,612
Corporate institutions	866,724	1,516,305
Customer investment accounts		
Individuals	22,369	197,561
Financial institutions	2	211,405
Corporate institutions	13,968	699,801
	1,933,442	**3,803,486**

Customer current accounts include balances relating to a counterparty amounting to US dollars 191.5 million (2021: US dollars 203.9 million) which was subject to sanctions under US measures.

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

22. Due to banks and other financial institutions

Due to banks and financial institutions includes balances totalling US dollars 412.1 million from two counterparties (2021: US dollars 427.6 million) which were subject to sanctions under US measures and having contractual maturity ranging to up to one month as at 31 December 2022.

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

22.1 Collateralised borrowings

At 31 December 2022, there were no collateralised borrowings in aggregate (2021: US dollars 568.1 million)
.
Cash dividends amounting to nil (2021: US dollars 18.8 million) on certain shares pledged as collateral was directly received by the lender during the year and adjusted against the outstanding facility amount as per the agreed terms.

Investment in associates amounting to nil (2021: US dollars 568.1 million) are pledged as collateral against borrowings with the terms and conditions in the ordinary course of business.

23. Provisions

Included under liabilities are the following provisions:

	2022	2021
Funds under management guarantee*	56,938	56,229
Other provisions	-	5,826
	56,938	**62,055**

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

24. Income from investment carried at FVTPL

	2022	2021
Income from foreign exchange trading	13,013	11,079
(Loss) / gain on investment securities carried at FVTPL (Note 7)	(1,652)	965
Gain / (loss) from revaluation (Note 7)	1,364	(4,533)
	12,725	**7,511**

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

25. Income from investments carried at FVOCI

	2022	2021
Income from government securities	3,533	14,813
Gains from investment securities	236,817	129,207
Income from investments	7,612	3,972
	247,962	**147,992**

Income from government securities mainly represents income from investment in treasury bills with the government of Pakistan. It represents treasury bills with a maturity period 3 months up to 1 year and profit rates range is 8.75% - 16.1% (2021 7.0% - 17.75%).

26. Income from investments carried at amortised cost

	2022	2021
Investment securities carried at amortised cost	1,129	2,483

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

27. Income from investments with Islamic institutions

Income from investment in Islamic institutions arises from assets placed in financial institutions located in Pakistan and totalled US dollars 5.7 million as at 31 December 2022 (2021: US dollars 9.0 million).

Income from investments with Islamic institutions pertains to short term lending (call lending and Reverse repos) against collateral of PIB/Tbills and without collateral. Rate of income is not relevant with security tenor/ maturity. Rate of return is in the range of 8.75% - 16.1% (2021: range of 6 % - 10.5 %).

28. Income from investments in financings

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

29. Fee and commission income

	2022	2021
Arrangement fees	1,479	1,435
Guarantee fees	1,285	1,218
Other fees from banking services	38,473	47,167
	41,237	**49,820**

30. Other income

	2022	2021
Rental income from investment properties	3,338	1,365
Fair value gain on investment properties (Note 14)	54,398	3,865
Other	1,905	-
	59,641	**5,230**

31. Profit paid to financial and non-financial institutions

	2022	2021
Profit paid to financial institutions	143,096	140,853
Profit paid to non-financial institutions	186,663	73,467
	329,759	**214,320**

32. Staff costs

	2022	2021
Salaries	52,835	52,458
Social security and other statutory costs	1,382	1,498
Pension and end of service	4,183	4,812
Other benefits	10,153	9,956
	68,553	**68,724**

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

33. General and administrative expenses

	2022	2021
Office expenses	35,537	20,801
Professional fees	10,628	13,787
IT expenses	12,274	16,098
Other	39,707	33,220
	98,146	**83,906**

34. Taxes

	2022	2021
Current taxes charge (Note 20)	50,962	33,032
Deferred taxes charge / (reversal) (Note 20)	5,020	(3,315)
	55,982	**29,717**

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

34. Taxes (continued)

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

	2022	2021
Net accounting	1,731	31,154
Attributable to zero tax jurisdictions	(113,718)	(45,643)
Attributable to taxable jurisdictions	115,449	76,797
Weighted average tax rate	35%	35%
Weighted average effective tax	40,407	26,879
Government levied exceptional tax	15,575	2,838
Effective tax expense	**55,982**	**29,717**

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

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

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

35. Non-controlling interests

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

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

Name of the subsidiary	Principal place of business	2022		2021	
		Non-controlling		Non-controlling	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	Kingdom of Bahrain	7,488	53	986	53
Faysal Bank Limited	Pakistan	101,342	33	117,997	33
Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain	-	-	101,871	45
Gulf Investors Asset Management	Kingdom of Saudi Arabia	2,661	27	2,637	27
Health Island B.S.C. (C)	Kingdom of Bahrain	19,688	27	33,668	50
Cityview Real Estate Development B.S.C. (C)	Kingdom of Bahrain	(3,175)	49	(2,206)	49
Sakana Holistic Housing Solutions B.S.C. (C)	Kingdom of Bahrain	1,618	50	1,576	50
		129,622		256,529	

The non-controlling interest appropriation in the consolidated statement of income of US dollars 3.4 million represents the non-controlling shareholders' share of the profit of these subsidiaries for 2022 (2021: US dollars 41.9 million profit).

During 2022, the Group fully sold its 45% shares in the equity of Solidary Group Holding B.S.C. to Al Salam Bank which had a balance of US dollar 103.5 million as a non-controlling interest at the disposal date.

35. Non-controlling interests (continued)

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

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

	Ithmaar Holding B.S.C. Year ended 31 December	
Summarised Balance Sheet	**2022**	**2021**
Assets	3,581,181	5,990,780
Liabilities	3,444,596	5,700,001
Net assets	136,585	290,779

Summarised Income Statement	**2022**	**2021**
Income	261,815	307,487
Gain before income tax	46,324	91,202
Income tax expense	(56,269)	(29,859)
Post-tax (loss) / gain	(9,945)	61,343
Other comprehensive gain / (loss)	2,081	(14,696)
Total comprehensive (loss) / income	(7,864)	46,647
Total comprehensive gain / (loss) allocated to non-controlling interests	33,271	(19,699)

Summarised Cash Flows	**2022**	**2021**
Operating loss before changes in operating assets and liabilities	18,355	(49,041)
Net cash generated from operations	67,220	412,753
Net decrease in investments	(256,258)	(480,352)
Taxes paid	(53,519)	(42,316)
Foreign currency translation adjustments	56,539	(133,595)
Net decrease in cash and cash equivalents	**(167,663)**	**(292,551)**
Cash and cash equivalents at beginning of year	548,230	840,781
Cash and cash equivalents at end year	380,567	548,230

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

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

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

	2022	2021
a) Right-of-use assets (Note 17)		
Office space	53,161	61,739
b) Lease liabilities (Note 19)		
Current	1,700	2,151
Non-current	61,268	77,530
Total	**62,968**	**79,681**

Additions to right-of-use assets during the years ended 31 December 2022 were amounted to US dollars 17 million (2021: US dollars 13.3 million). The total cash outflow for lease in 2022 was US dollars 41 million (2021: US dollars 16.6 million).

	2022	2021
Interest expenses	7,562	9,341
Depreciation on right-of-use assets (Note 17)	12,038	8,581

37. Funds under management

The Group manages Funds Under Management ("FUM") through its different subsidiaries totalling US dollars 4.22 billion (2021: US dollars 5.52 billion) of which US dollars 1.65 billion (2021: US dollars 1.66 billion) has been marketed in Saudi Arabia by the Private Offices of His Royal Highness Late Prince Mohamed Al Faisal Al Saud.

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

As at 31 December 2022, three hundred forty investors (2021: three hundred thirty-eight investors) have filed legal claims in Saudi Arabian courts against IICG claiming refund of the full value of their investments totalling to US dollars 102.7 million (2021: US dollars 102.7 million). Of the three hundred thirty-eight legal cases, the court has rendered judgement in two hundred forty-one legal claims (2021: two hundred forty-seven) amounting to US dollars 77.2 million (2021: US dollars 80.7 million). The Company has challenged such judgments in the Appeal Court. The Appeal Court has rendered its judgement in twenty-eight cases amounting to US dollars 3.8 million (2021: US dollars 19.1 million). IICG has challenged the judgement of the Appeal Court in the Royal Court.

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

38. Related party transactions and balances

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

a) Loans to key management personnel

	2022	2021
Loans		
Loans outstanding at 1 January	2,706	1,894
Loans issued during the year	1,237	2,409
Loan repayments during the year	(927)	(1,452)
Foreign exchange	(547)	(145)
Loans outstanding at 31 December	2,469	2,706

No provisions were recognised in respect of loans given to related parties (2021: Nil).

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

b) Loans to employees

All employees of the Group are entitled to receive employee loans on favourable terms not equivalent to those of transactions made on an arm's length basis. Included in accounts receivable are amounts due from employees at 31 December 2022 of US dollars 37.7 million (2021: US dollars 29.2 million).

c) Current and investment accounts

	Associated companies	
	2022	2021
Amounts payable to:		
Naseej B.S.C. (c)	3,124	12,247

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

d) Key management compensation

	2022	2021
Salaries and other short-term benefits	5,878	10,361
Post-employment benefits	2	47
Other long-term benefits	192	304
	6,072	10,712

39. Contingent liabilities and commitments

Contingent liabilities	2022	2021
Endorsements	30,584	47,295
Performance bid bonds	55,423	57,226
Customer claims	159,337	209,271
Guarantees and irrevocable letters of credit	403,076	636,166
	648,420	**949,958**

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

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

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

Commitments	2022	2021
Undrawn facilities, financing lines	844,806	870,448
Other commitments to finance	1,576	5,192
Repurchase and resale transactions	49,906	112,714
Significant net open foreign currency position	398,637	561,872
	1,294,925	**1,550,226**

40. Current and non-current assets and liabilities

At 31 December 2022	Current	Non-current	Total
Cash and cash equivalents	364,898	663	365,561
Cash at Central Bank – statutory reserve	40,286	-	40,286
Investment with Islamic institutions	25,016	345	25,361
Investment securities carried at FVTPL	11,159	-	11,159
Investments in financings	545,501	379,869	925,370
Investment securities carried at FVOCI	259,308	796,898	1,056,206
Investment securities carried at amortised cost	44,468	-	44,468
Accounts receivable and other financial assets	86,768	265,161	351,929
Current tax receivable	17,754	-	17,754
Investment properties	-	386,117	386,117
Development properties	-	174,326	174,326
Investments in associates	8,498	129,820	138,318
Property, equipment and right-of-use assets	20,514	146,389	166,903
Intangible assets	-	122,553	122,553
Deferred tax assets	3,172	-	3,172
Total assets	1,427,342	2,402,141	3,829,483
Due to customers	1,933,442	-	1,933,442
Due to banks and other financial institutions	868,834	197,796	1,066,630
Provisions	-	56,938	56,938
Accounts payable	267,154	192,994	460,148
Current tax payable	27,441	-	27,441
Deferred tax liabilities	1,212	-	1,212
Total liabilities	3,098,083	447,728	3,545,811
Net assets/liabilities	(1,670,741)	1,954,413	283,672
At 31 December 2021			
Total assets	3,727,535	2,479,069	6,206,604
Total liabilities	5,402,223	394,627	5,796,850
Net assets/liabilities	(1,674,688)	2,084,442	409,754

41. Concentration of assets and liabilities

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

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
At 31 December 2022						
Cash and cash equivalents	301,880	55,639	7,789	253	-	365,561
Cash at Central Bank – statutory reserve	-	40,286	-	-	-	40,286
Investments with from Islamic institutions	21,379	3,982	-	-	-	25,361
Investment securities carried at FVTPL	8,611	2,548	-	-	-	11,159
Investments in financings	925,370	-	-	-	-	925,370
Investment securities carried at FVOCI	1,054,720	1,486	-	-	-	1,056,206
Investment securities carried at amortised cost	-	44,468	-	-	-	44,468
Accounts receivable and other assets	66,940	39,490	141,436	104,063	-	351,929
Current tax receivable	17,754	-	-	-	-	17,754
Investment properties	7,468	284,608	51,286	42,755		386,117
Development properties	-	174,326	-	-	-	174,326
Investments in associates	33,849	104,469	-	-	-	138,318
Property, equipment and right-of-use assets	128,620	-	38,283	-	-	166,903
Intangible assets	10,431	112,122	-	-	-	122,553
Deferred tax assets	3,172	-	-	-	-	3,172
Total assets	2,580,194	863,424	238,794	147,071	-	3,829,483
Due to customers	1,506,591	223,267	194,389	9,195	-	1,933,442
Due to banks and other financial institutions	637,058	428,220	1,352	-	-	1,066,630
Provisions	-	-	56,938	-	-	56,938
Accounts payable	254,587	205,561	-	-	-	460,148
Current tax payable	27,441	-	-	-	-	27,441
Deferred tax liabilities	-	1,212	-	-	-	1,212
Total liabilities	2,425,677	858,260	252,679	9,195	-	3,545,811
Net on-balance sheet position	154,517	5,164	(13,885)	137,876	-	283,672
Contingent liabilities and commitments	1,460,727	83,981	-	-	-	1,544,708
At 31 December 2021						
Total assets	3,672,537	2,138,728	334,309	56,179	4,851	6,206,604
Total liabilities	3,415,235	2,118,771	262,844	-	-	5,796,850
Net on-balance sheet position	257,302	19,957	71,465	56,179	4,851	409,754
Contingent liabilities and commitments	1,919,066	581,118	-	-	-	2,500,184

41 Concentration of assets and liabilities (continued)

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
At 31 December 2022								
Cash and cash equivalents	303,950	-	666	-	55,480	-	5,465	365,561
Cash at Central Bank – statutory reserve	40,286	-	-	-	-	-	-	40,286
Investments with Islamic institutions	25,361	-	-	-	-	-	-	25,361
Investment securities carried at FVTPL	11,049	-	-	-	110	-	-	11,159
Investments in financings	92,800	13,049	33,343	228,436	400,381	157,361	-	925,370
Investment securities carried at FVOCI	35,239	42,508	14,212	-	964,247	-	-	1,056,206
Investment securities carried at amortised cost	44,468	-	-	-	-	-	-	44,468
Accounts receivable and other assets	296,073	-	2,383	35,759	17,714	-	-	351,929
Current tax receivable	-	-	-	-	-	-	17,754	17,754
Investment properties	-	7,468	378,649	-	-	-	-	386,117
Development properties	-	-	174,326	-	-	-	-	174,326
Investments in associates	138,318	-	-	-	-		-	138,318
Property, equipment and rights-of-use assets	153,677	-	13,226	-	-	-	-	166,903
Intangible assets	113,990	-	-	-	-	-	8,563	122,553
Deferred tax assets	-	-	-	-	3,172	-	-	3,172
Total assets	1,255,211	63,025	616,805	264,195	1,441,104	157,361	31,782	3,829,483
Due to customers	524,502	80,406	251,900	675,559	385,968	15,107	-	1,933,442
Due to banks and other financial institutions	696,646	-	-	-	369,984	-	-	1,066,630
Provisions	-	-	56,938	-	-	-	-	56,938
Accounts payable	276,633	4,523	54,199	31,728	27,121	-	65,944	460,148
Deferred tax liabilities	1,212	-	-	-	-	-	-	1,212
Current tax payable	-	-	-	-	-	-	27,441	27,441
Total liabilities	1,498,993	84,929	363,037	707,287	783,073	15,107	93,385	3,545,811
Net on-balance sheet position	(243,782)	(21,904)	253,768	(443,092)	658,031	142,254	(61,603)	283,672
Contingent liabilities and commitments	83,600	920,202	51,317	2,582	257,651	52,694	176,660	1,544,706
At 31 December 2021								
Total assets	2,383,647	176,391	672,992	177,466	2,772,385	-	23,723	6,206,604
Total liabilities	3,383,546	305,522	385,421	902,590	647,025	-	172,746	5,796,850
Net on-balance sheet position	(999,899)	(129,131)	287,571	(725,124)	2,125,360	-	(149,023)	409,754
Contingent liabilities and commitments	149,603	1,752,531	33,056	-	-	-	564,994	2,500,184

42 Maturities of assets and liabilities

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

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
At 31 December 2022						
Cash and cash equivalents	357,109	7,789	-	663	-	365,561
Cash at Central Bank – statutory reserve	-	40,286	-	-	-	40,286
Investments with Islamic institutions	25,063			298		25,361
Investment securities carried at FVTPL	-	-	8,611	2,548	-	11,159
Investments in financings	517,866	230,199	-	-	177,305	925,370
Investment securities carried at FVOCI	839	-	-	1,055,367	-	1,056,206
Investment securities carried at amortised cost	-	-	-	44,468	-	44,468
Accounts receivable and other financial assets	35,770	858	50,140	238,484	26,677	351,929
Current tax receivable	17,754	-	-	-	-	17,754
Investment properties	-	-	-	93,689	292,428	386,117
Development properties	-	-		174,326	-	174,326
Investments in associates	-	-	8,498	-	129,820	138,318
Property, equipment and right-of-use assets	14,952	4,592	970	40,608	105,781	166,903
Intangible assets	-	3	60	4,902	117,588	122,553
Deferred tax assets	-	-	3,172	-	-	3,172
Total assets	969,353	283,727	71,451	1,655,353	849,599	3,829,483
Due to customers	1,722,613	210,829	-	-	-	1,933,442
Due to banks	491,672	200,349	176,813	27,875	169,921	1,066,630
Provisions	-	-	-	1,938	55,000	56,938
Accounts payable	146,940	1,547	286,223	25,438	-	460,148
Current tax payable	27,441	-	-	-	-	27,441
Deferred tax liabilities	-	1,212	-	-	-	1,212
Total liabilities	2,388,666	413,937	463,036	55,251	224,921	3,545,811
Net liquidity gap	(1,419,313)	(130,210)	(391,585)	1,600,102	624,678	283,672
At 31 December 2021						
Total assets	982,863	542,307	2,192,757	859,785	1,628,892	6,206,604
Total liabilities	4,240,886	711,338	449,999	57,117	337,510	5,796,850
Net liquidity gap	(3,258,023)	(169,031)	1,742,758	802,668	1,291,382	409,754

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

43 Currency exposure

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
At 31 December 2022									
Cash and cash equivalents	90,124	223,188	14,731	8,217	8,780	10,773	233	9,515	365,561
Cash at Central Bank – statutory reserve	-	-	40,286	-	-	-	-	-	40,286
Due from Islamic institutions	4,390	20,971	-	-	-	-	-	-	25,361
Investment securities carried at FVTPL	-	8,611	-	-	-	2,548	-	-	11,159
Investments in financings	-	922,154	-	-	-	-	-	3,216	925,370
Investment securities carried at FVOCI	21,663	1,009,887	12,761	2,541	1,188	-	3,315	4,851	1,056,206
Investment securities carried at amortised cost	-	44,468	-	-	-	-	-	-	44,468
Accounts receivable and other assets	223,993	112,329	3,354	46	10,784	803	620	-	351,929
Current tax receivable	-	17,754	-	-	-	-	-	-	17,754
Investment properties	13,316	7,468	177,765	1,535	49,751	93,526	-	42,756	386,117
Development properties	-	-	174,326	-	-	-	-	-	174,326
Investments in associates	104,468	8,498	-	-	-	1	-	25,351	138,318
Property, equipment and right of use assets	639	127,944	-	2	38,281	2	35	-	166,903
Intangible assets	113,979	8,574	-	-	-	-	-	-	122,553
Deferred tax assets	-	3,172	-	-	-	-	-	-	3,172
Total assets	572,572	2,515,018	423,223	12,341	108,784	107,653	4,203	85,689	3,829,483
Due to customers	232,958	1,291,859	173,638	214,024	-	2,663	-	18,300	1,933,442
Due to banks and other financial institutions	5,513	629,693	5,680	95,527	630	49	-	329,538	1,066,630
Provisions	1,938	-	-	55,000	-	-	-	-	56,938
Accounts payable	11,617	265,363	164,558	4,116	6,206	2,872	706	4,710	460,148
Current tax payable	27,441	-	-	-	-	-	-	-	27,441
Deferred tax liabilities	-	1,212	-	-	-	-	-	-	1,212
Total liabilities	279,467	2,188,127	343,876	368,667	6,836	5,584	706	352,548	3,545,811
Net on-balance sheet position	293,105	326,891	79,347	(356,326)	101,948	102,069	3,497	(266,859)	283,672
Contingent liabilities and commitments	245,452	1,185,304	52,733	32,889	1,142	109	-	27,078	1,544,707
At 31 December 2021									
Total assets	1,330,419	3,334,223	1,024,751	161,906	104,457	106,642	3,497	140,709	6,206,604
Total liabilities	1,466,579	2,915,408	594,351	388,871	477	4,060	1,141	425,963	5,796,850
Net on-balance sheet position	(136,160)	418,815	430,400	(226,965)	103,980	102,582	2,356	(285,254)	409,754
Contingent liabilities and commitments	343,270	1,978,458	-	31,747	-	150	-	146,559	2,500,184

44 Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 24 November 2023 and are subject to approval at the Annual General Meeting, which will be held on 20 December 2023.

45 Principal subsidiaries in the consolidated financial statements

	Nature of Business	% owned		Country of Incorporation
		Subsidiary	DMI	
Islamic Investment Company of the Gulf (Bahamas) Limited	Investment Banking	100	100	Bahamas
Ithmaar Holding B.S.C.	Retail Banking	49	49	Kingdom of Bahrain
Faysal Bank Limited	Retail Banking	67	31	Pakistan
Ithmaar Development Company Limited	Real Estate Investment	100	46	Cayman Islands
Dilmunia Development Fund L.L.P.	Real Estate Investment	92	42	Kingdom of Bahrain
DMI Administrative Services S.A.	Management Services	100	46	Switzerland
Ithmaar Bank B.S.C. (c)	Banking	100	46	Kingdom of Bahrain
IB Capital B.S.C. (c)	Asset Management	100	46	Kingdom of Bahrain

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

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

Ithmaar Holding is subject to the consolidated supervision of CBB.

46 Capital management

One of the subsidiaries of the DMI Group is subject to supervision of CBB and is required to comply with Capital adequacy ratio requirements. The capital adequacy ratio has been calculated in accordance with CBB guidelines and CBB directives incorporating credit risk, operational risk and market risk. The minimum regulatory requirements is 12.5%. As at 31 December 2022 and 2021 the subsidiary has complied with these requirements. Similar requirements are also applicable to a banking subsidiary in Pakistan as per the local requirements which was also complied as at 31 December 2022 and 2021. Ithmaar Bank has not complied with the requirements of the Central Bank of Bahrain's Rulebook Volume 2 "Licensing requirements" which states that an Islamic retail bank licensee must maintain a minimum total shareholders' equity of BHD 100 million.

47 Contingency and fiduciary reserve

As approved by the board of directors of Islamic Investment Company of the Gulf (Bahamas) Limited, on 3 December 2017, 40% of the management fee (Note 37 plus any other discretionary amounts, are transferred to a contingency reserve with effect from January 2018. This reserve is distributable at the discretion of the board of directors.

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

48 Discontinued operations

During January 2022, Ithmaar Holding agreed in principle with Al Salam Bank B.S.C. (Al Salam) on the acquisition of the consumer banking business of Ithmaar Bank, and Ithmaar Holdings' ownership stake in both Bank of Bahrain and Kuwait B.S.C. and Solidarity Group Holding. This announcement followed the execution of a non-legally binding Memorandum of Understanding (MoU) between the two entities in October 2021. The transaction was approved by Ithmaar Holding's shareholders during its Extraordinary General Meeting on 17 March 2022. The transaction was completed on 7 July 2022 after obtaining requisite regulatory and corporate approvals and signing of definitive agreements.

The BBK shares and the Solidarity shares were beneficially owned by IB Capital. Pursuant to the Assets Pledge Agreement between Ithmaar Bank and IB Capital dated 21 January 2019, IB Capital had pledged their entire direct and/or indirect shareholding in Bank of Bahrain and Kuwait B.S.C. and Solidarity Group Holding B.S.C. against the Murabaha Facility from the Bank. As per the agreement signed on 7 July 2022, IB Capital transferred these pledged Shares to the Bank for the partial in-kind settlement of their Murabaha Facility, for a total value of US dollar 645million.

Subsequent to the completion of the above transfer, the beneficial ownership of the shares in BBK and Solidary were then transferred by the Bank to Al Salam as part of the transaction.

The consideration for sale of the group of assets was settled through transfer of certain liabilities and equity of investment account holders of the consumer banking business of Ithmaar Bank BSC (c), resulting in a gain of $77 million based on the agreed values of assets and liabilities (the "operations") as of 7 July 2022.

The assets subject to the transaction were agreed in-principle based on 30 September 2021 carrying values as per below:

Assets transferred	**As of 7 July 2022**
Consumer business	
Cash and balances with banks and central banks	167,745
Investments in financings (Murabaha and other financings)	783,321
Investment securities carried at FVTPL (Sukuk and investment securities)	83,761
Accounts receivable and other assets (Assets acquired for leasing)	378,740
Accounts receivable and other assets (Other assets)	82,875
Property, equipment and right-of-use assets (Fixed assets)	14,454
Total	**1,510,896**
Investment in subsidiary (Takaful business)	37,857
Investment in associate (Investment assets)	565,257
Total Assets transferred - A	**2,114,028**
Consumer business	
Due to customers (Customers' current accounts)	93,560
Due to banks, financial and other institutions	38,111
Accounts payable (Other liabilities)	51,297
Total liabilities	**182,968**
Equity of unrestricted investment accountholders	2,001,737
Net movement in consolidated income statement relating to the above assets & liabilities from 1 to 7 July 2022	414
Total liabilities transferred - B	**2,185,119**
Estimated balancing payment - C	5,864
Gain recongised on transfer (B+C-A)	**76,955**

48 Discontinued operations (continued)

The gain on the transaction of US dollar 77 million was assessed initially on fair values as of 30 September 2021. Accordingly, the movement in carrying values of the transferred assets and liabilities associated with the transaction from 1 October 2021 till 30 June 2022 have been reflected as part of discontinued operations for the period. The net results of the above operations included in the consolidated financial statements are as follows:

	Year ended 31 December 2022			
Description	**Consumer business**	**Takaful business**	**Investment assets**	**Total**
Total income	13,114	20,601	5,446	39,161
Total expenses	(13,613)	(15,470)	-	(29,083)
	(499)	**5,131**	**5,446**	**10,078**
Provision for impairment - net	(294)	(302)	-	(596)
	(793)	**4,829**	**5,446**	**9,482**
Write off of intangible assets directly associated with consumer business	(25,002)	-	-	(25,002)
Movement in carrying values from 1 October 2021 to 7 July 2022	-	3,961	(46,132)	(42,171)
Transfer of fair value and foreign exchange translation reserves to consolidated income statement	-	(4,962)	(29,894)	(34,856)
	(25,795)	**3,828**	**(70,580)**	**(92,547)**
Gain recongised on transfer				76,955
Net results from discontinued operations				**(15,592)**

	Year ended 31 December 2021			
Description	**Consumer business**	**Takaful business**	**Investment assets**	**Total**
Total income	18,048	37,925	30,240	86,213
Total expenses	(28,947)	(25,893)	-	(54,840)
	(10,899)	**12,032**	**30,240**	**31,373**
Provision for impairment - net	(1,352)	(303)	-	(1,655)
	(12,251)	**11,729**	**30,240**	**29,718**

The comparative period balances in the consolidated income statement has been reclassified to include those operations that have been classified as discontinued in the current period presentation.

The net cash flows of the above operations included in the consolidated statement of cash flows, are as follows:

	Year ended	
Cash flow lines	**31 December 2022**	**31 December 2021**
Net cash from operating activities	12,100	74,319
Net cash used by investing activities	(46,126)	(86,463)

49 Subsequent event

On 4 June 2023, the shareholders of Ithmaar Holding, in an Extraordinary General Meeting, approved issuance of Tier 1 Capital instrument of up to US dollar 200 million. Each subscription by a shareholder under this issuance is subject to regulatory approvals. The majority shareholders have confirmed their participation in the T1 issuance subject to requisite approvals, at terms to be agreed.