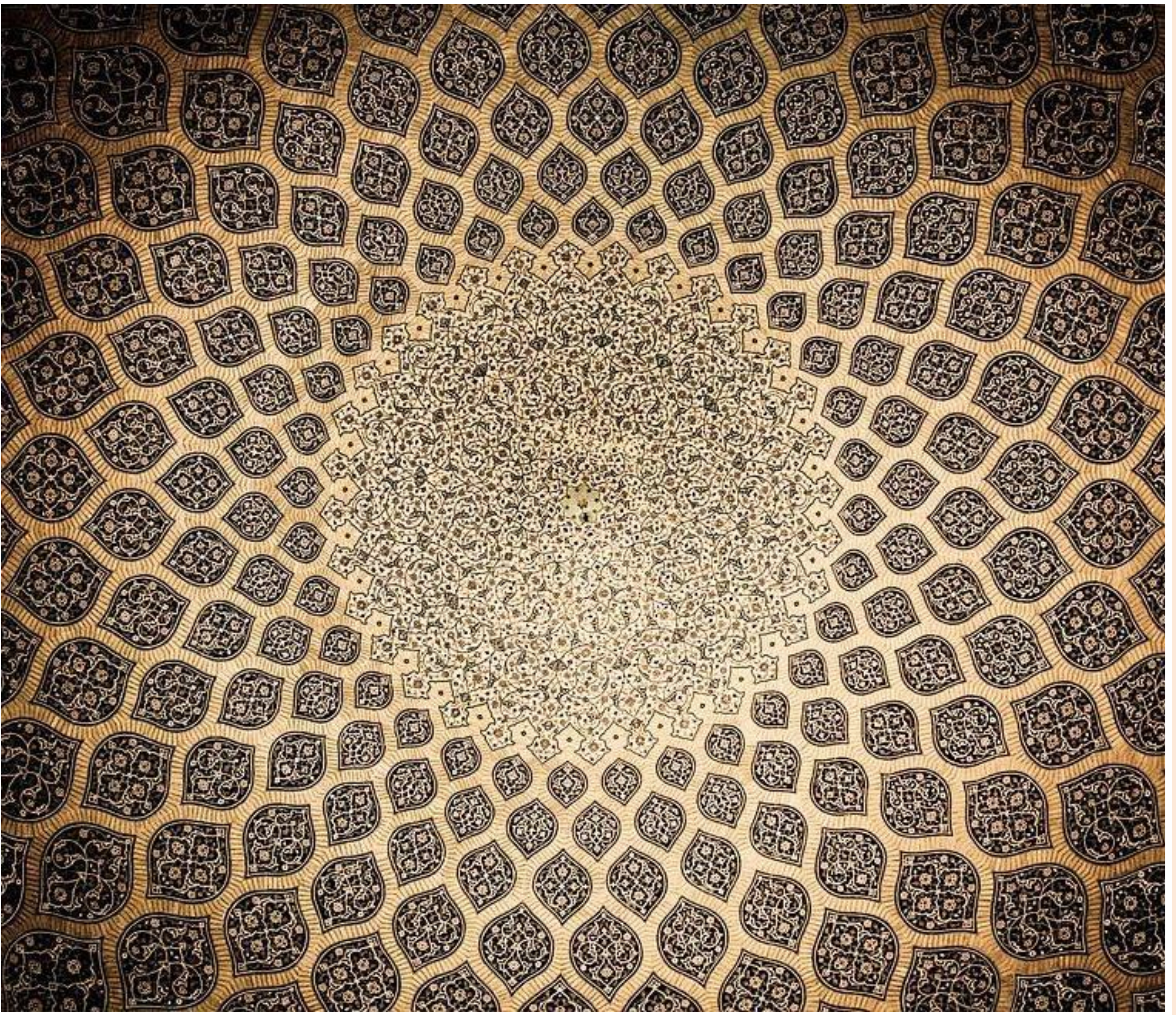

Dar Al-Maal Al-Islami Trust

ANNUAL REPORT
2021

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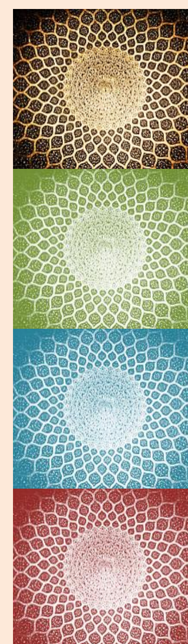


Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda

Mohamed A. Abdelkarim El Kheriji
(Resigned on 23 October 2021)

Omar Abdi Ali

Moustafa Abu Bakr Azzam

Khalid Omar Abdel Rahman Azzam

Faisal Islamic Bank-Egypt
(Represented by Abdelhameed Abou Moussa)
(Resigned on 23 October 2021)

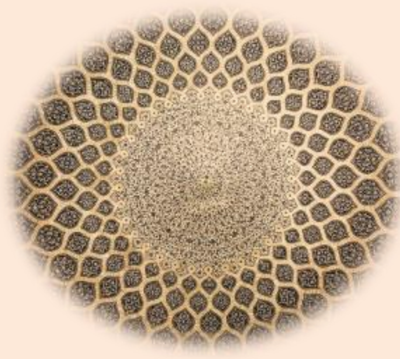
Abdulaziz Abdulrahman Alessa

Religious Board

Nasr Farid Mohamed Wasel, Chairman

Halil Gonenc

Osama Mohamed Ali



DAR AL-MAAL AL-ISLAMI TRUST

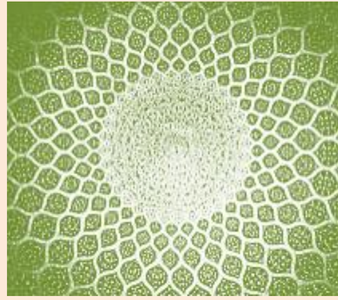
Dar Al-Maal Al-Islami Trust (DMI) was founded in 1981. It has an extensive network stretching over four continents, with well-integrated regional subsidiaries enabling it to respond to local business needs and conditions. Based on this geographic structure, the DMI Group and associates act as a financial 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 fortieth annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2021.

I am pleased to report the 2021 Group's progress and key achievements. 2021 was another year of extraordinary global turbulence, with recovery from Covid-19 pandemic creating a mixed picture around the globe. Many of our colleagues were adversely impacted in their personal or work lives. Even now, we continue to see new Covid-19 variants emerging and we have had to adapt to a constantly changing landscape, with focus on four key pillars; Transparency; Safety; Excellence; and Innovation.

The Group around the world has continued protecting the interests of the Unitholders, while ensuring the wellbeing of colleagues and supporting our customers and other stakeholders. The spirit our colleagues have shown throughout, despite the often-difficult circumstances, has been exemplary and we are extremely proud of how we have all come out of 2021 with sustainable growth. 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.

Group network and Mass Retail business remain key competitive differentiators, both strong generators of high-quality and providing higher income streams and return on capital.

We are transferring our ability onboards, serve, and exceed expectations of our customers, which will help to feed our higher margins, as well as being growing sources of maintainable income.

Following a strong rebound in 2021, the global economy is entering a pronounced slowdown amid fresh threats from Covid-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in developed economies and emerging markets. According to the World Bank, global growth is expected to decelerate markedly from 5.5% in 2021 to 2.9% in 2022 with stag-inflation, and 1.5% in 2023, as pent-up demand dissipates, and as fiscal and monetary support is unknown across the globe.

The rapid spread of the Omicron variant indicates that the pandemic is likely to continue to disrupt economic activity in the near term. In addition, a notable acceleration in major economies, including the United States and China, will weigh on external demand in emerging and developed economies. At a time when governments in many developing economies lack the policy space to support activities if needed, Covid-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures, government spending, and monetary policies in uncharted territories, and elevated financial vulnerabilities in large swaths of the world, could increase the risk of hard landing.

The slowdown will coincide with a widening divergence in growth rates between advanced economies, and emerging and developing economies, growth in advanced countries are expected by many analysts to decline from 5% in 2021 to 3.8% in 2022

and 2.3% in 2023 - a pace that, while moderating, will be sufficient to restore output to their pre-pandemic trends. However, for many vulnerable economies, the setback is even larger; output of fragile and conflict-affected economies will be 7.5% below its pre-pandemic trends.

Meanwhile, rising inflation -which hits low-income workers particular hard- is constraining money policy. Global and in advanced economies, inflation is running at the highest rates since 2008. The US records 41-year high inflation rate of 8.6% in May 2022. The UK inflation surged to a 40-year high of 9.1% in May 2022. The Euro area inflation touched 8.1% in May 2022. In emerging markets and developing economies, it has reached its rate since 2011. Many emerging and developing economies are withdrawing policy support to contain inflationary pressures- well before the recovery is complete.

On 4 May 2022 the Fed Reserve increased its benchmark interest rate by half a percent point, in line with market expectation. This is the most aggressive step yet in its fights against a 40-year high in inflation. This is the biggest hike in two decades. On 15 June 2022, the Fed approved its largest interest rate increase of three-quarters of a percentage point, to a range of 1.5% to 1.75%. Such an increase is the largest in more than a quarter of a century, to stem a surge in inflation which reached 8.6% in May 2022. Markets are now expecting the Fed to continue raising rates aggressively in the coming months to 2.75% - 3%,

Oil prices are stuck in a tight range as weakness in global oil demand and releases of strategic reserves even out, growing expectations that Europe may agree to curb oil purchases from Russia. The market has lowered its outlook for global oil demand for 2022, by one million barrels per day ("bpd"), to 100 million bpd, citing higher oil prices, a deteriorating growth outlook and escalating geopolitical tensions. In April 2022, the average price of one barrel of Brent crude oil was US dollars 104.58, compared with US dollars 49.99 average price in January 2021. However, on 9 June 2022 the price for Brent touched US dollars 123.53 per barrel.

According to the World Bank, energy prices are expected to rise more than 50% in 2022, before easing in 2023 and 2024.

The Russia-Ukraine war has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and accelerate inflation, fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. Global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 1.5% in 2023, as per IMF's estimates However, beyond 2023, growth is projected to reach about 3.3% over the medium term. War-induced commodity price increase, as Russia and Ukraine are major producers of grains, and weather conditions have continued to lower yields and thus contributing to the supply constraints, and broadening price pressures have led to 2022 inflation projections of 5.7% in advanced economies; 8.7% in emerging market and developed economies, 1.8% and 2.8% higher than what had been projected in early January 2022. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

In line with the Group's commitment to our stakeholders, we continued to advance initiatives across all business and geographies. These initiatives involve enhancing our Diversity & Inclusion practices to strengthen our commitment to Environmental, Social and Corporate Governance ("ESG"). According to experts, the world will need to invest US dollars 9.2 trillion a year in the most polluting sectors in the coming three decades if the Paris climate goal is to be reached. We have long recognized climate change as one of the greatest challenges of our time and its widespread impact on the environment and human health, as well as its potential to hamper economic growth. Our approach involves setting attainable targets, to reduce emissions.

The economies of the Gulf Cooperation Council ("GCC") are projected to grow by 5.9% overall in 2022, following a growth of 2.2% in 2021. Recovery in 2022 is likely to continue in the medium-term, driven by the hydrocarbon and non-hydrocarbon sectors. Economies are rebounding robustly, from the Covid-19 in the course of 2021 and at the beginning of 2022. It attributes the rebound to a broadly successful vaccination

rollout across the GCC, the easing of the pandemic restrictions, and developments in the hydrocarbon market. As a result, fiscal deficits have markedly improved with the GCC external balances reaching pre-pandemic levels in 2021 as energy prices and export earnings strengthened. As major hydrocarbon exporters, the GCC will also benefit from changes in the energy markets brought by the Russia-Ukraine war. GCC countries may experience strong fiscal and external surpluses, which could help spur consumer confidence and investments.

KSA, the region's largest economy, in 2021 achieved a growth in GDP of 3.2% while it is expected to accelerate to 9.6% in 2022 as per Capital Economics. The IMF is estimating the GDP growth rate in 2022 at 7.6%, driven by stronger oil output following OPEC+ production cuts and continued growth in non-oil sectors, and supported by stronger consumption, increased tourism, and higher domestic capital spending.

KSA's non-oil sector has also expanded at the fastest rate in over four years, according to experts. This has been due to new business and activity that boosted sharply, as client demand recovered after Covid-19. The increase in business also came in line with Vision 2030, a reform plan that aims to diversify the country's economic resources.

Performance of Emerging Equity Markets declined by -2.5% (2020: +18.69%), as per the MSCI Emerging Markets Index in 2021, significantly below that of the MSCI World Index, which was up 21.8% (2020: 16.50%). That is the largest negative performance gap to developed markets since 2013, when the US Fed began to taper its post global financial crisis quantitative easing programme. Prior to this, a performance gap of this magnitude had not been seen since 1997 and 1988, which respectively saw the Asian Crisis and the Russian Financial Crisis. The Russian- Ukraine war was a high-risk dramatic event that continues to reshape the geopolitical map, stoke inflation, and add volatility to emerging markets equities. It is difficult to overstate how dramatic the war was for the Russian markets, global energy, and commodity prices.

In 2021 the Group achieved a net profit after tax of US dollars 73.1 million compared with a net loss of US dollars 52.0 million in 2020. The improved performance is due to substantial enhancement in the income stream as well as improvement in values of associated entities. Similarly, the net profit attributable to Unitholders amounted to US dollars 31.2 million (2020 – loss US dollars 26.9 million). The Group suffered amortisation and impairment of goodwill of US dollars 17 million (2020 - US dollars 28 million). Staff cost and administrative expenses increased by 3% from US dollars 196 million in 2020 to US dollars 203 million, due to expansion in the retail network by adding 30 branches in 2021 and inflation adjustment. The Group reversed a sum of US dollars0.7 million in 2021 from previously recognized fair value adjustment (2020 - US dollars 7.1 million), due to improvement in certain asset classes. Due to the slide in Pakistani Rupee against the US Dollar, from PKR 160.38 at 31 December 2020 to PKR 176.42 by end of 2021, the Group suffered a foreign currency translation loss of about US dollars 10 million (2020 - US dollars 1.4 million). The Trust capital has improved from US dollars 137.1 million at the end of 2020 to US dollars 153.2 million at the end of 2021. Similarly, the value of each equity participation unit has increased from US dollars 34.68 in 2020 to US dollars 38.77 in 2021.

Implementation of more effective corporate governance measures, as associated with improvement in performance and cost rationalisation throughout the Group, as associated with better management of IICG's Modarabas liquidation, the overall situation is kept under meticulous monitoring. We will continue to 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. Despite the severe competition and high volatility. Ithmaar in 2021 reported a net profit attributed to shareholders of US dollars38.6 million compared to a loss of (US dollars 41.7) million in 2020.

Ithmaar has successfully devised a series of rewarding measures which resulted in improving the income from Unrestricted Investment Accounts ("URIA"), which increased by 24% to US dollars 301 million in 2021, from US dollars 243 million in 2020. In 2021, IB Capital BSC (c) continued to consolidate its 55.42% interest in

Solidarity Group Holding B.S.C. (c) ("Solidarity"). Solidarity offers a wide range of Takaful insurance services and related products in the Middle East. Ithmaar, will continue to focus its efforts, allowing the

Group to take advantage of new growth opportunities. At 31 December 2021 Solidarity's net equity amounted to US dollars 172.6 million and achieved a net profit attributable to equity holders in 2021 of US dollars 9.4 million, compared with US dollars 173.2 million and US dollars 9.5 million in 2020, respectively.

The improvement in performance is primarily attributed to the series of measures taken by Ithmaar to increase the income stream, as improvement in performance of its subsidiaries and associated entities. In 2021 Ithmaar recognized an impairment on goodwill and amortisation of intangibles of US dollars 23.9 million (2020: US dollars 25.4 million) and reversal of impairment on financings and investments of US dollars 27.4 million (2020: provision charge of US dollars 28.7 million).

Pursuant to creating value to its shareholders, Ithmaar agreed to dispose of its retail banking operations in Bahrain, along with certain assets with a total transaction amount of US dollars 2.2 billion, to Al Salam Bank, based in Bahrain. The deal was approved by the shareholders of Ithmaar on 17 March 2022, as well as the DMIT Unitholders on 14 March 2022. The deal is expected to be consummated during 2022. Following this deal, Ithmaar will continue carrying on Bahrain corporate banking operations.

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. Following the deal with Al Salam, Ithmaar will undergo a reorganisation, to unify and strengthen the remaining business, under one business unit.

Faysal Bank Limited, Pakistan ("FBL") which is 66.7% owned by Ithmaar Bank, has continued expansion of its retail network in Pakistan and digitalization. FBL achieved a net profit after tax of PKR 8.4 billion (US dollars 51.6 million) compared with PKR 6.7 billion (US dollars 41.5 million) in 2020. The exchange rate of PKR against the US Dollar declined from 160.4 in December 2020 to PKR 176.4 by end of 2021. 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% in local currency terms, from PKR 710 billion (US dollars 4.4 billion) in 2020 to PKR 870 billion (US dollars 4.9 billion) at 31 December 2021. During the year, FBL made concentrated efforts to acquire low-cost CASA deposits (current and saving accounts), resulting in an enhancement in CASA from 72.1% in 2020 to 75.4% in 2021. Current Accounts Ratio improved from 31.3% in December 2020 to 33.3% on 31 December 2021. Similarly, total deposits registered a 19% increase in 2021, in local currency terms, amounting to PKR 644 billion, (US dollars 3.7 billion) compared with PKR 541 billion (US dollars3.4 billion) in 2020.

In line with the growth strategy approved by the Board of Directors, FBL retail banking reorganised its management structure and distribution channels to strengthen and optimise growth. In 2021 FBL continued to successfully invest in network expansion and worked towards improving efficiencies to enhance deposits share. FBL has successfully undertaken one of the largest conversions in the region and is expected to be completed during 2022. In addition, FBL implemented the Environmental Risk Rating model and implemented the Environmental Risk Management framework. Branch Led model was initiated for leveraging the strength of distribution channels, for promoting commercial and SME business while maximising benefit of digitalisation.

In the light of series of measures taken by FBL during 2021, 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 2021, FBL opened 30 new branches to achieve a network of 606 branches of which 595 (98%) are dedicated to Islamic banking. FBL will continue its horizontal growth in branch network, as strengthened by digital banking, in providing easy access to customers. These branches will not only generate low-cost core deposits but will continue to improve the current and saving

accounts mix, with the goal to continue reducing the average cost of funding. In 2021 FBL launched the first Islamic credit card in Pakistan, which is expected to secure a sizable 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 243 million (US dollars 1.5 million) in 2021.

The new business structure at FBL, future strategy will continue to focus on conversion of remaining 11 conventional branches during 2022, Islamic finance which enjoyed a successful year, taking the 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 in branch infrastructure. Reflecting FBL's commitment to provide a better, easier, and seamless customer experience. FBL is focused on providing comprehensive yet innovative digital services and will continue to invest in technologies to improve FBL's digital offerings.

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of US dollars 15.7 million in 2021 compared to US dollars 12.81 million in 2020 (inclusive of non-recurring income of US dollars 4.1 million). Shareholder's equity in 2021 increased to US dollars 104.8 million compared to US dollars 88.8 million in 2020. IICG's total assets reported an increase by 14%, from US dollars 102.8 million in 2020, to US dollars 117.6 million in 2021. The increase is primarily attributed to increase in amounts due from funds under management. On conservative grounds, a sum of US dollars 6.4 million has been transferred to the Contingency Reserve in 2021. IICG's Funds Under Management amounted to US dollars 2.02 billion in December 2021, a marginal decrease of 5% from US dollars 2.04 billion in 2020, due to partial redemptions to the investors.

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

IICG's 73.3% 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 US dollars0.4 million in 2021 compared to a net loss of US dollars 0.5 million in 2020. Total Funds Under Management as at December 31, 2021, amounted to US dollars 53 million (2020: US dollars 65 million), following distribution to investors during 2021. 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 the end of 2022.

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, 2021, the exchange rate was L.E. 15.66 compared with L.E.15.69 in 2020. However, pursuant to address economic problems e.g., migration of funds, sharp drop in proceeds from tourism and surge in cost of import of foods, the Central Bank of Egypt on 21 March 2022, devalued the Egypt Pounds by 14%, to US dollars 1 = L.E. 18.27. FIBE has maintained its leadership in Islamic banking activities within the Egyptian market and strengthened its competitive position considerably on local and regional levels. Branch network expanded to 38 branches, while more branches are planned for in 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 2021, the Capital Adequacy Ratio ("CAR") for FIBE improved to 32.2% (2020: 31.4%) as compared with a regulatory minimum requirement of 12.5%

FIBE's net profit after tax in 2021 amounted to L.E. 2,683 million (US dollars 171 million) compared with L.E. 2,058 million (US dollars 131 million) in 2020. The results for 2021 have been higher than the comparative year by 30%, due to improvement in income stream by 15%. Total assets in 2021 amounted to L.E. 130.9 billion (US dollars 8.4 billion) represents an

increase by 14% over December 2020 of L.E. 114.9 billion (US dollars 7.3 billion). Shareholders' equity in 2021 amounted to L.E. 17.0 billion (US dollars 1,086 million) compared to L.E. 14.4 billion (US dollars 917 million) for the previous year, an increase by 18.1%. The most important source of funds for the Bank, savings pools and investment certificates (funds under management) increased by 13.1%, from L.E. 96.9 billion (US dollars 6.2 billion) in 2020, to L.E. 109.6 billion (US dollars 7.0 billion) in 2021. Pursuant to preserving the capital base of banks in view of Covid-19 pandemic, in December 2020, the Central Bank of Egypt directed banks to suspend dividend payouts, until further notice. Thus, FIBE did not approve cash dividends for 2020. However, for 2021, the shareholders have approved 8% dividend pay-out. 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.

Outlook

Whilst uncertainties persist in relation to Covid-19 and the Russian-Ukraine geopolitical landscape, shortage of energy, food, commodities, and disruptions in supply chains, we see plenty of opportunities that are compelling.

Global growth is expected to continue in 2022 albeit somewhat slower after the recovery in 2021. Asia and Africa, our main regions, are poised to remain the fastest growing areas in the world.

It is expected that policy support will scale back, as a number of central banks, in their attempt to come closer to the curve, tighten policy to counter inflation leading to rising interest rates, and fiscal programmes are eased.

We continue to see accelerated changes across the global business ecosystem from digital space, to trade flows and supply chain shifts, and these are just some of the reasons why we are excited at the prospects of the Group.

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.

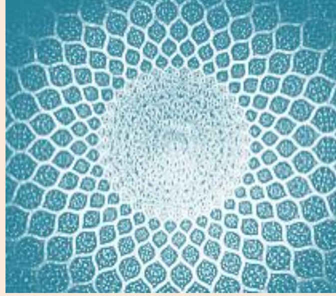
Despite the global uncertainties and rising interest rates, Alhamdu Lilah, Group's operating arms in Egypt and Pakistan have shown a stunning performance. The joint ventures and associates have continued to consolidate their position and are gaining traction for the next level of growth in profitability.

I am confident that, with the actions we have outlined to continue driving and indeed accelerating our strategic directions, we will create long term and sustainable value for our stakeholders.

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

Allah is the purveyor of success.

Amr Mohammed Al Faisal



REPORT OF THE RELIGIOUS BOARD

The DMI Trust Religious Board held a meeting in Cairo, Egypt, on Thursday 3, Dhul Qadah 1443H, corresponding to 02 June 2022.

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

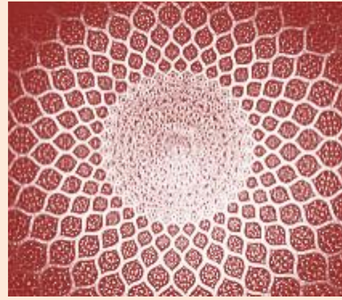
Furthermore the Religious Board reviewed the 2021 balance sheet and financial statements presented to it and after examining and discussing the same, the Religious Board considered that all DMI Group investment activities, projects and banking services undertaken during the year were in conformity with 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.

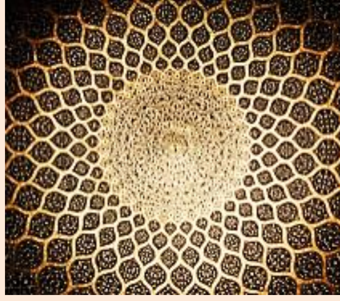
Allah is the purveyor of success.

Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board



Ten-Year Financial Summary

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net profit/(loss)	(30.9)	4.0	(34.8)	35.1	(28.1)	(36.4)	(14.6)	(14.2)	13.1	(26.9)	31.2
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trust capital	353	382	322	361	331	295	289	168	180	137	153
Return on average capital	(8.8) %	1%	(10.8) %	9.7%	(8.5) %	(11.1) %	(5.0) %	(8.5) %	7.3%	(17.2) %	21.5%
Funds under Management	8,098	8,355	8,399	9,009	9,105	9,053	8,705	8,620	8,271	8,969	9,403
Average number of employees	4,726	3,978	4,075	3,882	3,628	3,866	4,244	5,516	6,572	7,026	7,045
Book value per unit (US dollars)	89.24	96.57	81.40	91.26	83.69	74.51	73.06	42.53	45.62	34.68	38.77



Dar Al-Maal Al-Islami Trust

2021

Consolidated
Financial Statements

1 January 2021 – 31 December 2021

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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 2021 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 2021;
- 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 2021 (31 December 2020: US dollars 100.7 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, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

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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 and the report of the religious board but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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
22 August 2022

Consolidated Statement of Financial Position

(Thousands of US dollars except participation units)

	Notes	As at 31 December 2021	As at 31 December 2020
Assets			
Cash and cash equivalents	5	453,304	735,993
Cash at Central Bank – statutory reserve	5	110,411	111,367
Investments with Islamic institutions	6	301,291	135,681
Investment securities carried at fair value through profit and loss ("FVTPL")	7	166,063	185,742
Investment securities carried at fair value through other comprehensive income ("FVOCI")	8	1,955,788	1,661,192
Investment securities carried at amortised cost	9	85,749	58,677
Investments in financings	10	1,031,590	1,078,633
Accounts receivable and other assets	13	429,529	445,575
Current tax receivable	20	195	171
Deferred tax assets	20	9,608	3,341
Investment properties	14	356,648	348,977
Development properties	15	192,259	272,018
Investments in associates	16	709,395	657,161
Property, equipment and right-of-use assets	17	170,572	155,288
Intangible assets	18	234,202	242,927
Total assets		**6,206,604**	**6,092,743**
Liabilities and equity			
Liabilities			
Accounts payable	19	575,787	612,532
Current tax payable	20	5,142	1,777
Due to customers	21	3,803,486	3,944,032
Due to banks and other financial institutions	22	1,347,024	1,077,340
Provisions	23	62,055	64,100
Deferred tax liabilities	20	3,356	3,643
Total liabilities		**5,796,850**	**5,703,424**
Equity			
Trust capital attributable to equity participants			
Paid in capital		385,161	390,316
Reserves		(231,936)	(253,242)
Total trust capital		**153,225**	**137,074**
Non-controlling interests	35	256,529	252,245
Net equity		**409,754**	**389,319**
Total equity and liabilities		**6,206,604**	**6,092,743**
Number of trust capital participation units		3,952,481	3,952,481
Book value per unit in US dollars		38.77	34.68

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

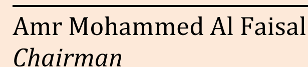
The notes from 1 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Income for the year ended 31 December

(Thousands of US dollars)

	Notes	2021	2020
Income			
Fund management and services		158,829	70,299
Income from investments carried at FVTPL	24	7,511	15,620
Income from investments carried at FVOCI	25	152,731	142,559
Income from investments carried at amortised cost	26	2,483	8,293
Income from investments with Islamic institutions	27	9,007	6,669
Income from investments in financings	28	59,902	96,986
Fee and commission income	29	49,820	38,220
Other income	30	38,026	60,094
		478,309	438,740
Profit paid to financial and non-financial institutions	31	(214,320)	(241,309)
Operating income		263,989	197,431
Expenses			
Staff costs	32	(96,827)	(98,359)
General and administrative expenses	33	(105,965)	(97,988)
Depreciation, amortisation and impairment of goodwill	17, 18	(38,838)	(48,406)
Exchange gain/(loss)		18,041	(19,668)
(Charge)/reversal of allowance for impairment		(734)	7,115
Total expenses		(224,323)	(257,306)
Operating profit/(loss)		**39,666**	**(59,875)**
Share of profit of associated companies	16	63,264	33,282
Profit/(loss) for the year before income taxes		**102,930**	**(26,593)**
Taxes	34	(29,860)	(25,411)
Profit/(loss) for the year after income taxes		**73,070**	**(52,004)**
Attributable to:			
Equity participants		31,154	(26,890)
Non-controlling interests	35	41,916	(25,114)
		73,070	**(52,004)**

Omar Abdi Ali
Member of Board of Supervisor



Amr Mohammed Al Faisal
Chairman

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	2021			2020		
	Equity holders	Non-controlling interests	Total	Equity holders	Non-controlling interests	Total
Profit/(loss) for the year after income taxes	**31,154**	**41,916**	**73,070**	**(26,890)**	**(25,114)**	**(52,004)**
Items that may be subsequently reclassified to the consolidated statement of income						
Net movements in fair value reserves of associated companies	2,191	2,521	4,712	2,322	2,672	4,994
Net movement in fair value of investments carried at FVOCI	(4,131)	(10,416)	(14,547)	(20,071)	(22,513)	(42,584)
Net movements in deferred tax of investments at FVOCI	2,024	4,520	6,544	(1,734)	(3,868)	(5,602)
Foreign currency translation differences of foreign entities	(9,701)	(24,736)	(34,437)	721	(5,477)	(4,756)
Items that will not be reclassified to the consolidated statement of income						
Movement in the fair value of equity investments at FVOCI	(278)	1,423	1,145	(360)	1,515	1,155
Other comprehensive loss	(9,895)	(26,688)	(36,583)	(19,122)	(27,671)	(46,793)
Total comprehensive income/(loss)	**21,259**	**15,228**	**36,487**	**(46,012)**	**(52,785)**	**(98,797)**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

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

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

(Thousands of US dollars)

	Note	Paid in capital	Fiduciary reserve	Fair value reserve	Currency translation	Accumulated losses	Contingency reserve	Total reserves	Non-controlling interests	Total equity
At 1 January 2020		390,316	60,000	6,003	(19,735)	(283,252)	27,124	(209,860)	313,746	494,202
Loss for the year after income tax		-	-	-	-	(26,890)	-	(26,890)	(25,114)	(52,004)
Increase in shareholding of subsidiary		-	-	-	-	2,630	-	2,630	-	2,630
Total other comprehensive loss		-	-	(19,843)	721	-	-	(19,122)	(27,671)	(46,793)
Transfers to contingency reserve *		-	-	-	-	(7,161)	7,161	-	-	-
Dividend		-	-	-	-	-	-	-	(8,716)	(8,716)
Release of Fiduciary Reserve (Note 47)		-	(60,000)	-	-	60,000	-	-	-	-
At 31 December 2020		390,316	-	(13,840)	(19,014)	(254,673)	34,285	(253,242)	252,245	389,319
Profit for the year after income tax		-	-	-		31,154	-	31,154	41,916	73,070
Increase in shareholding of subsidiary		-	-	-	-	47	-	47	34	81
Total other comprehensive loss		-	-	3,120	(9,979)	(3,036)	-	(9,895)	(26,688)	(36,583)
Transfers to contingency reserve *		-	-	-		(6,576)	6,576	-	-	-
Dividend		-	-	-	-	-	-	-	(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**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2021	2020
Cash flows from operating activities			
Profit/(loss) for the year before income taxes and non-controlling interests		102,930	(26,593)
Adjustments for:			
Depreciation, amortisation and impairment	17, 18	38,838	48,406
Interest expenses on lease liabilities	36	9,341	1,603
Fair value adjustments on investment carried at FVTPL	24	4,533	(1,045)
Income from associated companies	16	(63,264)	(33,282)
Changes in fair value of investment properties	14	(3,865)	(836)
(Gain)/loss on disposal of property and equipment	30	(1,578)	133
(Charge)/reversal of allowance for impairment		(734)	7,115
Adjusted cash flow before changes in operating assets and liabilities		87,669	(18,729)
Net increase in investments with Islamic institutions		(165,610)	(66,301)
Net decrease of investment securities carried at FVTPL		3,209	139,148
Net decrease in investments in financings		57,958	509,208
Net decrease in accounts receivable and other assets		12,980	26,400
Net increase in accounts payable, excluding taxes		(24,307)	(92,669)
Cash at central banks - statutory reserve		956	57,744
Net decrease in development properties		68,781	6,392
Net increase/(decrease) in due to banks and other financial institutions		269,684	(216,300)
Net decrease in due to customers		(140,546)	(19,684)
Cash generated from operating activities		170,774	325,209
Taxes refunded	20	36,667	39,486
Net cash generated from operating activities		207,441	364,695

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

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

(Thousands of US dollars)

	Notes	2021	2020
Cash flows from investing activities			
Proceeds from sale of investment properties		6,664	2,159
Dividends from associated companies	16	20,012	28,649
Purchase of investment securities at FVOCI	8	(4,510,181)	(1,796,832)
Disposal of investment securities at FVOCI	8	4,021,223	1,342,231
Purchase of property, equipment, right-of-use assets and intangibles	17, 18	(37,831)	(32,182)
Sale of property, equipment, right-of-use assets and intangibles	17, 18	6,918	19,214
Net cash used in investing activities		(493,195)	(436,761)
Cash flows from financing activities			
Dividends paid to owners of the parent		(135)	(46)
Dividends paid to non-controlling interests		-	(1,127)
Repayment of lease liabilities	36	(16,641)	(14,639)
Net cash used in financing activities		(16,776)	(15,812)
Net decrease in cash and cash equivalents		(302,530)	(87,878)
Foreign currency translation		19,841	(38,854)
Cash and cash equivalents at beginning of year		735,993	862,725
Cash and cash equivalents at end of year	5	453,304	735,993
Non-cash transactions:			
Addition to right-of-use assets (Notes 17, 36)		13,300	8,619
Addition to lease liabilities (Notes 17, 36)		(13,300)	(8,619)
Distribution of in-kind dividends to minority shareholders		10,978	8,716
Distribution of development properties to minority shareholders		(10,978)	(8,716)

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

1. Formation and activities

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

2. Accounting policies

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

Basis of preparation

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

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

New standards, amendments and interpretations effective for the financial year beginning 1 January 2021

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

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 2021 and have not been early adopted by the Group

Amendments to IAS 1, Presentation of financial statements on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

- Amendments to IFRS 3,' Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, ' Leases'.

These standards and interpretations have been issued but are not mandatory for the annual reporting year ended on 31 December 2021. The Group is currently assessing the impact of these standards and interpretations and will apply them from the effective date.

Summary of significant accounting policies

Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(b) Transactions and non-controlling interests

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

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

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

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

(c) Associates

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

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

The cumulative post-acquisition movements are adjusted against the carrying amount of the

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the 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 these agreements is included in customer

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

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

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

Offsetting financial instruments

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

Impairment of non-financial assets

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

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

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

Intangible assets

(a) Goodwill

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

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

(b) Computer software

Acquired computer software 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 comprehensive income. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation

methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually.

Development properties

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

Development properties are carried at 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 entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single 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 'Net trading income' line in the consolidated statement of income.

Impairment

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

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

Restructured financial assets

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

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

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

Derecognition other than on a modification

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

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

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

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

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

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

Financial liabilities

Classification and subsequent measurement

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

Derecognition

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

Financial guarantee contracts and loan commitments

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

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

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

- The amount of the loss allowance; and
- The premium received on initial recognition 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;

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

Each financing and investment exposure is evaluated individually for impairment. In assessing impairment, the Group exercises 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.

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

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,

thereby affecting the associated degree of estimation uncertainty as a result of COVID-19.

Income taxes

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

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

The Group considers it has de facto control of Ithmaar Holding B.S.C. ("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 2021 and 2020 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:

- Formerly Shamil Bank: residual income based on discounted cash flows; (2020: residual income based on discounted cash flows);
- Faysal Bank Limited: dividend discount model based on the expected dividends that shareholders will receive (2020: dividend discount model);
- BBK B.S.C.: Based on Market Approach using Comparable Companies Multiple Method ("CCM") (2020: Market Approach using Comparable Companies Multiple Method ("CCM")).

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. Faysal Bank Limited and Solidarity Group Holding B.S.C (c) have complied with their regulatory capital requirement.

As at the reporting date other subsidiaries within 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 2021 and 2020, the Group did not breach any covenant terms.

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

	2021	2020
Due to banks and other financial institutions	1,347,024	1,077,340
Lease liabilities	79,681	80,691
Less: cash and cash equivalents	(453,304)	(735,993)
Less: cash at Central Bank – statutory reserve	(110,411)	(111,367)
Net debt	862,990	310,671
Total equity	**409,754**	**389,319**
Debt-to-equity ratio	211%	80%

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 accounts and other financial assets and cash at Central Bank.

Credit risk measurement

Investments in financings (incl. loan commitments and guarantees)

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

Considering this evolving situation of COVID-19, the Group has taken pre-emptive measures 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).

Modification loss and government assistance
During 2020, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to US dollars 54.8 million arising from the 6-month payment holidays provided to financing customers without charging additional profits by the banking associate has been recognized in the consolidated statement of income.

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

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

Modified loans

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

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

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

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

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

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group 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).

During 2020, in accordance with CBB instructions the Group has granted payment holidays to its eligible customers by deferring up to six months instalments. These deferrals are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. The Group uses judgement to individually differentiate between a borrowers' short-term liquidity constraints taking into account customers who requested for further deferment and a change in its lifetime credit risk.

Forward-looking information incorporated in the ECL models

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group annually 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.

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

Generating the term structure of PD

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

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

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

	2021 ECL staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**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)**

	2020 ECL staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Investment grade				
Low risk (1-3)	2,909,579	452,890	-	3,362,469
Acceptable risk (4-6)	418,278	243,151	-	661,429
Watch list (7)	-	32,530	-	32,530
Non-performing (8-10)	-	-	715,176	715,176
Total carrying amount before loss allowance	3,327,857	728,571	715,176	**4,771,604**
Loss allowance	**(101,031)**	**(15,969)**	**(536,983)**	**(653,983)**

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 2021 amounts to US dollars 2,288,662 (2020: to US dollars 1,959,767).

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:

	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 originated	-	-	(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 matured	7,588	-	-	7,588
Loss allowance as at 31 December	(1,988)	-	-	(1,988)

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

Gross carrying amount

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

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 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
Accounts receivable and other assets (excluding prepayment, repossessed asset 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

	2021			
	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 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 originated	17,496	-	-	17,496
Gross carrying amount as at 31 December 2021	85,749	-	-	85,749

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

	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Amortised cost				
Cash and cash equivalents				
Gross carrying amount as at 1 January 2020	698,798	-	-	698,798
Net financial assets matured	(126,732)	-	-	(126,732)
Gross carrying amount as at 31 December 2020	572,066	-	-	572,066
Investments with Islamic institutions				
Gross carrying amount as at 1 January 2020	69,380	-	-	69,380
Net financial assets originated	66,301	-	-	66,301
Gross carrying amount as at 31 December 2020	135,681	-	-	135,681
Investments in financings				
Gross carrying amount as at 1 January 2020	1,443,796	141,718	331,096	1,916,610
Net financial assets (matured)/originated	(505,093)	(23,587)	18,761	(509,919)
Gross carrying amount as at 31 December 2020	938,703	118,131	349,857	1,406,691

	2020			
	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 2020	378,876	53,082	107,631	539,589
Net financial assets (matured)/originated	(20,055)	1,177	(10,266)	(29,144)
Gross carrying amount as at 31 December 2020	358,821	54,259	97,365	510,445
Cash at Central Bank – statutory reserve				
Gross carrying amount as at 1 January 2020	169,111	-	-	169,111
Net financial assets matured	(57,744)	-	-	(57,744)
Gross carrying amount as at 31 December 2020	111,367	-	-	111,367
Investment securities carried at FVOCI				
Gross carrying amount as at 1 January 2020	548,089	266,446	427,811	1,242,346
Net financial assets originated/(matured)	470,847	289,735	(159,857)	600,725
Gross carrying amount as at 31 December 2020	1,018,936	556,181	267,954	1,843,071
Amortised cost				
Investment securities at amortised cost (debt)				
Gross carrying amount as at 1 January 2020	175,192	-	-	175,192
Net financial assets matured	(106,939)	-	-	(106,939)
Gross carrying amount as at 31 December 2020	68,253	-	-	68,253

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 2021		
Total currency exposure	(199,000)	(1,474,198)
Reasonable shift	1.54%	8.38%
Total effect on income	(3,065)	(123,538)
At 31 December 2020		
Total currency exposure	(272,882)	(116,742)
Reasonable shift	7.49%	2.5%
Total effect on income	(20,439)	(2,919)

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 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 2020

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

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

At 31 December 2020

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

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

	2021	2020
Pakistan stock exchange (+/-10%)	3,845	2,522
Cairo stock exchange (+/-10%)	565	601

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 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

At 31 December 2020

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

4. Financial instruments (continued)

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

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

At 31 December 2020

	No later than one year	One-five years	Over five years	Total
Endorsements	66,883	-	-	66,883
Guarantees and irrevocable letters of credit	528,497	8,356	14,317	551,170
Undrawn facilities and other commitments to finance	987,633	-	4,054	991,687
Open foreign currency positions	486,915	103,160	-	590,075
Repurchase and resale transactions	18,613	-	-	18,613
Total	2,088,541	111,516	18,371	2,218,428

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 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)

At 31 December 2020

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

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

	2021	2020
Cash on hand	120,559	164,070
Cash at central banks - current account	172,804	156,252
Cash at other banks	159,941	415,671
Cash and cash equivalents	453,304	735,993
Cash at central banks - statutory reserve	110,411	111,367
Cash and bank balances	**563,715**	**847,360**

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 0.7% (2020: 1.01%).

7. Investment securities carried at FVTPL

	2021	2020
- Government securities	66,223	92,940
- Corporate securities	99,840	92,802
Total	**166,063**	**185,742**

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

	2021	2020
At 1 January	185,742	324,890
Additions	3,000,205	3,992,099
Disposals	(3,004,379)	(4,124,588)
Gain on investment securities carried at FVTPL (Note 24)	965	2,285
Revaluation of investment securities carried at FVTPL (Note 24)	(4,533)	1,045
Exchange differences	(11,937)	(9,989)
At 31 December	**166,063**	**185,742**

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.

	2021	2020
Listed securities		
Debt-type investments	338,754	329,600
Equity-type investments	1,986	12,164
	340,740	**341,764**

	2021	2020
Unlisted securities		
Debt-type investments	1,823,538	1,513,471
Provision for expected credit losses	(249,469)	(251,336)
	1,574,069	**1,262,135**
Equity-type investments	**40,979**	**57,293**
	1,615,048	**1,319,428**
Total	**1,955,788**	**1,661,192**

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

	2021	2020
At 1 January	1,661,192	1,100,146
Additions	4,510,181	1,796,832
Disposals	(4,021,223)	(1,342,231)
Net unrealised losses from changes in fair value	(7,455)	(21,139)
Reversal/(charge) of provision for impairment	1,867	(16,955)
Exchange differences	(188,774)	144,539
At 31 December	**1,955,788**	**1,661,192**

9. Investment securities carried at amortised cost

	2021	2020
Investment securities carried at amortised cost	87,737	68,253
Provision for expected credit losses	(1,988)	(9,576)
	85,749	**58,677**

9. Investment securities carried at amortised cost (continued)

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

	2021	2020
At 1 January	58,677	165,122
Additions	50,744	-
Matured	(13,326)	(104,522)
Reversal of provision for impairment	7,588	494
Exchange differences	(17,934)	(2,417)
At 31 December	**85,749**	**58,677**

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

10. Investments in financings

	2021	2020
Investments in financings	1,345,707	1,396,259
Financings subject to finance leases	3,026	10,432
Provision for expected credit losses (Note 11)	(317,143)	(328,058)
Investments in financings	**1,031,590**	**1,078,633**

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

Financings subject to finance leases

2021	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
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**

2020			
Not later than one year	5,963	81	6,044
Later than one year and not later than five years	4,345	43	4,388
	10,308	**124**	**10,432**

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						
2021	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
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

2020	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	291,267	12,733	5,148	12,032	7,589	67,614	396,383
Net charge for impairment	25,369	-	416	9,733	1,573	7,115	44,206
Amounts recovered	(22,834)	-	-	(7,784)	(912)	(5,561)	(37,091)
Foreign exchange	(4,614)	-	(217)	(787)	(654)	(4,298)	(10,570)
Balance at 31 December	289,188	12,733	5,347	13,194	7,596	64,870	392,928

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 2021	Level 1	Level 2	Level 3	Total
Investment securities carried at FVTPL				
Equity securities	52,923	3,099	7,492	63,514
Debt securities	-	102,549	-	102,549
Investment securities carried 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	1,690,117	38,071	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 and Trading securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2021	66,751	-	66,751	-
Total losses	(4,397)	-	(4,397)	-
Profit other comprehensive income	584	-	584	-
Purchases	236	-	236	-
Sales	(25,103)	-	(25,103)	-
At 31 December 2021	38,071	-	38,071	-

12. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2020	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	78,811	4,869	9,458	93,138
Debt securities	52,196	40,408	-	92,604
Investment securities - investment securities at FVOCI				
Equity securities	12,164	-	57,293	69,457
Debt securities	329,600	1,260,949	-	1,590,549
Hedging derivatives	-	1,186	-	1,186
Total financial assets measured at fair value	472,771	1,307,412	66,751	1,846,934
Derivatives held for trading	-	(6,015)	-	(6,015)
Total financial liabilities measured at fair value	-	(6,015)	-	(6,015)

Reconciliation of Level 3 items

	Investment securities and Trading securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2020	179,628	-	179,628	-
Total losses	(16,234)	-	(16,234)	-
Losses other comprehensive income	(19)	-	(19)	-
Purchases	454	-	454	-
Sales	(97,078)	-	(97,078)	-
At 31 December 2020	66,751	-	66,751	-

(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 2021	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI and FVTPL	6,078	(6,078)

At 31 December 2020	Favourable changes	Unfavourable changes
Investment securities - investment securities at FVOCI and FVTPL	5,729	(5,729)

13. Accounts receivable and other assets

	2021	2020
Accounts receivable	153,897	161,461
Insurance receivable (Note 13.2)	103,553	104,514
Repossessed assets (Note 13.1)	29,291	22,339
Prepayments	12,037	16,515
Derivative financial instruments	12	1,186
Other receivables	198,675	204,430
Provision for expected credit losses (Note 11)	(67,936)	(64,870)
	429,529	**445,575**

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 2021 amounted to US dollars 29.3 million (2020: US dollars 22.3 million).

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

13.2 Insurance receivables

	2021	2020
Insurance and other receivables	46,099	51,660
Reinsurance share of outstanding claims	20,840	18,831
Reinsurance share of unearned premium	36,614	34,023
At 31 December	**103,553**	**104,514**

13. Accounts receivable and other assets (continued)

13.2 Insurance receivables (continued)

Outstanding insurance claims	**Gross**	**Reinsurance**	**Net**
Reported claims	37,719	(15,852)	21,867
Incurred but not reported ("IBNR")	14,327	(2,979)	11,348
At 1 January 2021	**52,046**	**(18,831)**	**33,215**
Claims paid/recovered	(73,781)	26,504	(47,277)
Claims incurred	74,211	(28,513)	45,698
Other Adjustments	(21)	-	(21)
Net movement during the year	409	(2,009)	(1,600)
At 31 December 2021	**52,455**	**(20,840)**	**31,615**
Reported claims	34,434	(17,914)	16,520
IBNR	18,021	(2,926)	15,095
At 31 December 2021	**52,455**	**(20,840)**	**31,615**

	Gross	**Reinsurance**	**Net**
Reported claims	43,974	(18,054)	25,920
IBNR	6,728	(3,053)	3,675
At 1 January 2020	**50,702**	**(21,107)**	**29,595**
Claims paid/recovered	(68,096)	23,562	(44,534)
Claims incurred	69,440	(21,286)	48,154
Net movement during the year	1,344	2,276	3,620
At 31 December 2020	**52,046**	**(18,831)**	**33,215**
Reported claims	37,719	(15,852)	21,867
IBNR	14,327	(2,979)	11,348
At 31 December 2020	**52,046**	**(18,831)**	**33,215**

Reinsurers' share of unearned premium	**Gross**	**Reinsurance**	**Net**
1 January	73,003	(34,023)	38,980
Premiums written	149,720	(83,309)	66,411
Premiums earned	(146,250)	80,718	(65,532)
Net movement during the year	3,470	(2,591)	879
Refund of premiums	321	-	321
At 31 December 2021	**76,794**	**(36,614)**	**40,180**

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

14. Investment properties

	2021	2020
At 1 January	348,977	324,647
Additions	30,521	38,557
Disposals	(6,530)	(14,845)
Fair value gain (Note 30)	3,865	836
Transfer to property, equipment and right-of-use assets (Note 17)	(17,101)	-
Net exchange differences	(3,084)	(218)
At 31 December	**356,648**	**348,977**

Certain assets totalling US dollars 86 million (31 December 2020: 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 2021	Favourable changes	Unfavourable changes
Investment properties	35,665	(35,665)
At 31 December 2020		
Investment properties	34,898	(34,898)

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:

	2021	2020
Not later than one year	2,108	1,663
Later than one year and not later than five years	6,557	1,126
	8,665	**2,789**

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 2021. 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 2021	**Significant unobservable input (Level 3)**	**Total**
Land	254,830	254,830
Office buildings	52,625	52,625
Other	49,193	49,193
	356,648	**356,648**
At 31 December 2020		
Land	238,790	238,790
Office buildings	50,175	50,175
Other	60,012	60,012
	348,977	**348,977**

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

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 or losses recognised in profit or loss	2,450	-	-	-
At 31 December	**52,625**	**62,315**	**21,357**	**2,708**

14. Investment properties (continued)

14.1 Fair values of land and buildings (continued)

2021	Barbar Land	Polish Assets	Health Island	Others
At 1 January	51,459	13,218	87,733	60,012
Revaluation gains or losses recognised in profit or loss	536	-	2,954	-
Exchange gains or losses recognised in other comprehensive income	-	-	(4,632)	-
Additional/ (Disposals)	-	(13,218)	30,400	(8,037)
At 31 December	**51,995**	**-**	**116,455**	**51,975**

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

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

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 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.

* 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 2020**	**Fair Value**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Tour de Cointrin Switzerland	50,175	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 375-450 (CHF 390), CHF 7,000-8,000 (CHF 7,172), 5.13-5.73% (5.63%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	62,315	Residual Approach & Comparable	Price per square meter	Residential Plots SAR 1,125-1,300 (SAR 850). Commercial Plots SAR 1,183-2,000 (SAR 1,940)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	2,708	Sales Comparison Approach	Price per square foot	BHD 18	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Development Subdivision Approach	Price Per Square Feet	CAD 5- 9.5 (CAD 7.73)	The higher the price per acre the higher the fair value.
Barbar Land Bahrain	51,459	Sales Comparable & Market Value Approach	Price per square foot	BD 14.86	The higher the price per square foot the higher the fair value.
Polish Assets Poland	13,218	Residual Method	Price per square meter	PLN 1,541 per square meter	The higher the price per square meter the higher the fair value.
Health Island Bahrain	87,733	Sales Comparable Approach	Price per square foot	BD 25.03	The higher the price per square foot the higher the fair value.

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

15. Development properties

	2021	2020
Land	144,103	197,610
Development costs	48,156	74,408
At 31 December	**192,259**	**272,018**

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

	2021	2020
At 1 January	657,161	689,503
Share of profit of associated companies	63,264	33,282
Dividends received	(20,012)	(28,649)
Share of fair value	5,765	(15,152)
Disposals	-	(852)
Provision	-	(1,924)
Transferred to non-current assets held for sale	-	(608)
Increase in share of associate	6,848	-
Exchange differences	(3,631)	(18,439)
At 31 December	**709,395**	**657,161**

16. Investments in associates (continued)

Set out below are the associates of the Group as at 31 December 2021 and 2020, 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
2021				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C.	Bahrain	26	12	Equity
2020				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
BBK B.S.C.	Bahrain	26	12	Equity

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

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

As at 31 December 2021, shares of BBK B.S.C. are quoted at US dollars 1.4 (2020: US dollars 1.4).

Summarised financial information for associates

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

16. Investments in associates (continued)

Summarised statement of financial position

At 31 December

	Naseej B.S.C. (c)		BBK B.S.C.		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Cash and cash equivalents	5,921	19,429	755,438	543,767	761,359	563,196
Investment securities	-	-	2,614,854	1,580,902	2,614,854	1,580,902
Other assets	61,904	75,905	1,322,158	2,472,148	1,384,062	2,548,053
Total current assets	67,825	95,334	4,692,450	4,596,817	4,760,275	4,692,151
Non-current assets	194,547	181,290	5,049,460	5,388,313	5,244,007	5,569,603
Total assets	**262,372**	276,624	**9,741,910**	9,985,130	**10,004,282**	10,261,754
Financial liabilities	22,940	29,877	2,342,706	1,793,000	2,365,646	1,822,877
Other liabilities	4,039	12,850	5,953,050	1,092,838	5,957,089	1,105,688
Total current liabilities	26,979	42,727	8,295,756	2,885,838	8,322,735	2,928,565
Non-current liabilities	-	-	-	5,733,017	-	5,733,017
Total liabilities	**26,979**	42,727	**8,295,756**	8,618,855	**8,322,735**	8,661,582
Net assets	**235,393**	233,897	**1,446,154**	1,366,275	**1,681,547**	1,600,172

Summarised statement of comprehensive income

At 31 December

	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Income	3,107	2,668	306,794	314,938	309,901	317,606
Expense	(4,726)	(6,288)	(164,544)	(174,582)	(169,270)	(180,870)
Income tax expense	-	-	(265)	(796)	(265)	(796)
Post-tax (loss) / profit	**(1,619)**	**(3,620)**	**141,985**	**139,560**	**140,366**	**135,940**
Other comprehensive income/(loss)	-	-	16,981	(61,289)	16,981	(61,289)
Total comprehensive (loss)/income	**(1,619)**	**(3,620)**	**158,966**	**78,271**	**157,347**	**74,651**
Dividends received from associate	**-**	**-**	**71,618**	**102,230**	**71,618**	**102,230**

16. Investments in associates (continued)

Reconciliation of summarised financial information

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

	Nassej B.S.C. (c)		BBK B.S.C.		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Opening net assets	**233,897**	283,074	**1,366,275**	1,452,084	**1,600,172**	1,735,158
(Loss) / profit for the period	(1,619)	(3,620)	141,985	139,560	140,366	135,940
Other comprehensive income/(loss)	-	-	16,981	(61,289)	16,981	(61,289)
Dividends	-	-	(71,618)	(102,230)	(71,618)	(102,230)
Foreign exchange differences	3,115	(45,557)	(7,469)	(61,850)	(4,354)	(107,407)
Closing net assets	**235,393**	233,897	**1,446,154**	1,366,275	**1,681,547**	1,600,172
Adjusted net assets	235,393	233,897	1,446,154	1,366,275	1,681,547	1,600,172
% Interest in associates	31%	31%	26%	26%	-	-
Attributable to the Group	**72,564**	72,508	**378,892**	355,205	**451,456**	427,713
Interest in associates	**72,564**	72,508	**378,892**	355,205	**451,456**	427,713
Goodwill	-	-	143,479	142,479	143,479	142,479
Intangible assets	-	-	43,494	50,671	43,494	50,671
Carrying value at 31 December	**72,564**	72,508	**565,865**	548,355	**638,429**	620,863

The fair value of the listed associate as at 31 December 2021 is US dollars 568 million (2020: US dollars 564 million). The summarised financial information of the Group's other associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	% holding Group
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 2021 and therefore the above information has been arrived at by using the best available financial information.

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
2020						
Unlisted:						
CITIC International Asset Management Limited (Hong Kong)	190,748	22,087	8,250	(11,547)	20%	9%
Sanpak Engineering (Pakistan)	10,751	5,931	4,256	1,505	31%	14%
*Ithraa Capital (Saudi Arabia)	1,732	1,119	-	(5,914)	23%	11%

*For some of the associates, audited information was not available for 31 December 2021 at the time of issuance of the consolidated financial statements for the year ended 31 December 2021 and therefore the above information was 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 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	7,886	12,824	22,218
Disposals	-	(18,308)	-	(18,308)
Foreign exchange differences	(2,366)	(4,665)	-	(7,031)
At 31 December 2021	**272**	**73,145**	**37,506**	**110,923**
Cost				
At 1 January 2020	44,942	125,644	94,468	265,054
Additions	2,123	17,084	8,619	27,826
Disposals	(24,535)	(6,041)	-	(30,576)
Foreign exchange differences	11,037	(2,453)	(1,556)	7,028
At 31 December 2020	**33,567**	**134,234**	**101,531**	**269,332**
Depreciation				
At 1 January 2020	2,040	92,511	12,448	106,999
Charge for the year	843	7,536	12,234	20,613
Disposals	-	(11,362)	-	(11,362)
Foreign exchange differences	(1,753)	(453)	-	(2,206)
At 31 December 2020	**1,130**	**88,232**	**24,682**	**114,044**
Net book value				
At 31 December 2021	**34,219**	**66,806**	**69,547**	**170,572**
At 31 December 2020	**32,437**	**46,002**	**76,849**	**155,288**

Land and buildings at 31 December 2021 included cost of land aggregated US dollars 26.1 million (2020: US dollars 23.6 million).

There were no property, equipment and right-of-use assets held as collateral against liabilities in the Group at 31 December 2021 (2020: Nil).

18. Intangible assets

2021	Goodwill	Customer relations	Core deposits	Other	Total
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**

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

18. Intangible assets (continued)

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

	2021	2020
Ithmaar Holding B.S.C.	154,082	154,384

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

	2021	2020
Accounts payable	155,546	176,840
Insurance related reserves	130,424	126,046
Lease Liability (Note 36)	79,681	80,691
Advance received from customers	2,063	1,050
Demand drafts	80,053	84,448
Accruals	52,457	56,006
Security deposits on consumer leases	1,085	3,675
Dividends payable	12,341	12,476
Derivative financial instruments	5,479	6,015
Employee payables	17,032	16,039
Due to unitholders	35,236	46,664
Deferred income	4,390	2,582
	575,787	**612,532**

20. Tax liability

	2021	2020
Current tax (receivable)/payable		
At 1 January	1,606	(14,798)
Charge for the period (Note 34)	(33,174)	(29,347)
Refund made	36,667	44,601
Exchange differences	(152)	1,150
At 31 December	**4,947**	**1,606**
Deferred tax (asset)/liability		
At 1 January	302	8,757
Charge for the period (Note 34)	(3,314)	(3,936)
Gain due to fair value reserve	(3,786)	(4,609)
Adjustment due to withholding tax payment	-	(5,115)
Adjustment	(286)	5,331
Exchange differences	832	(126)
At 31 December	**(6,252)**	**302**

Current tax receivable	195	171
Current tax payable	(5,142)	(1,777)
	(4,947)	**(1,606)**

Deferred tax assets	9,608	3,341
Deferred tax liabilities	(3,356)	(3,643)
	6,252	**(302)**

21. Due to customers

	2021	2020
Customer current accounts		
Individuals	1,171,802	1,091,360
Financial institutions	6,612	6,240
Corporate institutions	1,516,305	1,482,483
Customer investment accounts		
Individuals	197,561	578,686
Financial institutions	211,405	72,129
Corporate institutions	699,801	713,134
	3,803,486	**3,944,032**

Customer current accounts include balances relating to a counterparty amounting to US dollars 203.9 million (2020: US dollars 223.2 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 427.6 million from two counterparties (2020: US dollars 438.2 million) which were subject to sanctions under US measures and having contractual maturity ranging to up to one month as at 31 December 2021.

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 2021, there were collateralised borrowings in aggregate of US dollars 568.1 million (2020: US dollars 516.6 million).

Cash dividends amounting to US dollars 18.8 million (2020: US dollars 26.9 million) on certain shares pledged as collateral was directly received by the lender during the year and adjusted against the outstanding facility amount as per the agreed terms.

Investment in associates amounting to US dollars 566.6 million (2020: US dollars 548.3 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:

	2021	2020
Funds under management guarantee*	56,229	58,274
Other provisions	5,826	5,826
	62,055	**64,100**

* 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

	2021	2020
Income from foreign exchange trading	11,079	12,290
Gain on investment securities carried at FVTPL (Note 7)	965	2,285
(Loss) / gains from revaluation (Note 7)	(4,533)	1,045
	7,511	**15,620**

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

	2021	2020
Income from government securities	14,813	14,426
Gains from investment securities	133,946	125,860
Income from investments	3,972	2,273
	152,731	**142,559**

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 7.25% - 8.75%.

26. Income from investments carried at amortised cost

	2021	2020
Investment securities carried at amortised cost	2,483	8,293
	2,483	**8,293**

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 9.0 million as at 31 December 2021 (2020: US dollars 6.6 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 6 % to 10.5 % (2020: range of 6 % to 13 %).

28. Income from investments in financings

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

29. Fee and commission income

	2021	2020
Arrangement fees	1,435	5,222
Guarantee fees	1,218	1,151
Other fees from banking services	47,167	31,847
	49,820	**38,220**

30. Other income

	2021	2020
Rental income from investment properties	2,437	3,864
Fair value gain on investment properties (Note 14)	3,865	836
Insurance underwriting profit (note 30.1)	27,013	25,938
Other	4,711	29,456
	38,026	**60,094**

30. Other income (continue)

Other includes gain on disposal of property, equipment and right-of-use assets in the amount of US dollars 1.5 million (2020: loss of US dollars 0.1 million).

30.1 Insurance underwriting profit	2021	2020
Net insurance premiums earned	72,738	74,150
Net insurance claims incurred	(45,725)	(48,212)
	27,013	25,938

31. Profit paid to financial and non-financial institutions

	2021	2020
Profit paid to financial institutions	140,853	175,007
Profit paid to non-financial institutions	73,467	66,389
Interest on due to unitholders	-	(87)
	214,320	**241,309**

32. Staff costs

	2021	2020
Salaries	80,561	79,652
Social security and other statutory costs	1,498	1,955
Pension and end of service	4,812	6,600
Other benefits	9,956	10,152
	96,827	**98,359**

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

	2021	2020
Office expenses	35,474	33,877
Professional fees	17,056	20,035
IT expenses	17,597	16,581
Other	35,838	27,495
	105,965	**97,988**

34. Taxes

	2021	2020
Current taxes (Note 20)	33,174	29,347
Deferred taxes (Note 20)	(3,314)	(3,936)
	29,860	25,411

34. Taxes (continued)

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

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

	2021	2020
Net accounting	31,154	(26,890)
Attributable to zero tax jurisdictions	(45,643)	(73,285)
Attributable to taxable jurisdictions	76,797	46,395
Weighted average tax rate	35%	35%
Weighted average effective tax	26,879	16,238
Government levied exceptional tax	2,981	9,173
Effective tax expense	29,860	25,411

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	2021 Non-controlling		2020 Non-controlling	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	Kingdom of Bahrain	986	53	(516)	53
Faysal Bank Limited	Pakistan	117,997	33	116,101	33
Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain	101,871	45	101,002	45
Gulf Investors Asset Management	Kingdom of Saudi Arabia	2,637	27	2,659	27
Health Island B.S.C. (C)	Kingdom of Bahrain	33,668	50	34,150	50
Cityview Real Estate Development B.S.C. (C)	Kingdom of Bahrain	(2,206)	49	(3,795)	49
Sakana Holistic Housing Solutions B.S.C. (C)	Kingdom of Bahrain	1,576	50	2,644	50
		256,529		252,245	

The non-controlling interest appropriation in the consolidated statement of income of US dollars 41.9 million represents the non-controlling shareholders' share of the losses of these subsidiaries for 2021 (2020: US dollars 25.1 million profit).

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	**2021**	**2020**
Assets	5,990,780	5,866,078
Liabilities	5,700,001	5,577,746
Net assets	290,779	288,332

Summarised Income Statement	**2021**	**2020**
Income	307,487	212,339
Gain/(loss) before income tax	91,202	(36,829)
Income tax expense	(29,859)	(25,374)
Post-tax gain/(loss)	61,343	(62,203)
Other comprehensive loss	(14,696)	(28,099)
Total comprehensive income/(loss)	46,647	(90,302)
Total comprehensive (loss)/income allocated to non-controlling interests	(19,699)	85,911

Summarised Cash Flows	**2021**	**2020**
Operating loss before changes in operating assets and liabilities	(49,041)	(111,523)
Net cash generated from operations	412,753	423,031
Net decrease in investments	(480,352)	(490,782)
Taxes paid	(42,316)	(15,162)
Foreign currency translation adjustments	(133,595)	18,723
Net decrease in cash and cash equivalents	**(292,551)**	**(175,713)**
Cash and cash equivalents at beginning of year	840,781	1,016,494
Cash and cash equivalents at end year	548,230	840,781

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)

	2021	2020
a) Right-of-use assets (Note 17)		
Office space	**69,547**	**76,849**
b) Lease liabilities (Note 19)		
Current	2,151	2,190
Non-current	77,530	78,501
Total	**79,681**	**80,691**

Additions to right-of-use assets during the years ended 31 December 2021 were amounted to US dollars 13.3 million (2020: US dollars 8.6 million). The total cash outflow for lease in 2021 was US dollars 16.6 million (2020: US dollars 14.6 million).

	2021	2020
Interest expenses	9,341	1,603
Depreciation on right-of-use assets (Note 17)	12,824	12,234

37. Funds under management

The Group manages Funds Under Management ("FUM") through its different subsidiaries totalling US dollars 5.52 billion (2020: US dollars 5.14 billion) of which US dollars 1.67 billion (2020: US dollars 1.68 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 2021, three hundred thirty-eight investors (2020: three hundred thirty-six 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 (2020: US dollars 100.7 million). Of the three hundred thirty-eight legal cases, the court has rendered judgement in two hundred forty-seven legal claims (2020: two hundred forty-seven) amounting to US dollars 80.7 million (2020: US dollars 80.7 million). The Company has challenged such judgments in the Appeal Court. The Appeal Court has rendered its judgement in seventy-one cases amounting to US dollars 19.1 million (2020: US dollars 18.9 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

	2021	2020
Loans		
Loans outstanding at 1 January	1,894	1,971
Loans issued during the year	2,409	672
Loan repayments during the year	(1,452)	(688)
Foreign exchange	(145)	(61)
Loans outstanding at 31 December	2,706	1,894

No provisions were recognised in respect of loans given to related parties (2020: 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 2021 of US dollars 29.2 million (2020: US dollars 24.5 million).

c) Current and investment accounts

	Associated companies	
	2021	2020
Amounts payable to:		
Naseej B.S.C. (c)	12,247	10,540

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

	2021	2020
Salaries and other short-term benefits	10,361	10,682
Post-employment benefits	47	42
Other long-term benefits	304	398
	10,712	11,122

39. Contingent liabilities and commitments

Contingent liabilities	2021	2020
Endorsements	47,295	66,883
Performance bid bonds	57,226	38,666
Customer claims	209,271	230,377
Guarantees and irrevocable letters of credit	636,166	551,170
	949,958	**887,096**

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

Commitments	2021	2020
Undrawn facilities, financing lines	870,448	986,813
Other commitments to finance	5,192	4,874
Repurchase and resale transactions	112,714	18,613
Significant net open foreign currency position	561,872	590,075
	1,550,226	**1,600,375**

40. Current and non-current assets and liabilities

At 31 December 2021	Current	Non-current	Total
Cash and cash equivalents	452,641	663	453,304
Cash at Central Bank – statutory reserve	110,411	-	110,411
Investment with Islamic institutions	283,750	17,541	301,291
Investment securities carried at FVTPL	112,034	54,029	166,063
Investments in financings	611,342	420,248	1,031,590
Investment securities carried at FVOCI	1,820,152	135,636	1,955,788
Investment securities carried at amortised cost	85,749	-	85,749
Accounts receivable and other financial assets	199,270	230,259	429,529
Current tax receivable	195	-	195
Investment properties	-	356,648	356,648
Development properties	6,410	185,849	192,259
Investments in associates	6,515	702,880	709,395
Property, equipment and right-of-use assets	14,963	155,609	170,572
Intangible assets	14,495	219,707	234,202
Deferred tax assets	9,608	-	9,608
Total assets	**3,727,535**	**2,479,069**	**6,206,604**
Due to customers	3,798,565	4,921	3,803,486
Due to banks and other financial institutions	1,126,882	220,142	1,347,024
Provisions	-	62,055	62,055
Accounts payable	468,420	107,367	575,787
Current tax payable	5,142	-	5,142
Deferred tax liabilities	3,214	142	3,356
Total liabilities	**5,402,223**	**394,627**	**5,796,850**
Net assets/liabilities	**(1,674,688)**	**2,084,442**	**409,754**
At 31 December 2020			
Total assets	**3,831,554**	**2,261,189**	**6,092,743**
Total liabilities	**5,521,424**	**182,000**	**5,703,424**
Net assets/liabilities	**(1,689,870)**	**2,079,189**	**389,319**

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 2021						
Cash and cash equivalents	352,757	47,104	27,019	26,424	-	453,304
Cash at Central Bank – statutory reserve	-	110,411	-	-	-	110,411
Investments with from Islamic institutions	-	296,461	4,830	-	-	301,291
Investment securities carried at FVTPL	112,351	49,484	1,538	2,690	-	166,063
Investments in financings	1,031,590	-	-	-	-	1,031,590
Investment securities carried at FVOCI	1,941,782	2,434	1,013	5,708	4,851	1,955,788
Investment securities carried at amortised cost	-	85,749	-	-	-	85,749
Accounts receivable and other assets	49,366	169,509	210,654	-	-	429,529
Current tax receivable	-	89	106	-	-	195
Investment properties	14,972	267,757	52,562	21,357	-	356,648
Development properties	-	192,259	-	-	-	192,259
Investments in associates	35,767	673,628	-	-	-	709,395
Property, equipment and right-of-use assets	112,310	21,675	36,587	-	-	170,572
Intangible assets	12,034	222,168	-	-	-	234,202
Deferred tax assets	9,608	-	-	-	-	9,608
Total assets	**3,672,537**	**2,138,728**	**334,309**	**56,179**	**4,851**	**6,206,604**
Customer current accounts	2,525,037	1,073,148	205,301	-	-	3,803,486
Customer investment accounts	633,788	712,416	820	-	-	1,347,024
Due to banks	-	5,826	56,229	-	-	62,055
Provisions	251,650	324,137	-	-	-	575,787
Current tax payable	4,760	30	352	-	-	5,142
Deferred tax liabilities	-	3,214	142	-	-	3,356
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**
At 31 December 2020						
Total assets	**3,175,065**	**2,467,965**	**332,449**	**112,413**	**4,851**	**6,092,743**
Total liabilities	**3,060,361**	**2,343,825**	**298,796**	**-**	**442**	**5,703,424**
Net on-balance sheet position	**114,704**	**124,140**	**33,653**	**112,413**	**4,409**	**389,319**
Contingent liabilities and commitments	**2,385,108**	**102,363**	**-**	**-**	**-**	**2,487,471**

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 2021								
Cash and cash equivalents	365,614	-	2,880	-	84,810	-	-	453,304
Cash at Central Bank – statutory reserve	110,411	-	-	-	-	-	-	110,411
Investments with Islamic institutions	280,334	-	17,207	-	3,750	-	-	301,291
Investment securities carried at FVTPL	45,960	35,320	-	-	78,000	-	6,783	166,063
Investments in financings	23,524	106,987	54,121	152,806	694,152	-	–	1,031,590
Investment securities carried at FVOCI	78,789	32,798	16,306	-	1,825,533	-	2,362	1,955,788
Investment securities carried at amortised cost	-	-	-	-	85,749	-	-	85,749
Accounts receivable and other assets	396,772	415	7,180	24,660	391	-	111	429,529
Current tax receivable	130	-	65	-	-	-	-	195
Investment properties	6,544	-	350,104	-	-	-	-	356,648
Development properties	-	-	192,259	-	-	-	-	192,259
Investments in associates	704,131	871	4,393	-	-		-	709,395
Property, equipment and rights-of-use assets	142,095	-	28,477	-	-	-	-	170,572
Intangible assets	219,735	-	-	-	-	-	14,467	234,202
Deferred tax assets	9,608	-	-	-	-	-	-	9,608
Total assets	**2,383,647**	**176,391**	**672,992**	**177,466**	**2,772,385**	**-**	**23,723**	**6,206,604**
Due to customers	1,675,179	301,737	231,720	877,926	644,739	-	72,185	3,803,486
Due to banks and other financial institutions	1,243,516	-	8,904	-	-	-	94,604	1,347,024
Provisions	7,055	-	55,000	-	-	-	-	62,055
Accounts payable	449,770	3,785	89,325	24,664	2,286	-	5,957	575,787
Deferred tax liabilities	4,812	-	330	-	-	-	-	5,142
Current tax payable	3,214	-	142	-	-	-	-	3,356
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**
At 31 December 2020								
Total assets	**2,367,642**	**508,336**	**763,316**	**332,231**	**1,880,743**	**46,079**	**194,396**	**6,092,743**
Total liabilities	**2,344,836**	**947,495**	**372,368**	**636,289**	**530,495**	**73,399**	**798,542**	**5,703,424**
Net on-balance sheet position	**22,806**	**(439,159)**	**390,948**	**(304,058)**	**1,350,248**	**(27,320)**	**(604,146)**	**389,319**
Contingent liabilities and commitments	**23,579**	**1,634,468**	**87,389**	**15,076**	**27,955**	**165,418**	**533,586**	**2,487,471**

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 2021						
Cash and cash equivalents	444,768	5,979	1,894	663	-	453,304
Cash at Central Bank – statutory reserve	-	110,411	-	-	-	110,411
Investments with Islamic institutions	170,378	59,228	54,144	17,541	-	301,291
Investment securities carried at FVTPL	25,294	40,755	45,985	50,744	3,285	166,063
Investments in financings	297,222	314,120	-	140,332	279,916	1,031,590
Investment securities carried at FVOCI	-	4,166	1,815,986	105,906	29,730	1,955,788
Investment securities carried at amortised cost	-	-	85,749	-	-	85,749
Accounts receivable and other financial assets	45,006	1,733	152,531	217,221	13,038	429,529
Current tax receivable	195	-	-	-	-	195
Investment properties	-	-	6,410	52,948	297,290	356,648
Development properties	-	-	-	192,259	-	192,259
Investments in associates	-	-	6,515	-	702,880	709,395
Property, equipment and right-of-use assets	-	5,915	9,048	71,211	84,398	170,572
Intangible assets	-	-	14,495	1,352	218,355	234,202
Deferred tax assets	-	-	-	9,608	-	9,608
Total assets	**982,863**	**542,307**	**2,192,757**	**859,785**	**1,628,892**	**6,206,604**
Due to customers	3,402,072	396,493	-	4,915	6	3,803,486
Due to banks	636,539	306,871	183,472	17,672	202,470	1,347,024
Provisions	-	-	-	1,229	60,826	62,055
Accounts payable	201,893	-	266,527	33,301	74,066	575,787
Current tax payable	382	4,760	-	-	-	5,142
Deferred tax liabilities	-	3,214	-	-	142	3,356
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**
At 31 December 2020						
Total assets	**1,430,839**	**1,087,450**	**647,679**	**1,076,192**	**1,850,583**	**6,092,743**
Total liabilities	**4,364,442**	**465,156**	**691,826**	**81,635**	**100,365**	**5,703,424**
Net liquidity gap	**(2,933,603)**	**622,294**	**(44,147)**	**994,557**	**1,750,218**	**389,319**

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 2021									
Cash and cash equivalents	103,736	193,996	104,649	23,355	6,011	10,603	133	10,821	453,304
Cash at Central Bank – statutory reserve	-	-	110,411	-	-	-	-	-	110,411
Due from Islamic institutions	38,823	-	174,130	72,357	-	-	-	15,981	301,291
Investment securities carried at FVTPL	3,824	112,033	7,817	494	476	33,192	-	8,227	166,063
Investments in financings	-	899,909	128,377	-	-	-	-	3,304	1,031,590
Investment securities carried at FVOCI	77,312	1,846,494	21,213	2,706	510	-	2,702	4,851	1,955,788
Investment securities carried at amortised cost	-	85,749	-	-	-	-	-	-	85,749
Accounts receivable and other assets	207,337	49,202	83,626	61,308	9,891	528	604	17,033	429,529
Current tax receivable	7	-	81	19	88	-	-	-	195
Investment properties	13,181	6,544	191,273	1,667	50,895	62,316	-	30,772	356,648
Development properties	-	-	192,259	-	-	-	-	-	192,259
Investments in associates	668,742	6,515	4,884	-	-	1	-	29,253	709,395
Property, equipment and right of use assets	987	112,139	6,031	-	36,586	2	58	14,769	170,572
Intangible assets	216,470	12,034	-	-	-	-	-	5,698	234,202
Deferred tax assets	-	9,608	-	-	-	-	-	-	9,608
Total assets	**1,330,419**	**3,334,223**	**1,024,751**	**161,906**	**104,457**	**106,642**	**3,497**	**140,709**	**6,206,604**
Due to customers	1,054,958	2,241,323	242,167	227,116	-	4,060	-	33,862	3,803,486
Due to banks and other financial institutions	325,737	570,043	22,552	101,548	-	-	-	327,144	1,347,024
Provisions	7,055	-	-	55,000	-	-	-	-	62,055
Accounts payable	78,821	99,282	326,396	5,190	-	-	1,141	64,957	575,787
Current tax payable	8	4,760	22	17	335	-	-	-	5,142
Deferred tax liabilities	-	-	3,214	-	142	-	-	-	3,356
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**
At 31 December 2020									
Total assets	**1,603,399**	**3,013,042**	**929,377**	**104,095**	**109,604**	**100,539**	**10,234**	**222,453**	**6,092,743**
Total liabilities	**551,063**	**2,953,878**	**1,340,095**	**408,999**	**7,498**	**10,663**	**1,035**	**430,193**	**5,703,424**
Net on-balance sheet position	**1,052,336**	**59,164**	**(410,718)**	**(304,904)**	**102,106**	**89,876**	**9,199**	**(207,740)**	**389,319**
Contingent liabilities and commitments	**1,216,008**	**921,668**	**138,690**	**104,607**	**975**	**16,486**	**-**	**89,037**	**2,487,471**

44 Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 22 August 2022 and are subject to approval at the Annual General Meeting, which will be held on 24 September 2022.

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 I 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
Solidarity Group Holding B.S.C. (c)	Insurance	56	26	Kingdom of Bahrain

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

The Group considers it has de facto control of Ithmaar Holding 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 2021 and 2020 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 2021 and 2020. 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 Subsequent events

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 remains subject to regulatory approvals and the signing of definitive agreements.

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

	30 September 2021
Cash and balances with banks and central banks	57,825
Consumer business assets	1,460,584
Bank of Bahrain and Kuwait B.S.C.	520,751
Solidarity Group Holding B.S.C. (c)	105,918
	2,145,078

The consideration will be settled by transferring consumer business liabilities of US dollars 2.2 billion (as of 30 September 2021).

Final values and premium will be determined on the carrying values of assets and liabilities subject to the transaction as of the date of business transfer to be mutually agreed after completion of regulatory and legal formalities and shareholders' approval.

The assets subject to the transaction with Al Salam were not classified as held for sale in the consolidated financial statements as at 31 December 2021, based on the Group's assessment of the criteria specified by IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The Group's assessment was mainly based on the fact that assets subject to transaction were not available for immediate sale in present condition and the transaction is subject to certain conditions such as identification of assets at business transfer date, the finalisation of tentative and definitive agreements, indication of premium and price as of 31 December 2021. Further, the transaction remains subject to shareholders' and regulatory approvals.