

Dar Al-Maal Al-Islami Trust

**ANNUAL REPORT
2023**

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Commonwealth of the Bahamas

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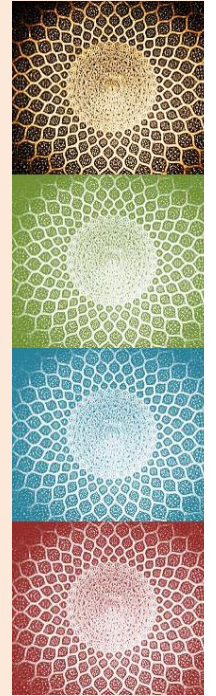
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Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda
(Resigned on 24 September 2022)

Omar Abdi Ali

Khalid Omar Abdel Rahman Azzam

Moustafa Abu Bakr Azzam

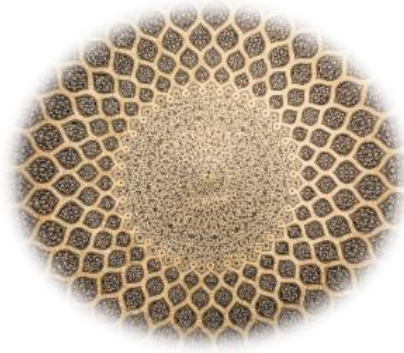
Abdulaziz Abdulrahman Alessa

Religious Board

Nasr Farid Mohamed Wasel, Chairman

Halil Gonenc

Osama Mohamed Ali



DAR AL-MAAL AL-ISLAMI TRUST

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

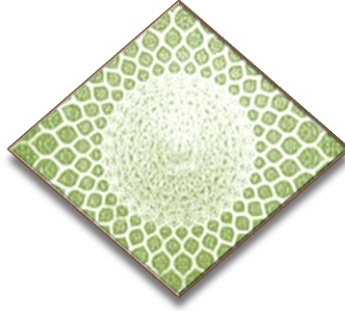
The Group comprises three main business sectors: Islamic banking, Islamic investment and Islamic insurance.

The Group is offering commercial and retail banking in the Gulf region and other parts of the world. Fund management and financial

services as well as Islamic investment companies are located in Bahrain, Egypt and Pakistan. There are also associated Islamic insurance companies based in Bahrain and Jordan, providing services to the Islamic communities in the Middle East.

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

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



CHAIRMAN'S MESSAGE

Dear Participants,

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

On behalf of the Board of Supervisors, I am pleased to present the forty-two annual report of Dar Al-Maal Al-Islami Trust ("DMIT") for the financial year ended 31 December 2023.

I am pleased to report the 2023 Group's progress and key achievements. 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.

IMF has estimated global economic activity growth at 3.2 percent and is projected to continue at the same pace in 2024 and 2025. The pace of expansion is low by historical standards, owing to both near-term factors, such as still-high borrowing costs and withdrawal of fiscal support, and longer-term effects from the COVID-19 pandemic; Russia – Ukraine war; weak growth in productivity; and increasing geoeconomic fragmentation. Global headline inflation was expected to fall from an annual average of 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies. The latest forecast for global growth five years from now at 3.1 percent is at its lowest in decades. In emerging markets and developing economies, disruptions to production and shipping of commodities, especially due to oil conflicts, civil unrest, and extreme weather events, have led to downward revisions to the outlook

for the Middle East. These have been compensated for by upgrades to the forecast for emerging Asia, where surging demand for semiconductors and electronics, driven by significant investments in artificial intelligence ("AI"), has bolstered growth. The latest forecast for global growth for five years from now at 3.1 percent remains mediocre compared with the pre-pandemic average.

Risks to the global outlook are tilted to the downside amid elevated policy uncertainty. Sudden eruptions in financial market volatility, as experienced in early August of 2024 could tighten financial conditions and weigh on investment and growth, especially in developing economies in which large near-term external financing needs may trigger capital outflows and debt distress. Further disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions, could prevent central banks from easing monetary policy, which would pose significant challenges to fiscal policy and financial stability.

As of September 2024, Fitch Ratings expected world growth to be in line with its historical trend in 2024 at 2.7%, They have revised up the US growth forecast for 2024 to 2.5% from 2.1% in June, It was also expected global GDP to slow to 2.5% in 2025 as US growth falls to 1.6% on a fading fiscal impulse and gradual slowdown in consumption, and as household income decelerates. The Federal Reserve's easing cycle is finally about to begin but rates will remain restrictive next year and the impact of rate cuts on growth will be minimal.

Fitch expect China's growth to fall in 2025 to 4.5% from 4.8% in 2024 as rapid export growth eases. But eurozone growth should recover to 1.5% in 2025 from 0.8% this year.

Recent data have boosted the Fed's confidence that disinflation is on track, and they have effectively preannounced a rate cut in September 2024. Fitch Ratings expected 25bp cuts at the September and December meetings and further cuts of 125bp in 2025 and 75bp in 2026. These forecasts represent a less aggressive easing cycle than most prior Fed easing episodes. There is still work to be done in reducing services inflation.

According to Fitch, Most Middle Eastern bank sector outlooks are neutral, reflecting solid economic conditions and reasonable credit growth supported by high oil prices, especially in the GCC.

This resilience in global banks' outlook is largely due to solid capitalization, improved profitability, and still sound asset quality. That said, the slow economic growth expected in the second half of the year, while interest rates remain elevated, presents headwinds for business volumes, asset quality, and financing conditions. In addition, the Russia-Ukraine war and Middle East geopolitics bring spillover risks, including market volatility. Positively, most banks' earnings continue to benefit from high interest rates and limited credit losses.

Oil production has largely been undisrupted, but this could change if Iranian energy infrastructure is damaged. In addition, global oil inventories are much lower today, currently standing at 4.4 billion barrels, the lowest on record since January 2017. Overall, J.P. Morgan Commodities Research forecasts Brent could average \$80/bbl in the fourth quarter of 2024 and \$75/bbl in 2025, declining to the low \$60s by end-2025.

The World Bank expected economic growth in the Gulf Cooperation Council ("GCC") region to rebound to 2.8% and 4.7% in 2024 and 2025, respectively. The encouraging regional prospects and rebound are not just due to the anticipated recovery in oil output, as OPEC+ gradually relaxes production quotas during the second half of 2024 but also builds on the strong momentum of the non-oil economy, which is expected to continue to expand at a robust pace over the medium term. The commitment of the GCC to diversifying their economies highlights their strategic approach to fostering resilience and sustainable development during a volatile global economic period. Despite diversification efforts, hydrocarbon receipts will remain

crucial in shaping the region's fiscal and external balances in the medium term.

Prominent economy in the region, the Kingdom of Saudi Arabia ("KSA"), have been exploring ways to diversify from relying on oil as their main revenue source, with many economists predicting the growth rate in non-oil GDP will be largely in line with oil GDP growth next year. KSA's economy is undergoing a transformation as it implements reforms to reduce oil dependence, diversify income and enhance competitiveness. KSA will use its financial muscles to cultivate new alliances, despite the periodic strains that this will place on its long-standing strategic relationship with the US. KSA will use its Public Investment Fund ("PIF"), its rapidly growing sovereign wealth fund, to invest in Vision 2030 projects and will also seek to encourage an increase in private-sector participation in key areas, including tourism and renewable energy. Economic activity will remain comparatively robust in 2025-28, helped by steadily expanding hydrocarbons production and a rising contribution from non-oil sectors. Backed by its large financial assets, KSA has historically demonstrated a capacity to weather significant global headwinds. The 9 October 2022, the Reuters poll of 21 economists forecast the KSA's economy would expand 4.4 percent in 2025, the fastest in three years, up from 1.3 percent in 2024.

As per Reuters Economics, projected that Egyptian GDP to grow to 4.0% in 2024 to the end of June 2025 as austerity measures imposed under an IMF program run their course. The GDP growth fell to 2.4% from 3.8% a year earlier, according to Egyptian Central Bank's data, dragged down by a currency crisis and the war in neighboring Gaza, which has cut into Suez Canal revenue and slowed tourism. During 2024, Egypt sold the rights to develop real estate on its Mediterranean coast (Ras Al- Hikma), to UAE sovereign fund ADQ for \$24 billion, paving the way the following month for an \$8 billion financial reform package agreement with the IIMF. The IMF package, which unlocked billions of dollars of additional funds from the World Bank and European Union, requires Egypt to reduce subsidies on fuel, electricity, and other commodities and to allow its currency to float freely. The IMF predicted in October 2024 that Egypt's economy would grow 4.1% in 2025. According to the median currency forecast from analysts the Egyptian pound will weaken to L.E.50.4 per \$

Dollar by end-June 2025 and to L.E.52 by end-June 2026.

Despite the challenging business environment, tight monetary policies and prominent level of uncertainties, the Group achieved a net profit after tax of \$ 31.1 million compared with a net profit of \$ 5.2 million in 2022, after accounting for depreciation, amortization and impairment of goodwill being of \$ 20.6 million, lower than 2022 of \$ 77.8 million. In addition, in 2022, the Group suffered a loss of \$ 15 million, due to discontinued operations. Also, there was a reversal in provision during the current year of \$ 1.4 million, compared to provision charge of \$ 5.4 million in 2022. This was offset by an exchange loss of \$ 9.7 million in 2023 compared to an exchange gain of \$ 10.5 million in 2022, and higher tax expense in 2023 of \$70 million, compared to \$ 50 million in 2022, due to increase tax rate and volume in Pakistani. The Trust capital has improved from \$ 154.1million at the end of 2022 to \$163.5 million at end of 2023. Similarly, the value of each equity participation Unit has increased from \$38.98 in 2022 to \$41.38 in December 2023. The Group 's good performance in 2023, reflects our adherence to our resilience, good assets quality standards, investment diversification, operating within an acceptable risk parameter, and elevated levels of liquidity aiming to enhance profitability to Unitholders.

The Group continues as dedicated to being a responsible caretaker of the environment and has introduced initiatives in its Environmental, Social and Corporate Governance ("ESG") efforts during the current year. A testament to this dedication is that FBL has been honoured by Global Diversity, Equity, and Inclusion Benchmark (GDEIB) Awards in January 2025, securing a remarkable set of fourteen awards, and consolidating the Group's position as leaders in Diversity, Equity, and Inclusion. Similarly, other entities within the Group have been continuously making meaningful contributions to education, environmental sustainability, and community development and welfare. The Group will continue to implement more effective ESG initiatives with the aim of enhancing Group's positive impact on society and the environment. By reinforcing our responsible banking commitments and integrating a resilient governance and risk culture, the Group strives to empower all stakeholders, drive a positive impact on society, and deliver good returns to our Unitholders.

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

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. In 2023 Ithmaar reported a loss attributed to shareholders of \$ 9.31 million compared to a loss of \$38.4 million in 2022. The reduction in losses is primarily attributed to higher net operating income of \$ 283 million in 2023 compared to \$ 257 million in 2022. Overseas taxation amounted to \$70 million (2022: \$ 55 million) due to higher profit in Pakistan, and a provision for expected credit losses of \$ 17 million (2022: \$ 22 million).

In Q1 2024, discussions begun with GFH Financial Group ("GFH") to potentially acquire about 71% of Ithmaar Bahrain's corporate real estate portfolio, about 51% stake in FBL and transfer the entire Bahrain corporate assets and liabilities. EGM took place on 28 May 2024 to present the matter to shareholders of the Group for their approval. The deal was approved by the shareholders. The transaction amounted to approximately \$ 700 million. Ithmaar Holding and GFH mutually agreed on 14 April 2025, to drop negotiation of this transaction.

Faysal Bank Limited, Pakistan ("FBL") which is 66.7% owned by Ithmaar Bank has completed the biggest ever conversion into an Islamic bank. Accordingly, with effect from January 2023, FBL has been operating as a full-fledged Islamic bank. FBL continued expansion of its retail network in Pakistan, digitalization, and enhancement of services.

With unwavering commitment to excellence, the Bank has achieved remarkable financial performance and experienced unprecedented growth. Despite the challenges that have come our way, the Bank has consistently demonstrated itself to be a strong, resilient institution that has weathered the storms to celebrate this significant milestone of Deposits

crossing PKR One Trillion mark (\$ 3.62 billion). The Bank is now positioned as a key player in Pakistan's Islamic banking sector. On a standalone basis, FBL has achieved a record-breaking Profit after Tax (PAT) of PKR 20.1 billion (\$ 72.1 million), 78% higher than PKR 11.2 billion (\$ 54.7 million) earned in 2022. Furthermore, Earnings Per Share exhibited a commendable rise, surging from PKR 7.40 in 2022 to PKR 13.21 in 2023.

During the year 2023, the Bank continued its growth trajectory and has substantially increased total revenue by 70% over 2022, from PKR 49 billion (\$ 239 million) in 2022 to PKR 83 billion in 2023 (\$ 298 million). Robust growth in the balance sheet coupled with an increase in spreads led to a year-on-year growth of 78% in net spread earned, taking it to PKR 71.1 billion (\$ 255 million). Healthy growth in current deposits of PKR 49 billion (\$174 million) (18%) and increase in the average benchmark rate helped improving overall spreads. Non-Funded income grew by 36% from PKR 8.9 billion (\$ 43 million) in 2022 to PKR 12.1 billion (\$ 44 million) in 2023.

As a result of prevailing circumstances of historically high inflation, a depreciating PKR relative to the USD, and an expanding branch network to 855 branches, the Bank's total expenses have risen by 48.4% over 2022. However, the cost to income ratio has improved from 56.2% in 2022 to 49.1% in 2023. Net provision for 2023 was PKR 0.91 billion (\$ 3.3 million), compared to a reversal of PKR 0.94 billion in 2022 (\$ 4.6 million). The impairment ratio continued to reduce to 3.8% with total provision coverage at 87%.

As a result of strong deposit mobilization, FBL total assets continued to grow to PKR 1.4 trillion (\$4.98 billion). The upward trend in Current Accounts seen over the past few years continued, taking them to PKR 326 billion (\$ 1.12 billion i.e., 18% growth over 2022. Total deposits crossed PKR 1 trillion (\$3.62 billion) mark and increased by 30% over 2022, improving market share from 3.5% to 3.7% in 2023. The CASA mix, however, due to growth in Term Deposits, decreased from 80% in 2022 to 75% in 2023 which is of a temporary nature.

Pursuant to strengthen its capital base, FBL has maintained its Capital Adequacy Ratio (CAR) at 17.5%. The new business structure at FBL, future strategy will focus on building up and expanding Islamic finance which enjoyed a successful year taking lead role in several

syndications and big-ticket transactions. FBL is confident that synergies will be captured, and the expectations of its shareholders will be met. FBL will continue to invest and expand in branch infrastructure. Reflecting FBL's commitment to provide a better, easier, and modern Islamic banking. FBL is focused on providing comprehensive yet innovative digital services and will continue to invest in innovative technologies, to improve FBL's digital offerings.

The Bank remains steadfast in its dedication to delivering exceptional results and creating sustainable value for stakeholders. With a strong foundation and a strategic focus on growth, we are confident in our ability to In Sha Allah, achieve new heights in future.

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

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of \$ 12.5 million in 2023 primarily from Management fee, compared to \$ 11.8 million in 2022. The increase in net income during 2023 was mainly attributed to an increase in income from short term investments as well as a favourable FX revaluation of investments held for sale. Shareholder's equity in 2023 increased to \$ 124 million compared to \$116 million in 2022. IICG's total assets reported an increase by 4.6%, from \$131 million in 2022, to \$136 million in 2023. The increase is primarily attributed to an increase in amounts due from funds under management. IICG's Modarabas (Funds Under Management) amounted to \$ 1.65 billion in December 2023, a marginal decrease from \$ 1.67 billion in 2022, due to partial redemptions to the investors.

IICG has continued its efforts to liquidate its Modarabas. All such Modaraba assets are under liquidation to be distributed to the investors proportionately. So far, a total distribution of 15% of investors' equity has been made since the inception of liquidation process. As the liquidation of the assets progresses, further repayments of Modarabas capital will be made to the investors when more assets are liquidated. The overall Group risk in respect of Funds Under Management is under close monitoring of the Board of Supervisors.

IICG's 73.3% owned subsidiary, Gulf Investors Asset Management Company ("GIAMCO"), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, recorded a net loss of 0.4 million in 2023 compared to a net loss of \$ 0.1 million in 2022. Total Funds Under Management of GIAMCO as of December 31, 2023, amounted to \$ 44 million the same as 2022).

In line with the soft liquidation plan of GIAMCO's Modarabas, the Board decided to fully liquidate the remainder of GIAMCO's three real estate funds by the end of 2025 depending on market conditions.

Faisal Islamic Bank of Egypt ("FIBE"), 44.9% owned primarily, by Group's managed funds, has continued its journey in delivering good performance at all levels. As of December 31, 2023, the exchange rate was US\$1 = L.E. 30.85 compared with L.E. 24.74 in 2022. FIBE has continued to maintain its leadership in Islamic banking activities within the Egyptian market and strengthened its competitive position considerably on local and regional levels. The branch network expanded to 41 branches during 2023, while more branches are planned for 2024 including the opening of the new branch in the Administrative Capital. Similarly, the number of accounts increased to 2 million and the ATM's network expanded to 555 by December 2023.

FIBE has continued its policy of strengthening its capital base and mitigating the risks related to its activities. As of 31 December 2023, the Capital Adequacy Ratio ("CAR") for FIBE amounted to 23% (2022: 29%) as compared with a regulatory minimum requirement of 12.5%.

Whilst FIBE's net operating income has increased by 34% in local currency's term from L.E 4.4 billion in 2022 (\$ 227 million) to L.E 5.9 billion (\$ 195 million) in 2023, net profit after tax in 2023 amounted to L.E. 4,056 million (\$ 134 million) compared with L.E. 4,475 million (\$ 231 million) in 2022, a marginal decrease of 9% in local currency terms. The net results for 2023 in local currency have been lower than 2022 mainly due to an increase in administration expenses from L.E 1.4 billion (\$72 million) in 2022 to L.E 2.1 billion (\$69 million) in 2023 due to inflation, as well as charge of impairment credit losses of L.E. 681.

million (\$22 million) to strengthen the provisioning level.

Total assets in 2023 amounted to L.E. 177 billion (\$ 5.7 billion) represent an increase of 16.5 % over December 2022 of L.E. 152 billion (\$ 6.1 billion). Shareholders' equity in 2023 amounted to L.E. 24.87 billion (\$ 805 million) compared to L.E. 21.96 billion (\$ 888 million) for the previous year, an increase of 13% in local currency terms. The most important source of funds for FIBE 's savings pools and investment certificates (funds under management) increased by 5.5%, from L.E. 123.6 billion (\$ 4.6 billion) in 2022 to L.E. 130.4 billion (\$ 4.2 billion) in 2023.

For 2023, the shareholders have approved a 6% dividend pay-out (2022: 8%). FIBE will continue its journey in playing a leading role in the development and flourishing of Islamic banking in Egypt and consolidation of its position, as a leading Islamic bank.

Outlook

The IMF outlook for global growth is expected to remain stable. At 3.2 percent in 2024 and 2025, the growth projection is unchanged from July 2024. The latest forecast for global growth for five years from now at 3.1 percent remains mediocre compared with the pre-pandemic average. Persistent structural headwinds—such as population aging and weak productivity are holding back potential growth in many economies.

The latest round of U.S. trade tariffs unveiled on 2 April 2025 will sap yet more vigour from a world economy barely recovered from the post-pandemic inflation surge, weighed down by record debt and unnerved by geopolitical strife. Depending on how the US and other countries proceed, it may also go down as a turning point for a globalized system that until now had taken for granted the strength of the US, its largest component. Demand-dampening - effects of new levies applied to thousands of goods bought and sold by consumers and businesses across the planet that will prevail. It is seen as a drift of the U.S. and global economy towards worse performance, more uncertainty and possibly heading towards global recession. The US have imposed a 10% baseline tariff on all imports and higher duties on biggest trading partners, including 20% on EEC, 245% on China to which similar tariffs have been imposed on imports from the U.S. The US said

the tariffs would return strategically vital manufacturing capabilities to the U.S. Under the new global levies imposed the U.S. tariff rate on all imports jumped to 22% - a rate last seen around 1910 - from just 2.5% in 2024 - Fitch Ratings.

But the impact on national economies is set to diverge widely, given the spectrum of tariffs ranging from 10% to 49% for Cambodia to 245% to China. If the result is a wider trade war, that would have even larger repercussions for producers like China, which would be left hunting for new markets in the face of weak domestic consumption. Asian economies will be hit harder than most by U.S. reciprocal tariffs, as they are also more dependent on U.S. goods demand than most. If the tariffs persist, this will push the U.S. itself towards recession that will weigh heavily on developing countries whose fortunes are closely tied to those of the world's largest economy – Capital Economics.

Uncertainties are expected to persist in 2025 and 2026 in relation high tariffs era, the Russian-Ukraine war and Middle geopolitics, shortage of energy, food, commodities, and disruptions in supply chains

The Board of Supervisors will continue to oversee the task of striking the right balance between the opportunities and risks that we see. We will continue to encourage product

innovation and have extended support to branch expansion and digitalization.

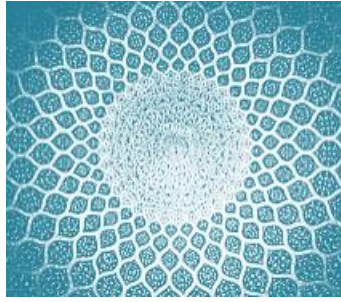
The Group's performance and success during 2023 amid the economic challenges it faced e.g., in Egypt and Pakistan, increases our determination towards achieving better results soon and actively contributing to supporting our clients, gaining traction for the next level of growth and profitability and achieving added value to our valuable Unitholders. The Group is well-positioned with good momentum in coming months. The Group will continue to invest in modern technologies to improve digital offerings and customer experience. We will continue to invest in our workforce and foster a culture that encourages our core values: Integrity, Teamwork, Innovation, and Care.

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

Allah is the purveyor of success.



Amr Mohammed Al Faisal



REPORT OF THE RELIGIOUS BOARD

The DMI Trust Religious Board held a meeting in Cairo, Egypt, on Thursday 5, Jumada al-Awwal 1446H, corresponding to 7 November 2024.

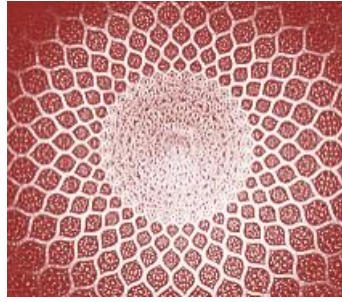
During the said meeting the Religious Board went through and reviewed the investment operations of DMI and its subsidiaries during the period under review.

Furthermore the Religious Board reviewed the 2023 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.

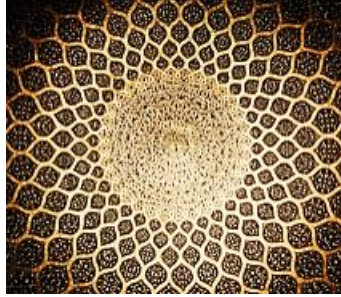
Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board



Ten-Year Financial Summary

In Millions of USD

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Group profit/(loss)	23.4	(59.9)	(26.5)	(46.5)	(44.9)	21.0	(52.0)	73.1	5.2	31.0
Net unitholders profit/(loss)	35.1	(40.2)	(41.7)	(14.6)	(27.5)	13.1	(26.9)	31.2	1.7	7.5
Funds under Management	9,009	9,105	9,053	8,705	8,620	8,271	8,969	9,493	7,371	7,429
Return on average trust capital	7.4%	(9.7) %	(11.1) %	(5.0) %	(16.4) %	7.3%	(17.2) %	20.4%	1.1%	4.7%
Trust capital	473	416	375	289	168	180	137	153	154	164
Number of units in issue	3'955'606	3'955'606	3'955'606	3'955'606	3'955'606	3'955'606	3'952'481	3'952'481	3'952'481	3'952'481
Book value per unit (US dollars)	119.47	105.26	94.75	73.06	42.53	45.62	34.68	38.77	38.98	41.38



Dar Al-Maal Al-Islami Trust

2023

Consolidated Financial Statements

1 January 2023 – 31 December 2023

Dar Al-Maal Al-Islami Trust
CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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Independent auditors' report

To the Shareholders of
Dar Al-Maal Al-Islami Trust
Nassau, Commonwealth of Bahamas

Qualified Opinion

We have audited the consolidated financial statements of Dar Al-Maal Al-Islami Trust (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' section of our report below, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Qualified Opinion

As described in Note 17 to the consolidated financial statements, the Group holds intangible assets, including goodwill, with a net book value of USD 132.5 million as at 31 December 2023 (31 December 2022: USD 138.4 million) that relate to the Ithmaar Holding B.S.C., a cash-generating unit (CGU) of the Group. Based on an impairment assessment of goodwill performed by management, no impairment loss was recognized during the year. However, our independent evaluation of the key assumptions and estimates used in the impairment assessment indicate that certain assumptions and inputs used were not reflective of the performance, markets and financial position of the cash generating unit being assessed, and the intangible assets including goodwill may not be fully recoverable and therefore impairment of USD 97.4 million should have been recognised. Had the Group recorded this impairment loss, the amount of intangible assets, including goodwill and equity attributable to shareholders of the Company as at 31 December 2023 and profit and total comprehensive income for the year ended 31 December 2023 would have reduced by USD 97.4 million.

The Group has amounts due from funds under management of USD 99.9 million in the statement of financial position as at 31 December 2023 (USD 93.9 million as at 31 December 2022). The Group has not recorded expected credit losses on this balance in accordance with the requirements of IFRS 9 "Financial instruments". Had the Group recognised these expected credit losses, the amount of the due from funds under management as at 31 December 2023 would have reduced by USD 10 million (31 December 2022: USD 7.6 million), profit for the year ended 31 December 2023 would have reduced by USD 2.4 million (31 December 2022: 3.1 million) and net equity as at 31 December 2023 would have reduced by USD 7.6 million (31 December 2022: USD 4.5 million).

Emphasis of Matters

Legal cases

We draw your attention to Note 36 to the consolidated financial statements which describes the various claims against the Group, in respect of its funds management operations, amounting to USD 104.3 million as at 31 December 2023 (2022: USD 102.7 million) the outcome of which is uncertain. The Group is contesting the validity and jurisdiction of such claims which are in various stages of appeal. Our opinion is not qualified in respect of this matter.

Independent auditors' report (continued)
Dar Al-Maal Al-Islami Trust

Comparatives

We draw attention to Note 49 to the consolidated financial statements which describes that the comparative information presented as at and for the year ended 31 December 2022 has been restated. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 and 31 December 2021 (from which the statement of financial position as at 1 January 2022 has been derived), excluding the adjustments described in Note 49 to the consolidated financial statements were audited by another auditor whose reports dated 24 November 2023 and 22 August 2022 respectively expressed an unmodified opinion on those consolidated financial statements.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2023, we audited the adjustments described in Note 49 that were applied to restate the comparative information presented as at and for the year ended 31 December 2022 and the statement of financial position as at 1 January 2022. We were not engaged to audit, review, or apply any other procedures to the consolidated financial statements for the years ended 31 December 2022 or 31 December 2021 (not presented herein) or to the statement of financial position as at 1 January 2022, other than with respect to the adjustments described in Note 49 to the consolidated financial statements. Accordingly, we do not express any assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 49 are appropriate and have been properly applied.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as the board of directors determines 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 directors is 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 directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

Independent auditors' report (continued)
Dar Al-Maal Al-Islami Trust

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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

Conclude on the appropriateness of the Board of Directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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.



KPMG Fakhro
Partner Registration Number 137
29 April 2025

Dar Al-Maal Al-Islami Trust

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

<i>In thousands of USD</i>	Notes	31 December 2023	31 December 2022 (restated*)	1 January 2022 (restated*)
Assets				
Cash and cash equivalents	5	357,222	365,561	453,304
Cash at Central Bank – statutory reserve	5	46,412	40,286	110,411
Investments with Islamic institutions	6	3,655	25,361	301,291
Investment securities carried at fair value through profit and loss (“FVTPL”)	7	24,379	11,159	166,063
Investment securities carried at fair value through other comprehensive income (“FVOCI”)	8	2,286,907	2,114,738	1,955,788
Investment securities carried at amortised cost	9	24,708	85,429	399,078
Investments in financings	10	2,333,007	2,280,803	3,782,209
Accounts receivable and other assets	12	321,012	382,317	430,968
Current tax receivable	19	-	17,754	195
Deferred tax assets	19	-	3,172	9,608
Investment properties	13	384,616	386,117	356,648
Development properties	14	174,662	174,326	192,259
Investments in associates	15	94,659	104,318	709,395
Property, equipment and right-of-use assets	16	166,267	166,903	170,572
Intangible assets	17	132,474	138,360	234,202
Total assets		6,349,980	6,296,604	9,271,991
Liabilities and equity				
Liability				
Accounts payable	18	322,491	435,586	628,520
Current tax payable	19	10,765	27,441	5,142
Due to customers	20	4,449,581	4,385,586	6,765,239
Due to banks and other financial institutions	21	1,188,043	1,124,362	1,397,925
Provisions	22	70,244	56,938	62,055
Deferred tax liabilities	19	5,327	1,212	3,356
Total liabilities		6,046,451	6,031,125	8,862,237
Equity				
Trust capital attributable to equity participants				
Paid in capital		385,161	385,161	385,161
Reserves		(221,604)	(231,111)	(231,936)
Total trust capital		163,557	154,050	153,225
Non-controlling interests	34	139,972	111,429	256,529
Net equity		303,529	265,479	409,754
Total equity and liabilities		6,349,980	6,296,604	9,271,991

* The comparative information is restated on account of corrections of errors. See Note 49.

The financial statements were approved by the Board of Supervisors on 29 April 2025 and signed on its behalf by:



Omar Abdi Ali
Member of Board of Supervisor



Amr Mohammed Al Faisal
Chairman

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

<i>In thousands of USD</i>	Notes	2023	2022 (restated*)
Income			
Fund management and services		16,036	16,211
Income from investments carried at FVTPL	23	21,279	12,725
Income from investments carried at FVOCI	24	338,609	244,267
Income from investments carried at amortised cost	25	8,514	4,824
Income from investments with Islamic institutions	26	4,387	5,649
Income from investments in financings	27	336,964	261,554
Fee and commission income	28	30,854	41,237
Other income	29	174	59,641
		<u>756,817</u>	<u>646,108</u>
Profit paid to financial and non-financial institutions	30	(456,162)	(329,759)
Operating income		300,655	316,349
Expenses			
Staff costs	31	(69,482)	(68,553)
General and administrative expenses	32	(98,102)	(98,146)
Depreciation, amortisation and impairment of goodwill	16,17	(20,632)	(62,042)
Exchange loss / gain		(9,782)	10,590
Charge/(reversal) of allowance for impairment		1,481	(5,493)
Total expenses		(196,517)	(223,644)
Operating profit		104,138	92,705
Share of loss of associated companies		(2,425)	(15,972)
Profit for the year before income taxes		101,713	76,733
Taxes	33	(70,670)	(55,982)
Profit from continuing operations		31,043	20,751
Loss from discontinued operation		-	(15,592)
Profit for the year		31,043	5,159
Attributable to:			
Equity participants		7,530	1,731
Non-controlling interests	34	23,513	3,428
		31,043	5,159



Omar Abdi Ali
Member of Board of Supervisor



Amr Mohammed Al Faisal
Chairman

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

In thousands of USD

	2023			2022		
	Equity holders	Non-controlling interests	Total	Equity holders	Non-controlling interests	Total
Profit for the year after income taxes	7,530	23,513	31,043	1,731	3,428	5,159
<i>Items that may be subsequently reclassified to the consolidated statement of income</i>						
Net movements in fair value reserves of associated companies	-	-		8,904	10,248	19,152
Net movement in fair value of investments carried at FVOCI	(2,390)	6,510	4,120	(4,974)	(2,915)	(7,889)
Net movements in deferred tax of investments at FVOCI	-	(5,389)	(5,389)	1,052	2,348	3,400
Revaluation of fixed assets	(240)	(276)	(516)	12,947	14,902	27,849
Foreign currency translation differences of foreign entities	5,674	(12,102)	(6,428)	(18,885)	(47,692)	(66,577)
<i>Items that will not be reclassified to the consolidated statement of income</i>						
Movement in the fair value of equity investments at FVOCI	-	766	766	420	1,575	1,995
Other comprehensive loss	3,044	(10,491)	(7,446)	(536)	(21,534)	(22,070)
Total comprehensive income / (loss)	10,574	13,022	23,596	1,195	(18,106)	(16,911)

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

In thousands of USD

	Paid in capital	Fair value reserve	Attributable to equity participants			Contingency reserve	Total reserves	Non-controlling interests	Total equity
			Currency translation	Accumulated losses					
At 1 January 2022	385,161	(10,720)	(28,993)	(233,084)	40,861	(231,936)	256,529	409,754	
Profit for the year after income tax	-	-	-	1,731	-	1,731	3,428	5,159	
Increase in shareholding of subsidiary	-	-	-	(370)	-	(370)	-	(370)	
Other comprehensive income	-	18,349	(18,885)	-	-	(536)	(21,534)	(22,070)	
Transfers to contingency reserve*	-	-	-	(6,326)	6,326	-	-	-	
Restatement	-	-	-	-	-	-	(18,193)	(18,193)	
Dividends paid	-	-	-	-	-	-	(103,577)	(103,577)	
Treasury shares	-	-	-	-	-	-	(5,224)	(5,224)	
At 31 December 2022	385,161	7,629	(47,878)	(238,049)	47,187	(231,111)	111,429	265,479	
At 1 January 2023	385,161	7,629	(47,878)	(238,049)	47,187	(231,111)	111,429	265,479	
Profit for the year after income tax	-	-	-	7,530	-	7,530	23,513	31,043	
Increase in shareholding of subsidiary	-	-	-	33	-	33	20,981	21,014	
Other comprehensive income	-	(2,630)	5,674	(1,100)	-	1,944	(10,491)	(8,547)	
Transfers to contingency reserve *	-	-	-	(6,270)	6,270	-	-	-	
Dividends paid	-	-	-	-	-	-	(5,460)	(5,460)	
At 31 December 2023	385,161	4,999	(42,204)	(237,856)	53,457	(221,604)	139,972	303,529	

*As approved by the Board of Directors on 3 December 2017, discretionary amounts are transferred to a contingency reserve. This reserve is distributable at the discretion of the Board of Directors.

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

<i>In thousands of USD</i>	Notes	2023	2022
Cash flows from operating activities			
Profit for the year before income taxes and non- controlling interests		101,723	76,733
Adjustments for:			
Depreciation, amortisation and impairment		20,632	77,849
Interest expenses on lease liabilities	35	5,101	7,562
Fair value adjustments on investment carried at FVTPL	7,23	(1,462)	(1,364)
Loss from associated companies		2,425	165
Changes in fair value of investment properties	13,29	(2,517)	(54,398)
Gain on disposal of property and equipment		(81)	(258)
Charge/(reversal) of allowance for impairment		(1,481)	5,493
Adjusted cash flow before changes in operating assets and liabilities		124,340	111,782
Net (increase)/decrease in investments with Islamic institutions		21,706	275,930
Net (increase)/decrease of investment securities carried at FVTPL	7	(15,003)	144,196
Net decrease in investments in financings		(52,204)	106,220
Net (increase)/decrease in accounts receivable and other assets		50,969	102,975
Net decrease in development properties		(102,205)	17,933
Cash at central banks - statutory reserve		(6,126)	70,125
Net decrease in accounts payable, excluding taxes		(336)	(150,999)
Net increase/(decrease) in due to banks and other financial institutions		63,681	(280,394)
Net increase/(decrease) in due to customers		63,995	(1,375,923)
Cash used in from operating activities		148,817	(978,155)
Taxes	19	(76,697)	(48,834)
Net cash generated / (used in) from operating activities		72,120	(1,026,989)
Cash flows from investing activities			
Proceeds from sale of investment properties		-	29,055
Purchase of investment properties		(78,743)	(6,023)
Dividends from associated companies		-	20,705
Purchase of investment securities at FVOCI	8	(659,210)	(1,867,807)
Disposal of investment securities at FVOCI	8	1,536,499	2,740,879
Purchase of property, equipment, right-of-use assets and intangibles		(31,194)	(19,664)
Sale of property, equipment, right-of-use assets and intangibles		6,093	71,901
Net cash generated /(used in) from investing activities		773,445	(1,026,989)
Cash flows from financing activities			
Dividends paid to owners of the parent		(27)	(629)
Repayment of lease liabilities	35	(11,709)	(41,243)
Net cash (used in)/generated from financing activities		(11,736)	(41,872)
Net decrease in cash and cash equivalents		833,829	(99,815)
Foreign currency translation		(842,158)	12,072
Cash and cash equivalents at beginning of year		365,561	453,304
Cash and cash equivalents at end of year	5	357,222	365,561
Addition to right-of-use assets (Notes 16, 35)		8,821	16,968
Addition to lease liabilities (Notes 16, 35)		(8,821)	(16,968)

The accompanying notes 1 to 49 are 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.

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

(i) Changes in material accounting policies

A number of new standards are effective from 1 January 2023 but they do not have a material effect on the Group consolidated financial statements, with the exception of Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other than information in the separate financial statements. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the separate financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2 'Accounting policies' – Summary of Material Accounting Policies (2022: Note 2 'Accounting policies' – Summary of Significant accounting policies') in certain instances in line with the amendments.

(ii) New standards and amendments issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these separate financial statements.

- Classification of Liabilities as Current or Non-Current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

Management is still assessing the impact of these standards on the Group in the current and future reporting periods. These standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023.

Material 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.

2. Accounting policies (continued)

Material accounting policies (continued)

Consolidation(continued)

(a) Subsidiaries (continued)

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.

2. Accounting policies (continued)

Material accounting policies (continued)

Consolidation(continued)

(c) Associates

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

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component in the consolidated statement of income.

2. Accounting policies (continued)

Material accounting policies (continued)

Foreign currency translation (continued)

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.

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.

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.

2. Accounting policies (continued)

Material accounting policies (continued)

Intangible assets

(a) *Goodwill*

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

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

(b) *Computer software*

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

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

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

(c) *Other acquired intangible assets*

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

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

Investment properties

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

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.

2. Accounting policies (continued)

Material accounting policies (continued)

Property, equipment and depreciation (continued)

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.

2. Accounting policies (continued)

Material accounting policies (continued)

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.

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.

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.

2. Accounting policies (continued)

Material accounting policies (continued)

Taxation (continued)

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.

2. Accounting policies (continued)

Material accounting policies (continued)

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.

2. Accounting policies (continued)

Material accounting policies (continued)

Financial assets (continued)

SPPI (continued)

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

Equity instruments

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

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

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

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

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

Impairment

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

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

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.

2. Accounting policies (continued)

Material accounting policies (continued)

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.

3. Significant accounting judgements and estimates

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant use of judgements and estimates are as follows:

Impairment assessment of financial contracts subject to credit risk

In determining expected credit losses ('ECL') on financial contracts subject to credit risk, significant estimates are made in determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Impairment

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition, for which ECL is measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The measurement of the expected credit loss allowance of a receivable or exposure measured with 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).

3. Significant accounting judgements and estimates (continued)
Impairment (continued)

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

- Determining the criteria for significant increase in credit risk;
- Determining the criteria for definition of default;
- 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 receivables for the purpose of measuring ECL.

ECL – 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 rating is not assigned at facility level. The Group maintains a facility level rating being the counterparty's internal rating at date of facility origination and date of assessment.

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

Determining whether credit risk has increased significantly

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

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

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

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

- Stage 1- 12 month ECL: 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 - lifetime ECL-not credit impaired: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.
- Stage 3 - lifetime ECL-credit impaired: 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.

3. Significant accounting judgements and estimates (continued)
Impairment (continued)

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).

Its subsidiary, Faysal Bank Limited has incorporated an additional criterion of days past due for determining SICR, which requires that all financing facilities in which any installment or part thereof is outstanding for 60 days or more at the reporting date shall be marked as stage 2, irrespective of the credit risk rating.

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).

Measurement of ECL

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;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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.

3. Significant accounting judgements and estimates (continued)
Impairment (continued)
Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. In case of non-availability of recovery data, the Group uses LGD estimate based on market practice.

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

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

Incorporation of forward looking information

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

Management judgement is exercised when assessing the macroeconomic variables. The macro economic variables used for PD modelling include, among others, GDP, Inflation and Domestic Credit Growth.

Generating the term structure of PD

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

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

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

Based on consideration of a variety of external actual and forecast information, the Group calculates PiT PD estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

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

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

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

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

3. Significant accounting judgements and estimates (continued)
Impairment (continued)
Measurement of ECL (continued)
Incorporation of forward looking information (continued)

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

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.

Credit-impaired financial assets

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

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

- All or any of the facility/ies in which any instalment or part thereof is outstanding for a period of 90 days or more
- All or any of the facility/ies put on non-accrual status (i.e. profit suspended)
- All or any of the facility/ies wherein 'specific provision' is set aside individually
- Breach of financial covenants that are considered material. The Group will determine materiality based on negative impact of breach on the credit rating of the obligor.
- Event driven defaults such as declaration of bankruptcy (filed by the borrower or initiated by the Bank against the borrower), 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 makes a charge-off or account-specific provision resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure;
- The Group transfers the credit obligation at less than the cash equivalent value;
- The Group consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of repayment instalments;
- Distressed restructuring refers to situations when the Group grants a concession that it would not otherwise consider, irrespective of whether the concession is at the discretion of the Group or otherwise. Forgiveness means reduction in repayment amount or profit. Postponement could include grace periods or changes in instalments leading to delayed maturity.
- The Group considers that the obligor is unlikely to pay its credit obligations in full (i.e. principal, profit, fees or any other amount), without taking actions such as realizing security (if held).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Loss on undrawn commitments and financial guarantees are disclosed in other liabilities.

Write-off

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

3. Significant accounting judgements and estimates (continued)
Impairment (continued)
Write-off (continued)

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

Impairment of goodwill

Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount of the cash-generating unit's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the Board of Directors, extrapolated for three years projection using nominal projected growth rate. The determination of projected growth rate and discount rate involves judgment whereas, preparation of cash flow projections requires various management assumptions. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates based on the actual loss experience.

Impairment of investment securities at fair value through other comprehensive income (FVTOCI)

The Group determines that investments carried at fair value through other comprehensive income (FVTOCI) are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. In the case of quoted equity securities in active markets, the Group generally considers a decline in value below cost of 30%, or a decline that persists for more than 12 months as an indicator of impairment. In the case where markets for the investment are assessed to be inactive, the Group determines impairment based on its assessment of fair value and the investee companies' financial health, industry and sector performance.

"In the extra-ordinary market conditions, for the purpose of determination of what constitutes significant or prolonged decline in fair value of investments, the management takes into account the following additional factors:

- Their intention relating to the respective holding years of such investments i.e. for trading purposes, or with intention for strategic investment, or for long-term dividends and capital gains etc.;
- As to whether the decline in value of investment is in line with the overall trend of decline in the relevant or local market corresponding to the uncertain economic condition;
- Forecasts of expected recovery of market values within the expected holding years; and/ or
- Forecasts of the expected recovery of the core business of the investee entity within the expected holding years and consequential cash flows to the institution."

Measurement of the expected credit loss allowance

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

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

Determining criteria for significant increase in credit risk;

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

Each financing and investment exposure is evaluated individually for impairment.

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

3. Significant accounting judgements and estimates (continued)
Impairment (continued)
Measurement of the expected credit loss allowance (continued)

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

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

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

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

Fair value of investment properties

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

Impairment of development properties

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

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

Income taxes

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

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

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

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

Provisions

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

The determination of whether an outflow is probable and the amount, which is assessed by Group management, in conjunction with the Group's legal and other advisors, requires the judgement of the Group's management. For details of provision on Funds under management, please refer to Note 22.

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.

3. Significant accounting judgements and estimates (continued)
Impairment of associated companies

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.

4. Financial instruments

A. Capital Management

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

- (i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To maintain a strong capital base to support the development of its business; and
- (iii) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate.

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

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

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

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

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

As at 31 December 2023 and 2022, the Group did not breach any covenant terms.

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

	2023	2022 (Restated)
Due to banks and other financial institutions	1,188,043	1,124,362
Lease liabilities	52,866	62,968
Less: cash and cash equivalents	(357,222)	(365,561)
Less: cash at Central Bank – statutory reserve	(46,412)	(40,286)
Net debt	837,275	781,483
Net equity	303,529	265,479
Debt-to-equity ratio	276%	294%

4. Financial instruments (continued)

B. 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.

i. Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers), investment in debt-type securities, and from cash and deposits held with other banks and financial institutions. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the Risk Management Department which sets parameters and thresholds for the Group's financing and off-balance sheet financial instruments.

The Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

The management and the Board of Supervisors have been closely monitoring the potential impact of the challenging business environment on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

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

4. Financial instruments (continued)

B. Financial risk management (continued)

i. Credit risk (continued)

Credit Risk Mitigation

Group uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collateral. While the existence of collateral is not a precondition for credit, exposures are fully or partially collateralized as a second line of defense. The Group has in place a Credit Risk Mitigation policy which provides guidelines on the types of assets that may be accepted as collateral and the methodology of valuation of these assets. In general, all collateral are valued periodically depending on the collateral type. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers and Sharia scholars.

Group's credit portfolio is supported by various types of collateral such as real estate, listed equity, cash and guarantees. Group prefers liquid and marketable credit collateral; however other types of collateral are accepted provided that such collateral can be reasonably valued.

Collateral Valuation

Collateral when taken are identified as having reasonable value, their value would however change over a period of time due to prevailing economic conditions, plant and machinery becoming obsolete due to technological advancements, due to passage of time and due to increase in availability of similar collateralized securities. Listed securities are valued at quarterly intervals, unlisted securities are valued at annual intervals, real estate properties are valued at least once in two years' intervals, and special assets of the nature of marine vessels and aircrafts are valued at annual intervals. Value of collateral are accounted post assigning various levels of haircuts depending on the type of collateral, the same are provided in the Credit Risk Mitigation Policy. Real Estate Collaterals associated with exposures classified in stage 2 and stage 3 shall be valued annually.

Collateral Concentration

Group has established internal limits to avoid over concentration on certain class of collateral. Prudent maximum limits have been set for the acceptance of collateral as credit risk mitigation.

4. *Financial instruments (continued)*
 B. *Financial risk management (continued)*
 i. *Credit risk (continued)*

Gross carrying amount and loss allowance

The following table further explains the changes in the gross carrying and loss allowance from 1 January to 31 December 2023:

	2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<i>Cash and cash equivalents</i>				
Gross exposure	357,222	-	-	357,222
Less: expected credit loss	(143)	-	-	(143)
Net exposure	357,079	-	-	357,079
<i>Investments in financing</i>				
Gross exposure	1,670,266	622,320	261,659	2,554,245
Less: expected credit loss	(138,942)	(21,990)	(60,306)	(221,238)
Net exposure	1,531,324	600,330	201,353	2,333,007
<i>Accounts receivable and other assets (excluding ,prepayment, repossessed asset and derivative financial instruments)</i>				
Gross exposure	267,391	16,281	92,368	376,040
Less: expected credit loss	(1,747)	(199)	(73,661)	(75,607)
Net exposure	265,644	16,082	18,707	300,433
<i>Investment with Islamic institutions</i>				
Gross exposure	3,655	-	-	3,655
Less: expected credit loss	-	-	-	-
Net exposure	3,655	-	-	3,655
<i>Cash at Central Bank- statutory reserve</i>				
Gross exposure	46,412	-	-	46,412
Less: expected credit loss	-	-	-	-
Net exposure	46,412	-	-	46,412
Total gross exposure	2,344,946	638,601	354,297	3,337,844
Less: Total expected credit loss	(140,832)	(22,189)	(133,967)	(296,988)
Total Net exposure	2,204,114	616,412	220,330	3,040,856

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4. *Financial instruments (continued)*

B. *Financial risk management (continued)*

i. *Credit risk (continued)*

Gross carrying amount and loss allowance (continued)

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<i>Cash and cash equivalents</i>				
Gross exposure	365,561	-	-	365,561
Less: expected credit loss	(143)	-	-	(143)
Net exposure	365,418	-	-	365,418
<i>Investments with Islamic institutions</i>				
Gross exposure	25,361	-	-	25,361
Less: expected credit loss	-	-	-	-
Net exposure	25,361	-	-	25,361
<i>Accounts receivable and other assets (excluding ,prepayment, repossessed asset and derivative financial instruments</i>				
Gross exposure	347,781	1,560	78,650	427,991
Less: expected credit loss	(2,499)	(105)	(75,179)	(77,783)
Net exposure	345,282	1,455	3,471	350,208
<i>Investment in financing</i>				
Gross exposure	2,034,469	198,318	366,129	2,598,916
Less: expected credit loss	(144,232)	(15,944)	(157,937)	(318,113)
Net exposure	1,890,237	182,374	208,192	2,280,803
<i>Cash at Central Bank- statutory reserve</i>				
Gross exposure	40,286	-	-	40,286
Less: expected credit loss	-	-	-	-
Net exposure	40,286	-	-	40,286
Total gross exposure	2,813,458	199,878	444,779	3,458,115
Less : Total expected credit loss	(146,874)	(16,049)	(233,116)	(396,039)
Total Net exposure	2,666,584	183,829	211,663	3,062,076

4. *Financial instruments (continued)*

B. *Financial risk management (continued)*

ii. 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:

At 31 December 2023	US dollars /EUR	US dollars /PKR
Total currency exposure	(300,097)	(1,570,475)
Reasonable shift	4.72%	23.02
Total effect on income	(14,176)	(361,576)

At 31 December 2022

Total currency exposure	(308,083)	(695,055)
Reasonable shift	1.98%	4.02%
Total effect on income	(6,100)	(27,941)

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.

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.

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4. *Financial instruments (continued)*
 B. *Financial risk management (continued)*
 ii. *Market risk (continued)*
 (b) *Profit rate risk (continued)*

At 31 December 2023

	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	1,948	2,815	14,815	-	-	384,056	403,634
Investments with Islamic institutions	-	-	-	-	3,638	17	3,655
Investment securities carried at FVTPL	-	-	16,645	2,602	-	5,132	24,379
Investments in financings	960,401	264,475	475,297	468,506	135,972	28,356	2,333,007
Investment securities carried at amortised cost	-	-	-	24,708	-	-	24,708
Investment securities carried at FVOCI	161,576	325,250	1,497,025	233,310	33,606	36,140	2,286,907
Accounts receivable and other assets	515	669	2,996	22,572	15,765	8,760	51,277
Total financial assets	1,124,440	593,209	2,006,778	751,698	188,981	462,461	5,127,567
Liabilities							
Due to customers, banks and other financial institutions	1,714,708	444,965	370,092	890,321	463,916	1,711,371	5,595,373
Debt Securities in Issue	-	-	-	-	-	6,200	6,200
Accounts payable	-	-	-	-	-	269,615	269,615
Total financial liabilities	1,714,708	444,965	370,092	890,321	463,916	1,987,186	5,871,188
Total repricing gap	(590,268)	148,244	1,636,686	(138,623)	(274,935)	(1,524,725)	(743,621)

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4. Financial instruments (continued)
B. Financial risk management (continued)
ii. Market risk (continued)
(b) Profit rate risk (continued)

At 31 December 2022

	Up to one month	One- three months	Three- twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents and statutory reserve	7,810	-	-	-	-	398,037	405,847
Investments with Islamic institutions	20,004	-	-	328	5,013	16	25,361
Investment securities carried at FVTPL	-	-	8,611	2,548	-	-	11,159
Investments in financings	163,065	221,551	296,921	3,428	1,530,301	65,537	2,280,803
Investment securities carried at amortised cost	-	-	-	85,429	-	-	85,429
Investment securities carried at FVOCI	15,506	228,230	90,458	1,682,274	33,606	64,664	2,114,738
Accounts receivable and other assets	-	-	-	-	-	204,458	204,458
Total financial assets	206,385	449,781	395,990	1,774,007	1,568,920	732,712	5,127,795
Liabilities							
Due to customers, banks and other financial institutions	306,243	210,209	179,590	202,007	204,920	4,406,979	5,509,948
Accounts payable	-	-	-	-	-	435,586	435,586
Total financial liabilities	306,243	210,209	179,590	202,007	204,920	4,842,565	5,945,534
Total repricing gap	(99,858)	239,572	216,400	1,572,000	1,364,000	(4,109,853)	(817,739)

At 31 December 2023	US dollars	EUR	PKR
Total net profit rate exposure in the consolidated statement of financial position	244,192	351,857	1,584,663
Reasonable shift (+/-)	0.19%	0.31%	6.70%
Total effect on loss (+/-)	464	1,091	106,172

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

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.

4. *Financial instruments (continued)*

B. *Financial risk management (continued)*

ii. *Market risk (continued)*

(c) 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 Group is not exposed to significant price risk.

iii. 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 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.

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 2023

	Up to one month	One- three months	Three- twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	3,473,855	431,586	456,273	81,667	-	4,443,381
Due to banks and financial institutions	721,866	108,304	26,404	169,050	162,419	1,188,043
Derivative financial instruments	-	-	-	-	-	-
Debt securities in Issue	-	-	305	5,895	-	6,200
Deferred income	-	-	8,511	-	-	8,511
Accounts payable	74,838	-	139,968	16,636	61,342	292,784
Total liabilities liquidity risk	4,270,559	539,890	631,461	273,248	223,761	5,938,919

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4. *Financial instruments (continued)*

B. *Financial risk management (continued)*

iii. *Liquidity risk (continued)*

At 31 December 2022

	Up to one month	One- three months	Three- twelve months	One-five years	Over five years	Total
Liabilities						
Due to customers	1,602,153	329,942	-	2,453,486	5	4,385,586
Due to banks and financial institutions	491,672	200,349	176,813	85,607	169,921	1,124,362
Derivative Financial instruments	-	-	-	6,653	-	6,653
Deferred Income	-	-	4,290	-	-	4,290
Accounts payable	86,483	1,547	281,933	19,752	59,490	449,205
Total liabilities liquidity risk	2,180,308	531,838	463,036	2,565,498	229,416	5,970,096

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

At 31 December 2023

	No later than one year	One-five years	Over five years	Total
Endorsements	46,785	-	-	46,785
Guarantees and irrevocable letters of credit	409,673	17,342	4,291	431,306
Undrawn facilities and other commitments to finance	752,403	-	-	752,403
Open foreign currency positions	461,621	-	-	461,621
Total	1,670,482	17,342	4,291	1,692,115

At 31 December 2022

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

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)*

B. *Financial risk management (continued)*

iii. *Liquidity risk (continued)*

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

	2023	2022
Cash on hand	74,483	81,257
Cash at central banks - current account	183,149	175,848
Cash at other banks	99,590	108,456
Cash and cash equivalents	357,222	365,561
Cash at central banks - statutory reserve	46,412	40,286
Cash and bank balances	403,634	405,847

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 5.6% (2022: 2.18%).

7. Investment securities carried at FVTPL

	2023	2022
		Restated
Government securities	16,645	110
Corporate securities	7,734	11,049
Total	24,379	11,159

During 2022, the Group transferred investment securities carrier at FVTPL amounting to US dollar 83.7 million to Al Salam Bank B.S.C. (Note 47).

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.

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8. Investment securities carried at FVOCI (continued)

	2023	2022 Restated
Debt-type instruments – listed	173,565	257,016
Debt-type instruments – unlisted	2,197,332	1,945,820
Equity-type securities – listed	24,949	43,253
Equity-type securities – unlisted	24,708	44,468
	2,420,554	2,290,557
Less: Allowance for impairment	(133,647)	(175,819)
Total	2,286,907	2,114,738

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

The expected credit loss movement in investment securities carried at FVOCI is summarised as follows:

	2023	2022
At 1 January	175,819	249,469
Net financial assets originated	781	(767)
FX and other movements	(42,953)	(72,883)
At 31 December	133,647	175,819

9. Investment securities carried at amortised cost

	2023	2022 Restated
Investment securities carried at amortised cost	29,721	91,905
Less: Allowance for impairment	(5,013)	(6,476)
	24,708	85,429

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

	2023	2022
At 1 January	6,476	1,988
Net financial assets matured	(1,463)	4,488
At 31 December	5,013	6,476

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

10. Investments in financings

	2023	2022 Restated
Investments in financings	2,554,245	2,596,922
Financings subject to finance leases	-	1,994
Provision for expected credit losses (Note 4)	(221,238)	(318,113)
Investments in financings	2,333,007	2,280,803

Certain assets totalling US dollar 4.5 million (31 December 2022: US dollar 4.5 million) included above are held by third parties as nominee on behalf of the Group.

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

10. Investment in financings (continued)

Financings subject to finance leases

2023	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	-	-	-
Later than one year and not later than five years	-	-	-
	-	-	-

2022

Not later than one year	1,689	305	1,994
Later than one year and not later than five years	-	-	-
	1,689	305	1,994

11. 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.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

fair value

At 31 December 2023	Level 1	Level 2	Level 3	Total
Investment securities at fair value through income statement				
Equity securities	5,132	2,602	-	7,734
Debt securities	16,645	-	-	16,645
Investment securities at fair value through other comprehensive income				
Equity securities	33,200	11,606	4,851	49,657
Debt securities	-	2,237,250	-	2,237,250
Total financial assets measured at fair value	54,977	2,251,458	4,851	2,311,286
Derivatives held for trading	-	(446)	-	(446)
Total financial liabilities measured at fair value		(446)		(446)

11. Fair value of financial instrument (continued)

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

Reconciliation of Level 3 items

	Investment securities at fair value through income statement and through other comprehensive income	
	2023	2022
At 1 January	8,411	38,071
Fair value change in securities at FVOCI	(3,560)	46,602
Sales	-	(76,262)
At 31 December 2023	4,851	8,411

Sensitivity of Level 3 measurements to changes in assumptions

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

At 31 December 2023	Impact in equity	
	Favourable changes	Unfavourable changes
Investment securities at FVOCI and FVTPL	485	(485)
At 31 December 2022		
Investment securities at FVOCI and FVTPL	841	(841)

12. Accounts receivable and other assets

	2023	2022
Accounts receivable	150,485	168,832
Reposessed assets (Note 12.1)	4,528	26,871
Prepayments	5,950	5,238
Derivative financial instruments	446	-
Other receivables	225,825	259,159
Provision for expected credit losses (Note 4)	(66,222)	(77,783)
	321,012	382,317

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

12.1 Reposessed assets

Assets in the form of reposessed collateral as at 31 December 2023 amounted to US dollars 4.5 million (2022: US dollars 26.9 million). Reposessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

13. Investment properties

	2023	2022
At 1 January	386,117	356,648
Additions	6,060	6,023
Disposals	(8,654)	(29,055)
Fair value gain (Note 29)	2,517	54,398
Net exchange differences	(1,424)	(1,897)
At 31 December	384,616	386,117

Certain assets totalling US dollars 139.9 million (31 December 2022: US dollars 139.9 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.

13.1 Fair values of land and buildings

Sensitivity of Level 3 measurements to changes in assumptions

An assumed $\pm 10\%$ 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	
	Favourable changes	Unfavourable changes
At 31 December 2023		
Investment properties	38,462	(38,462)
At 31 December 2022		
Investment properties	38,612	(38,612)

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:

	2023	2022
Not later than one year	2,183	2,093
Later than one year and not later than five years	2,929	4,768
	5,112	6,861

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

13. *Investment properties (continued)*

13.1 *Fair values of land and buildings (continued)*

(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 2023	Significant unobservable input (Level 3)	Total
Land	307,793	307,793
Office buildings	56,005	56,005
Other	20,818	20,818
	384,616	384,616

At 31 December 2022

Land	307,793	307,793
Office buildings	51,482	51,482
Other	26,842	26,842
	386,117	386,117

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

2023	Tour de Cointrin	Al Khumrah Land	Domaine Saint Alexandre	Hidd Land
At 1 January	51,482	93,526	42,756	3,061
Revaluation (losses) / gains	(263)	-	-	-
Foreign exchange losses	4,786	-	-	-
At 31 December	56,005	93,526	42,756	3,061

2023	Barbar Land	Health Island	Others
At 1 January	51,995	116,455	26,842
Revaluation gain	-	-	(84)
Disposal	-	(5,940)	-
At 31 December	51,995	110,515	26,758

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.

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13. Investment properties (continued)

13.1 Fair values of land and buildings (continued)

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

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

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

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
At 31 December 2023 Tour de Cointrin Switzerland	56,005	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 320-420 (CHF 330), CHF 7,000-8,000 (CHF 7,172), 3.0-3.25% (3.12%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia*	93,526	Residual Approach & Comparable	Price per square meter	Residential Plots SAR 1,083-1,375(SAR 1,300). Commercial Plots SAR 1,750 3,889(SAR 3,000)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	3,061	Sales Comparison Approach	Price per square foot	BHD 19	The higher the price per square foot the higher the fair value.
Barbar Land Bahrain	51,995	Sales Comparable & Market Value Approach	Price per square foot	BD 16	The higher the price per square foot the higher the fair value.
Health Island Bahrain	110,515	Sales Comparable Approach	Price per square foot	BD 30	The higher the price per square foot the higher the fair value.

13. Investment properties (continued)

13.1 Fair values of land and buildings (continued)

* The valuation of Al Khumrah Land 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

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

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

14. Development properties

	2023	2022
Land	138,715	138,580
Development costs	35,947	35,746
At 31 December	174,662	174,326

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.

15. Investment in associates

Investment in associated entities, as adjusted for the Group’s share of their results comprise:

Name of company	2023	% holding	2022	% holding	Country of incorporation	Nature of business
Unlisted:						
Citic International Assets Management Limited	20,072	20	25,381	20	Hong Kong	Asset Management
Naseej B.S.C. (c)	68,231	31	70,438	31	Bahrain	Infrastructure
Faysal Stock Fund	24	11	1,167	32	Pakistan	Mutual funds
Faysal Islamic Saving Growth Fund	-	-	3,727	32	Pakistan	Mutual funds
Faysal Islamic Stock Fund	446	29	426	21	Pakistan	Mutual funds
Faysal Saving Growth Fund (B)	-	-	-	-	Pakistan	Mutual funds
Faysal Halal Amdani Fund	5,468	4	-	-	Pakistan	Mutual funds
Faysal Islamic Financial Growth Fund FISP-1	401	29	-	-	Pakistan	Mutual funds
Faysal Islamic Sovereign Fund FISIP-1	11	0	-	-	Pakistan	Mutual funds
Faysal Islamic Special Income Fund FIFGP-I	6	5	-	-	Pakistan	Mutual funds
	94,659		104,318			

15. *Investment in associates (continued)*

During the period, the Group's subsidiary increased its shareholding in these funds, thereby classifying them as associates.

- Share of reserves of Investment in associates amount to \$1.6 million (31 December 2022: \$2 million).
- Investment in associates include conventional investments totalling \$88.3 million (31 December 2022: \$95.8 million).

Summarised financial position of significant associates that have been equity accounted:

Citic International Assets Management Limited

	31 December 2023	31 December 2022
Total assets	107,443	127,374
Total liabilities	7,082	8,124
Total revenue	(701)	(3,551)
Total net profit	(5,896)	(5,693)

Naseej B.S.C. (c)

	31 December 2023	31 December 2022
Total assets	235,501	237,692
Total liabilities	13,177	15,188
Total revenue	5,481	23,645
Total net profit	(1,991)	(2,780)

16. 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 2023	26,590	111,960	101,033	239,583
Additions	10,383	11,990	8,821	31,194
Disposals	(4,413)	(1,209)	-	(5,622)
Foreign exchange differences	1,562	(11,871)	(14,761)	(25,070)
At 31 December 2023	34,122	110,870	95,093	240,085
Depreciation				
At 1 January 2023	6,790	18,018	47,872	72,680
Charge for the year	-	2,619	7,529	10,148
Disposals	(37)	(544)	-	(581)
Foreign exchange differences	(11)	(8,418)	-	(8,429)
At 31 December 2023	6,742	11,675	55,401	73,818

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16. Property, equipment and right-of-use assets (continued)

Cost				
At 1 January 2022				
	34,491	139,951	107,053	281,495
Additions	1,010	1,686	16,968	19,664
Disposals	(23,993)	(29,714)	-	(53,707)
Foreign exchange differences	15,082	37	(22,988)	(7,869)
At 31 December 2022	26,590	111,960	101,033	239,583
Depreciation				
At 1 January 2022				
	272	73,145	37,506	110,923
Charge for the year	-	70	12,038	12,108
Disposals	(10,107)	(22,141)	-	(32,248)
Foreign exchange differences	16,625	(33,056)	(1,672)	(18,103)
At 31 December 2022	6,790	18,018	47,872	72,680
Net book value				
At 31 December 2023	27,380	99,195	39,692	166,267
At 31 December 2022	19,800	93,942	53,161	166,903

Land and buildings at 31 December 2023 included cost of land aggregated US dollar 40.0 million (2022: US dollar 28.3 million). During 2022, the Group disposed property, plant and equipment amounting to US dollar 14.5 million to Al Salam Bank B.S.C. (Note 47).

17. Intangible assets

	Goodwill	Customer relations	Core deposits	Other	Total
2023					
Year ended 31 December					
Opening net book amount	117,167	5,744	4,689	10,760	138,360
Disposals	(1,052)	-	-	-	(1,052)
Foreign exchange	(1,904)	(622)	4,423	3,753	5,650
Amortisation/impairment	-	(1,801)	(4,794)	(3,889)	(10,484)
Closing net book amount	114,211	3,321	4,318	10,624	132,474
At 31 December					
Cost	401,195	101,235	170,285	58,686	731,401
Accumulated amortisation and impairment	(286,984)	(97,914)	(165,967)	(48,062)	(598,927)
Net book amount	114,211	3,321	4,318	10,624	132,474
	Goodwill	Customer relations	Core deposits	Other	Total
2022					
Year ended 31 December					
Opening net book amount	154,082	27,141	24,595	28,384	234,202
Additions	-	(18,566)	(16,184)	(15,692)	(50,442)
Foreign exchange	(300)	369	2,706	1,759	4,534
Amortisation/impairment	(36,615)	(3,200)	(6,428)	(3,691)	(49,934)
Closing net book amount	117,167	5,744	4,689	10,760	138,360
At 31 December					
Cost	404,152	101,857	165,862	54,930	726,801
Accumulated amortisation and impairment	(286,985)	(96,113)	(161,173)	(44,170)	(588,441)
Net book amount	117,167	5,744	4,689	10,760	138,360

17. Intangible assets (continued)

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

	2023	2022
Ithmaar Holding B.S.C.	114,211	117,167

During 2023 and 2022 the Group used a sum-of- the-parts approach to arrive at a business value of the Ithmaar Holding CGU as Ithmaar Holding did not have any independent cash flow generating activity at its own level. Management has considered both Price to Book (“PB”) multiple and value in use calculation for the impairment assessment.

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

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

- Ithmaar CGU (formerly “Shamil Bank”): comparable companies multiple; (2022: comparable companies multiple);
- Faysal Bank Limited: dividend discount model based on the expected dividends that shareholders will receive (2022: dividend discount model);

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

Management has also considered PB multiple approaches for further assessing the impairment for both.

The Group obtained two independent valuations from two top international accounting firms to support its assessment of the business value of the Group’s interest in Ithmaar Holding. The average of the two valuations was in the range of USD 118 million. Hence, management has concluded that no impairment provision is required.

18. Accounts payable

	2023	2022
Accounts payable	106,105	168,432
Lease Liability (Note 35)	52,866	62,968
Advance received from customers	1,576	1,479
Demand drafts	58,872	94,042
Accruals	47,171	48,499
Security deposits on consumer leases	345	480
Dividends payable	14,524	15,312
Derivative financial instruments	-	6,653
Employee payables	11,323	10,318
Due to related party	21,198	23,113
Deferred income	8,511	4,290
	322,491	435,586

During 2022, the Group fully disposed its insurance related reserves to Al Salam Bank B.S.C. (Note 47).

19. Tax liability

	2023	2022
Current tax payable		
At 1 January	9,687	4,947
Charge for the year (Note 33)	79,151	50,962
Payment made	(76,697)	(48,834)
Exchange differences	(1,376)	2,612
At 31 December	10,765	9,687
Deferred tax (asset)/liability		
At 1 January	(1,960)	(6,252)
Charge/(reversal) for the year (Note 33)	(8,481)	5,020
Gain due to fair value reserve	16,288	(252)
Adjustment	-	(2,145)
Exchange differences	(520)	1,669
At 31 December	5,327	(1,960)
Current tax receivable	-	17,754
Current tax payable	(10,765)	(27,441)
	(10,765)	(9,687)
Deferred tax assets	-	3,172
Deferred tax liabilities	(5,327)	(1,212)
	(5,327)	1,960

20. Due to customers

	2023	2022 Restated
Customer current accounts		
Individuals	992,376	1,029,602
Financial institutions	35,071	777
Corporate institutions	711,892	736,336
Customer investment accounts		
Individuals	659,937	803,113
Financial institutions	629,183	530,703
Corporate institutions	1,421,122	1,285,055
	4,449,581	4,385,586

Customer current accounts include balances relating to a counterparty amounting to US dollars 198.3 million (2022: US dollars 191.5 million) which was subject to sanctions under US measures.

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

21. Due to banks and other financial institutions

Due to banks and financial institutions includes balances totalling US dollars 424.8 million from two counterparties (2022: US dollars 412.1 million) which were subject to sanctions under US measures.

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. Provisions

Included under liabilities are the following provisions:

	2023	2022
Funds under management guarantee*	70,244	56,938
Total	70,244	56,938

* 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.

23. Income from investment carried at FVTPL

	2023	2022
Income from foreign exchange trading	19,792	13,013
(Loss) / gain on investment securities carried at FVTPL (Note 7)	25	(1,652)
Gain / (loss) from revaluation (Note 7)	1,462	1,364
	21,279	12,725

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

24. Income from investments carried at FVOCI

	2023	2022
Income from government securities	1,814	3,533
Income from investment securities	335,657	233,122
Income from investments	1,138	7,612
	338,609	244,267

Income from government securities mainly represents income from investment in treasury bills with the government of Pakistan. It represents treasury bills with a maturity period 3 months up to 1 year and profit rates range is 8.75% - 16.1% (2022 7.0% - 17.75%).

25. Income from investments carried at amortised cost

	2023	2022
Investment securities carried at amortised cost	8,514	4,824

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

26. 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 4.4 million as at 31 December 2023 (2022: US dollars 5.7 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 16% - 21.75% (2022: range of 8.75 % - 16.1 %).

27. Income from investments in financings

	2023	2022
Murabaha	330,772	255,362
Others	6,192	6,192
	336,964	261,554

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

28. Fee and commission income

	2023	2022
Arrangement fees	749	1,479
Guarantee fees	885	1,285
Other fees from banking services	29,220	38,473
	30,854	41,237

29. Other income

	2023	2022
Rental income from investment properties	3,618	3,338
Fair value gain on investment properties (Note 13)	2,517	54,398
Other	(5,961)	1,905
	174	59,641

30. Profit paid to financial and non-financial institutions

	2023	2022
Profit paid to financial institutions	95,452	143,096
Profit paid to non-financial institutions	360,710	186,663
	456,162	329,759

31. Staff costs

	2023	2022
Salaries	54,346	52,835
Social security and other statutory costs	893	1,382
Pension and end of service	3,309	4,183
Other benefits	10,934	10,153
	69,482	68,553

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

32. General and administrative expenses

	2023	2022
Office expenses	42,289	35,537
Professional fees	10,215	10,628
IT expenses	13,923	12,274
Other	31,675	39,707
	98,102	98,146

33. Taxes

	2023	2022
Current taxes charge (Note 19)	80,350	50,962
Deferred taxes charge / (reversal) (Note 19)	(9,680)	5,020
	70,670	55,982

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:

	2023	2022
Net accounting	7,530	1,731
Attributable to zero tax jurisdictions	(142,223)	(113,718)
Attributable to taxable jurisdictions	149,753	115,449
Weighted average tax rate	35%	35%
Weighted average effective tax	52,583	40,407
Government levied exceptional tax	18,087	15,575
Effective tax expense	70,670	55,982

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.

34. 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	2023		2022	
		Non-controlling		Non-controlling	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	Kingdom of Bahrain	(8,643)	53	(10,705)	53
Faysal Bank Limited	Pakistan	127,180	33	101,342	33
Gulf Investors Asset Management	Kingdom of Saudi Arabia	2,562	27	2,661	27
Health Island B.S.C. (C)	Kingdom of Bahrain	20,436	50	19,688	50
Cityview Real Estate Development B.S.C. (C)	Kingdom of Bahrain	(3,181)	49	(3,175)	49
Sakana Holistic Housing Solutions B.S.C. (C)	Kingdom of Bahrain	1,618	50	1,618	50
		139,972		111,429	

34. Non-controlling interests (continued)

The non-controlling interest appropriation in the consolidated statement of income of US dollars 23.5 million represents the non-controlling shareholders' share of the profit of these subsidiaries for 2023 (2022: US dollars 3.4 million profit).

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

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	2023	2022
Assets	6,089,619	3,581,181
Liabilities	5,926,348	3,444,596
Net assets	163,271	136,585
Summarised Income Statement	2023	2022
Income	282,219	261,815
Gain before income tax	92,353	46,324
Income tax expense	(70,653)	(56,269)
Post-tax gain / (loss)	21,700	(9,945)
Other comprehensive income/(loss)	9,077	2,081
Total comprehensive income	30,777	(7,864)
Total comprehensive income allocated to non-controlling interests	794	33,271
Summarised Cash Flows	2023	2022
Operating loss before changes in operating assets and liabilities	(279,841)	(237,611)
Net cash generated from operations	145,342	234,915
Net increase / (decrease) in investments	124,902	(188,156)
Taxes paid	(58,710)	(62,794)
Foreign currency translation adjustments	431	(9,326)
Net increase / (decrease) in cash and cash equivalents	180,664	(7,122)
Cash and cash equivalents at beginning of year	334,639	341,761
Cash and cash equivalents at end year	515,303	334,639

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

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

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

	2023	2022
a) Right-of-use assets (Note 16)		
Office space	39,692	53,161
b) Lease liabilities (Note 18)		
Current	1,427	1,700
Non-current	51,439	61,268
Total	52,866	62,968

Additions to right-of-use assets during the years ended 31 December 2023 were amounted to US dollars 8.8 million (2022: US dollars 17 million). The total cash outflow for lease in 2023 was US dollars 11.7 million (2022: US dollars 41 million).

	2023	2022
Interest expenses	5,101	7,562
Depreciation on right-of-use assets (Note 16)	7,529	12,038

36. Funds under management

The Group manages Funds Under Management (“FUM”) through its different subsidiaries totalling US dollars 4.37 billion (2022: US dollars 4.22 billion) of which US dollars 1.65 billion (2022: US dollars 1.65 billion) has been marketed in Saudi Arabia by the Private Offices of His Royal Highness Late Prince Mohamed Al Faisal Al Saud.

In February 2016, IICG communicated to its investors in Saudi Arabia that it intended to wind up IICG’s Funds Under Management (“FUM”) in Saudi Arabia as the regulator, Capital Markets Authority (“CMA”), declined to grant any exemptions with respect to the registration and transfer of such FUM to a CMA registered subsidiary of IICG. The FUM has commenced distribution of the disposal proceeds of the underlying assets to the investors as and when such proceeds are realised. The final liquidation proceeds will only be known upon completion of the liquidation process which may take several years. As a part of winding up of the Saudi operations, claims have been initiated against the Company by investors who are unlikely to recover the full value of their investments.

As of 31 December 2023, as per the management assessment, three hundred forty-three investors (2022: three hundred forty investors) have filed legal claims in Saudi Arabian courts against IICG claiming refund of the full value of their investments amounting to USD 104.3 million (2022: USD 102.7 million). Out of the three hundred forty-three legal cases, the court has rendered judgments against the Company in two hundred and forty-one claims (2022: two hundred and forty-one) amounting to USD 77.2 million (2022: USD 77.2 million). IICG has challenged such judgments in the Appeal and Supreme Courts.

As at 31 December 2023, two hundred and five cases (2022: two hundred and five cases) have been resolved by the Supreme Court in favour of the claimants, while eight cases (2022: eight cases) are still under appeal in the Supreme Court.

Management believes that, based on the Modaraba agreement and external lawyer’s advice, any resultant liability will be ultimately settled from the assets of funds under management. In addition, based on external lawyer confirmation dated 6 May 2021 and 7 January 2025, management believes that the courts in Saudi Arabia lack enforcement jurisdiction since IICG does not have any presence or assets in Saudi Arabia. Therefore, IICG does not carry provision for such claims.

37. 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

	2023	2022
Loans		
Loans outstanding at 1 January	2,469	2,706
Loans issued during the year	2,210	1,237
Loan repayments during the year	(1,762)	(927)
Foreign exchange	(449)	(547)
Loans outstanding at 31 December	2,468	2,469

No provisions were recognised in respect of loans given to related parties (2022: 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 2023 of US dollars 43.3 million (2022: US dollars 37.7 million).

c) Current and investment accounts

	Associated companies	
	2023	2022
Amounts payable to:		
Naseej B.S.C. (c)	13,841	3,124

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 (excludes payments in subsidiaries)

	2023	2022
Salaries and other short-term benefits	5,281	5,878
Post-employment benefits	2	2
Other long-term benefits	164	192
	5,447	6,072

38. Contingent liabilities and commitments

Contingent liabilities	2023	2022
Endorsements	46,785	30,584
Performance bid bonds	35,358	55,423
Customer claims	123,382	159,337
Guarantees and irrevocable letters of credit	431,306	403,076
	636,831	648,420

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.

38. Contingent liabilities and commitments (continued)

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

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

Commitments	2023	2022
Undrawn facilities, financing lines	747,104	844,806
Other commitments to finance	5,299	1,576
Repurchase and resale transactions	-	49,906
Significant net open foreign currency position	461,621	398,637
	1,214,024	1,294,925

39. Current and non-current assets and liabilities

At 31 December 2023	Current	Non-current	Total
Cash and cash equivalents	357,222	-	357,222
Cash at Central Bank – statutory reserve	46,412	-	46,412
Investment with Islamic institutions	3,638	17	3,655
Investment securities carried at FVTPL	21,777	2,602	24,379
Investments in financings	1,861,733	471,274	2,333,007
Investment securities carried at FVOCI	178,718	2,108,189	2,286,907
Investment securities carried at amortised cost	-	24,708	24,708
Accounts receivable and other financial assets	51,275	269,737	321,012
Current tax receivable	(8,390)	-	(8,390)
Investment properties	-	384,616	384,616
Development properties	-	174,662	174,662
Investments in associates	94,659	34,000	128,659
Property, equipment and right-of-use assets	16,941	149,326	166,267
Intangible assets	3,734	112,933	116,667
Deferred tax assets	(3,996)	-	(3,996)
Total assets	2,623,723	3,732,064	6,355,787
Due to customers	4,403,964	45,617	4,449,581
Due to banks and other financial institutions	856,576	331,467	1,188,043
Provisions	-	70,244	70,244
Accounts payable	148,690	173,801	322,491
Current tax payable	2,375	-	2,375
Deferred tax liabilities	1,331	-	1,331
Total liabilities	5,412,936	621,129	6,034,065
Net assets/liabilities	(2,789,213)	3,110,935	321,722
At 31 December 2022			
Total assets	3,388,298	2,926,499	6,314,797
Total liabilities	5,849,125	182,000	6,031,125
Net assets/liabilities	(2,460,827)	2,744,499	283,672

40. 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 2023						
Cash and cash equivalents	264,685	92,537	-	-	-	357,222
Cash at Central Bank – statutory reserve	-	46,412	-	-	-	46,412
Investments with from Islamic institutions	-	3,655	-	-	-	3,655
Investment securities carried at FVTPL	21,777	2,602	-	-	-	24,379
Investments in financings	1,964,633	367,657	717	-	-	2,333,007
Investment securities carried at FVOCI	2,277,789	3,751	183	333	4,851	2,286,907
Investment securities carried at amortised cost	-	24,708	-	-	-	24,708
Accounts receivable and other assets	81,409	9,106	130,474	100,023	-	321,012
Current tax receivable	(8,390)	-	-	-	-	(8,390)
Investment properties	241,918	98,307	-	44,391	-	384,616
Development properties	174,662	-	-	-	-	174,662
Investments in associates	94,659	34,000	-	-	-	128,659
Property, equipment and right-of-use assets	146,460	19,807	-	-	-	166,267
Intangible assets	8,795	107,872	-	-	-	116,667
Deferred tax assets	(3,996)	-	-	-	-	(3,996)
Total assets	5,264,402	810,414	131,374	144,747	4,851	6,355,787
Due to customers	3,418,544	672,419	294,514	4,922	59,182	4,449,581
Due to banks and other financial institutions	362,842	824,090	1,111	-	-	1,188,043
Provisions	-	32	68,274	1,938	-	70,244
Accounts payable	299,196	21,198	2,097	-	-	322,491
Current tax payable	2,375	-	-	-	-	2,375
Deferred tax liabilities	1,331	-	-	-	-	1,331
Total liabilities	4,084,288	1,517,739	365,996	6,860	59,182	
Net on-balance sheet position	1,180,113	(707,325)	(234,622)	137,887	(54,331)	321,722
Contingent liabilities and commitments	1,329,503	40,635	19,096	-	-	1,389,234
At 31 December 2022						
Total assets	2,580,194	863,424	238,794	147,071	-	3,829,483
Total liabilities	2,425,677	858,260	252,679	9,195	-	3,545,811
Net on-balance sheet position	154,517	5,164	(13,885)	137,876	-	283,672
Contingent liabilities and commitments	1,460,727	83,981	-	-	-	1,544,708

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40. 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 2023								
Cash and cash equivalents	343,261	-	-	-	13,961	-	-	357,222
Cash at Central Bank – statutory reserve	46,412	-	-	-	-	-	-	46,412
Investments with Islamic institutions	3,655	-	-	-	-	-	-	3,655
Investment securities carried at FVTPL	7,884	-	-	-	16,495	-	-	24,379
Investments in financings	415,978	765,802	19,606	162,999	657,900	179,896	130,826	2,333,007
Investment securities carried at FVOCI	14,270	18,142	208	-	2,253,310	613	364	2,286,907
Investment securities carried at amortised cost	-	-	-	-	24,708	-	-	24,708
Accounts receivable and other assets	270,161	-	-	42,147	8,621	-	83	321,012
Current tax receivable	-	-	-	-	(8,390)	-	-	(8,390)
Investment properties	384,616	-	-	-	-	-	-	384,616
Development properties	-	-	174,662	-	-	-	-	174,662
Investments in associates	128,659	-	-	-	-	-	-	128,659
Property, equipment and rights-of-use assets	165,524	-	743	-	-	-	-	166,267
Intangible assets	116,667	-	-	-	-	-	-	116,667
Deferred tax assets	-	-	-	-	(3,996)	-	-	(3,996)
Total assets	1,897,087	783,944	195,219	205,146	2,962,609	180,509	131,273	6,355,787
Due to customers	681,859	1,098,534	212,257	636,006	672,035	24,336	1,124,554	4,449,581
Due to banks and other financial institutions	1,188,043	-	-	-	-	-	-	1,188,043
Provisions	32	-	-	-	70,212	-	-	70,244
Accounts payable	230,933	714	21,712	16,863	43,418	-	8,851	322,491
Deferred tax liabilities	-	-	-	-	1,331	-	-	1,331
Current tax payable	-	-	-	-	2,375	-	-	2,375
Total liabilities	2,100,867	1,099,248	233,969	652,869	789,371	24,336	1,133,405	6,034,065
Net on-balance sheet position	(203,780)	(315,304)	(38,750)	(447,723)	2,173,238	156,173	(1,002,132)	321,722
Contingent liabilities and commitments	168,735	1,030,265	17,588	4,440	140,216	-	27,989	1,389,233
As at December 2022								
Total assets	1,255,211	63,025	616,805	264,195	1,441,104	157,361	31,782	3,829,483
Total liabilities	1,498,993	84,929	363,037	707,287	783,073	15,107	93,385	3,545,811
Net on-balance sheet position	(243,782)	(21,904)	253,768	(443,092)	658,031	142,254	(61,603)	283,672
Contingent liabilities and commitments	83,600	920,202	51,317	2,582	257,651	52,694	176,660	1,544,706

41. 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 2023						
Cash and cash equivalents	357,222	-	-	-	-	357,222
Cash at Central Bank – statutory reserve	-	46,412	-	-	-	46,412
Investments with Islamic institutions	3,638	-	-	17	-	3,655
Investment securities carried at FVTPL	-	-	21,777	2,602	-	24,379
Investments in financings	1,249,831	346,005	252,623	394,946	89,602	2,333,007
Investment securities carried at FVOCI	1,307	7,185	170,226	1,910,068	198,121	2,286,907
Investment securities carried at amortised cost	-	-	-	24,708	-	24,708
Accounts receivable and other financial assets	24,558	9,710	17,007	253,845	15,892	321,012
Current tax receivable	(8,389)	-	-	-	-	(8,389)
Investment properties	-	-	-	382,897	1,719	384,616
Development properties	-	-	-	174,662	-	174,662
Investments in associates	-	-	-	-	128,659	128,659
Property, equipment and right-of-use assets	16,125	43	773	23,136	126,190	166,267
Intangible assets	3,667	5	61	4,297	108,636	116,666
Deferred tax assets	-	-	(3,996)	-	-	(3,996)
Total assets	1,647,959	409,360	458,471	3,171,178	668,819	6,355,787
Due to customers	3,516,105	431,586	456,273	45,617	-	4,449,581
Due to banks	721,868	108,304	26,404	169,050	162,417	1,188,043
Provisions	-	-	-	1,970	68,274	70,244
Accounts payable	-	212	148,478	36,866	136,935	322,491
Current tax payable	-	-	2,375	-	-	2,375
Deferred tax liabilities	-	-	1,331	-	-	1,331
Total liabilities	4,237,973	540,102	634,861	253,503	367,626	6,034,065
Net liquidity gap	(2,590,014)	(130,742)	(176,390)	2,917,675	301,193	321,722
At 31 December 2022						
Total assets	969,353	283,727	71,451	1,655,353	849,599	3,829,483
Total liabilities	2,388,666	413,937	463,036	55,251	224,921	3,545,811
Net liquidity gap	(1,419,313)	(130,210)	(391,585)	1,600,102	624,678	283,672

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.

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42 Currency exposure

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
At 31 December 2023									
Cash and cash equivalents	47,724	273,667	15,701	5,210	217	8,362	2,828	3,513	357,222
Cash at Central Bank – statutory reserve	-	-	46,412	-	-	-	-	-	46,412
Due from Islamic institutions	3,655	-	-	-	-	-	-	-	3,655
Investment securities carried at FVTPL	-	21,777	-	-	-	2,602	-	-	24,379
Investments in financings	297,404	1,951,358	136	81,374	-	-	-	2,735	2,333,007
Investment securities carried at FVOCI	1,227	2,277,419	-	-	183	-	3,228	4,850	2,286,907
Investment securities carried at amortised cost	-	24,708	-	-	-	-	-	-	24,708
Accounts receivable and other assets	237,550	81,409	-	785	-	206	950	112	321,012
Current tax receivable	-	(8,390)	-	-	-	-	-	-	(8,390)
Investment properties	-	241,918	4,780	1,636	-	93,526	-	42,756	384,616
Development properties	-	-	174,662	-	-	-	-	-	174,662
Investments in associates	-	128,659	-	-	-	-	-	-	128,659
Property, equipment and right of use assets	606	165,524	109	-	-	2	26	-	166,267
Intangible assets	99,346	8,795	8,526	-	-	-	-	-	116,667
Deferred tax assets	-	(3,996)	-	-	-	-	-	-	(3,996)
Total assets	687,512	5,162,848	250,326	89,005	400	104,698	7,032	53,966	6,355,787
Due to customers	340,393	3,219,172	521,037	298,208	-	2,597	-	68,174	4,449,581
Due to banks and other financial institutions	191,583	355,271	55,031	135,024	-	136	-	450,998	1,188,043
Provisions	15,212	-	-	55,000	-	-	32	-	70,244
Accounts payable	-	151,038	162,870	-	2,176	-	3,224	3,183	322,491
Current tax payable	-	2,375	-	-	-	-	-	-	2,375
Deferred tax liabilities	-	1,331	-	-	-	-	-	-	1,331
Total liabilities	547,188	3,729,187	738,938	488,232	2,176	2,733	3,256	522,355	6,034,065
Net on-balance sheet position	140,324	1,433,661	(488,612)	(399,227)	(1,776)	101,965	3,776	(468,389)	321,722
Contingent liabilities and commitments	314,810	982,940	29,401	11,625	119	4,839	-	45,501	1,389,235
At 31 December 2022									
Total assets	572,572	2,515,018	423,223	12,341	108,784	107,653	4,203	85,689	3,829,483
Total liabilities	279,467	2,188,127	343,876	368,667	6,836	5,584	706	352,548	3,545,811
Net on-balance sheet position	293,105	326,891	79,347	(356,326)	101,948	102,069	3,497	(266,859)	283,672
Contingent liabilities and commitments	245,452	1,185,304	52,733	32,889	1,142	109	-	27,078	1,544,707

43 Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 29 April 2025 and are subject to approval at the Annual General Meeting, which will be held on 30 April 2025.

44 Principal subsidiaries in the consolidated financial statements

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

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

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

Ithmaar Holding is subject to the consolidated supervision of CBB.

45 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 2023 and 2022 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 2023 and 2022. 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.

46 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 36 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.

47 Discontinued operations

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

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

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

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

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

47 *Discontinued operations (continued)*

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

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

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

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

Cash flow lines	Year ended	
	31 December 2023	31 December 2022
Net cash from operating activities	-	12,099
Net cash used by investing activities	(39,479)	(46,126)
Net cash movement	(39,479)	(34,027)

48 Subsequent event

On 05 February 2025, the Board of Supervisors resolved to inject a fresh capital in Ithmaar holding to the extent of US dollar 60 million subject to Shareholders approvals and regulatory approvals.

49 Correction of error

Ihtmaar Bank, a subsidiary of DMIT, maintains Unrestricted Investment Accounts (URIA). For the financial year ended 31 December 2022, these accounts were classified as off-balance sheet items and therefore were not included in DMIT's consolidated financial statements. Upon disposal of Ithmaar Bank's 25.34% stake in BBK (an associate) in 2022, the Group has recognized a goodwill impairment of USD \$34 million, with a corresponding write-down to the intangibles instead of investment in associate. This classification error has been corrected in 2023.

The table below sets out the impact of the restatements:

49 Correction of error (continued)

Consolidated statement of financial position:

	As at 31 December 2022	Adjustment due to reclassification/ consolidation	As at 31 December 2022 (restated)
Investment securities at FVOCI	1,056,206	1,058,532	2,114,738
Investment securities at amortised cost	44,468	40,961	85,429
Investment in financing	925,370	1,355,433	2,280,803
Accounts receivable and other assets	351,929	30,388	382,317
Investment in associate	138,318	(34,000)	104,318
Intangible assets	122,553	15,807	138,360
Accounts payable	460,148	(24,562)	435,586
Due to customers	1,933,442	2,452,144	4,385,586
Due to banks and other financial institutions	1,066,630	57,732	1,124,362
Total Trust Capital	154,050	-	154,050
Non-controlling interests	129,622	(18,193)	111,429
Total Trust Capital	283,672	(18,193)	265,479

	1 January 2022	Adjustment due to reclassification	1 January 2022 (restated)
Investment securities at FVOCI	-	-	-
Investment securities at amortised cost	85,749	313,329	399,078
Investment in financing	1,031,590	2,750,619	3,782,209
Accounts receivable and other assets	429,529	1,439	430,968
Accounts payable	575,787	52,733	628,520
Due to customers	3,803,486	2,961,753	6,765,239
Due to banks and other financial institutions	1,347,024	50,901	1,397,925
Total Trust Capital	153,225	-	153,225

Consolidated statement of profit or loss:

	31 December 2022	Adjustment due to consolidation	Adjustment due to reclassification	1 January 2022 (restated)
Share of (loss) of associated companies	(165)	-	(15,807)	(15,972)
Depreciation, amortisation and impairment of goodwill	(77,849)	-	15,807	(62,042)
		As at 31 December 2022	Adjustment due to reclassification	As at 31 December 2022 (restated)
Fund management and services		236,558	(220,347)	16,211
Income from investments in financings		41,207	220,347	261,554