



ANNUAL REPORT 2024

Esterad Bank B.S.C (c)



**His Majesty
King Hamad bin Isa Al Khalifa**

The King of the Kingdom
of Bahrain



**His Royal Highness
Prince Salman bin Hamad Al Khalifa**

Crown Prince and Prime Minister of
the Kingdom of Bahrain



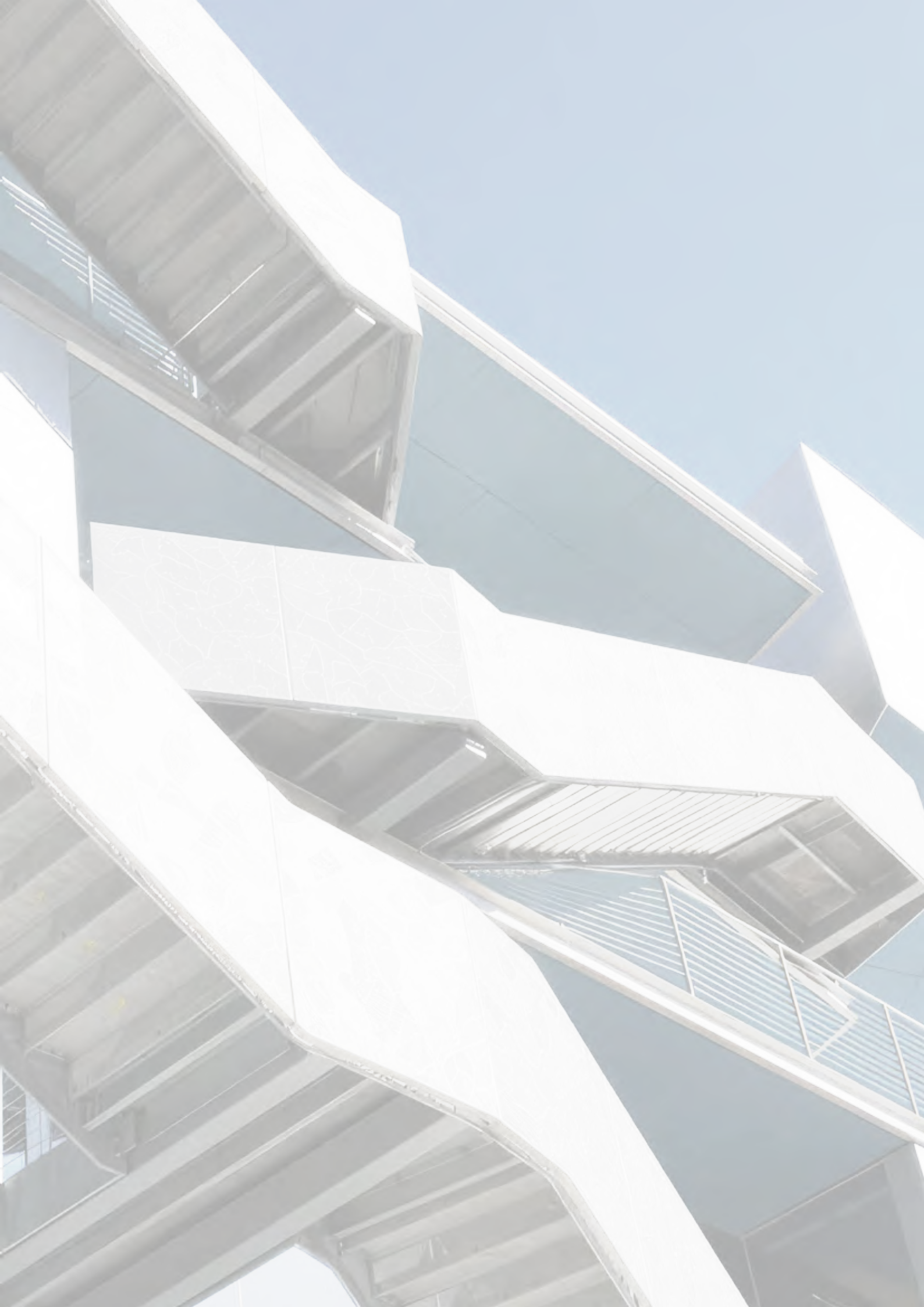
In The Name of Allah, Most Gracious, Most Merciful



GFH Tower, 3rd Floor
Building 1411, Road 4626
Block 346, Manama, Sea Front
P.O.Box 11755, Manama
Kingdom of Bahrain

Tel: +973 1751 8888
Fax: +973 1751 8880
www.esterad-bank.com

01	ANNUAL REVIEW	
	Chairman's Statement	02
	Board of Directors	06
	Shari'ah Supervisory Board	08
	Excutive Management	10
02	CORPORATE GOVERNANCE	
	Corporate Governance Review	16
	Public Disclosure Review	32
03	FINANCIAL STATEMENTS	
	Chairman's Statement	56
	Shari'ah Supervisory Board Report	58
	Independent Auditors' Report	59
	Consolidated Statement of Financial Position	61
	Consolidated Statement of Income	62
	Consolidated Statement of Comprehensive Income	63
	Consolidated Statement of Changes in Owner Equity	64
	Consolidated Statement of Cash Flows	65
	Consolidated Statement of Changes in Off-Balance Sheet Assets Under Management	66
	Notes to the Consolidated Financial Statement	67



Chairman's Statement

Identifying Promising Investment Opportunities.

Dear Shareholders,

In the Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace be upon our Prophet Mohammed, His Companions, and Relatives.

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of Esterad Bank for the fiscal year ending 31st December 2024.

2024 has been a transformative year for Esterad Bank. We are nearing the end of our transition phase, making significant strides toward strengthening our foundation. This year was marked by achievements in cleaning legacy investments, enhancing our human resources capabilities, and reinforcing our internal controls and governance. These efforts have set the stage for sustainable growth and success.

We are proud to highlight key achievements over the past year, including the successful closure of two transactions that align with our strategic goals. Moreover, we have made substantial progress in strengthening our team and internal policies to position ourselves for future opportunities. These initiatives reflect our commitment to building a resilient and agile organization.

Our investment strategy gained momentum with the launch of our first US real estate investment product in five years, underscoring our expertise and strong partnerships in this sector. Additionally, we are ramping up our asset management activities with a robust pipeline of opportunities, focusing on sectors where we have demonstrated strengths, such as US real estate and local GCC private equity transactions.

Owing to the efficient leadership of the Board and the commitment of the management team, the Bank declared profits for the first time in over seven years. The Bank reported a net profit of USD 2.5 million compared to a net loss of USD 5.5 million in the prior year. Total revenue for the year was USD 9.6 million as compared to USD 11.8 million in the prior year, while operating expenses were reduced to USD 7.5 million from USD 11.8 million in the previous year. During the current year, the Bank recorded a fair value gain of USD 1 million compared to a fair value loss of USD 3.7 million in the previous year, while impairment losses were lower at USD 0.3 million compared to USD 6.4 million in the previous year.

The Banks total assets during the year reduced from USD 40.4 million to USD 30.1 million, predominantly due to the strategic exit of investments to settle outstanding liabilities.

Accordingly, total liabilities decreased from USD 40.4 million to USD 25.3 million. Total equity for the year stood at USD 4.8 million compared to USD 0.042 million in the previous year.

As we transition into 2025, we are optimistic about the opportunities that lie ahead. While the global banking industry continues to face challenges, Esterad Bank is well-positioned to adapt and excel. Our strategic vision is to establish ourselves as a leading niche asset manager, focusing on small to mid-sized opportunities that are underserved yet offer higher returns. This targeted approach enables us to deliver tailored, high-value solutions while prioritizing our clients and ensuring our interests are fully aligned with theirs.

We are ramping up our asset management activities with a robust pipeline, concentrating on sectors where we have demonstrated strengths, such as US real estate and GCC private equity transactions. By leveraging our expertise and deepening strategic partnerships, we aim to drive sustainable growth and long-term value creation for all stakeholders.

With the support of the management team and Esterad Investment Company's alliance, the Board is confident that Esterad Bank will continue to expand its investment banking activities, drive revenue and cash flow, and further strengthen its equity position. Together, we are committed to positioning Esterad Bank as a well-governed and leading regional financial institution.

On behalf of the Board, I extend my heartfelt appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa for their visionary leadership and unwavering support for the Islamic banking sector. We also thank the Central Bank of Bahrain, the Ministry of Industry and Commerce, and other government entities for their guidance.

To our shareholders, clients, and business partners, thank you for your trust and confidence. To our Sharia Supervisory Board, your ongoing counsel and oversight are invaluable. Lastly, I commend the dedication and professionalism of our management team and staff, whose efforts have been instrumental in achieving this years milestones.

As we continue on this promising trajectory, we remain committed to building on our successes and preparing for a future filled with potential and progress.

Bashar Almutawa
Chairman of the Board



We are proud of Esterad Bank's strengthened performance and financial turnaround in 2024, which saw the Bank successfully return to profitability. This achievement is a direct result of the Bank's strategic transformation, disciplined execution, and focus on creating sustainable value for our investors and shareholders.



Chairman’s Statement (continued)

Identifying Promising Investment Opportunities.

Finally, in line with the requirements of Article 188 of Commercial Company Law, we are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2024.

First: Board of Directors’ Remuneration Details:

Figures in USD’000

Name	Fixed remunerations				Variable remunerations				End - of -service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and Board	Total allowance for attending Board and committee meetings	Others	Total	Remunerations of the Chairman and Board	Incentive plans	Others	Total			
Independent Directors:											
Sheikh Mohamed Bin Duaij Al Khalifa	-	37.5	-	37.5	-	-	-	-	-	37.5	-
Bashar Mohamed Ebrahim Almutawa	-	30	-	30	-	-	-	-	-	30	-
Isa Abdulrasool Abdulhusain Merza Jawahery	-	30	-	30	-	-	-	-	-	30	-
Fahad Yateem	-	18	-	18	-	-	-	-	-	18	-
Executive Directors:											
Ahmed Abdulwahed Ahmed Abdulrahman	-	30	-	30	-	-	-	-	-	30	-
Robert Coleman Wages	-	12	-	12	-	-	-	-	-	12	-
Total	-	157.5	-	157.5	-	-	-	-	-	157.5	-

Second: Executive management remuneration details:

Figures in USD’000

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
*Remunerations for executives, including CEO and Senior Financial Officer	690	-	-	690
Notes: 1. All amounts are in thousands of United States Dollars . 2. Top 6 remunerations for executives, including CEO* and Senior Financial Officer*				



Board of Directors

Strong Corporate Governance Practices.



Bashar Mohamed Al Mutawa
Chairman of the Board starting from
1 Oct 2024

Independent & Non-Executive Director
Elected 21 February 2023

Bashar Al Mutawa is a knowledgeable and prominent businessman who brings more than 20 years of experience driving the strategic success of organizations. He is currently a member of the board of directors at Watad Holding Company W.L.L and Sanad Investment Company, and previously board member at GFH Financial Group and KHCB.

His extensive involvement in the financial services industry includes key executive and consultancy roles in the Kingdom of Bahrain. These include Managing Director of Noon Investment Company, a real estate focused Investment Company, and Consultant with KPMG's Corporate Advisory Department, where he provided corporate advisory to prominent organizations and institutions in the public and private sector, including financial institutions, real estate companies, industrial organizations and government entities. Bashar holds a Bachelor of Science degree in Finance and Economics from Babson College, Boston, MA.



Ahmed Abdulrahman
Vice Chairman

Executive director and Acting CEO
Elected 21 February 2023

Ahmed Abdulrahman has over 20 years of experience in Investment Banking, Mergers & Acquisitions and Private Equity, gained from working with leading financial institutions in Bahrain & UK. He has served on the board of over 40 companies globally, including Bahrain Financing Company ("BFC"), and has held a number of board positions which include chairmanships to the board and Investment committees. Prior to Esterad Bank, he served as the Founder & Managing Partner of Clan Partners Advisory, a Bahrain based boutique advisory firm.

Currently, he is the Chief Executive Officer of Esterad Investment Company and holds Board positions and memberships in other companies as well. He holds a Bachelor's degree (Hons) in Business Systems & Information Technology from the University of Northumbria, Newcastle, UK.



Essa Jawahery
Member

Independent & Non-Executive Director
Elected 21 February 2023

Essa Jawahery is a proficient Corporate Lawyer admitted to the Court of Cassation in Bahrain and a Fellow of the Chartered Institute of Arbitrators – London (CI Arb); he brings more than 16 years of diverse commercial experience and vast regulatory, transactional, litigation, and arbitration expertise. Currently the Managing Partner at Elham Ali Hassan & Associates (EAH Law), Essa has assisted numerous local and foreign businesses, including public companies as well as middle-market and start-up with their legal and business needs in Bahrain and globally, covering a broad range of industry sectors including transportation, insurance, brokerage, technology, manufacturing, real estate, banking, finance, telecoms, energy, service, accounting, construction, shipping, engineering and retail.

He holds a Master of Law with Merit from University of London and a Bachelor of Law with Honors from Anglia Ruskin University – Cambridge, UK.



Fahad Yateem
Member

Independent & Non-Executive Director
Elected 26 May 2024

Fahad Yateem is a seasoned banking professional with over 15 years of experience in banking and banking regulations. He began his career as a Risk Analyst with Bahrain Islamic Bank in 2007. In 2008, he joined the Central Bank of Bahrain (CBB) as a Banking Examiner, where he was responsible for conducting full-scope examinations of all types of financial institutions. He was then promoted to the position of Director at CBB in 2015, where he oversaw two major sectors: Islamic banks and ancillary service providers. During his time at CBB, he was involved in the creation of numerous regulations and was in charge of overseeing their implementation by relevant institutions.

Fahad currently provides private consulting services in the areas of governance, risk management, compliance and anti-money laundering (AML), Islamic banking, Sharia compliance, financial reporting, and internal controls. He is a graduate of the SOAS University of London, where he holds a Master's degree in Banking. He is also a Certified Public Accountant (CPA), Certified Management Accountant (CMA), and Certified Islamic Professional Accountant (CIPA).



Mohammed Bin Duaij Al Khalifa
Chairman of the board until 30 Sep 2024

Independent & Non-Executive Director
Elected 21 February 2023

Shaikh Mohamed Bin Duaij Al Khalifa is a seasoned management professional with over 20 years of experience serving in various senior leadership positions in the hospitality, real estate and the banking sectors. In addition to his position as Chairman of Esterad Bank, He is also the President of the Bahrain Paralympic Committee, Chairman of Britus International School - Special Education, Executive Board member in Al Areen Holding B.S.C. (closed), Member of the Higher Committee for the Care of People with Disabilities.

Sheikh Mohamed was the Chief Executive Officer of Dilmunia Mall Development Company W.L.L, he has also served as a Board member at GFH Financial Group, and as the CEO of Barwa Real Estate Bahrain. Shaikh Mohamed holds a bachelor's in business administration and management from Saint Edward's University in Austin, Texas, and a Master of Business Administration with Distinction from the New York Institute of Technology (Bahrain).



Robert C. Wages
Board Member until 26 May 2024

Executive Director
Elected 21 February 2023

Robert Wages has extensive global experience in sourcing, executing and managing institutional direct private equity investments across multiple industry sectors, spanning the US, Europe, MENA and Asia. Joining Esterad Bank in March 2017 as Head of Post-Acquisition, he took on an additional role as Head of Investments in July 2019, and was appointed Acting CEO in April 2020. Prior to this, Robert was Managing Director of US-based Gazelle Capital Investors, a consulting firm advising family investment offices. Before this, he was Head of Private Equity with Emirates International Investment Company, the proprietary investment arm of National Holding, Abu Dhabi, UAE; and Executive Director, Private Equity at the government-owned Abu Dhabi Investment Company (Invest AD).

Previously, he spent 17 years with Castle Harlan, a leading New York-based middle market buyout firm, where he rose from an Associate to Managing Director. Robert holds a master's degree in computational finance & Risk Management from the University of Washington, USA; and a Bachelor's degree in Chemistry from Princeton University, USA. He is a Chartered Financial Analyst, Chartered Alternative Investment Analyst, and Financial Risk Manager.

Shari'ah Supervisory Board

Robust Shari'ah Governance Mechanism.

Shari'ah compliance is the cornerstone of Esterad Bank operations. The Shari'ah Supervisory Board provides advice and guidance to ensure that all the Bank's activities fully comply with Shari'ah principles.

The members of the Shari'ah Supervisory Board are prominent Islamic scholars who are well versed in international financial markets and have a proven track record in the implementation of Shari'ah rules and principles in Islamic banks, as well as in product development and structuring Islamic-finance techniques.



Shaikh Dr. Nidham Mohammed Yaqooby
Chairman

Shaikh Dr. Yaqooby holds a Doctorate in Islamic Studies and a BA degree in Economics & Comparative Religion from McGill University, Canada. He has been guided in Traditional Islamic Studies by eminent Islamic scholars from Saudi Arabia, Bahrain, Egypt, Morocco and India. During the 1990s, he was a Khatib in the Kingdom of Bahrain, and since 1976 has taught a range of Islamic topics.

Shaikh Yaqooby is a Member of the Shari'ah Supervisory Board of several Islamic banks, and is a Member of the following institutions: Shari'ah Council of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI), Shari'ah Council of the Islamic Rating Agency, Shari'ah Board of the Central Bank of Bahrain, and the Dow Jones Islamic Index. He is also a regular speaker at Islamic conferences and forums.



Shaikh Dr. Essa Zaki Essa
Member

Shaikh Dr. Essa holds a PhD in Comparative Fiqh from the Islamic University, Al Madina Al Munawarah, Kingdom of Saudi Arabia. He is an Assistant Professor at the College of Basic Education, Public Authority for Applied Education & Training, State of Kuwait.

Dr. Essa is a Member of several Fatwa and Shari'ah Boards and Committees. He is the author of several books and publications on different Islamic subjects, and a regular speaker at Islamic conferences and forums.



Shaikh Dr. Osama Bahar
Member

Sh. Dr. Bahar is a respected figure in the Islamic finance industry, holding a Doctorate from Lahaye University in the Netherlands, a Master's Degree from Al Eman Al Awzae University in Lebanon, and a Bachelor's degree in Islamic Shari'ah from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria.

He currently serves as a shariah member at Sayacorp and as a sharia advisor for Al Salam Bank, Ithmaar Bank, Solidarity, Bahrain Bourse, and the centralized Shari'ah supervisory board at the Central Bank of Bahrain.

Shari'ah Supervisory Board

Shari'ah Supervisory Board Report.

In The Name of Allah, most Gracious.

Most Merciful Peace and Blessings Be Upon His Messenger
To the Shareholders of Esterad Bank B.S.C (c)
Assalam Alaykum Wa Rahmatu Allah Wa Barakatoh

Shari'ah Supervisory Board Report for the Fiscal Year Ended 2024

In accordance with our appointment, we hereby present this report:

During the fiscal year ending 31 December 2024, the Shari'ah Supervisory Board ("SSB") reviewed all investments, contracts, and agreements undertaken by the Bank. The SSB also reviewed and approved the Financial Statement. Our primary objective is to assess the compliance of these financial activities with the principles and rulings of Islamic Shari'ah, including issuing fatwas and decisions related to them.

The Bank's management is responsible for ensuring compliance with the fatwas of the SSB. while the SSB independently monitors the Bank's investments, contracts, and agreements made during the fiscal year ended 31 December 2024.

In Our Opinion:

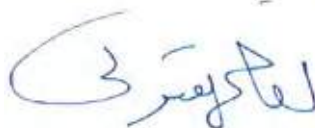
1. Overall, we have determined that the Bank's contracts, transactions, and deals during the year ended of 31 December 2024, comply with the rules and principles of Islamic Shari'ah.
2. The allocation of profit and the handling of losses related to investment accounts also adhere to Islamic Shari'ah principles.
3. The calculation of Zakat also complies with the rules and principles of Islamic Shari'ah. The Bank has utilized the Net Assets and Net Investment Assets Method, as outlined in the AAOIFI standards. It is important to note that the responsibility for the payment of Zakat lies with the shareholders.
4. No revenue was generated from non-Shariah compliant sources during the fiscal year.

We pray that Allah may grant all of us further success and prosperity.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.



Sh. Dr. Osama Bahar
Member



Sh. Dr. Nedham Yaqoobi
Chairman



Sh. Dr. Essa Zaki
Member

Executive Management

Extensive Experience and Global Expertise.



Ahmed Abdulrahman
Vice Chairman and Acting CEO
Over 20 years' experience

Ahmed Abdulrahman has over 20 years of experience in Investment Banking, Mergers & Acquisitions and Private Equity, gained from working with leading financial institutions in Bahrain & UK. He has served on the board of over 40 companies globally, including Bahrain Financing Company ("BFC"), and has held a number of board positions which include chairmanships to the board and Investment committees. Prior to Esterad Bank, he served as the Founder & Managing Partner of Clan Partners Advisory, a Bahrain based boutique advisory firm.

Currently, Ahmed serves as Chief Executive Officer of Esterad Investment Company B.S.C. and holds board positions and memberships in several other companies as well. He holds a Bachelor's degree (Hons) in Business Systems & Information Technology from the University of Northumbria, Newcastle, UK.



Robert C. Wages
Chief Investment Officer until Dec 2024
Over 37 years' experience

Robert Wages has extensive global experience in sourcing, executing and managing institutional direct private equity investments across multiple industry sectors, spanning the US, Europe, MENA and Asia. Joining Esterad Bank in March 2017 as Head of Post-Acquisition, he took on an additional role as Head of Investments in July 2019, and was appointed Acting CEO in April 2020. Prior to this, Robert was Managing Director of US-based Gazelle Capital Investors, a consulting firm advising family investment offices. Before this, he was Head of Private Equity with Emirates International Investment Company, the proprietary investment arm of National Holding, Abu Dhabi, UAE; and Executive Director, Private Equity at the government-owned Abu Dhabi Investment Company (InvestAD).

Previously, he spent 17 years with Castle Harlan, a leading New York-based middle market buyout firm, where he rose from an Associate to Managing Director. Robert holds a master's degree in computational finance & Risk Management from the University of Washington, USA; and a Bachelor's degree in Chemistry from Princeton University, USA. He is a Chartered Financial Analyst, Chartered Alternative Investment Analyst, and Financial Risk Manager.



Jihad Qamber
Head of Wealth Management
Over 20 years' experience

Jihad Qamber's wide-ranging public and private sector experience in the Kingdom of Bahrain, covers the areas of Human Resources, Finance, Investment Banking and Quality Assurance. Before assuming his current position with the Bank in 2021, he was Head of Human Resources & Support from 2016; having initially joined as a member of the Wealth Management team covering the markets of Bahrain, Qatar, Kuwait and the eastern province Saudi.

Prior to Esterad Bank, he was Director of HR & Finance with the General Organization for Youth & Sport (GOYS), where he also served as Acting Director of the Technical Affairs Directorate. Previously, he was Head of Quality Assurance at the Civil Service Bureau. Jihad holds a Master's degree in Business Administration from the University of Glamorgan, Wales, UK.



Farid Bassyouni
Head of Real Estate Investments
 Over 23 years' experience

Farid Bassyouni is the Head of Real Estate Investments at Esterad Bank and a member of the bank's Investment committee. He is an experienced Investment professional with a successful track record in sharia compliant deal origination, structuring, acquisitions and exits. He was previously the head of Investment Management at Qatar First Bank where he was part of the executive management team that developed and executed the fee income-based business model and Investment strategy. He was responsible for setting up, managing, and developing the Investment management platform and growing the Assets Under Management portfolio in the North American & European Real Estate markets.

He began his career in Capital Markets as a Fixed Income and Derivatives trader and held several roles at Standard Chartered, Samba Financial Group Saudi Arabia, Ahli United Bank Bahrain, and CIB Egypt. Farid holds a master's degree in management from The London School of Economics and Political Science (LSE) and an undergraduate degree from Northumbria University in Newcastle.



Abesh Chatterjee
Chief Risk Officer
 Over 16 years' experience

Abesh Chatterjee joined Esterad Bank as Chief Risk Officer in 2024. He is a seasoned risk management professional bringing to his role over 16 years of experience in risk management in the financial services sector. His expertise spans private and public markets, covering private equities, traded equities, bonds and sukuks, structured products and derivatives, real estate investments and large infrastructure projects across the Middle East, USA, UK and emerging economies. In his current role, Abesh oversees the development and implementation of strategies and frameworks for effective management of all risks associated with the Bank and its activities – including investment, credit, market, liquidity and operational risk.

Before joining Esterad Bank, Abesh held senior roles, including Executive Director of Portfolio Risk at the Event Investment Fund, a Saudi Government Fund focusing on developing venues for culture, entertainment, tourism and sports sectors in the Kingdom. He was also the Head of Risk Management in GFH Financial Group and International Investment Bank in Bahrain, where he led the development of comprehensive risk management frameworks covering all aspects of risk management across multiple business functions and investments. Abesh is a certified Financial Risk Manager (FRM) from Global Association of Risk Professionals (GARP) and holds a master's in management from IIM Mumbai (formerly NITIE) and a bachelor's degree in mechanical engineering from Jadavpur University, India.



Hana Al Murran
Head of Compliance and MLRO
 Over 22 years' experience

Hana Al Murran brings over 22 years of extensive experience in regulatory, banking and finance to her role at Esterad Bank B.S.C. (c). Her career spans leadership positions in compliance, governance, and anti-money laundering (AML), focusing on developing and enhancing regulatory frameworks, and ensuring adherence to compliance standards. Prior to joining Esterad Bank, she served as Head of Compliance, Governance, and MLRO at SAYACORP B.S.C. (c), formerly known as First Energy Bank B.S.C (c), where she managed compliance and corporate governance across multiple sectors and jurisdictions, including the Dubai International Financial Centre (DIFC). As a Head of Compliance and AML, she also established and developed the compliance function at Ithmaar Bank B.S.C, and contributed in the development of Bahrain's Islamic financial sector during her 11-year tenure at the Central Bank of Bahrain (CBB), where she last served as Head of Islamic Retail Banking Supervision.

Beyond her professional roles, Hana has been actively involved in industry initiatives. Previously she chaired the AML and Compliance Committee of the Bahrain Association of Banks (BAB), and has actively participated in the development of international Islamic regulatory standards through her work with the Islamic Financial Services Board (IFSB). She holds an MBA with merits from the University of Strathclyde - UK, and a Bachelor's degree with honor in Banking and Finance from the University of Bahrain. Hana is also a Certified Anti-Money Laundering Specialist (CAMS), from USA.

Executive Management (continued)

Extensive Experience and Global Expertise.



Hanoof AlDoseri

Head of Human Resources & Support
Over 10 years' experience

Hanoof AlDoseri has been serving as Head of Human Resources & Support at Esterad Bank since August 2023, where she is responsible for implementing HR strategies across the company. Before joining Esterad Bank, she has worked in the field since 2015 in companies including GFH Financial Group, National Bank of Bahrain, Infracorp, and GBCORP.

She holds an MBA in Global Management from UCL, School of Management and a Bachelor of Science Degree in Corporate Finance and Accounting, and Ethics and Social Responsibility from Bentley University (USA). She holds an Advanced Level 7 Certificate in Human Resources from Chartered Institute of Personnel and Development as well as Bahrain Labor Law Certification.



Hala Enani

Head of Investor Relations
Over 18 years' experience

Hala Enani joined Esterad Bank in 2021 in investor relations division reporting directly to the Chief Executive Officer. She is involved in investor relations, which is a key role of this standalone function is to provide clients and shareholders with up-to-date information about the Bank's investment portfolio, and new investor-related regulatory requirements.

Before joining Esterad Bank, Hala had 13 years' experience in insurance and used to be an Assistant Manager in general insurance division in Bahrain National Insurance Company and she holds a diploma in Chartered Insurance Institute (CII), UK. She holds a Level 7 in digital transformation, BIBF, and a Bachelor's degree in Computer Science from University of Bahrain.



Salah Yousif

Head of Information Technology
Over 25 years' experience

Salah Yousif has spent 15 years with Esterad Bank, commencing with his appointment as IT Security Officer in January 2009. In this position, he was responsible for developing a robust cyber security framework in line with requirements of the Central Bank of Bahrain and international best practice. He also participated in building the IT infrastructure and providing IT support for several of the Bank's investment portfolio companies.

Salah was promoted to Acting Head of Information Technology in December 2019, prior to assuming his current position in March 2020. Before joining Esterad Bank, he spent 10 years as a Computer Administrator with the Government Sector in the Kingdom of Bahrain. Salah is accredited as a Cisco Certified Network Administrator. He is also a Certified Ethical Hacker from the EC Council, Bahrain.



Change. Progress. Growth.

CORPORATE C



GOVERNANCE

Corporate Governance Review

Corporate Governance Report FY Ending 31st Dec 2024

Esterad Bank B.S.C (c) ("EB" or the "Bank"), formerly known as Venture Capital Bank B.S.C (c), commenced operations in 2005 as a prominent Sharia compliant provider and manager of alternative investment products across income producing real estate investments, MENA private equity transactions and opportunistic investments. The Bank has extensive experience and expertise in multi-sector private equity and real estate where it has a track record of successful turnarounds and achieving above market returns.

During November 2022, the Bank has completed its capital restructuring and participation of Esterad Investment Company B.S.C (via Esterad Ventures W.L.L) as a strategic investor in the capital increase of the Bank which has resulted in Esterad Ventures W.L.L owning more than 99% of the share capital of the Bank. The Bank has obtained shareholders and regulators approval during February 2024 to change its corporate identity from Venture Capital Bank B.S.C (c) to Esterad Bank B.S.C (c) to ignite the beginning of a new era of growth.

KEY ASPECTS OF ESTERAD BANK'S CORPORATE GOVERNANCE FRAMEWORK

The Bank is committed to upholding the highest standards of corporate governance in compliance with relevant governing laws, regulations, and international best practices. The Bank has put in place a robust and comprehensive Corporate Governance Framework (the Framework) aimed at ensuring the adoption of the highest standards of ethical conduct, transparent and prudent disclosures, and operational effectiveness, while protecting the rights and interests of all stakeholders.

The Framework has been designed in accordance with the Principles of the Kingdom of Bahrain's Corporate Governance Code, which was issued by the Ministry of Industry and Commerce ("MOIC") and embraced by the Central Bank of Bahrain ("CBB"). The adoption and implementation of such regulations, along with the continuous review and adherence to the Bank's Corporate Governance Framework, is the direct responsibility of the Board of Directors. In recognition of the importance of compliance with corporate governance principles in enhancing and enabling clear communication between stakeholders at all levels in the Bank, the following key aspects are adopted:

1. A comprehensive set of Charters and Job Descriptions that clearly articulate the roles, responsibilities and mandates of the Board of Directors, Board Committees, the Executive Management, and the Control Functions, as well as all other key functions within the Bank.
2. Code of Conduct, Conflict of Interest Policy, and Whistle Blowing Policy.
3. A comprehensive set of Policy and Procedures Manuals which navigate the governance culture of the Bank.
4. A reputable and independent Sharia Supervisory Board.
5. A comprehensive annual self-assessment and evaluation of the Board and its Committees.
6. An effective set of Policies and Procedures to govern the activities of the Bank's Business Units and Support Functions.
7. An up-to-date and adequate formal succession plan for the Bank's key positions.

The Bank's corporate governance framework is based on the guidelines issued by MOIC under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOIC's Corporate Governance Code of 2018 promulgated by Decree No. (19) for 2018 and Ministerial Decree No. (91) of 2022 concerning the amendments to certain provisions of the Corporate Governance Code, the High-Level Controls Module ("HC Module") issued by CBB under its Rulebook - Volumes 2.

The Bank aims to comply with all Rulebook content that is categorized as a rule and it implements the Rulebook guidance as best market practices.

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

The Bank endeavors to disclose all material information about its activities to all interested parties as widely and in as timely a manner as possible. The Company maintains a corporate website <http://www.esterad-bank.com> where important information about the Company's activities and corporate matters such as annual reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders.

Corporate Governance Review (continued)

BOARD OF DIRECTORS

The Board of Directors constitutes the central leadership of EB and is responsible for the stewardship of the Bank's business and affairs on behalf of its shareholders. The Board is also responsible for articulating the Bank's objectives, strategies and risk appetite with a view to enhancing long-term shareholder value, while taking into account the interests of all relevant stakeholders and maintaining the highest standards of transparency and accountability. The Board ensures that high ethical standards are established across the Bank, and regularly reviews and monitors the Bank's compliance with the regulations of CBB. The Board comprises 4 members, representing a mix of high-level professional skills and expertise, and with the majority being Independent Directors. The appointment of Directors is subject to the prior approval of the CBB and the shareholders, with classification of Directors in line with the definition stipulated in the CBB Rulebook.

Board of Directors Accountability

The Board is accountable to the shareholders for the financial performance of the Bank and ensures clear and transparent communications between the Bank and shareholders. The Board is also responsible for the preparation of consolidated financial statements which accurately disclose the Group's (Esterad Bank and its subsidiaries) financial position, and for reviewing and approving the dissemination of its periodic financial statements and annual reports.

The Board is responsible for the stewardship of the Bank's business and affairs on behalf of the shareholders with a view to enhancing long-term shareholder value whilst considering the interests of other stakeholders and maintaining high standards of transparency and accountability.

Mandate of the Board of Directors and their Roles and Responsibilities

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives in accordance with relevant statutory and regulatory structures. The Board is also responsible for the consolidated financial statements of the Group. The Board ensures the adequacy of financial and operational systems and internal controls, as well as the implementation of corporate ethics and the code of conduct. The Board has delegated the responsibility of the day-to-day management of the Bank to the Chief Executive Officer ("CEO").

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board. This includes:

- Reviewing the strategic plan of the Bank.
- Performance reviews of the Senior Management (all approved persons).
- Performance assessment of the Board, Board Sub-Committees and the Shari'a Supervisory Board.
- Approving material acquisition and disposal of assets.
- Approving capital expenditure.
- Approving authority levels.
- Appointing auditors and, reviewing the financial statements and financing activities.
- Reviewing the Corporate Governance Report
- Approving the annual operating plan and budget.
- Ensuring regulatory compliance through its various committees.
- Reviewing the adequacy and integrity of internal controls; and
- Approving all policies pertaining to the Bank's operations and functioning.

The Board further ensures that adequate systems, controls, processes and procedures are implemented by senior management in line with the Board approved policies and ensures that adequate processes are in place to assure full compliance with the relevant regulatory.

It is the Board of Directors' responsibility to approve and oversee the development of the Bank's strategy, business plans and budget, and monitor their implementation.

Corporate Governance Review (continued)

SYSTEM FOR ELECTION AND TERMINATION OF DIRECTORS

The system for the election and termination of Directors is governed by the Commercial Companies Law 2001 (as amended) and EB's Articles of Association.

The Directors are appointed or elected by the Ordinary General Meeting by a secret ballot for a period of 3 years renewable, subject to the approval of CBB and MOIC.

A Director shall lose his office on the Board in the following events:

1. He fails to attend in person (or by alternate) four (4) consecutive meetings of the Board without a lawful excuse pursuant to a Board resolution;
2. He resigns his office by a written instrument;
3. If he occupies any paid position in the Company other than Chairman, Vice Chairman, Chief Executive Officer or Chief Investment Officer.
4. He fails to fulfill any of the conditions required as for the Directors qualifications;
5. He shall in any jurisdiction be convicted of theft, misappropriation, fraud, forgery issuing a false cheque or of committing any of the offences set out in Article 173(b) of the Commercial Companies Law 2001 (as amended);
6. He becomes bankrupt.
7. Any shareholder that terminates the appointment of one of their representative Directors to the Board, or the shareholders in General Assembly vote for his removal in accordance with Article 31 of the Company's Articles of Association.
8. If he uses his membership on the Board to carry on any business which competes with the business of the Company or which results in actual damage to the Company.
9. If he has been appointed or elected on a basis not in conformance with the provisions of the CBB rules and regulations, the Law and/or these Articles of Association.

THE BOARD OF DIRECTORS

Esterad Bank's Board of Directors is composed of Four (4) members as of 31st December 2024 as per the table below.

No.	Name	Date of First Appointment	Appointment status / date of exit	Classification	Other Directorship (other than EB)		
					Companies in Bahrain	Banks in Bahrain	Companies Outside Bahrain
1	Sheikh Mohamed Bin Duaij Al Khalifa	23 January 2023	30 Sep 2024	Independent	2	0	0
2	Bashar Mohamed Ebrahim Almutawa	23 January 2023	Current	Independent	2	0	0
3	Isa Abdulrasool Abdulhusain Merza Jawahery	23 January 2023	Current	Independent	0	0	0
4	Fahad Abdulla Yateem	26 May 2024	Current	Independent	0	0	2
5	Ahmed Abdulwahed Ahmed Abdulrahman	23 January 2023	Current	Executive	1	0	4
6	Robert Coleman Wages	23 January 2023	26 May 2024	Executive	2	0	10

In compliance with the CBB requirements, which mandates at least one third of the members of the Board of Directors to be Independent Directors; as of 31st December 2024, the Board was comprised of three Independent Directors which includes the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee ("ARC") and the Chairman of the Nomination, Remuneration and Governance Committee ("NRCGC").

The Board delegates authority to its Executive Management to execute approved strategies. The Board approves all the transactions relating to investment, exits, related parties transactions and all other major financial transactions which are above the authority of the Executive management in line with the Delegation of Authority Matrix of the Bank.

The Board oversees the conduct of the Group's business activities to ensure that Executive Management is properly managing these activities with highest standards of professionalism.

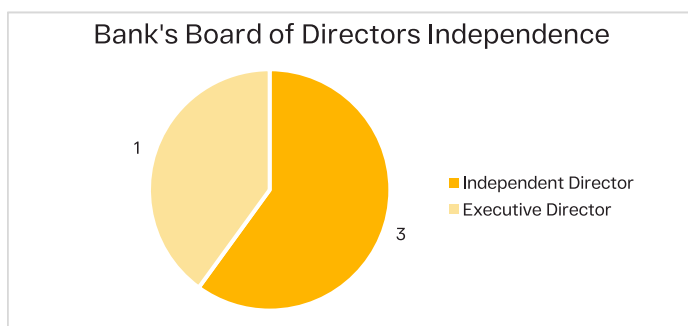
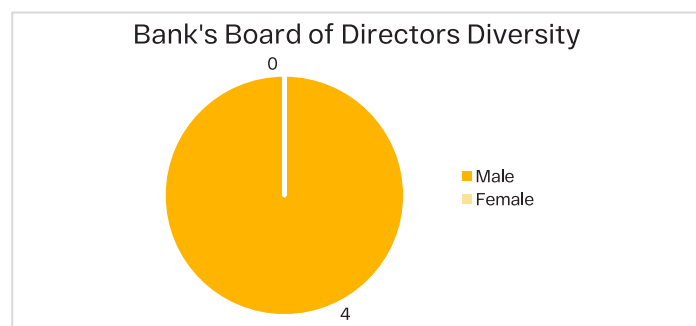
Corporate Governance Review (continued)

The Percentage of Women and Men on the Board:

The representation of women and men on the Board during the year is shown in the table below:

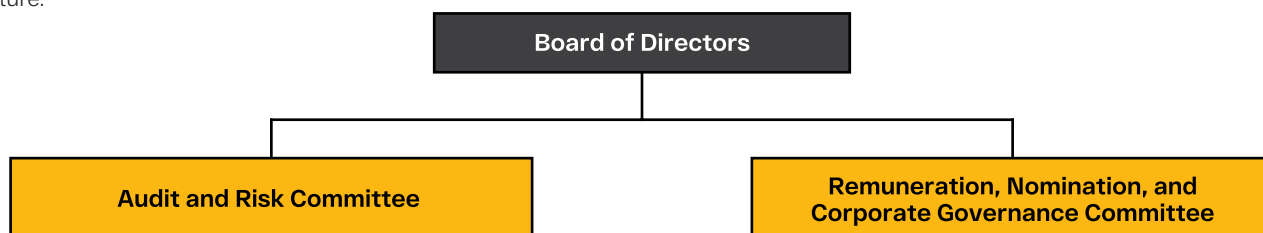
Representation	No. (as of 1 January 2024)	% of Representation (as of 1 January 2024)	No. (as of 31st December 2024)	% of Representation (as of 31st December 2024)
Men	5	100%	4	100%
Women	0	0%	0	0%
Total	5	100%	4	100%

DIRECTOR CLASSIFICATION



THE BOARD COMMITTEES AND MEMBERSHIP

In line with the Code of Governance the Board have set up sub-committees to oversee some of their responsibilities which are clarified in each Committee's charter. The duration of the standard term for the Board membership is three years, during which time members are expected to fulfill their duties and contribute to the organization's governance and strategic decision-making processes. In resolutions where any member of the Board is conflicted, the said member of the Board shall abstain from participating or voting in the agenda. During the year 2024, there were no instances of conflicts whereby any of the members of the Board abstained from voting. Below is the Bank's Board Committee's Structure:



AS AT 31ST DECEMBER 2024, THE FOLLOWING WAS THE COMPOSITION OF THE BOARD COMMITTEES:

Board Committee	Member's Name	Member's Position
NRGC	<ul style="list-style-type: none"> Isa Abdulrasool Abdulhusain Merza Jawahery Fahad Abdulla Yateem* Bashar Mohamed Ebrahim Almutawa** 	<ul style="list-style-type: none"> NRGC Chairman Member Member
ARC	<ul style="list-style-type: none"> Fahad Abdulla Yateem* Bashar Mohamed Ebrahim Almutawa* Isa Abdulrasool Abdulhusain Merza Jawahery*** 	<ul style="list-style-type: none"> ARC Chairman Member Member

*Fahad Yateem replaced Ahmed Abdulrahman as a member of NRCGC on 12 June 2024. On 1 October Fahad Yateem replaced Bashar Almutawa as the ARC Chairman.

**Bashar Almutawa was appointed as NRCGC member as a replacement to Sheikh Mohamed Al Khalifa on 2 December 2024. Sheikh Mohamed Al Khalifa resigned as Committee member on 30 September 2024.

***Isa Jawahery resigned as a member of the Audit and Risk Committee on 12 June 2024 and subsequently reappointed as an ARC member as a replacement to Sheikh Mohamed Al Khalifa on 1 October 2024.

Corporate Governance Review (continued)

NOMINATION, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE


























The mandate of the Nomination, Remuneration & Corporate Governance Committee is to assist the Board of Directors in establishing a fair and transparent nominations process for the appointment and remuneration of Directors, Board Committee members and the Chief Executive Officer, and remuneration of the Executive Management team, monitor and review executive compensation all in compliance with CBB requirements; and to assist the Board of Directors in fulfilling its responsibilities of corporate governance, developing and recommending changes from time to time in the Bank's corporate governance policy framework, oversight of the Bank's compliance with regulatory requirements, as well as liaising with the Sharia Supervisory Board.

AUDIT & RISK COMMITTEE

The mandate of the Audit & Risk Committee is to provide oversight on financial reporting, internal control and risk management, internal and external audit. It is also responsible for recommending the appointment of external auditors, determining the audit fees and compensation, overseeing the auditors' work, and reviewing the Bank's compliance with legal requirements. Also, the Committee is to maintain oversight of the Bank's risk management framework, including its Basel III framework, covering all risks faced by the Bank as well as its control environment.

DIRECTORS' ATTENDANCE AT BOARD & COMMITTEE MEETINGS:

The Board of Directors and its Committees meet regularly during the year to fulfil their responsibilities. The Board of Directors and the Audit and Risk Committee are required to meet at least four times a year, while the Nomination, Remuneration and Corporate Governance Committee is required to meet twice a year. Directors' attendance for FY 2024 is listed below:

No.	1	2	3	4	5
Date	24/2/2024	12/6/2024	29/9/2024	5/11/2024	3/12/2024*
Sheikh Mohamed Bin Duaij Al Khalifa				-	-
Ahmed Abdulwahed Ahmed Abdulrahman					
Bashar Mohamed Ebrahim Almutawa					
Robert C. Wage		-	-	-	-
Isa Abdulrasool Abdulhusain Merza Jawahery					
Fahad Abdulla Yateem	-				
 Attended the meeting physically	 Attended the online		*This meeting was attended by the SSB Board Members		

No.	Name	BOD	NRGC	ARC
		Meetings Attendance		
1	Sheikh Mohamed Bin Duaij Al Khalifa*	3 out of 5	1 out of 2	4 out of 5
2	Bashar Mohamed Ebrahim Almutawa**	5 out of 5	1 out of 2	5 out of 5
3	Isa Abdulrasool Abdulhusain Merza Jawahery	5 out of 5	2 out of 2	4 out of 5
4	Ahmed Abdulwahed Ahmed Abdulrahman	5 out of 5	-	-
5	Robert Coleman Wages***	1 out of 5	-	-
6	Fahad Abdulla Yateem****	4 out of 5	2 out of 2	2 out of 5

*Resigned on 30 September 2024

**Appointed as Board Chairman on 1st October 2024 and resigned as ARC Chairman.

*** Resigned on 26 May 2024

**** Appointed as Board Member on 26 May 2024, and ARC Member on 12 June 2024 and ARC Chairman on 1st of October 2024

Corporate Governance Review (continued)

Attendance of the Board Meetings ("BOD")

Date and Location	Directors Present	Directors Participated Online	Directors not Present
BOD First Meeting <u>Date:</u> Thursday, 15 February 2024 <u>Venue:</u> Video Conference Call		<ul style="list-style-type: none"> • Sheikh Mohamed Bin Duaij Al Khalifa • Ahmed Abdulwahed Ahmed Abdulrahman • Bashar Mohamed Ebrahim Almutawa • Robert C. Wages • Isa Abdulrasool Abdulhusain Merza Jawahery 	
BOD Second Meeting <u>Date:</u> Wednesday, 12 June 2024 <u>Venue:</u> Video Conference Call		<ul style="list-style-type: none"> • Sheikh Mohamed Bin Duaij Al Khalifa • Ahmed Abdulwahed Ahmed Abdulrahman • Bashar Mohamed Ebrahim Almutawa • Isa Abdulrasool Abdulhusain Merza Jawahery • Fahad Abdulla Yateem 	
BOD Third Meeting <u>Date:</u> Sunday, 29 September 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> • Sheikh Mohamed Bin Duaij Al Khalifa • Ahmed Abdulwahed Ahmed Abdulrahman • Bashar Mohamed Ebrahim Almutawa • Isa Abdulrasool Abdulhusain Merza Jawahery • Fahad Abdulla Yateem* 		
BOD Fourth Meeting <u>Date:</u> Tuesday, 5 November 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> • Bashar Mohamed Ebrahim Almutawa • Ahmed Abdulwahed Ahmed Abdulrahman • Isa Abdulrasool Abdulhusain Merza Jawahery • Fahad Abdulla Yateem 		
BOD Fifth Meeting (with SSB) <u>Date:</u> Tuesday, 3 December 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> • Bashar Mohamed Ebrahim Almutawa • Ahmed Abdulwahed Ahmed Abdulrahman • Isa Abdulrasool Abdulhusain Merza Jawahery 	<ul style="list-style-type: none"> • Fahad Abdulla Yateem 	

Attendance of the Nomination, Remuneration and Corporate Governance Committee ("NRCGC")*

Date and Location	Directors Present	Directors Participated Online	Directors not Present
NRCGC First Meeting <u>Date:</u> Wednesday, 25 September 2024 <u>Venue:</u> Third Floor, GFH Tower	<ul style="list-style-type: none"> • Isa Abdulrasool Abdulhusain Merza Jawahery • Sheikh Mohamed Bin Duaij Al Khalifa • Fahad Abdulla Yateem 		
NRCGC Second Meeting <u>Date:</u> Tuesday, 3 December 2024 <u>Venue:</u> Third Floor, GFH Tower	<ul style="list-style-type: none"> • Isa Abdulrasool Abdulhusain Merza Jawahery • Bashar Mohamed Ebrahim Almutawa 	<ul style="list-style-type: none"> • Fahad Abdulla Yateem 	

*During the FY 2023, 5 NRCGC meetings were held.

Corporate Governance Review (continued)

Attendance of the Audit & Risk Committee ("ARC")

Date and Location	Directors Present	Directors Participated Online	Directors not Present
ARC First Meeting <u>Date:</u> Monday, 18 March 2024 <u>Venue:</u> Video Conference Call	<ul style="list-style-type: none"> Bashar Mohamed Ebrahim Almutawa Sheikh Mohamed Bin Duaij Al Khalifa 	<ul style="list-style-type: none"> Isa Abdulrasool Abdulhusain Merza Jawahery 	
ARC Second Meeting <u>Date:</u> Sunday, 21 April 2024 <u>Venue:</u> Video Conference Call	<ul style="list-style-type: none"> Bashar Mohamed Ebrahim Almutawa Sheikh Mohamed Bin Duaij Al Khalifa Isa Abdulrasool Abdulhusain Merza Jawahery 		
ARC Third Meeting <u>Date:</u> Wednesday, 29 May 2024 <u>Venue:</u> Third Floor – GFH Tower		<ul style="list-style-type: none"> Bashar Mohamed Ebrahim Almutawa Sheikh Mohamed Bin Duaij Al Khalifa Isa Abdulrasool Abdulhusain Merza Jawahery 	
ARC Fourth Meeting <u>Date:</u> Sunday, 11 August 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> Sheikh Mohamed Bin Duaij Al Khalifa Fahad Abdulla Yateem 	<ul style="list-style-type: none"> Bashar Mohamed Ebrahim Almutawa 	
ARC Fifth Meeting (with SSB) <u>Date:</u> Sunday, 11 August 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> Fahad Abdulla Yateem Bashar Mohamed Ebrahim Almutawa Isa Abdulrasool Abdulhusain Merza Jawahery 		

Professional Development

The annual professional development plan for Board members enables them to carry out their responsibilities in line with recent regulatory developments and market conditions in an informative and effective way. Normally, the professional development plan includes important topics such as corporate governance, compliance, and risk management, amongst other contemporary issues.

Armed with this knowledge, board members can make informed decisions that align with the organization's strategic direction, ultimately contributing to its long-term success.

Board Evaluation

The Bank has in place a comprehensive Board Evaluation Program, which is designed to help Directors identify areas for improvement and reinforce their responsibilities. The NRCGC Committee annually conducts a self-evaluation of the performance of the Board as well as Board Committees.

MANAGEMENT COMMITTEES:

1. EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee comprises the members of the Executive Management team. The Committee is responsible for assisting the Acting CEO in overseeing day-to-day operations of the Bank; monitoring the performance of business lines and departments in relation to strategy, policies, targets, and limits.

2. INVESTMENT COMMITTEE AND INVESTMENT PLACEMENT TEAM COMMITTEE

The Committee review the investment policies to ensure their consistency with the changes that may occur in the external environment, the legislation and recommends to the Board the proposed changes. Oversee the Bank's investment activities and establish appropriate processes for measuring and assessing investment performance and studying/ evaluating the investment opportunities proposed by the Executive Management. The Placement Committee is to manage all the placement activities at the Bank.

Corporate Governance Review (continued)

CODE OF CONDUCT

The Bank has developed a Code of Conduct which contains rules on professional conduct and ethical behavior that are applicable to the Directors and employees of the Bank. The Code is designed to guide all Directors and employees in fulfilling their responsibilities and obligations towards the Bank's stakeholders, in compliance with all applicable laws and regulations.

Observance of and abidance to the applicable laws and regulations as well as regarding the highest standards of conduct and personal integrity is essential and basic. Employees owe a duty to the Bank, its clients, and shareholders to act in a way that will merit the continued trust and confidence of the public. The Bank will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

Compliance with the policy of business ethics and conduct is the responsibility of every Bank employee. Disregarding or failing to comply with this standard of business ethics and conduct could lead to disciplinary action, up to and including possible termination of employment.

SHAREHOLDER / INVESTOR COMMUNICATION & AWARENESS

The Board is committed to communicating with its shareholders and investors in a professional, transparent, accurate and timely manner, and adopts a number of different ways through which to promote greater understanding and dialogue with all stakeholders. These include the annual general meeting, annual reports and quarterly financial reports, press releases, corporate website, and regular announcements in the local media. The annual reports and quarterly financial statements and the latest corporate Governance reports are published on the Bank's website. Shareholders have easy access to forms available online to file complaints or make inquiries which are duly dealt with. The Bank's formal communication material is provided in both Arabic and English languages.

INVESTOR COMPLAINTS

The Bank treats investors' feedback, concerns, and complaints with a great deal of due care and attention. Their input constitutes a key element towards improving the Bank's standards, policies, products and services. While keen to provide a first-class service for its clients, the Bank understands that there could be a few incidences where a client might not be fully satisfied with the Bank's products, services or responses. Therefore, investors are encouraged to immediately contact the Bank if at any stage they feel that its service levels are not up to their expectation. The Bank adopts a strict hierarchy and time frame towards resolving investors' complaints promptly.

WHISTLE-BLOWING POLICY

The Bank has formulated a whistle-blowing policy designed to enable the airing of genuine concerns regarding suspected malpractice within the Bank, enhancing transparency, and safeguarding the Bank's integrity. Malpractice includes but is not limited to conduct likely to prejudice the reputation of the Bank; breaches of applicable regulations; breaches of internal rules and limitation; criminal offences or endangerment of the health and safety of any person; environmental damage; and the deliberate concealment of any malpractice. The recommended rule of thumb is "If in doubt – raise it".

GOVERNANCE CONTROL FUNCTIONS

As well as undertaking their specific responsibilities, the Compliance, Risk Management, Internal Audit, and Sharia Coordination & Review departments work closely together in assisting the Board and Executive Management of the Bank to uphold the highest standards of corporate governance.

COMPLIANCE

At Esterad Bank, compliance is recognized as the personal responsibility of all staff, not just the Compliance function. Compliance with regulatory requirements and internal policies and procedures is an ongoing process and considered an integral part of the Bank's culture.

Esterad Bank is committed to complying fully with the rules and regulations of the Central Bank of Bahrain; the Ministry of Industry and Commerce; and other applicable laws and regulations, and international best practices. The Bank continuously strives to improve the level of compliance in conducting its business by actively educating staff to increase awareness of compliance issues and principles.

The Compliance department acts as a central point for all regulatory compliance, as well as adherence to the Bank's internal policies and procedures. The department is independent from other business activities and performs its compliance-specific responsibilities along with other limited activities as defined by the CBB, such as Anti-Money Laundering. The Compliance department reports functionally to the Board Audit and Risk Committee and administratively to the CEO, to ensure that the Bank's compliance objectives are achieved to the highest professional and ethical standards. The department performs its activities under a well-established Compliance Framework which is articulated by a comprehensive Compliance Manual approved by the Bank's Board.

Corporate Governance Review (continued)

RISK MANAGEMENT

Esterad Bank adopts an enterprise-wide approach to manage risk, whereby it is embedded in the organizational culture, with all employees being individual owners of risks. Risk management plays a critical role in the Bank's decision-making process. The ultimate accountability & responsibility for oversight of risk management at Esterad Bank resides with the Board of Directors, which delegates its responsibility to the Board Audit & Risk Committee. The Risk Management department, which is an independent function, reports directly to the Board Audit and Risk Committee, to which it has direct access. The department is responsible for ensuring that the risks inherent in all banking activities are managed in line with the Board-approved risk policies and procedures of the Bank. The department independently identifies, measures monitors and communicates different dimensions of risk as well as suggests controls to mitigate or manage the risks, which aim to protect the asset values and income stream and optimize shareholders' return.

At EB, the risk management follows the "Three lines of defense" mechanism. The Three Lines of Defense model provides a clear and effective structure for risk management and internal control by distinguishing roles and responsibilities across three layers:

- a. Business Units or Risk-taking units (1st line of defense): The business units that generate business are involved in the identification, assessment, and monitoring of risks, responsible for implementing effective internal controls and ensuring risk management processes are followed and complying with internal regulations on risk management, as well as give due consideration to the risk level.
- b. Risk Management & Compliance (2nd line of defense): The Risk & Compliance department works hand in hand to develop risk management policies, tools and methodology, conducts risk assessment, monitors the risk level and prepares reports on risks for various stakeholders.
- c. Internal audit (3rd line of defense): The Internal Audit department acts as the third line of defense and independently assesses the quality for existing risk management processes, identification of violations, and recommending improvements where necessary.

INTERNAL AUDIT

Internal Audit reports directly to the Audit and Risk Committee of the Board, and administratively to the Chief Executive Officer. The department is responsible for evaluating and providing assurance to the Board of Directors and Executive Management on the effectiveness of the Bank's control, risk management and governance processes. This involves reviewing the effectiveness and efficiency of all business processes and their compliance with the Bank's policies, standards and procedures, and all applicable laws and regulations. In addition, the department audits the activities of some portfolio companies for which the Bank has a fiduciary responsibility. The function conducts its audits in accordance with the audit plan approved by the Audit and Risk Committee. This plan is developed using a risk-based methodology which also considers any risks identified by the Risk Management function, the Executive Management, and external Auditors. Regular reports on Internal Audit activities are presented to the Audit and Risk Committee. The Internal Audit function also provides Management and staff with preventive advice and guidance.

ANTI-MONEY LAUNDERING

Esterad Bank's Anti-Money Laundering measures are based on three main pillars:

1. The Ethical pillar, by actively taking part in the fight against financial crime.
2. The Professional pillar, by preventing the Bank and its products to be used as a channel for money laundering and terrorist financing by recycling the proceeds of crime.
3. The Legal pillar, by complying with the Kingdom of Bahrain's legislation and regulations pertaining to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

The Bank's AML Manual has been developed in line with Central Bank of Bahrain guidance, and the requirements stipulated in the Financial Crime Module of the CBB Rulebook Volume 2 – Islamic Banks; international best practices promoted by the Financial Action Task Force (FATF), with 40 recommendations on combating money laundering and the financing of terrorism and proliferation; and Basel Committee guidance on Customer Due Diligence. The manual provides a comprehensive set of AML policies and procedures that set out detailed requirements relating to customer identification, customer due diligence, ongoing due diligence and monitoring, reporting suspicious activities (SAR), combating the financing of terrorism, recordkeeping, and staff education and training.

Compliance with the CBB's Anti-Money Laundering regulations is monitored by the Bank's Money Laundering Reporting Officer (MLRO) and Deputy MLRO; and independently assessed, both internally and externally, by Internal Audit and the external auditors on an annual basis.

STATUS OF COMPLIANCE WITH CBB'S CORPORATE GOVERNANCE GUIDELINES (HIGH-LEVEL CONTROLS MODULE)

As required by the CBB, Esterad Bank regularly reviews its compliance with the governance requirements stipulated in the CBB's High Level Control Module of its Rulebook Volume 2 – Islamic Banks. The Bank's effort has yielded a high level of compliance with the Eleven Principles of the Corporate Governance Code of the Kingdom of Bahrain, along with its Rules and Guidance.

Esterad Bank is fully compliant with the requirements of the CBB's High Level Control Module except for the following listed below. However, it should be noted that in order to comply with CBB requirements, the Bank implemented alternative internal arrangements as explained below:

Corporate Governance Review (continued)

- HC-3.7.1 The remuneration committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors, and the chairperson should be an independent director. The NRCGC included an executive member until 12 June 2024, afterward, the NRCGC was reconstructed to include only independent directors.
- HC-3.6.2 states that Members of the remuneration committee must be independent of any risk taking function or committee, the NRCGC and ARC have the same Committee members.
- HC-10.1.7 states that the Bank must appoint a head of internal audit. It is to be noted that the internal audit function at the Bank is outsourced to Deloitte and Touche ME.

GUIDANCE (PD 1.3 10B)

- **Description of the ways in which the current and future risks are taken into account in the remuneration processes.**

The main objective of Esterad Bank's remuneration policy is planning, conducting, performing in a sustainable way, based on efficient risk management and preventive to extreme risk-taking, compliant with the scope of Bank's operations, strategies, mission and vision and long-term targets.

Performance scores are applied to certain weightages based on the nature of the individual's role within the Bank and the level of risk it undertakes. The Bank's Remuneration Policy is applied for by all employees of the Bank, its Directors and Board Committee Members. The Nomination, Remuneration and Corporate Governance Committee ("NRCGC") make recommendations to the Board on the remuneration framework for the directors and executive and senior management, which must be carried out with due regard to the local laws and regulations (especially, Commercial Companies Law 2001 (as amended), Bahrain Labor Law and Central Bank of Bahrain Rulebook together with the Bank's Memorandum and Articles of Association).

The Bank's Directors remuneration is broadly based on a combination of the Bank's profitability level. It also reflects the extent of responsibilities of each Director. Total remuneration also includes the Director's membership in one or more of the Board's committees, which follows the basic board membership remuneration approach above. The overall board remuneration in any financial year shall not exceed 4.5% of the bank's net profit, after allowing for legal reserves and after allowing for dividends distribution to the shareholders of not less than 5% of the net profits – as per Article 188 of the Bahrain Commercial Companies Law (BCCL). Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits. Executive Management and Other Employees Remuneration Performance scores are applied certain weightages based on the nature of the individual's role within the Bank and the level of risk it undertakes. The remuneration policy is reviewed annually by the NRCGC to ensure it remains appropriate for the Bank's needs and reflects any regulatory or market practices and changes. No changes were made during the reporting period. Considering the Bank's financial position, no bonuses, guaranteed bonus or sign-off awards were awarded during the reporting period (31 December 2023 – NIL).

- **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

At least annually, during the performance and appraisal dialogues, the individual employees and managers evaluate and document performance in the past period/year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of these dialogues. Staff individual performance and behavior ratings are used to determine the target compensation range compared to market data points for each staff/role. The bank's Remuneration Policy outlines the target fixed compensation range based on respective individual performance and behavior ratings. Any variation to these target ranges through the annual fixed pay determination process needs to be adequately explained and documented for presentation to the NRCGC. Specifically, the NRCGC sets the following assessment requirements in determining performance at the three levels noted above:

- Bank - Bank's results and a number of KPIs reflecting the Bank's key strategic
- Business unit – performance based on overall contribution towards meeting Bank's performance with adjustment for compliance and regulatory matters and
- Individual – staff appraisals are completed to determine individual ratings based on performance and behavioral attributes.

In the fiscal year ended December 2024, there were no severance costs recorded by the Bank (31 December 2023: USD 167 thousand, with the highest single charge for severance reaching USD 108 thousand).

- **Material legal contingencies including pending legal actions and a discussion and estimate of the potential liabilities.**

In the normal course of business, legal cases are filed by the Bank against its investors and against the Bank by its employees or investors. The Bank's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of Directors. The Bank as part of the periodic assessment maintains adequate provisions. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors believe that such disclosures may be prejudicial to the Bank's legal position. With the intent to bring the Bank back into compliance with all regulatory authorities, all material transactions undertaken in the period required board approval.

Corporate Governance Review (continued)

BOARD AND EXECUTIVE MANAGEMENT REMUNERATION

The Nomination, Remuneration & Corporate Governance Committee (NRCGC) assists the Board in determining the remuneration and compensation of the Board and Executive Management, including executive incentives and any share-based or other entitlements. The members of the NRCGC and their attendances during the year are disclosed in the Annual Report.

The Bank is committed to full compliance with the CBB's requirements covering sound remuneration, which are in the revised policy and procedures which have been put into effect. The NRCGC reviews Esterad Bank's remuneration policy and procedures on an annual basis.

The remuneration policy is designed to:

- Attract, motivate, and retain key employees
- Ensure reward is linked to risks and aligned with long-term performance goals
- Encourage employees to continue to perform and achieve objectives in line with business strategy

Employee compensation comprises a fixed portion representing salaries and benefits, plus a variable portion based on corporate and individual performance as adjusted for risk. A substantial portion of the variable portion for senior management is deferred over three years and equity linked, and accordingly subject to claw-backs for subsequent changes in financial performance.

Board compensation comprises of an annual sitting fee for attendances. The sitting fee paid to the members of the Board represents a fixed amount for the year, and covers all meetings attended, irrespective of whether the meeting relates to the Board or any of its subsidiary committees. Total sitting fees paid during the year amount to USD 157.5 thousand (31 Dec 2023: USD 270 thousand).

Sharia Supervisory Board (SSB) compensation comprises of a fixed annual fee plus travel and related costs for their services. SSB remuneration for the year ended 31st Dec 2024 is USD 57thousand (31 Dec 2023: USD 55 thousand).

Executive Management compensation comprises of a mix of fixed and variable remuneration in line with the CBB's requirements on sound remuneration. Fixed compensation comprises of salaries and benefits in line with market and industry norms for the levels of expertise and experience, seniority and knowledge concerned. Variable remuneration comprises of annual incentives based on the Bank's performance and profitability, plus individual performance and contribution of employees concerned. Due regard is made to align variable remuneration with risk to ensure convergence of employees' interests with shareholders' interests and the long-term profitability of the Bank.

In compliance with the regulations, the CEO and his key deputies, including senior Investment team members are rewarded based on the Bank's performance with due regard to risk taking and exposures and risk outcomes. A significant portion of the variable remuneration is deferred over a period of three years. The deferred portion is 60% for the CEO and his key deputies, and 50% for all other material risk takers or controlled persons whose aggregate annual compensation exceeds BHD 100,000 as required by the CBB. All deferred variable remuneration is awarded in the form of phantom share units linked to the netbook value of the Bank's ordinary shares, and accordingly subject to adjustments for subsequent changes in financial performance.

Additionally, the individual performance of each employee based on performance appraisals is taken into consideration in determining the distribution of the incentive pool, thus ensuring that both corporate, departmental, and individual performance aspects are appropriately considered in the determination and distribution of performance rewards. No performance bonuses were paid to employees during the year 2024 (31 December 2023 – NIL).

The Bank is committed to full compliance with the CBB's rules which underpins the remuneration policy and requires that compensation is commensurate with risk outcomes and that the compensation of staff in control functions such as Internal Audit, Risk, Compliance and Financial Control is weighted in favor of fixed, with a greater weightage given to variable compensation for staff categorized as material risk takers. Additionally, the incentive of staff in control functions is independent of the performance of business units they overlook, subject to an overriding criterion of minimum corporate achievement. The remuneration policy is subject to annual review to ensure it properly reflects the Bank's business and risk profile from time to time, so that the objective of ensuring that staff are rewarded in line with performance with due regard for risk taken is achieved.

Corporate Governance Review (continued)

SUMMARY OF COMPENSATION FOR THE FISCAL YEAR ENDED 31 DECEMBER 2024

Categories	No.	Fixed remuneration (in USD '000)	Variable remuneration (in USD '000)		Total remuneration (in USD '000)
		Upfront	Upfront	Deferred	
Members of the board	4	157.5	-	-	157.5
Members of the Sharia board	3	57	-	-	57
Approved persons in control functions	15	1,448	-	-	1,389
Employees in business lines	7	631	-	-	734
Other employees	13	363	-	-	320
Total	42	2656.5	-	-	2657.5

There were no shares, share-linked instruments that were paid to the staff or board members in the form of a bonus or compensation.

SUMMARY OF COMPENSATION FOR THE FISCAL YEAR ENDED 31 DECEMBER 2023

Categories	No.	Fixed remuneration (in USD '000)	Variable remuneration (in USD '000)		Total remuneration (in USD '000)
		Upfront	Upfront	Deferred	
Members of the Board	5	270	-	-	270
Members of Shari'ah Supervisory Board	3	55	-	-	55
Approved persons	13	1,311	20	-	1,332
Business Line	7	505	35	-	539
Other Staff	15	463	1	-	464
Total	43	2,603	56	-	2,660

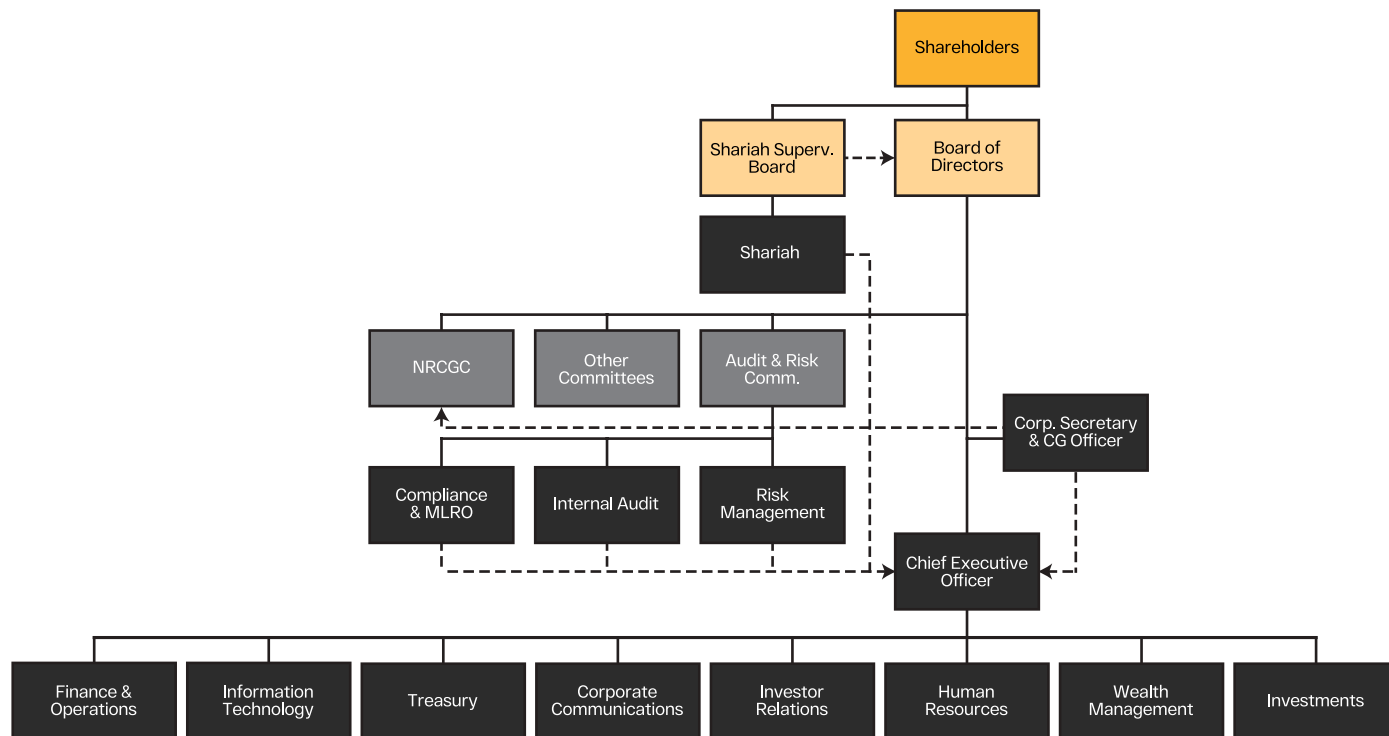
There were no shares, share-linked instruments that were paid to the staff or board members in the form of a bonus or compensation.

Social Functions and Charitable Contributions of the Bank:

The Bank plays a vital role in enhancing community well-being through various social functions and charitable contributions by actively participating in local initiatives that align with its values and mission. Through donations and sponsorships, the Bank not only fosters a culture of giving back but also strengthens its relationships within the community. Additionally, these efforts reflect the bank's commitment to corporate social responsibility, ensuring that its impact extends beyond financial services to create a positive social legacy.

Corporate Governance Review (continued)

Governance & Organization Structure



Ownership of shares by percentage of Shareholding

The table below shows the distribution of ownership (excluding Treasury shares) according to the percentage of shareholding as of 31st December 2024:

Number of Shareholders	Number of Shares	% Ownership of Outstanding Shares
1	1,000,964	99.603%
143	3,990	0.397%
Treasury Shares	46	-
Total	1,005,000	100%

Ownership of shares by government:

The Bahrain Development Bank B.S.C (c), a public sector organization owned by the Government of Bahrain has a 0.006% interest in the share capital of the Bank.

Ownership of shares by Board Members:

As of December 2024, there were no shares that were traded by the Board. Further, as of 31 December 2024, none of the members of the Board held any shares in the Bank.

Ownership of shares by Executive Management:

As of December 2024, there were no shares that were traded by the Executive Management of the Bank. Further, as of 31 December 2024 none of the Executive Management held any shares in the Bank.

Corporate Governance Review (continued)

BELOW IS THE LIST OF SHAREHOLDERS WHO OWN 5% OR MORE OF OUTSTANDING SHARES AS OF 31ST DECEMBER 2024:

1. Esterad Ventures W.L.L
2. OWNERSHIP OF SHARES BY NATIONALITY (including Treasury shares)

Country/Nationality	No. of Shareholders	No. of shares	% Ownership of Outstanding Shares
Kingdom of Bahrain	13	1,001,243.00	99.626%
Kingdom of Saudi Arabia	87	2,177.00	0.217%
Kuwait	20	1,042.00	0.104%
Qatar	10	234.00	0.023%
Sultanate of Oman	8	110.00	0.011%
United Arab Emirates	5	194.00	0.019%
Grand Total	143	1,005,000.00	100%

FEES AND OTHER SERVICES PROVIDED BY EXTERNAL AUDITORS AND REGULATORS

EXTERNAL AUDITORS

On 30 June 2024, Esterad Bank's Shareholders approved the appointment of KPMG as the external auditors for the financial year ending 31st Dec 2024.

The fees charged for the purpose of the audit-related services amounted to USD 129,973. Fees relating to performing other non-audit related Agreed Upon Procedures amounted to USD 93,634.

REGULATORS

There were no penalties issued by or paid to the Regulators during the year (2023: NIL).



.....
Bashar Almutawa
 Chairman

Change. Progress. Growth.

PUBLIC DIS



SCLOSURE

Public Disclosure Review

Public Disclosure FY Ending 31st Dec 2024

1 Introduction

Esterad Bank B.S.C (c) (formerly known as Venture Capital Bank B.S.C. (c)) (hereafter referred to as "the Bank") was incorporated in the Kingdom of Bahrain on 26 September 2005 as a closed shareholding company under commercial registration (CR) number 58222 issued by the Ministry of Industry and Commerce ("MOIC"). The Bank is licensed as a wholesale Islamic bank by the Central Bank of Bahrain ("CBB") and is subject to the regulations and supervision of the CBB. The Bank's registered office is 302, Building 1411, Road 4626, Block 346, Sea Front, Manama, Kingdom of Bahrain.

The principal activities of the Bank comprise venture capital, real estate and private equity investment transactions and related investment advisory services. The Bank conducts all its activities in compliance with Islamic Shari'ah under the guidance and supervision of the Bank's Shari'ah Supervisory Board, and in compliance with applicable laws and regulations.

The Bank is currently 99.5% owned by Esterad Investment Company B.S.C (c) (hereafter referred to as "EIC"), a Bahraini public joint stock company listed in Bahrain Bourse. EIC does not have control over the relevant activities of the Bank as the Bank's operations are currently subject to restrictions imposed by the regulator due to capital deficiencies.

These disclosures, also referred to as "Pillar 3" disclosures are designed to promote market discipline and transparency by providing information on a firm's risk exposures and risk management processes. The Bank makes these disclosures on a comprehensive basis comprising qualitative and quantitative information annually and on a restricted basis at the half year reporting stage.

The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and follows the Basic Indicator Approach for Operational Risk to determine its capital requirements.

As at 31 December 2024, the Bank's total risk weighted assets amounted to US\$ 311,171 thousand; Common Equity, Tier 1 Capital and total regulatory capital amounted to negative US\$ 23,006 thousand, negative US\$ 18,338 thousand and negative US\$ 18,011 thousand respectively. Accordingly, Common Equity Ratio, Tier 1 Capital Adequacy Ratio and total Capital Adequacy Ratio was -7.39%, -5.89% and -5.79% respectively, which is in breach of the minimum requirement of 9%, 10.5% and 12.5% respectively as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.

2 Capital Structure

2.1 Capital Base

The authorized share capital of the Bank is US\$ 10 million, comprising 10 million common shares of US\$ 1 each. The Bank's current paid up capital is US\$ 1,005 thousand.

2.2 Group structure

The Bank has the following operational subsidiaries, together ("the Group") which are fully consolidated in its consolidated financial statements.

Subsidiary	Country	Capital	Percentage interest
Gulf Projects Company W.L.L.	Kingdom of Bahrain	BHD 1,000,000	100.00%
GPC Acquire	Cayman Islands		100.00%
The Lounge Serviced Offices Company W.L.L.	Kingdom of Bahrain	BHD 20,000	100.00%
GMCB Co. W.L.L. *	Kingdom of Bahrain	BHD 20,000	54.06%
VCB Investment Advisors LTD	Cayman Islands	USD 1	100.00%
VCB AT1 Sukuk Ltd	Cayman Islands		100.00%

* The Group's investment in GMCB Co. W.L.L. is not consolidated on a line by line basis as control is deemed to be temporary in nature since GMCB Co. W.L.L. is in the process of liquidation. The unconsolidated subsidiary classified under Investments held for sale has a carrying value of USD NIL (31 December 2023: USD NIL)

Public Disclosure Review (continued)

2.3 Review of financial performance

As at 31 December 2024, the Group had negative equity attributable to shareholders of USD 21,448 thousand. The Group issued Subordinated Mudharaba (AT1) of USD 26,256 thousand. The total equity of the Group as of 31 December 2024 was USD 4,768 thousand, having accumulated losses of USD 22,742 thousand and total liabilities with maturity up to 12 months exceeding total assets with the same maturity by USD 2,578 thousand.

During the year, the Bank continues to be in breach of a number of regulatory requirements including minimum capital adequacy ratios. These conditions indicate the Group is not a going concern.

However, the management has prepared the consolidated financial statements on a going concern basis for the following reasons:

(i) The acquisition of the Bank by EIC will enable the Group to continue as a going concern and to negotiate settlement of its obligations to third parties as and when they fall due. Additionally, the shareholders do not have any intention to liquidate the Bank, and intend to revive the business model to operate on a going concern basis.

(ii) In an effort to meet minimum capital requirements, the Group issued Subordinated Mudharaba AT1 (Additional Tier 1 Capital Sukuk "Sukuk") to its existing investors upon obtaining the necessary regulatory approvals. The sukuk were issued in exchange liabilities owed by the Group and for investments managed by the Bank where these investors were participants. The investments swapped were valued at 80% of the fair value of the investments and the group recorded a profit of USD 441 thousand during the year (31 December 2023: USD 4,503 thousand).

During the year, the Group issued additional Subordinated Mudharaba AT1 to its investors amounting to USD 3.5 million. Total Sukuk issued as of the date of this statement of financial position amounts to USD 26.3 million (31 December 2023: USD 22.8 million).

(iii) The management is in discussion with the regulator on a restructuring plan for the Group in order to address existing regulatory concerns and better position itself for recovery and stability. As part of its restructuring efforts, management is in the process of formulating a strategic business plan which will provide a clear path for the business' long term growth and sustainability.

(iv) With the improved performance of certain investments, the Bank has resumed collecting management fees. The Bank has also successfully listed 2 of its portfolio investments in Turkey, which will generate additional liquidity at the time of exit. Management expects to generate sufficient liquidity in the short term to cover ongoing operating costs and provide funding to support its restructuring plan and meet its near-term obligations.

Accordingly, based on the above developments, the Board of Directors is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the consolidated financial statements have been prepared on a going concern basis.

	USD million					
	Dec 2024	Dec 2023	Dec 2022	June 2022	June 2021	June 2020
Net profit / (loss)	2.49	(5.54)	(20.12)	(3.20)	(15.76)	(81.12)
ROC (return on paid up capital)	9.0%	-18.9%	-288.2%	-1.6%	-8.0%	-8.3%
Head count	28	22	21	21	23	39
Total investments / total assets	57%	64%	56%	46%	63%	76%
Accumulated losses / total equity	45%	-100%	-333%	-99%	-97%	-89%

Capital Adequacy

2.4 The Bank's capital adequacy management program ensures that the Bank not only complies with regulatory capital requirements, but also continues to maintain a strong capital base to support its business.

2.5 The Bank utilises a risk adjusted measure of capital adequacy (i.e. Capital Adequacy Ratio or "CAR") based on the regulatory regime implemented by the CBB that is consistent with the Basel III guidelines issued by the Basel Committee on Banking Supervision's International Convergence of Capital Measurement and Capital Standards.

Public Disclosure Review (continued)

2.6 Effective January 2015, the CBB has required all Bahrain banking institutions to implement the Basel III guidelines for the maintenance of minimum level of capital calculated for three major components of risk exposures i.e. credit risk (including investment risks), operational risk and market risk, plus minimum leverage and liquidity coverage ratios.

2.7 The Bank uses the Standardised Approach to quantify its credit and market risk weighted exposures and the Basic Indicator Approach for operational risk.

- a. Credit risk weighted exposures may be calculated in three different methods of varying degrees of sophistication, namely the Standardized Approach, Foundation Internal Rating Based Approach and Advanced Internal Rating Based Approach. The Bank has adopted the Standardized Approach for credit risk measurement, which uses fixed risk weights for different categories of credit risk.
- b. Market risk weighted exposures may be quantified using the Standardized Approach, which uses fixed capital charges for specific categories of market risk, or the Internal Models Approach subject to prior approval by CBB. The Bank uses the Standardized Approach for market risk measurement.
- c. For operational risk, there are three different approaches - Basic Indicator Approach, Standardized Approach, and Advanced Measurement Approach. The Bank uses the Basic Indicator Approach, which uses the average of the gross income for the past three years as a basis for the calculation of capital charge for operational risk.

2.8 In determining CAR, the Bank calculates its risk adjusted assets, which are then expressed as a factor of regulatory eligible capital rather than the equity capital appearing in the Bank's statement of financial position. Regulatory capital is composed of three elements:

- a. Common Equity Tier 1 Capital which is the nominal value of paid in capital, audited retained earnings and accumulated reserves arising from the appropriation of current and past years' income and/or retained earnings less treasury stock, minority interests and negative fair value reserves. Local regulations also require that certain investments or exposures should be deducted from Tier 1 capital.
- b. Additional Tier 1 Capital, which consists of the qualifying portion of minority interests in consolidated entities given recognition. The Bank issued Subordinated Mudharaba (AT1) {Additional Tier 1 Sukuk ("Sukuk")} of USD 26 million, under an approval form the Central Bank of Bahrain.
- c. Tier 2 Capital, which consists of the qualifying portion of subordinated loans and general loss provisions. Under the CBB regulations, the aggregate amount of Tier 2 capital eligible for inclusion in the CAR is limited to no more than 100% of Tier 1 Capital.

2.9 As the Bank has no operating branches outside the Kingdom of Bahrain, it is subject only to the capital requirements of the CBB, which currently requires all financial institutions in Bahrain to maintain a 12.5% minimum CAR.

2.10 The Bank's capital adequacy position is reviewed and stress tested regularly for various scenarios given the nature of the Bank's investments in alternative assets. Prudential Returns on the Bank's capital adequacy are filed quarterly with the CBB and reviewed by the external auditors.

2.11 As of 31 December 2024, the Bank's capital adequacy position was below the minimum requirement of the CBB. Accordingly, the Bank provided the CBB with an action plan to bring the CAR back above the minimum. In addition daily CAR monitoring process has been put in place.

2.12 As a further step in mitigating risks, the Bank follows a policy of diversification in its activities and seeks to minimize the risk exposure to particular geographical regions, counterparties, instruments and types of business.

Public Disclosure Review (continued)

2.13 Capital Adequacy (continued)

The quantitative details of the Bank's regulatory capital are depicted in the following tables:

Table 1: Regulatory Eligible Capital as at 31 December 2024 (PD 1.13.14)

CAPITAL COMPONENTS - CONSOLIDATED	USD '000		
	CET 1	AT1	T2
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid ordinary shares	1,005		
Legal / statutory reserves	249		
Accumulated losses	(24,550)		
Cumulative net income	2,488		
Total CET1 capital before minority interest	(20,808)		
Significant investments in the common stock of financial entities (amount above 10% of CET1c)	2,198		
Aggregated amount of exceeding the 15% of CET1d	-		
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	(23,006)		
Other Capital (AT1 & T 2)			
Subordinated Mudharaba (AT1)		26,256	
Expected Credit Losses (ECL) Stages 1 & 2		-	327
Total Available AT1 & T2 Capital		26,256	327
Net Available Capital (After haircut)	(23,006)	4,668	327
Total Tier 1		(18,338)	
Total Available Capital			(18,011)
Reconciliation with consolidated financial statements			
Shareholder's equity per audited consolidated financial statements			(21,488)
Add: Consolidation adjustment for capital calculation			680
Add: Collective impairment provisions			327
Less: Significant investments in the common stock of financial entities (amount above 10% of CET1 c)			(2,198)
Add: Adjustments for Subordinated debt			4,668
Total available capital for regulatory purposes			(18,011)

Public Disclosure Review (continued)

2 Capital Structure (continued)

2.13 Capital Adequacy (continued)

Table 2: Details of exposures and capital requirement (PD 1.3.20)

Details of exposures and capital requirement		USD '000		
	Gross exposures	Capital charge	Risk weighted exposures	
Credit risk:				
Total Claims on Banks	902	28	220	
Other Corporates	17,942	14,751	118,008	
Equity Investments				
Investments in listed equities in banking book	-	-	-	
Investments in unlisted equities in banking book	-	-	-	
Significant investment in				
- common shares of financial entities >10%	-	-	-	
- common shares of Commercial Entities above 15%	-	-	-	
Other exposures with excess of large exposure limits (Module CM)	22,041	22,041	176,328	
Premises occupied by the bank	-	-	-	
Other assets	125	16	125	
Investment in listed real estate companies	-	-	-	
Investment in unlisted real estate companies	-	-	-	
Past due facilities where				
- Specific Provision is 20% or more	-	-	-	
- Specific Provision is less than 20%	-	-	-	
Other exposures	-	-	-	
Total credit risk exposure under standardized approach	41,010	36,836	294,681	
Market risk (refer to table 3):				
Equity position risk		206	2,575	
Foreign exchange risk		207	2,588	
Total market risk under standardized approach		413	5,163	
Capital requirement for Operational Risk (PD 1.3.19 & PD 1.3.30)				
(Basic Indicator Approach)				
Gross income for prior three years	5,226	5,172	7,724	
Average of past 3 years gross income (excl. loss years)			6,041	
Risk weighted exposure for Operational Risk			11,327	
Minimum Capital charge			1,416	
Total eligible capital - (Tier 1 + Tier 2)		(18,011)		
Total eligible capital - Tier 1		(18,338)		
Common Equity Tier 1		(23,006)		
Total Capital Adequacy Ratio (Tier 1 + Tier 2)		-5.79%		
Tier 1 Capital Adequacy Ratio		-5.89%		
Common Equity Tier 1 Ratio		-7.39%		
Total gains / (losses) on investments:	Year ended 31 Dec 2024	Year ended 31 Dec 2023	Year ended 31 Dec 2022	
	USD '000	USD '000	USD '000	
Unrealised fair value losses recognized in the statement of income	(146)	(3,480)	(1,585)	
Unrealised fair value gains / (losses) recognized in equity	-	45	(471)	

Public Disclosure Review (continued)

2.13 Capital Adequacy (continued)

The maximum and minimum values of each category of market risk exposure are detailed in the table

Table 3: Details of market risk weighted exposures (PD 1.3.18 or PD 1.3.27)

Particulars	31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24	USD '000	
					Max	Min
Risk Weighted Exposure						
Equity position risk	2,575	3,000	3,300	2,913	3,300	2,575
Foreign exchange risk	2,588	4,163	2,863	2,213	4,163	2,213
Total	5,163	7,163	6,163	5,125	7,163	5,125
Capital requirement						
Listed equities held for trading	322	375	413	364	413	322
Foreign currency exposure	323	520	358	277	520	277
Total	645	895	770	641	895	641
Period end Capital Charge						
Listed equities held for trading	206	240	264	233	264	206
Foreign currency exposure	207	333	229	177	333	177
Total	413	573	493	410	573	410

Table 4: Details of credit risk weight on Islamic financing contracts at 31 December 2024, which is representative of the average exposure during the year (PD 1.3.17):

Islamic Financing Contracts	Credit Exposure	Risk-Weighted Assets (RWA)	USD '000
			Minimum Capital Charge
Qard Hassan	2,154	17,232	2,154
Murabaha financing	-	-	-
Mudaraba financing	-	-	-
Musharaka	-	-	-
Total	2,154	17,232	2,154

Table 5: Geographical distribution of exposures including impaired assets and the related impairment provisions (PD 1.3.23 i)

Geographic Sector	Gross Impaired Financing Contracts	USD '000
		Life time ECL credit impaired (Stage 3)
GCC countries	-	-
Other MENA countries	7,953	7,953
Europe	-	-
	7,953	7,953

Table 6: Gross Credit Exposures by type of Islamic financing contracts (PD 1.3.26)

Credit Exposure by Type of Islamic Financing Contracts	Gross Positive Fair Value (Net of specific provision)	Netting Benefits	Netted Current Credit Exposures
Qard Hassan	-	-	-
Murabaha financing	-	-	-
Mudaraba financing	-	-	-
Musharaka	-	-	-
	2,154	-	-

The Group does not have any Islamic financing contracts that are guaranteed or collateralized.

Public Disclosure Review (continued)

2 Capital Structure (continued)

2.13 Capital Adequacy (continued)

Table 7 Gross Credit Exposures (PD 1.3.23 a)

Exposure Type	31-Dec-24	Quarterly Average
Balances with banks	1,129	2,120
Placements with financial institutions	650	2,351
Murabaha financing	7,953	7,789
Investments	17,127	18,492
Funding to project companies	2,154	3,106
Receivables	2,353	4,472
Other assets	11,541	12,000
Right-of-use asset	3,174	3,231
Property and equipment	3,874	3,950
Total funded exposures	49,955	57,511
Contingent liabilities	37,638	25,346
Total unfunded exposures	37,638	25,346
Total exposures	87,593	82,857

The Group has calculated the average gross credit exposures based on average quarterly balances for 2024.

The Gross credit exposures presented above are at a Group level and not on a standalone level.

3 Risk Management

Risk Governance Structure

3.1 As an Islamic investment bank dealing predominantly in alternative assets, the Bank is exposed to various risks in the normal course of its business. These risks include:

- Credit and counterparty credit risk
- Market risk
- Operational risk
- Equity risk in the Banking Book (Investment Risk)
- Liquidity risk
- Profit margin rate risk in the Banking Book
- Concentration Risk

3.2 An understanding of and transparency in risk-taking are key elements in the Bank's business strategy. The Bank maintains a prudent and disciplined approach towards risk taking, and embeds a structured risk management process as an integral part of its decision making practice. This risk management process, which is applicable to the various risks the Bank is exposed to, is divided into three key components comprising the following:

a. Risk Identification and Measurement

- Procedures for the identification and quantification of risks.
- The use of quantitative models and qualitative approaches to assess and manage risks.

b. Risk Control

- Clearly defined risk exposure limits.
- Criteria for risk acceptance based on risk and return as well as other factors.
- Portfolio diversification and, where possible, other risk mitigation techniques.
- Robust operating policies and procedures.
- Appropriate Board Committee's authorization and approval for investment transactions.

c. Risk Monitoring and Reporting

- Ongoing review of exposures and risks by Risk Management Department, including stress testing and frequent reporting to the Board
- Periodic internal audits of the Bank's control environment

Public Disclosure Review (continued)

3.3 The Bank's Board of Directors, through the Audit & Risk Committee (a subcommittee of the Board of Directors) has the responsibility for ensuring the establishment and effective implementation of an integrated risk management framework for the Bank. The Risk Management Department is empowered to independently identify and assess risks that may arise from the Bank's investing and operating activities; and recommend to the Executive Management Committee any prevention and mitigation measures as it deems fit. In addition, the Internal Audit Department, which is independent of both operations and the Bank's investments units, also assists in the risk management process. In particular, the Internal Audit Department is charged with a periodic review of the effectiveness of the Bank's policies and internal controls, including those relating to the risk management process.

3.4 The Internal Audit Department adopts a risk-based audit approach whereby the nature, timing and extent of the audits are determined with regard to the risk relevant to each business or support unit of the Bank. A risk assessment is carried out annually to determine the major risks faced by each business or support unit and accordingly, an annual audit plan is prepared by the Internal Audit Department and approved by the Board's Audit Committee. The annual plan envisages the coverage, amongst others, of the Risk Management and Compliance Departments.

Detailed operational risk assessments and tests of effectiveness of internal controls designed to mitigate risks (covering each of the risk components as mentioned above) are carried out in accordance with the annual audit plan. A follow up audit to ascertain the status of implementation of observations previously made by internal or external audit is also part of the annual audit plan.

The key findings arising from the work performed by Internal Audit is reported to the Audit and Risk Committee of the Board and the senior management of the Bank.

Credit and Counterparty Credit Risk Management (PD 1.3.22 + 1.3.26)

3.5 Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

3.6 The Bank is not involved in the granting of credit facilities in the normal course of its business activities. Further, the Bank is not engaged in retail business and therefore does not use credit "scoring" models.

3.7 The credit risk exposures faced by the Bank are principally in respect of its own short term placements with other financial institutions and in respect of investment related funding made to projects. The investment related funding exposures arise in the ordinary course of its investment banking activities. All such exposures are however reviewed periodically for recoverability in line with FAS 30 and are subject to provisioning where necessary having regard to the nature of the exposure and the assessment of collection.

3.8 The Bank uses the Standardized Approach for measuring its credit risk. As it does not use an internal credit "scoring" system, the Bank depends, where available, on ratings from External Credit Assessment Institutions like Moodys, Bloomberg etc.. recognized by the CBB for its bank counterparty exposures. As at 31 December 2024, bank balances totalling US\$ 852 thousand were categorised as short-term claims on locally incorporated banks having currencies in either Bahraini Dinars or United States Dollars.

3.9 All lines of counterparty credit limits are subject to annual reaffirmation by the Board of Directors. The limits are also reviewed frequently to ensure consistency with the Bank's investment strategies and to take into account the latest market developments. Given the nature of the Bank's business, the Bank uses nominal balance sheet amounts including accrued interest and other receivables as its measure of exposure. Overall, the Bank's management considers that its policies and procedures constitute a reasonable approach to managing the credit risk in the activities it is engaged in.

Securitisation

3.10 The Bank does not generally undertake or participate in securitization activities in relation to credit synthesis, acting as a sponsor, liquidity facility provider, credit enhancement facility provider, swap provider nor have any of its assets securitized and therefore has no recourse obligations under such transactions as defined by the Financial Stability Task Force.

However, the Bank has structured and arranged certain "Liquidity Programs" which has raised funds through the issuance of Shari'ah compliant one year liquidity instruments with early redemption options of 30 days, 90 days and 180 days with attractive yields. These are backed by the rental yields of the VC Bank Building, a prime commercial property in the Diplomatic Area of the Kingdom of Bahrain, and of the Jebel Ali Labour Housing Complex in Jebel Ali, United Arab Emirates.

Public Disclosure Review (continued)

3 Risk Management (continued)

Off-Balance Sheet Items

3.11 The Bank's off-balance sheet items comprise:

- Contingent exposure of US\$ 37.64 million (31 December 2023: US\$ 20.82 million) associated with the issuance of guarantees for investment related funding made by financial institutions to the Bank's investment projects. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements;
- The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. The Bank has assessed the need for creating a liability in the books for any potential claim that may arise and has made adequate provisions as the Bank believes is necessary.

The Group has appropriate procedures and controls in place commensurate to the size of its Restricted investment accounts which include:

- Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;
- Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and
- Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

3.12 Concentration of risks arises when a number of obligors, counterparties or investees are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region.

3.13 The Bank has established limits based on geographic regions and industry sectors. The Bank's Large Exposure Policy details the Bank's exposure limits and is in compliance with the concentration limits laid down by the CBB.

3.14 The Group follows the Central Bank of Bahrain's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the Central Bank of Bahrain Rulebook for Islamic Banks.

During the year ended 31 December 2024 an amount of USD nil was paid as penalty to the Central Bank of Bahrain (CBB) for failure to comply with CBB requirements. (PD 1.3.44)

The bank does not have any exposure to highly-leveraged and other high-risk counterparties as per the definition provided in the CBB rulebook PD-1.3.24 (PD 1.3.23 e).

Table 8: Exposures is in excess of the 15% individual obligor limit as at 31 December 2024 (PD.1.3.23f)

USD '000			
Counterparty	Exposure	Counterparty	Exposure
Counterparty 1	9,337	Counterparty 14	354
Counterparty 2	4,989	Counterparty 15	199
Counterparty 3	4,530	Counterparty 16	192
Counterparty 4	4,474	Counterparty 17	179
Counterparty 5	2,586	Counterparty 18	133
Counterparty 6	2,409	Counterparty 19	42
Counterparty 7	1,686	Counterparty 20	17
Counterparty 8	1,661	Counterparty 21	12
Counterparty 9	1,585	Counterparty 22	11
Counterparty 10	788	Counterparty 23	6
Counterparty 11	585	Counterparty 24	1
Counterparty 12	566	Counterparty 25	1
Counterparty 13	384	TOTAL	36,726

Public Disclosure Review (continued)

3 Risk Management (continued)

3.15 Details of the Bank's credit risk exposures

Table 9A: Distribution of the Bank's exposures by geographic sector as at 31 December 2024 (PD.1.3.23b)

USD '000

Geographic sector	GCC countries	Other MENA countries	Europe	Cayman / Americas	Total
Assets					
Balances with banks	1,127	-	-	-	1,127
Placements with financial institutions	650	-	-	-	650
Investments	14,526	2,572	29	-	17,127
Funding to project companies	1,939	-	-	-	1,939
Other assets	1,415	543	13	192	2,163
Right-of-use asset	3,175	-	-	-	3,175
Property and equipment	3,874	-	-	-	3,874
Total assets	26,706	3,115	42	192	30,055
Off-balance sheet items					
Commitments and contingencies	18,964	18,674	-	-	37,638
	45,670	21,789	42	192	67,818

Note: Allocation of the Bank's exposures is based on the asset's country of risk.

b. Table 9B: Distribution of the Bank's exposures by Industry Sector as at 31 December 2024 (PD 1.13.23c)

Distribution of Bank's exposures by industry sector

USD '000

Industry sector	Trading and manufacturing	Banks and financial Institutions	Real estate	Food and Technology	Other	Total
Assets						
Balances with banks	-	1,127	-	-	-	1,127
Placements with financial institutions	-	650	-	-	-	650
Investments	-	117	13,572	2,572	866	17,127
Funding to project companies	-	-	1,939	-	-	1,939
Other assets	-	14	859	703	587	2,163
Right-of-use asset	-	-	3,175	-	-	3,175
Property and equipment	-	-	3,570	-	304	3,874
Total Assets	-	1,908	23,115	3,275	1,757	30,055
Off-balance sheet items						
Equity of investment account holders	-	48	-	-	77	125
Commitments and contingencies	18,674	-	15,955	-	3,009	37,638
	18,674	1,956	39,070	3,275	4,843	67,693

c. Table 9C: Distribution of the Bank's exposures by Industry Sector including impaired assets and the related impairment (PD 1.3.23h)

USD '000

Industry sector	Gross Financing Contracts - Past Due contracts	12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)	Gross Impaired Financing Contracts	Life time ECL credit impaired (Stage 3)
Manufacturing	-	-	7,953	7,953
	-	-	7,953	7,953

d. Table 9D: Ageing Analysis of the Bank's exposures by Industry Sector including impaired assets and the related impairment (PD 1.3.23i)

Industry sector	Gross Impaired Contracts			Specific Provisions	Net Outstanding
	up to 1 year	1 to 3	Over 3 years		
Manufacturing	-	7,953	-	(7,953)	-
	-	7,953	-	(7,953)	-

Public Disclosure Review (continued)

3 Risk Management (continued)

3.15 Details of the Bank's credit risk exposures (continued)

e. Table 10: Exposures by maturity as at 31 December 2024 (PD 1.3.23g)

Distribution of Bank's exposures by maturity

USD '000										
Maturity-wise exposures	Up to 3 months	3 to 6 months	6 months to 1 year	Total up to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Over 20 years	No fixed maturity
Assets										
Balances with banks	1,127	-	-	1,127	-	-	-	-	-	-
Placements with financial institutions	265	135	250	650	-	-	-	-	-	-
Investments	-	-	29	29	-	-	-	-	-	17,098
Funding to project companies	-	-	-	-	1,939	-	-	-	-	-
Other assets	-	6	1,045	1,051	1,089	23	-	-	-	-
Right-of-use asset	-	-	-	-	-	-	-	3,175	-	-
Property and equipment	-	-	-	-	-	-	-	3,874	-	-
Total assets	1,392	141	1,324	2,857	3,028	23	-	7,049	-	17,098
Off-balance sheet items										
Equity of investment account holders	-	-	-	-	-	-	-	-	-	125
Commitments and contingencies	-	-	18,674	18,674	18,964	-	-	-	-	-
	1,392	141	19,998	21,531	21,992	23	-	7,049	-	17,223
										67,818

f. Table 11: Equity positions in the Banking Book (PD 1.3.31)

Investment	Gross credit exposure
Quoted Equities	2,572
Unquoted Equities	5,641
Short term liquidity certificates	1,654
Investment in associates	7,260
Investment in subsidiary	4,914

g. Table 12: Credit risk on investments exceeding the large exposure limit (PD 1.3.31)

Gross Credit Exposure	Risk weighted exposure	Minimum capital charge
22,041	176,328	1,763

Public Disclosure Review (continued)

3 Risk Management (continued)

3.15 Details of the Bank's credit risk exposures (continued)

h. Related party transactions:

In the ordinary course of its business the Bank enters into transactions with related parties which are at commercial terms and approved by the Board. These transactions are reviewed by the Audit Committee and are also disclosed by the Board in the Annual General Meeting of the Shareholders. Table 13 below gives an analysis of related party transactions and balances:

Table 13: RELATED PARTY TRANSACTIONS as at 31 December 2024

RELATED PARTY TRANSACTIONS					USD '000
	Significant unconsolidated Investments at fair value through income	Associates and joint venture	Board members/ key management personnel/ Shari'ah board members/ external auditors	Significant shareholders / entities in which directors are interested	Total
Assets					
Investments	-	7,260	-	-	7,260
Other assets	-	1,939	-	-	1,939
Other assets	-	-	-	-	-
Liabilities					
Employee accruals	-	-	84	-	84
Other liabilities	-	363	160	14,092	14,615
Fair value gains on investments carried					
Revenue					
Fair value losses on investments carried at fair value through income	-	175	-	-	175
Expenses					
Salaries and other short-term benefits	-	-	(690)	-	(690)
Board of directors' attendance fees	-	-	(158)	-	(158)
Service level cost reimbursements	-	-	-	(114)	(114)
Legal and professional fees	-	-	(202)	-	(202)
Other expenses	(50)	-	(57)	-	(107)
Loss on settlement of liabilities *	-	-	-	(1,129)	(1,129)
Provision for credit losses	(1)	-	-	-	(1)

*The loss on settlement of liabilities represent expenses payable to a related party for the settlement of certain liabilities on behalf of the Bank.

Market Risk Management

3.16 Market risk is defined as the risk of losses in the Bank's on and off Balance sheet positions arising from movements in market prices. These risks include:

- Those pertaining to profit-rate related instruments and equities in the trading book.
- Foreign exchange and commodities risk throughout the Bank.

3.17 The Bank's market risk exposures arise predominantly from its trading portfolio of listed equities and a small portfolio of foreign currency denominated assets that are not pegged to the United States Dollar. The Bank's market risk is currently not a major source of risk since the Bank's business strategy does not envisage taking on significant exposure to listed equities or foreign denominated assets. The Bank measures its market risk exposure using the Standardised Approach.

Public Disclosure Review (continued)

3 Risk Management (continued)

Operational Risk Management

3.18 Operational risk is defined as the risk of direct and indirect losses resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Operational risk differs from other banking risks in that it is not directly taken in return for an expected reward but exists in the natural course of Banking activity, which in turn affects the risk management process.

3.19 The Bank is exposed to operational risk due to the complex nature of its alternative investment products and the intricacy of the documentary, legal and other regulatory requirements that surround such investment transactions. Operational risk emanates from all areas of the Bank.

3.20 The Bank uses the Basic Indicator Approach for measuring its operational risk. Currently, the Bank conducts its business from a single location. Accordingly, the number of client relationships and volume of transactions at the Bank are lower than at institutions having multi-location or retail operations.

3.21 Notwithstanding this, the Bank's operations are conducted according to well-defined processes and procedures. These processes and procedures include a broad system of internal controls, including segregation of duties and other internal checks, which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. The Bank also engages in subsequent monitoring of accounting records, daily reconciliation of cash, bank and securities accounts and other checks to enable it to detect, on a timely basis, any erroneous or improper transactions which may have occurred.

3.22 The Bank is currently enhancing its operational risk management framework that will:

- a. help track operational loss events and potential exposures as well as report these on a regular basis.
- b. improve the Bank's loss mitigation process and hence, the overall operational risk management framework.

In addition, the Bank is reviewing and updating its Business Continuity Plan to mitigate the risk of loss from business disruption due to unexpected events.

Legal Risks

3.23 Legal risk includes the risk of non-compliance with applicable laws or regulations, the illegality or unenforceability of counterparty obligations under contracts and additional unintended exposure or liability resulting from the failure to structure transactions or contracts properly.

3.24 The Bank's legal risks are mitigated through legal counsel review of transactions and documentation, as appropriate. Where possible, the Bank uses standard formats for transaction documentation. To prevent potential association with any money laundering activities, the Bank has designed and implemented a comprehensive set of policies and procedures. Adherence to the Bank's policies and procedures is reinforced through staff training as well as internal and external reviews.

Shariah compliance

3.25 The Shariah Supervisory Board (SSB) is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Islamic Shariah. The Bank also has a dedicated internal Shariah reviewer who performs an on-going review of the compliance with the fatwas and rulings of the SSB on products and processes and also reviews compliance with the requirements of the Shariah standards prescribed by AAOIFI. The SSB reviews and approves all products and services before launching and offering to the customers and also conducts periodic reviews of the transactions of the Bank. An annual audit report is issued by the SSB confirming the Bank's compliance with Shariah rules and principles.

Equity Risk in the Banking Book (Investment Risk)

3.26 The Bank invests predominantly in three major segments of alternative assets, namely venture capital, private equity and real estate with the main objective to generate consistent superior returns with reasonable risks from high quality, rigorously investigated, efficiently structured and well managed investments. The intent of such investments is a later sale at a profit to strategic investors either through a private placement offering or trade sale.

3.27 The Bank uses the Standardised Approach for measuring its investment risks, which is considered a part of its Banking Book. The Bank manages its investment risks at the specific investment level through an in-depth pre-entry due diligence process based on an established set of guidelines, criteria and parameters, as well as active on-going consulting-based monitoring by investment teams. The Bank also seeks to diversify its investments, not only geographically and sectorally, but across various revenue stages of investments as well.

Public Disclosure Review (continued)

Equity Risk in the Banking Book (Investment Risk) (continued)

3.28 Notwithstanding this, the Risk Management Department independently reviews and provides inputs on areas of risk in potential investments at an early stage of the due diligence process. Working in close co-operation with the respective investment teams, these independent risk reviews support the investment decision making process through both a qualitative assessment and quantitative analysis.

Unrealized Fair Value Gains (losses)

3.29 The Bank's investments which are designated at fair value through profit or loss are re-valued at every half calendar year, and the gains / (losses) recognized in the statement of income are in accordance with the relevant Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial institutions (AAOIFI). The valuations are performed by the Bank's investment divisions using appropriate internal valuation models with relevant market inputs and assumptions. These valuations are then independently reviewed by the Risk Management Department and approved by the investment committee of the Bank.

Table 14: Unrealized Fair Value Gains / (Losses)

	USD '000					
Unrealized fair value gains / (losses)	12 months ended Dec 2024	12 months ended Dec 2023	12 months ended Dec 2022	12 months ended June 2022	12 months ended June 2021	12 months ended June 2020
Private Equity investments	(445)	(1,066)	(1,585)	(819)	8,644	(31,892)
Listed equity investments	299	(2,414)	(108)	13	(20)	27
Total	(146)	(3,480)	(1,693)	(31,865)	(27,114)	(3,833)

Liquidity Risk Management

3.30 Liquidity risk is defined as the risk that the Bank may have insufficient funds to meet its obligations as and when they fall due i.e. risk of being unable to satisfy claims without impairment of its financial capital due to mismatches in the timing of cash flows.

3.31 The Group's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses, plus its forecast investment commitments over the liquidity horizon. The ultimate responsibility for determining the types and magnitude of liquidity risk that the Bank can tolerate rests with the Bank's Board, who articulates the bank's liquidity risk appetite and tolerance appropriate for its business strategy and ensures that it is communicated to all levels of management.

3.32 In addition, the Group ensures the availability of adequate liquidity at all times through systematic funds planning, maintenance of liquid investments and focus on more stable funding sources.

3.33 The Group's liquidity ratio (cash and cash equivalents to current liabilities) stood at 33% as at 31 December 2024.

Table 15: Liquidity Ratio as at 31 December 2024

	USD '000
Cash at bank	1,127
Placements at bank	650
Total liquid assets	1,777
Total liabilities	25,287
Of which, due in up to 1 year	5,435
Non current, due after 1 year or more	19,852
Liquid assets / total liabilities	7%
Liquid assets / current liabilities (due within 1 year)	33%

Public Disclosure Review (continued)

3 Risk Management (continued)

Liquidity Risk Management (continued)

3.34 As a financial intermediary, the Bank may encounter profit margin risks that arise from timing differences in the maturity and repricing of the Bank's assets and liabilities. While such repricing mismatches are fundamental to the business of banking, these can expose a bank's income and underlying economic value to unanticipated fluctuations as profit margins vary. The factors that affect profit margin rates are principally market and economic factors including inflation and growth rates. Profit margin rate risk however, is not a major source of risk for the Bank due to the absence of significant rate sensitive assets and liabilities, as indicated below. Nevertheless, the Bank monitors its exposure to rate sensitive assets and liabilities proactively and in this regard has implemented a Liquidity Management Policy which covers the following:

- The practical steps and procedures for day to day management of liquidity.
- Preparing periodic liquidity projections and forecasts and the review thereof.
- Liquidity stress testing.
- The reporting of liquidity status and projections, including stressed projections.
- The liquidity contingency plan for identifying and dealing with unforeseen disruptive liquidity events professionally and effectively.

Profit Margin Rate Risk Management in the Banking Book:

Table 16: Profit Margin Sensitivity Analysis in the Bank's Banking B

Position as at 31 December 2024	Rate sensitive assets	Rate sensitive liabilities	Gap	USD'000 Impact of 200 bp change
> 1 day to 3 months	650	-	650	13
> 3 to 6 months	-	-	-	-
> 6 to 12 months	-	-	-	-
> 1 to 5 years	-	-	-	-
Total	650	-	650	13
% of total balance sheet	2%	0%		

3.35 Net profit margin income for the period upto 3 months would potentially increase by US\$ 13 thousand, if the profit margin rate increases by 200 basis points.

Equity of Investment Account Holders and Displaced Commercial Risk (DCR)

3.36 The Bank's exposure to Displaced Commercial Risk is limited to its Equity of Investment Account Holders which comprises the following:

- The GCC Pre IPO Fund, which was set up in 2006 to invest in the shares of unlisted GCC companies in the pre-IPO stage. The total size of the fund is currently approximately US\$ 0.055 million. The Bank manages the fund as a Mudarib, in exchange for a fee of 20% of returns over a 10% simple return. The investments in the GCC Pre IPO Fund are exposed to the general equity market risks prevalent in the GCC countries and in the real estate sectors.
- Historical returns on Equity of Investment Account Holders is shown in Table 17 below:

Table 17: Five Years Historical Return Data on Equity of Investment Account Holders

	12 months ended Dec 2024	12 months ended Dec 2023	12 months ended Dec 2022	12 months ended June 2022	USD '000 12 months ended Jun 2021
GCC Pre IPO Fund					
Net loss	(12)	5	(15)	(21)	(982)
Total assets	55	125	120	115	136
Total equity	55	125	120	115	136
Return on assets (ROA)	-22%	4%	-13%	-18%	-763%
Return on equity (ROE)	-22%	4%	-13%	-18%	-763%
PER	N/A	N/A	N/A	N/A	N/A
IRR	N/A	N/A	N/A	N/A	N/A

Public Disclosure Review (continued)

3.37 The Bank is aware of the importance of its fiduciary responsibilities in the management of the Equity of Investment account holders. Transactions with Investment Account Holders are entered into only on the basis of signed subscription and underlying investment agreements, and internal procedures are in place for the proper management and handling of these responsibilities. (Refer to statement of changes in off-balance assets under management).

4 Impairment Provisions

The Group did not have any assets that were exposed to high price volatility. For investments that do not have a ready market, appropriate provisions are created against those investments.

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

Stage 1: twelve months ECL

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

Stage 2: lifetime ECL – not credit impaired

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

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

Stage 3: lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In case where there are no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL

The Group has developed an ECL Policy and measurement approach that appropriately reflects its credit exposures keeping in mind the nature of its exposures which are primarily to its own investees.

Given that the Group is not in the business of extending loans and financing, the Group's ECL provisioning approach is based on a detailed evaluation of all its individual exposures together with a provisioning matrix reflecting the expected credit losses for non-impaired exposures using the practical expedient under FAS 30.

The parameters in the loss ratios matrix are generally derived from internally developed models and other historical data and range from 0.25% for balances with banks of good standing to 15% - 50% for funding to investees which are assessed to fall under stage 2.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than the expected due date of settlement to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on other obligations of the same or closely connected counterparty to the Group.

Public Disclosure Review (continued)

4 Impairment Provisions (continued)

Probability of default ("PD")

Types of PDs used for ECL computation

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

Incorporation of forward - looking information

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

Loss Given Default ("LGD")

LGD is used to determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

Exposure At Default ("EAD")

EAD represents an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

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

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the off-balance sheet exposure. In absence of internal data, the Group uses Basel CCF's for Capital Adequacy Ratio (CAR) purposes as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging

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

Significant increase in credit risk

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

The assessment is carried out for specific instrument rather than a counterparty, as each instrument may have a different credit risk at initial recognition.

Public Disclosure Review (continued)

Composition of Capital common template as at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1,005	A
	Statutory reserve	249	B
2	Retained earnings	(24,550)	
3	Accumulated other comprehensive income (and other reserves)	2,488	
4	Unrealized gains or losses on available for sale financial instruments	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	(20,808)	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable.	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	2,198	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: ...	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	2,198	
29	Common Equity Tier 1 capital (CET1)	(23,006)	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	26,256	C
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	26,256	
	Additional Tier 1 capital: regulatory adjustments	-	
37	Instruments issued by parent company	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	(21,588)	
43	Total regulatory adjustments to Additional Tier 1 capital	4,668	
44	Additional Tier 1 capital (AT1)	4,668	
45	Tier 1 capital (T1 = CET1 + AT1)	(18,338)	

Public Disclosure Review (continued)

Composition of Capital common template as at 31 December 2024 (continued)

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	327	D
51	Tier 2 capital before regulatory adjustments	327	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	CBB specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	327	
59	Total capital (TC = T1 + T2)	18,011	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible	-	
60	Total risk weighted assets	311,170	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	-7.39%	
62	Tier 1 (as a percentage of risk weighted assets)	-5.89%	
63	Total capital (as a percentage of risk weighted assets)	-5.79%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement (N/A)	NA	
67	of which: D-SIB buffer requirement (N/A)	NA	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-7.39%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9.00%	
70	CBB Tier 1 minimum ratio	10.50%	
71	CBB total capital minimum ratio	12.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-	
73	Significant investments in the common stock of financials	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	327	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	3,684	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)		
78	Current cap on CET1 instruments subject to phase out arrangements	-	
79	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
80	Current cap on AT1 instruments subject to phase out arrangements	-	
81	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on T2 instruments subject to phase out arrangements	-	
83	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Public Disclosure Review (continued)

Disclosure template for main features of regulatory capital 2024

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
	USD'000s	USD'000s	
ASSETS			
Cash and balances with Central Banks	1,127	-	
Placements with financial institutions	650	650	
Equity-type Investments at fair value through income	17,127	17,127	
Equity-type Investments at fair value through equity - net	-	-	
Funding to project companies	1,939	2,154	
Other assets	2,163	3,820	
Right-of-use assets	3,175	3,175	
Property and equipment - net	3,874	3,874	
TOTAL ASSETS	30,055	30,800	
LIABILITIES AND EQUITY			
Liabilities			
Employee accruals	308	308	
Ijarah liability	3,519	3,519	
Accounts payable	4,763	4,763	
Provisions and accruals	751	742	
Deferred income	27	27	
Provision against guarantees	4,902	4,902	
Payable under settlement agreement	8,689	8,689	
Other	2,328	2,328	
Total liabilities	25,287	25,278	
Shareholder's Equity			
Share capital	1,005	1,005	A
Statutory reserve	249	249	B
Investment fair value reserve	-	-	
Accumulated losses	(22,742)	(22,742)	
Subordinated Mudharaba (AT1)	26,256	26,256	C
Expected credit losses (Stages 1 & 2) eligible for T2	-	327	D
Expected credit losses (Stages 1 & 2) not eligible for regulatory capital	-	427	
Total Equity	4,768	5,522	
TOTAL LIABILITIES AND EQUITY	30,055	30,800	

Public Disclosure Review (continued)

Reconciliation of Published Financial Balance Sheet to Regulatory Reporting as at 31 December 2024

1	Issuer	Esterad Bank B.S.C (c)
2	Unique identifier	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
Regulatory treatment		
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group
7	Instrument type (specified by jurisdiction)	Common Equity shares
8	Amount recognised in regulatory capital (USD mm, as of most recent reporting date)	USD 1.005
9	Par value of instrument	USD 1
10	Accounting classification	Shareholders equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
Coupons / dividends		
17	Fixed or floating dividend/coupon	Shareholders resolution
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable



Change. Progress. Growth.

FINANCIALS



STATEMENTS

Financial Statements

Chairman's Message

Dear Shareholders,

In the Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace be upon our Prophet Mohammed, His Companions, and Relatives.

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of Esterad Bank for the fiscal year ending 31st December 2024.

2024 has been a transformative year for Esterad Bank. We are nearing the end of our transition phase, making significant strides toward strengthening our foundation. This year was marked by achievements in cleaning legacy investments, enhancing our human resources capabilities, and reinforcing our internal controls and governance. These efforts have set the stage for sustainable growth and success.

We are proud to highlight key achievements over the past year, including the successful closure of two transactions that align with our strategic goals. Moreover, we have made substantial progress in strengthening our team and internal policies to position ourselves for future opportunities. These initiatives reflect our commitment to building a resilient and agile organization.

Our investment strategy gained momentum with the launch of our first US real estate investment product in five years, underscoring our expertise and strong partnerships in this sector. Additionally, we are ramping up our asset management activities with a robust pipeline of opportunities, focusing on sectors where we have demonstrated strengths, such as US real estate and local GCC private equity transactions.

Owing to the efficient leadership of the Board and the commitment of the management team, the Bank declared profits for the first time in over seven years. The Bank reported a net profit of USD 2.5 million compared to a net loss of USD 5.5 million in the prior year. Total revenue for the year was USD 9.6 million as compared to USD 11.8 million in the prior year, while operating expenses were reduced to USD 7.5 million from USD 11.8 million in the previous year. During the current year, the Bank recorded a fair value gain of USD 1 million compared to a fair value loss of USD 3.7 million in the previous year, while impairment losses were lower at USD 0.3 million compared to USD 6.4 million in the previous year.

The Banks total assets during the year reduced from USD 40.4 million to USD 30.1 million, predominantly due to the strategic exit of investments to settle outstanding liabilities. Accordingly, total liabilities decreased from USD 40.4 million to USD 25.3 million. Total equity for the year stood at USD 4.8 million compared to USD 0.042 million in the previous year.

As we transition into 2025, we are optimistic about the opportunities that lie ahead. While the global banking industry continues to face challenges, Esterad Bank is well-positioned to adapt and excel. Our strategic vision is to establish ourselves as a leading niche asset manager, focusing on small to mid-sized opportunities that are underserved yet offer higher returns. This targeted approach enables us to deliver tailored, high-value solutions while prioritizing our clients and ensuring our interests are fully aligned with theirs.

We are ramping up our asset management activities with a robust pipeline, concentrating on sectors where we have demonstrated strengths, such as US real estate and GCC private equity transactions. By leveraging our expertise and deepening strategic partnerships, we aim to drive sustainable growth and long-term value creation for all stakeholders.

With the support of the management team and Esterad Investment Company's alliance, the Board is confident that Esterad Bank will continue to expand its investment banking activities, drive revenue and cash flow, and further strengthen its equity position. Together, we are committed to positioning Esterad Bank as a well-governed and leading regional financial institution.

On behalf of the Board, I extend my heartfelt appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa for their visionary leadership and unwavering support for the Islamic banking sector. We also thank the Central Bank of Bahrain, the Ministry of Industry and Commerce, and other government entities for their guidance.

To our shareholders, clients, and business partners, thank you for your trust and confidence. To our Sharia Supervisory Board, your ongoing counsel and oversight are invaluable. Lastly, I commend the dedication and professionalism of our management team and staff, whose efforts have been instrumental in achieving this years milestones.

As we continue on this promising trajectory, we remain committed to building on our successes and preparing for a future filled with potential and progress.

Financial Statements

Chairman's Message (continued)

Finally, in line with the requirements of Article 188 of Commercial Company Law, we are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2024.

First: Board of Directors' Remuneration Details:

Figures in USD'000

Name	Fixed remunerations				Variable remunerations				End - of - service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and Board	Total allowance for attending Board and committee meetings	Others	Total	Remunerations of the Chairman and Board	Incentive plans	Others	Total			
Independent Directors:											
Sheikh Mohamed Bin Duaij Al Khalifa	-	37.5	-	37.5	-	-	-	-	-	37.5	-
Bashar Mohamed Ebrahim Almutawa	-	30	-	30	-	-	-	-	-	30	-
Isa Abdulrasool Abdulhusain Merza Jawahery	-	30	-	30	-	-	-	-	-	30	-
Fahad Yateem	-	18	-	18	-	-	-	-	-	18	-
Executive Directors:											
Ahmed Abdulwahed Ahmed Abdulrahman	-	30	-	30	-	-	-	-	-	30	-
Robert Coleman Wages	-	12	-	12	-	-	-	-	-	12	-
Total	-	157.5	-	157.5	-	-	-	-	-	157.5	-

Second: Executive management remuneration details:

Figures in USD'000

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
*Remunerations for executives, including CEO and Senior Financial Officer	690	-	-	690
Notes:				
1. All amounts are in thousands of United States Dollars .				
2. Top 6 remunerations for executives, including CEO* and Senior Financial Officer*				



Bashar Mohamed Almutawa
Chairman of the Board



Ahmed Abdulwahed Abdulrahman
Vice Chairman

Financial Statements

Shari'ah Supervisory Board Report

In The Name of Allah, most Gracious.

Most Merciful Peace and Blessings Be Upon His Messenger

To the Shareholders of Esterad Bank B.S.C (c)

Assalam Alaykum Wa Rahmatu Allah Wa Barakatoh

Shari'ah Supervisory Board Report for the Fiscal Year Ended 2024

In accordance with our appointment, we hereby present this report:

During the fiscal year ending 31 December 2024, the Shari'ah Supervisory Board ("SSB") reviewed all investments, contracts, and agreements undertaken by the Bank. The SSB also reviewed and approved the Financial Statement. Our primary objective is to assess the compliance of these financial activities with the principles and rulings of Islamic Shari'ah, including issuing fatwas and decisions related to them.

The Bank's management is responsible for ensuring compliance with the fatwas of the SSB, while the SSB independently monitors the Bank's investments, contracts, and agreements made during the fiscal year ended 31 December 2024.

In Our Opinion:

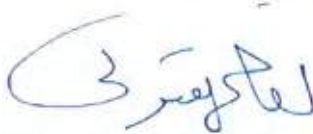
1. Overall, we have determined that the Bank's contracts, transactions, and deals during the year ended of 31 December 2024, comply with the rules and principles of Islamic Shari'ah.
2. The allocation of profit and the handling of losses related to investment accounts also adhere to Islamic Shari'ah principles.
3. The calculation of Zakat also complies with the rules and principles of Islamic Shari'ah. The Bank has utilized the Net Assets and Net Investment Assets Method, as outlined in the AAOIFI standards. It is important to note that the responsibility for the payment of Zakat lies with the shareholders.
4. No revenue was generated from non-Shariah compliant sources during the fiscal year.

We pray that Allah may grant all of us further success and prosperity.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.



Sh. Dr. Osama Bahar
Member



Sh. Dr. Nedham Yaqoobi
Chairman



Sh. Dr. Essa Zaki
Member

Financial Statements

Independent auditors' report

To the Shareholders of

Esterad Bank B.S.C. (C)

P.O. Box 11755

Manama - Kingdom of Bahrain

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Esterad Bank B.S.C. (c) (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of income, comprehensive income, changes in owner's equity, cash flows and changes in off-balance sheet assets under management for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report and their possible cumulative effect on the consolidated financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2024.

Basis for Disclaimer of Opinion

1. We draw attention to note 2 to the consolidated financial statements, which describe that as of 31 December 2024, the Group had accumulated losses of USD 22,742 thousand resulting in negative equity attributable to shareholders of USD 21,488, and total liabilities with maturity up to 12 months exceeding total assets with the same maturity by USD 2,578 thousand. Furthermore, the Group has breached certain regulatory requirements as explained in note 2 to the consolidated financial statements. These conditions, together with the potential effect of the matters described in paragraphs 2 and 3 below, indicate that the going concern assumption used in the preparation of the consolidated financial statements is not appropriate. The consolidated financial statements do not contain any adjustments that may be warranted if the Group was unable to continue as a going concern nor do they adequately describe the basis for the going concern assumption.
2. The Group manages certain investments in a fiduciary capacity. The Group was found to be non-compliant with certain regulatory requirements relating to the admission of certain investors, as well as other fiduciary responsibilities. While the management has remedied and settled some of these non compliant positions, the Group remains exposed to potential claims in relation to these matters for which no provision has been recognised in the consolidated financial statements. Based on the current position of discussions and available evidence, we are unable to assess the amount and the timing of the settlement of these potential claims, if any. Consequently, we were unable to determine the adjustments that may be required to be made in the consolidated financial statements in relation to this matter.
3. As disclosed in note 32 to the consolidated financial statements, the Group had issued corporate letters of guarantee to certain investee companies/projects. For one such letter of guarantee, a creditor to the investee has initiated legal action against the investee company and have demanded validation of the corporate guarantees provided by various shareholders of the investee company, including the Group, from which material liabilities could arise. The Group's share of the potential liability arising from this letter of guarantee is USD 18,260 thousand for which no provision has been recognised as at 31 December 2024. We were unable to determine the adjustments that may be required to be recorded in the consolidated financial statements in relation to this matter.

Financial Statements

Independent auditors' report (continued)

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS, 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

As required by the Commercial Companies Law 2001 (as amended) and Volume 2 of the Central Bank of Bahrain (CBB) Rule Book, except for the matters described in the Basis for Disclaimer Opinion section of our report and matter disclosed in Note 2, we report that:

- a. the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b. the financial information contained in the chairman's report is consistent with the consolidated financial statements;
- c. we are not aware of any other violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2 and applicable provisions of Volume 6 and CBB directives), and the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
- d. satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro

Partner Registration Number 213

26 February 2025

Financial Statements

Consolidated statement of financial position

As at 31 December 2024

	Note	31 December 2024 USD '000	31 December 2023 USD '000
ASSETS			
Balances with banks	7	1,127	2,116
Placements with financial institutions	7	650	1,608
Investments	8	17,127	25,984
Funding to project companies	12	1,939	2,242
Other assets	13	2,163	1,193
Right-of-use asset	14	3,175	3,326
Property and equipment	15	3,874	3,999
TOTAL ASSETS		30,055	40,468
LIABILITIES			
Employee accruals	16	308	257
Ijarah liability	14	3,519	3,612
Other liabilities	17	21,460	36,557
Total liabilities		25,287	40,426
EQUITY			
Share capital	18	1,005	1,005
Statutory reserve	18	249	5,441
Investment fair value reserve		-	45
Accumulated losses		(22,742)	(29,252)
Equity attributable to Shareholders		(21,488)	(22,761)
Subordinated Mudharaba (AT1)	18	26,256	22,803
Total equity		4,768	42
TOTAL LIABILITIES AND EQUITY		30,055	40,468



Bashar Mohamed Ebrahim Almutawa
Chairman of the Board



Ahmed Abdulwahed Ahmed Abdulrahman
Board Member & Acting CEO

Financial Statements

Consolidated statement of income

For the year ended 31 December 2024

	Note	31 December 2024 USD '000	31 December 2023 USD '000
REVENUE			
Management fee, net	19	5,390	9,102
Net realised gains on sale of investment		1,142	(187)
Net change in fair value of investments carried at fair value through income		(146)	(3,480)
Other investment income	20	175	75
Rental and other income	21	3,001	6,271
Total revenue		9,562	11,781
EXPENSES			
Staff cost	22	3,176	3,267
Legal and professional fees		693	1,415
Finance expense	23	173	227
Depreciation	14,15	370	380
Loss on settlement of liabilities	26	1,129	3,585
Other expenses	25	1,925	2,882
Total expenses		7,466	11,756
PROFIT BEFORE IMPAIRMENT PROVISIONS		2,096	25
Impairment of investments	8	(291)	(6,424)
Reversal of provision for credit losses		585	1,174
Reversal / (charge) of impairment of property and equipment	15	98	(310)
PROFIT / (LOSS) FOR THE YEAR		2,488	(5,535)



Bashar Mohamed Ebrahim Almutawa
Chairman of the Board



Ahmed Abdulwahed Ahmed Abdulrahman
Board Member & Acting CEO

Financial Statements

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	31 December 2024 USD '000	31 December 2023 USD '000
PROFIT / (LOSS) FOR THE YEAR	2,488	(5,535)
Other comprehensive income (OCI)		
Items that are or may be reclassified to the Income Statement		
Transfer to statement of income on exit of investments	(45)	(492)
Total other comprehensive income for the year	(45)	(492)
Total comprehensive income	2,443	(6,027)

Financial Statements

Consolidated statement of changes in owner's equity

For the year ended 31 December 2024

	Note	Share capital USD '000	Statutory reserve USD '000	Investment fair value reserve USD '000	Accumulated losses USD '000	Equity attributable to shareholders USD '000	Subordinated mudharaba AT1 USD '000	Total Equity USD '000
Balance at 1 January 2024		1,005	5,441	45	(29,252)	(22,761)	22,803	42
Profit for the year		-	-	-	2,488	2,488	-	2,488
Subordinated Mudharaba (AT1)	18	-	-	-	-	-	3,063	3,063
Subordinated Mudharaba (AT1) 2% profit capitalised	18	-	-	-	-	-	390	390
Adjustment of reserve with accumulated losses	18	-	(5,441)	-	5,441	-	-	-
Transfer of 10% profits to statutory reserve	18	-	249	-	(249)	-	-	-
Transfer to statement of income on exit of investment		-	-	(45)	-	(45)	-	(45)
Profit distribution attributable to Subordinated Mudharaba (AT1)		-	-	-	(1,170)	(1,170)	-	(1,170)
Balance at 31 December 2024		1,005	249	-	(22,742)	(21,488)	26,256	4,768
Balance at 1 January 2023		1,005	5,441	537	(23,258)	(16,275)	-	(16,275)
Loss for the year		-	-	-	(5,535)	(5,535)	-	(5,535)
Subordinated Mudharaba (AT1)	18	-	-	-	-	-	22,803	22,803
Transfer to statement of income on exit of investment		-	-	(537)	-	(537)	-	(537)
Subordinated Mudharaba (AT1) issuance cost		-	-	-	(459)	(459)	-	(459)
Fair value changes on equity-type investments at fair value through equity		-	-	45	-	45	-	45
Balance at 31 December 2023		1,005	5,441	45	(29,252)	(22,761)	22,803	42

Financial Statements

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	31 December 2024 USD '000	31 December 2023 USD '000
OPERATING ACTIVITIES			
Net profit / (loss) for the year		2,488	(5,535)
Adjustments for:			
Impairment of investments	8	291	6,424
Reversal of provision for credit losses		(585)	(1,174)
Reversal / impairment of property and equipment	15	(98)	310
Fair value losses / (gains) on investments carried at fair value through income - net		146	3,667
Depreciation	14,15	370	380
Finance cost on right-of-use asset	14	173	177
Dividend income	20	(33)	(3)
Operating gains before changes in operating assets and liabilities		2,752	4,246
Changes in operating assets and liabilities:			
Investments		(2,527)	(5,494)
Receivables		(493)	1,947
Funding to project companies		959	130
Property and equipment	15	4	(72)
Other assets		(553)	57
Proceeds from sale of investments		14,043	1,362
Employee accruals		51	(236)
Islamic finance		-	(3,646)
Other liabilities		(15,097)	3,297
Placements with financial institutions (maturity more than 3 months)		(252)	(133)
Net cash (used in) / from operating activities		(1,113)	1,458
FINANCING ACTIVITIES			
Cost of issuance of subordinated mudharaba (AT1)	18	-	(459)
Rent paid towards right-of-use asset	14	(266)	(267)
Net cash used in financing activities		(266)	(726)
Investment fair value reserve		(45)	-
Profit paid to Subordinated Mudharaba (AT1)	18	(780)	-
Net (decrease) / increase in cash and cash equivalents		(2,204)	732
Cash and cash equivalents at beginning of the year		3,591	2,861
ECL reversed / (charged) on balances with banks		5	(2)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,392	3,591
Cash and cash equivalents per the consolidated statement of financial position			
Balances with banks	7	1,127	2,116
Short-term placements with banks	7	265	1,475
		1,392	3,591

The attached notes 1 to 36 are part of these consolidated financial statements

Financial Statements

Consolidated statement of changes in off-balance sheet assets under management

For the year ended 31 December 2024

	Movement during the period					
	Opening Balance USD '000	Additions USD '000	Distributions / Exits * USD '000	Group Fees USD '000	NAV Movement USD '000	Closing Balance USD '000
2024						
Private Equity	167,338	6,378	(3,991)	(1,335)	64,998	233,388
Real Estate	109,478	6,497	(7,340)	(3,767)	(11,784)	93,084
Restricted investments	125	-	(46)	-	(24)	55
Balance at 31 December 2024	276,941	12,875	(11,377)	(5,102)	53,190	326,527
	Movement during the period					
	Opening Balance USD '000	Additions USD '000	Distributions / Exits USD '000	Group Fees USD '000	NAV Movement USD '000	Closing Balance USD '000
2023						
Private Equity	189,593	2,119	(3,870)	(6,748)	(13,756)	167,338
Real Estate	140,370	-	(2,277)	(4,745)	(23,870)	109,478
Restricted investments	120	-	-	-	5	125
Balance at 31 December 2023	330,083	2,119	(6,147)	(11,493)	(37,621)	276,941

FIDUCIARY ASSETS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these condensed consolidated interim financial information. The Bank has assessed the need for creating a liability in the books for any potential claim that may arise and has made adequate provisions as the Bank believes is necessary.

* Included in exits during the period are Subordinated Mudharaba AT1 (Additional Tier 1 Capital Sukuks "Sukuk") issued by the Bank in exchange for investments managed by the Bank (note 2).

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

1. REPORTING ENTITY

Incorporation

Esterad Bank B.S.C (c) (formerly known as Venture Capital Bank B.S.C. (c)) (hereafter referred to as "the Bank") was incorporated in the Kingdom of Bahrain on 26 September 2005 as a closed shareholding company under commercial registration (CR) number 58222 issued by the Ministry of Industry and Commerce ("MOIC"). The Bank is licensed as a wholesale Islamic bank by the Central Bank of Bahrain ("CBB") and is subject to the regulations and supervision of the CBB. The Bank's registered office is 302, Building 1411, Road 4626, Block 346, Sea Front, Manama, Kingdom of Bahrain.

The Bank is currently 99.5% owned by Esterad Investment Company B.S.C (c) (hereafter referred to as "EIC"), a Bahraini public joint stock company listed in Bahrain Bourse. EIC does not have control over the relevant activities of the Bank as the Bank's operations are currently subject to restrictions imposed by the regulator due to capital deficiencies.

These consolidated financial statements were approved by the Bank's Board of Directors on 24 February 2025.

Activities

The principal activities of the Bank comprise venture capital, real estate and private equity investment transactions and related investment advisory services. The Bank conducts all its activities in compliance with Islamic Shari'ah under the guidance and supervision of the Bank's Shari'ah Supervisory Board, and in compliance with applicable laws and regulations.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group") as at and for the year ended 31 December 2024. The financial statements of the subsidiaries are prepared using the same annual reporting period ending on 31 December, using consistent accounting policies.

There is no change in the percentage holding of these subsidiaries during the year. Key subsidiaries of the Group which are consolidated are as follows:

Name of subsidiary	Year of incorporation	% holding	Country of Incorporation	Principal activities
GPC Acquire	1998	100%	Cayman Island	Ownership in Gulf Projects Company W.L.L.
Gulf Projects Company W.L.L.	1998	100%	Kingdom of Bahrain	To own an interest in and operate the Venture Capital Bank car park building.
The Lounge Serviced Offices Company W.L.L.	2007	100%	Kingdom of Bahrain	To own, operate and manage serviced offices in Bahrain and regionally.
GMCB Co. W.L.L. *	2008	54.06%	Kingdom of Bahrain	To invest in a medical facility in the Kingdom of Bahrain. The Group acquired control of the entity in June 2018.
VCB Investment Advisors LTD	2006	100%	Cayman Island	A special purpose vehicle incorporated in Cayman Island for collection of management fees - Dormant entity.
VCB AT1 Sukuk Ltd	2023	100%	Cayman Island	A special purpose vehicle incorporated for the issuance of the Subordinated Mudharaba (AT1).

*The Group's investment in GMCB Co. W.L.L. is not consolidated on a line by line basis as control is deemed to be temporary in nature since GMCB Co. W.L.L. is in the process of liquidation. The unconsolidated subsidiary has a carrying value of Nil (31 December 2023: Nil).

The following resolutions of the shareholders were approved at various extraordinary general meetings held during the current period:

Meeting	Resolution
15-Feb-24	Resolved to change the name of the Bank from Venture Capital Bank B.S.C (c) to Esterad Bank B.S.C (c).
29-Sep-24	It was resolved to reduce the accumulated losses of the Group by adjusting the losses with the accumulated statutory reserve of the Bank which stood at USD 5,441 thousand.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

2. FUNDAMENTAL ACCOUNTING ASSUMPTION

Going concern assessment

As at 31 December 2024, the Group had negative equity attributable to shareholders of USD 21,448 thousand. The Group issued Subordinated Mudharaba (AT1) of USD 26,256 thousand. The total equity of the Group as of 31 December 2024 was USD 4,768 thousand, having accumulated losses of USD 22,742 thousand and total liabilities

with maturity up to 12 months exceeding total assets with the same maturity by USD 2,578 thousand.

During the year, the Group continues to be in breach of a number of regulatory requirements including minimum capital adequacy ratios. These conditions indicate the Group is not a going concern.

However, the management has prepared the consolidated financial statements on a going concern basis for the following reasons:

(i) The acquisition of the Bank by EIC will enable the Group to continue as a going concern and to negotiate settlement of its obligations to third parties as and when they fall due. Additionally, the shareholders do not have any intention to liquidate the Bank, and intend to revive the business model to operate on a Going concern basis.

(ii) In an effort to meet minimum capital requirements, the Group issued Subordinated Mudharaba AT1 (Additional Tier 1 Capital Sukuk "Sukuk") to its existing investors upon obtaining the necessary regulatory approvals. The sukuk were issued in exchange liabilities owed by the Group and for investments managed by the Bank where these investors were participants. The investments swapped were valued at 80% of the fair value of the investments and the group recorded a profit of USD 441 thousand during the year (31 December 2023: USD 4,503 thousand).

During the year, the Group issued additional Subordinated Mudharaba AT1 to its investors amounting to USD 3.5 million. Total Sukuk issued as of the date of this statement of financial position amounts to USD 26.3 million (31 December 2023: USD 22.8 million).

(iii) The management is in discussion with the regulator on a restructuring plan for the Group in order to address existing regulatory concerns and better position itself for recovery and stability. As part of its restructuring efforts, management is in the process of formulating a strategic business plan which will provide a clear path for the business' long term growth and sustainability.

(iv) With the improved performance of certain investments, the Bank has resumed collecting management fees. The Bank has also successfully listed 2 of its portfolio investments in Turkey, which will generate additional liquidity at the time of exit. Management expects to generate sufficient liquidity in the short term to cover ongoing operating costs and provide funding to support its restructuring plan and meet its near-term obligations.

Accordingly, based on the above developments, the Board of Directors is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the consolidated financial statements have been prepared on a going concern basis.

Regulatory non-compliance

The Group did not comply with the CBB's capital requirements for minimum shareholders' equity, total CAR, Tier 1 and CET 1 CAR, NSFR, LCR, and other associated regulated requirements which are required for Bahrani Islamic wholesale bank during the year ended 31 December 2024. The Bank is also not in compliance with other regulatory

requirements by the CBB and the Commercial Companies Law ("CCL").

Due to breach in CBB's capital adequacy requirements, the CBB has imposed certain restrictions on the Bank's investment banking activities where the Bank is prohibited from undertaking any new investment exposure without CBB's prior approval. The Bank has initiated various actions, including increasing capital, exit from existing investments and re-launching the asset management activities in order to regain compliance and restart new business activity.

The Bank received an exemption from the CBB for the breach in the Capital Adequacy Ratio in relation to paragraphs LM-11.1.4, LM-12.3.3 and CM-2.5.3 of the CBB Rulebook and also obtained the approval to increase the Regulatory Capital by issuing the Sukuks.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

3. BASIS OF PREPARATION

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and in conformity with Commercial Companies Law. In line with the requirement of AAOIFI and the Rulebook issued by CBB,

for matters that are not covered by FAS, the Group uses guidance from the relevant IFRS Accounting Standards.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention as modified for the remeasurement at fair value of investment securities, and are presented in United States Dollars (USD) which is also the functional currency of the Group. All values are rounded off to the nearest thousand (USD '000) unless otherwise indicated.

3.3 New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2024

The following new standards and amendments to standards are effective for financial years beginning on or after 1 January 2024 with an option to early adopt. However, the Group has not early adopted any of these standards.

(i) FAS1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Significant changes relevant to the Group are a) Definition of Quasi-equity is introduced; b) Concept of comprehensive income has been introduced; and c) Disclosure of movement in Zakah and Charity have been relocated disclosed into the notes to the condensed consolidated financial information.

During the year, the Group has adopted FAS1 revised. As a result of this adoption following changes were made to the primary statements of the Group. Below is a summary of the new primary statements:

Primary statements introduced

- Statement of total comprehensive income
- Statement of changes in off-balance-sheet assets under management

3.4 New standards, amendments, and interpretations issued but not yet effective

i) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi Equity (Including Investment Accounts)". The Group does not expect any significant impact on the adoption of this standard.

ii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

3. BASIS OF PREPARATION (continued)

3.4 New standards, amendments, and interpretations issued but not yet effective (continued)

ii) FAS 47: Transfer of Assets Between Investment Pools

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. The Group does not expect any significant impact on the adoption of this standard.

iii) FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement occurs instantly; b) promotional prizes that are announced in advance to be awarded at a future date and

c) loyalty programs where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt. The Group does not expect any significant impact on the adoption of this standard.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements.

The most significant judgments and estimates are discussed below:

Going concern assessment

These consolidated financial statements for the year ended 31 December 2024 have been prepared on a Going concern basis, (refer to note 2).

Classification of investments

Management decides whether an acquisition of a financial asset should be classified as an "equity-type investment at fair value through income" or "equity-type investment at fair value through equity". The classification of each investment reflects the management's intention or business model in relation to each investment and is subject to different accounting treatments based on such classification.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, such as the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as country risk, liquidity discounts, etc. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The details of estimates and related sensitivity analysis are disclosed in notes 34.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment on assets carried at amortised cost

Judgement by management is required in the estimation of the amount and timing of future cash flows when determining impairment losses. In estimating these cash flows, the Group makes judgements about the liquidity of the project, evidence of deterioration in the financial health of the project, impacts of delays in completion of the project and the net realisable value of any underlying assets. These estimates are based on assumptions about a number of factors, and actual results may differ, resulting in future changes to the allowance.

Impairment of equity-type investments at fair value through equity

The Group treats investments carried at fair value through equity as impaired when there is a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group evaluates factors, such as the historical share price volatility for comparable quoted equities and future cash flows and the discount factors for comparable unquoted equities.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount is estimated to assess impairment. In making a judgement of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

Consolidation of special purpose entities (SPEs)

The Group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments. The Group provides nominee, corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group's intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

Recognition and measurement of provision and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Impairment of non-financial assets

The carrying amount of the Group's non-financial assets (other than those subject to credit risk covered above) are reviewed at each reporting date to determine whether there is any indication of impairment (refer note 5 (f)).

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If less than 100% of a subsidiary is acquired, then the Group elects on a transaction-by-transaction basis to measure non-controlling interests either at:

- Fair value at the date of acquisition, which means that goodwill, or the gain on a bargain purchase, includes a portion attributable to ordinary non-controlling interests; or
- the holders' proportionate interest in the recognised amount of the identifiable net assets of the acquire, which means that goodwill recognised, or the gain on a bargain purchase, relates only to the controlling interest acquired.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or investment transaction and usually voting rights are relevant for the operating of such entities. An investor that has decision-making power over an investee and exposure to variability of returns determines whether it acts as a principal or as an agent to determine whether there is a linkage between power and returns.

The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are usually not included in these consolidated financial statements.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any surplus or deficit arising on the loss of control is recognised in consolidated income statement. Any interest retained in the former subsidiary, is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

(v) Equity accounted investees

This comprise investment in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Equity accounted investees

Associates and Joint venters are accounted for under equity method. These are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investees reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in an equity-accounted investees, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees. Equity accounting is discontinued when an associate is classified as held- for-sale.

(vi) Transactions eliminated on consolidation and equity accounting

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency translation gains or losses) from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and equity- accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Foreign currency transactions

(i) Functional and presentation currency

Items included in the consolidated financial statements 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 USD, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and the differences are included in equity as part of the fair value adjustment of the respective items. Fair value differences arising from investments in associates denominated in a foreign currency are taken to "foreign currency translation reserve" forming part of equity.

(iii) Group companies

The Group does not have significant investments in foreign operations with functional currencies different from the presentation currency of the Group. The functional currency of the majority of the Group's entities are either USD or currencies which are effectively pegged to the USD, and hence, the translation of the financial statements of Group entities that have a functional currency different from the presentation currency do not result in significant exchange differences.

(c) Financial assets and liabilities

(i) Recognition and de-recognition

Financial assets of the Group comprise of cash and balances with banks, investments (other than associates and joint venture that are equity accounted), receivable from investment banking services, funding to project companies and other assets. Financial liabilities of the Group comprise of Islamic financing payables, employee accruals and other liabilities. All financial assets (except investment securities) and financial liabilities are recognised on the date at which they are originated. Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability).

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition and de-recognition (continued)

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

- i. the right to receive cash flows from the asset has expired;
- ii. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- iii. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(ii) Classification of financial assets and liabilities

The Group classifies financial assets under the following categories: financial assets at fair value through income, receivables at amortised cost or financial assets at fair value through equity. All of the financial liabilities of the Group are classified at amortised cost. Management determines the classification of its financial instruments at initial recognition.

(iii) Fair value measurement

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analysis and other valuation models with accepted economic methodologies for pricing financial instruments.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

(d) Investments

The Group classifies its investments, excluding investment in subsidiaries and equity accounted associates and joint ventures, in the following categories: equity-type investment at fair value through income and equity-type investments at fair value through equity.

(i) Classification

The Group shall classify equity-type investments at either (i) fair value through equity or (ii) fair value through income, on the basis of both the Group's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

An investment is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking which include investments in quoted equities. An investment held-for-trading shall always fall in fair value through income classification.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments (continued)

(i) Classification (continued)

The Group designates equity-type investments at fair value through income at inception only when it is managed, evaluated and reported internally on a fair value basis. These include certain private equity investments, including investments in certain associates and joint ventures. These investments are fair valued through income unless the Group makes an irrevocable classification choice at initial recognition to classify this as an investment at fair value through equity.

(ii) Initial recognition

Investment securities are recognised at the trade date i.e. the date that the Group commits to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Equity instruments are carried as investment at fair value through income unless the Group makes an irrevocable classification choice at initial recognition to classify them as investment at fair value through equity.

(iii) Subsequent measurement

Investment securities are measured initially at fair value plus, except for investment securities carried at FVTIS, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in other comprehensive income

The fair value gains / (losses) are recognised taking into consideration the split between portions related to owners' equity and equity of investment account holders. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

(iv) Fair value measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through use of an allowance account) for impairment or uncollectibility. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses, price / earnings multiples and other valuation models with accepted economic methodologies for pricing financial instruments.

Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments (continued)

(iv) Fair value measurement principles (continued)

Fair value measurement

Fair value estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(e) Impairment of financial assets

Financial assets consist of balances with banks, Murabaha financing to investee companies, wakala contract receivable, receivables, funding to project companies, certain other assets and contingencies and commitments. Balances relating to these contracts are stated net of allowance for credit losses.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt-type securities that are determined to have low credit risk at the reporting date; and Other debt-type securities and,
- Other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of an exposure subject to credit risk has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forwardlooking information.

The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

Stage 1 includes exposures that are subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Exposures subject to credit risk that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due from the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Exposures subject to credit risk 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; and
- ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

Credit-impaired exposures

At each reporting date, the Group assesses whether exposures subject to credit risk are credit impaired. An exposure subject to credit risk is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that an exposure is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for exposures subject to credit risk are deducted from the gross carrying amount of the assets.

In cases where there is no collateral or guarantees which the Group can use to recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Measurement of ECL

The Group has developed an ECL policy and measurement approach that appropriately reflects its credit exposures keeping in mind the nature of its exposures which are primarily to its own investees.

Given that the Group is not in the business of extending loans and financing, the Group's ECL provisioning approach is based on a detailed evaluation of all its individual exposures together with a provisioning matrix reflecting the expected credit losses for non-impaired exposures using the practical expedient under FAS 30.

The parameters in the loss ratios matrix are generally derived from internally developed models and other historical data and range from 0.25% for balances with banks of good standing to 15% for funding to investees which are assessed to fall under stage 2.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than the expected due date of settlement to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on other obligations of the same or closely connected counterparty to the Group.

Probability of default ("PD")

Types of PDs used for ECL computation

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

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of financial assets (continued)

Incorporation of forward - looking information

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

Loss Given Default ("LGD")

LGD is used to determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

Exposure At Default ("EAD")

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

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

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the off-balance sheet exposure. In absence of internal data, the Group uses Basel CCF's for Capital Adequacy Ratio (CAR) purposes as per the CBB regulations. These rates are 20% for exposures with original maturity equal to or less than 1 year and 50% for exposures with original maturity of more than 1 year.

Collective ECL computation and staging

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

Significant increase in credit risk

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

The assessment is carried out for specific instrument rather than a counterparty, as each instrument may have a different credit risk at initial recognition.

Impairment of equity investments classified at fair value through equity (FVTE)

In the case of investments in equity securities classified as FVTE. A significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are subsequently reversed through equity.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets (other than those subject to credit risk covered above) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

(g) Placements with and from financial and other institutions

These comprise placements made with/ from financial and other institutions under shari'a compliant contracts. Placements are usually short term in nature and are stated at their amortised cost.

(h) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day-to-day operations of the Group are not included in cash and cash equivalents.

(i) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projection if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in the consolidated income statement.

The estimated useful lives of property and equipment of the industrial business assets are as follows:

Building	40 years
Office equipment	4 years
Furniture and fixtures	5 years
Motor vehicles	4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of the fair value less costs to sell and their value in use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the consolidated statement of income in the year of derecognition.

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively if appropriate.

(j) Islamic financing payable

Islamic financing payables are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit rate method. Finance expense is recognised in the consolidated statement of income on a time-apportioned basis at the effective profit rate.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment, when a payment under the guarantee has become probable. The Group only issues financial guarantees to support its development projects and investee entities.

(l) Dividends

Dividends to shareholders are recognised as liabilities in the period in which they are approved by the shareholders at the Bank's Annual General Meeting.

(m) Share capital and statutory reserve

Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Subordinated Mudharaba (AT1)

Subordinated Mudharaba (AT1) represents perpetual Sukuk, which constitute a subordinated and unsecured Mudaraba arrangement between the Sukuk holders and the Bank. The Sukuk holders have precedence over the Bank's ordinary shareholders, only in terms of liens over Net Assets, and distributions. The Sukuks are classified and recognized in equity (net of all related issuance costs).

Statutory reserve

The Commercial Companies Law requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital. Appropriation to statutory reserve is made when approved by the shareholders.

(n) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that future economic benefits associated with the item of revenue will flow to the Group, the revenue can be measured with reliability and specific criteria have been met for each of the Group's activities as described below:

Management Fees and other fees represents deal related income earned by the Group from structuring, managing and exiting assets and products on behalf of investors. This income is recognised by the Group when the associated service is provided and funds are received by the Group. Other Fees include, but are not limited to account servicing fees, sales commission, placement and arrangement fees, structuring fees and syndication fees.

Other investment income represents income received from dividends declared on investment projects, finance income and profits earned on short term liquidity certificates.

Finance income are income received on islamic placements with financial institutions and are recognised upon maturity of the deal.

Dividend income is recognised when the right to receive is established and the amount of dividend earned has been received by the Group.

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the operating lease contract.

(o) Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudharaba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(ii) Post employment benefits

Pensions and other social Benefits for Bahraini employees are covered by the Social Insurance Organisation ("SIO") scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration. The provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee benefits, is made by calculating the notional liability had all employees left at the reporting date. Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company. (note 17.1)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statement of income net, of any reimbursement.

(r) Segment reporting

The Group primarily operates as an investment bank and its lines of business comprise venture capital, private equity and real estate. At present the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these consolidated financial statements.

(s) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 issued by AAOIFI using the net assets method. Zakah is paid by the Group based on the consolidated figures of statutory reserve, general reserve and retained earning balances at the beginning of the year. The remaining Zakah is payable by individual shareholders. Payment of Zakah on equity of investment account holders and other accounts is the responsibility of investment account holders. Zakah per share amount is presented in note 27.

(t) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

(u) Trade and settlement date accounting

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

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

6. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's financial instruments have been classified as follows:

At 31 December 2024

	Equity-type at fair value through income USD '000	Equity-type at fair value through equity USD '000	Amortised cost USD '000	Total USD '000
ASSETS				
Balances with banks	-	-	1,127	1,127
Placements with financial institutions			650	650
Investments	17,127	-	-	17,127
Funding to project companies	-	-	1,939	1,939
Other assets	-	-	2,037	2,037
TOTAL FINANCIAL ASSETS	17,127	-	5,753	22,880
LIABILITIES				
Other liabilities	-	-	13,452	13,452
TOTAL FINANCIAL LIABILITIES	-	-	13,452	13,452

At 31 December 2023

	Equity-type at fair value through income USD '000	Equity-type at fair value through equity USD '000	Amortised cost USD '000	Total USD '000
ASSETS				
Balances with banks	-	-	2,116	2,116
Placements with financial institutions			1,608	1,608
Investments	20,967	5,017	-	25,984
Funding to project companies	-	-	2,242	2,242
Other assets	-	-	1,105	1,105
TOTAL FINANCIAL ASSETS	20,967	5,017	7,071	33,055
LIABILITIES				
Other liabilities	-	-	14,768	14,768
TOTAL FINANCIAL LIABILITIES	-	-	14,768	14,768

7. BALANCES WITH BANKS & PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2024 USD '000	31 December 2023 USD '000
Bank current and call accounts	1,129	2,121
Less: ECL provision	(2)	(5)
	1,127	2,116
Placements with financial institutions (more than 3 months)	385	133
Placements with financial institutions (less than 3 months)	265	1,475
	650	1,608
Total balances with banks and placements with financial institutions	1,777	3,724

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

8. INVESTMENTS

	Notes	31 December 2024 USD '000	31 December 2023 USD '000
Equity-type investments at fair value through income statement			
Quoted equities held for trading	8.1	2,572	6,853
Unquoted equities		5,641	5,419
Short term liquidity certificates	8.2	8,914	8,695
		17,127	20,967
Equity-type investments at fair value through other comprehensive income			
Unquoted equities		-	1,980
Short term liquidity certificates	8.2	-	3,037
		-	5,017
Total investments - net		17,127	25,984

8.1 During the year, an investment with carrying value of USD 556 thousand (31 December 2023: 6,170 thousand) was listed and hence transferred from unquoted equities to quoted equities held for trading. The unrealized gain recognised during the year was USD 285 thousand (31 December 2023: unrealised loss of USD 1,127 thousand).

8.2 Short term liquidity certificates comprise Shari'a compliant asset backed certificates for which the carrying value approximates fair value.

The table below illustrates the movement in impairment provision during the year on Equity-type investments at fair value through equity:

	31 December 2024 USD '000	31 December 2023 USD '000
Balance at 1 January	(19,401)	(23,978)
Additions during the year	(3,507)	-
Charge for the year	(291)	(6,424)
Exit of investments	13,043	3,409
Adjustments in impairment provisions	-	7,592
Balance at 31 December	(10,156)	(19,401)

The unquoted equity-type investments and short term liquidity certificates comprise investments in the following market segments:

	31 December 2024 USD '000	31 December 2023 USD '000
Real estate projects	13,219	15,608
Private equity	3,908	10,376
	17,127	25,984

The Group plans to dispose of unquoted equity investments through trade sales over a 3 to 5 year horizon.

The Group has the following material associates which are designated at FVTPL (unquoted equity securities):

Entity Name	Note	Country of incorporation	Principal Activity	Percentage Holding
Short term liquidity certificates - LF II	8.3	U.A.E	Real Estate	21.84%
Short term liquidity certificates - LF III	8.3	U.A.E	Real Estate	20.52%
Venture Capital Fund Bahrain		Bahrain	SME Investment Fund	29.60%

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

9. MURABAHA FINANCING

Financing to investee companies in the following sectors:

Manufacturing

Real estate

Less: ECL provision

At 31 December

31 December 2024	31 December 2023
USD '000	USD '000
7,953	6,064
-	359
7,953	6,423
(7,953)	(6,423)
-	-

The table below illustrates the movement in impairment provision during the year:

Balance at 1 January

Write off during the year

Impairment charge during the year

Balance at 31 December

(6,423)	(3,499)
359	-
(1,889)	(2,924)
(7,953)	(6,423)

These represent financing support extended by the Group to facilitate the debt restructuring and repayments of investees with external lenders in the form of commodity murabaha contracts. The Group did not recognise any profit during the year on these financing contracts.

10. WAKALA CONTRACT RECEIVABLE

Wakala contract receivable represents USD 13,341 thousand of short-term trade finance deals placed with Trade Finance Corporation ("TFC") through a locally incorporated bank ("Wakil") at an expected profit rate of 6.5% per annum with maturities ranging between 90 to 150 days. The Group has recognised an ECL of 100% on the wakala under stage 3 (31 December 2023: 100%).

The Group suspended accruing profit on its wakala contract receivable as the Wakil has failed to redeem the Group's wakala upon their request. During the year, the amount receivable under the wakala contract was written-off.

11. RECEIVABLES

Receivable from investment banking services

Less: ECL provision

31 December 2024	31 December 2023
USD '000	USD '000
2,355	4,853
2,355	4,853
(2,355)	(4,853)
-	-
(4,853)	(6,019)
-	1,166
2,498	-
(2,355)	(4,853)

The table below shows the movement in impairment provision during the year:

At 1 January

Reversal of provision for expected credit losses

Written-off during the year

At 31 December

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

12. FUNDING TO PROJECT COMPANIES

	31 December 2024 USD '000	31 December 2023 USD '000
Gross funding	2,153	4,263
Less: ECL provision	(214)	(2,021)
	1,939	2,242

The table below shows the movement in impairment provision during the year:

	31 December 2024 USD '000	31 December 2023 USD '000
At 1 January	2,021	2,110
Write off during the year	(1,061)	-
Reversal during the year	(746)	(89)
At 31 December	214	2,021

These relate to funding provided to various projects and investments promoted by the Group. The financing facilities are free of profit and do not have specific terms of repayment, and are expected to be recovered in the course of project development or on realisation of cash flows from sale of the underlying assets or through their operations. ECL have been recorded where necessary to reflect delays and doubts over recoverability based on the Group's regular impairment assessments.

13. OTHER ASSETS

	31 December 2024 USD '000	31 December 2023 USD '000
Advances to acquire investments	6,281	6,295
Project costs recoverable	3,459	3,554
Dividend receivable	124	444
Other receivables	1,548	1,468
Prepayment	126	88
	11,538	11,849
Less: ECL provision	(9,375)	(10,656)
	2,163	1,193

The table below shows the movement on ECL during the year:

	31 December 2024 USD '000	31 December 2023 USD '000
At 1 January	10,656	10,614
Charge for the year	(417)	42
Written-off during the year	(864)	-
At 31 December	9,375	10,656

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

14. RIGHT-OF-USE ASSET / IJARAH LIABILITY

The Group's subsidiaries have lease contracts for office rental spaces and land. The table below illustrates the right-of- use asset and related liability recognised by the Group:

	Right-of- use asset USD' 000	Ijarah liability USD' 000
As at 1 January 2023	3,477	3,702
Depreciation	(151)	-
Finance cost	-	177
Rent paid	-	(267)
As at 31 December 2023	3,326	3,612
Depreciation	(151)	-
Finance cost	-	173
Rent paid	-	(266)
As at 31 December 2024	3,175	3,519
	31 December 2024 USD '000	31 December 2023 USD '000
Right-of-use asset		
Non-current	3,175	3,326
As at 31 December	3,175	3,326
Ijarah liability		
Current	98	93
Non-current	3,421	3,519
As at 31 December	3,519	3,612
Ijarah liability		
Gross ijarah liability	5,965	5,965
Deferred cost on ijarah liability	(2,446)	(2,353)
	3,519	3,612

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

15. PROPERTY AND EQUIPMENT

	Building * USD '000	Office equipment USD '000	Furniture & fixtures USD '000	Motor vehicles USD '000	Total USD '000
Cost					
At 1 January 2024	10,098	1,824	1,237	496	13,655
Disposal during the year	(500)	-	-	(102)	(602)
Adjustments during the year	-	(4)	-	(353)	(357)
Additions during the year	-	28	96	-	124
At 31 December 2024	9,598	1,848	1,333	41	12,820
Depreciation					
At 1 January 2024	3,955	1,790	1,041	496	7,282
Disposal during the year	(374)	-	-	(102)	(476)
Adjustments during the year	-	-	-	(353)	(353)
Charge for the year	172	21	26	-	219
At 31 December 2024	3,753	1,811	1,067	41	6,672
Impairment					
At 1 January 2024	2,372	-	-	-	2,372
Reversal during the year	(98)	-	-	-	(98)
Net book value at 31 December 2024	3,571	37	266	-	3,874
Net book value at 31 December 2023	3,770	32	197	-	3,999

* Includes 15.38% stake of the Venture Capital building, situated in the capital city of the Kingdom of Bahrain.

16. EMPLOYEE ACCRUALS

	Note	31 December 2024 USD '000	31 December 2023 USD '000
Employees end of service benefits	16.1	183	187
Other employee related accruals		125	70
		308	257

16.1 EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2024 USD '000	31 December 2023 USD '000
Movement in provisions for the year		
At the beginning of the year	187	285
Charge for the year	71	59
Paid during the year	(30)	(157)
Transferred to SIO during the year *	(45)	-
At 31 December	183	187

* As per the changes in end-of-service benefits system for expatriate employees introduced by SIO effective from 1 March 2024, employers are required to pay the monthly end-of-service contributions electronically through the SIO portal in relation to the expatriate employees. SIO would be responsible to settle leaving indemnities for expat employees at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

	31 December 2024	31 December 2023
Total number of employees at 31 December:		
Bahrainis	17	14
Expatriate	6	4
At 31 December	23	18

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

17. OTHER LIABILITIES

		31 December 2024	31 December 2023
	Note	USD '000	USD '000
Payable under settlement agreement	17.1	8,689	9,292
Provision against guarantees	17.2	4,902	7,154
Payable to related party	17.3	2,328	6,385
Accounts payable		4,763	5,476
Provisions and accruals		751	8,180
Deferred income		27	33
Other		-	37
		21,460	36,557

17.1 Amount payable under settlement agreement represents past due profits on Islamic financing payable settled as of 30 June 2021. This amount is due on 30 June 2025. During the year, a portion of the liability was settled in kind.

17.2 Guarantees relate to corporate guarantees provided by the Group to various creditors to support financing to one of its project companies. The Group received certain legal claims from creditors for which the Group is currently assessing its legal position and a defense strategy. Management has found it prudent to recognise provisions against such claims (refer note 32).

17.3 During the previous year, the Group entered into an Investment Management and Revenue Sharing Agreement with its major shareholder in order to improve the quality of the assets under management and maximise the generation of revenue.

18. SHARE CAPITAL

	31 December 2024	31 December 2023
	USD '000	USD '000
Authorised: 10,000,000 (31 December 2023: 10,000,000) ordinary shares of USD 1 each	10,000	10,000
Issued and fully paid up: 1,005,000 shares of USD 1 each (31 December 2023: 1,005,000 shares of USD 1 each)	1,005	1,005

SUBORDINATED MUDHARABA (AT1)

The Group issued Subordinated Mudharaba (AT1) {Additional Tier 1 Sukuk ("Sukuk")} of USD 26 million, under an approval form the Central Bank of Bahrain. These perpetual Sukuk constitute a subordinated and unsecured Mudaraba arrangement between the Sukuk holders and the Group. The Sukuk have precedence over only the equity shareholders in terms of liens over Net Assets, and distributions. The Sukuk meet the definition of equity under FAS 1 and accordingly have been classified as a component of Owners' equity (net of all related Issuance costs).

The Sukuk were issued to:

- Certain creditors (each a "Counterparty"), where the obligation of the Counterparty to pay the subscription price of the Sukuk was completely set off against existing obligations by the Group to pay certain Outstanding Amounts owed to that Counterparty; and the Group's AT1 Capital increased accordingly.
- Certain Investors (each an "Investor Counterparty"), where the obligation of the Investor Counterparty to pay the subscription price of the Sukuk was completely set off by the transfer of the title to certain investments owned by the Investor Counterparty and managed by the Group.

The Sukuk carry a non-cumulative discretionary coupon of 6% of the nominal value of the Sukuk (the "coupon"), of which 4% will be partly paid in cash or in-kind, and the balance capitalized, at the option of the Group on a semiannual basis. This is however subject to the availability of distributable funds, which include positive retained earnings and profits (excluding accumulated losses preceding the issuance of sukuk certificate). Profits paid to holders of the Sukuk are accounted for as an appropriation of profits when declared and distributed.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

18 SHARE CAPITAL (continued)

SUBORDINATED MUDHARABA (AT1) (continued)

Movement in the retained earnings post issuance of the Sukuk is as below:

	31 December 2024 USD '000	31 December 2023 USD '000
Opening accumulated losses	(33,196)	(23,258)
Losses attributable to the period prior to issuance of AT1	-	(9,938)
Netting statutory reserve with accumulated losses	5,441	-
Transfer of net profit to statutory reserve for the year	(249)	-
Accumulated losses prior to issuance of AT1	(28,004)	(33,196)
Opening profits available for AT1	3,944	4,403
Sukuk coupons paid / capitalised	(1,170)	-
Profits recognised post issuance of AT1	2,488	-
AT1 issuance cost	-	(459)
Profit available for distribution to AT1 holders	5,262	3,944
Accumulated losses post issuance of AT1	(22,742)	(29,252)

Statutory reserve

The Commercial Companies Law ("CCL") and the Bank's articles of association requires that 10% of the profit for the year shall be transferred to a statutory reserve. The reserve is not distributable except in such circumstances as stipulated in the CCL and following the approval of the CBB.

In the extraordinary meeting of the shareholders held on 29 September 2024, it was resolved to reduce the accumulated losses of the Bank as at 31 December 2023, by adjusting the losses with the accumulated statutory reserve of the Bank which stood at USD 5,441 thousand.

During the year, the Bank transferred 10% of its profit to the statutory reserve amounting to USD 249 thousand (31 December 2023: NIL)

19. MANAGEMENT FEE, NET

	31 December 2024 USD '000	31 December 2023 USD '000
Investment management fees - net	5,390	9,102
	5,390	9,102

Majority of the management fee received during the year represents fees due to the Group relating to outstanding fees of the prior years. Out of the management fees recognised during the year, there were no fee received in kind (31 December 2023: USD 1.7 million). Management fee earned for the previous year is net of USD 2,411 thousand, which is payable to a related party under a revenue sharing agreement entered into during the year (note 26).

20. OTHER INVESTMENT INCOME

	31 December 2024 USD '000	31 December 2023 USD '000
Dividend income	33	3
Profits from liquidity certificates	142	72
	175	75

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

21. RENTAL AND OTHER INCOME

		31 December 2024	31 December 2023
	Notes	USD '000	USD '000
Gain from liability and investment swaps	21.1	441	4,503
Rental income		1,417	1,336
Reversals of other provisions no longer required		503	92
Finance income		63	41
Others		577	299
		3,001	6,271

21.1 The Group issued Subordinated Mudharaba AT1 (Additional Tier 1 Capital Sukuks "Sukuks") to its existing investors upon obtaining the necessary regulatory approvals. The sukuks were issued in exchange for investments managed by the Bank where these investors were participants. The investments swapped were valued at 80% of the fair value of the investments (note 18).

22. STAFF COSTS

		31 December 2024	31 December 2023
		USD '000	USD '000
Salaries and benefits		2,901	2,869
Social insurance expenses		252	210
Employee severance cost		-	167
Other staff expenses		23	21
		3,176	3,267

23. FINANCE EXPENSE

		31 December 2024	31 December 2023
		USD '000	USD '000
Islamic financing payables		-	50
Ijarah liability		173	177
		173	227

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

24. IMPAIRMENT OF FINANCIAL ASSETS

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

31 December 2024				
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Exposures subject to ECL				
Balances with banks	1,129	-	-	1,129
Wakala Placements with financial institutions	650	-	-	650
Murabaha financing to investee companies	-	-	7,953	7,953
Wakala contract receivable	-	-	-	-
Receivables	-	-	2,355	2,355
Funding to project companies	-	2,153	-	2,153
Other assets	196	1,880	9,462	11,538
	1,975	4,033	19,770	25,778
Off-balance-sheet guarantees and commitments	18,964	415	18,259	37,638
	20,939	4,448	38,029	63,416
Impairment provision				
- On-balance-sheet assets	(2)	(744)	(19,153)	(19,899)
- Off-balance-sheet guarantees and commitments	(8)	(1)	-	(9)
	20,929	3,703	18,876	43,508
31 December 2023				
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Exposures subject to ECL				
Balances with banks	2,121	-	-	2,121
Wakala Placements with financial institutions	1,610	-	-	1,610
Murabaha financing to investee companies	-	-	6,423	6,423
Wakala contract receivable	-	-	13,341	13,341
Receivables	-	-	4,853	4,853
Funding to project companies	-	3,202	1,061	4,263
Other assets	115	1,366	10,368	11,849
	3,846	4,568	36,046	44,460
Off-balance-sheet guarantees and commitments	3,009	415	17,391	20,815
	6,855	4,983	53,437	65,275
Impairment provision				
- On-balance-sheet assets	(7)	(1,854)	(35,440)	(37,301)
- Off-balance-sheet guarantees and commitments	(8)	(1)	-	(9)
	6,840	3,128	17,997	27,965

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

25. OTHER EXPENSES

		31 December 2024	31 December
	Notes	USD '000	2023 USD '000
Office expenses		780	989
Project management costs	25.1	634	794
Provision for litigation and others	25.2	-	400
Board of directors and Shari'a supervisory board		215	324
Service level cost reimbursements	26	114	110
Publicity, conferences and promotion		35	48
Other		147	217
		1,925	2,882

25.1 This mainly pertains to unrecoverable expenses incurred on behalf of project companies to support their operations.

25.2 Litigations and claims

The Group has a number of claims and litigations filed against it in connection with certain transactions in the past. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, the management is of the opinion that the Bank has strong grounds to successfully defend itself against these claims. Appropriate provision have been made in the books of accounts. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors, key management personnel, Shari'a supervisory board and external auditors of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The Group earns income from investment banking services and management fees from entities over which the Group exercises influence. Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are mostly third parties and are the economic beneficiaries of the underlying investments.

During the previous year, the Group entered into an Investment Management and Revenue Sharing Agreement with the major shareholder in order to improve the quality of the assets under management and maximise the the generation of revenue.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The significant related party balances and transactions included in these consolidated financial statements are as follows:

	Significant unconsolidated Investments at fair value through income USD '000	Associates USD '000	Board / key management / Shari'a board / external auditors USD '000	Significant shareholders / entities in which directors are interested USD '000	Total USD '000
31 December 2024					
Assets					
Investments (note 8)	-	7,260	-	-	7,260
Other assets	-	1,939	-	-	1,939
Liabilities					
Employee accruals	-	-	84	-	84
Other liabilities	-	363	160	14,092	14,615
Fair value losses on investments carried at fair value through income	-	175	-	-	175
Loss on settlement of liabilities *	-	-	-	(1,129)	(1,129)
Expenses					
Service level cost reimbursements	-	-	-	(114)	(114)
Board of directors' attendance fees	-	-	(158)	-	(158)
Salaries and other short-term benefits	-	-	(690)	-	(690)
Legal and professional fees	-	-	(202)	-	(202)
Other expenses	(50)	-	(57)	-	(107)
Reversal of provision for credit losses	(1)	-	-	-	(1)

* The loss on settlement of liabilities represent expenses payable to a related party for the settlement of certain liabilities on behalf of the Bank.

31 December 2023

Assets					
Investments - net	-	723	-	-	723
Liabilities					
Employee accruals	-	-	124	-	124
Other liabilities	-	399	471	18,904	19,774
Other losses					
Fair value losses on investments carried at fair value through income - net	-	(222)	-	-	(222)
Share of management fees	-	-	-	(2,411)	(2,411)
Loss on settlement of liabilities *	-	-	-	(3,585)	(3,585)
Expenses					
Finance expense	-	-	-	(44)	(44)
Board of directors' attendance fees	-	-	(270)	-	(270)
Salaries and other short-term benefits	-	-	(598)	-	(598)
Service level cost reimbursements	-	-	-	(110)	(110)
Legal and professional fees	-	-	(248)	-	(248)
Other expenses	(117)	-	(51)	-	(168)
Provision for credit losses	(2)	-	-	97	95

* The loss on settlement of liabilities represent expenses payable to a related party for the settlement of certain liabilities on behalf of the Bank.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

No shares of the Bank were held by the Directors during the year

Terms and conditions of transactions with related parties

The Group enters into transactions, arrangements and agreements with its related parties in the ordinary course of business at agreed rates and fees. The above mentioned transactions and balances arose from the ordinary course of business of the Group.

Reimbursement of costs relating to the service level agreement entered into with a related party during the year amounted to USD 114 thousand (31 December 2023: USD 110 thousand) (note 25).

Board of Directors' remuneration

No board remuneration was proposed for the years 2024 and 2023 except for the attendance fee.

27. ZAKAH

In accordance with the Articles of Association, the Bank is not required to collect or pay Zakah on behalf of its shareholders or its off-balance sheet equity accounts holders during the year ended 31 December 2024 and the prior period. Accordingly, a statement of sources and uses of Zakah Fund is not presented in the financial statements. However, the Bank is required to calculate and notify individual shareholders of their pro-rata share of Zakah on each share held in the Bank. Zakah payable by the shareholders is computed by the Bank based on the method prescribed by the Bank's Shari'a Supervisory Board. Zakah payable by the shareholders in respect of each share for the year ended 31 December 2024 is US cents nil for every share held (31 December 2023: US cents nil for every share held). Investors should be aware that the ultimate responsibility of calculating and paying the Zakah due on them is their sole responsibility.

28. EARNINGS PROHIBITED BY SHARI'A

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means. There were no earnings from non-Islamic sources during the year (31 December 2023: nil).

29. SHARI'AH SUPERVISORY BOARD

The Group's Shari'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

30. MATURITY PROFILE

The table below shows the maturity profile of the Group's assets and liabilities and unrecognised commitments on the basis of their expected maturities. The amount of cash flows on these instruments may vary significantly from this analysis. The contractual maturity of financial liabilities are set out in note 33 (c).

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

30. MATURITY PROFILE (continued)

31 December 2024	Up to 3 months USD '000	3 to 6 months USD '000	6 months to 1 year USD '000	Total up to 1 year USD '000	1 to 3 years USD '000	Over 3 years USD '000	No fixed maturity USD '000	Total USD '000
Assets								
Balances with banks	1,127	-	-	1,127	-	-	-	1,127
Placements with financial institutions	265	135	250	650	-	-	-	650
Investments	-	-	29	29	-	-	17,097	17,126
Funding to project companies	-	-	-	-	1,939	-	-	1,939
Other assets	-	6	1,045	1,051	1,089	23	-	2,163
Right-of-use asset	-	-	-	-	-	3,175	-	3,175
Property and equipment	-	-	-	-	-	3,874	-	3,874
Total assets	1,392	141	1,324	2,857	3,028	7,072	17,097	30,054
Liabilities								
Employee accruals	89	-	18	107	201	-	-	308
Ijarah liability	-	-	98	98	-	3,421	-	3,519
Other liabilities	617	449	4,164	5,230	16,225	5	-	21,460
Total liabilities	706	449	4,280	5,435	16,426	3,426	-	25,287
Net liquidity gap	686	(308)	(2,956)	(2,578)	(13,398)	3,646	17,097	4,767
Cumulative liquidity gap	686	378	(2,578)	(2,578)	(15,976)	(12,330)	4,767	4,767
Commitments and contingencies	-	-	18,674	18,674	18,964	-	-	37,638
31 December 2023	Up to 3 months USD '000	3 to 6 months USD '000	6 months to 1 year USD '000	Total up to 1 year USD '000	1 to 3 years USD '000	Over 3 years USD '000	No fixed maturity USD '000	Total USD '000
Assets								
Balances with banks	2,116	-	-	2,116	-	-	-	2,116
Placements with financial institutions	1,608	-	-	1,608	-	-	-	1,608
Investments	43	-	115	158	2,341	-	23,485	25,984
Funding to project companies	-	-	-	-	2,242	-	-	2,242
Other assets	-	2	512	514	635	44	-	1,193
Right-of-use asset	-	-	-	-	-	3,326	-	3,326
Property and equipment	-	-	-	-	-	3,999	-	3,999
Total assets	3,767	2	627	4,396	5,218	7,369	23,485	40,468
Liabilities								
Employee accruals	43	-	-	43	-	214	-	257
Ijarah liability	-	-	93	93	-	3,519	-	3,612
Other liabilities	323	5,863	7,468	13,654	22,814	89	-	36,557
Total liabilities	366	5,863	7,561	13,790	22,814	3,822	-	40,426
Net liquidity gap	3,401	(5,861)	(6,934)	(9,394)	(17,596)	3,547	23,485	42
Cumulative liquidity gap	3,401	(2,460)	(9,394)	(9,394)	(26,990)	(23,443)	42	42
Commitments and contingencies	-	-	17,806	17,806	3,009	-	-	20,815

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

31. CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

a) Industry sector

31 December 2024

	Trading and manufacturing USD '000	Banks and financial institutions USD '000	Real estate USD '000	Health care USD '000	Food and Technology USD '000	Oil and gas USD '000	Other USD '000	Total USD '000
Assets								
Balances with banks	-	1,127	-	-	-	-	-	1,127
Placements with financial institutions	-	650	-	-	-	-	-	650
Investments	-	117	13,572	-	2,572	-	866	17,127
Funding to project companies	-	-	1,939	-	-	-	-	1,939
Other assets	-	14	859	-	703	-	587	2,163
Right-of-use asset	-	-	3,175	-	-	-	-	3,175
Property and equipment	-	-	3,570	-	-	-	304	3,874
Total assets	-	1,908	23,115	-	3,275	-	1,757	30,055
Liabilities								
Employee accruals	-	-	-	-	-	-	308	308
Ijarah liability	-	-	-	-	-	-	3,519	3,519
Other liabilities	4,894	3,076	345	-	8	-	13,137	21,460
Total liabilities	4,894	3,076	345	-	8	-	16,964	25,287
Commitments and contingencies	18,674	-	15,955	-	-	-	3,009	37,638

31 December 2023

	Trading and manufacturing USD '000	Banks and financial institutions USD '000	Real estate USD '000	Health care USD '000	Food and Technology USD '000	Oil and gas USD '000	Other USD '000	Total USD '000
Assets								
Balances with banks	-	2,116	-	-	-	-	-	2,116
Placements with financial institutions	-	1,608	-	-	-	-	-	1,608
Investments	-	723	17,015	-	7,482	-	764	25,984
Funding to project companies	-	-	2,242	-	-	-	-	2,242
Other assets	-	-	657	-	198	-	338	1,193
Right-of-use asset	-	-	-	-	-	-	3,326	3,326
Property and equipment	-	-	3,770	-	-	-	229	3,999
Total assets	-	4,447	23,684	-	7,680	-	4,657	40,468
Liabilities								
Employee accruals	-	-	-	-	-	-	257	257
Ijarah Liability	-	-	-	-	-	-	3,612	3,612
Other liabilities	6,451	3,227	6,927	694	8	-	19,250	36,557
Total liabilities	6,451	3,227	6,927	694	8	-	23,119	40,426
Commitments and contingencies	17,806	-	-	-	-	-	3,009	20,815

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

31. CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) Geographic region

The following table shows the assets and liabilities of the Group, classified into geographical regions based on the domicile of the entity or underlying assets exposures for the year ended:

31 December 2024

	GCC countries USD '000	Other MENA countries USD '000	Europe USD '000	Cayman Islands / Americas USD '000	Total USD '000
Assets					
Balances with banks	1,127	-	-	-	1,127
Placements with financial institutions	650	-	-	-	650
Investments	14,526	2,572	29	-	17,127
Funding to project companies	1,939	-	-	-	1,939
Other assets	1,415	543	13	192	2,163
Right-of-use asset	3,175	-	-	-	3,175
Property and equipment	3,874	-	-	-	3,874
Total assets	26,706	3,115	42	192	30,055
Liabilities					
Employee accruals	308	-	-	-	308
Ijarah Liability	3,519	-	-	-	3,519
Other liabilities	15,990	5,293	177	-	21,460
Total liabilities	19,817	5,293	177	-	25,287
Commitments and contingencies	18,964	18,674	-	-	37,638

31 December 2023

	GCC countries USD '000	Other MENA countries USD '000	Europe USD '000	Cayman Islands / Americas USD '000	Total USD '000
Assets					
Balances with banks	2,116	-	-	-	2,116
Placements with financial institutions	1,608	-	-	-	1,608
Investments	18,738	7,131	115	-	25,984
Funding to project companies	2,242	-	-	-	2,242
Other assets	981	198	8	6	1,193
Right-of-use asset	3,326	-	-	-	3,326
Property and equipment	3,999	-	-	-	3,999
Total assets	33,010	7,329	123	6	40,468
Liabilities					
Employee accruals	257	-	-	-	257
Ijarah Liability	3,612	-	-	-	3,612
Other liabilities	29,921	6,460	176	-	36,557
Total liabilities	33,790	6,460	176	-	40,426
Commitments and contingencies	3,009	17,806	-	-	20,815

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

32 COMMITMENTS AND CONTINGENCIES

The Group has outstanding letters of guarantee in respect of projects, and commitments to finance and invest as follows:

	31 December 2024 USD '000	31 December 2023 USD '000
Letters of guarantee	37,638	20,815
	37,638	20,815

32.1 During the previous year, certain letters of guarantee, which were provided for in the books have now been recognised in the books as a liability. Accordingly, the off-balance sheet exposure has been removed from the books. The outstanding liability in these accounts stands at USD 4,902 thousand (31 December 2023: USD 7,154 thousand) as at 31 December 2024 (note 17).

32.2 During the year, the Group provided a guarantee to Real Estate Regulatory Authority (RERA) for an amount of USD 16 million on behalf of an associated entity. This guarantee is backed by a counter guarantee from EIC, who have pledged some of their assets to cover the Groups exposure in the guarantee.

Performance obligations

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group as at 31 December 2024 due to the performance of any of its projects.

Litigations and claims

The Bank had issued a letter of guarantee to a certain investment company/project valued at 130% of the Bank's share in the company's outstanding obligation (including principal and accrued profits) of USD 18,260 thousand (31 December 2023: USD 17,390 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations. While the depreciated cost of the asset exceeds the outstanding obligation of the investee company, the fair value of the asset is difficult to be ascertained as currently there are no operations in the investee company due to current economic conditions.

33. RISK MANAGEMENT AND CAPITAL ADEQUACY

The Group has an internal risk management function to oversee risk management and ensure the maintenance of an adequate capital base in line with best practice and in compliance with the regulations of the Central Bank of Bahrain. The Audit & Risk Committee of the Board has the overall responsibility for this function, which is managed by the Management's Executive Committee through the Risk Management Department.

The Risk Management Department independently identifies and evaluates risks in respect of each investment proposal, and periodically monitors and measures risks at investment and statement of financial position level. The Head of Risk Management reports to the Audit & Risk Committee of the Board and has access to the Board of Directors.

The Group is exposed to credit risk, concentration risk, liquidity risk, and market risk (which comprises equity price risk, profit rate risk and currency risk), in addition to operational risk. The Group's approach to monitoring, measuring and managing these risks are discussed below.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument does not discharge its obligations on due dates and cause the other party to incur a financial loss. The Group's credit risk arises mainly from the balances with banks, murabaha financing to investee companies, receivables, funding to project companies, wakala contract receivable and certain other assets like advances to acquire investments, project costs recoverable and other receivables.

The Group has put in place policies and procedures for managing credit risks to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures, including large exposures, are evaluated on a monthly basis to ensure a broad diversification of risk by counterparties and concentration limits by geography and industry.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

33. RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

a) Credit risk (continued)

Credit-related commitments risks

In the course of its business, the Group may extend to its investment project companies guarantees which may require the Group to make payments on their behalf. Such payments are collected from the projects based on the terms of the guarantee. They expose the Group to risks similar to financing contracts and these are mitigated by the same control processes and policies.

Maximum exposure to credit risk

The maximum exposure of credit risk on the financial assets of the Group is the carrying value of the financial assets as at 31 December 2024.

Past due

The Group's receivables are generally free of profit and do not have specific terms of repayment, but are expected to be recovered in full in the course of project development and on realisation of cash flows from sale of the underlying assets and their operations. The Group does not consider these as past due based on the expected cash flows of the project companies. The expected timelines of recovery are set out in note 30.

Definition of default

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

The gross amount of impaired exposures by class of financial assets is as follows:

	31 December 2024 USD '000	31 December 2023 USD '000
Murabaha financing to investee companies	7,953	6,423
Receivables	2,355	4,853
Wakala contract receivable	-	13,341
Funding to project companies	-	1,061
Other assets	9,462	10,368
Total	19,770	36,046

b) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing geographic and industry wise concentration limits. The geographical and industry wise distribution of assets and liabilities are set out in note 31.

At 31 December 2024, the total credit exposure to individual counterparties which comprised 10% or more of the Group's equity was USD 37 million relating to 25 counterparties (31 December 2023: USD 44 million relating to 21 counterparties).

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

33. RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments may vary significantly from this analysis. The expected maturity profile of assets and liabilities are set out in note 30.

31 December 2024	Gross undiscounted cash flows						Total USD '000
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No Fixed Maturity	
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	
Liabilities							
Employee accruals	89	-	18	201	-	-	308
Ijarah liability	-	-	98	-	3,421	-	3,519
Other liabilities	617	449	4,164	16,225	5	-	21,460
Total financial liabilities	706	449	4,280	16,426	3,426	-	25,287
Commitments and contingencies	-	-	18,674	18,964	-	-	37,638

31 December 2023	Gross undiscounted cash flows						Total USD '000
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No Fixed Maturity	
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	
Liabilities							
Employee accruals	43	-	-	-	214	-	257
Ijarah liability	-	-	93	-	3,519	-	3,612
Other liabilities	323	5,863	7,468	22,814	89	-	36,557
Total financial liabilities	366	5,863	7,561	22,814	3,822	-	40,426
Commitments and contingencies	-	-	17,806	3,009	-	-	20,815

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

33. RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises four types of risk: currency risk, profit rate risk, equity price risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Profit rate risk

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's significant financial assets and liabilities sensitive to profit rate are placements with financial institutions, financing receivables and financing payables. The Group's exposure to profit rate risk is limited due to the relatively short-term nature of these assets.

Overall, profit rate risk positions are managed by the Group's Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risks on certain financing receivables and listed investments denominated in Kuwaiti Dinars, Great Britain Pounds and Turkish Lira. The Group seeks to manage currency risk by continually monitoring exchange rates and exposures.

The Group had the following significant currency exposures as of 31 December:

	31 December 2024 USD '000	31 December 2023 USD '000
Kuwaiti Dinars	7	99
Great Britain Pounds	171	332
Turkish Lira	5,172	14,029

The table below indicates the currencies to which the Group had significant exposure at 31 December 2024 and 31 December 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar with all other variables held constant on the consolidated statement of income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount on the table below represents a potential net reduction in the consolidated statements of income or equity, while a positive amount reflects a net potential increase.

	31 December 2024			31 December 2023	
	Change in currency rates	Effect on income USD '000	Effect on equity USD '000	Effect on income USD '000	Effect on equity USD '000
Kuwaiti Dinars	+10%	1	1	10	10
Great Britain Pounds	+10%	17	17	33	33
Turkish Lira	+10%	517	517	1,403	1,403
Kuwaiti Dinars	-10%	(1)	(1)	(10)	(10)
Great Britain Pounds	-10%	(34)	(34)	(66)	(66)
Turkish Lira	-10%	(517)	(517)	(1,403)	(1,403)

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

33. RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk (continued)

(iii) Other price risk

The Group's investments at fair value through equity are carried at cost are exposed to risk of changes in equity values. Refer note 4 for significant accounting judgements and estimates in relation to impairment assessment of these investments carried at cost. The Group manages exposure to other price risks by actively monitoring the performance of the equity securities.

(iv) Equity price risk on quoted equities

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the value of individual companies' shares. The effect on profit and equity, as a result of a change in fair value of trading equity instruments and equity instruments at fair value through equity, due to a reasonably possible change in equity indices or net asset values, with all other variables held constant, is as follows:

	31 December 2024		31 December 2023	
	Effect on income USD '000	Effect on equity USD '000	Effect on income USD '000	Effect on equity USD '000
Trading Securities	257	257	685	685

e) Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department is in charge of identifying, monitoring and managing operational risk in the Bank. The Group has an approved policy for doing this and the organisational and physical infrastructure is in place.

f) Capital management

The Bank's regulator, the CBB sets and monitors capital requirements for the Group as a whole. The Group is required to comply with the provisions of the Capital Adequacy Module of the CBB (based on the Basel III and the Islamic Financial Services Board "IFSB" frameworks) in respect of regulatory capital. In implementing current capital requirements, the CBB requires the Group to maintain a prescribed ratio of total capital to risk-weighted assets. The Bank's operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's regulatory capital position was as follows based on the consolidated prudential information report for Islamic banks prepared by the Group's management as of the date of these consolidated financial statements:

	31 December 2024 USD '000	31 December 2023 USD '000
Total risk weighted assets	311,258	342,699
CET1 capital	(23,007)	(25,784)
Additional Tier 1 capital	4,669	5,140
Tier 2 capital	327	995
Total regulatory capital	(18,011)	(19,649)
Total regulatory capital expressed as a percentage of total risk weighted assets	-5.79%	-5.73%
Minimum requirement	12.5%	12.5%

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

33. RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

f) Capital management (continued)

Total Common Equity Tier 1 capital comprises of share capital, share premium, statutory reserve and retained earnings, minority interest in consolidated subsidiaries less gross unrealised loss arising from fair valuing equities.

Additional Tier 1 comprise the Subordinated mudharaba Sukuk issued by the Bank, which meet the criteria of AT1 and is perpetual with a loss absorbing / conversion feature.

Tier 2 capital comprises of unrealised gains arising from fair valuing equity securities supported by independent valuations. Certain adjustments are made to IFRS and AAOIFI based results and reserves, as prescribed by the CBB.

Total CAR amounting (5.79)% as of 31 December 2024, is in breach of the minimum requirement of 12.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.

Tier 1 and CET1 CAR of (5.89)% and (7.39)% respectively, is also in breach of the minimum regulatory requirement of 10.5% as prescribed under CA-2.2.1 of Volume 2 of the CBB rule book.

The Bank received an exemption from the CBB for the breach in the Capital Adequacy Ratio in relation to paragraphs LM-11.1.4, LM-12.3.3 and CM-2.5.3 of the CBB Rulebook and also obtained the approval to increase the Regulatory Capital by issuing the Sukuk.

34. FAIR VALUE

Fair value

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

As at 31 December 2024 and 31 December 2023, the fair value of bank balances, placements with financial institutions, other financial assets, and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quoted market prices and internal valuation models.

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

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The Group uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

34. FAIR VALUE (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

The table below analyses financial instruments, measured at fair value as at the year-end, by level in the fair value hierarchy into which the fair value measurement is categorized:

31 December 2024

Investment securities carried at:
- fair value through income statement

Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
-	2,572	14,555	17,127
-	2,572	14,555	17,127

31 December 2023

Investment securities carried at:
- fair value through income statement
- fair value through equity

Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
6,811	42	14,114	20,967
-	-	5,017	5,017
6,811	42	19,131	25,984

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets:

	31 December 2024 USD 000	31 December 2023 USD 000
At 1 January	19,131	19,216
Fair value losses recognised in the consolidated statement of income	(378)	(3,489)
Impairment recognised during the year	(291)	(6,424)
Fair value reserve	-	(492)
Sale of investments during the year	(8,592)	(4,552)
Transfers from level 3 to level 1	-	(6,811)
Transfers from level 3 to level 2 *	(566)	-
Additions during the year	2,880	5,264
Investments received on sukuk issuance	2,371	16,419
At 31 December	14,555	19,131

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

34 FAIR VALUE (continued)

* During the year, the Bank successfully listed one of its major investments. Accordingly, this investment has been reclassified from level 3 proprietary investment to a level 2.

The potential effect of using reasonable possible alternative assumptions for fair valuing certain equity investments classified as level 3 are summarised below:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment securities at FVTPL and FVTE	Discounted cash flows: The valuation model considers the present value of the expected cash flows, discounted using a risk-adjusted discount rate.	Expected cash flows Risk adjusted discount	The estimated fair value would increase (decrease) if: - the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher).
	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of non- marketability of the equity securities, and revenue and EBITDA of the investee.	EBITDA multiple Discount for lack of marketability	The estimated fair value would increase (decrease) if: - the EBITDA multiple were higher (lower); or - the discount for lack of marketability were lower (higher).
	Adjusted net assets values of investee where major assets valued at fair value	Adjusted net assets	The estimated fair value would increase (decrease) if: - the adjusted net assets were higher (lower)
	Comparable transaction prices	Not applicable	The estimated fair value would increase (decrease) if: the Comparable transaction prices were higher (lower)

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effect:

	31 December 2024 USD 000	31 December 2023 USD 000
Profit or loss		
WACC (1% increase)	(898)	(1,169)
Comparable transaction price (10% increase)	61	215
Non-marketability factor (10% increase)	(8)	(116)
Net asset value (10% increase)	216	225
At 31 December	(629)	(845)
WACC (1% decrease)	1,090	1,394
Comparable transaction price (10% decrease)	(61)	(215)
Non-marketability factor (10% decrease)	12	105
Net asset value (10% decrease)	(216)	(225)
At 31 December	825	1,059

Financial Statements

Notes to the consolidated financial statements

As at 31 December 2024

35. BAHRAIN DOMESTIC MINIMUM TOP-UP TAX

On 1 September 2024, Bahrain issued the Decree Law (11) of 2024 which introduces a Domestic Minimum Top-Up Tax ("DMTT") for Multinational Enterprises ("MNEs") (hereinafter referred to as the "DMTT Law"). If the Ultimate Parent Entity of the MNE group is domiciled and operates in the Kingdom of Bahrain, a minimum tax of 15% will be levied on the taxable income of the Bahrain resident entities of the MNE group for fiscal years commencing on or after 1 January 2025.

As per the group's assessment of applicability of the DMTT law, it has assessed and concluded that it is not in scope for the Bahrain DMTT law or the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules'). The reason for this conclusion is:

- a. The Group is not an MNE group as it only operates in Bahrain
- b. The Group does not have total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Accordingly, the Group does not expect to be subject to the Bahrain DMTT law and GloBE rules for the next fiscal year.

36. COMPARATIVE FIGURES

Certain prior year's figures have been regrouped to confirm to the presentation adopted in the current year. Such regrouping did not affect the previously reported profit for the year or total owners equity.



Esterad Bank B.S.C (C)

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