Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2025 (Reviewed)

Commercial registration	:	58222-1 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Office 302, Building 1411 Road 4626, Block 346 Manama, Kingdom of Bahrain Telephone: 17518888
Directors	:	Bashar Mohamed Ebrahim Almutawa Ahmed Abdulwahed Ahmed Abdulrahman Isa Abdulrasool Abdulhusain Merza Jawahery Fahad Yateem
Acting Chief Executive Officer	:	Ahmed Abdulwahed Ahmed Abdulrahman
Auditors	:	KPMG Fakhro

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Independent auditors' report on review of condensed consolidated interim financial information

To the Board of Directors
Esterad Bank B.S.C (c)
P.O. Box 11755
Manama
Kingdom of Bahrain

Introduction

We were engaged to review the accompanying 31 March 2025 condensed consolidated interim financial information of Esterad Bank B.S.C (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2025;
- the condensed consolidated statement of income for the three-month period ended 31 March 2025;
- the condensed consolidated statement of total comprehensive income for the three-month period ended 31 March 2025;
- the condensed consolidated statement of changes in owner's equity for the three-month period ended 31 March 2025;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2025;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the three-month period ended 31 March 2025; *and*
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. However, because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we are unable to complete our review to form a conclusion on the accompanying condensed consolidated interim financial information.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Disclaimer of Conclusion

1) We draw attention to note 2 to the accompanying condensed consolidated interim financial information, which describe that during the period ended 31 March 2025, the Group incurred a loss of USD 2,874 thousand and, as of that date, the Group had accumulated losses of USD 26,409 thousand resulting in negative equity attributable to shareholders of USD 25,155 thousand. Furthermore, the Group has breached certain regulatory requirements as explained in note 3 to the condensed consolidated interim financial information. 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 accompanying condensed consolidated interim financial information is not appropriate. The accompanying condensed consolidated interim financial information does 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.

Independent auditors' report on review of condensed consolidated interim financial information
Esterad Bank B.S.C (c) (continued)

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 condensed consolidated interim financial information. Based on the current position of discussion 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 condensed consolidated interim financial information in relation to this matter.

3) As disclosed in note 12 to the condensed consolidated interim financial information, 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 18,477 thousand for which no provision has been recognised as at 31 March 2025. We were unable to determine the adjustments that may be required to be recorded in the condensed consolidated interim financial information in relation to this matter.

Disclaimer of Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we do not express a conclusion on the accompanying 31 March 2025 condensed consolidated interim financial information.

KPMG

14 May 2025

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Note	**31 March 2025 USD '000 (Reviewed)**	31 December 2024 USD '000 (Audited)
ASSETS			
Balances with banks		**1,172**	1,127
Placements with financial institutions		**539**	650
Investments	7	**2,129**	17,127
Funding to project companies		**949**	1,939
Other assets		**4,263**	2,163
Right-of-use asset		**3,134**	3,175
Property and equipment		**3,819**	3,874
TOTAL ASSETS		**16,005**	30,055
LIABILITIES			
Employee accruals		**448**	308
Ijarah liability		**3,495**	3,519
Other liabilities	8	**10,696**	21,460
Total liabilities		**14,639**	25,287
EQUITY			
Share capital		**1,005**	1,005
Statutory reserve		**249**	249
Accumulated losses		**(26,409)**	(22,742)
Equity attributable to Shareholders		**(25,155)**	(21,488)
Subordinated Mudharaba (AT1)	14	**26,521**	26,256
Total equity		**1,366**	4,768
TOTAL LIABILITIES AND EQUITY		**16,005**	30,055

Bashar Mohamed Ebrahim Almutawa
Chairman

Ahmed Abdulwahed Ahmed Abdulrahman
Vice Chairman & Acting CEO

The attached notes 1 to 15 form part of this condensed consolidated interim financial information.

Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Three-months period ended 31 March 2025

	Note	*Three-months ended 31 March* **2025** ***USD '000*** **(Reviewed)**	*2024* *USD '000* (Reviewed)
REVENUE			
Management fee	10	**2,073**	3,123
Other investment income		**21**	48
Net change in fair value of investments carried at fair value through income		**(96)**	(134)
Net realised (loss) / gains on exit of investment		**(4,225)**	1,291
Rental and other income	9	**948**	932
Total revenue		**(1,279)**	5,260
EXPENSES			
Staff cost		**1,039**	717
Legal and professional fees		**143**	226
Finance expense		**42**	43
Depreciation		**93**	95
Loss on settlement of liabilities		**-**	546
Other expenses	11	**598**	479
Total expenses		**1,915**	2,106
(LOSS) / PROFIT BEFORE IMPAIRMENT ALLOWANCES		**(3,194)**	3,154
Impairment of investments		**-**	(43)
Reversal provision for credit losses		**320**	608
Reversal of impairment on property and equipment		**-**	42
(LOSS) / PROFIT FOR THE PERIOD		**(2,874)**	**3,761**

Bashar Mohamed Ebrahim Almutawa
Chairman

Ahmed Abdulwahed Ahmed Abdulrahman
Vice Chairman & Acting CEO

The attached notes 1 to 15 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three-months period ended 31 March 2025

	Three-months ended 31 March	
	2025	*2024*
	USD '000	*USD '000*
	(Reviewed)	(Reviewed)
		-
(LOSS) / PROFIT FOR THE PERIOD	**(2,874)**	3,761
Other comprehensive income (OCI)	**-**	-
Total other comprehensive income for the period	**-**	-
Total comprehensive income	**(2,874)**	3,761

The attached notes 1 to 15 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

Three-months period ended 31 March 2025

2025 (Reviewed)	*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*
Balance at 1 January 2025		1,005	249	-	(22,742)	**(21,488)**	26,256	**4,768**
Profit distribution attributable to Subordinated Mudharaba (AT1)		-	-	-	(528)	**(528)**	-	**(528)**
Subordinated Mudharaba (AT1) 2% profit capitalised		-	-	-	(265)	**(265)**	265	**-**
Loss for the period		-	-	-	(2,874)	**(2,874)**	-	**(2,874)**
Balance at 31 March 2025		**1,005**	**249**	**-**	**(26,409)**	**(25,155)**	**26,521**	**1,366**
2024 (Reviewed)								
Balance at 1 January 2024		1,005	5,441	45	(29,252)	(22,761)	22,803	42
Profit distribution attributable to Subordinated Mudharaba (AT1)		-	-	-	-	-	1,580	1,580
Net profit for the period		-	-	-	3,761	3,761	-	3,761
Balance at 31 March 2024		1,005	5,441	45	(25,491)	(19,000)	24,383	5,383

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three-months period ended 31 March 2025

	NOTE	**2025 USD '000 (Reviewed)**	2024 USD '000 (Reviewed)
OPERATING ACTIVITIES			
Net (loss) / profit for the period		**(2,874)**	3,761
Adjustments for:			
Impairment of investments		**-**	43
Provision for credit losses		**(320)**	245
Impairment of property and equipment		**-**	(42)
Fair value loss on investments carried at fair value through profit or loss - net		**96**	134
Realised fair value loss / (gains) on exit of investment		**4,225**	(1,291)
Loss on sale of investments		**-**	295
Depreciation		**93**	95
Finance cost on right-of-use asset		**42**	43
Dividends received		**-**	(10)
Gain from investment swaps	9	**-**	(293)
Operating profit before changes in operating assets and liabilities		**1,262**	2,980
Changes in operating assets and liabilities:			
Investments		**10,677**	7,890
Funding to project companies		**1,099**	751
Property and equipment		**-**	(37)
Other assets		**(1,897)**	(210)
Employee accruals		**140**	(7)
Other liabilities		**(10,754)**	(9,391)
Placements with financial institutions (maturity more than 3 months)		**(21)**	(111)
Net cash from operating activities		**506**	1,865
FINANCING ACTIVITIES			
Murabaha financing to investee company		**-**	(923)
Rent paid towards right-of-use asset		**(66)**	(67)
Net cash used in financing activities		**(66)**	(990)
Profit distribution to AT1 Sukuk holders		**(528)**	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(88)**	875
Cash and cash equivalents at beginning of the period		**1,392**	3,591
ECL reversed on balances with banks and placements with financial institutions		**-**	(3)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,304**	4,463
Represented by:			
Balances with banks		**1,172**	2,251
Placements with financial institutions (original maturity less than three months)		**132**	2,212
		1,304	4,463

Placements with financial institutions (original maturing more than three months) are USD 407 thousand (2024: USD 244 thousand)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT
Three-months period ended 31 March 2025

2025 (Reviewed)	***Opening Balance USD '000***	***Movement during the period***		***Group Fees USD '000***	***NAV Movement USD '000***	***Closing Balance USD '000***
		Additions USD '000	***Distributions / Exits USD '000***			
Private Equity	233,388	2,148	(21,410)	-	(25,043)	189,083
Real Estate	93,084	11,275	(5,645)	-	(17,613)	81,101
Restricted investments	55	-	-	-	1	56
Balance at 31 March 2025	**326,527**	**13,423**	**(27,055)**	**-**	**(42,655)**	**270,240**

2024 (Audited)	Opening *Balance USD '000*	*Movement during the period*		*Group Fees USD '000*	*NAV Movement USD '000*	*Closing Balance USD '000*
		Additions USD '000	*Distributions / Exits USD '000*			
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

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.

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 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 (through its wholly owned subsidiary Esterad Ventures WLL), a Bahraini public joint stock company listed in Bahrain Bourse (hereafter referred to as “EIC”). 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.

This condensed consolidated interim financial information was approved by the Bank's Board of Directors on 14 May 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 condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 31 March 2025. The financial statements of the subsidiaries are prepared using the same reporting period, using consistent accounting policies. The comparative numbers of the financial statements have been extracted from the latest audited/ reviewed financial statements/ information.

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	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 aquired control of the entity in June
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 USD NIL (31 December 2024: USD NIL)

2 FUNDAMENTAL ACCOUNTING ASSUMPTION

Going concern assessment

As at 31 March 2025, the Group incurred a loss of USD 2,874 thousand and, as of that date, the Group had accumulated losses of USD 26,409 thousand, resulting in negative equity attributable to shareholders of USD 25,155 thousand. The total Subordinated Mudharaba (AT1) as of the balance sheet date amounted to USD 26,521 thousand. The total equity of the Group as of 31 March 2025 was USD 1,366 thousand.

During the period, 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 condensed consolidated interim financial information 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.

Total Sukuk issued as of the date of this condensed consolidated interim financial information amounts to US 26 million (31 December 2024: USD 26 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 condensed consolidated interim financial information has been prepared on a going concern basis.

3 REGULATORY NON-COMPLIANCE

The Bank 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 period ended 31 March 2025. The Bank is also not in compliance with other regulatory requirements by the CBB and the Commercial Companies Law 2001 (as amended) ("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.

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES

4.1 Basis of preparation

The condensed consolidated interim financial information of the Group has 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 CCL. 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.

The condensed consolidated interim financial information is reviewed and not audited. The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2024. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2024.

4.2 Basis of measurement

This condensed consolidated financial information has 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.

4.3 Material accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information is the same as those used in the preparation of the Group's last audited consolidated financial statements.

A New standards, amendments and interpetations issued and effective for annual periods beginning on or after 1 January 2025:

There are no new standards which have been issued and are effective on or after 1 January 2025.

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

At the date of authorization of these condensed consolidated interim financial information, the Bank has not applied the following new and revised Financial Accounting Standards ('FAS') that have been 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.

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

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

(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.

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.

4.4 Estimates and judgements

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 as at and for the year ended 31 December 2024.

4.5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2024.

4.6 Seasonality

Due to the inherent nature of the Group's business, the three-month results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

4.7 Comparatives

The comparative figures have been regrouped in order to conform with the presentation for current period. Such regrouping did not affect previously reported profit for the period or total equity.

5 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 and are gross of credit losses allowances:

	31 March 2025 (Reviewed)					
	Stage 1	***Stage 2***	***Stage 3***	***Total***	**Provisions**	**Net**
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***
Gross exposures subject to ECL						
Balances with banks	1,174	-	-	**1,174**	(2)	**1,172**
Placements with financial institutions	539	-	-	**539**	-	**539**
Murabaha financing	-	-	8,161	**8,161**	(8,161)	**-**
Receivables	-	-	2,170	**2,170**	(2,170)	**-**
Funding to project companies	-	1,054	-	**1,054**	(105)	**949**
Other assets	1,127	979	11,020	**13,126**	(9,118)	**4,008**
	2,840	**2,033**	**21,351**	**26,224**	**(19,556)**	**6,668**
Guarantees and commitments	24,576	415	18,477	**43,468**	(1)	**43,467**
	27,416	**2,448**	**39,828**	**69,692**	**(19,557)**	**50,135**

	31 December 2024 (Audited)					
	Stage 1	*Stage 2*	*Stage 3*	*Total*	Provisions	Net
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Gross exposures subject to ECL						
Balances with banks	1,129	-	-	1,129	(2)	1,127
Placements with financial institutions	650	-	-	650	-	650
Murabaha financing	-	-	7,953	7,953	(7,953)	-
Receivables	-	-	2,355	2,355	(2,355)	-
Funding to project companies	-	2,153	-	2,153	(214)	1,939
Other assets	70	1,880	9,462	11,412	(9,375)	2,037
	1,849	4,033	19,770	25,652	(19,899)	5,753
Guarantees and commitments	18,964	415	18,259	37,638	(9)	37,629
Total gross exposure	20,813	4,448	38,029	63,290	(19,908)	43,382

6 RELATED PARTY TRANSACTIONS AND BALANCES

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

Balances with related parties are as follows:

	Note	***31 March 2025 USD '000 (Reviewed)***	*31 December 2024 USD '000 (Audited)*
Assets:			
Investment in an associate		**-**	7,260
Other assets		**8**	1,939
Liabilities:			
Employee accruals		**90**	84
Other liabilities	6.1 & 6.2	**660**	14,615

Transactions with related parties during the period were as follows:

		Three-months ended	
		31 March 2025 USD '000 (Reviewed)	*31 March 2024 USD '000 (Reviewed)*
Other losses			
Fair value losses on investments carried at fair value through profit or loss - net		**-**	3
Expenses			
Legal and professional fees		**55**	67
Other expenses		**309**	128
Other transactions			
Settlement of liabilities	6.2 & 7.1	**9,583**	10,913

Compensation for key management, including executive officers, comprises the following:

	Three-months ended	
	31 March 2025 USD '000 (Reviewed)	*31 March 2024 USD '000 (Reviewed)*
Salaries and other short term benefits	**183**	249
Post-employment benefits	**84**	110
	267	359

6.1 Other liabilities include amounts due to the major shareholder in lieu of an Investment Management and Revenue Sharing Agreement entered into, in order to improve the quality of the assets under management and maximise the the generation of revenue.

6.2 During the period, the Bank entered into an agreement, post approval by the Board, whereby it transferred assets towards settlement of dues owed by it to the related parties (note 7.1).

7 INVESTMENTS

	Note	***31 March 2025 USD '000 (Reviewed)***	*31 December 2024 USD '000 (Audited)*
Investments at fair value through income statement			
Quoted equities held for trading	7.1	**-**	2,572
Unquoted equities	7.1	**1,951**	5,641
Short term liquidity certificates	7.1 & 7.2	**178**	8,914
		2,129	17,127

7.1 During the period, assets with a carrying value of USD 9,583 thousand (31 December 2024: USD 11,850 thousand) were utilised to settle debts with related parties (note 6.2).

7.2 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 on equity-type investments at fair value:

	31 March 2025 USD '000 (Reviewed)	*31 December 2024 USD '000 (Audited)*
Balance at the beginning of the period / year	**10,156**	19,401
Additions during the period / year	**-**	3,507
Charge for the period / year	**-**	291
Exit of investments	**-**	(13,043)
Balance at the end of the period / year	**10,156**	10,156

The following market segments for investment:

	31 March 2025 USD '000 (Reviewed)	*31 December 2024 USD '000 (Audited)*
Real estate projects	**792**	13,219
Private equity	**1,337**	3,908
	2,129	17,127

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

				Percentage Holding	
Entity	**Note**	**Country of incorporation**	**Principal Activity**	**31 March 2025**	**31 December 2024**
Venture Capital Fund Bahrain		Bahrain	SME Investment Fund	29.60%	29.60%
Short term liquidity certificates					
LF II	7.3	U.A.E	Real Estate	1.34%	21.84%
LF III	7.3	U.A.E	Real Estate	Nil	20.52%

7.3 During the period, the Bank exited majority of its investments in the short term liquidity certificates in settlement of outstanding liabilities (note 7.1 & 6.2), and the investments are no longer classified as as associate.

8 OTHER LIABILITIES

	Note	***31 March 2025 USD '000 (Reviewed)***	*31 December 2024 USD '000 (Audited)*
Payable under settlement agreement	8.1	**-**	8,689
Provision against guarantees	8.2	**4,687**	4,902
Accounts payable		**4,616**	4,763
Settlements with a Related party	8.3	**61**	2,327
Provisions and accruals		**1,256**	752
Deferred income		**76**	27
		10,696	21,460

8.1 Amount payable under settlement agreement represents past due profits on Islamic financing payable settled as of 30 June 2021. The outstanding amount was settled in kind during the period (note 7.1).

8.2 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 (note 12).

8.3 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 generation of revenue. The outstanding balance as of 31 December 2024 was settled in kind during the period (note 7.1).

9 RENTAL AND OTHER INCOME

		Three-months ended	
	Note	***31 March 2025 USD '000 (Reviewed)***	*31 March 2024 USD '000 (Reviewed)*
Rental income		**332**	335
Gain from investment swaps	2	**-**	293
Reversal of excess accruals		**561**	252
Other		**55**	52
		948	932

10 Management fee

	Three-months ended	
	31 March 2025 USD '000 (Reviewed)	31 March 2024 USD '000 (Reviewed)
Investment management fees	**2,073**	3,123
	2,073	3,123

Majority of the management fee received during the year represents fees due to the Group relating to outstanding fees of the prior years.

11 OTHER EXPENSES

		Three-months ended	
	Note	***31 March 2025 USD '000 (Reviewed)***	*31 March 2024 USD '000 (Reviewed)*
Board of directors and Shari'ah supervisory board	11.1	**219**	57
Office expenses		**157**	185
Project management costs	11.2	**17**	197
Publicity, conferences and promotion		**12**	22
Share of costs with a related party	11.3	**52**	-
Other		**141**	18
		598	479

11.1 During the period, the Bank accrued for Board sitting fees of USD 165 thousand pertaining to the prior year, which was approved during the period.

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

11.3 The Group entered into a shared services agreement with the major shareholder in order to improve the quality of the assets under management and maximise the the generation of revenue.

12 COMMITMENTS AND CONTINGENCIES

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

	31 March 2025 USD '000 (Reviewed)	*31 December 2024 USD '000 (Audited)*
Letters of guarantee	**43,468**	37,638
	43,468	37,638

The Group provided a guarantee to Real Estate Regulatory Authority (RERA) for an amount of USD 24 million (31 December 2024: 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.

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 18,476 thousand (31 December 2024: USD 18,259 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations.

13 FINANCIAL INSTRUMENTS

Set out below is a classification of financial instruments held by the Group as at 31 March 2025 and 31 December 2024:

	31 March 2025 (Reviewed)			
	Fair value through income USD '000	***Fair value through equity USD '000***	***Amortised cost USD '000***	***Total USD '000***
ASSETS				
Balances with banks	**-**	**-**	**1,172**	**1,172**
Placements with financial institutions	**-**	**-**	**539**	**539**
Investments	**2,129**	**-**	**-**	**2,129**
Funding to project companies	**-**	**-**	**949**	**949**
Other assets	**-**	**-**	**4,008**	**4,008**
TOTAL FINANCIAL ASSETS	**2,129**	**-**	**6,668**	**8,797**
LIABILITIES				
Other liabilities	**-**	**-**	**9,303**	**9,303**
Ijarah liability	**-**	**-**	**3,495**	**3,495**
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**12,798**	**12,798**

	31 December 2024 (Audited)			
	Fair value through income USD '000	*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	-	-	18,354	18,354
Ijarah liability	-	-	3,519	3,519
TOTAL FINANCIAL LIABILITIES	-	-	21,873	21,873

13 FINANCIAL INSTRUMENTS (continued)

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 March 2025 and 31 December 2024, the fair value of bank balances, placements with financial institutions, other financial assets, placements from financial and other institutions 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 (unadjusted) prices in active markets for identical assets or 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.

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

Fair value of investments

31 March 2025 (Reviewed)	***Level 1 USD '000***	***Level 2 USD '000***	***Level 3 USD '000***	***Total USD '000***
Investment securities carried at fair value through income statement	**-**	**-**	**2,129**	**2,129**
	-	**-**	**2,129**	**2,129**

31 Decemebr 2024 (Audited)	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
Investment securities carried at fair value through income statement	-	2,572	14,555	17,127
	-	2,572	14,555	17,127

13 FINANCIAL INSTRUMENTS (continued)

Fair value of investments (continnued)

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

	31 March 2025 USD '000 (Reviewed)	*31 December 2024 USD '000 (Audited)*
At 1 January	**14,555**	19,131
Fair value losses recognised in the condensed consolidated statement of income	**(3,865)**	(378)
Impairment recognised	**-**	(291)
Exit of investments	**(8,561)**	(8,592)
Transfers from level 3 to level 2	**-**	(566)
Addition of investments	**-**	2,880
Investments received on sukuk issuance	**-**	2,371
Closing balance	**2,129**	14,555

Type	***Valuation technique***	**Significant unobservable inputs**	***Inter-relationship between significant unobservable inputs and fair value measurement***
Investment securities	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:

13 FINANCIAL INSTRUMENTS (continued)

Fair value of investments (continued)

Profit or loss	**31 March 2025 USD '000 (Reviewed)**	*31 December 2024 USD '000 (Audited)*
WACC (1% increase)	**(42)**	(898)
Comparable transaction price (10% increase)	**61**	61
Non-marketability factor (10% increase)	**(8)**	(8)
Net asset value (10% increase)	**47**	216
At 31 December	**58**	(629)
WACC (1% decrease)	**50**	1,090
Comparable transaction price (10% decrease)	**(61)**	(61)
Non-marketability factor (10% decrease)	**12**	12
Net asset value (10% decrease)	**(47)**	(216)
At 31 December	**(46)**	825

14 SUBORDINATED MUDHARABA (AT1)

The Bank issued Subordinated Mudharaba (AT1) {Additional Tier 1 Sukuk (“Sukuk”)} of USD 26 million, under an approval from the Central Bank of Bahrain. These perpetual Sukuk constitute a subordinated and unsecured Mudaraba arrangement between the Sukuk holders and the Bank. The Sukuk have precedence over only the Bank’s ordinary shareholders in terms of liens over net assets, and distributions. The Sukuk are recognized in Owners’ equity (net of all related Issuance costs). The Sukuk were issued by the Bank to:

- Certain creditors of the Bank (each a “Counterparty”), where the obligation of the Counterparty to pay the subscription price of the Sukuk was completely set off against the obligation of the Bank to pay the relevant certain Outstanding Amounts owed to that Counterparty and the Bank’s AT1 Capital increased accordingly.

- Certain Investors of the Bank (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 Bank, to the Bank.

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 Bank on a semiannual basis. This is however subject to the Bank having a distributable funds available 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.

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

	31 March 2025 *USD '000 (Reviewed)*	31 December 2024 *USD '000 (Audited)*
Opening accumulated losses	**(27,755)**	(33,196)
Netting statutory reserve with accumulated losses	-	5,441
Accumulated losses prior to issuance of AT1	**(27,755)**	(27,755)
Opening profits available for AT1	**5,013**	3,944
Sukuk coupons paid / capitalised	**(793)**	(1,170)
(Loss) / profit recognised post issuance of AT1	**(2,874)**	2,488
Transfer of net profit to statutory reserve	**-**	(249)
Balance available profit	**1,346**	5,013
Total accumulated losses	**(26,409)**	(22,742)

15 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 fiscal year.