Esterad Bank B.S.C (c)

Basel III - Pillar 3 Disclosures

30 June 2024

ESTERAD

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 317, 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 30 June 2024, the Bank's total risk weighted assets amounted to US$ 322,751 thousand; Common total Equity, Tier 1 Capital and total regulatory capital amounted to negative US$ 23,112 thousand, negative US$ 18,271 thousand and negative US$ 17,948 thousand respectively. Accordingly, Common Equity Ratio, Tier 1 Capital Adequacy Ratio and total Capital Adequacy Ratio was -7.16%, -5.66% and -5.56% 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 interim financial information.

Subsidiary	Country	Capital	Percentage interest
Gulf Projects Company W.L.L.	Kingdom of Bahrain	BHD 1,000,000	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)

2 Capital Structure (continued)

2.3 Review of financial performance

The Group incurred a net profit of USD 2,494 thousand during the period and, as at 30 June 2024, the Group had negative equity attributable to shareholders of USD 20,710 thousand. The Group issued Subordinated Mudharaba (AT1) of USD 25,227 thousand. The total equity of the Group as of 30 June 2024 was USD 4,517 thousand, having accumulated losses of USD 27,201 thousand and total liabilities with maturity up to 12 months exceeded its total assets with the same maturity representing a net liquidity gap of USD 3,995 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 consolidated interim finanical 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 or the regulators did 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 296 thousand during the period.

During the period, the Group issued Subordinated Mudharaba AT1 to its investors amounting to USD 2.3 million. Total Sukuk issued as of the date of this statement of financial position amounts to US 25 million (31 December 2023: USD 23 million).

(iii) The management is in advanced stages of discussions with the regulator on a restructuring plan for the Bank 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.

Accrodingly, 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 interim financial information have been prepared on a going concern basis.

						USD million
	June 2024	**Dec 2023**	**Dec 2022**	**June 2022**	**June 2021**	**June 2020**
Net profit / (loss) (US$ m)	2.49	(5.54)	(20.12)	(3.20)	(15.76)	(81.12)
ROC (return on paid up capital)	7.9%	-18.9%	-288.2%	-1.6%	-42.7%	-30.6%
Head count	18	21	22	23	39	45
Total investments / total assets	51%	64%	56%	46%	63%	76%
Accumulated losses / total equity	-86%	-100%	-333%	-99%	-100%	-92%

2 Capital Structure (continued)

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.

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 24 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 30 June 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.

2 Capital Structure (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 30 June 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	5,441		
Accumulated losses	(29,695)		
Cumulative net (loss) / income	2,494		
Unrealized gains and losses on available for sale financial instruments	45		
Total CET1 capital before minority interest	**(20,710)**		
Significant investments in the common stock of financial entities (amount above 10% of CET1c)	2,402		
Aggregated amount of exceeding the 15% of CET1d	-		
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	**(23,112)**		
Other Capital (AT1 & T 2)		25,227	
Expected Credit Losses (ECL) Stages 1 & 2		-	323
Total Available AT1 & T2 Capital		**25,227**	**323**
Net Available Capital (After haircut)	**(23,112)**	**4,841**	**323**
Total Tier 1		**(18,271)**	
Total Available Capital			**(17,948)**

Reconciliation with reviwed condensed consolidated financial information		
Shareholder's equity per audited consolidated financial satements		**(20,710)**
Add:	Collective impairment provisions	323
Less:	Significant investments in the common stock of financial entities (amount above 10% of CET1 c)	(2,402)
	Adjustments for Subordinated debt	4,841
Total available capital for regulatory purposes		**(17,948)**

2 Capital Structure (continued)

2.13 Capital Adequacy (continued)

Table 2: Details of exposures and capital requirement **(PD 1.3.2 D)**

Details of exposures and capital requiremen			USD '000
Credit risk:	Gross exposures	Minimum Capital charge	Risk weighted exposures
Total Claims on Banks	6,117	158	1,263
Other Corporates	14,167	14,167	113,339
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)	23,801	23,801	190,411
Premises occupied by the bank	125	16	125
Other assets	122	15	122
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	**44,332**	**38,157**	**305,260**
Market risk (refer to table 3):			
Equity position risk		264	3,300
Foreign exchange risk		229	2,864
Total market risk under standardized approach		**493**	**6,164**
Capital requirement for Operational Risk (PD 1.3.19 & PD 1.3.30)			
(Basic Indicator Approach)	**Jun-22**	**Dec-22**	**Dec-23**
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)		**(17,948)**	
Total eligible capital - Tier 1		**(18,271)**	
Common Equity Tier 1		**(23,112)**	
Total Capital Adequacy Ratio (Tier 1 + Tier 2)		**-5.56%**	
Tier 1 Capital Adequacy Ratio		**-5.66%**	
Common Equity Tier 1 Ratio		**-7.16%**	

Total gains / (losses) on investments:	**Period ended 30 June 2024**	**Year ended 31 Dec 2023**	**Year ended 31 Dec 2022**
	USD '000	USD '000	USD '000
Unrealised fair value (losses) / gains recognized in the statement of income	(607)	(3,480)	(1,585)
Unrealised fair value gains / (losses) recognized in equity	-	45	(471)
Realised gains arising from exit of investments	1,291	-	-

2 Capital Structure (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)**

USD '000

Particulars	**30-Jun-24**	**31-Mar-24**	**Maximum**	**Minimum**
Risk Weighted Exposure				
Equity position risk	3,300	2,916	3,300	2,916
Foreign exchange risk	2,863	2,216	2,863	2,216
Total Risk Weighted Exposure	**6,163**	**5,132**	**6,163**	**5,132**
Capital requirement				
Listed equities held for trading	413	365	413	365
Foreign currency exposure	358	277	358	277
Total Capital Requirement	**770**	**642**	**770**	**642**
Period end Capital Charge				
Listed equities held for trading	264	233	264	233
Foreign currency exposure	229	177	229	177
Total Capital Charge	**493**	**411**	**493**	**411**

Table 4 – Details of credit risk weight on Islamic financing contracts at 30 June 2024, which is representative of the average exposure during the year (PD 1.3.17)

USD '000

Exposure Type	**Credit Exposure**	**Risk-Weighted Assets (RWA)**	**Minimum Capital Charge**
Qard Hassan	2,451	4,902	613
Murabaha financing	-	-	-
Mudaraba financing	-	-	-
Musharaka	-	-	-
Total Islamic Financing Contracts	**2,451**	**4,902**	**613**

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

USD '000

Geographic Sector	**Gross Impaired Financing Contracts**	**Life time ECL credit impaired (Stage 3)**
GCC countries	-	-
Other MENA countries	7,466	7,466
Europe	359	359
	7,825	**7,825**

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	2,451	-	-
Murabaha financing	-	-	-
Mudaraba financing	-	-	-
Musharaka	-	-	-
	-	-	-

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

2 Capital Structure (continued)

2.13 Capital Adequacy (continued)

Table 7 Gross Credit Exposures **(PD 1.3.23 a)**

Exposure Type	**30-Jun-24**	**Quarterly Average**
Balances with banks	1,749	2,005
Placements with financial institutions	5,313	3,885
Murabaha financing	7,825	7,586
Investments	18,970	19,883
Funding to project companies	3,512	3,512
Receivables	4,853	4,853
Other assets	12,229	12,144
Right-of-use asset	3,250	3,269
Property and equipment	4,022	4,022
Total funded exposures	**61,723**	**61,159**
Contingent liabilities	21,249	21,141
Total unfunded exposures	**21,249**	**21,141**
Total exposures	**82,972**	**82,300**

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:

a. Credit and counterparty credit risk
b. Market risk
c. Operational risk
d. Equity risk in the Banking Book (Investment Risk)
e. Liquidity risk
f. Profit margin rate risk in the Banking Book
g. Displaced Commercial Risk (DCR)

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

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

c. Risk Monitoring and Reporting
   i. Ongoing review of exposures and risks by Risk Management Department, including stress testing and frequent reporting to the Board
   ii. Periodic internal audits of the Bank's control environment

3 Risk Management (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 Commitee 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 recognized by the CBB for its bank counterparty exposures. As at 30 June 2024, bank balances totalling US$ 6 million 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.

3 Risk Management (continued)

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.

Off-Balance Sheet Items

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

a. Contingent exposure of US$ 21.25 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;
b. Restricted investment accounts of US$ 0.086 million (30 December 2023: US$ 0.125 million) (refer to the statement of changes in off-balance assets under management).

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

i. Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk anagement systems and procedures and controls designed to mitigate and manage such risks;
ii. Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and
iii. 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 period ended June 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).

3 Risk Management (continued)

Concentration Risk

Table 8: Exposures is in excess of the 15% individual obligor limit as at 30 June 2024 (PD.1.3.23f)

Counterparty	Exposure		Counterparty	Exposure
Counterparty 1	9,120		Counterparty 13	301
Counterparty 2	5,196		Counterparty 14	191
Counterparty 3	4,571		Counterparty 15	42
Counterparty 4	4,266		Counterparty 16	41
Counterparty 5	3,141		Counterparty 17	31
Counterparty 6	2,984		Counterparty 18	25
Counterparty 7	2,125		Counterparty 19	14
Counterparty 8	1,575		Counterparty 20	12
Counterparty 9	891		Counterparty 21	5
Counterparty 10	564		Counterparty 22	4
Counterparty 11	367		Counterparty 23	1
Counterparty 12	331		**TOTAL**	**35,797**

3.15 The quantitative details of the Bank's credit risk exposures are depicted in the following tables, which are representative of the position during the year.

a. Table 9A: Distribution of the Bank's exposures by geographic sector as at 30 June 2024 (PD.1.3.23b)

USD '000

Geographic sector	GCC countries	Other MENA countries	Europe	Cayman / Americas	Total
Assets					
Balances with banks	1,733	-	-	-	1,733
Placements with financial institutions	5,313		-	-	5,313
Investments	14,442	4,148	29	351	18,970
Receivables	-	-	-	-	-
Funding to project companies	2,206		-	-	2,206
Other assets	1,149	320	12	4	1,485
Right-of-use asset	3,250		-	-	3,250
Property and equipment	4,022		-	-	4,022
Total assets	**32,115**	**4,468**	**41**	**355**	**36,979**
Off-balance sheet items					
Commitments and contingencies	3,009	18,240	-	-	21,249
	35,124	**22,708**	**41**	**355**	**58,228**

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

3 Risk Management (continued)

3.15 The quantitative details of the Bank's credit risk exposures are depicted in the following tables, which are representative of the position during the year and, accordingly, of the average exposures: (continued)

b. Table 9B: Distribution of the Bank's exposures by Industry Sector as at 30 June 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	Other	Total
Assets					
Balances with banks	-	1,733	-	-	1,733
Placements with financial institutions	-	5,313	-	-	5,313
Investments	-	331	14,421	4,218	18,970
Funding to project companies	-	-	2,206	-	2,206
Other assets	-	3	668	814	1,485
Right-of-use asset	-	-	-	3,250	3,250
Property and equipment	-	-	3,624	398	4,022
Total Assets	**-**	**7,380**	**20,919**	**8,680**	**36,979**
Off-balance sheet items					
Commitments and contingencies	18,240	-	-	3,009	21,249
	18,240	**7,380**	**20,919**	**11,689**	**58,228**

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	-	-	7,466	7,466
Commercial Real Estate financing	-	-	359	359
	-	-	**7,825**	**7,825**

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

Industry sector	Gross Impaired Contracts			Specific Provisions	Net Outstanding
	up to 1 year	1 to 3	Over 3 years		
Trading and manufacturing	-	7,466	-	(7,466)	-
Banks and financial Institutions	-	-	-	-	-
Real estate	-	-	359	(359)	-
Government	-	-	-	-	-
Other	-	-	-	-	-
	-	**7,466**	**359**	**(7,825)**	-

3 Risk Management (continued)

3.15 The quantitative details of the Bank's credit risk exposures are depicted in the following tables, which are representative of the position during the year and, accordingly, of the average exposures: (continued)

e. Table 10: Exposures by maturity as at 30 June 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	Total
Assets											
Balances with banks	1,733	-	-	1,733	-	-	-		-	-	1,733
Placements with financial institutions	5,313	-		5,313	-	-	-		-	-	5,313
Investments	3298	-	-	3,298	-	-	-		-	15,672	18,970
Receivables	-	-	-	-		-	-		-	-	-
Funding to project companies	-	-	-	-	2,206	-	-		-	-	2,206
Other assets	1	61	1,147	1,209	38	238	-		-	-	1,485
Right-of-use asset	-	-	-	-	-	-	-	3,250	-	-	3,250
Property and equipment	-	-	-	-	-	407	-	3,615	-	-	4,022
Total assets	**10,345**	**61**	**1,147**	**11,553**	**2,244**	**645**	**-**	**6,865**	**-**	**15,672**	**36,979**
Off-balance sheet items											
Commitments and contingencies	-	-	18,240	18,240	3,009	-	-	-	-	-	21,249
	10,345	**61**	**19,387**	**29,793**	**5,253**	**645**	**-**	**6,865**	**-**	**15,672**	**58,228**

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

Investment	Gross credit exposure
Quoted Equities	3,300
Unquoted Equities	5,098
Short term liquidity certificates	10,241
Investment in associates	331
Investment in subsidiary	4,831
Net realized gain during the period	1,291

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
23,801	190,411	1,904

3 Risk Management (continued)

3.15 The quantitative details of the Bank's credit risk exposures are depicted in the following tables, which are representative of the position during the year and, accordingly, of the average 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 management. 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 30 June 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 -	-	-	-	331	331
Liabilities					
Employee accruals	-	-	151	-	151
Other liabilities	-	379	352	15,133	15,864
through income				-541	(541)
Share of loss of an associate	-	-	-	-	-
Expenses					
Salaries, post employment and other benefits	-	-	(617)	-	(617)
Legal and professional fees	-	-	(134)	-	(134)
Other expenses	-	-	(103)	-	(103)
Provision for credit losses	(1)	-	-	-	(1)

3 Risk Management (continued)

Market Risk Management

3.15 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:

a. Those pertaining to profit-rate related instruments and equities in the trading book.
b. 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.

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.

3 Risk Management (continued)

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.

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 International Financial Reporting Standards. 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 the external auditors approved by the investment committee of the Bank.

Table 14: Unrealized Fair Value Gains / (Losses)

USD '000

Unrealized fair value gains / (losses)	**6 months ended June 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**	**12 months ended June 2019**
Private Equity investments	(1,271)	(1,066)	(1,585)	(819)	8,644	(31,892)	(35,615)
Listed equity investments	1,955	(2,414)	(108)	13	(20)	27	546
Total	**684**	**(3,480)**	**(1,693)**	**(806)**	**(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 Risk Management (continued)

Liquidity Risk Management (continued)

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 equivalentss to current liabilities) stood at 93% as at 30 June 2024

Table 15: Liquidity Ratio as at 30 June 2024

	USD '000
Cash at bank	1,733
Placements at bank	5,313
Total liquid assets	**7,046**
Total liabilities	**32,462**
Of which, due in up to 1 year	7,558
Non current, due after 1 year or more	24,904
Liquid assets / total liabilities	**22%**
Liquid assets / current liabilities (due within 1 year)	**93%**

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 liabilites, 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:

a. The practical steps and procedures for day to day management of liquidity.
b. Preparing periodic liquidity projections and forecasts and the review thereof.
c. Liquidity stress testing.
d. The reporting of liquidity status and projections, including stressed projections.

3 Risk Management (continued)

Profit Margin Rate Risk Management in the Banking Book

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

USD'000

Position as at 30 June 2024	Rate sensitive assets	Rate sensitive liabilities	Gap	Impact of 200 bp change
> 1 day to 3 months	5,325	-	5,325	107
> 3 to 6 months	-	-	-	-
> 6 to 12 months	-	-	-	-
> 1 to 5 years	10,241	-	10,241	205
Total	**15,566**	**-**	**15,566**	**311**
% of total balance sheet	**42%**	**0%**		

3.35 Net profit margin income for the period upto 3 months and for the period ranging from1 to 5 years would potentially increase by US$ 107 thousand and US$ 205 thousand respectively, 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$ 0.125 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 14 below:

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

USD '000

	6 months ended June	12 months ended	12 months ended Dec 2022	12 months ended June	12 months ended Jun 2021	12 months ended
GCC Pre IPO Fund						
Net loss	(39)	5	5	(21)	(982)	(769)
Total assets	86	125	120	115	136	1,118
Total equity	86	125	120	115	136	1,118
Return on assets (ROA)	-45%	4%	4%	-18%	-763%	0%
Return on equity (ROE)	-45%	4%	4%	-18%	-763%	0%
PER	N/A	N/A	N/A	N/A	N/A	N/A
IRR	N/A	N/A	N/A	N/A	N/A	N/A

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 equity of investment account holders to the consolidated
financial statements).

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.

Impairment of financial assets (continued)

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 is 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 FAS30.

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.

4 Impairment Provisions (continued)

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 computaion

- 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 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.

4 Impairment Provisions (continued)

Definition of default (continued)
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 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.

Composition of Capital common template as at 30 June 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock	1,005	A
	Statutory reserve	5,441	B
2	Retained earnings	(27,201)	C
3	Accumulated other comprehensive income (and other reserves)	45	D
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	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**(20,710)**	
	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	-	
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	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside	-	
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)	2,402	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold,	-	
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	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: ...	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**2,402**	
29	**Common Equity Tier 1 capital (CET1)**	**(23,112)**	
	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	25,227	E
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	25,227	
	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	-	
40	Significant investments in the capital of banking, financial and insurance entities that	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover	(20,386)	
43	Total regulatory adjustments to Additional Tier 1 capital	4,841	
44	**Additional Tier 1 capital (AT1)**	(18,271)	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**(18,271)**	
	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	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	323	F
51	**Tier 2 capital before regulatory adjustments**	**323**	
	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 thatare outside	-	
55	Significant investments in the capital banking, financial and insurance entities that are	-	
56	CBB specific regulatory adjustments	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**323**	
59	**Total capital (TC = T1 + T2)**	**17,948**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015		
	OF WHICH: Significant investments in the common stock of banking, financial and		
	OF WHICH: ...		
60	**Total risk weighted assets**	**322,751**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	-7.16%	
62	Tier 1 (as a percentage of risk weighted assets)	-5.66%	

Composition of Capital common template as at 30 June 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
63	Total capital (as a percentage of risk weighted assets)	-5.56%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital	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	-7.16%	
	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	323	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	3,816	
	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	-	
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	-	
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		

Reconcilation of Published Financial Balance Sheet to Regulatory Reporting as at 30 June 2024

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
	USD'000s	USD'000s	
ASSETS			
Cash and balances with Central Banks	1,733	1	
Placements with financial institutions	5,313	5,313	
Equity-type Investments at fair value through income	17,217	17,217	
Equity-type Investments at fair value through equity - net	1,753	1,753	
Funding to project companies	2,206	2,451	
Other assets	1,485	4,169	
Right-of-use assets	3,250	-	
Property and equipment - net	4,022	7,272	
TOTAL ASSETS	**36,979**	**38,176**	
LIABILITIES AND EQUITY			
Liabilities			
Employee accruals	275	275	
Ijarah liability	3,566	3,566	
Accounts payable	5,998	5,998	
Provisions and accruals	5,236	5,236	
Deferred income	109	109	
Provision against guarantees	5,205	5,205	
Payable under settlement agreement	9,279	9,279	
Other	2,794	2,786	
Total liabilities	**32,462**	**32,454**	
Shareholder's Equity			
Share capital	1,005	1,005	A
Statutory reserve	5,441	5,441	B
Investment fair value reserve	45	45	D
Accumulated losses	(27,201)	(27,201)	C
Subordinated Mudharaba (AT1)	25,227	25,227	E
Expected credit losses (Stages 1 & 2) eligible for T2	-	323	F
Expected credit losses (Stages 1 & 2) not eligible for regulatory capital	-	882	
Total Equity	**4,517**	**5,722**	
TOTAL LIABILITIES AND EQUITY	**36,979**	**38,176**	

Disclosure template for main features of regulatory capital

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 disdretionary
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