

Esterad Bank B.S.C (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
31 March 2026 (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 Shaikh Ahmed Bin Isa Al Khalifa
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 2026 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 2026;
- the condensed consolidated statement of income for the three-month period ended 31 March 2026;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2026;
- the condensed consolidated statement of changes in owner's equity for the three-month period ended 31 March 2026;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2026;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the three-month period ended 31 March 2026; *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 2026, the Group incurred a loss of USD 371 thousand and, as of that date, the Group had accumulated losses of USD 27,899 thousand resulting in negative equity attributable to owners of USD 26,645 thousand and negative total equity of USD 124 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 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 (continued)
Esterad Bank B.S.C (c)

- 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 discussions and available evidence, we are unable to assess the amount and the timing of the settlement of these potential claims, if any. Consequently, we were unable to determine the adjustments that may be required to be made in the condensed consolidated interim financial information in relation to this matter.
- 3) As disclosed in note 13 to the condensed consolidated interim financial information, the Group had issued corporate letters of guarantee to certain investee companies/projects. For one such investee, a creditor 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 20,657 thousand for which no provision has been recognised as at 31 March 2026. 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 2026 condensed consolidated interim financial information.

14 May 2026

Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Note	31 March 2026 USD '000 (Reviewed)	31 December 2025 USD '000 (Audited)
ASSETS			
Balances with banks	6	860	718
Placements with banks	6	15,336	2,794
Investments	8	1,902	1,870
Right-of-use asset		2,985	3,023
Property and equipment		3,741	3,797
Other assets		2,594	3,155
TOTAL ASSETS		27,418	15,357
LIABILITIES			
Employee accruals		371	374
Ijarah liability		3,396	3,421
Other liabilities	9	23,775	11,315
TOTAL LIABILITIES		27,542	15,110
EQUITY			
Share capital		1,005	1,005
Statutory reserve		249	249
Accumulated losses		(27,899)	(27,528)
Equity attributable to owners		(26,645)	(26,274)
Subordinated Mudharaba (AT1)	15	26,521	26,521
Non-controlling interest		-	-
TOTAL EQUITY		(124)	247
TOTAL LIABILITIES AND EQUITY		27,418	15,357



Bashar Mohamed Ebrahim Almutawa
Chairman



Ahmed Abdulwahed Ahmed Abdulrahman
Vice Chairman & Acting CEO


The attached notes 1 to 17 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 2026

		<i>Three months ended 31 March</i>	
		2026	2025
<i>Note</i>		USD '000 (Reviewed)	USD '000 (Reviewed)
REVENUE			
	Asset management fees	11	88
	Net change in fair value of investments		2,073
	carried at fair value through consolidated statement of income	54	(96)
	Net realised loss on exit of investments	-	(4,225)
	Other investment income	-	21
	Rental and other income	10	439
	TOTAL REVENUE	581	(1,279)
EXPENSES			
	Staff cost	756	1,039
	Legal and professional fees	60	143
	Finance expense	41	42
	Depreciation	95	93
	Other expenses	12	465
	TOTAL EXPENSES	1,417	1,915
	LOSS BEFORE IMPAIRMENT ALLOWANCES	(836)	(3,194)
	Reversal of expected credit losses	465	320
	LOSS FOR THE PERIOD	(371)	(2,874)
	Loss for the period attributable to		
	Owners	(371)	(2,874)
	Non-controlling interest	-	-
		(371)	(2,874)


Bashar Mohamed Ebrahim Almutawa
Chairman


Ahmed Abdulwahed Ahmed Abdulrahman
Vice Chairman & Acting CEO

The attached notes 1 to 17 form part of this condensed consolidated interim financial information.

Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months period ended 31 March 2026

	<i>Three months ended</i>	
	<i>31 March</i>	
	2026	2025
	USD '000	USD '000
	(Reviewed)	(Reviewed)
LOSS FOR THE PERIOD	(371)	(2,874)
Other comprehensive income (OCI)	-	-
Total other comprehensive income for the period	-	-
Total comprehensive income for the period	(371)	(2,874)
Total comprehensive income attributable to		
Owners	(371)	(2,874)
Non-controlling interest	-	-
	(371)	(2,874)

The attached notes 1 to 17 form part of this condensed consolidated interim financial information.

Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

Three months period ended 31 March 2026

	<i>Share capital</i> USD '000	<i>Statutory reserve</i> USD '000	<i>Accumulated losses</i> USD '000	<i>Equity attributable to owners</i> USD '000	<i>Subordinated mudharaba AT1</i> USD '000	<i>Total Equity</i> USD '000
2026 (Reviewed)						
Balance at 1 January 2026	1,005	249	(27,528)	(26,274)	26,521	247
Total comprehensive income	-	-	(371)	(371)	-	(371)
Balance at 31 March 2026	1,005	249	(27,899)	(26,645)	26,521	(124)
2025 (Reviewed)						
Balance at 1 January 2025	1,005	249	(22,742)	(21,488)	26,256	4,768
Total comprehensive income	-	-	(2,874)	(2,874)	-	(2,874)
Profit to Subordinated Mudharaba (AT1)	-	-	(793)	(793)	265	(528)
Balance at 31 March 2025	1,005	249	(26,409)	(25,155)	26,521	1,366

The attached notes 1 to 17 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months period ended 31 March 2026

	2026 USD '000 (Reviewed)	2025 USD '000 (Reviewed)
OPERATING ACTIVITIES		
Net loss for the period	(371)	(2,874)
Adjustments for:		
Reversal for credit losses	(465)	(320)
Fair value gain / (loss) on investments carried at fair value	(54)	96
Realised fair value loss on exit of investment	-	4,225
Restricted cash for AUM investors	(12,284)	-
Depreciation	95	93
Finance expenses	41	42
Operating profit before changes in operating assets and liabilities	(13,038)	1,262
Investments	22	10,677
Funding to project companies	-	1,099
Other assets	1,027	(1,897)
Employee accruals	(3)	140
Other liabilities	12,470	(10,754)
Placements with financial institutions (original maturity more than 3 months)	(6)	(21)
Net cash from operating activities	472	506
FINANCING ACTIVITIES		
Profit distribution to AT1 Sukuk holders	-	(528)
Rent paid towards right-of-use asset	(66)	(66)
Net cash used in financing activities	(66)	(594)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	406	(88)
Cash and cash equivalents at beginning of the period	1,050	1,392
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,456	1,304
Represented by:		
Balances with banks *	860	1,172
Placements with financial institutions (original maturity less than three months)	14,805	132
Less: Restricted cash from exit of investments	(14,209)	-
	596	132
	1,456	1,304

* Balances with banks include an amount of USD 215 thousand (31 March 2025: USD Nil) which pertains to amounts received on behalf of Asset Under Management ("AUM") investors and are kept in a designated bank account which is not available for the Bank to use for its operational matters.

Esterad Bank B.S.C (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

Three months period ended 31 March 2026

2026 (Reviewed)	Opening	Movement during the period		Group Fees	NAV Movement	Closing Balance
	Balance	Additions	Distributions / Exits			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Private Equity	106,179	-	-	-	(3,838)	102,341
Real Estate	122,830	-	(28,238)	-	1,132	95,724
Restricted investments	68	-	-	-	(12)	56
Balance at 31 March 2026	229,077	-	(28,238)	-	(2,718)	198,121

2025 (Audited)	Opening	Movement during the year		Group Fees	NAV Movement	Closing Balance
	Balance	Additions	Distributions / Exits			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Private Equity	233,388	2,431	(98,239)	(463)	(30,938)	106,179
Real Estate	93,084	32,806	(9,371)	(1,724)	8,035	122,830
Restricted investments	55	-	-	-	13	68
Balance at 31 December 2025	326,527	35,237	(107,610)	(2,187)	(22,890)	229,077

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 W.L.L), 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 2026.

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 interim financial information comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 31 March 2026. The financial statements of the subsidiaries are prepared using the same reporting period, using consistent accounting policies. The comparative numbers of the financial information have been extracted from the latest audited/ reviewed financial statements/ information.

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

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

* The Group’s investment in GMCB Co. W.L.L. is in the process of liquidation having a carrying value of USD NIL (31 December 2025: USD NIL).

2 FUNDAMENTAL ACCOUNTING ASSUMPTION

Going concern assessment

As at 31 March 2026, the Group incurred a loss of USD 371 thousand and, as of that date, the Group had accumulated losses of USD 27,899 thousand, resulting in negative equity attributable to shareholders of USD 26,645 thousand and a negative total equity of the Group of USD 124 thousand. The total Subordinated Mudharaba (AT1) as of the balance sheet date amounted to USD 26,521 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.

The management is in the process of addressing the existing regulatory concerns to better position itself for recovery and stability. The management is in the process of formulating a strategic business plan which will provide a clear path for growth and sustainability.

(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 USD 26.5 million (31 December 2025: USD 26.5 million).

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

Accordingly, based on the above developments, the Board of Directors is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the consolidated interim financial information have 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 Bahraini Islamic Wholesale bank during the period ended 31 March 2026. 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-12.3.2, CA 2.2.1 (f) and CM-2.5.2 of the CBB Rulebook.

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES

4.1 Basis of preparation

The condensed consolidated interim financial information of the Group have been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI). The Group has complied with applicable requirements and regulations issued by the Central Bank of Bahrain ("CBB"). In line with the requirements of AAOIFI and the CBB rule book, for matters not covered by AAOIFI standards, the group takes guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial information is reviewed, not audited. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2025. There are some amendments to existing standards and framework, which are effective from 1 January 2026, but these did not have a significant impact on the Group's condensed consolidated interim financial information. The Group did not early adopt any new standards during the period.

4.2 Basis of measurement

This condensed consolidated interim 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 interpretations issued and effective for annual periods beginning on or after 1 January 2026:

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.

The Group does not have any significant impact on the adoption of this standard.

ii) FAS 47: Transfer of Assets Between Investment Pools

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

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.

The Group does not have any significant impact on the adoption of this standard.

4.3 Material accounting policies (continued)

A New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2026 (continued):

iii) FAS 48: Promotional Gifts and Prizes

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

The Group does not have any significant impact on the adoption of this standard.

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.

iv) Withdrawal of FAS 26 – Investment in Real Estate and Related Transitional Provisions

AAOIFI issued a guidance relating to withdrawal of FAS 26 – Investment in Real Estate and related transitional provisions ("Guidance"). Following the withdrawal, investment in real estate shall be accounted for in accordance with IAS 40 – Investment property.

This guidance is effective for the periods beginning on or after 1 January 2027 and with an option to early adopt.

v) FAS 50 - Financial reporting for Islamic Investment institutions (including investment funds)

This standard replaces FAS 14 – Investment Funds and updates the financial reporting framework for Islamic investment institutions.

Key enhancements include alignment with revised FAS 1 and the AAOIFI Conceptual Framework, removal of the separate statement of portfolio investments (now included in the notes), elimination of the cash-equivalent-value concept, and introduction of quasi-equity accounting principles.

The standard also provides guidance for Islamic investment institutions (IIs) with multiple virtual entities or sub-funds, introduces requirements on NAV differential, removes earlier governance and stakeholder reporting requirements, and grants exemptions from consolidation or equity-accounting based on the unique business model and investment intent of the II.

This standard is effective for the financial periods beginning on or after 1 January 2027, 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 2025.

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 2025.

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 2026 (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	862	-	-	862	(2)	860
Placements with banks	15,336	-	-	15,336	-	15,336
Murabaha financing	-	-	9,217	9,217	(9,217)	-
Receivables	-	-	2,164	2,164	(2,164)	-
Other assets	359	1,350	9,560	11,269	(8,919)	2,350
	16,557	1,350	20,941	38,848	(20,302)	18,546
Guarantees and commitments	31,218	415	20,242	51,875	(1)	51,874
	47,775	1,765	41,183	90,723	(20,303)	70,420
31 December 2025 (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	719	-	-	719	(1)	718
Placements with banks	2,794	-	-	2,794	-	2,794
Murabaha financing	-	-	9,066	9,066	(9,066)	-
Receivables	-	-	2,164	2,164	(2,164)	-
Other assets	567	978	10,823	12,368	(9,373)	2,995
	4,080	978	22,053	27,111	(20,604)	6,507
Guarantees and commitments	-	415	20,025	20,440	(1)	20,439
Total gross exposure	4,080	1,393	42,078	47,551	(20,605)	26,946

6 BALANCES WITH BANKS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Balances and placements with banks include an amount of USD 14.4 million (31 December 2025: USD 1.9 million) which have been received on account of exit of investments. These amounts have been placed in a designated account, which can only be utilised for distribution to the Asset Under Management ('AUM') investors and to settle other corresponding liabilities of the respective project (note 9.2).

	31 March	31 December
	2026	2025
	USD '000	USD '000
	(Reviewed)	(Audited)
Balances with banks	862	719
Less: ECL provision	(2)	(1)
	860	718
Placements with banks (more than 3 months)	531	536
Placements with banks (less than 3 months)	14,805	2,258
	15,336	2,794
Total balances and placements with banks	16,196	3,512

7 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.

The balances with related parties at 31 March 2026 and 31 December 2025 were as follows:

	<i>Board / key management / Shari'a board / external auditors</i>	<i>Significant shareholders / entities in which directors are interested</i>	<i>Total</i>
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
31 March 2026			
Assets			
Other assets		662	662
Liabilities			
Employee accruals	110	-	110
Other liabilities	266	1,258	1,524
31 December 2025			
Assets			
Other assets	-	386	386
Liabilities			
Employee accruals	96	-	96
Other liabilities	151	1,120	1,524

The income and expenses in respect of related parties included in the condensed consolidated interim statement of income are as follows

	<i>Board / key management / Shari'a board / external auditors</i>	<i>Significant shareholders / entities in which directors are interested</i>	<i>Total</i>
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
Expenses			
31 March 2026			
Service level cost reimbursements	-	(60)	(60)
Board of directors' attendance fees	228	-	228
Salaries and other short-term benefits	294	-	294
Legal and professional fees	10	-	10
31 March 2025			
Service level cost reimbursements	-	62	62
Board of directors' attendance fees	205	-	205
Salaries and other short-term benefits	267	-	267
Legal and professional fees	46	-	46

7.1 The Group has entered into a shared services agreement with its major shareholder to provide various management and administrative services.

8 INVESTMENTS

		31 March 2026	31 December 2025
		USD '000	USD '000
	Note	(Reviewed)	(Audited)
Investments at fair value through statement of income			
Quoted equities held for trading		869	815
Unquoted equities		1,033	1,055
Total investments at fair value through statement of income		1,902	1,870
Investments at fair value through equity			
Unquoted equities		10,156	10,156
Less: impairment	8.1	(10,156)	(10,156)
Total investments at fair value through equity		-	-
Total investments		1,902	1,870

8.1 During the period there were no movements (31 December 2025: USD Nil) in the impairment in the investments measured at fair value through equity.

The following market segments for investment:

	31 March 2026	31 December 2025
	USD '000	USD '000
	(Reviewed)	(Audited)
Real estate projects	547	569
Private equity	486	486
Manufacturing	869	815
	1,902	1,870

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

Entity	Note	Country of incorporation	Principal Activity	Percentage Holding	
				31 March 2026	31 December 2025
Venture Capital Fund Bahrain	8.2	Bahrain	SME Investment Fund	29.60%	29.60%

8.2 The investment in the associate is currently carried at USD Nil (31 December 2025: USD Nil)

Three months period ended 31 March 2026

9 OTHER LIABILITIES

		31 March	31 December
		2026	2025
	Note	USD '000	USD '000
		(Reviewed)	(Audited)
Provision against guarantees	9.1	3,631	3,782
Accounts payable		3,906	3,779
Client funds	9.2	14,085	2,008
Payable to related parties	9.3	1,524	1,120
Provisions and accruals		566	586
Deferred income		63	40
		23,775	11,315

- 9.1 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. The Group entered into settlement agreements with majority of the claimants over a 3 year horizon and are in the process of entering into agreements with the remaining creditors.
- 9.2 Liabilities include amounts received on account of exit of various investments during the period / previous year, which relate to amounts payable to the AUM investors of the respective projects. These amounts have been placed in a separate account with financial institutions (note 6).
- 9.3 The Group has entered into a shared services agreement with its major shareholder to provide various management and administrative services.

10 RENTAL AND OTHER INCOME

	<i>Three months ended</i>	
	31 March	31 March
	2026	2025
	USD '000	USD '000
	(Reviewed)	(Reviewed)
Rental income	328	332
Reversal of excess accruals	59	561
Other	52	55
	439	948

11 Asset management fees

	<i>Three months ended</i>	
	31 March	31 March
	2026	2025
	USD '000	USD '000
	(Reviewed)	(Reviewed)
Management fees	88	2,073
	88	2,073

All asset management fee are recognised at a point-in-time.

12 OTHER EXPENSES

	Note	Three months ended	
		31 March 2026 USD '000 (Reviewed)	31 March 2025 USD '000 (Reviewed)
Board of directors and Shari'ah supervisory board	12.1	242	219
Office expenses		158	157
Project management costs	12.2	2	17
Publicity, conferences and promotion		5	12
Share of costs and other expenses with a related party	12.3	53	52
Other		5	141
		465	598

12.1 During the period, the Bank accrued for Board sitting fees of USD 185 thousand (31 March 2025: USD 165 thousand) pertaining to the respective prior year, which was approved during the period.

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

12.3 The Group entered into a shared services agreement with the major shareholder.

13 COMMITMENTS AND CONTINGENCIES

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

	31 March 2026 USD '000 (Reviewed)	31 December 2025 USD '000 (Audited)
Letters of guarantee	45,073	13,855
Other contingent liabilities	6,802	6,585
	51,875	20,440

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, amounting to USD 13,855 thousand plus accrued profits of USD 6,387 thousand (31 December 2025: USD 6,170 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations.

Guarantees provided by the Group

The Group provided a guarantee to Real Estate Regulatory Authority (RERA) on behalf of an associated entity for a total amount of USD 31 million (31 December 2025: USD Nil). This guarantee is backed by a counter guarantee from EIC to cover the Group's exposure in the guarantee.

14 FINANCIAL INSTRUMENTS**a) Classification**

Set out below is a classification of financial instruments held by the Group as at 31 March 2026 and 31 December 2025:

	31 March 2026 (Reviewed)			
	<i>Fair value through</i>		<i>Amortised cost</i>	<i>Total</i>
	<i>statement of income</i>	<i>equity</i>		
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
ASSETS				
Balances with banks	-	-	860	860
Placements with banks	-	-	15,336	15,336
Investments	1,902	-	-	1,902
Other assets	-	-	2,353	2,353
TOTAL FINANCIAL ASSETS	1,902	-	18,549	20,451
LIABILITIES				
Other liabilities	-	-	19,515	19,515
Ijarah liability	-	-	3,396	3,396
TOTAL FINANCIAL LIABILITIES	-	-	22,911	22,911
31 December 2025 (Audited)				
	<i>Fair value through</i>			
	<i>statement of</i>		<i>Amortised cost</i>	<i>Total</i>
	<i>income</i>	<i>equity</i>		
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
ASSETS				
Balances with banks	-	-	718	718
Placements with banks	-	-	2,794	2,794
Investments	1,870	-	-	1,870
Other assets	-	-	2,995	2,995
TOTAL FINANCIAL ASSETS	1,870	-	6,507	8,377
LIABILITIES				
Other liabilities	-	-	6,907	6,907
Ijarah liability	-	-	3,421	3,421
TOTAL FINANCIAL LIABILITIES	-	-	10,328	10,328

14 FINANCIAL INSTRUMENTS (continued)**b) 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 2026 and 31 December 2025, the fair value of bank balances, placements with financial institutions, other financial assets and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through statement of income 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

	Level 1	Level 2	Level 3	Total
	USD '000	USD '000	USD '000	USD '000
31 March 2026 (Reviewed)				
Investment securities carried at fair value through statement of income	869	-	1,033	1,902
	869	-	1,033	1,902
31 December 2025 (Audited)				
	Level 1	Level 2	Level 3	Total
	USD '000	USD '000	USD '000	USD '000
Investment securities carried at fair value through statement of income	815	-	1,055	1,870
	815	-	1,055	1,870

14 FINANCIAL INSTRUMENTS (continued)**Fair value of investments (continued)**

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

	31 March 2026 USD '000 (Reviewed)	31 December 2025 USD '000 (Audited)
At 1 January	1,055	14,555
Fair value losses recognised in the consolidated statement of income	-	(4,206)
Exit / capital distribution of investments	(22)	(9,294)
Closing balance	1,033	1,055

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 Bank 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:

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14 FINANCIAL INSTRUMENTS (continued)**Fair value of investments (continued)**

	31 March 2026 USD '000 (Reviewed)	31 March 2025 USD '000 (Reviewed)
Profit or loss		
WACC (1% increase)	(7)	(42)
Comparable transaction price (10% increase)	57	61
Non-marketability factor (10% increase)	(9)	(8)
Net asset value (10% increase)	<u>36</u>	<u>47</u>
	<u><u>77</u></u>	<u><u>58</u></u>
WACC (1% decrease)	7	50
Comparable transaction price (10% decrease)	(57)	(61)
Non-marketability factor (10% decrease)	11	12
Net asset value (10% decrease)	<u>(36)</u>	<u>(47)</u>
	<u><u>(75)</u></u>	<u><u>(46)</u></u>

15 SUBORDINATED MUDHARABA (AT1)

During the years 2023 and 2024, the Group issued Subordinated Mudharaba (AT1) {Additional Tier 1 Sukuk ("Sukuk")} of USD 26,521 thousand, 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 (each a "Counterparty"), where the obligation of the Counterparty to pay the subscription price of the Sukuk was completely set off against existing obligations by the Group to pay certain Outstanding Amounts owed to that Counterparty; and the Group's AT1 Capital increased accordingly.
- Certain Investors (each an "Investor Counterparty"), where the obligation of the Investor Counterparty to pay the subscription price of the Sukuk was completely set off by the transfer of the title to certain investments owned by the Investor Counterparty and managed by the Group.

The Sukuk carry a non-cumulative discretionary coupon of 6% of the nominal value of the Sukuk (the "coupon"), of which 4% will be partly paid in cash or in-kind, and the balance capitalized, at the option of the Group on a semiannual basis. This is however subject to the 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 accumulated losses post issuance of the Sukuk is as below:

	31 March 2026 USD '000 (Reviewed)	31 December 2025 USD '000 (Reviewed)
Opening accumulated losses	<u>(27,755)</u>	<u>(27,755)</u>
Accumulated losses prior to issuance of AT1	<u>(27,755)</u>	<u>(27,755)</u>
Opening profits available for AT1	227	5,013
Sukuk coupons paid / capitalised	-	(793)
Loss recognised during the period / year	<u>(371)</u>	<u>(3,993)</u>
Balance available profit	<u>(144)</u>	<u>227</u>
Total accumulated losses	<u><u>(27,899)</u></u>	<u><u>(27,528)</u></u>

On account of insufficient profits available for distribution to the AT1 holders, the Board of directors resolved not to distribute profits to the AT1 holders.

16 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.

17 EFFECTS OF ONGOING REGIONAL UNCERTAINTIES

Due to the ongoing geopolitical tensions in the Middle East, instability and uncertainty have heightened in the region including the Kingdom of Bahrain. The broader market volatility arising from these events could influence investment valuations and investor sentiment in the real estate sector.

The situation is evolving and the effect of the escalations is subject to significant levels of uncertainty. Management is closely monitoring the situation and assessing the potential impact on the Bank's operations, financial position and cash flows. At the date of authorization of these financial information, the Bank is not able to reliably estimate the financial impact of these events.