Esterad Bank B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2024 (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	:	Sheikh Mohamed Bin Duaij Al Khalifa (21 January 2023 to 30 September 2024) Ahmed Abdulwahed Ahmed Abdulrahman Bashar Mohamed Ebrahim Almutawa Isa Abdulrasool Abdulhusain Merza Jawahery Fahad Yateem (appointed 26 May 2024) Robert Wages (21 January 2023 to 26 May 2024)
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 BSC (c)
P.O. Box 11755 Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2024 condensed consolidated interim financial information of Esterad Bank BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2024;
- the condensed consolidated statement of income for the nine month and three-month periods ended 30 September 2024;
- the condensed consolidated statement of total comprehensive income for the nine month and three-month periods ended 30 September 2024;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2024;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2024;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the nine-month period ended 30 September 2024; 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 as of 30 September 2024, the Group had accumulated losses of USD 23,000 thousand resulting in negative equity attributable to shareholders of USD 21,995 thousand, and its total assets with maturities up to 12 months fell short of the Group's liabilities with similar maturity by USD 1,269 thousand. Furthermore, the Group has breached certain regulatory requirements as explained in note 3 to the condensed consolidated interim financial information. These conditions, together with the potential effect of the matters described in paragraphs 2 and 3 below, indicate that the going concern assumption used in the preparation of the accompanying condensed consolidated interim financial information is not appropriate. The accompanying condensed consolidated interim financial information does not contain any adjustments that may be warranted if the Group was unable to continue as a going concern nor do they adequately describe the basis for the going concern assumption.

2) The Group manages certain investments in a fiduciary capacity. The Group was found to be non-compliant with certain regulatory requirements in relation to the admission of certain investors, as well as other fiduciary responsibilities. While the management has remedied and settled some of these irregularities, 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 are unable to determine the adjustments that may be required to be made in the condensed consolidated interim financial information in relation to this matter.

3) As disclosed in note 12 to the condensed consolidated interim financial information, the Group had issued letters of guarantee to certain investment companies/projects. For one such letter of guarantee, the creditor to the investee has initiated legal action against the investee company and have demanded validation of the corporate guarantees provided by various shareholders of the investee company, including the Group, from which material liabilities could arise. The Group's share of the potential liability arising from this letter of guarantee is US$ 18,042 thousand for which no provision has been recognised as at 30 September 2024. We are 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 30 September 2024 condensed consolidated interim financial information.

KPMG

13 November 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2024

	Note	***30 September 2024 USD '000*** **(Reviewed)**	*31 December 2023 USD '000* (Audited)
ASSETS			
Balances with banks		**3,331**	2,116
Placements with financial institutions		**983**	1,608
Investments	7	**17,074**	25,984
Funding to project companies		**2,161**	2,242
Other assets		**2,846**	1,193
Right-of-use asset		**3,212**	3,326
Property and equipment		**3,882**	3,999
TOTAL ASSETS		**33,489**	**40,468**
LIABILITIES			
Employee accruals		**243**	257
Ijarah liability		**3,543**	3,612
Other liabilities	9	**25,442**	36,557
Total liabilities		**29,228**	**40,426**
EQUITY			
Share capital		**1,005**	1,005
Statutory reserve	1	**-**	5,441
Investment fair value reserve		**-**	45
Accumulated losses		**(23,000)**	(29,252)
Equity attributable to Shareholders		**(21,995)**	(22,761)
Subordinated Mudharaba (AT1)	15	**26,256**	22,803
Total equity		**4,261**	42
TOTAL LIABILITIES AND EQUITY		**33,489**	**40,468**

Bashar Mohamed Ebrahim Almutawa
Chairman of the Board

Ahmed Abdulwahed Ahmed Abdulrahman
Acting CEO and Vice Chairman

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

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Nine-months period ended 30 September 2024

	Note	*Nine-months ended 30 September*		*Three-months ended 30 September*	
		2024	*2023*	***2024***	*2023*
	Note	***USD '000***	*USD '000*	***USD '000***	*USD '000*
		(Reviewed)	(Reviewed)	**(Reviewed)**	(Reviewed)
REVENUE					
Management fee	11	**4,721**	7,563	**1,270**	1,870
Other investment income		**143**	54	**34**	22
Net change in fair value of investments carried at fair value through income		**(479)**	3,782	**128**	8,349
Net realised fair value gains on exit of investment		**1,129**	587	**(162)**	587
Rental and other income	10	**2,070**	4,569	**734**	3,464
Total revenue		**7,584**	16,555	**2,004**	14,292
EXPENSES					
Staff cost		**2,333**	2,542	**851**	869
Legal and professional fees		**562**	921	**159**	366
Finance expense		**130**	183	**43**	44
Depreciation		**278**	288	**89**	94
Loss on settlement of liabilities	12	**1,131**	507	**583**	105
Other expenses	12	**1,407**	1,861	**574**	554
Total expenses		**5,841**	6,302	**2,299**	2,032
PROFIT / (LOSS) BEFORE IMPAIRMENT ALLOWANCES		**1,743**	10,253	**(295)**	12,260
Impairment of investments		**(291)**	(6,656)	**(141)**	(2,862)
Provision for credit losses	5	**469**	1,116	**(77)**	1,144
Impairment of property and equipment		**60**	(310)	**-**	-
PROFIT / (LOSS) FOR THE PERIOD		**1,981**	4,403	**(513)**	10,542

Bashar Mohamed Ebrahim Almutawa
Chairman of the Board

Ahmed Abdulwahed Ahmed Abdulrahman
Acting CEO and Vice Chairman

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

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Nine-months period ended 30 September 2024

	Nine-months ended 30 September		*Three-months ended 30 September*	
	2024	*2023*	***2024***	*2023*
	USD '000	*USD '000*	***USD '000***	*USD '000*
	(Reviewed)	(Reviewed)	**(Reviewed)**	(Reviewed)
		-		-
PROFIT / (LOSS) FOR THE PERIOD	**1,981**	4,403	**(513)**	10,542
Other comprehensive income (OCI)				
Transfer to statement of income on exit of investment		(537)		(537)
Movement in equity-type investments at fair value throug	**(45)**	106	**(45)**	55
AT1 Sukuk issuance cost	**-**	(378)	**-**	(378)
Profit distribution to AT1 Sukuk holders	**(1,170)**	-	**(727)**	-
Total other comprehensive (loss) / income for the period	**(1,215)**	(809)	**(772)**	(860)
Total comprehensive income	**766**	**3,594**	**(1,285)**	**9,682**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS EQUITY

Nine-months period ended 30 September 2024

2024 (Reviewed)	*Note*	*Share capital USD '000*	*Statutory reserve USD '000*	*Investment fair value reserve USD '000*	*Accumulated losses USD '000*	*Equity attributable to shareholders USD '000*	*Subordinated mudharaba AT1 USD '000*	*Total*
Balance at 1 January 2024		1,005	5,441	45	(29,252)	**(22,761)**	22,803	**42**
Subordinated Mudharaba (AT1)		-	-	-	-	**-**	3,063	**3,063**
Subordinated Mudharaba (AT1) 2% profit capitalised		-	-	-	-	**-**	390	**390**
Movement in equity-type investments at fair value through equity		-	-	(45)	-	**(45)**	-	**(45)**
Movement in statutory reserve	1	-	(5,441)	-	5,441	**-**	-	**-**
Profit distribution to AT1 Sukuk holders		-	-	-	(1,170)	**(1,170)**	-	**(1,170)**
Profit for the period		-	-	-	1,981	**1,981**	-	**1,981**
Balance at 30 September 2024		**1,005**	**-**	**-**	**(23,000)**	**(21,995)**	**26,256**	**4,261**
2023 (Reviewed)								
Balance at 1 January 2023		1,005	5,441	537	(23,258)	(16,275)	-	(16,275)
Subordinated Mudharaba (AT1)		-	-	-	-	-	17,001	17,001
Transfer to statement of income on exit of investment		-	-	(537)	-	(537)	-	(537)
Movement in equity-type investments at fair value through equity		-	-	106	-	106	-	106
Net profit for the period		-	-	-	4,403	4,403	-	4,403
Subordinated Mudharaba (AT1) issuance cost		-	-	-	(378)	(378)	-	(378)
Balance at 30 September 2023		1,005	5,441	106	(19,233)	(12,681)	17,001	4,320

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine-months period ended 30 September 2024

	Note	***2024 USD '000 (Reviewed)***	*2023 USD '000 (Reviewed)*
OPERATING ACTIVITIES			
Net profit for the period		**1,981**	4,403
Adjustments for:			
Impairment of investments		**291**	6,656
Provision for credit losses		**469**	(1,116)
Impairment of property and equipment		**(60)**	310
Gain on sale of property and equipment		**117**	-
Fair value gains on investments carried at fair value through profit or loss - net		**479**	(3,782)
Realised fair value gains on exit of investment		**(1,129)**	-
Loss / (gain) on sale of investments		**1,131**	(587)
Depreciation		**278**	288
Finance cost on right-of-use asset		**130**	133
Dividends received		**(19)**	(32)
Gain from investment swaps	2	**(441)**	-
Operating profit before changes in operating assets and liabilities		**3,227**	6,273
Changes in operating assets and liabilities:			
Investments		**(1,158)**	(5,783)
Receivables		**61**	1,932
Funding to project companies		**801**	129
Proceeds from sale of investment		**14,043**	1,347
Property and equipment		**(105)**	(72)
Other assets		**(1,356)**	(33)
Employee accruals		**(14)**	(10)
Islamic finance		**-**	(3,646)
Other liabilities		**(11,886)**	901
Placements with financial institutions (maturity more than 3 months)		**(244)**	(318)
Net cash from operating activities		**3,369**	720
FINANCING ACTIVITIES			
Murabaha financing to investee company		**(1,608)**	(135)
Subordinated Mudharaba (AT1) issuance cost		**-**	(378)
Rent paid towards right-of-use asset		**(199)**	(199)
Net cash used in financing activities		**(1,807)**	(712)
Investment fair value reserve		**(45)**	156
Profit distribution to AT1 Sukuk holders		**(1,170)**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**347**	164
Cash and cash equivalents at beginning of the period		**3,591**	2,861
ECL reversed on balances with banks and placements with financial institutions		**(1)**	(6)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**3,937**	3,019
Represented by:			
Balances with banks		**3,331**	1,255
Placements with financial institutions (maturity less than three months)		**606**	1,764
		3,937	3,019

Placements with financial institutions (maturing more than three months) are USD 377 thousand (2023: USD 133 thousand)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT
Nine-months period ended 30 September 2024

2024 (Reviewed)	**Opening Balance USD '000**	***Movement during the period*** ***Additions USD '000***	***Distributions / Exits * USD '000***	***Group Fees USD '000***	***NAV Movement USD '000***	***Closing Balance USD '000***
Private Equity	167,338	6,099	(3,991)	(508)	85,870	254,808
Real Estate	109,478	5,860	(7,340)	(3,177)	(32,285)	72,536
Restricted investments	125	-	-	-	(38)	87
Balance at 30 September 2024	**276,941**	**11,959**	**(11,331)**	**(3,685)**	**53,547**	**327,431**

2023 (Audited)	Opening *Balance USD '000*	*Movement during the period* *Additions USD '000*	*Distributions / Exits USD '000*	*Group Fees USD '000*	*NAV Movement USD '000*	*Closing Balance USD '000*
Private Equity	189,593	2,119	(3,870)	(6,748)	(13,756)	167,338
Real Estate	140,370	-	(2,277)	(4,745)	(23,870)	109,478
Restricted investments	120	-	-	-	5	125
Balance at 31 December 2023	330,083	2,119	(6,147)	(11,493)	(37,621)	276,941

FIDUCIARY ASSETS UNDER MANAGEMENT

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

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

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 (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.

This condensed consolidated financial information was approved by the Bank's Board of Directors on 13 November 2024.

Activities

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

The condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 30 September 2024. The financial statements of the subsidiaries are prepared using the same reporting period, using consistent accounting policies. The comparative numbers of the financial statements have been extracted from the latest audited/ reviewed financial statements/ information.

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

Name of subsidiary	Year of incorporation	% holding	Country of incorporation	Principal activities
Gulf Projects Company W.L.L *.	1998	100%	Kingdom of Bahrain	To own an interest in and operate the Venture Capital Bank car park building.
The Lounge Serviced Offices Company W.L.L.	2007	100%	Kingdom of Bahrain	To own, operate and manage serviced offices in Bahrain and regionally.
GMCB Co. W.L.L. **	2008	54.06%	Kingdom of Bahrain	To invest in a medical facility in the Kingdom of Bahrain. The Group aquired control of the entity in June 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).

* - 50% of the shares in the subsidiary have been pledged to settle debts with the major shareholder of the Bank (note 6.1).

** - 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)

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

1 REPORTING ENTITY (continued)

Activities (continued)

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

2 FUNDAMENTAL ACCOUNTING ASSUMPTION

Going concern assessment

As at 30 September 2024, the Group had negative equity attributable to shareholders of USD 21,995 thousand. The Group issued Subordinated Mudharaba (AT1) of USD 26,256 thousand. The total equity of the Group as of 30 September 2024 was USD 4,261 thousand, having accumulated losses of USD 23,000 thousand and total assets with maturity up to 12 months exceeded its total liabilities with the same maturity representing by of USD 1,269 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 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 441 thousand during the period.

During the period, the Group issued additional Subordinated Mudharaba AT1 to its investors amounting to USD 3 million. Total Sukuk issued as of the date of this statement of financial position amounts to US 26 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.

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

3 REGULATORY NON-COMPLIANCE

The Bank did not comply with the CBB's capital requirements for minimum shareholders' equity, total CAR, Tier 1 and CET 1 CAR, NSFR, LCR and other associated regulated requirements which are required for Bahrani Islamic wholesale bank during the period ended 30 September 2024. The Bank is also not in compliance with other regulatory requirements by the CBB and the Commercial Companies Law ("CCL").

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

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

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES

4.1 Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting (“FAS 41”) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (“AAOIFI”). In line with the requirements of AAOIFI and the Central Bank of Bahrain (CBB) rule book, for matters not covered under AAOIFI standards the group uses guidance from the relevant IFRS Accounting Standard issued by the International Accounting Standards Board.

The condensed consolidated interim financial information is reviewed and not audited. The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements for the year ended 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2023.

4.2 Basis of measurement

This condensed consolidated financial statements 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 Significant 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, except those arising from adoption of the following standards and amendments to standards effective from 1 January 2024. The impact of adoption of these standards and amendments is set out below.

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

A New standards, amendments and interpetations issued and effective for annual periods beginning on or after 1 January 2024:

(i) FAS 1 General Presentation and Disclosures in the Financial Statements

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

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

During the period, the Group has adopted FAS 1 revised. As a result of this adoption following changes were made to the primary statements of the Group. Below is a summary of the new primary statements:

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

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

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

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

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:
• The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
• An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

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

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

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

(ii) *FAS 47: Transfer of Assets Between Investment Pools*

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

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

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

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

4.4 Estimates and judgements

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2023.

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 2023.

4.6 SEASONALITY

Due to the inherent nature of the Group's business, the nine-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:

	30 September 2024 (Reviewed)			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***
Gross exposures subject to ECL				
Balances and placements with banks	3,339	-	-	3,339
Placements with financial institutions	983	-	-	983
Murabaha financing to investee companies	-	-	8,031	8,031
Funding to project companies	-	2,400	1,062	3,462
Other assets	256	1,097	16,645	17,998
Guarantees and commitments	3,009	415	18,042	21,466
Total gross exposure	**7,587**	**3,912**	**43,780**	**55,279**
Impairment provision	**(17)**	**(752)**	**(23,732)**	**(24,501)**
Net exposures	**7,570**	**3,160**	**20,048**	**30,778**

	31 December 2023 (Audited)			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*
Gross exposures subject to ECL				
Balances and placements with banks	2,121	-	-	2,121
Placements with financial institutions	1,610	-	-	1,610
Murabaha financing to investee companies	-	-	6,423	6,423
Wakala contract receivable	-	-	13,341	13,341
Funding to project companies	-	3,202	1,061	4,263
Other assets	115	1,366	15,221	16,702
Guarantees and commitments	3,009	415	17,391	20,815
Total gross exposure	6,855	4,983	53,437	65,275
Impairment provision	(15)	(1,855)	(35,440)	(37,310)
Net exposures	6,840	3,128	17,997	27,965

6 RELATED PARTY TRANSACTIONS AND BALANCES

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

Balances with related parties are as follows:

	Note	***30 September 2024 USD '000 (Reviewed)***	*31 December 2023 USD '000 (Audited)*
Assets:			
Investments		**135**	723
Liabilities:			
Employee accruals		**56**	124
Other liabilities	6.1	**15,281**	19,793

Transactions with related parties during the period were as follows:

	Nine-months ended	
	30 September 2024 USD '000 (Reviewed)	*30 September 2023 USD '000 (Reviewed)*
Other losses		
Fair value losses on investments carried at fair value through profit or loss - net	**(570)**	(280)
Expenses		
Legal and professional fees	**189**	210
Shared services cost	**70**	111
Loss on settlement of liabilities	**1,131**	507
Other expenses	**449**	341
Provision for credit losses	**(1)**	(1)

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

	Nine-months ended	
	30 September 2024 USD '000 (Reviewed)	*30 September 2023 USD '000 (Reviewed)*
Salaries and other short term benefits	**511**	310
Post-employment benefits	**51**	19
	562	329

6.1 Other liabilities include amounts due to the major shareholder in lieu of an Investment Management and Revenue Sharing Agreement entered into, in order to improve the quality of the assets under management and maximise the the generation of revenue. The major shareholder has a pledge of 50% of the shares in the wholly owned subsidiary of the Bank.

7 INVESTMENTS

	Note	***30 September 2024 USD '000 (Reviewed)***	*31 December 2023 USD '000 (Audited)*
Investments at fair value through income			
Quoted equities held for trading	7.1	**2,997.0**	6,853
Unquoted equities		**5,336.0**	5,419
Short term liquidity certificates	7.2	**8,741.0**	8,695
		17,074.0	20,967
Investments at fair value through equity			
Unquoted equities		**-**	1,980
Short term liquidity certificates	7.2	**-**	3,037
		-	5,017
		17,074.0	25,984

7.1 During the period, investments with carrying value of USD 5,830 (31 December 2023: USD 4,540 thousand) were transferred to a related party in settlement of debts due to them. A fair value gain of USD 1,291 was recognised on the investment prior to the transfer.

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

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

	30 September 2024 USD '000 (Reviewed)	*31 December 2023 USD '000 (Audited)*
Balance at 1 January	**19,448**	23,979
Adjustments in impairment provisions	**3,612**	(7,546)
Exit of investments	**(12,514)**	(3,409)
Charge for the year	**291**	6,424
	10,837	19,448

The following market segments for investment:

	30 September 2024 USD '000 (Reviewed)	*31 December 2023 USD '000 (Audited)*
Real estate projects	**12,630**	17,015
Private equity	**4,444**	8,969
	17,074	25,984

8 WAKALA CONTRACT RECEIVABLE

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

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

9 OTHER LIABILITIES

	Note	***(Reviewed)*** ***30 September 2024*** ***USD '000***	*(Audited)* *31 December 2023* *USD '000*
Payable under settlement agreement	9.1	**9,279**	9,292
Provision against guarantees	9.2	**4,999**	7,154
Accounts payable		**7,920**	5,476
Settlements with a Related party	9.3	**2,366**	6,385
Provisions and accruals		**667**	8,180
Deferred income		**211**	33
Other		**-**	37
		25,442	36,557

9.1 Amount payable under settlement agreement represents past due profits on Islamic financing payable settled as of 30 June 2021. The amount is due on 30 June 2025.

9.2 Guarantees relate to corporate guarantees provided by the Group to various creditors to support financing to one of its project companies. The Group received certain legal claims from creditors which the Group is currently in the process of assessing its legal position. Management has found it prudent to recognise provisions against such claims on its condensed consolidated statement of financial position along with appropriate provisions.

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

10 RENTAL AND OTHER INCOME

	Note	***(Reviewed)*** *Nine-months ended* ***30 September 2024*** ***USD '000***	*(Reviewed)* *30 September 2023* *USD '000*
Rental income		**1,001**	982
Gain from investment swaps	2	**441**	1,834
Gain from liability swap		**-**	1,219
Reversal of excess accruals		**271**	-
Other		**357**	534
		2,070	4,569

11 Management fee

	(Reviewed) *Nine-months ended* **30 September 2024** **USD '000**	(Reviewed) 30 September 2023 USD '000
Investment management fees	**4,721**	7,563
	4,721	7,563

Management fee received during the period represents fees due to the Bank relating to outstanding fees of the prior years. The prior period management fee is net of USD 2,027 thousand which is payable to a related party under a revenue sharing agreement entered into by the Bank (Note 6.1)

12 OTHER EXPENSES AND LOSS ON SETTLEMENT OF LIABILITIES

		(Reviewed)	*(Reviewed)*
		Nine-months ended	
		30 September 2024	*30 September 2023*
	Note	***USD '000***	*USD '000*
Project management costs	12.1	**394**	633
Office expenses		**573**	773
Publicity, conferences and promotion		**23**	48
Board of directors and Shari'ah supervisory board		**170**	169
Exchange (gain) / loss		**(2)**	3
Share of costs with a Related party	12.2	**159**	88
Other		**90**	147
		1,407	1,861
Loss on settlement of liabilities	12.3	**1,131**	507
		1,131	**507**

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

12.2 The Group entered into an Investment Management Agreement with the major shareholder in order to improve the quality of the assets under management and maximise the the generation of revenue.

12.3 The Bank entered into a number of settlement agreements with the support of its major shareholder, where several obligations of the Bank were settled in kind through the transfer of assets held in the name of the Bank, which resulted in the Bank recognising valuation losses on the overall settlement.

13 COMMITMENTS AND CONTINGENCIES

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

	30 September 2024	*31 December 2023*
	USD '000	*USD '000*
	(Reviewed)	*(Audited)*
Letters of guarantee	**21,466**	20,815
	21,466	20,815

During the prior years, certain letters of guarantee, which were provided for in the books were recognised as a liability. Accordingly, the Bank has recognised a liability of USD 4,991 (31 December 2023: 7,145 thousand) on these outstanding letters of guarantees.

Litigations and claims

The Bank had issued a letter of guarantee to a certain investment company/project valued at 130% of the Bank's share in the company's outstanding obligation (including principal and accrued profits) of USD 18,042 thousand (31 December 2023: USD 17,390 thousand). In addition to the corporate guarantees, the investee company has also pledged its primary asset to the lender against these obligations.

14 FINANCIAL INSTRUMENTS

Set out below is a classification of financial instruments held by the Group as at 30 September 2024 and 31 December 2023:

	30 September 2024 (Reviewed)			
	Fair value through income USD '000	***Fair value through equity USD '000***	***Amortised cost USD '000***	***Total USD '000***
ASSETS				
Balances with banks	**-**	**-**	**3,331**	**3,331**
Placements with financial institutions	**-**	**-**	**983**	**983**
Investments	**17,074**	**-**	**-**	**17,074**
Funding to project companies	**-**	**-**	**2,161**	**2,161**
Other assets	**-**	**-**	**2,655**	**2,655**
TOTAL FINANCIAL ASSETS	**17,074**	**-**	**9,130**	**26,204**
LIABILITIES				
Other liabilities	**-**	**-**	**17,199**	**17,199**
Ijarah liability	**-**	**-**	**3,543**	**3,543**
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**20,742**	**20,742**

	31 December 2023 (Audited)			
	Fair value through income USD '000	*Fair value through equity USD '000*	*Amortised cost USD '000*	*Total USD '000*
ASSETS				
Balances with banks	-	-	2,116	2,116
Placements with financial institutions	-	-	1,608	1,608
Investments	20,967	5,017	-	25,984
Funding to project companies	-	-	2,242	2,242
Other assets	-	-	1,105	1,105
TOTAL FINANCIAL ASSETS	20,967	5,017	7,071	33,055
LIABILITIES				
Other liabilities	-	-	14,768	14,768
Ijarah liability	-	-	3,612	3,612
TOTAL FINANCIAL LIABILITIES	-	-	18,380	18,380

14 FINANCIAL INSTRUMENTS (continued)

Fair value

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

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

As at 30 September 2024 and 31 December 2023, the fair value of bank balances, placements with financial institutions, other financial assets, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quoted market prices and internal valuation models.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

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

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

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

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

Fair value of investments

30 September 2024 (Reviewed)	***Level 1 USD '000***	***Level 2 USD '000***	***Level 3 USD '000***	***Total USD '000***
Investment securities carried at fair value through:				
- income statement	**2,997**	**-**	**14,077**	**17,074**
- equity	**-**	**-**	**-**	**-**
	2,997	**-**	**14,077**	**17,074**

31 Decemebr 2023 (Audited)	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
Investment securities carried at fair value through:				
- income statement	6,811	42	14,114	20,967
- equity		-	5,017	5,017
	6,811	42	19,131	25,984

14 FINANCIAL INSTRUMENTS (continued)

Fair value of investments (continnued)

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

	Note	***30 September 2024 USD '000 (Reviewed)***	*31 December 2023 USD '000 (Audited)*
At 1 January		**19,131**	19,216
Fair value losses recognised in consolidated statement of income		**(923)**	(3,489)
Impairment recognised		**(291)**	(6,424)
Fair value reserve		**-**	(492)
Sale of investments		**(8,771)**	(4,552)
Transfers from level 3 to level 1	14.1	**(321)**	(6,811)
Addition of investments		**2,881**	5,264
Investments received on sukuk issuance		**2,371**	16,419
Closing balance		**14,077**	19,131

14.1 In 2024, one of the level 3 investments was enlisted on the stock exchange and accordingly the investment was reclassified from level 3 to level 1.

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

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

14 FINANCIAL INSTRUMENTS (continued)

Fair value of investments (continnued)

Profit or loss	***30 September 2024 (Reviewed) USD 000***	*31 December 2023 (Audited) USD 000*
WACC (1% increase)	**(261)**	(1,169)
Comparable transaction price (10% increase)	**-**	215
Non-marketability factor (10% increase)	**24**	(116)
Net asset value (10% increase)	**180**	225
	(57)	(845)
WACC (1% decrease)	**1,574**	1,394
Comparable transaction price (10% decrease)	**-**	(215)
Non-marketability factor (10% decrease)	**36.00**	105
Net asset value (10% decrease)	**(180)**	(225)
	1,430	1,059

15 SUBORDINATED MUDHARABA (AT1)

The Bank issued Subordinated Mudharaba (AT1) {Additional Tier 1 Sukuk ("Sukuk")} of USD 24 million, under an approval form the Central Bank of Bahrain. These perpetual Sukuk constitute a subordinated and unsecured Mudaraba arrangement between the Sukuk holders and the Bank. The Sukuk have precedence over only the Bank's ordinary shareholders in terms of liens over Net Assets, and distributions. The Sukuk are recognized in Owners' equity (net of all related Issuance costs). The Sukuk were issued by the Bank to:

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

- Certain Investors of the Bank (each an "Investor Counterparty"), where the obligation of the Investor Counterparty to pay the subscription price of the Sukuk was completely set off by the transfer of the title to certain investments owned by the Investor Counterparty and managed by the Bank, to the Bank.

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

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

	30 September 2024 ***USD '000 (Reviewed)***	31 December 2023 *USD '000 (Audited)*
Opening accumulated losses	**(33,196)**	(23,258)
Losses attributable to the period prior to issuance of AT1	-	(9,938)
Netting statutory reserve with accumulated losses	**5,441**	-
Accumulated losses prior to issuance of AT1	**(27,755)**	(33,196)
Opening profits available for AT1	**3,944**	-
Profits recognised post issuance of AT1	**1,981**	4,403
Adjustment of cost on issuance of AT1	**-**	(459)
Profit available for distribution to AT1 holders	**5,925**	3,944
Profit distribution to AT1 Sukuk holders	**(1,170)**	-
Balance available profit	**4,755**	3,944
Total accumulated losses	**(23,000)**	(29,252)