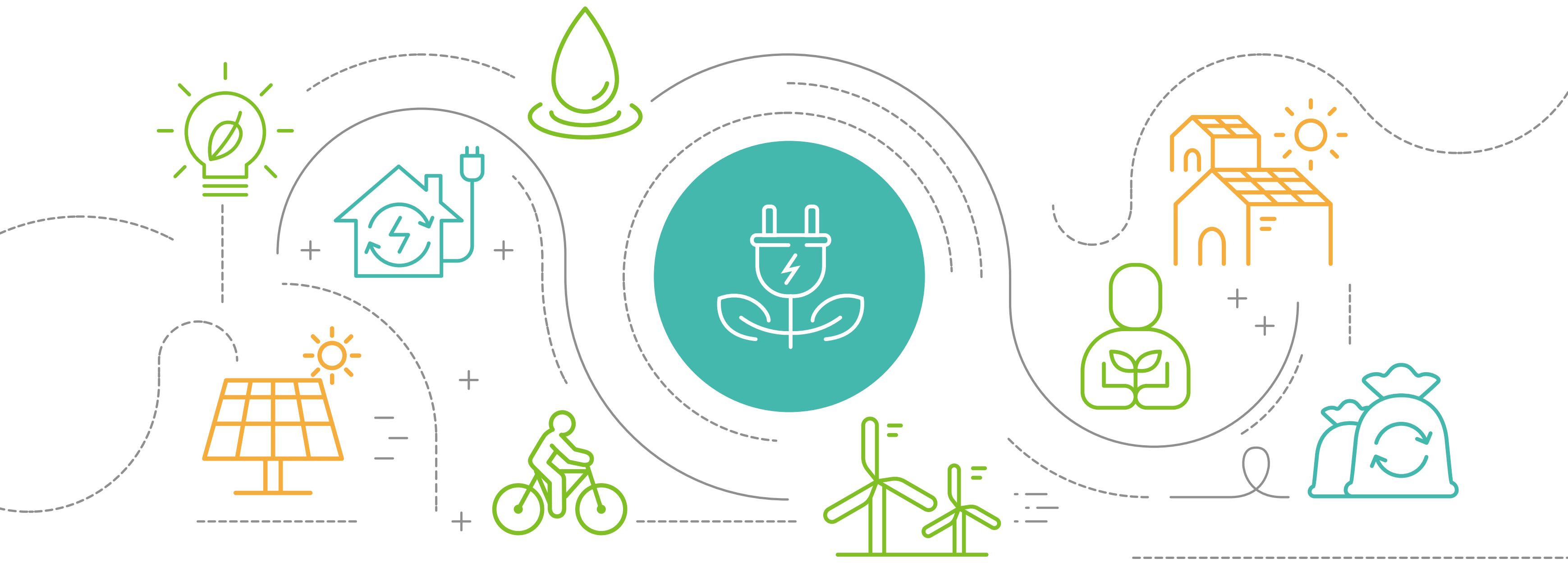
Delivering today,

Building tomorrow

2022 ANNUAL REPORT



بنك الإسكان
ESKAN BANK

Contents

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VIEW THIS REPORT ONLINE

www.eskanbank.com

His Majesty King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander and Prime Minister

MEETING THE NEEDS OF OUR CITIZENS.

Social responsibility, sustainable practices and quality. It is upon these pillars that Eskan Bank ("EB" or the "Bank") has grown into an organisation synonymous with reliability since inception in 1979.

Today, the Bank is recognised as a trusted name when it comes to affordable housing solutions – providing subsidised mortgages for low-to-middle income citizens of the Kingdom of Bahrain, as well as engaging in a wide range of community-related property development activities and facilities management.

The Bank acts as the Ministry of Housing's strategic partner and financial advisor. This has been made possible because the Government of Bahrain is the sole owner of the Bank, and thus, remains supportive in giving a tangible thrust to its goals.

Both the Bank and the Ministry work together towards developing sustainable social housing programs and solutions that follow best industry practices. The purpose is to facilitate Bahraini citizens with easy access to a quality family home within the confines of a safe community. It is also geared towards driving innovation and economic growth, as well as strengthening the fabric of our society.

The Bank, over time, has helped in setting up an innovative and comprehensive ecosystem that facilitates and connects financiers, landlords, developers and homebuyers evolved to become a facilitator that connects financiers, landlords, developers and homebuyers. Based on global benchmarks, this system is being constantly optimized to ensure a housing solution that delivers on the promise of housing for all.

Today the Bank is contributing more than ever to the social housing agenda. As we move forward, we will remain focused on optimizing governmental resources while exploring smarter business models that best support stakeholders, meet the housing needs of citizens, and enrich their lives.

Vision

Lead the provision of innovative and sustainable housing solutions.

Mission

- Build a strategic alliance with the Ministry of Housing and government bodies towards achieving the overall housing sector objectives of the Government of Bahrain.
- Develop innovative and effective frameworks of partnerships with the private sector for funding social housing beneficiaries and enhancing the supply of housing units.
- Lead in benchmarking socio-economic and environmentally sustainable housing developments.
- Enhance the welfare and empower the Bank's human capital towards realizing its full potential.

Values

Integrity
We are guided by a moral compass and implement ethical principles and practices in our relationships with employees, partners and customers, and in everything we do.

Respect
Respect is weaved into the way we treat our employees, the level of service we deliver to our customers, and the quality of our solutions.

Ownership
Our team takes responsibility for achieving successful outcomes and are accountable for the end result.

Innovation
We continuously strive to do things better, in the creation and delivery of our products and services.

Delivering on our strategic objectives

Our business model is the means by which we can deliver on our strategic objectives. As with everything we do, serving our stakeholders is at the heart of our business model, which aligns with the customer journey and experience.

What we do

1 Finance	2 Manage
3 Develop	4 Partner

Value Creation

We generate value by operating an effective and established business model that delivers sustainable, long-term returns.

Communities

We are firm committed to provide citizens with more empowering and flexible financing solutions and access to suitable homes.

Stakeholders

We will remain focued to better support all stakeholders and meet the needs of our citizens while enriching their lives.

Employees

We aim to support and engage our most valuable asstes by providing them with a working environment that promotes health, well-being and personal development.

Partners

Develop innovative and effective frameworks of partnerships with the private sector for funding social housing beneficiaries and enhancing the supply of housing units.

Key Resources

Collaboration
Eskan Bank works very closely with the Ministry of Housing by empowering citizens with access to more social housing loans, helping them find the right home.

Partnerships
Eskan Bank believes in strong partnerships connecting financiers, landlords, developers and homebuyers in an innovative and comprehensive ecosystem.

Assets
Eskan Bank has invested in resources, people and technologies that help transform processes into assets that yield considerable returns for all stakeholders.

Financial stability
Eskan Bank is backed by strong fundamentals that have sustained its operations and ensured continued stability.

Our team
Eskan Bank recognises the power of human resources in exploring new horizons in combining business with a social angle.

Financial Highlights

Net Income (BD Million)

BD 32.9m

2022	32.9
2021	29.9
2020	27.9
2019	23.1

Return on Equity (%)

8.2%

2022	8.2%
2021	8.2%
2020	8.3%
2019	7.5%

Earnings per share (BD)

BD 30.3

2022	30.3
2021	27.6
2020	25.77
2019	21.3

Total Assets (BD Million)

BD 1,008.6m

2022	1,008.6
2021	934
2020	861.8
2019	862

Operating Income (BD Million)

BD 41m

2022	41
2021	38.4
2020	36.5
2019	31.9

Total Equity (BD Million)

BD 402m

2022	402
2021	364.9
2020	334.9
2019	306.5


Ownership
5

Board of Director's Report

HE Mrs. Amna bint Ahmed Alrumaihi
Minister of Housing and Urban Planning
Chairperson of Eskan Bank

"We continue to introduce tailored products to match the needs of our varied customers, and also support their unique requirements."

On behalf of the Board of Directors, we are pleased to present the Annual Report and Consolidated Financial Statements for the year ended 31 December, 2022.

It has been a significant year for Eskan Bank marked by agility in the way we respond to new developments, and also, in the manner in which we continue to remain steadfast in creating value for our stakeholders.

The significant strides made in bolstering our social mandate and securing clear deliverables for those that benefit from our services point to a focused approach in how Eskan Bank has identified compelling opportunities and delivered results.

The numbers speak for themselves. Total operating income for the year reached BD 41 million while expenses stood at BD 7.8 million. Equity touched BD 402 million while the return-on-equity attributable to the Bank's shareholder stood at 8.2%. When you compare cost-to-income ratio with figures from last year, it reached 18.9% in 2022 which is below the industry average. These growth figures clearly reflect a highly efficient operation based on industry standards, and commitment to due process when it comes to following accounting procedures and processes.

It needs to be noted that over 916 families benefited from Shari'a compliant loans that totaled over BD 34.5 million during the year ended 31 December 2022 compared to 726 families in 2021.

The total number of new applicants that entered the Mazaya Program and received an Eligibility Certificate for the year 2022 was 2,072 applicants. The total Mazaya subsidy paid was BD 124.64 million till 31 December 2022.

There is a clear social dimension underlining the organisation's ambitious real estate projects launched through the years. This social outlook found expression in the Bank's decision to continue postponing instalments for many of its citizens. This support is integrated with the government's commitment to deal with the economic repercussions resulting from the global pandemic.

There remains a clear demand for our core businesses of real estate projects and allied services, and it is reflected not only in our financial performance but also in the strategic direction taken by the Bank in recent years.

Danaat Al Baraka, Danaat Al Lawzi, Danaat Al Riffa, Danaat Al Seef and Danaat Al Madina are some of our acclaimed projects that have set a clear benchmark in terms of quality, service and innovation. These projects are developing into vibrant communities of their own, and attracting more people to benefit from the housing and shopping facilities that are available.

We continue to introduce tailored products to match the needs of our varied customers, and also support their unique requirements. Strong and enduring partnership with the Ministry of Housing & Urban Planning has resulted in one of the most exciting and eagerly awaited housing finance programs.

Tas'heel was launched in 2022 as a means to address demand for greater flexibility in payment options as well as in providing greater customer empowerment when it came to making property selection. The idea behind this program was to meet the housing needs of Bahraini citizens with affordable financing solutions while providing them with the best housing services that would create a stable living environment.

BD 22.4 million

Shari'a compliant loans disbursed during 2022

916 Families

Benefited from disbursed loans during 2022

Board of Director's Report (Continued)

"Our priority at the strategic level as always is to support Bahrain's growth and prosperity, and play our part in the Kingdom's success story."

The three financing options – Tas'heel Aqari', 'Tas'heel Al Bait Al Oud', and 'Tas'heel Ta'awon' as a new category of the 'Mazaya Social Housing Scheme'. One of the major benefits of this programme is that the minimum amount of housing finance has been raised from BD19,000 to BD40,000, while the maximum limit has been increased from BD60,000 to BD70,000. The age cap for the New Mazaya will also be increased to 40 years.

Commercial banks have also been invited to offer these programs, and they have reported positive response from their customers.

The Ministry of Housing & Urban Planning and Eskan Bank work closely in developing high quality and affordable housing projects. This strategic partnership has helped numerous Bahraini citizens in achieving a decent livelihood, and enjoy a comfortable lifestyle. The residential projects have not only served to provide housing to citizens but have also given rise to new and vibrant communities.

Our priority at the strategic level as always is to support Bahrain's growth and prosperity, and play our part in the Kingdom's success story. We continue our path of innovation and diversification towards securing these national goals.

At the end of the day, our work is not restricted solely in the business of social housing but to generate value and delivers sustainable, long-term returns for all our stakeholders.

On behalf of the Board of Directors, I take this opportunity to express our gratitude to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain; to His Royal Highness, Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister for their visionary leadership.

I express my appreciation to our management and staff for their hard work and dedication in serving the people of Bahrain, to our private sector partners for their trust and support, and to our growing customer base whose welfare will always remain our priority.

The tables overleaf show the remuneration of members of the board of directors and the executive management for the year 2022 sitting fees for members of the Board of Directors are based on approval of the article No. (11) of the Legislative Decree No. 4 of 1979 with respect to the establishment of the Eskan Bank amended by Law No. 75 of 2006.

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors													
1- Kamal Murad (up to 7th Dec 2022)	-	4,500	-	4,500	-	-	-	-	-	-	-	4,500	-
2- Mohammed Hussain Bucheeri	-	8,000	-	8,000	-	-	-	-	-	-	-	8,000	-
3- Najla Mohammed AlShirawi	-	8,000	-	8,000	-	-	-	-	-	-	-	8,000	-
4- Rana Faqihi (up to 7th Dec 2022)	-	4,500	-	4,500	-	-	-	-	-	-	-	4,500	-
5- Riyad Saleh AlSaei (up to 7th Dec 2022)	-	4,500	-	4,500	-	-	-	-	-	-	-	4,500	-
6- SH. Mohd AlKhalifa (up to 7h Dec 2022)	-	5,000	-	5,000	-	-	-	-	-	-	-	5,000	-
7- Yousif Abdulla Taqi (up to 7th Dec 2022)	-	3,500	-	3,500	-	-	-	-	-	-	-	3,500	-
8- Zakariya Sultan AlAbasi (up to 7th Dec 2022)	-	5,000	-	5,000	-	-	-	-	-	-	-	5,000	-
9- Isa Abdulla Zainal (w.e.f 8th Dec 2022)	-	3,000		3,000	-	-	-	-	-	-	-	3,000	-
10- Nabeel Saleh Ali Ebrahim Abdulaal	-	3,000		3,000	-	-	-	-	-	-	-	3,000	-
11- Mubarak Nabeel Mattar (w.e.f 8th Dec 2022)	-	3,000		3,000	-	-	-	-	-	-	-	3,000	-
12-Reem Abdulghaffar Al Alawi (w.e.f 8th Dec 2022)	-	3,000		3,000	-	-	-	-	-	-	-	3,000	-
13-Abdullatif Khalid Abdullatif (w.e.f 8th Dec 2022)	-	3,000		3,000	-	-	-	-	-	-	-	3,000	-
14-Balsam Ali Alsalman (w.e.f 8th Dec 2022)	-	3,500		3,500	-	-	-	-	-	-	-	3,500	-
Second: Non-Executive Directors													
1- H.E Basim bin Yaqoob AlHamer (up to 12 June 2022)	-	3,500	-	3,500	-	-	-	-	-	-	-	3,500	-
2-H.E Mrs. Amna Bint Ahmed AlRumaihi (w.e.f 13 June 2022)		3,000		3,000								3,000	
Third: Executive Directors													
Total	-	68,000	-	68,000	-	-	-	-	-	-	-	68,000	-

Note: All amounts are in Bahraini Dinars.

Other remunerations:

* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

Second: Top 6 remunerations for executives, including GM and Head Financial Control:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus) in 2022*	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including GM and Head of Financial Control.	816,489	269,746	-	1,086,235

Note: All amounts are in Bahraini Dinars.

*This bonus is for the year 2022 that will be paid in 2023

HE Mrs. Amna bint Ahmed Alrumaihi
Minister of Housing And Urban Planning
Chairperson of Eskan Bank

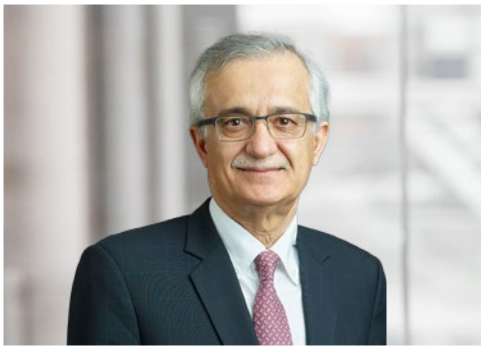
Nabeel Saleh Ali Abdulaal
Director

Board of Directors

H.E. AMNA BINT AHMED ALROMAIHI

Minister of Housing & Urban Planning,
Chairperson
Chairperson of Remuneration, Nomination and Corporate Governance Committee

Non-Independent Director



MR. MOHAMMED A.R. HUSAIN BUCHEERI

Vice Chairperson, and Chairman of Executive Committee

Non-independent Non-Executive Director

MRS. NAJLA MOHAMMED ALSHIRAWI

Board Member, Member of Executive Committee,

Independent Non-Executive Director

MRS. REEM ABDULGHAFFAR AL ALAWI

Board Member, Member of Audit, Risk and Compliance Committee

Independent Non-Executive Director

MR. ISA ABDULLA ZAINAL

Board Member, Chairperson of Audit, Risk and Compliance Committee

Independent Non-Executive Director

MR. NABEEL SALEH ABDULAAL

Board Member, Member of the Remuneration, Nomination and Corporate Governance Committee

Independent Non-Executive Director

MR. MUBARAK NABEEL MATTAR

Board Member, Member of the Remuneration, Nomination and Corporate Governance Committee

Independent Non-Executive Director

MR. ABDULLATIF KHALID ABDULLATIF

Board Member, Member of Audit, Risk and Compliance Committee

Independent Non-Executive Director

MRS. BALSAM ALI ALSALMAN

Board Member, Member of the Executive Committee

Independent Non-Executive Director

General Manager's Statement

Dr. Khalid Abdulla
General Manager

In 2022 we took the opportunity to further accelerate the drive towards greater sustainability through a renewed focus on vertical living communities and digital transformation of our services and processes.

In In the last two years there has been tremendous transition in the way we at Eskan Bank conduct our operations, interact with our customers, and promote an environment of growth for each and every one of our stakeholders.

The focus – as always – has been to remain at the forefront of developments in sustainable, best industry practice, social housing programs and solutions. Our strategic partnership with the Ministry of Housing & Urban Planning (MOHUP) enables us to give tangible shape to these goals, and also, prepare a strong and robust foundation for community-related property development activities and facilities.

In 2022 we took the opportunity to further accelerate the drive towards greater sustainability through a renewed focus on vertical living communities and digital transformation of our services and processes.

The digital transformation drive began in the previous year as a response to the pandemic, but today, it is an integral part of how Eskan Bank conducts its day-to-day business. While it has helped in automating processes and simplifying procedures, its biggest contribution has been in the way it has helped improve performance while enriching customer experience and sustainability initiatives across the organization.

For Eskan Bank, sustainability is clearly the language of choice when it comes to articulating the core values that define its overall operations, and also in demonstrating the key rationale behind its various socio-economic and environmentally friendly housing developments.

As a strategic partner of the Ministry of Housing & Urban Planning, Eskan Bank has been actively involved in developing innovative housing solutions that match flexible financing options. The idea is to empower citizens with access to loans, and also consolidate strong alliances between financiers, landlords, developers and homebuyers within a comprehensive ecosystem.

In 2022, this partnership with the Ministry resulted in one of the most powerful social housing finance programs - Tas'heel.

What is unique about this program is that it is available in three options each of which addresses the needs of a particular customer segment. Tas'heel Aqari provides individual financing while Tas'heel Al Bait Al Oud is for financing housing services on plots owned by relatives; and lastly, Tas'heel Ta'awon is for collective group financing.

We have also invited commercial banks to partner with us in offering these housing loans to their customers. In addition, we have made it even easier for customers to decide how they would want to purchase their property - individually or in partnership with friends or relatives.

This level of flexibility and customer-oriented approach forms one of the key strategies behind the social housing vision laid out by the Ministry of Housing & Urban Planning and Eskan Bank. What is at the heart of this vision is to inject renewed energy in the real estate market, promote customer empowerment, and most crucially, make it easier for Bahraini citizens to acquire or access a house of their dreams.

We continue to support housing loans through the Mazaya program, and so far, over 11,665 people across Bahrain have benefited from it.

We are thankful to our skilled and talented staff whose continuing support helped us in achieving positive results this year.

Finally, we appreciate the continuing support we receive from the Ministry of Housing & Urban Planning, and are grateful for the way they partner with us in fulfilling our joint vision. We are also thankful to each and every participating banks and the role they play in supporting our beneficiaries in meeting their housing goals.

We are certain that the steadfast path undertaken in 2022 will lay the groundwork for a more prosperous 2023.

Dr. Khalid Abdulla
General Manager

People benefited from Mazaya program

11,665

For Eskan Bank sustainability is clearly the language of choice when it comes to articulating the core values that define its overall operations and also in demonstrating the key rationale behind its various socio-economic and environmentally friendly housing developments.

Driving innovation and economic growth

Eskan Bank is at the heart of a comprehensive ecosystem that connects financiers, landowners, developers and homebuyers to ensure housing solutions match innovative financing options.

With its strong strategic partnership with the Ministry of Housing & Urban Planning, Eskan Bank remains firmly committed to align its commercial operations with its national commitments as expressed in Bahrain's Economic Vision 2030.

Today, Eskan Bank remains focused on reducing the financial burden on the government and exploring smarter approaches towards finding smarter housing solutions.

Financial Performance

Eskan Bank registered positive financial results for the year 2022. Total income for the year was recorded to be BD 41 million and expenses stood at BD 7.8 million. Equity touched BD 402 million while the return on equity stood at 8.2%. In comparison to last year, the cost-to-income ratio reached 18.9% which is below the industry average.

Finally, the Bank disbursed over BD 34.5 million in Shari'a compliant loans to over 916 families.

The Financial Control Department

The Financial Control Department plays a key role in financial & regulatory reporting, budgeting, business planning, strategic analysis, payment control and internal control.

During the reporting period, the department ensured that the Bank was in full compliance with all the regulatory requirements of the Central Bank of Bahrain (CBB), and also, ensured compliance with Real Estate Regulatory Authority (RERA) regulations by further enhancing internal procedures for annual land valuation exercise.

With significant gains made during the pandemic in digitizing payment processes, there were substantial enhancements done whilst ensuring all the necessary controls were followed much more rigorously. At the same time, effective controls were developed for managing sales process for housing projects.

Support was extended to the Treasury Department in bringing effective liquidity management

To ensure timely submission of VAT returns, there were additional improvements made in the reporting and analytics structure while also effectively managing National Bureau for Revenue (NBR)'s transitional rules for change in VAT Rate during the year.

With the launch of new Tas'heel products, enhancements were also made in financial management processes in anticipation of expected accelerated growth resulting from their launch.

The year also witnessed improved procedures for generating critical reports, including daily liquidity coverage ratio (LCR), Net Stable Funding Ratio and enhancements to the monitoring of KPIs of business units. The department monitors the daily liquidity position. The Bank also has a Contingency Funding Plan in place, the elements of which are periodically tested. A summary report for monitoring key variables, any exceptions and recommendations are submitted regularly to the Assets & Liability Management Committee (ALCO).

The department also worked towards improving the validation process and provided advanced analytical insights to ensure that IFRS 9 standards and requirements are cascaded and effectively met.

Finally, various scenarios were developed to build a long term and sustainable liquidity strategy for the Bank to support the vision of Ministry of Housing & Urban Planning.

Financial Institutions & Government Programs

The Financial Institutions & Government Programs Department is responsible for developing new solutions and coordinating between the Banks's various stakeholders while securing innovative financing solutions for beneficiaries of Social housing services. These stakeholders include the Ministry of Housing & Urban Planning (MOHUP), the different lending banks and financial institutions across the Kingdom, the real estate developers/agents and the eligible social housing services citizens who would eventually become beneficiaries of these projects.

The department's main focus is the development of innovative social housing financing solutions, and ensuring efficient use of public funds while reaching the maximum number of possible beneficiaries. The department worked closely with the government to obtain approvals and implement the solutions, liaising with the partner banks on all matters including Mazaya and the newly introduced Tas'heel suite of financing products through partner banks. The department ensures that the necessary legal agreements, documentation, the IT systems, and procedures are in place with partner banks and MOHUP to ensure the successful timely execution of the new solutions through partner banks.

With increased flexibility in financing made possible through the Tas'heel products, the Department ensured that systems were in place to help meet expected rush of customer interest. The digital transformation drive that began in the previous year was greatly accelerated in 2022, and enabled Eskan Bank to move in a direction that would ensure smooth and efficient operations specifically for MOHUP, the partner banks and beneficiaries of Mazaya and Tas'heel through banks

"With the launch of new Tas'heel products, enhancements were also made in financial management processes in anticipation of expected accelerated growth resulting from their launch."

Retail Banking

It was a busy year for the Retail Banking division as Eskan Bank joined hands with the Ministry of Housing & Urban Planning in launching a set of new housing financing solutions that captured the interest of many of the Bank's stakeholders across the Kingdom.

A major PR and marketing campaign was organized for the successful launch of Tas'heel Aqari, Tas'heel Al Bait Al Oud , Tas'heel Ta'awon and a new category of the Mazaya Social Housing Scheme. The launch of these housing financing services was initiated in coordination with the Prime Minister's Office and the National Communication Centre while the Retail Banking division served as the key communication channel for customers seeking further details on how they could become beneficiaries of these services.

The response to the marketing campaign was positive, and by the end of 2022 over 630 beneficiaries were given approval for Tas'heel Aqari, 31 beneficiaries were approved for Tas'heel Al Bait Al Oud and over 20 beneficiaries got their approval for Tas'heel Ta'awon.

When it came to disbursement of these housing financing services, the total came to 125 beneficiaries for Tas'heel Aqari, a single beneficiary for Tas'heel Al Bait Al Oud, and over four beneficiaries for Tas'heel Ta'awon.

There were other success stories in 2022 as well. Danaat Al Baraka was successfully promoted during the Gulf Property Show, and it managed to sell 100% of its entire inventory of 211 units.

In November 2022, the Ministry of Housing & Urban Planning and Eskan Bank jointly organized the first Housing Financing Exhibition at City Centre Bahrain. Held under the patronage of His Excellency Shaikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister and Minister of Infrastructure, the event brought together partner banks, real estate agencies, developers and enthusiastic customers all under one roof to assess payment options along with real estate projects. On the other hand, the successful marketing of Al Msayyan during the exhibition helped secure the sale of 200 plots out of a total of 260 land plots within a month of its launch.

From its offices located in the Diplomatic Area, Isa Town and Seef, the Retail Banking division serves as an effective interface between the customers, the Bank and the Ministry of Housing and Urban Planning (MOHUP).

For many of MOHUP's beneficiaries seeking information and assistance in solving day-to-day issues, the Hala Eskan call center platform helps in addressing queries, troubleshooting, information and managing complaints. Business WhatsApp was also introduced by the Sales & Marketing Team to respond to customer inquiries and share details of newly launched projects, products and services.

Baity.bh gives a listing of agencies and developers along with properties and projects sorted out by location and type. In 2022, the increase in the listings saw a growth of 27% compared to last year

Mazaya

The total disbursement of financing through participating banks and other financial institutions is

BD 148.469m

Total no. of beneficiaries for 2022:

1,835

Total Mazaya Beneficiaries since inception up to 2022:

11,617

Social Loans

Opening new accounts:

945 for housing and 140 for flats.

Social Loans Amount:

BD 34,556,546 Million

Number of beneficiaries:

1,102

Other services:

127 new Pari Passu deals

New Housing Financing

Services beneficiaries:

Approved

Aqari:

630 beneficiaries, Amount

BD 40,745,974

Al Bait Al Oud:

31 beneficiaries, Amount

BD 1,653,397

Ta'awon:

20 beneficiaries, Amount

BD 1,260,573

New Housing Financing Services amounts disbursed

Aqari:
No. 125 beneficiaries, Amount
BD 6,876,761

Al Bait Al Oud:
No. 1 beneficiaries, Amount
BD 70,000

Ta'awon:
No. 4 beneficiaries, Amount
BD 243,160

Hala Eskan

Incoming calls:
49,384 calls

Outgoing calls:
11,294 calls

Complaints Management:
211 Complaints through Tawasul, Hala Eskan Emails and CBB, 281 Inquiry through (Tawasul)

Baity.bh

Platform:
Listed properties on Baity.bh is
3,731 units till date

Growth 27%
in comparison to last year

No. of listed agencies
43 and developers 27 till date

Deerat Al Oyoun

Phase 1:

Successfully sold

100%

of entire inventory

515 units

Sales collection which has yielded around

BD 55,706,000 millions

of (Phase 1) sales collections to date

Phase 2:

Successfully marketed and sold (Phase 2)

344 units, being

99.9%

of total 345 units.

Sales collection which has yielded around

BD 37,092,000 millions

of (Phase 2) sales collections to date

Phase 3 and 4:

Successfully marketed and secured more than

68.7%

reservations (total of 729 units) of the entire inventory

1,061 units

Sales collection which has yielded approx.

BD 56,132,000

of collections to date

Danaat Al Baraka

Successfully sold

100%

of entire inventory 211 units

Sales collection which has yielded approx.

BD 22,262,124 millions

of collections to date

Danaat Al Lawzi

Secured more than

87%

reservations (total of 264 units) of the entire inventory 303 units

Sales collection which has yielded approx.

BD 30,380,100 millions

of collections to date

Al Msayyan

Successfully marketed and secured more than

77.5%

reservations (total of 200 plots) of the entire 260 land plots

Sehla Gate

Successfully sold

100%

of entire inventory 27 units

Sales collection which has yielded approx.

BD 1,551,500 millions

of collections to date

“Baity.bh gives a listing of agencies and developers along with properties and projects sorted out by location and type.”

Administration Department

The main task of the Administration Department is to focus on strengthening the work place atmosphere at Eskan Bank, and ensure that systems and processes consistently follow best industry practice to enable employees to enjoy a safe, hygienic and productive environment.

The department also provides all necessary logistical support to the different units, departments and subsidiaries that operate under the Eskan Bank umbrella. The support is geared towards helping these units to remain productive and efficient while conforming to the principles of integrity.

In 2022, sustainability continued being a priority across the organization since the focus on bringing a green transformation remained one of the key guidelines issued by the Central Bank of Bahrain, and was also, one of the goals enshrined in Bahrain’s Economic Vision 2030.

Some of the practical steps taken in response to the sustainability drive was the reduction and elimination of tangible storage spaces and making a switch to electronic alternatives. It was one of the main directives issued by the Environmental, Social & Governance (ESG) committee of Eskan Bank.

Overall operations costs were budgeted at an additional 8% and the department continued on the same level of performance withot any impact on quality.

In addition, a more efficient inventory system was implemented by identifying and listing various assets and then registering them as fixed assets. Steps were also taken to place appropriate labels for all the assets, organize them in the right order so that it would help in tracking them accurately.

With the massive launch of the new housing finance products in 2022, the Operations Team responded promptly to the surge in demand from interested customers.

Finally, the department continued to play its role in enabling employees to keep abreast of developments, create a powerfully effective competitive environment, and support the Bank’s vision through policies that deliver results.

Operations Department

The Operations Department provides backend support to various business units within the Bank, and is responsible for efficient finance disbursing process, maintenance of financing facilities, time to time implementing of ministerial decree for finance accounts, collection of monthly repayments through various modes such as deduction list from various companies, Postdated Cheques, Direct Debit mandates and Direct Transfers via Fawri.

With the massive launch of the new housing finance products in 2022, the Operations Team responded promptly to the surge in demand from interested customers, and also in handling the increased volume of business activities that followed the launch.

Prior to their launch, the new product offerings were thoroughly tested, and measures were taken to ensure that adequate resources were available for the launch. As part of this measure, the online testing was conducted at different operational levels to simulate end to end cycle before going live.

It must be added that the overall expected volume processing during the year were overachieved and that too, within the strict timelines – without causing any major audit points or customer complaints.

New procedures were being implemented for testing dormant accounts as part of CBB mandate, and it went live in the system.

Current account statement items were reviewed and new changes were proposed to ensure ease of understanding by customers. These actions further helped in reducing the transactions posting load on the system, by removing routing entries through current account.

Business Review (Continued)

The new set of housing finance products were not only tested, but were given added value through the inclusion of an Excel based calculator that would help produce the eligible finance amount for each of the borrowers.. Currently this particular phase is in active usage at both the Ministry of Housing & Urban Planning (MOHUP) and at the customer service desk at Eskan Bank.

The Operations Team was also involved in backend support for ongoing digitization and automation of processes. Eskan Online testing; backdated reduction decree implementation; and, dormant account process module to automate the process have each been tested in cooperation with the Information Technology Department.

As for the main highlights of the year, the Operations Team worked together with MOHUP in arranging subsidy payment process for vacant flats. In addition, it followed and paved the way towards a shift to the JBOS system from the earlier CBB blocking system and adhering to new requirements within no time.

One of the key milestones during the year was that the Team was able to ensure proper control by automating the Direct Debit process, and thus avoid errors due to manual processing of payments. As another added measure to support customers and reduce their liabilities, another functionality was added to request additional amount from borrower's deduction list to cover any past dues that might reduce NPL cases.

Internal Audit

Internal Audit operates independently and reports directly to the Board Audit, Risk and Compliance Committee. The core objectives of the department is to evaluate effectiveness of controls in the management of the Bank's day-to-day activities, and to contribute in adding value additions to enhance the Bank's overall operations.

In 2022, Eskan Bank remained well focused in maintaining effective control over various activities, processes and operations. Identified risks were adequately managed, deviations were identified on a timely basis and addressed within an acceptable time frame

Property Development

Eskan Properties Company (EPC) is a fully owned subsidiary of Eskan Bank, and is involved in property development and facilities management. The primary customers of EPC are beneficiaries of projects promoted by the Ministry of Housing & Urban Planning but plans are underway to extend services to other commercial entities in and around the Kingdom of Bahrain.

No. of Social Financing customer jumped by

52%

Mazaya New Beneficiaries increased by

23%

The Rescheduling of facilities increased by

45%

Substantial increase in the reduction of installment memos, almost doubled in the year 2022 against the expected numbers.

Early settlement of financing facilities increased by

35%

as against the expected numbers.

CBB / MOJ blocking request processing and cheques clearing numbers increased by

19%

Direct Debit mandate to recover monthly repayments directly from the borrowers other bank account request has increased by three times.

Some of the major highlights of 2022 was the release of tenders for contractors for major retail/services on land owned by Eskan Bank – these included Saar Commercial Project (BD 1 Million project) and eight commercial plots in Madinat Salman (BD 4 Million project), as well as preparing comprehensive development plans to develop all retail/services in the new housing cities (Madinat Salman, East Sitra, East Hidd, Madinat Khalifa and Al Ramli).

In November 2022, EPC released an auction for three plots for development as kindergartens on the Government Land Investment Portal on the basis of a 25 year Build-Own-Transfer (BOT), these plots are strategically located in Madinat Salman (2 plots) and Madinat Khalifa.

EPC has also successfully completed the appointment of the reclamation contractor for Danaat Al Sayah, one of Eskan Bank's biggest masterplan developments that is expected to yield over 4,000 units, retail space and a village style mall. In addition, in 2022, a highest and best use study tender was also issued for the project.

EPC also released key design tenders for strategic plots/projects, these are for Al Madyan Mall plot located in Hamad Town and Seef Greens located in the Seef Area (Design on-going) with a plan to release the contractor tender in 2023.

Finally, EPC assisted the MOHUP to release three Public Private Partnership opportunities (Government Land Development Program - GLDP) for the auction in development of 131 villas in Madinat Salman, 360 apartments in Madinat Salman, and 280 villas in Madinat Khalifa.

A separate division of EPC is Property & Facilities Management Department (PFM) and is in charge of handling the leasing, maintenance, security and facility management of Eskan Bank branches, sold and leased properties and the Ministry of Housing & Urban Planning's vertical developments facilities management.

The work that this department does for all the vertical developments was part of a ministerial directive but remains optional for building beneficiaries as the entire building management is handled by EPC. Currently, 86 out of 200 buildings consisting of 2,133 units have been taken over by the division and also includes, over 32 community projects of Eskan Bank consisting of 324 units (retail and residential).

In addition, PFM is also carrying out major enhancement work at various Ministry of Housing & Urban Planning buildings such as landscaping, buildings painting works, tile works, water tank cleaning, etc. All this work is being done to ensure that the buildings are maintained to the best level of service and ensure satisfaction of beneficiaries living at the Ministry's vertical developments

Asset Management and Investment

The Investment and Asset Management departments work together in a powerful partnership in upholding Eskan Bank's credentials as a trusted and reliable name in innovative and sustainable housing solutions.

The four areas in which these departments are closely involved in are: Real Estate Development – these include development of land owned by Eskan Bank, joint venture initiatives with the Ministry of Housing & Urban Planning, as well as private sector investors; Management of Eskan Bank Portfolio – these encompass both land bank and equity investments management; these cover investment and asset management services, EBRIT, community shops portfolio performance, sale of units monitoring in active projects; and finally, Fund Raising and Liquidity Management.

2022 saw the exit of STC which till then was a non-core asset in exchange for a land in Sanabis area which will be used for developing additional housing units for beneficiaries. The launch of Al Msayyan was a major success as 78% of the plots were reserved during a seven-day exhibition and after the project was announced. Similar success was also reflected in the sale of other properties that included, 100% of Sehla Gate, 100% of Danaat Al Baraaka and 84.5% of Danaat Al Lawzi.

Risk Management

The Risk Management Department serves a vital function within the organization and as such includes the following units in its ambit– Risk Management, Compliance and Anti-Money Laundering, Credit Admin, Information Security and Remedial & Collections.

Risk Management looks at all risks that the Bank is exposed to such as, liquidity risks, credit risks, market risks, interest rate risks, project investment risks and operational risks, and ensures that the organization remains well-protected at all times. With Compliance, steps are being taken to ensure that the Bank's policies, procedures and operations are closely aligned with all applicable and mandatory rules and regulations. Information Security is focused on cyber security as well as protection

of data and other information assets. Credit admin oversees the collateral management, while Remedial & Collections is responsible for ensuring that quality of credit portfolio remains intact and thus is involved in regular follow-ups with overdue accounts.

In 2022, the Department worked alongside the Information Technology Department in the implementation of Bahrain Open Banking Framework. It assessed all the applicable regulatory requirements and introduced appropriate risk rating by conducting impact and likelihood scores for around 1,300 requirements.

At the same time it also developed bank-wide Compliance Key Risk Indicators and introduced the Compliance Champions initiatives across departments. Another step taken by the department was the implementation of a Compliance Online Training portal in order to achieve improved and seamless training for bank employees along with enhanced training record keeping.

The Compliance section of the department was also involved in the automation of daily transaction monitoring and support documents. This process was achieved through an internal approval platform which eliminated paper wastage and emails while enhancing audit trail tracking and record keeping. In 2022, Personal Data Protection Law compliance review was concluded, and an extensive gap assessment was conducted successfully.

The Remedial and Collections section devised a bank-wide non-performing loans strategy and ensured the availability of digitized records in a secure and central repository. As part of its goal towards enriching the customer experience, various channels were introduced and new strategies were implemented. These included installation of a queuing system for walk-in customers, restructuring the department, and centralizing contact numbers across the department and launching a WhatsApp channel for communicating with customers.

Another step taken this year was strengthening of the pre-collection process to help tackle the problem at the root. It included examining bank-wide processes and recommendations were made to bring about greater enhancement. Majority of the recommendations were implemented during the year. Efforts were also made towards re-engineering the process of monitoring accounts and remedying overdues interdepartmentally, and as a result, managed to reduce the bank-wide level of non-performing loans to reach a pre-crisis level. Finally, the section worked with various governmental entities in order to coordinate efforts that facilitate the collection process for the bank as a whole.

The Risk Management division actively managed post-COVID 19 risks and their impact on customers and operations as well as looked at other key areas of risk. It reviewed Risk Management policies to ensure that more

effective oversight and better end-to-end identification and management of risks were being implemented. It invested in enhancing the IFRS 9 Expected Credit Loss calculation tool in order to improve the classification and measurement of financial assets and liabilities. At the same time, robust control continued to be provided by the Credit Administration Department in monitoring of credit, collateral management and administration functions.

The division also worked at strengthening the collateral and records management processes to achieve efficiency and effectiveness by adopting industry best practices in maintaining and retrieving documents. It ensured further strengthening and refinement of risk management practices with risk management processes subjected to additional scrutiny by independent third parties.

The Credit Admin division ensured the availability of digitized records in a secure, central repository by creating digital copies of Top up Loan Security documents as well as 20,000 title deeds maintained in Eskan Bank's custody. The same was made accessible for all bank staff. What it did was provide quick and easy title deed search and retrieval, improved processing and client response time, and ensured easy and controlled access in a digital environment as well as higher efficiency, faster decision making and minimized delays

The division also relocated the archives to a new state of the art, ISO-compliant facility, and brought it under the department's custody. It also launched an archival system for customer files, requesting copies of customer documents, locating specific customer files and generating request and retrieval reports and indexed all customer and bank files under the custody of the department. It completed a system data cleansing exercise for all collateral maintained in the custody of the Credit Admin.

Our significant step that Eskan Bank undertook this year was the establishment of the Environmental, Social and Governance ("ESG") Committee – identifying clear goals and parameters and working toward achieving clear deliverables.

Information Security

Information Security is focused on cyber security management, business continuity management and in maintaining ISO certifications. Working closely with the Information Technology department though reporting directly to Risk Management, Information Security plays a key role in ensuring business resilience through effective and proactive cybersecurity control framework that would enable the organization to operate without any disruption throughout 2022.

One of the key mandates of this division is to maintain data confidentiality and integrity that would assure continued trust in the Bank's operations as far as customers and stakeholders are concerned.

This year the division ensured that the ISO 9001, 27001 and 22301 certifications were updated and remained in force to ensure that the Bank's operations are aligned with strict quality control regulations.

In addition, the Division worked towards empowering threat intelligence services that would help strengthen malware protection across the Bank and take down any hidden and lurking threats within the network for the Bank.

It also evaluated and procured a cloud based breach attack simulation solution to continuously evaluate the effectiveness of current cybersecurity risk management control framework and effectively address weaknesses, if any, against emerging cyber threats to provide proactive organization-wide cybersecurity risk management.

Another key initiative taken this year was the introduction of Cybersecurity Risk Management Policy replacing the earlier Information Security and Business Continuity Manual. This change was initiated to achieve compliance with cybersecurity regulatory requirements.

One of the key achievements of the year was that the Information Security division recorded zero cybersecurity incidents. This success was clearly due to effective maintenance of management systems in line with relevant International standards along with commitment to adopt industry best practices for the management of information systems.

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Business Review
(Continued)

Information Technology

In 2022, the Information Technology department played an active role in further solidifying the digital transformation drive across the entire organization. Its support to the project ensured that systems and processes were in place to make the technological infrastructure more responsive to new opportunities and developments.

Greater emphasis was also placed in adopting new technologies that would promote efficiency, strengthen sustainability measures, and enable Eskan Bank to be in the forefront of customer engagement.

The launch of the new housing financing products enabled the I.T. Department to work closely with other units within the Bank. This close cooperation was in providing the necessary technical know-how in digitalizing and streamlining various processes, and thus, ensure smooth efficiency of the customer experience.

Digital transformation was begun in 2021 but in 2022 there was a greater emphasis in making it more widespread across the different departments. The idea is to implement a one-stop-shop approach for mortgage enquiries and application processing, and greatly limit any physical interaction with bank officials.

Moving the entire process to a digital platform is intended to help customers get immediate solutions to their enquiries – something that would have been long and laborious if all engagement was exclusively in-person.

As part of these initiatives, the IT Department has been actively strengthening the digital experience gained through EskanOnline, and also through baity.bh. These tools were further enhanced in the last year and there are plans to add additional features and capabilities.

Security remains a top priority for the department, and various stringent mechanisms have been introduced to ensure protection of customer data and continued support for privacy.

Corporate Communication

The Corporate Communication Department's main task is to uphold Eskan Bank's brand identity in the eyes of its diverse stakeholders and communicate its core values to the general public and Bahrain's citizens. The department utilizes print, online and social media channels in overseeing a wide range of public relations related activities that encompass planning, engaging, communicating and maintaining close relationships with Governmental institutions, business partners, developers, commercial banks, individuals, media organizations and other stakeholders.

To support these initiatives, the Corporate Communication continues to maintain a consolidated strategy for its external and internal communications, and helps contribute towards promoting the corporate social responsibilities, corporate culture rooted in sustainability, transparency, collaborative energy.

Total number of training hours
3987 hours

50%
of women are in management level

98%
staff retention

48%
overall headcount are women

95%
Bahrainisation rate

12 students
offered summer internship programme

As a strategic partner of the Ministry of Housing & Urban Planning, Eskan Bank is focused on delivering sustainable housing solutions and innovative payment options. It is this focus that has guided the operations at the Corporate Communications Department, and helped in shaping the Bank's messaging to its various stakeholders.

In 2022, the Department was actively involved in the PR and marketing campaign of the new housing finance solutions: Tas'heel Aqari', 'Tas'heel Al Bait Al Oud', and 'Tas'heel Ta'awon' along with a new category of the 'Mazaya Social Housing Scheme'. Working in close partnership with the Retail Banking division, the campaign targeted Bahrain's citizens and emphasized on the core deliverables of these products.

As part of the above launch, the Department organized a series of meetings with participating banks and developers to demonstrate how they can take advantage of Tas'heel, and thus support their own customers with this innovative financing solution.

The year also saw the launch of the Bank's newly revamped website that incorporated new technologies and capabilities which are more interactive and informative, that would help in further bolstering the digital experience for stakeholders.

Corporate Communications has also remained proactive in championing environmental issues, and in spreading awareness on the viability of sustainable housing. For the past ten years, the Eskan Bank Creative Engineering Award has provided a platform for university students to present innovative ideas that could turn into successful projects in the future.

Eskan Bank remained committed to further strengthen toward corporate social responsibilities through various initiatives and activities. Sponsorship support was extended to Cityscape Bahrain 2022 that was held at the Exhibition World in Sakhir. The event provided networking opportunities for serious investors, asset managers, home buyers and high net worth individuals. In addition, the Bank made donations to the Bahrain Athletics Association, the Ministry of Interior and many other institutions and societies.

One significant step that the Bank undertook this year was the establishment of the Environmental, Social and Governance ("ESG") committee. The department organized an awareness campaign targeting all of Eskan Bank and subsidiaries employees to show how the committee supports the Bank's sustainability drive – identifying clear goals and parameters and steps towards achieving clear deliverables.

The Department was also involved in organizing various events for the benefit of Eskan Bank and Subsidiaries employees. These included free breast cancer tests and awareness session as well as special events to mark Labor Day, Ramadan, Bahraini Women's Day and Bahrain National Day.

Human Resources

The Human Resources Department is dedicated towards building a safe, healthy, and inclusive work environment, and provide employees with opportunities for career growth and professional development.

Working closely with the Ministry of Housing & Urban Planning, the department plays a critical role in ensuring the availability of skilled workforce for the various departments and subsidiaries that operate under the Eskan Bank umbrella. It further ensures that activities such as performance management and employee relations remain closely aligned with the Bank's overall strategy and corporate goals.

Some of its main activities include: Strategic Planning and Workforce Management; Recruitment and Selection: Performance Management; Learning and Development; Succession Planning; Staff Welfare and Safety: Compensation and Benefits: and HR Data, Analytics and HR Information System.

The department continued to prioritize employee productivity as a matter of policy. Active steps were taken in empowering employees through skills development, knowledge acquisition, while ensuring career mobility goes hand in hand with training.

In 2022, the department organized a compensation and benefits survey to ensure that the Bank's remuneration policy is aligned with the best market practices. The Bank is also in the process of updating the HR Management System and also upgrade current HR activities while also automating the various processes.

One of the most significant steps undertaken this way was the successful implementation of voluntarily early retirement schemes along with effective succession planning.

This twin approach was geared towards ensuring seamless continuation of bank's operation in the case of any staff turnover.

Another way that the HR Department has helped in strengthening employee productivity is to bring greater focus on internal hiring. New vacancies are first opened up to bank employees so that the first preference is given to members of the Eskan Group, and then extended to others in the community.

Succession planning is also taken into consideration when new employees are hired or current employees given promotion. New processes being introduced ensures that every position within the organization maintains provision for being filled up by talented individuals through training and internal advancement opportunities.

These are steps taken to ensure that employees remain satisfied, and are provided springboards for growth and productivity.

With the launch of the Environmental, Social and Governance ("ESG") committee, Eskan Bank continues to prioritize the need to accelerate the sustainability drive across the organization. Some of the steps taken have been a renewed emphasis on gender equality through empowerment of women employees and in particular in managerial roles. Equality of opportunity for all employees is given greater importance along with customized training and on-going professional development

Subsidiaries, Associates & Strategic Investments

Subsidiaries

Eskan Properties Company B.S.C. (c)

Eskan Properties Company (EPC) is registered in the Kingdom of Bahrain with Eskan Bank holding 100% stake in the company. Serving as the development arm of the Bank, EPC is closely involved in successfully executing various housing and community projects. In addition, the company carries out management and maintenance work for different real estate properties owned by the Ministry of Housing, Eskan Bank and other entities. It also provides advisory services to the Ministry of Housing in relation to commercial areas located in some of the new cities.

Danaat Al Lawzi Company B.S.C (c)

Danaat Al Lawzi was established in 2014 in collaboration with the private sector for the purpose of developing land for an affordable housing project in Hamad Town. Development work on the project commenced in 2017, and handed over in 2020. The project delivered 303 affordable villas, a retail facility featuring a super-market with related amenities, a walkway adjacent to Al Lawzi lake and all necessary primary, secondary and tertiary infrastructure. Eskan Bank holds 100% ownership stake in Danat Al Lawzi following the full acquisition of the remaining shares for the private sector as of 31 October 2022.

Associates

EBDAA Microfinance Company B.S.C

Ebdaa Microfinance Company was involved in disbursing micro-financing to low and middle-income Bahraini families. Eskan Bank was a founding shareholder in the company when it was established in 2009, and holds a 17.1% stake. The company provides beneficiaries with the opportunity to start a new business, become financially independent, and enhance their quality of life.

Eskan Bank Realty Income Trust (EBRIT)

Eskan Bank Realty Income Trust (EBRIT) is the first listed real estate investment trust in Bahrain was established by Eskan Bank in fourth quarter of 2016. EBRIT has a net asset value of BD 11.3 million as of 31st December 2022, of which 36.57% is held by Eskan Bank. The inaugural properties of EBRIT includes, Segaya Plaza along with the commercial components of Danat Al Madina. As EBRIT's investment manager, Eskan Bank is seeking to add more properties to the Trust and has been active in seeking additional opportunities to grow and diversify the portfolio of assets.

Strategic Investment

Naseej B.S.C. (c)

Naseej was established in 2009 by prominent investors from the public and private sectors with Eskan Bank holding a 3% stake in it as a strategic investment. The Bank is also a founding shareholder in the company that plays a pioneering role as a catalyst in addressing affordable housing needs in Bahrain.

Executive Management

Dr. Khalid Abdulla
General Manager

Ahmad Tayara
Chief Business Officer and Deputy General Manager

Parween Ali
Head of Retail Banking

Samar Agaiby
Head of Financial Institutions and Government Relations

Adnan Fathalla Janahi
Head of Human Resources, Administration & Corporate Communications

Muhammed Saeed Butt
Head of Financial Control

Deepak Patel
Head of Operations

Aqeel Mayoof
Head of Information Technology

Hani Nayem
Head of Internal Audit

Haifa Al Madani
Head of Legal and Corporate Secretary

Abeer Albinali
Head of Risk Management

Eskan Properties Company

Eyad Obaid
General Manager

Ahmed Sameei
Senior Manager - Property & Facility Management

Hasan Abdulrahim
Senior Project Manager

Eyad Faisal
Senior Project Manager

Corporate Governance Report

1. Corporate Governance Policy

Eskan Bank's "the Bank" Board of Directors "the Board" has adopted the Bank's Corporate Governance Policy, which is compliant with the Corporate Governance Code issued by the Central Bank of Bahrain and the Decree No. (19) of 2018 concerning the issuance of the Corporate Governance Code issued by Ministry of Industry, Commerce and Tourism in 2018. The Board also ensures that the Bank's business is conducted professionally and in accordance with the applicable laws and regulations of the Kingdom of Bahrain. The Remuneration, Nomination and Corporate Governance Committee of the Board is responsible to ensure the effective application of the corporate governance principles within the Bank. The Audit, Risk and Compliance Committee regularly reviews the Bank's policies approved by the Board of Directors to ensure that the Bank's Corporate Governance Policy's is constantly updated and adopting the new relevant regulations and laws.

The Board ensures that training is provided to Board members periodically. The chairman of the Board must ensure that each new director receives a formal and tailored induction to ensure his contribution to the board from the beginning of the term and should review the board's role and duties with the directors, particularly covering legal and regulatory requirements. The program for Directors includes meetings with senior management, visits to the bank's facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, its internal and external auditors and legal counsel.

2. Shareholder Information

The shareholder of Eskan Bank is the Government of the Kingdom of Bahrain. The Bank was founded with an authorised capital of BD 40 million, and an issued and paid-up capital of BD 15 million. In 2011, the Bank increased its capital upon the Cabinet's approval as per order no. 2113-05. Accordingly, the Bank's authorised capital has reached BD 400 million and the paid up capital was estimated at BD 108.3 million. The increased capital was covered from retained profits available in the Bank.

- **Shareholders Notification**

The Board of Directors raises decisions that need shareholder approval to the Cabinet in accordance with the Statute of the Bank.

Due to the unique nature of the Bank being fully owned by the Government of the Kingdom of Bahrain, and in pursuance to Legislative decree No. 4 of 1979 with respect to the Estab-lishment of Eskan Bank amended by Law No. 75 of 2006, the Cabinet is the sole authorized party for appointing Board Members, thus the Bank is not required to hold an Annual Gen-eral Meeting. All key resolutions issued by the Bank, which require the approval of an Ordi-nary or Extra-Ordinary General Assembly shall be subject to Cabinet approval.

- **Periodic Reports**

Performance and activities reports, as well as financial statements of Eskan Bank are submitted to the Ministry of Housing, Ministry of Finance and National Economy, Ministry of Industry, Commerce and Tourism and the Central Bank of Bahrain.

The Bank is committed to seek the approval of the Tender Board to obtain goods and services with a value exceeding 50,000 Bahraini Dinars in accordance to the Legislative Decree No. 36 of 2002 with Respect to Regulating Government Tenders and Purchases. In addition, the Bank is required to obtain the approval of the Legislation and Legal Opinions Commission on any contracts entered into by the Bank which lead to financial obligations exceeding 300,000 Bahraini Dinars.

Additionally, the bank is required to obtain the board approval for unbudgeted revenue expenditures and capital expenditures transactions with a value exceeding BD 100,001. Furthermore, the bank shall obtain the board approval for acquisition of real estate transactions and project costs transactions with a value exceeding BD 300,001. Project costs are specified as consultancy costs, construction costs and other costs. If the original project cost itself is expected to exceed by 10% or more of the initially approved project cost or BD 1,000,000 whichever is lower, the matter should be referred to the Executive Committee, Board of Directors for their approval. The Bank is also subject to the supervision and scrutiny of the National Audit Court.

3. Board of Directors Information

- **Board composition**

Eskan Bank's Board has been appointed by virtue of Cabinet Decree No. 20 of 2018 dated 15 July 2018 for three years, and then by 8 December 2022 the Board has been restructured by virtue of Cabinet Decree No. 63 of 2022 for three years, that in line with Legislative Decree No. 4 of 1979 with respect to the establishment of the Eskan Bank amended by Law No. 75 of 2006, whereby in accordance with the said Cabinet Decrees eight members of leading Bahraini banking and finance professionals have been appointed for a period of 3 years which may be renewed, in addition to the Minister of Housing and Urban Planning as the Chairman.

- **Board Member's Remunerations**

The remuneration (consist the setting fees) of the chairperson and members of the Board has been regulated and Disbursed pursuant to the Cabinet Decree, which has been capped by BD 8,000 annually bases for each Director, according to last paragraph at the article No. (11) of the Legislative

Corporate Governance Report (Continued)

Decree No. 4 of 1979 with respect to the establishment of the Eskan Bank amended by Law No. 75 of 2006, which stipulates that the Board's chairperson, vice chairperson and members shall be determined upon approval from the Cabinet of Ministers.

During the year 2022, the bank has paid setting fees a total of BD 68,000 to the Chairper-son and members for attending Board and Board Committees meetings, including the amount of BD 3,000/- that have been paid to the chairperson and members of the Remu-neration, Nomination & Corporate Governance Committee for same period.

- **Board Secretary**

The Board is supported by the Board Secretary who provides administrative and legal support to the Board and Board committees. The appointment of the Board Secretary is subject to the approval of the Board and the Central Bank of Bahrain.

- **Director's Roles and Responsibilities**

The Board of Directors is responsible for the overall corporate governance of Eskan Bank, which is in line with CBB corporate governance principles ensuring that the Bank is run in an efficient and effective manner. The Board meets regularly throughout the year and maintains full and effective control over strategic, finance, operational, internal control and compliance issues. The Board's remit includes charting the direction of the Bank, setting objectives, formulating strategy, establishing policy guidelines. The Board has full authority to take decisions on setting annual operating plan and budget, authority levels, major capital expenditure, divestitures, mergers and acquisitions, certain strategic investments, disposal of assets, capital expenditure, appointing of external auditors and the implementation of corporate ethics and the code of conduct. In-addition the board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and monitoring Management and the running of the business according to an agreed framework. The Board is ultimately accountable and responsible for the affairs and performance of the Bank. The resolutions of the Board of Directors shall be valid immediately after their issuance with exception of resolutions relating to matters stated in Article 17 of Eskan Bank's Establishment Law and Articles of Association in which such resolutions shall only be deemed valid after being approved by the Council of Ministers. The Board of Directors in practice has delegated certain duties to the General Manager.

- **Whistle-Blowing Policy**

The Bank has a whistle-blowing policy whereby Management has designated officials to whom employees can approach. The policy provides adequate protection to the employees for any reports in good faith; EB executive management have periodically review the policy.

- **Code of Conduct & Conflict of Interest**

The Bank has adopted Code of Conduct and other internal policies and guidelines designed to guide all employees and directors through best practices in compliance with all laws, rules and regulations that govern the Bank's business operations. The Code of Conduct con-tains rules on conduct, ethics and on avoiding conflict of interest applicable to all the em-ployees and directors of the Bank. The Bank has an annual declaration of Conflict of Interest statement for Board members, whereby each director has the responsibility to disclose any material interest related to business transactions and agreements.

- **Annual Disclosure for controlled functions Persons**

The Bank has maintained a requirement within the adopted Corporate Governance Policy, for the annual disclosure to the Board of Directors, regarding the employment of relatives of the approved persons occupying controlled functions within bank.

Pursuant to this section, The General Manager has disclosed to the Board of Directors that there are no relatives of any member occupying approved person in-controlled functions within the Bank for the year 2022.

- **Annual Performance Evaluation of Board Members and its Committees**

In accordance with the Corporate Governance Policy, the Board has adopted the perfor-mance evaluation models for Board Members performance and Board Committees perfor-mance, Corporate secretary has circulated the performance evaluation form for year 2022 to the board members, for evaluate the performance of board of directors and committees for the year 2022, and it will be discussed during the first board meeting for the year 2023.

4. Board Committees

The Board has three committees with specific delegated responsibilities, which include the Executive Committee, Audit, Risk and Compliance Committee, and Remuneration, Nomination and Corporate Governance Committee.

- **Board Committees composition, roles and responsibilities**

Executive Committee	
Members: (*) 1- Mr. Mohammed Hussein Bucheeri (Chairperson) 2- Dr. Riyad Saleh Al Saei (Vice Chairperson) 3- Mr. Kamal Murad Ali Murad 4- Mrs. Rana Ebrahim Faqihi **(*) the members within the new appointment of the Board.** 1- Mr. Mohammed Hussein Bucheeri (Chairperson) 2- Mrs. Najla Mohamed AlShirawi 3- Mrs. Balsam Ali AlSalman	**Summary terms of reference:** • The committee is formed with a minimum of three members, which consist mostly of independent non-executive members to be appointed by the Board. • The Committee shall meet at least quarterly or as frequently as required to perform its role effectively. (The Committee held four meetings during 2022). • Majority of the Members are required to attend the meetings to ensure a quorum. • Concerned Chiefs, Heads and Managers are invited to attend the meetings (If required). **Summary of responsibilities:** The role of the committee is to assist the Board in carrying out its duties. Therefore, the committee is to exercise its roles and responsibilities as required by the terms of reference or assigned by the Board of Directors from time to time. The Committee is specifically delegated with recommending to the board or taking decisions relating to broad policy and planning matters relating to the administration of the Bank, Review strategy, annual budget forecasts, performance vis-a-vis budgets and the budget variances, review any major change which is expected to have a significant economic impact on the organization, approve lending decisions, and taking on of funded and non-funded financial risk exposures and financial outlays, specific provisioning of doubtful debts or the write-offs up to its Delegated Authority, where the credit risk lies with the Bank, delegation of Financial Authority, and provide oversight and good governance of the investment activities of the Bank.

Corporate Governance Report
(Continued)

Audit, Risk and Compliance Committee

Members: (*)

1- Mrs. Najla Mohamed Al – Shirawi (Chairperson)

2- Dr. Zakaria Sultan Mohammed Al-Abbasi

3- Sh. Mohamed bin Ibrahim Al-Khalifa

(*) the members within the new appointment of the Board.

1- Mr. Isa Abdulla Zainal (Chairperson)

2- Mrs. Reem Abdulghaffar Alalawi

3- Mr. Abdullatif Khalid Abdullatif

Summary terms of reference:

- The committee is formed with a minimum of three members, which consists mostly of independent non-executive members to be appointed by the Board.
- A minimum number of four meetings are required to be held each year, (the Committee held Four meetings during 2022)
- At least two Members are required to attend the meetings to ensure a quorum.
- General Manager and concerned Chiefs, Heads and Managers are invited to attend the meetings. (If required)

The committee should meet at least twice with the external auditor in the absence of the Bank's executive management.

Summary of responsibilities:

The primary function of the committee is to assist the Board in fulfilling its supervisory responsibilities by reviewing the Bank's financial statements that are to be submitted to the concerned authorities, and reviewing the internal monitoring framework established by the Board of Directors.

Remuneration, Nomination & Corporate Governance Committee

Members: (*)

1- H.E. Eng. Bassim bin Yaqob Al Hamer (Chairman)

2- Mr. Yusuf Abdullah Mohammed Taqi

3- Dr. Riyad Saleh Al Saei

(*) the members within the new appointment of the Board.

1- HE Mrs. Amna Bint Ahmed AlRumaihi

2- Mr. Nabeel Saleh Ali Ebrahim Abdulaal

3- Mr. Mubarak Nabeel Mattar

Summary terms of reference:

- The committee is formed with a minimum of three members, which consists mostly of independent non-executive members to be appointed by the Board.
- A minimum number of two meetings are required to be held each year, (the Committee held one meetings during 2022).
- At least two Members are required to attend the meetings to ensure a quorum.
- General Manager and concerned Chiefs, Heads and Managers are invited to attend the meetings (if required).

Summary of responsibilities:

The purpose of the committee is to recommend human resources policies and procedures for the Bank; assist the Board in reviewing and approving the Bank's policy for the remuneration of employees, directors, Board Committee members, the General Manager, Executive Management and staff; to follow up the policies, rules, and the best practices of corporate governance.

5. Board Meetings and Attendance 2022

The Board of Directors is required to hold at least four meetings during each fiscal year upon the invitation of the Chairman.

A Board of Directors meeting shall be deemed valid if attended by the majority of the Directors in person, provided the Chairman or Vice Chairman shall attend in person. The Board held four meetings during 2022. The below schedule shows dates of meetings and attendance of Board Members, including the New appointed Directors:

- **Board of Directors Meetings During 2022**

Members	9 Mar. 2022 (1st Meeting)	8 June 2022 (2nd Meeting)	14 Dec. 2022 (3rd Meeting)	25 Dec. 2022 (4th Meeting)
HE Eng. Bassim bin Yacob Al Hamer (Chairman)	✓	✓	NA	NA
HE Mrs. Amna Bint Ahmed AlRumaihi (Chairman)	NA	NA	✓	✓
Mr. Mohammed Abdulrahman Hussein Bucheeri (Vice Chairman)	✓	✓	✓	✓
Mr. Yusuf Abdullah Mohammed Taqi	✓	✓	NA	NA
Dr. Zakaria Sultan Mohammed Al-Abbasi	✓	✓	NA	NA
Dr. Riyad Saleh Al Saei	✓	✓	NA	NA
Mr. Kamal Murad Ali Murad	✓	✓	NA	NA
Mrs. Najla Mohamed Al – Shirawi	✓	✓	✓	✓
Mrs. Rana Ebrahim Faqihi	✓	✓	NA	NA
Sh. Mohamed bin Ibrahim Al-Khalifa	✓	✓	NA	NA
Mr. Isa Abdulla Zainal	NA	NA	✓	✓
Mr. Nabeel Saleh Ali Ebrahim Abdulaal	NA	NA	✓	✓
Mr. Mubarak Nabeel Mattar	NA	NA	✓	✓
Mrs. Reem Abdulghaffar Al Alawi	NA	NA	✓	✓
Mr. Abdullatif Khalid Abdullatif	NA	NA	✓	✓
Mrs. Balsam Ali Alsalman	NA	NA	✓	✓

- **Executive Committee Meetings**

The Executive Committee held four meetings during 2022, the below schedule shows dates of meetings and attendance of Board Members, including the New appointed Directors:

Members	24 Feb. 2022 (1st Meeting)	25 May 2022 (2nd Meeting)	14 Sep. 2022 (3rd Meeting)	25 Dec. 2022 (4th Meeting)
Mr. Mohammed Abdulrahman Bucheeri (Chairperson)	✓	✓	✓	✓
Dr. Riyad Saleh Al Saei	✓	✓	✓	NA
Mr. Kamal Murad Ali Murad	✓	✓	✓	NA
Mrs. Rana Ebrahim Faqihi	✓	✓	✓	NA
Mrs. Balsam AlSlaman	NA	NA	NA	✓
Mrs. Najla Mohamed Al – Shirawi	NA	NA	NA	✓

Corporate Governance Report
(Continued)

- **Audit, Risk and Compliance Committee Meetings**

The Audit, Risk and Compliance Committee held Four meetings during 2022, the below schedule shows dates of meetings and attendance of Board Members, including the New appointed Directors:

Members	20 Feb. 2022 (1st Meeting)	9 May 2022 (2nd Meeting)	15 Aug. 2022 (3rd Meeting)	7 Nov. 2022 (4th Meeting)
Mrs. Najla Mohamed Al – Shirawi (Chairperson)	✓	✓	✓	✓
Dr. Zakareya Sultan Mohammed Al-Abbasi	✓	✓	✓	✓
Sh. Mohamed bin Ibrahim Al-Khalifa	✓	✓	✓	✓

- **Remuneration, Nomination and Corporate Governance Committee Meetings**

The Remuneration, Nomination and Corporate Governance Committee held one meetings during 2022. The below schedule shows dates of meetings and attendance of Board Members:

Members	28 Feb. 2022 (1st Meeting)
HE Eng. Bassim bin Yacob Al Hamer (Chairperson)	✓
Mr. Yusuf Abdullah Mohammed Taqi	✓
Dr. Riyad Saleh Al Saei	✓

The Remuneration, Nomination and Corporate Governance Committee also held two meetings during 2021 and an aggregated amount paid to the committee members is BD 3000 for the year ended 2021.

6. Shari'a Supervisory Board (SSB)

The Bank's Board of Directors has established a Shari'a Supervisory Board (SSB), which was formed in May 2009, and was been re-appointed with the same members for further periods every 3 years, which was reappointed for another term starting from January 2022 to December 2024.

Members	Summary of Responsibilities
Dr. Sh. Nezam Yacouby (Chairperson)	The Shari'a Supervisory Board is an independent body responsible for directing, reviewing and supervising the Islamic activities in Eskan bank in order to ensure that they are in compliance with Islamic Shari'a rules and Principles.
Dr. Sh. Abdulaziz Khalifa Al-Qassar (Vice Chairperson)	
Sh. Abdul Nasser Al-Mahmood (Executive Member)	

- **Shari'a Supervisory Board Meetings**

The Shari'a Supervisory Board held four meetings during 2022, the below schedule shows dates of meetings and attendance of the Shari'a Board Members:

Members	16 Feb. 2022 (1st Meeting)	26 June 2022 (2nd Meeting)	24 Oct. 2022 (3rd Meeting)	8 Dec. 2022 (4th Meeting)
Dr. Sh. Nezam Yacouby (Chairperson)	✓	✓	✓	✓
Dr. Sh. Abdulaziz Khalifa Al-Qassar (Vice Chairperson)	✓	✓	✓	✓
Sh. Abdul Nasser Al-Mahmood (Executive Member)	✓	✓	✓	✓

- **Shari'a Supervisory Board Member's Remuneration**

The disbursement of Shari'a Supervisory Board Member's Remuneration has been determined in accordance with Eskan Bank's Board of Director's Resolution No. 11/4 for the year 2021, which states that the remuneration of 10,000 US Dollars is to be disbursed annually to the Shari'a Supervisory Board Members. In addition, BD 2000 per annum is disbursed to Sh. Abdul Nasser Al-Mahmood the Shari'a Supervisory Board Executive Member due to the nature of his position which requires him to provide direct and immediate support to the relevant departments of the Bank.

Aggregate remuneration paid to Shari'a Supervisory Board members in 2022 was BD 13,340 Bahraini Dinars.

7. Management

The Board appointed Dr Khalid Abdulla in the capacity of General Manager of Eskan Bank, whereby the Board delegated him with the authority to manage the Group business. The General Manager is responsible for the day-to-day performance and operations of the Bank, and is supported by a well-qualified and experienced Management Team. The Bank's day-to-day operations are guided by a number of management committees, which have been formed by virtue of Administration Decisions with respect to Restructuring of Eskan Bank's Internal Committees issued by the General Manager. Eskan Bank's Internal Committees include the Management Committee, Risk Management Committee, Asset & Liability Management Committee, IT Steering Committee, Internal Tender Committee, Human Resources Committee, Investment & Credit Committee and the New Product Committee.

The General Manager has disclosed to the Board of Directors that he does not have any relatives of any approved persons occupying controlled functions within the Bank or with any of the board members.

7. Management (continued)

The General Manager issued Administrative Resolution No. (1) of 2021 on 15 July 2021 with respect to Re-structuring the Internal Committees of Eskan Bank as follows:

Management Committee	Summary of responsibilities:
Members: The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Financial Institutions & Government Relations 5. Head of Legal Advisory & Corporate Secretary 6. Head of Risk Management 7. Head of Retail Banking 8. Head of Financial Control 9. Head of Internal Audit 10. Head of Human Resources, Administration & Corporate Communications 11. Head of Information Technology 12. Head of Operations 13. Manager - Corporate Communications **Secretary** - Senior Manager Information Security The Committee will be chaired by the General Manager who will appoint the Vice Chairperson.	The role of the Management Committee is to ensure the proper functioning of the business divisions and support functions of the Bank.

7. Management (continued)

Risk Management Committee ("RMC")	Summary of responsibilities:
Members The Committee shall consist of the members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Risk Management 5. Head of Retail Banking 6. Head of Legal Advisory & Corporate Secretary 7. Head of Operations 8. Head of Financial Control 9. Head of Information Technology **Secretary -**Manager- Risk Management. The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the General Manager who will appoint the Vice Chairperson.	The responsibility of the committee is to review and manage the credit, market and operational risks of the Bank, and to recommend on matters brought to it for consideration, including credit proposals for approvals.

7. Management (continued)

Asset & Liability Management Committee (ALCO)	Summary of responsibilities:
Membership: The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. Head of Risk Management 4. Head of Financial Control 5. Manager - Treasury **Secretary-** Manager – Financial Control The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the General Manager who will appoint the Vice Chairperson.	The function of the committee is to develop and institute an active and integrated approach to managing the Bank's financial position within regulatory and other guidelines on structure and on capital adequacy. ALCO sets and monitors the liquidity and market risk strategy policies of the Bank, as well as reviewing and allocating capacity on the financial position.

IT Steering Committee (ITSC)	Summary of responsibilities:
Members: The Committee shall consist of members with the following designation: 1. Chief Business Officer & Deputy General Manager **(Chairman)** 2. Head of Retail Banking 3. Head of Financial Control 4. Head of Information Technology 5. Head of Operations 6. Head of Risk Management **Secretary –** Senior Manager Information Security The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the Chief Business Officer and Deputy General Manager who will appoint the Vice Chairperson.	The committee is responsible for overseeing the IT strategic direction of Eskan Bank; and for providing ef-fective and secure IT services across the Bank through assessing opportu-nities to practically manage IT re-sources and knowledge, and acquire best IT solutions to meet the growth of the Bank.

7. Management (continued)

Human Resources Committee ("HRC")	Summary of responsibilities
Members: The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Retail Banking 5. Head of Human Resources, Administration & Corporate Communications 6. Head of Legal Advisory & Corporate Secretary 7. Head of Information Technology **Secretary:** Senior Manager - Human Resources The General Manager may appoint any other member upon his discretion. Only attending members are allowed to vote. The Committee will be chaired by the General Manager who will appoint the Vice Chairperson.	The function of the committee is to provide a forum for consultation and exchange of ideas and decision making, on all matters relating to the planning and management of the Bank's human capital.

Investment & Credit Committee (ICC)	Summary of responsibilities
The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Risk Management (Non-Voting member) 5. Head of Financial Control **Secretary:** Senior Manager Information Security The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the General Manager who will appoint the Vice Chairperson.	Review, approve, and recommend to the Executive Committee and Board of Directors all proposals for investments and credit activities in relation to joint ventures, private equity, and real estate develop-ments (excluding social loans activi-ties), in line with the approved au-thority matrix.

7. Management (continued)

Internal Tender Committee	Summary of responsibilities
The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Human Resources 5. Head of Legal Advisory & Corporate Secretary **Secretary –** Assistant Manager – Administration Department The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the General Manager who will appoint the Vice Chairperson. The Committee Members have been duly appointed by virtue of the approval issued by the Tender & Auc-tions Board.	The Committee reviews and oversees all the internal tender related matters of EB & subsidiaries, and issues approvals for internal tenders to be selected, in addition to approving the renewal of contracts.

New Product Committee (NPC)	Summary of responsibilities
The Committee shall consist of members with the following designation: 1. Chief Business Officer & Deputy General Manager **(Chairman)** 2. Head of Retail Banking 3. Head of Operations 4. Head of Information Technology 5. Compliance Manager (Non-Voting member) **Secretary –** Assistant Manager – Sales & Marketing The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the Chief Business Officer and Deputy General Manager who will appoint the Vice Chairperson.	The Committee oversees the development of new and existing client products and services for treasury, asset management, commercial banking, property development, mortgage finance, and other areas of the Bank, assesses reputation, operational, IT, Risk, Legal, Compliance, staffing and fee sharing issues and approves such products and services.

7. Management (continued)

Remedial Credit Committee (RCC)	Summary of responsibilities
The Committee shall consist of members with the following designation: 1. General Manager **(Chairman)** 2. Chief Business Officer & Deputy General Manager 3. General Manager – Eskan Properties Company 4. Head of Legal Advisory & Corporate Secretary 5. Manager – Remedial and Collections 6. Head of Risk Management **Secretary –** Assistant Manager - Remedial and Collections The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the Chief Business Officer and Deputy General Manager who will appoint the Vice Chairperson.	Remedial Credit Committee (RCC) has been formed to review, monitor and manage the loans portfolio and community shops of the Bank and to assist Risk Management in driving control across the business, assessing & managing the risks to the business. The Committee will discuss the proposed recommendations and course of actions by the Remedial Department to control and reduce the Non Performing Finances and mitigate the non-performing loans portfolio. The RCC ensures appropriate policies, controls and measures are in place and adhered to in order to support this, and to give appropriate management oversight to ensure conformance.

IFRS 9 Steering Committee	Summary of responsibilities
The Committee shall consist of members with the following designation: **Membership** 1. General Manager **(Chairperson)** 2. Chief Business Officer & Deputy General Manager 3. Head of Financial Control 4. Head of Risk Management 5. Head of Information Technology 6. Head of Internal Audit (non-voting member) **Secretary –** Assistant Manager – Risk Management Department The General Manager may appoint any other member upon his discretion. In case of any member's absence, his/her direct successors shall attend on his/her be-half. The Committee will be chaired by the Chief Business Officer and Deputy General Manager who will appoint the Vice Chairperson.	IFRS 9 Steering committee ("Committee") is the main forum where specific matters related to provision-ing will be discussed. The commit-tee is also responsible for ensuring proper integration of IFRS 9 throughout the Bank and providing review and recommenda-tions/ approval of key decisions. The Committee has the primary responsibility of overseeing the Bank's Expected Credit Loss ("ECL") models. The committee is also responsible for ensuring the adequacy of the processes, controls and governance frameworks around reviewing and monitoring the elements that would impact the computation of ECL and recommend changes if needed.

7. Management (continued)

Senior Management Remuneration

The Remuneration, Nomination and Corporate Committee is authorised by the Board to recommend the remuneration policy of the Bank and the remuneration of those senior executives whose appointment requires Board approval.

The Bank's remuneration policies are applicable to all employees including General Manager. The remuneration primarily consists of the monthly salary and allowances.

Aggregate remuneration paid for senior management in 2022 was BD 1,698,974.

8. Compliance and Anti-money Laundering

Compliance with regulatory and statutory requirements is an ongoing process. The Bank is conscious of its responsibilities in observing all regulatory provisions and best international practices in its functioning. The Bank has established Compliance function in accordance with CBB guidelines. The unit acts as a focal point for all regulatory compliance and for adapting other best practice compliance principles. The Bank continuously strives to improve the level of compliance in all its activities.

Compliance with CBB anti-money laundering requirements and measures forms an important area of the Compliance Function. As per CBB requirements, the anti-money laundering function is regularly audited by the external and internal auditors, and copies of the reports are presented to the Audit, Risk and Compliance Committee.

The CBB performs periodic inspections of the Bank's compliance with anti-money laundering regulations.

9. Communication Strategy

The Bank has adopted a Disclosure policy consistent with CBB requirements. The Banks' annual reports for at least three years are published on the website. The Bank uses a newsletter and emails for the purpose of communicating with its employees on general matters, and sharing information of common interest and concern.

10. Internal Audit role

The role of internal auditor is to provide an independent and objective review of the efficiency of the Bank's operations to help the Audit, Risk and Compliance Committee perform its responsibilities effectively. It includes performing a review of the accuracy and reliability of the accounting records and financial reports, as well as a review of the adequacy and effectiveness of the Bank's risk management, internal controls and corporate governance.

The Head of Internal Audit is appointed by and reports directly to the Audit, Risk and Compliance Committee.

Shari'a Board of Directors

Shaikh Dr. Nezam
Mohammed Saleh Yacouby

- Member of several Shari'a Supervisory Boards around the world
- Member of the Shari'a Supervisory Board for the Accounting and Auditing organization for the Islamic Financial Institutions (AAOIFI)
- Recipient of several Awards in the field of Islamic Finance and Islamic Services
- PhD in Islamic Law.

Shaikh Dr. Abdul Aziz Khalifa
Al Qassar

- Prof. Dr. Abdul Aziz Khalifa Al Qassar Professor of Comparative Jurisprudence at the Faculty of Sharia and Islamic Studies at Kuwait University
- He received a doctorate degree in comparative jurisprudence from the Faculty of Sharia and Law - Al-Azhar University - Cairo - Arab Republic of Egypt in 1997 AD
- Faculty member at the Faculty of Sharia and Islamic Studies at Kuwait University from 1997 to 2017.
- He served as Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Sharia and Islamic Studies at Kuwait University from the period 2001-2005 AD
- A member of the Fatwa and Shari'a in many institutions and Islamic banks in Kuwait and abroad
- A lecturer in Islamic finance, has many research and religious studies in Islamic jurisprudence and contemporary financial transactions

Shaikh Abdul-Nasser Omar
Al Mahmood

- Head of Sharia Coordination and Implementation Department - KHCB
- Over 24 years of Experience in Shari'a Audit and Islamic Banking
- Member of several Shari'a Supervisory Boards
- Master in Business Administration
- B.Sc. in Shari'a and Islamic Studies
- High Diploma in Islamic Commercial Studies from BIBF Institute
- Recognized Trainer at BIBF Institute

Shari'a Supervisory Board Report
For the year ended 31 December 2022

07 Sha'ban 1444 BC coinciding 27th February 2023

Praise be to Allah, and May peace and blessing be upon Prophet Mohammed, his family, and his companions.

To the members of the Board of Directors of ESKAN Bank

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

In compliance with the letter of appointment, we are required to submit the following report:

During the year ended 31 December 2022, we have reviewed the principles and contracts relating to the transactions and applications conducted by the Bank through Ijara Muntahiya Be Tamleek and Reverse Istisna'a (Islamic Products), and treasury department products carried out by the Bank. We have also conducted our review to form an opinion as to whether the Bank has complied with Shari'a Rules and Principles and with specific Fatwas, rulings and guidelines issued by us.

We believe that ensuring the conformity of the Bank's activities with the provision of Islamic Shari'a is the sole responsibility of the Bank's Management, while the Shari'a Supervisory Board is only responsible for expressing an independent opinion based on our review of the operations of the Bank, and for reporting to you.

We conducted our review, which included examining on a test basis of each type of Islamic products transactions, the relevant documentation and procedures carried out by the Bank in concluding Islamic transactions.

We planned and performed our review directly through the Internal Shari'a Auditor to obtain all information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Islamic Rules and Principles.

In our opinion:

Contracts, transactions and dealings related to Islamic products entered into by the Bank during the year ended 31 December 2022 that we have reviewed complies with the Islamic Shari'a Rules and Principles.

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

Sh. Dr. Nezam Mohammed Saleh Yacouby
Chairman

Sh. Dr. Abdul Aziz Khalifa Al Qassar
Vice Chairman

Sh. Abdul Nasser Omar Al Mahmood
Executive Member

CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2022

Contents

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ESKAN BANK B.S.C. (c)
Al Seef, Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Eskan Bank B.S.C (c) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as modified by Central Bank of Bahrain (CBB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Chairman's report set out on pages 8 - 11.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as modified by Central Bank of Bahrain, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law, and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 1, applicable provisions of Volume 6 and CBB directives) or the terms of the Bank's articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG Fakhro
Partner Registration Number 213
26 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022 BD	2021 BD
ASSETS			
Cash and bank balances	5	**87,819,613**	85,471,544
Investments	6	**4,492,867**	7,222,804
Loans	7	**808,805,479**	749,669,594
Investment in associate	8	**4,120,148**	4,189,291
Investment properties	9	**61,523,172**	59,474,310
Development properties	10	**39,093,708**	13,779,453
Other assets	11	**2,703,258**	14,393,799
TOTAL ASSETS		**1,008,558,245**	934,200,795
LIABILITIES AND EQUITY			
LIABILITIES			
Interbank borrowings		**10,000,000**	10,000,000
Customer current accounts		**9,267,243**	8,546,855
Government accounts	12	**505,202,068**	469,184,838
Term loans	13	**75,000,000**	75,000,000
Other liabilities	14	**7,305,023**	6,533,610
TOTAL LIABILITIES		**606,774,334**	569,265,303
EQUITY			
Share capital	15	**108,300,000**	108,300,000
Contribution by the shareholder		**36,914,617**	22,449,597
Statutory reserve		**54,461,896**	54,461,896
Fair value reserve		**(108,135)**	(572,167)
Retained earnings		**202,215,533**	171,021,678
Equity attributable to Bank's shareholder		**401,783,911**	355,661,004
Non-controlling interest	16	**-**	9,274,488
TOTAL EQUITY		**401,783,911**	364,935,492
TOTAL LIABILITIES AND EQUITY		**1,008,558,245**	934,200,795

H.E. Mrs. Amna Bint Ahmed Al Rumaihi
Housing & Urban Planning Minister
Chairperson of Eskan Bank

Isa Abdulla Zainal
Director

Dr. Khalid Abdulla
General Manager

The accompanying notes 1 to 32 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **BD**	2021 BD
Interest income	17	**38,222,957**	33,947,143
Interest expense	18	**(134,658)**	(111,500)
Net interest income		**38,088,299**	33,835,643
Income from properties	19	**1,935,666**	3,205,439
Net share of profit from investment in associate	8	**204,699**	253,495
Other income	20	**1,023,474**	1,060,677
TOTAL OPERATING INCOME		**41,252,138**	38,355,254
Staff costs		**(5,222,352)**	(4,923,102)
Other expenses	21	**(2,561,630)**	(1,998,788)
TOTAL OPERATING EXPENSES		**(7,783,982)**	(6,921,890)
Profit before net impairment loss		**33,468,156**	31,433,364
Net impairment loss	22	**(507,944)**	(1,542,799)
PROFIT FOR THE YEAR		**32,960,212**	29,890,565
OTHER COMPREHENSIVE INCOME			
Items that will not be classified to profit or loss:			
Change in the fair value of equity instruments classified at fair value through other comprehensive income		**(109,211)**	78,219
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,851,001**	29,968,784
Profit attributable to:			
Equity shareholder of the parent		**32,315,045**	28,710,420
Non-controlling interest		**645,167**	1,180,145
		32,960,212	29,890,565
Total comprehensive income attributable to:			
Equity shareholder of the parent		**32,205,834**	28,788,639
Non-controlling interest		**645,167**	1,180,145
		32,851,001	29,968,784

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Equity attributable to Bank's shareholder							
	Share capital BD	Contribution by the shareholder BD	Statutory reserve BD	Fair value reserve BD	Retained earnings BD	Total BD	Non-controlling interest BD	Total equity BD
As at 1 January 2022	**108,300,000**	**22,449,597**	**54,461,896**	**(572,167)**	**171,021,678**	**355,661,004**	**9,274,488**	**364,935,492**
Total comprehensive income:								
Profit for the year	**-**	**-**	**-**	**-**	**32,315,045**	**32,315,045**	**645,167**	**32,960,212**
Other comprehensive income	**-**	**-**	**-**	**(109,211)**	**-**	**(109,211)**	**-**	**(109,211)**
Transfer of lands (note 9 and 10)	**-**	**14,465,020**	**-**	**-**	**-**	**14,465,020**	**-**	**14,465,020**
Sale of equity FVOCI	**-**	**-**	**-**	**573,243**	**(573,243)**	**-**	**-**	**-**
Transaction with owners recognised directly in equity:								
Acquisition of NCI without a change in control (note 16)	**-**	**-**	**-**	**-**	**(547,947)**	**(547,947)**	**(9,919,655)**	**(10,467,602)**
As at 31 December 2022	**108,300,000**	**36,914,617**	**54,461,896**	**(108,135)**	**202,215,533**	**401,783,911**	**-**	**401,783,911**

As at 1 January 2021	108,300,000	22,344,597	54,461,896	(650,386)	142,311,258	326,767,365	8,094,343	334,861,708
Total comprehensive income:								
Profit for the year	-	-	-	-	28,710,420	28,710,420	1,180,145	29,890,565
Other comprehensive income	-	-	-	78,219	-	78,219	-	78,219
Transfer of land (note 9)	-	105,000	-	-	-	105,000	-	105,000
As at 31 December 2021	108,300,000	22,449,597	54,461,896	(572,167)	171,021,678	355,661,004	9,274,488	364,935,492

The accompanying notes 1 to 32 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	2022 BD	2021 BD
OPERATING ACTIVITIES			
Profit for the year		**32,960,212**	29,890,565
Adjustments for:			
Share of profit from investment in associate	8	**(204,699)**	(253,495)
Net impairment loss	22	**507,944**	1,542,799
Land compensation income	19	**-**	(676,000)
Other income		**(141,763)**	-
Gain on sale of development properties	19	**(1,104,620)**	(2,019,302)
Depreciation and amortization	21	**588,350**	553,237
Operating profit before working capital changes:		**32,605,424**	29,037,804
Net collections from loans		**23,659,724**	32,913,140
Decrease in other assets		**(65,947)**	(11,412,314)
(Increase) / decrease in development properties		**(10,741,768)**	6,374,564
Increase in Investment properties		**(25,106)**	-
Decrease / (increase) in restricted bank balance		**325,500**	(351,000)
Increase in customer current accounts		**720,388**	312,003
Increase in other liabilities		**767,252**	531,672
Net movement in government account		**(28,972,261)**	(37,721,479)
Net cash generated from operating activities		**18,273,206**	19,684,390
INVESTING ACTIVITIES			
Maturity of debt securities / investment in debt securities		**1,978,115**	(2,374,091)
Placement with financial institution with original maturity of more than 90 days		**(4,941,222)**	(4,205,431)
Dividend received on investment in associate		**187,971**	186,321
Purchase of equipment		**(125,054)**	(241,660)
Investment in an associate		**(44,736)**	(43,856)
Net cash used in investing activities		**(2,944,926)**	(6,678,717)
FINANCING ACTIVITIES			
Proceeds from term loans		**-**	30,000,000
Proceeds from government	12 (a)	**-**	20,000,000
Payment to and on behalf of government, net		**(17,606,330)**	(12,211,415)
Net cash (used in) / generated from financing activities		**(17,606,330)**	37,788,585
Net (decrease) / increase in cash and cash equivalents		**(2,278,050)**	50,794,258
Cash and cash equivalents at 1 January*	5	**80,076,041**	29,281,783
CASH AND CASH EQUIVALENTS AT 31 DECEMBER*	5	**77,797,991**	80,076,041

* The balances at 31 December 2022 and 31 December 2021 are gross of the expected credit loss of nil and BD 4,855 respectively.

The accompanying notes 1 to 32 are an integral part of the consolidated financial statements.

1. REPORTING ENTITY

Incorporation

Eskan Bank B.S.C. (c) (the "Bank") is a closed joint stock company registered and incorporated by Amiri Decree No. 4 of 1979. The Bank operates under a restricted commercial banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's shares are fully owned by the Government of Bahrain in accordance with the Articles of Association.

Activities

The Bank's principal activities include granting housing loans to Bahrain nationals as directed by the Ministry of Housing ("MOH"), developing / construction projects within the Kingdom of Bahrain. Further, the Bank also acts as an administrator for the MOH in respect of housing facilities and certain property related activities. As an administrator, it enters into various transactions in the ordinary course of business related to housing loans, rents and mortgage repayments and property administration. The Bank receives funds from the Ministry of Finance ("MOF") based on annual budgetary allocations for housing loans.The Bank also records certain transactions based on instructions from the MOH and the MOF and decisions taken by the Government of the Kingdom of Bahrain.

The consolidated financial statements include results of the Bank and its subsidiaries (together The" Group") and these were approved by the Board of Directors on 26 February 2023.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b. Basis of measurement

The consolidated financial statements have been prepared under the cost convention except for investments classified as fair value through other comprehensive income which are measured at fair value.

c. Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars (BD), which is also the functional currency of the Group.

d. Basis of presentation

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 29.

e. New standards, amendments and interpretations effective from 1 January 2022

There are no new standards or amendments to standards which became effective as of 1 January 2022 that were relevant and had a material impact on the consolidated financial statements.

f. New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

- Definition of Accounting Estimates (Amendments to IAS 8)

2. BASIS OF PREPARATION (continued)

g. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Non-controlling interest

Interests in the equity of subsidiaries not attributable to the Bank are reported in consolidated statement of financial position as non-controlling interests. Profits or losses and other comprehensive income attributable to non-controlling interests are reported in the consolidated statement of profit or loss and other comprehensive income as profit or loss and other comprehensive income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The following are the principal subsidiaries of the Group that are consolidated:

Subsidiaries	Ownership for 2022	Ownership for 2021	Year of incorporation/ acquisition	Country of incorporation/ acquisition
Eskan Properties Company B.S.C.(c) ('EPC') The principal activity of the Company is to develop and manage projects for development of properties on behalf of Eskan Bank B.S.C (c) (the "Parent"), MOH and third parties, and facility management to Ministry of Houses.	100%	100%	2007	Kingdom of Bahrain
Dannat Al Luzi B.S.C (c) Development and sale of private property in Danat Al Luzi. (note 16)	100%	56%	2014	Kingdom of Bahrain

(ii) Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprise of interest in associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

These are initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the investees after the date of acquisition until the date such significant influence cease. Distributions received from an investee reduce the carrying amount of the interest in an associate. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investees arising from changes in the investee's equity or impairment, if any.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees.

If the Group lost significant influence but still retains any interest in the previous equity accounted associate, then such interest is measured at fair value at the date in which significant influence is lost. Subsequently it is accounted in accordance with the Group's accounting policy for financial instruments.

2. BASIS OF PREPARATION (continued)

(iii) Transactions eliminated / adjusted for on consolidation and equity accounting

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The reporting period of the Group's subsidiaries and equity-accounted investees are identical and their accounting policies conform to those used by the Bank for like transactions and events in similar circumstances except for valuation of investment properties in the books of its equity accounted investee. Adjustments are made in the consolidated financial statements where appropriate to ensure the accounting policies of the equity-accounted investees is consistent with the policies adopted by the Group.

h. Comparatives

Certain prior period amounts have been regrouped to conform to current year's presentation. Such regrouping did not affect the previously reported profit or equity.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the consolidated financial statements of the Group has been consistently applied from prior year.

a. Right-of-use assets and lease liabilities

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is measure as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are carried at amortized cost using effect interest rate method. Lease liabilities are reduced by repayment of the principal amount while the finance charge component of the lease payment is charged directly to the statement of profit or loss and other comprehensive income.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with banks, CBB and placements with financial institutions and CBB with original maturity of less than 90 days. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position less expected credit loss.

c. Placements with banks

Placements with Banks are financial assets which are placed through interbank and have fixed or determinable payments with fixed maturities that are not quoted in an active market. Placements are usually for short term and are stated at amortised cost less provision for impairment, if any.

d. Financial assets and liabilities

i. Financial assets

Initial recognition and measurement

All regular way transactions of financial assets are recognised on the settlement date i.e. the date the asset is delivered to or received from the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Other financial assets are initially recognized on trade date, when the Group becomes party to the provision of the contract.

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

On initial recognition, a financial asset is classified at amortised cost; fair value through other comprehensive income ("FVOCI") – debt security; FVOCI – equity security; or fair value through profit or loss (" FVTPL"), based on the business model in which a financial assets is managed and its contractual cash flows. Assessment of the business model within which the assets are held and assessment of whether the contractual term of the financial assets are solely payment of principal and interest on the principal amount outstanding required significant estimate and judgment (refer to sections "business model assessment" and " assessment whether contractual cash flow are solely payment of principal and interest" below)..

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets measured at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI - debt securties
A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI - equity securties
On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

Financial assets measured at FVTPL
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within hat business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL.	These assets are subsequently measured at fair value. Net gains and losses, arising from changes in fair value including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost.	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt securities at FVOCI.	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity securities at FVOCI.	These assets are subsequently measured at fair value. Gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Impairment of financial assets and loan commitment

The Group recognises loss allowances for ECL on:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments

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

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

Significant increase in credit risk

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

The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition if contractual payments are past due more than 30 days. This assumption will always hold true unless the Bank can prove, through reasonable and fact-based information, the risk has not increased significantly after being past due more than 30 days.

The Group considers a financial asset to be in default when either or both of the two following events have taken place:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the financial assets has been charged / written off ;or
- the financial asset is more than 90 days past due

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

Life time ECL are the ECL that result from all possible default events over the expected life of the financial instruments or the maximum contractual period of exposure.

12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Measurement of ECLs

The Group recognises loss allowances for ECL on social loans, commercial loans, balances with banks, debt securities and loan commitments. Loss allowance for ECL relating to social loans are reimbursement by the government of Bahrain pursuant to agreement with MOH (note 12 j) and total allowance are presented net of these reimbursement in the statement of profit or loss and other comprehensive income.

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost, debt securties at FVOCI and loan commitments. These items migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 month ECL: includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: Life time ECL - not credit impaired: includes financial assets that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3 Life time ECL - credit impaired: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted). However, regulatory requirements for credit impaired accounts will continue to apply under Stage 3.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt securties at FVOCI and loan commitments are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

Credit impaired financial assets are subject to cooling of period of 7 months from the first date of becoming regular in payment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and debt securities at FVOCI are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the gross carrying amount when the financial asset is 3 years past due is written off (except for customers who are individually assessed for restructuring) based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Modification of financial assets

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss.

Restructured exposures

Restructured exposures due to credit risk reasons are classified as stage 2 for a minimum period of 12 months from the date the restructured facility is performing. If the terms of an exposures subject to credit risk are renegotiated or modified or an existing exposures subject to credit risk is replaced with a new one due to financial difficulties of the borrower, the exposures subject to credit risk should be derecognized and ECL is calculated using the cash shortfalls from the existing exposures subject to credit risk that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing exposures subject to credit risk.

ii) Financial liabilities

Initial recognition and measurment

Financial liabilities are initially recognized, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. A financial liabilities is measured initially at fair value of the consideration received.

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense relating to term loans are reimbursement by the government of Bahrain pursuant to agreement with MOH (note 12 n) and total interest expense are presented net of these reimbursement in the statement of profit or loss and other comprehensive income. Other interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and impairment losses are recognised in the consolidated statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed in the profit or loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

f. Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously.

g. Government accounts

Transactions with the MOF and the MOH are recorded by the Group as financial liabilities under caption "government accounts". Government accounts are non interest bearing and are not payable on demand.

Transactions are recorded at the fair value of the consideration received, less amounts repaid or adjustments made as per the instructions of MOF or MOH.

h. Fair values

'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market , then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

i. Income recognition

The Group recognizes revenue to depict the transfer of promised goods or services to its customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i Income recognition (continued)

The Group often enters into transactions involving a range of the Group's services and products. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations and customer obtain control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations or if the Group has a right to an amount of consideration that is unconditional before the Group transfers a good or service to the customers and reports these amounts as deferred income in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Interest income

Interest income on loans is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the lease.

Service income

Service income is recognised overtime when the performance obligation is satisfied and services are rendered by the Group.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Revenue from sale of development properties

It is recognised at point in time when the Group transfer control of the property sold to its customer and satisfies its performance obligation, i.e upon completion of property construction and hand over to the customer.

j. Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Group are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

These benefits are in the nature of "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the statement of profit or loss and other comprehensive income.

The Group also operates a voluntary employees saving scheme under which the Group and the employee contribute monthly on a fixed percentage of salaries basis. The scheme is managed and administered by a board of trustees who are employees of the Group. The scheme is in the nature of a defined contribution scheme and contributions by the Group are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Development properties

Development properties consist of project under construction for lease and land being developed for sale in the ordinary course of business. It includes direct costs (including financing cost) incurred in bringing such land to its saleable condition. Development properties are stated at the lower of cost and net realisable value. Any projects under construction for lease purpose will be transferred to investment properties upon completion of the construction.

l. Investment properties

Investment properties held for rental, or for capital appreciation purposes, or both, are classified as investment properties. Investment properties are carried at cost less depreciation and impairment allowances, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Investment property includes plots of land held for housing project development in future, capital appreciation purposes, and community shops held for earning rentals.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss and other comprehensive income in the period of derecognition.

m. Provisions

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

n. Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

o. Statutory Reserve

In accordance with the requirements of the Commercial Companies Law and the Central Bank of Bahrain regulations, 10% of the net profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable, but may be utilised as security for the purpose of a distribution in such circumstances as stipulated in the Commercial Companies Law and following the approval of the Central Bank of Bahrain.

p. Islamic Banking:

The Islamic banking activities of the Group are conducted in accordance with Islamic Shari'a principles, as approved by the Shari'a Supervisory Board.

q. Commingling of funds:

The funds of Islamic operation are not commingled with the funds of the conventional operations of the Group.

r. Government grants:

Government grants are recognized when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised as other income in profit or loss on a systematic basis as the Group recognizes as expenses the costs that the grants are intended to compensate. Grants that relate to the acquisition of an assets are recognised in profit or loss as the assets is depreciated or amortised.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance to IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these judgment, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

Judgment

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Reasonableness of Forward Looking Information

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. The Group derives a forward looking "base case" economic scenario which reflects the Group's view of the most likely future macro-economic conditions.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each segment, applying expert judgement in this process. These economic variables and their associated impact on PD, EAD and LGD vary by customer segment. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally on an annual basis, unless there is significant change in credit risk.

Macro-economic variables are checked for correlation with the probability of default and only those variables for which the movement can be rationalised statistically are used.

Probability weights

Management judgement is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario.

In making estimates, the Group assessed a range of possible outcomes by stressing the previous basis (that includes upside, base case and downside scenarios).

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projections.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Equity accounted investee

Whether the Group has significant influence over an investee. Refer to note 8 and 2 (g).

Consolidation

Whether the Group has control over an investee. Refer to note 3.

Lease term

Whether the Group is reasonably certain to exercise extension options. Refer to note 3 (a).

Classification of finanical assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. (refer to section "business model assessment" in note 3 d (i))).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of financial assets and loan commitment

Refer to section "impairment of financial assets and loans commitment" in note 3 d (i).

Estimate

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value of development property

Development property is stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The management engaged independent valuers to estimate the residual value of the development property based on estimated market selling prices for similar properties. Net realisable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property. These estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the development property.

Fair value measurement

Measurement of fair value instruments with significant unobservable input. Refer to note 26.

Inputs, assumptions and techniques used for estimating impairment

Refer to section "impairment of financial assets and loan commitment" in note 3 d (i) (also refer to related judgment section above).

5. CASH AND BANK BALANCES

	2022 BD	2021 BD
Cash in hand	**144,736**	110,985
Balances with banks	**1,209,194**	1,135,209
Balances with the CBB	**1,469,561**	709,114
Placements with banks and other institutions	**10,000,000**	17,030,510
Placements with the CBB (with an original maturity of 90 days or less)	**75,000,000**	66,500,000
	87,823,491	85,485,818
Less: impairment loss	**(3,878)**	(14,274)
Total cash and bank balances	**87,819,613**	85,471,544
Less: Restricted bank balance *	**(25,500)**	(351,000)
Less: Placements (with an original maturity of more than 90 days)	**(9,996,122)**	(5,049,358)
Total cash and cash equivalents**	**77,797,991**	80,071,186

* See note 14.2

** The balances at 31 December 2022 and 31 December 2021 are net of the expected credit loss of nil and BD 4,855 respectively.

6. INVESTMENTS

	Equity securities FVOCI	Debt securities Amortised cost	Total
At 1 January 2022	**3,630,237**	**3,592,567**	**7,222,804**
Purchases during the year	**-**	**1,123,799**	**1,123,799**
Disposed during the year	**(642,611)**	**-**	**(642,611)**
Matured during the year	**-**	**(3,101,914)**	**(3,101,914)**
	2,987,626	**1,614,452**	**4,602,078**
Net change in fair value	**(109,211)**	**-**	**(109,211)**
At 31 December 2022	**2,878,415**	**1,614,452**	**4,492,867**

	Equity securities FVOCI	Debt securities Amortised cost	Total
At 1 January 2021	3,552,018	1,218,476	4,770,494
Purchases during the year	-	2,996,624	2,996,624
Matured during the year	-	(622,533)	(622,533)
	3,552,018	3,592,567	7,144,585
Net change in fair value	78,219	-	78,219
At 31 December 2021	3,630,237	3,592,567	7,222,804

7. LOANS

	Note	**2022 BD**	2021 BD
(i) Social loans			
Gross loans		**1,135,457,650**	1,089,694,810
Less: subsidy and waivers	12 (i)	**(262,108,218)**	(261,747,963)
		873,349,432	827,946,847
Less: expected credit loss	12 (j)	**(68,496,607)**	(83,087,774)
		804,852,825	744,859,073
(ii) Commercial loans			
Gross loans		**4,583,925**	7,547,411
Less: expected credit loss		**(631,271)**	(2,736,890)
		3,952,654	4,810,521
Total loans		**808,805,479**	749,669,594

7. LOANS (continued)

iii. Following table shows the stage wise exposures to social and commercial loans and movement in ECL:

31 December 2022:

(a) Social loans:

	Stage 1 BD	Stage 2 BD	Stage 3 BD	Total BD
Exposure subject to ECL				
Social loans (net of subsidy and waivers)	738,732,850	76,508,648	58,107,934	873,349,432
Expected credit loss				
At 1 January	9,775,331	20,429,371	52,883,072	83,087,774
Net transfer between stages	31,975,943	(2,025,581)	(29,950,362)	-
Write off during the year	(20,935)	(83,577)	(890,032)	(994,543)
(Release) / charge for the year (note 22)	(33,652,514)	6,177,961	13,877,930	(13,596,624)
At 31 December	8,077,825	24,498,174	35,920,608	68,496,607
Net carrying value	730,655,025	52,010,474	22,187,326	804,852,825

(b) Commercial loans:

	Stage 1 BD	Stage 2 BD	Stage 3 BD	Total BD
Exposure subject to ECL				
Commercial loans	3,700,918	197,841	685,166	4,583,925
Expected credit loss				
At 1 January	43,572	86,708	2,606,610	2,736,890
Net transfer between stages	146,634	(1 6,920)	(129,714)	-
Write off during the year	-	-	(1,834,154)	(1,834,154)
(Release) / charge for the year (note 22)	(146,480)	15	(125,000)	(271,465)
At 31 December	43,726	69,803	517,742	631,271
Net carrying value	3,657,192	128,038	167,424	3,952,654
Total net carrying value	734,312,217	52,138,512	22,354,750	808,805,479

31 December 2021:

(a) Social loans:

	Stage 1 BD	Stage 2 BD	Stage 3 BD	Total BD
Exposure subject to ECL				
Social loans (net of subsidy and waivers)	666,176,053	73,613,084	88,157,710	827,946,847
Expected credit loss				
At 1 January	3,221,511	9,966,542	32,850,952	46,039,005
Net transfer between stages	2,841,773	2,866,197	(5,707,970)	-
Write off during the year	(10,525)	(428,336)	(11,440,944)	(11,879,805)
Charge for the year (note 22)	3,722,572	8,024,968	37,181,034	48,928,574
At 31 December	9,775,331	20,429,371	52,883,072	83,087,774
Net carrying value	656,400,722	53,183,713	35,274,638	744,859,073

7. LOANS (continued)

b. Commercial loans:

	Stage 1 BD	Stage 2 BD	Stage 3 BD	Total BD
Exposure subject to ECL				
Commercial loans	4,036,907	585,367	2,925,137	7,547,411
Expected credit loss				
At 1 January	52,464	105,281	1,806,042	1,963,787
Net transfer between stages	88,279	(46,112)	(42,167)	-
(Release) / charge for the year (note 22)	(97,171)	27,539	842,735	773,103
At 31 December	43,572	86,708	2,606,610	2,736,890
Net carrying value	3,993,335	498,659	318,527	4,810,521
Total net carrying value	660,394,057	53,682,372	35,593,165	749,669,594

c. Social loans

Social loans are stated after writing off the following reductions / waivers:

i. Under a Cabinet decision issued in April 1992, a reduction of 25% ("1992 Reduction") was granted on monthly installments with effect from 1 May 1992, and subsequently restricted to social loans granted prior to 31 December 1998.

ii. On 16 December 2000, an additional reduction of 25% ("2000 Reduction") was granted on monthly installments for social loans that were outstanding as of 15 December 2000.

iii. On 15 February 2002, His Majesty, King Hamad Bin Isa Bin Salman Al Khalifa, announced a waiver of 50% ("2002 Reduction") of the social loans granted.

Management also waived all resultant balances of BD 1,000 and below, as of 15 February 2002 arising from the above reductions and the subsidy mentioned in (v) below. Management have assumed that the 2002 Reduction included borrowers whose loans had been approved on or before 15 February 2002, but not disbursed.

In implementing the 2002 Reduction, referred to in (iii) above, the 2000 Reduction was also recalculated in 2002 to apply the reduction only to installments that were due after 15 December 2000 and not to overdue installments.

iv. On 16 December 2006, His Majesty, King Hamad Bin Isa Bin Salman Al Khalifa, announced a waiver of 50% ("2006 Reduction") of the social loans installments.

v. The provision of this subsidy which was made in earlier years, represents a waiver of 50% of monthly installments relating to eligible loans covered by Amiri Decree No. 18/1977. The waivers / reductions mentioned in (iv) and (vi) have also been applied to the eligible loans.

vi. On 26 February 2011, His Majesty, King Hamad Bin Isa Bin Salman Al Khalifa, announced a waiver of 25% ("2011 Reduction") on installments of social loans and a 25% reduction on outstanding balances of housing units and flats.

8. INVESTMENT IN ASSOCIATE

	2022 BD	2021 BD
At 1 January	**4,189,291**	4,412,686
Additional investment in an associate	**44,736**	43,856
Share of profit	**204,699**	253,495
Dividend received	**(187,971)**	(186,321)
Impairment (note 22)	**(130,607)**	(334,425)
At 31 December	**4,120,148**	4,189,291

8. INVESTMENT IN ASSOCIATE (continued)

The principal associate of the Group is:

		Carrying Value	
Name	***Country of Incorporation***	**2022 BD**	2021 BD
Eskan Bank Reality Income Trust (EBRIT)	Kingdom of Bahrain	**4,120,148**	4,189,291
		4,120,148	4,189,291

		Ownership for	
Name	***Nature of activities***	**2022**	2021
Eskan Bank Reality Income Trust (EBRIT)	A real estate investment trust operating and managing real estate assets.	**36.57%**	36.25%

The following table illustrates the summarised financial information of the Group's investment in EBRIT as of 31 December:

	2022 (unaudited) BD	2021 (unaudited) BD
Summarised statement of financial position		
Non-current assets	**10,605,000**	10,965,000
Current assets	**963,191**	880,423
Current liabilities	**(257,427)**	(242,570)
Net assets	**11,310,764**	11,602,853
Proportion of the Group's ownership	**36.57%**	36.25%
Group's ownership in equity	**4,136,459**	4,205,602
Other adjustments	**(16,311)**	(16,311)
Carrying amount of the investment	**4,120,148**	4,189,291

Shares of Eskan Bank Reality Income Trust are listed on the Bahrain Stock Exchange and its quoted price as on 31 December 2022 was 69 fils (2021: 73 fils). The fair value of the investment based on this quoted price is BD 4.996 million (2021: BD 5.24 million).

9. INVESTMENT PROPERTIES

	2022 BD	2021 BD
Balance at 1 January	**59,474,310**	50,021,327
Transfer of lands by the government (note 12 (m))	**-**	9,000,000
Transferred from development properties*	**1,297,743**	-
Land compensation (note 19.2)	**-**	676,000
Transfer of land by the shareholder	**1,478,300**	105,000
Impairment loss on land (note 22)	**(651,512)**	(104,137)
Additions during the year	**809,480**	-
Sale of lands	**(687,000)**	-
Depreciation charge for the year	**(198,149)**	(223,880)
Balance at 31 December	**61,523,172**	59,474,310

* net of impairment loss of BD 237,327

9. INVESTMENT PROPERTIES (continued)

Investment properties comprise the following:

	2022 BD	2021 BD
Land at Bander Al-Seef	**29,296,874**	29,296,874
Land at Hamad town	**11,757,402**	11,757,402
Land at Muharraq	**9,023,519**	9,023,519
Land at Sanabis	**3,355,882**	2,571,508
Land at Saar	**1,903,251**	1,903,251
Land at Madinat Salman	**1,467,300**	-
Land at Hoora	**232,000**	232,000
Land at Madinat Khalifa	**210,700**	210,700
Land at Salmabad	**109,631**	109,631
Land at Safra	**99,522**	99,522
Land at Zallaq	**89,000**	89,000
Land at Dumistan	**-**	676,000
Shops (net of accumulated depreciation)	**7,356,252**	5,994,225
	64,901,333	61,963,632
Impairment loss on lands	**(3,378,161)**	(2,489,322)
	61,523,172	59,474,310

	2022 BD	2021 BD
Vacant land:		
Cost	**57,545,081**	55,969,407
Impairment loss	**(3,041,602)**	(2,485,162)
	54,503,479	53,484,245
Shops:		
Cost	**9,413,867**	7,853,691
Accumulated Depreciation	**(2,057,615)**	(1,859,466)
Impairment loss	**(336,559)**	(4,160)
	7,019,693	5,990,065
	61,523,172	59,474,310

The fair value of investment properties, based on independent market valuations, as at 31 December 2022 was BD 162 million (2021 BD: 183 million).

The valuations were performed by independent valuers accredited by Real Estate Regulatory Authority (RERA) with recognised and relevant professional qualifications and with recent experience in the location and category of the investment properties being valued.

The Group's investment properties are categorised in level 2 of the fair value hierarchy as at 31 December 2022 and 31 December 2021. No transfers were made from level 1 to level 2 or from level 1 or level 2 to level 3 during the year ended 31 December 2022 and 31 December 2021.

10. DEVELOPMENT PROPERTIES

	2022 BD	2021 BD
Balance at 1 January	**13,779,453**	18,372,042
Additions during the year	**18,913,158**	2,578,736
Properties sold during the year	**(5,287,880)**	(6,933,998)
Transfer of land by the shareholder	**12,986,720**	-
Transferred to investment properties*	**(1,297,743)**	-
Impairment loss	**-**	(237,327)
Balance at 31 December	**39,093,708**	13,779,453

Development properties comprise the following:

	2022 BD	2021 BD
Projects for lease	**585,474**	1,427,474
Projects for sale	**38,508,234**	12,351,979
	39,093,708	13,779,453

* net of impairment loss of BD 237,327

11. OTHER ASSETS

	Note	2022 BD	2021 BD
Advance for acquisition	11 (a)	**-**	8,879,051
Advance for acquisition of development properties	11 (b)	**67,500**	2,900,000
Right-of-use assets		**381,475**	568,424
Equipment and intangibles (net book value)		**671,271**	745,310
Interest receivable		**728,431**	388,627
Staff loans		**310,102**	328,009
Balance with investment manager		**162,706**	179,012
Prepayments and advances		**164,302**	206,591
Other receivables		**217,471**	198,775
		2,703,258	14,393,799

Note 11 (a)

During 2021, the Bank has entered into share purchase agreement with the non-controlling shareholder of Dannat Al Luzi B.S.C (c) (the "Subsidiary") to acquire the remaining stake (44.12%) in the Subsidiary. On 31 October 2022, the Group completed the acquisition.

Note 11 (b)

This represent advance paid to purchase development properties. The transaction is expected to complete upon handover of the properties and transfer of title deed.

12. GOVERNMENT ACCOUNTS

The Bank's transactions with the MOH and MOFNE are recorded in a single account "Government Accounts" and are non-interest bearing.

	Note	2022 BD	2021 BD
At 1 January		**469,184,838**	463,754,199
Movement during the year:			
Social loans budgetary support	(a)	**-**	20,000,000
Waiver reimbursements	(b)	**4,000,000**	4,000,000
Collection from MOH rental flats	(c)	**556,658**	570,023
Reduction and write off decrees	(d & e)	**(14,475,213)**	(15,543,277)
Mazaya subsidy – net impact	(f)	**2,299,564**	616,371
Payment to Government	(g)	**(10,000,000)**	(10,000,000)
MOH houses and flats	(h)	**43,863,466**	103,337,484
Waivers and subsidy	(i)	**(23,540,949)**	(39,074,385)
Expected credit loss for social loans	(j)	**13,596,624**	(48,928,574)
Charge-off, net – social loans	(k)	**24,501,443**	(11,354,901)
Advance from / (repayment of) proceeds on sale of Deerat Al Oyoun units	(l)	**2,821,967**	(5,103,497)
North Muharaq Land (Al Ferjan District Rehabilitation)	(m)	**-**	9,000,000
Finance cost relating to syndicated term loan	(n)	**(4,831,412)**	(2,520,584)
Others	(o)	**(2,774,918)**	431,979
At 31 December		**505,202,068**	469,184,838

a) Budgetary support received from the MOF for disbursement of new social housing loans.

b) Annual reimbursement received for 2006 waiver decree.

c) Collection of rental installments from beneficiaries of MOH rental flats.

d) Installment reduction decrees issued by the MOH from time to time.

e) Write offs and waivers approved by MOH on a case by case basis.

f) Reimbursement paid for monthly Mazaya subsidy to beneficiaries based on MOH approved list.

g) Represents payments to Ministry of Finance vide Board of Directors of the Bank approval dated 9 December 2021.

h) In line with the agreement signed with MOH dated 23 December 2017, receivables from MOH housing units (houses and flats) allocated to beneficiaries have been booked on-balance sheet with corresponding impact to government account with effect from 1 April 2017.

i) In line with the agreement with MOH signed on 23 December 2017, the impact of wavier 2006 decree and wavier 2011 decree and 1977 military subsidy on principal portion of the installment have been charged against loans and corresponding amount is reduced from the government account with effect from 31 December 2017 and related interest portion of the installment is charged to government account on each installment date.

j) In line with the agreement signed with MOH on 23 December 2017, the expected credit loss on social loans portfolio is borne by the Government with effect from 1 January 2018. Reduction in provision on social loans under IFRS 9, if any is charged back to the government account.

k) This is a specific charge off related to troubled social loans with minimal chances of recovery. The movement in the account represents the new social loans charged off, net of recoveries and write backs (if any) during the period / year. This charge-off does not entail closure of beneficiary account and all the applicable remedial procedures will continue to be apply.

l) Advance from customers from sale of Deerat Al Oyoun units net of expenses incurred for the sale of units.

12. GOVERNMENT ACCOUNTS (continued)

m) The Government of Bahrain has allocated 3 land plots at North Muharaq to the Bank with a total value of BD 9 million. The Bank agreed with MOH to pay equivalent amount for rehabiltation of MOH related projects (Ferjan project).

n) In line with agreement signed with MOH on 23 December 2017, all finance cost (i.e. interest expense / profit and other finance fees on the syndicated bank term loan) relating to social housing project shall be borned and charged to the government account (refer note 18 and 13).

o) Includes other payments, reimbursements on expenses / transactions undertaken by the Bank on behalf of MOFNE / MOH.

13. TERM LOANS

	2022 BD	2021 BD
Syndicated bank term loan *	**75,000,000**	75,000,000
At 31 December	**75,000,000**	75,000,000

	2022 BD	2021 BD
Non - current portion of term loan	**75,000,000**	75,000,000
	75,000,000	75,000,000

* In May 2020, the Group signed a syndicated Murabaha Facility for financing the social loans and housing projects. It comprises of BD 75 million term Murabaha Facility and BD 75 million revolving Murabaha facility, out of which BD 75 million is utilized as of 31 December 2022 (31 December 2021: BD 75 million). Both the term and revolving Murabaha Facilities are repayable as a bullet repayment on 17 May 2027. These facilities bear profit payable at BHIBOR plus a margin of 2.75% for the first 60 months then after that at 3% till the final maturity date. Profit on syndicated term loan is borne by the Government as per agreement signed with Ministry of Housing dated 23 December 2017 and charged to government account (refer note 12 n).

14. OTHER LIABILITIES

	Note	**2022 BD**	2021 BD
Accrued expenses		**1,510,233**	1,256,111
Contractor retentions		**98,184**	740,999
Employee savings scheme		**1,586,168**	1,366,956
Lease liabilities	14.1	**430,753**	626,805
Advances from customers		**1,107,873**	873,000
Accounts payable		**145,956**	163,995
Staff related accruals		**572,056**	517,519
Accrued interest payable		**1,352,936**	163,096
Others	14.2	**500,864**	825,129
		7,305,023	6,533,610

14.1 LEASE LIABILITIES

	2022 BD	2021 BD
Maturity analysis – contractual undiscounted cash flow		
Less than one year	**226,347**	226,071
More than one year	**226,347**	452,141
Total undiscounted lease liabilities at end of year	**452,694**	678,212
Total discounted lease liabilities at end of year	**430,753**	626,805

14.2 Includes proceeds from sale of one project on behalf of third party BD 25,500 (31 December 2021: BD 351,000).

15. SHARE CAPITAL

	Number of shares	2022 BD
31 December 2022		
Authorised ordinary share capital of BD 100 each	**4,000,000**	400,000,000
Issued and fully paid up ordinary share capital of BD 100 each	**1,083,000**	108,300,000

	Number of shares	2021 BD
31 December 2021		
Authorised ordinary share capital of BD 100 each	4,000,000	400,000,000
Issued and fully paid up ordinary share capital of BD 100 each	1,083,000	108,300,000

16. NON-CONTROLING INTEREST

Acquisition of remaining stake in Dannat Al Luzi BSC (c)

On 31 October 2022, the Group has met all the conditions that is precedent to complete the acquisition of the remaining 44.12% interest in Dannat Al Luzi BSC (c), there by increasing its ownership from 55.88% to 100%. The administrative procedures for transferring the shares completed on 9 January 2023. The carrying amount of this non-controlling interest of 44.12% as of 31 October 2022 amounted to BD 9,919,655.

	2022 BD
Carrying amount of NCI acquired (as of 31 October 2022)	**9,919,655**
Consideration paid to NCI	**10,467,602**
Decrease in equity attributable to owners of the Group	**547,947**

17. INTEREST INCOME

	2022 BD	2021 BD
Interest income on social loans	**34,820,486**	32,682,729
Interest income on commercial loans	**516,492**	583,168
Interest income on placements with financial institutions	**2,742,293**	641,937
Interest income on debt securities	**143,686**	39,309
	38,222,957	33,947,143

18. INTEREST EXPENSE

	2022 BD	2021 BD
Interest expense on term loans	**4,831,412**	2,520,584
Interest expense on interbank borrowing	**54,133**	24,956
Interest expense on leased agreements	**26,408**	45,891
Other interest and similar expense	**54,117**	40,653
	4,966,070	2,632,084
Reimbursement from Government, note 12 (n)	**(4,831,412)**	(2,520,584)
	134,658	111,500

19. INCOME FROM PROPERTIES

	2022 BD	2021 BD
Revenue from sale of development properties	**6,392,500**	8,953,300
Cost of development properties sold	**(5,287,880)**	(6,933,998)
Gain on sale of development properties (note 19.1)	**1,104,620**	2,019,302
Rental income - net	**602,046**	510,137
Gain on sale of land	**229,000**	-
Land compensation income (note 19.2)	**-**	676,000
	1,935,666	3,205,439

Note 19.1

During the year, the Group has recorded gain on sale of development properties upon satisfaction of the performance obligations i.e. complete construction and hand over of the properties to the customers.

Note 19.2

39% of Danat Al luzi raw land was availed to the Government of Bahrain as part of the sub-division approval for the project. By law, a developer is eligible for compensation, if more than 30% of raw land is deducted for services. During 2021, the Group received compensation from the Urban Planning & Development Authority in the form of 4 land plots with a total value of BD 676,000.

20. OTHER INCOME

	2022 BD	2021 BD
Fees income	**729,697**	747,850
Dividend	**41,891**	41,891
Others	**251,886**	270,936
	1,023,474	1,060,677

21. OTHER EXPENSES

	2022 BD	2021 BD
Depreciation and amortization	**588,350**	553,237
Legal and professional	**340,869**	240,312
Information technology	**364,877**	265,353
Marketing cost	**355,569**	173,050
Directors' and Shari'ah board remuneration	**84,855**	89,463
Investment Management Cost	**100,208**	100,233
Transportation and communication	**94,880**	87,666
Premises	**115,016**	70,595
Property management	**268,535**	221,964
Electricity	**50,566**	55,148
Insurance	**14,923**	18,872
Others	**182,982**	122,895
	2,561,630	1,998,788

22. NET IMPAIRMENT LOSS

	2022 BD	2021 BD
Release / (charge) for the period - Social loans	**13,596,624**	(48,928,574)
Release / (charge) for the year - commercial loans	**271,465**	(773,103)
Charge for the year - other receivables	**(7,687)**	(110,575)
Release for the year - bank balances	**10,397**	16,768
Net impairment loss - expected credit loss	**13,870,799**	(49,795,484)
Charge for the year - investment properties	**(651,512)**	(104,137)
Charge for the year - development properties	**-**	(237,327)
Charge for the year - investment in associate	**(130,607)**	(334,425)
	13,088,680	(50,471,373)
(Release back to government) / reimbursement from government for ECL on social loan	**(13,596,624)**	48,928,574
	(507,944)	(1,542,799)

23. COMMITMENTS AND CONTINGENCIES

	2022 BD	2021 BD
Commitments		
Housing loan commitments approved by MOH (note 23.1)	**47,066,411**	18,668,900
Commitments - development properties	**11,976,261**	14,587,680
	59,042,672	33,256,580

Note 23.1

Each year, MOH issues social loan decrees for the approved beneficiaries in coordination with the Bank. Social loans that remain undisbursed at the end of the year are disclosed as a commitment.

As part of the Bank's operation from time to time the Bank may issue guarantee to the developer of the projects to buy back housing units as agreed price if they remain unsold. Based on management assessment, there is a remote likelihood that these guarantees will be called.

Contingencies

In the normal course of business, legal cases are filed by the Bank against its customers or suppliers and against the Bank by its customers, suppliers or employees. The Group's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of directors.

Based on the opinion of the Group's in-house and external legal counsel, management and the board of directors assessed that there are no liability is likely to arise from the legal cases and does not consider it necessary to carry any specific provision in this respect.

24. RELATED PARTY TRANSACTIONS

Related parties represent shareholder, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions relating to these related parties are approved by board of directors and shareholder representative. The amounts due to and from related parties are settled in the normal course of business.

The Group's transactions with related parties comprise transactions with the shareholder represented by (the MOFNE and the MOH) and transactions with subsidiaries, associates, key management personnel and board of directors, in the ordinary course of business. Balances and transactions with Government and investments in associates are disclosed on the face of the consolidated statement of financial position and consolidated statement profit or loss and other comprehensive income and the notes therein.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group comprise the General Manager, Chief Business Officer, Head of Finance, Head of Risk and executive management of the Group.

24. RELATED PARTY TRANSACTIONS (continued)

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

	31 December 2022			
	Shareholder*	Associate	Directors	Key management
Assets				
Loans	-	-	21,647	25,272
Investments in associate	-	4,120,148	-	-
Other assets	-	5,500	-	49,200
Liabilities				
Current accounts	-	-	95	3,031
Government account**	505,202,068	-	-	-
Other liabilities	-	-	42,784	336,951

*During the year, the shareholder transferred land plots to the Bank amounting to BD 14,465,020 (2021: BD 105,000)

**Include modification loss arising from social loan portfolio charged in 2020 of 15.1 million and a release of expected credit loss on social loan portfolio for the period of BD 13.6 million (2021: charge BD 48.9 million) (refer note 12 k)).

	For the year ended 31 December 2022			
	Shareholder	Associate	Directors	Key management
Share of profit of associates	-	204,699	-	-
Fees and commission	293,285	15,000	-	-
Staff cost	-	-	-	1,079,878
Other expense	-	100,208	-	-
Impairment provision	-	130,607	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	84,855	-

	31 December 2021			
	Shareholder	Associate	Directors	Key management
Assets				
Loans	-	-	24,743	28,729
Investments in associate	-	4,189,291	-	-
Other assets	-	3,938	500	57,714
Liabilities				
Current accounts	-	-	2,235	2,946
Government account	469,184,838	-	-	-
Other liabilities	-	-	20,284	308,881

24. RELATED PARTY TRANSACTIONS (continued)

	For the year ended 31 December 2021			
	Shareholder	Associate	Directors	Key management
Share of profit of associates	-	253,495	-	-
Fees and commission	303,469	15,000	-	-
Staff cost	-	-	-	1,057,422
Other expense	-	100,233	-	-
Impairment provision	-	334,425	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	89,463	-

25. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group:

At 31 December 2022	**Amortised cost BD**	**FVOCI BD**	**Total BD**
Financial assets			
Cash and bank balances	**87,819,613**	**-**	**87,819,613**
Investments	**1,614,452**	**2,878,415**	**4,492,867**
Loans	**808,805,479**	**-**	**808,805,479**
Other assets	**1,486,210**	**-**	**1,486,210**
	899,725,754	**2,878,415**	**902,604,169**

	At Amortised cost BD	**Total BD**
Financial liabilities		
Deposits from financial and other institutions	**10,000,000**	**10,000,000**
Government accounts	**505,202,068**	**505,202,068**
Term loans	**75,000,000**	**75,000,000**
Customer current accounts	**9,267,243**	**9,267,243**
Other liabilities	**7,305,023**	**7,305,023**
	606,774,334	**606,774,334**

25. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2021	Amortised cost BD	FVOCI BD	Total BD
Financial assets			
Cash and bank balances	85,471,544	-	85,471,544
Investments	3,592,567	3,630,237	7,222,804
Loans	749,669,594	-	749,669,594
Other assets	12,873,474	-	12,873,474
	851,607,179	3,630,237	855,237,416

	At Amortised cost BD	Total BD
Financial liabilities		
Deposits from financial and other institutions	10,000,000	10,000,000
Government accounts	469,184,838	469,184,838
Term loans	75,000,000	75,000,000
Customer current accounts	8,546,855	8,546,855
Other liabilities	6,533,610	6,533,610
	569,265,303	569,265,303

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1	Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2	Inputs other than quoted prices included within level 1 that are observable either directly (i.e as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

The FVOCI investments comprise of investments in unquoted equity shares which do not have a quoted market price in an active market, and whose fair value was derived based on market approach using unobservable market data and therefore considered level 3 fair value. The investments are located in the Kingdom of Bahrain.

The Group determines the fair values of unquoted investments by using valuation methods and techniques generally recognized as standard within the industry. The inputs into these models are primarily market multiples (Price / Book, Price / sale, Enterprise value / sales). Models use observable data, to the extent practicable. However, areas such as use of market comparable, forecasted cash flows, credit risks, liquidity risks and model risks require management to make estimates.

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

26 .FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following sensitivity analysis has been done by calculating the impact of change in key variables used for valuation (relevant market multiple) as applicable. However, these do not necessarily indicate an absolute impact on valuation as the final outcome would be determined by selecting a point estimate within the range of possible outcomes.

Valuation technique	Key variable	Sensitivity	Impact on FV 2022	Impact on FV 2021
Market multiple	Price / Sale	25%	70,904	80,960
Market multiple	Enterprise value / Sale	25%	83,813	95,303
Market multiple	Price / Book	25%	157,092	339,552

27. RISK MANAGEMENT

Overview

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each business unit is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk, market risk and operational risk.

Risk management framework

Board of Directors

The Board of Directors is responsible for the overall risk management approach and ensuring that an effective risk management framework is in place. The Board of Directors approves and periodically reviews the risk management policies and strategies.

Risk Management Committee

The responsibility of the Risk Management Committee is to review and manage the credit, market and operational risks of the Group and to recommend on matters brought to it for consideration, including credit proposals or approvals.

Risk Management Department

The key element of the Group's risk management philosophy is for the Risk Management Department ('RMD') to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The RMD is overseen by the Head of Risk.

The RMD, Internal Audit and Compliance Departments, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

The RMD submits a quarterly Risk Review report to the Board Audit, Risk and Compliance Committee. The Risk Review report describes the potential risk factors and comments as to how risk factors are being addressed by the Group.

Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof, the soundness of the internal controls of the Group, the measurement system of risk assessment relating to the Group's capital.

Internal Audit

All key operational, financial and risk management processes are audited by internal audit according to risk based auditing standards. Internal Audit examines the strategies of the Group, the adequacy of the relevant policies and procedures and the Group's compliance with internal policies and regulatory guidelines. Internal audit discusses the result of all assessments with management and reports its findings and recommendations to the Board Audit, Risk and Compliance Committee.

Treasury

Group Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

27. RISK MANAGEMENT (continued)

Risk Measurement

The Group uses the standardised approach to measure its credit risk and market risk and the Basic Indicator approach for operational risk. In addition, the Group also applies various stress testing methodologies to assess its credit, liquidity, interest rate and market risk.

Risk Mitigation

The Board has put in place various limits and ratios to manage and monitor the risks in the Group. The Group uses suitable strategies to ensure the risk is maintained within the risk appetite levels as laid down by the Board.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's commercial loans, placements with financial institutions and receivables.

Monitoring of credit risk

Generating the term structure of PD

Ageing buckets based on days past due ("Ageing buckets") are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by ageing buckets.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when loan is past due for more than 30 days (2021: 14 days) and more. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due (2021: 14 days); and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

27. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Monitoring of credit risk (continued)

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on economic experts and consideration of a variety of external actual and forecast information. the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

Key macro-economic indicators include: Real GDP growth, inflation, volume of imports and exports of goods and services, unemployment rate, general government revenue and expenditure, domestic credit growth, general government gross debt, oil price, total investments and gross national savings as percentage of GDP.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Significant increase in credit risk

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

i. Management of credit risk

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures.

Housing loans under Ministry's Housing Loan Program

The decision to grant the loan is determined by the Ministry of Housing and communicated to the Group to make disbursements to the borrowers. There is credit risk to the Group arising out of these loans. Losses, if any, arising from the impairment of such loans can be claimed from the Government. The Group monitors the sanctioned housing loans regularly and non performing loans are aggressively pursued by the Group and are written-off based on ministerial order. The housing loans under the Ministry's Housing Loan Program as at 31 December 2022 is BD 805 million (31 December 2021: BD 745 million).

Other loans

Housing loans extended on a commercial basis to individuals are under a retail lending program approved by the Board of Directors with specific credit criteria being required to be met. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out to ensure that the loan proposal meets certain pre-approved credit criteria. Commercial loans have been discontinued by the Group in 2015.

27. RISK MANAGEMENT (continued)

a) Credit risk (continued)

ii. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	Gross maximum exposure 2022 BD	Gross maximum exposure 2021 BD
Balances and placements with CBB and other financial institutions	**87,678,755**	85,374,833
Loans - social loans	**873,349,432**	827,946,847
Loans - commercial loans	**4,583,925**	7,547,411
Investments in debt securities	**1,614,452**	3,592,567
Other receivables	**1,737,520**	13,188,779
	968,964,084	937,650,437

There were BD 45 million renegotiated loans during the year ended 31 December 2022 (2021: BD 51.3 million).

Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to any client, or counterparty, or group of closely related counterparties as of 31 December 2022 is nil (31 December 2021: nil).

iii. Collateral

The Group holds collateral against loans in the form of mortgages on residential property. Management assessed that collateral value is above carrying value. Collateral is not usually held against placements.

The Group did not take possession of any collateral as a result of a default during either the year ended 31 December 2022 or 31 December 2021

iv. Credit quality per class of financial assets

The Group has laid down framework for classifying its credit exposures by number of days past due and staging. The following is an analysis of credit quality by class of financial assets:

Following table shows the stage-wise exposures of each type of exposures and by aging buckets:

A. Social loans

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	**738,474,838**	**39,650,995**	**12,467,733**	**790,593,566**
1 - 30 days	**258,012**	**51,290**	**37,538**	**346,840**
31 - 59 days	**-**	**26,775,365**	**2,256,509**	**29,031,874**
60 - 89 days	**-**	**10,030,998**	**2,069,363**	**12,100,361**
90 days - 1 year	**-**	**-**	**25,499,729**	**25,499,729**
1 year - 3 years	**-**	**-**	**15,777,062**	**15,777,062**
Gross carrying value	**738,732,850**	**76,508,648**	**58,107,934**	**873,349,432**
Expected credit loss	**(8,077,825)**	**(24,498,174)**	**(35,920,608)**	**(68,496,607)**
Net carrying value	**730,655,025**	**52,010,474**	**22,187,326**	**804,852,825**

27. RISK MANAGEMENT (continued)

a) Credit risk (continued)

B. Commercial loans

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	3,426,914	21,905	42,201	3,491,020
1 - 30 days	274,004	-	2,295	276,299
31 - 59 days	-	151,796	62,572	214,368
60 - 89 days	-	24,140	18,383	42,523
90 days - 1 year	-	-	119,063	119,063
1 year - 3 years	-	-	440,652	440,652
Gross carrying value	3,700,918	197,841	685,166	4,583,925
Expected credit loss	(43,726)	(69,803)	(517,742)	(631,271)
Net carrying value	3,657,192	128,038	167,424	3,952,654

C. Balances and placement with CBB and other financial institutions

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current*	87,678,755	-	-	87,678,755
Gross carrying value	87,678,755	-	-	87,678,755
Expected credit loss	(3,878)	-	-	(3,878)
Net carrying value	87,674,877	-	-	87,674,877

*Includes BD 66.5 million balances with CBB which are classified under stage 1 and no ECL has been recognised.

D. Investment in debt securities

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	1,614,452	-	-	1,614,452
Gross carrying value	1,614,452	-	-	1,614,452
Expected credit loss	-	-	-	-
Net carrying value	1,614,452	-	-	1,614,452

All investment in debt securities are current with no past due as of 31 December 2022 (2021: Nil). The Bank's investment in debt securities are classified under stage 1 and no ECL has been recognised on debt investments as it comprise sukuk, government bonds and T-bills with CBB.

E. Other assets

	Stage 1*	**Stage 2**	**Stage 3**	**Total**
Other assets	1,408,782	-	328,738	1,737,520
Gross carrying value	1,408,782	-	328,738	1,737,520
Expected credit loss	-	-	(251,310)	(251,310)
Net carrying value	1,408,782	-	77,428	1,486,210

*Other assets classified under stage 1 are short term in nature and hence no ECL has been recognised.

27. RISK MANAGEMENT (continued)

a) Credit risk (continued)

A. Social loans

	2021			
	Stage 1	Stage 2	Stage 3	Total
Current	666,134,525	47,875,442	36,283,329	750,293,296
1 - 14 days	41,528	77,139	138,910	257,577
15 - 59 days	-	18,050,388	4,341,204	22,391,592
60 - 89 days	-	7,610,115	3,789,134	11,399,249
90 days - 1 year	-	-	43,596,909	43,596,909
1 year - 3 years	-	-	8,224	8,224
Gross carrying value	666,176,053	73,613,084	88,157,710	827,946,847
Expected credit loss	(9,775,331)	(20,429,371)	(52,883,072)	(83,087,774)
Net carrying value	656,400,722	53,183,713	35,274,638	744,859,073

B. Commercial loans

	2021			
	Stage 1	Stage 2	Stage 3	Total
Current	3,757,229	200,608	152,227	4,110,064
1 - 14 days	279,678	28,628	-	308,306
15 - 59 days	-	327,331	21,205	348,536
60 - 89 days	-	28,800	-	28,800
90 days - 1 year	-	-	451,796	451,796
1 year - 3 years	-	-	649,771	649,771
3 year - 5 years	-	-	617,291	617,291
More than 5 years	-	-	1,032,847	1,032,847
Gross carrying value	4,036,907	585,367	2,925,137	7,547,411
Expected credit loss	(43,572)	(86,708)	(2,606,610)	(2,736,890)
Net carrying value	3,993,335	498,659	318,527	4,810,521

C. Balances and placement with CBB and other financial institutions

	Stage 1	Stage 2	Stage 3	Total
Current*	85,374,833	-	-	85,374,833
Gross carrying value	85,374,833	-	-	85,374,833
Expected credit loss	(14,274)	-	-	(14,274)
Net carrying value	85,360,559	-	-	85,360,559

*Includes BD 67.2 million balances with CBB which are classified under stage 1 and no ECL has been recognised.

27. RISK MANAGEMENT (continued)

a) Credit risk (continued)

D. Investment in debt securities

	Stage 1	Stage 2	Stage 3	Total
Current	3,592,567	-	-	3,592,567
Gross carrying value	3,592,567	-	-	3,592,567
Expected credit loss	-	-	-	-
Net carrying value	3,592,567	-	-	3,592,567

All investment in debt securities are current with no past due as of 31 December 2021 (2020: Nil). The Bank's investment in debt securities are classified under stage 1 and no ECL has been recognised on debt investments as it comprise sukuk, government bonds and T-bills with CBB.

E. Other assets

	Stage 1*	**Stage 2**	**Stage 3**	**Total**
Other assets	12,756,389	-	432,391	13,188,779
Gross carrying value	12,756,389	-	432,391	13,188,779
Expected credit loss	-	-	(315,305)	(315,305)
Net carrying value	12,756,389	-	117,085	12,873,474

*Other assets classified under stage 1 are short term in nature and hence no ECL is recognised.

v. Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group's assets and liabilities are concentrated in the Kingdom of Bahrain.

b. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as interest rates, foreign exchange rates, equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Management of market risks

The Group does not assume trading positions on its assets and liabilities, and hence the entire consolidated statement of financial position is a non-trading portfolio.

ii. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. The Group's assets and liabilities that are exposed to interest rate risk include placements with CBB and other financial institutions, loans, investment in debt securities, deposits from financial and other institutions and term loans. Interest rate risk is managed principally through monitoring interest rate gaps.

27. RISK MANAGEMENT (continued)

b. Market risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	31 December 2022 BD	Changes in basis points (+/-)	Effect on net profit (+/-)
Assets			
Placements with CBB and other financial institutions	**85,000,000**	**100**	**850,000**
Investments in debt securities	**1,614,452**	**100**	**16,145**
Loans - social loans	**1,135,457,650**	**100**	**11,354,577**
Loans - commercial loans	**4,583,925**	**100**	**45,839**
Liabilities			
Deposits from financial and other institutions	**10,000,000**	**100**	**(100,000)**
Term loans	**75,000,000**	**100**	**(750,000)**
Total			**11,416,561**

	31 December 2021 BD	Changes in basis points (+/-)	Effect on net profit (+/-)
Assets			
Placements with CBB and other financial institutions	83,530,510	100	835,305
Investments in debt securities	3,592,567	100	35,926
Loans - social loans	1,089,694,810	100	10,896,948
Loans - commercial loans	7,547,411	100	75,474
Liabilities			
Deposits from financial and other institutions	10,000,000	100	(100,000)
Term loans	75,000,000	100	(750,000)
Total			10,993,653

iii. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. Since the Group's assets and liabilities are denominated in the local currency and United States Dollars which is pegged to the Bahraini Dinar, the Group does not have any foreign exchange risk.

iv. Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in the levels of equity prices and the value of individual stocks. Equity price risk arises from the Group's investment portfolio. The Group does not actively invest in private equity entities for trading purpose. Most of the investments are strategic in nature and the Group manages this risk through arranging representation on the Board of Directors within the investee company, wherever possible and by frequent monitoring via Risk Management. Refer to note 26 for the impact of sensitivity in key variables used in valuation of investments at FVOCI.

27. RISK MANAGEMENT (continued)

c. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is managed by maintaining cash and cash equivalents, and obtaining financing facility from other banks at a high level to meet any future commitments.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available lines of funding and to drawdown the existing funding lines as and when necessary to maintain enough liquidity at a reasonable cost of funding. Further information on the regulatory liquidity and capital ratios as at 31 December 2022 have been disclosed below and in notes 28 and 31 to the consolidated financial statements.

Analysis of liabilities

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2022 and 31 December 2021 based on contractual undiscounted repayment obligations.

At 31 December 2022	**Less than 3 Months BD**	**3 to 12 Months BD**	**Over 1 Year BD**	**Total BD**	**Carrying value BD**
Deposits from financial and other institutions	**10,029,969**	**-**	**-**	**10,029,969**	**10,000,000**
Customer current accounts	**9,267,243**	**-**	**-**	**9,267,243**	**9,267,243**
Government accounts	**4,174,771**	**20,000,000**	**481,027,297**	**505,202,068**	**505,202,068**
Term loans	**2,813,744**	**4,578,578**	**95,528,679**	**102,921,002**	**75,000,000**
Other liabilities	**2,297,272**	**2,354,433**	**2,653,318**	**7,305,023**	**7,305,023**
Total	**28,582,999**	**26,933,011**	**579,209,294**	**634,725,305**	**606,774,334**

At 31 December 2021	Less than 3 Months BD	3 to 12 Months BD	Over 1 Year BD	Total BD	Carrying value BD
Deposits from financial and other institutions	10,004,550	-	-	10,004,550	10,000,000
Customer current accounts	8,546,855	-	-	8,546,855	8,546,855
Government accounts	4,174,771	20,000,000	445,010,067	469,184,838	469,184,838
Term loans	948,510	2,437,760	89,165,604	92,551,875	75,000,000
Other liabilities	909,059	2,647,183	2,977,366	6,533,608	6,533,608
Total	24,583,746	25,084,943	537,153,037	586,821,726	569,265,301

Pursuant to the agreement with MOH dated 23 December 2017, the Government account is not consider payable on demand and hence there is no significant liquidity risk.

27. RISK MANAGEMENT (continued)

c. Liquidity Risk (continued)

The Central Bank of Bahrain introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) during 2019. LCR has been developed to promote short-term resilience of a bank" s liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days. Effective from 30 June 2019, the Bank is required to maintain LCR greater than 100%. The Group had LCR ratio of 903% which represents the simple average of daily LCR for the fourth quarter (3 months) in 2022.

NSFR is to promote the resilience of banks liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a banks regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items and promotes funding stability.

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". Effective from 31 December 2019, the Bank is required to maintain NSFR ratio greater than 100%. As of 31 December 2022 the Group had NSFR ratio of 142%.

d. Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. In addition the Group trains Operational Risk Champions on a regular basis. The Group has undertaken an operational risk assessment in all divisions as part of internal risk assessment process as a part of its implementation of the Basle III Capital Accord.

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with and on behalf of the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. The risk management department has carried out a comprehensive review of the existing control environment which includes controls over effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes and including close coordination with of internal audit department to prevent and detect risks. While these risks cannot be completed eliminated, the risk management department has considered whether to update the risk registers by identifying potential loss events based on their review of the business processes in the current environment.

As of 31 December 2022, the Group did not have any significant issues relating to operational risks.

28. CAPITAL ADEQUACY

Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, issue new capital, or get new land as equity contribution from the Government. No changes were made in the objectives, policies and processes from the previous years.

28. CAPITAL ADEQUACY (continued)

The Group's capital adequacy ratio, calculated in accordance with the capital adequacy guidelines issued by the CBB, is as follows:

	2022 BD	2021 BD
Total eligible capital	399,695,003	353,910,019
Total regulatory capital (A)	**399,695,003**	353,910,019
Total Risk-weighted exposure (B)	**238,276,000**	219,398,717
Capital adequacy ratio (A/B)	**167.74%**	161.31%
Minimum requirement	**12.50%**	12.50%

Tier 1 capital comprises of ordinary share capital, contribution by a shareholder, statutory reserve and retained earnings brought forward. Certain adjustments are made to IFRS based results and reserves, as prescribed by the CBB.

Tier 2 capital, which includes ECL stage 1 and 2 subject to 1.25% RWA and the element of the fair value reserve relating to unrealised gains (losses) on equity instruments classified as FVOCI.

29. MATURITY PROFILE OF ASSETS AND LIABILITIES

Maturities of assets and liabilities have been determined based on the expected maturity from the consolidated statement of financial position date. The maturity profile of the assets and liabilities was as follows:

At 31 December 2022	Less than 12 months BD	Over 12 Months BD	Total BD
Assets			
Cash and bank balances	87,819,613	-	87,819,613
Investments	1,264,452	3,228,415	4,492,867
Loans	34,444,080	774,361,399	808,805,479
Investment in associates	-	4,120,148	4,120,148
Investment properties	-	61,523,172	61,523,172
Development properties	20,362,311	18,731,397	39,093,708
Other assets	1,643,293	1,059,965	2,703,258
	145,533,749	863,024,496	1,008,558,245
Liabilities			
Deposits from financial and other institutions	10,000,000	-	10,000,000
Customer current accounts	9,267,243	-	9,267,243
Government accounts	26,714,541	478,487,527	505,202,068
Term loans	-	75,000,000	75,000,000
Other liabilities	4,651,705	2,653,318	7,305,023
	50,633,489	556,140,845	606,774,334
Net liquidity surplus	94,900,260	306,883,651	401,783,911

29. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

At 31 December 2021	Less than 12 months BD	Over 12 Months BD	Total BD
Assets			
Cash and cash equivalents	85,471,544	-	85,471,544
Investments	3,498,582	3,724,222	7,222,804
Loans	30,676,244	718,993,350	749,669,594
Investment in associates	-	4,189,291	4,189,291
Investment properties	-	59,474,310	59,474,310
Development properties	7,908,361	5,871,092	13,779,453
Other assets	13,042,324	1,351,475	14,393,799
	140,597,055	793,603,740	934,200,795
Liabilities			
Deposits from financial and other institutions	10,000,000	-	10,000,000
Customer current accounts	8,546,855	-	8,546,855
Government accounts	24,174,771	445,010,067	469,184,838
Term loans	-	75,000,000	75,000,000
Other liabilities	3,556,242	2,977,368	6,533,610
	46,277,868	522,987,435	569,265,303
Net liquidity surplus	94,319,187	270,616,305	364,935,492

30. FUTURE FUNDING REQUIREMENTS

The Group's continued operations are dependent upon annual collections from the mortgage portfolio and MOH social housing units' distributions portfolio, as well as financing arrangements with local banks from time to time.

31. NET STABLE FUNDING RATIO

The CBB's Net Stable Funding Ratio (NSFR) regulations became effective on 31 December 2019. The objective of the NSFR is to promote the resilience of banks' liquidity risk profile and to incentivise a more resilient banking sector over a longer time horizon. The NSFR requires banks to maintain a stable funding profile in relation to assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood of disruptions to a bank's regular sources of funding that will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability. The NSFR is calculated in accordance with the Liquidity Risk Management module guidelines issued by CBB. The minimum NSFR ratio is 100% as at 31 December 2022.

31. NET STABLE FUNDING RATIO (continued)

The below table provides information on the bank's consolidated NSFR as of 31 December 2022 :

	Unweighted Values (before applying factors)				
Available Stable Funding (ASF)	**No Specified maturity**	**Less than 6 months**	**More than 6 months and less than one year**	**Over one year**	**Total Weighted Value**
Capital:					
Common equity tier 1	398,059,968	-	-	-	398,059,968
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	2,132,210	2,132,210
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits aprovided by retail customers	-	9,101,486	-	-	8,191,338
Demand deposits provided by small business customers	-	552,040	-	-	496,836
Other deposits and funding from:					
Financial Institutions	-	10,000,000	-	75,000,000	75,000,000
Other liabilities (not included in the categories above):					
Other liabilities and equity not included in the above categories	-	18,584,069	20,000,000	478,487,529	478,487,527
Total ASF	398,059,968	40,537,595	20,000,000	555,619,739	962,367,879
Required Stable Funding (RSF)					
Coins and banknotes	144,736	-	-	-	-
All claims on central banks	-	76,469,561	-	-	-
Marketable securities:					
Central Bank of Bahrain	1,614,452	-	-	-	80,723
Loans:	-	-	-	-	-
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	17,274,808	17,645,936	-	17,460,372
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	787,478,488	511,861,017
Other unencumbered performing loans and not included in the above categories, excluding loans to financial institutions, with a risk weight of than or equal to 35%	-	-	-	3,566,187	3,031,259
Unencumbered loans to and deposits with financial institutions	-	111,936	-	-	16,790
Unlisted investments not included in the above categories	-	-	-	-	-
Investment in Subsidiaries	18,868,503	-	-	-	18,868,503
Investment in Asscociates	4,120,147	-	-	-	4,120,147
Other unlisted investments	2,878,415	-	-	-	2,878,415
Non-performing loans	15,529,584	-	-	-	15,529,584
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	99,071,869	-	-	-	99,071,869
All other off-balance sheet exposures not included above	58,857,817	-	-	-	2,942,891
Total RSF	201,085,523	93,856,305	17,645,936	791,044,675	675,861,570

NSFR (%) as at 31 December 2022	**142%**

31.NET STABLE FUNDING RATIO (continued)

The below table provides information on the bank's consolidated NSFR as of 31 December 2021:

	Unweighted Values (before applying factors)				
Available Stable Funding (ASF)	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Capital:					
Common equity tier 1	352,476,845	-	-	-	352,476,845
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	1,958,109	1,958,109
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits aprovided by retail customers	-	8,458,814	-	-	7,612,933
Demand deposits provided by small business customers	-	88,041	-	-	79,237
Other deposits and funding from:					
Financial Institutions	-	10,000,000	-	75,000,000	75,000,000
Other liabilities (not included in the categories above):					
Other liabilities and equity not included in the above categories	-	12,790,512	20,000,000	445,010,066	445,010,066
Total ASF	352,476,845	31,337,367	20,000,000	521,968,175	882,137,190
Required Stable Funding (RSF)					
Coins and banknotes	110,985	-	-	-	-
All claims on central banks	-	67,209,114	-	-	-
Marketable securities:					
Central Bank of Bahrain	3,592,567	-	-	-	179,628
Loans:	-	-	-	-	-
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	15,429,620	15,854,338	-	15,641,979
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	726,866,208	472,463,035
Other unencumbered loans and deposits with a risk weight of less than or equal to 35%	-	-	-	-	-
Other unencumbered performing loans and not included in the above categories, excluding loans to financial institutions, with a risk weight of than or equal to 35%	-	-	-	4,215,426	3,583,112
Unencumbered loans to and deposits with financial institutions	-	8,103,699	-	-	1,215,555
Investment in Subsidiaries	8,400,900	-	-	-	8,400,900
Investment in Asscociates	4,189,291	-	-	-	4,189,291
Other unlisted investments	3,630,237	-	-	-	3,630,237
Non-performing loans	17,638,980	-	-	-	17,638,980
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	78,919,030	-	-	-	78,919,030
All other off-balance sheet exposures not included above					
Total RSF	147,751,158	90,742,433	15,854,338	731,081,634	607,425,205
NSFR (%) as at 31 December 2021					145%

32. SHARI'A COMPLIANT ASSETS AND LIABILITIES

On 7 August 2012, the Bank obtained a no objection letter from CBB to offer Shari'a compliant products to its customers. The Bank offers various Shari'a compliant banking products, through its existing conventional departments/branches, whose accounts are not separated from those of the conventional unit.

The Islamic banking activities of the Bank are conducted in accordance with Islamic Shari'a Principles, and are subject to the supervision and approval of a Shari'a Supervisory Board ("SSB"). The SSB consist of three members appointed by the board of directors of the Bank.

The Bank does not commingle funds relating to Islamic financial services with funds relating to conventional financial services. The Bank utilizes Shari'a complaint sources of funding and its own fund to finance its Shari'a complaint assets. Surplus Shari'a funds, pending deployments if any, are invested into short-term money market instruments using Shari'a complaint structures.

The Bank does not have any revenues or expenditures prohibited by Shari'a rules and principles related to funds mobilized according to the Shari'a rules and principles. The Bank is not required to collect and pay zakah on behalf of its customers and / or shareholder.

The sources and uses of Islamic funds including its equivalent current conventional caption under IFRS as at 31 December 2022 are presented below:

Islamic assets (application of funds)	Note	**2022 BD**	2021 BD
Loans			
Finance lease assets – net	a	**256,445,865**	229,607,984
Cash and bank balances			
Commodity Murabaha assets, net	b	**9,996,122**	9,017,370
Investments			
Ijara Sukuk		**-**	722,950
Total assets		**266,441,987**	239,348,304

a) The amount reported is net of impairment provision of BD 16,258,817 (2021: BD 16,794,921)

b) The amount reported is net of impairment provision of BD 3,878 (2021: BD 13,139)

Islamic Liabilities (source of funds)		
Inter bank borrowing		
Commodity Murabaha liability	**5,000,000**	-
Term loan		
Commodity Murabaha term financing	**75,000,000**	75,000,000
Total liabilities	**80,000,000**	75,000,000

The total funds raised and financed by the Group under Shari'a rules and principles comprise of 26% of the total assets of the Bank as of 31 December 2022 (2021: 26%) and 13% (2021: 13%) of the total liabilities.

32. SHARI'A COMPLIANT ASSETS AND LIABILITIES (CONTINUED)

The Shariah-compliant income and expenses recognized during the year were as follows:

	2022 BD	2021 BD
Income		
Finance lease income, net	**9,064,064**	8,571,959
Murabaha financing	**201,276**	111,265
Income from Ijarah Sukuk	**18,795**	7,720
Expense		
Profit on Wakala taking	**-**	(3,896)
Profit on Commodity Murabaha financing	**(35,566)**	(6,125)

Revenue recognition and measurement for Shari'a complaint assets

Islamic financing assets include residential mortgage financing which are classified under Loans in the consolidated financial statements and are carried at amortised costs less impairment provision. Profits from Islamic financing lease contracts (Ijarah Muntahia Bittamleek) are recognised in the income statement as it accrues, taking into account the effective yield of the asset.

Other Islamic financing assets include short term Shari'a compliant money market placements which are classified under cash and bank balances in the consolidated financial statements and are carried at amortised costs less impairment provision. Profit on Murabaha and Wakala placements are recognised on effective yield basis over the contract term. Shari'a complaint assets include investment in Ijarah sukuk which are classified under investment in the consolidated financial statements and are carried at amortized cost less impairment provision. Income from sukuk are recognized using effective yield rate over the term of the instrument. The accounting treatment is not significantly different to AAOIFI requirements.

Pillar – III Disclosures - 2022

31st December 2022

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Pillar – III Disclosures - 2022

31st December 2022

1. EXECUTIVE SUMMARY

This report has been prepared in accordance with the Public Disclosure Module ("PD Module") Volume 1 of the Central Bank of Bahrain ("CBB") Rulebook. The report has been designed to provide Eskan Bank B.S.C.'s ("the Bank") stakeholders with detailed information on the Bank's approach in managing capital and risk, having due regard to the operating environment.

The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements for the year ended 31 December 2022 presented in accordance with the International Financial Reporting Standards ("IFRSs").

2. INTRODUCTION TO BASEL III FRAMEWORK

The CBB's Basel III capital framework is based on three pillars consistent with the Basel III framework developed by the Basel Committee, as follows:

- Pillar I: calculation of the Risk Weighted Assets ("RWAs") and capital requirement.
- Pillar II: the supervisory review process, including the Internal Capital Adequacy Assessment Process ("ICAAP").
- Pillar III: rules for the disclosure of risk management and capital adequacy information.

Pillar I

Pillar I prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar I sets out the definitions and calculations of the RWAs, and the derivation of the regulatory total capital. Capital adequacy ratios are calculated by dividing regulatory capital by the total RWAs.

Basel III focuses on increasing both the quantity and quality of Bank's capital. To this end, Tier 1 capital ("T1") must be the main component of capital, and the predominant form of T1 capital must be common shares and retained earnings. Deductions from capital and prudential filters are generally applied at the level of common equity. The remainder of T1 capital base must be comprised of instruments that are subordinated, have fully discretionary noncumulative dividends or coupons and have neither a maturity date nor an incentive to redeem. In addition, Tier 2 capital ("T2") instruments are restricted and have a limit on their contribution to total regulatory capital.

Furthermore, Basel III introduced a number of capital buffers to promote the conservation of capital (Capital Conservation Buffer or "CCB") and the build-up of adequate buffers above the minimum required capital during times of good economic conditions that can be drawn down in periods of stress (countercyclical capital buffer).

CBB's minimum required total capital adequacy ratio (including CCB) is set at 12.5 percent. The CBB also stipulates limits and minima on Common Equity Tier 1 Capital Ratio ("CET1") of 9 percent (including CCB) and minimum TI Capital Ratio of 10.5 percent (including CCB). In the event that the total capital adequacy ratio falls below 12.5 percent, additional prudential reporting requirements apply, and a formal action plan setting out the measures to be taken to restore the ratio above the minimum required level is to be formulated and submitted to the CBB.

The table below summarizes the approaches available for calculating RWAs for each risk type in accordance with the CBB's Basel III capital adequacy framework:

Credit Risk	Market Risk	Operational Risk
Standardized Approach	Standardized Approach	Basic Indicator Approach
	Internal Models Approach	Standardized Approach

The approach applied by the Bank for each risk type is as follows:

(i) Credit Risk

For regulatory reporting purposes, the Bank is using the Standardized Approach for credit risk. The credit Risk Weighted Assets ("RWA") are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.

(ii) Market Risk

For the regulatory market risk capital requirement, the Bank uses the Standardized Approach.

(iii) Operational Risk

All banks incorporated in Bahrain are required to apply the Basic Indicator Approach for operational risk unless approval is granted by the CBB to use the Standardized Approach. The CBB's capital framework does not currently permit the use of the Advanced Measurement Approach (AMA) for operational risk. For regulatory reporting purposes, the Bank is currently using the Basic Indicator Approach whereby, the operational risk weighted exposures and regulatory capital requirement are calculated by applying an alpha co-efficient of 15 percent to the average gross income for the preceding three financial years.

Pillar II

Pillar II defines the process of supervisory review of an institution's risk management framework and, ultimately, its capital adequacy. Under the CBB's Pillar II guidelines, all banks incorporated in Bahrain are required to maintain total capital adequacy ratio above 12.5 percent.

Pillar II comprises two processes:

- an Internal Capital Adequacy Assessment Process (ICAAP), and
- a supervisory review and evaluation process.

A key tool for the Bank's capital planning is the annual ICAAP through which the Bank assesses its projected capital supply and demand relative to regulatory requirements and its capital targets. The ICAAP has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity. The Bank has adopted a Risk Management Strategy and Appetite Framework which are reviewed periodically.

The supervisory review and evaluation process represents the CBB's review of the Group's capital management and an assessment of internal controls and corporate governance. The supervisory review and evaluation process is designed to ensure that institutions identify their material risks, allocate adequate capital, and employ sufficient management processes to support such risks. The supervisory review and evaluation process also encourages institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks in addition to the credit, market and operational risks addressed in the core Pillar I framework. Other risk types which are not covered by the minimum capital requirements in Pillar I include liquidity risk, interest rate risk in the banking book, strategic risk, concentration risk, reputational risk, Shari'ah risk, and residual risk. These are covered either by capital, or risk management and mitigation processes under Pillar II.

The Bank conducts stress testing of its portfolio. The Bank has implemented the CBB requirements for Stress Testing, in line with the timelines specified by the CBB.

Pillar III

Pillar III deals with the Market Discipline guidelines of the regulator to ensure adequate disclosure of risk management practices, corporate governance standards and capital adequacy information. The Bank publishes regulatory disclosures periodically and in the Annual Report.

The disclosures comprise detailed qualitative and quantitative information. The purpose of the Pillar III disclosure requirements is to complement the first two pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move toward more advanced forms of risk management.

Under the current regulations, partial disclosure consisting mainly of quantitative analysis is required during half year reporting, whereas full disclosure is required to coincide with the financial year end reporting.

a) Scope of Application

The name of the Bank in the Group, to which these regulations apply is Eskan Bank B.S.C. (c) which is a closed joint stock company registered and incorporated by the Amiri Decree No. 4 of 1979, together with its subsidiaries (the "Group"). The Bank operates under a Restricted Banking License issued by the CBB. The Bank is wholly owned by the Government of the Kingdom of Bahrain.

b) Subsidiaries of the Bank

Eskan Properties Company B.S.C. (c) ("EPC")

EPC is a wholly owned subsidiary of Eskan Bank. EPC was established to execute various housing and community projects that have been taken up by EPC and the Bank. The principal activity of the company is to develop and manage projects for development of properties on behalf of Eskan Bank, the Ministry of Housing and urban planning ("MoHUP") as well as other third parties.

Danaat Al Lawzi B.S.C (c)

Danaat Al Lawzi was established in 2014 for the purpose of developing an affordable housing project in Hamad Town, in collaboration with the private sector. Development work on the project commenced in 2017, and handed over in 2020, the project delivered:

- 303 affordable villas;
- A retail facility featuring a supermarket with related amenities'
- A walkway adjacent to Al Lawzi Lake; and
- All necessary primary, secondary and tertiary infrastructure.

The Bank holds a 100% stake in Danaat Al Lawzi, following the full acquisition of the remaining shares from the private sector partner as of 31 October 2022.

2. INTRODUCTION TO BASEL III FRAMEWORK (CONTINUED)

c) Associate Companies of the Bank

- **Eskan Bank Realty Income Trust ("EBRIT")**

EBRIT, established in Q4 2016 by Eskan Bank, is the first listed Real Estate Investment Trust in Bahrain. EBRIT has a net asset value of BD 11.3 million as of 31 December 2022, of which 36.57% is held by the Bank. The inaugural properties of EBRIT include Segaya Plaza along with the commercial components of Danaat Al Madina. Eskan Bank, as EBRIT's Investment Manager, is seeking to add more properties to the Trust and has been active in seeking additional opportunities to grow and diversify the portfolio of assets.

d) Treatment of Subsidiaries and Associates for Capital Adequacy Calculation

a) EPC is consolidated with the Bank's financials for the purpose of Capital Adequacy calculation. The treatment of other subsidiaries and associate companies is as per the below table.

Table 1: Interests in Entities Risk Weighted Rather Than Deduction / Group-Wide Method

Subsidiaries / Associates	Country of Incorporation / residence	Percentage of ownership	Risk Weight
Eskan Bank Realty Income Trust (EBRIT)	Kingdom of Bahrain	36.57%	200%
Dannat Al Luzi B.S.C (c)	Kingdom of Bahrain	100%	50%

3. FINANCIAL PERFORMANCE AND POSITION

During 2022, the Bank achieved steady growth and maintained its profitability during the year despite numerous challenges, including a rigorous reorganization of government funding. The performance for the year is the result of the Bank's focus on meeting its business objectives, maintaining asset quality, judicious deployment of available liquidity at best possible yields and efficiently managing the operating expenses. The Bank posted a total net income for 2022 of BD 32.9 million (2021: BD 29.9 million). Total operating costs, stood at BD 7.8 million representing a cost to income ratio of 19%.

As of 31 December 2022, total equity of the Bank stood at BD 401.8 million (2021: BD 364.9 million), while the return on equity stood at 8.2%. The Bank's total balance sheet stood at BD 1 billion at the end of 2022, representing an increase of 8% compared to prior year. Capital adequacy ratio increased from 161% to 168%, while the Bank's balance sheet continues to boast healthy liquidity.

a) Asset Growth and Quality:

o **Asset Growth:**

The total Balance Sheet of the Bank stood at BHD 1 billion as at 31st December 2022 compared to BHD 934.2 million as at the previous year-end. The Bank's loans and advances as at 31st December 2022 stood at BHD 808.8 million, which increased by 8% as compared to 2021. Asset Quality:

- Loan Portfolio: The Bank's portfolio is of high quality despite the bulk of the Banking assets being residential mortgage loans. Primarily, these loans are "social loans" where the decision to grant the loan is determined by the Ministry of Housing and communicated to the Bank to make disbursement to the borrowers. There is credit risk to the Bank arising out of these loans. Losses, if any arising from the impairment of such loans can be claimed from the Government. On the other hand, in case of the commercial residential mortgage loans extended by the Bank, the approach has been conservative
- Money market instruments: The other banking assets are mainly inter-bank placements with reputed banks in the Kingdom of Bahrain.
- Investments portfolio: The Bank has investment in Naseej, Bahrain Aluminum Extrusion Company, Treasury Bills and other small legacy investments.

Capital Adequacy Ratio ("CAR"):

o **Solvency:** The Group has limited external borrowings and as such its solvency position, as indicated by the Asset Liability maturity profiles is satisfactory, with balances in the government account considered as not payable in the short term.

3. FINANCIAL PERFORMANCE AND POSITION (CONTINUED)

Table 2: Earnings and Financial Position (in BHD thousands):

	2022	2021	2020	2019	2018
Earnings					
Net Interest Income	38,088	33,836	31,714	30,183	27,275
Other Income*	3,164	4,520	4,824	1,487	2,471
Operating Expenses	7,784	6,922	6,977	6,022	6,154
Impairment Allowance	508	1,543	1,653	2,531	342
Net Income	**32,960**	**29,891**	**27,908**	**23,117**	**23,250**
Financial Position					
Total Assets	1,008,558	934,201	861,758	861,822	769,716
Loans	808,805	749,670	750,860	710,662	632,511
Total Liabilities	606,774	569,265	526,896	555,315	485,901
Non-controlling interest	-	9,274	8,094	6,627	6,652
Shareholders Equity	401,784	364,935	334,862	306,507	283,815
Earnings: Ratios (Per Cent)					
Return on Equity	8.2%	8.2%	8.3%	7.5%	8.2%
Return on Assets	3.3%	3.2%	3.2%	2.7%	3.0%
Cost-to-income ratio	19%	18%	19%	19%	21%
Net Interest Margin	100%	100%	99%	99%	99%
Capital:					
Shareholders Equity as per cent of Total Assets	40%	39%	39%	36%	37%
Total Liabilities to Shareholders Equity	151%	156%	157%	181%	171%

* Other Income comprise of i.e. Share of profit from equity accounted investee, income from properties and dividend income.

b) Performance of the Group Companies:

- **EPC:** Acts as the property development arm of Eskan Bank with a registered and paid up share capital of BHD 500,000. EPC is fully owned by the Bank and its operations have been improved through further streamlining, as well as team building and strengthening so it could enhance its ability to execute various property development projects.

The Bank, with EPC, has developed initiatives to build and raise funds to build projects on its own land bank and with private sector landlords. Presently, various projects are underway ranging from initiation, design, construction to property management.

Table 3: Financial Highlights (in BHD):

	31st-December-22	31st-December-21
Net (Loss)/profit for the year	**(257,854)**	145,422
Total assets	**1,902,626**	2,406,712
Total equity	**1,226,900**	1,484,754

- **Danaat Al Lawzi:** On 27 July 2014, upon satisfaction of all regulatory requirements, the Group invested BD 8.4 million in Danaat Al Lawzi B.S.C (c) ("the Company"), equating to 55.88% of the issued capital.

In 2022, the bank has acquired the remaining stake in the subsidiary by investment an additional BD 10.5 million. Danaat Al Lawzi is a special purpose vehicle established specifically for the aim of developing an affordable housing project in Hamad Town. The main activities of the subsidiary include management and development of private property, buying and selling of properties on behalf of the Company and property development, leasing, management and maintenance.

Table 4: Financial highlights (in BHD)

	31st-December-22	31st-December-21
Net profit for the year	**1,733,421**	2,674,656
Total assets	**23,189,801**	22,326,073
Total equity	**22,752,919**	21,019,498

4. FUTURE BUSINESS PROSPECTS

The Bank's assets and liabilities' profile for next year would remain similar to that of last year to a certain extent with a differentiating growth in the social loan portfolio and accompanying debt to be raised for the same purpose. As such, the major business contributor to the institution will be mortgage loans in the medium to long term future.

Another portfolio to maintain is that of investment properties. The Bank intends to develop its own, MOH, and other land banks and tie-up with private sector landlords through joint venture arrangements towards the development of social and affordable housing projects in order to reduce the Ministry of Housing's backlog of social housing units' applicants.

To meet this objective, the Bank is leveraging its balance sheet, and embarking on project finance basis for projects developed through partnerships with the private sector or Ministry of Housing, as well as launching funds and investment products, as and when needed, in line with regulatory requirements.

The Bank will also endeavour into the auctioning business activity of selective EB or MOH land bank suiting best site uses, other than social housing, for the purpose of fastest and optimal land monetization through long-term leases, BOTs, or partnerships, as the case may be from time to time. The intention is to optimize the financial resources of the institution in the best way possible to serve primarily the social housing agenda and, as and when needed, to contribute to the fiscal balance program of the government.

The conditions of the local, regional and international capital markets, as well as the real estate sector cycle would dictate the Bank's ability to meet its objective and the impact on its financial performance.

5. CORPORATE GOVERNANCE AND TRANSPARENCY

The Bank recognizes the need to adhere to best practices in Corporate Governance. The Bank's Corporate Governance policies are designed to ensure the independence of the Board of Directors ("the Board") and its ability to effectively supervise the management operations of the Bank.

The Bank has adopted the following Corporate Governance code principles:

Principle One: The Bank must be headed by an effective, collegial and informed BoD;

Principle Two: The directors and officers shall have full loyalty to the company;

Principle Three: The BoD shall have rigorous controls for financial audit, internal control and compliance with law;

Principle Four: The Bank shall have rigorous procedures for appointment, training and evaluation of the BoD;

Principle Five: The Bank shall remunerate directors and officers fairly and responsibly;

Principle Six: The BoD shall establish clear and efficient management structure;

Principle Seven: The BoD shall communicate with shareholders and encourage their participation;

Principle Eight: The Bank shall disclose its corporate governance; and

Principle Nine: Banks which refer to themselves as "Islamic" must follow the principles of Islamic Sharia.

Due to the unique nature of the Bank being fully owned by the Government of the Kingdom of Bahrain, and in pursuance to Legislative Decree No. 4 of 1979 with respect to the Establishment of Eskan Bank amended by Law No. 75 of 2006, the Cabinet is the sole authorized party for appointing Board Members. Thus, the Bank is not required to hold an Annual General Meeting. All key resolutions issued by the Bank which require the approval of an Ordinary or Extra-Ordinary General Assembly shall be subject to Cabinet approval.

6. BOARD AND MANAGEMENT COMMITTEES

For details of the Board level committees' structure and the Management committees refer to the Corporate Governance section of the Annual Report.

7. BOARD OF DIRECTORS

In compliance with High-level Controls Module of the CBB Rulebook with regards to the appointment of the BoD, Eskan Bank's Board has been appointed by virtue of Cabinet Decree No. 20 of 2018 dated 15 July 2018 for three years, whereby Eskan Bank's BoD in the same composition below are continued its Role and processing of the Business after such date 15 July 2021, until the new Resolution for re-structure been issued by the Cabinet Decree No. 64 of 2022 for appointment of three years on 8 December 2022 (*).

i. H.E. Eng. Basim bin Yacob Al Hamer - Minister of Housing (Non-independent)

Appointed as Chairman of Eskan Bank since 2011.

Qualifications:

- Master's in Project Management – Boulder, Colorado, USA; and
- Bachelors in Civil Engineering –San Diego/California.

Experience:

Previously He was appointed as:

- the Chairman of the Tender Board;
- a Board Member in the National Oil and Gas Authority; and
- the President of Customs Affairs;
- the vice chairman of king Fahd causeway authority Board;
- a member in policies committee at the world customs organization.
- Assistant Undersecretary for the administrative affairs at the Ministry of interior.

Throughout his career, Eng. Basim bin Yacob Al Hamer received several medals of Honor including:

- Medal for Military Duty on 21/04/1987
- Medal Sultan's Commendation on 14/12/1987
- Liberation of Kuwait Medal on 23/12/1991
- Bahrain Meritorious Service Medal of the 1st Class on 05/02/1997
- Shaikh Isa Medal of the 4th Class on 01/01/2001
- Hawar Medal on 12/10/2001
- Bahrain Medal of the 2nd Class on 25/01/2007
- Order of Merit of the 1st Class on 16/12/2007
- Bahrain Medal of the 1st Class on 14/12/2008

ii. Mr. Mohamed Abdulrahman Hussain Bucheeri

Vice Chairman and Chairman of Executive Committee (Non Independent Non-Executive Director).

Appointed as Board Director since 2011.

Qualifications:

- Bachelor of Arts – Economics and Finance, Aleppo University – Syria;
- Intensive Full Credit Course at Citibank Training Center - Athens, Greece;
- Intermediate Credit Course at Citibank - Athens, Greece;
- Registered Financial Consultant by successfully completing the Series 7; and
- Examination required by the Securities and Exchange Commission in the United States.

Mr. Mohamed Bucheeri has over 43 years of work experience.

Previous Position: Chief Executive Officer of Ithmaar Bank.

Board Member:

Bank of Bahrain and Kuwait, A.M. Yateem Brothers W.L.L.,

7. BOARD OF DIRECTORS (CONTINUED)

iii. Dr. Zakareya Sultan Al Abbasi

Member (Independent Non-Executive Director)

Appointed as a Board Member since 2011 and he is a member of the Board Audit, Risk and Compliance Committee.

Qualifications:

- Master and PhD degrees in Law from University of East Anglia – UK

Dr. Zakareya has over 33 years' of work experience.

Previous Position: Chief Executive Officer of the Social Insurance Organization.

Previous Board Membership: Bank of Bahrain and Kuwait and Asset Management Company (Osool) (a Company owned by the Social Insurance Organization).

iv. Mr. Yousif Abdulla Taqi

Member (Independent Non-Executive Director)

Appointed as a Board Member since 2011, and he is member of the Remuneration, Nomination and Corporate Governance Committee.

Qualifications:

A Certified Public Accountant (CPA).

Mr. Yousif Taqi has over 33 years of work experience.

Board Member:

Kuwait Finance House - Bahrain, Aluminum Bahrain B.S.B. (ALBA), Bahrain Middle-East Bank, Osool Assets management and Bapco

v. Dr. Riyad Saleh Al-Saie

Independent Non-Executive Director, Vice Chairman of the Executive Committee, and Member of the Remuneration, Nomination and Corporate Governance Committee.

Appointed as a Board Member since 2015.

Qualifications:

- Doctorate of Business Administration from university of Durham.
- Bachelor of Business Administration in International Finance and Marketing from the University of Miami, Florida, USA;
- Master of Business Administration "MBA" in International Banking and Finance from the University of Birmingham, UK;
- Post Graduate Diploma – Chartered Institute of Marketing ("CIM"), UK;
- Completed a three months concentrated Intensive Core International Banking Advanced Programme supervised by Citibank at the Center for International Banking Studies ("CIBS"), Istanbul – Turkey; and
- Doctorate degree in Business Administration (DBA), Durham University, UK.

Dr. Riyadh Al-Saie over than 28 years of work experience in the financial sector.

Previous Positions: Executive Director - Investment Placement at Arcapita Bank (B.S.C.) (1998-2010), Assistant Vice President - Merchant Banking at Gulf International Bank ("GIB") B.S.C. (1996-1998), Deputy Manager – Commercial Banking at Arab Banking Corporation ("ABC") B.S.C. (1984-1995).

7. BOARD OF DIRECTORS (CONTINUED)

vi. Mrs. Rana Ebrahim Faqihi

Independent Non-Executive Director, and a Member of Executive Committee.

Appointed as a Board Member since 2015.

Qualifications:

- Bachelor's Degree in International Business Management - United Kingdom; and
- Master's Degree in International Business Management - United Kingdom.

Mrs. Rana Faqihi has over 18 years' of work experience.

Board Member:

Audit Committee of Tamkeen.

Current Position:

Chief Executive of the National Bureau for Revenue, with the rank of Ministry Undersecretary.

Previous Position: Assistant Undersecretary at Public Revenue Development – Ministry of Finance, Kingdom of Bahrain.

vii. Mr. Kamal Murad Ali Murad

Independent Non-Executive Director and Member of Executive Committee.

Appointed as a Board Member since 2015.

Qualifications:

- Bachelor in Economics and Finance from the Bentley College, Waltham Massachusetts; and
- Masters in Global Financial Analysis from the Bentley College, Waltham Massachusetts.

Mr. Kamal Murad has over 19 years of work experience.

Current Position:

Head of Investments, in one of the leading organizations in the Kingdom of Bahrain and the region.

Board Member:

Chairman and Board Member of a number of boards of investment businesses and educational institutions including Diyar Al Muharraq and The American University of Bahrain

viii. Mrs. Najla Mohammed Al-Shirawi

Independent Non-Executive Director and Chairperson of Board Audit, Risk and Compliance Committee.

Appointed as a Board Member since 2015.

Qualifications:

- MBA, Masters in Business Administration and Finance, American College in London - United Kingdom;
- BSc ,Bachelor Degree in Civil Engineering, University of Bahrain-Kingdom of Bahrain; and
- Attended the Management Acceleration Programme at INSEAD, France.

Mrs. Najla Al Shirawi has over 23 years' of investment banking experience.

Current Position:

Chief Executive Officer of SICO B.S.C. (c), Bahrain.

Chairperson:

SICO Funds Services Company (SFS) B.S.C. (c), and SICO Financial Brokerage Ltd.

Board Member:

Economic Development Board (Bahrain), Future Generation Reserve Fund (Bahrain), Deposit Protection Scheme (Bahrain), Bahrain Institute of Banking & Finance, Bahrain Association of Banks and SICO Capital (Saudi).

Previous Positions: Worked for SICO B.S.C. (c) since 1997 where she held various positions in the Bank including Deputy CEO and Chief Operating Officer. She also worked for a number of institutions owned by the Geneva-based Dar Al-Maal Al-Islami Trust.

7. BOARD OF DIRECTORS (CONTINUED)

ix. Sh. Mohammed bin Ibrahim Al-Khalifa

Independent Non-Executive Director and Member of the Board Audit, Risk and Compliance Committee.

Appointed as a Board Member in 2018.

Qualifications:

- Bachelor in Science in Business Administration from The American University of Washington D.C, USA; and
- Masters in Business Administration from De Paul University, USA.

Sh. Mohammed Al Khalifa has over 21 years' of work experience.

Current Position:

Director of Human and Financial Resources at the Ministry of Housing.

Previous Position:

Chief of Financial Affairs at the General Organisation for Youth and Sports ("GOYS").

*** The new structure of the Board of Directors appointed on 8 December 2022 is as following:**

i. H.E. Mrs. Amna bint Ahmed Al Rumaihi

Minister of Housing & Urban Planning (Non-independent)

Appointed as Chairperson of Eskan Bank since 2022.

Qualifications:

- Holds a bachelor's degree in Business Information Systems (BIS) from the University of Bahrain (UoB).

Experience and most important features of H.E. Mrs. Amna bint Ahmed Al Rumaihi's biography:

- Appointed as Undersecretary of National Economy at the Ministry of Finance and National Economy, pursuant to Royal Decree No. (18) for the year **2021**.
- Appointed as Assistant Undersecretary for Competitiveness and Economic Indicators at the Ministry of Finance and National Economy, pursuant to a Royal Decree No. (26) for the year **2019**, through which she worked on:

1. Leading an economic team dedicated to tracking the Kingdom of Bahrain's economic and competitiveness indicators, which monitors Bahrain's progress in all major sectors, both locally and globally.
2. Supervising the implementation of the Fiscal and Economic Stimulus Package's initiatives, which support the sectors majorly impacted by Covid-19 pandemic. As well as supervising the launch of liquidity Support fund (LSF), which aims to support private sector companies and SMEs in overcoming liquidity challenges.
3. Providing technical and administrative support to the Ministerial Committee for Financial and Economic Affairs and Fiscal Balance.

- Joined First Deputy Prime Minister Office in 2013 and worked on establishing the Projects Unit, through which she worked on following-up on the implementation of a number of projects within the Government Priorities Framework programs in its 1st and 2nd editions, of which the most important among them are:

1. Launching the National Suggestion & Complaint system "Tawasul", which aims to improve the quality of government services.
2. Establishing a system to monitor the performance of more than 120 economic indicators with the aim of issuing knowledge-based decisions.
3. Overseeing the process of re-engineering more than 30 government services.
4. Participating in the development of a policy for promoting fiscal stability and sustainability.

- Worked in several roles at the Economic Development Board (EDB), starting from a Senior Analyst in the Economic Planning and Development Directorate in 2009, until she became a Senior Officer for Planning and Economic Development, during which she followed-up the implementation of the National Economic Strategy leading towards Bahrain Economic Vision 2030, with a focus on the financial services sector's initiatives. That's in addition to contributing in many economic research and studies.
- Worked at Bahrain Bourse in **2006**.
- Honored with His Majesty the King's Proficiency Medal in **2017**.

Memberships:

- Appointed as a member of the Board of Directors of Social Insurance Organization (SIO) pursuant to Royal Decree No. (90) for the year **2019**.
- A former member of the Board of Trustees of Bahrain Polytechnic pursuant to Royal Decree No. (25) for the year **2017**.

7. BOARD OF DIRECTORS (CONTINUED)

ii. Mr. Mohamed Abdulrahman Hussain Bucheeri

Vice Chairman and Chairman of Executive Committee (Non Independent Non-Executive Director).

Appointed as Board Director since 2011.

Qualifications:

- Bachelor of Arts – Economics and Finance, Aleppo University – Syria;
- Intensive Full Credit Course at Citibank Training Center - Athens, Greece;
- Intermediate Credit Course at Citibank - Athens, Greece;
- Registered Financial Consultant by successfully completing the Series 7; and
- Examination required by the Securities and Exchange Commission in the United States.

Mr. Mohamed Bucheeri has over 45 years of work experience.

Previous Position: Chief Executive Officer of Ithmaar Bank.

Board Member:

Bank of Bahrain and Kuwait, A.M. Yateem Brothers W.L.L., Yateem for Oxygen Company

iii. Mrs. Najla Mohammed Al-Shirawi

Independent Non-Executive Director and Member of executive Committee.

Appointed as a Board Member since 2015.

Qualifications:

- MBA, Masters in Business Administration and Finance, American College in London - United Kingdom;
- BSc ,Bachelor Degree in Civil Engineering, University of Bahrain-Kingdom of Bahrain; and
- Attended the Management Acceleration Programme at INSEAD, France.

Mrs. Najla Al Shirawi has over 23 years' of investment banking experience.

Current Position:

Chief Executive Officer of SICO B.S.C. (c), Bahrain.

Chairperson:

SICO Funds Services Company (SFS) B.S.C. (c), and SICO Financial Brokerage (UAE).

Board Member:

Economic Development Board (Bahrain), SICO Capital (KSA), Bahrain Commercial Facilities Company, Deposit Protection Scheme Board, Future Generations Reserve Fund (Bahrain), Bahrain Institute of Banking & Finance, Bahrain Association of Banks.

Previous Positions: Worked for Securities and Investments Company (SICO) since 1997 where she held various positions in the Bank including Deputy CEO, Chief Operating Officer for seven years, Head of Asset Management, and Head of Investments & Treasury. She also worked for a number of institutions owned by the Geneva-based Dar Al-Maal Al-Islami Trust and was responsible for establishing private banking operations for the Group in the Gulf region and was previously appointed to a Lectureship in Engineering at the University of Bahrain.

7. BOARD OF DIRECTORS (CONTINUED)

iv. Mr. Isa Abdulla Zainal

Board Member and Member of the Audit, Risk and Compliance Committee (Independent Non-Executive Director)

Appointed as Director of the Board in 2022

Qualifications:

- BA with HONORS in accounting |1985| University of Bahrain
- CPA from state of Georgia - USA |1991

More than 38 years experience in assurance, business advisory and Islamic investment banking industry.

Current Position: Retired - Acting as an advisor and an independent board member in various entities in Bahrain and abroad.

Board member:

Bahrain Bay Utilities Company BSC (c), Health 360 WLL, Nuyu (Women Fitness Company) – KSA, Eazy Financial Services BSC (c), Kheleeji Commercial Bank BSC and GBCORP BSC

Previous Positions:

- CFO at Arcapita (2003 – 2016)
- CFO at Al Baraka Banking Group (2000 – 2003)
- Auditor and Business Consultant at ARTHUR ANDERSEN (1985 – 2000)

v. Ms. Reem Abdulghaffar Al Alawi

Board Member and Member of the Audit, Risk and Compliance Committee (Independent Non-Executive Director)

Appointed as Director of the Board in 2022

Qualifications:

- Masters of Law in International Commercial Law – University of Kent at Canterbury, United Kingdom
- Bachelors of Arts with Honors in Law and Business Administration - University of Kent at Canterbury, United Kingdom

More than 13 years' experience

Current Position:

Chief Legal and Monitoring Officer and Board Secretary: the Labour Fund (Tamkeen)

Previous Positions:

- General Counsel and Board Secretary: Tatweer Petroleum – Bahrain Field Development Company
- Legal Officer: Telecommunications Regulatory Authority (TRA) Bahrain
- Graduate Law Trainee: Bahrain Telecommunications Company (Batelco) Bahrain

7. BOARD OF DIRECTORS (CONTINUED)

vi. Mr. Nabeel Saleh Abdulaal

Independent Non-Executive Director, & Member of Remuneration, Nomination and Corporate Governance Committee

Appointed as Director of the Board in 2022

Qualifications

- Masters degree in Management Sciences from Lancaster University, UK
- Bachelors degree in Management Science with Computing from University of Kent at Canterbury, UK
- Previously registered approved person by Financial Conduct Authority in UK
- Member Operational Research Society in UK

More than 22 years of experience in Corporate and investment banking sector

He is Board Member of Future Generations Reserve Fund Bahrain and Nader Gas WLL

Previous positions:

- Head of Coverage, North Gulf & Levant – Institutional Client Group, CEEMEA, at Deutsche Bank AG, Middle East
- Head of Financial Institutions Coverage – Financing & Solutions Group, CEEMEA at Deutsche Bank AG, Middle East & North Africa
- Director, Head of Credit Sales & Structured Finance – Global Markets, CEEMEA at Deutsche Bank AG, Middle East & North Africa
- VP, Middle East Sales – Global Markets, CEEMEA at Deutsche Bank AG, London

Investment manager within Treasury & Investment division at Gulf International Bank, Bahrain

vii. Mr. Mubarak Nabeel Mattar

Independent Non-Executive Director, & Member of Remuneration, Nomination and Corporate Governance Committee

Appointed as Director of the Board in 2022

Qualifications:

- Master of Science in Professional Accountancy, University of London - United Kingdom
- FCCA, Fellow Member of Association of Chartered Certified Accountants (ACCA)
- APRM, Associate Professional Risk Manager (PRMIA)
- BSc, Bachelor Degree in Accounting, University of Bahrain-Kingdom of Bahrain

More than 15 years' accounting and government financing experience.

Current Position: Assistant Undersecretary for Financial Operations- MOFNE

Memberships:

- Board member, The Government Hospitals Board of Trustees
- Board member, Primary Healthcare Centers Board of Trustees
- Board member, Deposit Protection Scheme (Bahrain)

Previous Positions: Worked for the Ministry of Finance and National Economy since 2010 where he held various positions. Board member of the Future Generation Reserve Fund.

7. BOARD OF DIRECTORS (CONTINUED)

viii. Mrs. Balsam Ali Al-Salman

Independent Non-Executive Director, & Executive Committee member

Appointed since 2022

Qualifications:

- Bachelor of Civil Engineering - with distinction from the University of Bahrain – 1996
- Certified Engineer in the Engineering Professions Authority - Kingdom of Bahrain
- Degree in Value Engineering
- Executive Leadership Preparation Program - 25th Batch
- Member in various dedicated Committees in Bahrain

More than 25 years' in Civil Engineering, she has Managed and Participated in planning and designing the infrastructure for various Housing Projects executed by the Ministry of Housing and Urban Planning in Bahrain.

Current Position: Assistant Undersecretary for Engineering Affairs at Ministry of Housing and Urban Planning.

Previous Positions: she has held different of positions in Ministry of Housing and Urban Planning since 1997 as below:

- Director of the Housing Projects Planning and Design Department, Ministry of Housing and Urban Planning, Bahrain (2021 - 2022)
- Head of the Engineering Design Group, Ministry of Housing and Urban Planning, Bahrain (2019 - 2021)
- Head of the Survey and Land Determination Group, Ministry of Housing and Urban Planning, Bahrain (2011-2019)
- Senior Civil Engineer, Engineering Design Group, Ministry of Housing and Urban Planning, Bahrain (1997 - 2011)

ix. Mr. Abdullatif Khalid Abdullatif

Board Member and Member of the Audit, Risk and Compliance Committee (Independent Non-Executive Director)

Appointed as Director of the Board in 2022

Qualifications:

- Fellow Chartered Accountant with the Institute of Chartered Accountants in England and Wales.
- Holds an MBA from London Business School.

More than 13 years' experience

Current Position: Group Chief Financial Officer at an Asset Management firm that invests globally and headquartered in Bahrain.

Previous Positions: He was a Senior Director at EY for 5 years.

Board Member:

Board audit committee positions in Diyar Al Muharraq, Al-Liwan Real Estate, and Bareeq Al Retaj.

8. EXECUTIVE MANAGEMENT TEAM OF THE GROUP

i. Dr. Khalid Abdulla, General Manager

Dr. Khalid Abdulla has over forty years of experience in Islamic and Conventional Banking as well as the real estate market. He has held many senior positions with leading investment, commercial and real estate financial institutions in Bahrain in addition to his academic and research expertise as an Economist.

Prior to joining the Bank, he was the Chief Executive Officer at Inovest Bahrain B.S.C. He holds a Master of Science Degree in Economic Development from the University of East Anglia (UK) and a Doctorate of Philosophy in Economics from Exeter University (UK). In the past, Dr. Khalid also held the post of Assistant Professor and Chairman of the Department of Economics and Finance at the University of Bahrain.

Dr. Khalid is actively involved in many projects promoting infrastructural development in Bahrain. He was a member of many associations such as 'The Public Affairs Committee' at the Bahrain Chamber of Commerce and Industry. He also served on the Board of Trustees of 'MENA Investment Center'.

Dr. Khalid plays an active role in many societies and institutions such as being a founding member of Bahrain Economic Society and Bahrain Competitiveness Council, Board member and Head of Audit Committee at Labour Market Regulatory Authority,Board member of Naseej and a member in Board of Trustees of The American University of Bahrain (AUBH).

He assumed the present position in 2013.

8. EXECUTIVE MANAGEMENT TEAM OF THE GROUP (CONTINUED)

ii. Mr. Ahmad Tayara, Chief Business Officer and Deputy General Manager

Mr. Ahmad Tayara has over twenty-seven years of experience in both Islamic and conventional banking, particularly in the areas of investment banking, capital market, real estate, private equity and retail banking. He has worked for leading financial institutions such as Ithmaar Bank, Elaf Bank and Middle East Capital Group. Prior to joining Eskan Bank, he was General Manager – Investment Banking at Elaf Bank.

Mr. Tayara holds a Bachelor of Science and Master of Science degrees in economics from McGill University, Canada.

He assumed the present position in January 2012.

iii. Mr. Eyad Obaid, General Manager / Eskan Properties Company

Mr. Eyad Obaid has over forty years of experience in various constructions industry (both private and governmental) along with a wide experience in project management, execution and property development. Prior to joining Eskan Bank he was with Bahrain Defense Force, Military Works Directorate. Mr. Eyad holds a Bachelor's Degree in Civil Engineering.

He has been with Eskan Properties Company since 2005 under the capacity of Deputy Chief Development Officer.

Mr. Eyad Obaid is an active board member in Southern Tourism Company ("STC"), Bahrain Property Development Association ("BAPDA") and Bahrain Society of Engineers.

He assumed the present position in 2015.

iv. Ms. Abeer Albinali, Head of Risk Management

Ms. Abeer Albinali, a banking professional, has over ten years of experience in risk management functions in the banking industry. Ms. Albinali is holding a Bachelor of Science degree in Banking and Finance from University of Bangor, UK. She is a CFA charter holder from the Chartered Financial Analysts Institute in Virginia, USA. She is also a holder of the Professional Risk Manager (PRM) designation from the Professional Risk Managers' International Association (PRMIA) in the United States and International Diploma in Governance, Risk and Compliance from the International Compliance Association (ICA), UK. Ms. Albinali holds professional qualifications in leadership, management, corporate governance and compliance.

She assumed the present position in the year 2020.

v. Mr. Hani Nayem, Head of Internal Audit

Mr. Hani Nayem has over twenty-one years of experience in the Banking and Audit industry covering various fields such as internal audit, compliance, corporate governance, credit analysis, investment analysis, Islamic banking, financial controls and operations. He has worked for reputable regional and international banks such as Al Baraka Islamic Bank and ithmaar Bank of Bahrain.

Mr. Nayem holds a Bachelor's degree in Accounting and has obtained the CPA professional qualification.

He assumed the present position in 2009.

vi. Ms. Parween Ali, Head of Retail Banking

Ms. Parween Ali has over thirty-five years of experience in Banking Industry, particularly in the areas of Sales and Retails Products and Service. Prior to joining Eskan Bank, she was the Sales and Service Manager at Standard Chartered Bank for 9 years.

Ms. Parween has an Advanced Banking Diploma from BIBF.

She has been with Eskan Bank since 2005 under different positions such as Mortgage Loans Manager, Mortgage Loans Senior Manager, Product Development and Marketing Senior Manager, and Head of Sales and Marketing.

She assumed the present position as Head of Retail Banking in 2018.

vii. Mrs. Samar Agaiby, Head of Financial Institutions and Government Programs

Mrs. Samar Agaiby has over thirty-three years of experience in the field, particularly in the areas of Risk, Quality, Finance, Project Management and Business development. She spent her full career in Eskan Bank, in which she joined the bank directly after she graduated from the American University in Cairo with a Bachelor degree in Economics.

Mrs. Samar is also a Certified Management Accountant ("CMA") from USA and holder of a Certified Diploma in Accounting and Finance ("CDIAF") from the UK.

She has been with Eskan Bank since 1989 in which she has held different positions including Head of Mortgage Guaranteed System and Head of Credit and Operational Risk.

She assumed the present position in 2012.

8. EXECUTIVE MANAGEMENT TEAM OF THE GROUP (CONTINUED)

viii. Mr. Adnan Fathalla Janahi, Head of Human Resources, Administration and Corporate Communication.

Mr. Adnan Janahi has over twenty-seven years of experience in Human Resource Management, and has worked with one of the leading banks prior to joining Eskan Bank, namely, the National Bank of Bahrain. In addition, he was the Director, Head of Human Resources at Investment Dar Bank. Mr. Adnan holds an MBA from University of Glamorgan and Advanced Diploma in Banking Studies from BIBF.

He has been with Eskan Bank since 2009 under the capacity of Senior Manager HR and Administration and Acting Head of Human Resources and Administration in 2013.

He assumed the present position in 2014.

ix. Mr. Aqeel Mayoof, Head of Information Technology Management

Mr. Aqeel Mayoof has over twenty-six years of experience in different Information Technology ("IT") Core Banking and Payments Systems within the banking industry such as Citi Bank and Ahli United Bank. Prior to joining Eskan Bank, he was IT Projects Leader at Ahli United Bank.

Mr. Aqeel holds a Bachelor's Degree in Electrical Engineering from the University of Bahrain, and MBA from the University of Bahrain.

He has been with Eskan Bank since 2005 under different positions such as Manager, Senior Manager and Acting Head within the IT department.

He assumed the present position in 2014.

x. Mr. Deepak Patel, Head of Operations

Mr. Deepak Patel has over twenty-three years of experience in Commercial Banking Industry, particularly in the areas of Operations, Finance and Retail Banking. Prior to joining Eskan Bank, he was Operations and Finance Manager at ICICI Bank in Bahrain and prior held various positions at ICICI Bank in India.

Mr. Deepak holds a Bachelor's Degree in Commerce and Economics from Mumbai University and MBA from Sikkim Manipal University. He also holds professional qualifications in Digital Transformation from Purdue University and FinTech Certification from the University of Hong Kong.

He has been with Eskan Bank since 2007 under different positions such as Manager, Senior Manager and Acting Head within Operations in 2013.

He assumed the present position in 2014.

xi. Mr. Muhammed Saeed Butt, Head of Financial Control

Mr. Muhammed Saeed Butt has over twenty years of experience in the banking industry as well as the audit and assurance services. During the course of his career he has worked for reputable organizations such as Ernst & Young in Pakistan and prior to joining Eskan Bank, he was Manager Investments and Finance at Al Zayani Investments in Bahrain.

Muhammad Saeed is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP) and from the Institute of Chartered Accountants of England & Wales (ICAEW). He has been with Eskan Bank since 2007 and has held several positions such as Manager Strategic Planning, Senior Manager Financial Control and Acting Head of Financial Control in 2013.

Muhammed Saeed assumed the present position in 2014.

xii. Mrs. Haifa Al Madani, Head of Legal and Corporate Secretary Department

Mrs. Haifa Al Madani has over twenty-four years of experience as a Lawyer and Legal Advisor, she spent her full career in Eskan bank, where she worked under Legal Department directly after she graduated from Kuwait with a Bachelor Degree in Law.

She is a board member of Eskan Properties Company, a subsidiary of Eskan Bank since 2007.

She assumed the present position in 2015.

9. ADDITIONAL GOVERNANCE MEASURES

In addition to the Board and Management committee structures, the BoD has approved a number of policies to ensure clarity and consistency in the operations of the Bank.

Remuneration related disclosures:

Eskan Bank aims to keep the employee compensation and benefits competitive, in comparison to the local labor market, in order to attract and retain the most competent and experienced employees with remuneration packages that are based on the latest market trends. The Bank also ensures to establish a fair and equitable remuneration system for all the employees.

The Bank did not seek external consultant advice in areas of remuneration process.

The Remuneration Nomination and Corporate Governance Committee ("RNCGC") reviews the remuneration policy including the remuneration structure of the employees at least annually with an objective of maintaining a competitive advantage in the market based on the salary surveys and secondary market sources of information. In 2022, review of remuneration policy has not resulted to any change or update to the overall remuneration of the employees including approved persons.

The remuneration packages for all staff (including approved persons) include fixed remuneration (in the form of cash and other fringe benefits) and variable remuneration in the form of cash only. The fixed component of the remuneration is a significant portion of the total remuneration.

Variable remuneration (Bonus)

Employees' bonus entitlement including approved persons are aligned to the Bank's performance, performance of the department and to individual performance and efficiency, but in all cases it shall be made at the Bank's sole discretion.

The pool of bonus is approved by the RNCGC. The performance measures used in the bonus scheme relate closely to the measures used in running the business such as financial vs. non-financial, quantifiable vs. non-quantifiable, short term vs. long term and include profitability, solvency, liquidity and growth indicators.

As per the remuneration policy of the Bank, risk alignment and adjustment to the variable remuneration should be carried out in coordination and with the support of the risk management and financial control function as they provide the technical competency and independence to ensure appropriate risk alignment and adjustment for variable remuneration. In 2022, the Bank has performed effectiveness testing of its variable remuneration policy and the result of the test has not resulted to any adjustment to variable remuneration.

The performance measures of staff in risk management, internal audit, operations, financial control, compliance and AML function, and approved persons are based on the achievement of the objectives and targets of their functions such as adherence to the bank's risk, control and compliance policies and are independent of the financial performance of the business area they monitor.

Bonuses are awarded annually based on the achievement of pre-determined objectives. These targets are based on both individual and department performance and are set by Executive Management.

The Bank has not offered any sign-on awards or guaranteed bonuses during 2022 (2021: Nil). All employees are entitled to receive 13 month salary which is distributed pro-rata on a monthly basis. There were no severance payments made towards any approved persons or material risk takers during the year (2021: Nil).

CBB has approved the Bank's remuneration policy and exempted the Bank from the requirements of deferral (except in the case of poor performance as noted below) and clawback provisions given the ownership structure of the organization, nature of its business and the policy of remuneration followed by the Bank. Variable remuneration is deferred only in the event of poor bank, divisional or business unit performance. Recognition of staff who have achieved their targets or better, may take place by way of deferred compensation, which may be paid once the Bank's performance improves.

The Bank has not awarded any deferred remuneration as of or during year ended 31 December 2022 (2021: Nil) nor paid out any deferred remuneration or reduced the deferred remuneration through performance instruments during the same period mentioned above.

Status of Compliance with CBB's Corporate Governance guidelines (High Level Controls ("HC") Module)

Banks are required to comply with the HC Module of the CBB Rulebook, which became effective from 1st January 2011 with full compliance mandated by the financial year end 2012. The HC Module contains both rules and guidance; rules must be complied with, but guidance may either be complied with or noncompliance explained by way of an annual report to the shareholders and to the CBB.

9. ADDITIONAL GOVERNANCE MEASURES (CONTINUED)

The bank has not complied with one requirement in the CBB rulebook for which details are as follows:

- HC-1.3.12 states that no director of a Bank should hold more than one Directorship of a Retail Bank or a Wholesale Bank. Two Directorships of licensees within the same category (e.g. 'Retail Bank') are not permitted unless CBB exemption is in place. One of the Bank's directors, Mr. Mohamed Husain, is also a board member in Bank of Bahrain & Kuwait ("BBK") which has a similar license to Eskan Bank. Although BBK and EB are both licensed as conventional retail banks by the CBB, however, the Board is of the view that the objectives and goals of each bank profoundly differ. Whilst BBK operates as a fully commercial bank with offerings targeting four main segments (retail banking, corporate banking, international banking, and treasury and investment businesses), EB is fully owned by the Government of Bahrain with a unique social role to provide subsidized mortgages for low-to-middle income citizens of the Kingdom of Bahrain in its mission to cater to the social housing agenda. Hence, the Board has deduced that the 2 banks are not competing with one another.

  In addition, certain guidance issued by the CBB pertinent to the appointment of the board of directors have not been adhered to by the Bank due to its special nature and the fact that Board of Directors of the Bank was appointed as per the Council of Ministers resolution No. 63 for 2022, in accordance with Article 11 of Legislative Decree No. 4 of 1979 with respect to the Establishment of Eskan Bank amended by Law No. 75 of 2006. Since Eskan Bank's Board of Directors' formation and structure are determined by virtue of Eskan Bank's Establishment Law and hence Bank's Establishment Law shall prevail in case of any discrepancy arising between its provisions and the CBB Rulebook. Specific guidance are listed below as follows:

- HC 1.4.6 states that the Chairman of the Board of Directors should be an independent director. The Bank's Chairman and Minister of Housing & Urban Planning, Mrs. Amna bint Ahmed Al-Rumaihi is not treated as an independent director, taking into account the business transactions that the Bank has with the Ministry of Housing. The Board is of the view that this does not compromise the high standards of corporate governance that the Bank maintains.

- HC-1.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.5 allows combination of committees. The Bank has combined the responsibility of the Corporate Governance Committee with that of the Remuneration and Nomination, which has three members two of whom are independent. The Board is of the view that this does not compromise the high standards of corporate governance as the Remuneration, Nomination & Corporate Governance Committee has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfill its responsibility.

The table below reflects the total amount of remuneration paid to the employees of the bank for the year of 2022.

2022	Approved * Persons	Other Staff
Fixed Remuneration		
Cash-Based	**1,173,739***	1,948,769
Shares and share-linked instruments	**Nil**	Nil
Other	**271,541**	563,283
Variable Remuneration		
Cash-Based	**406,780**	440,570
Shares and share-linked instruments	**Nil**	Nil
Other	**0**	0
Grand Total	**4,804,682**	

* Include BOD sitting fees of BD 68,400 paid to Board Members (refer note in the table below)

9. ADDITIONAL GOVERNANCE MEASURES (CONTINUED)

2022

No.	Head count	Category	Basic	Other Benefits / Allowances	Total Fixed Remuneration	Performance Bonus in Cash (actual paid in 2022)	Total Variable Remunerations	Total Fixed & Variable Remuneration
1	9*	Members of the Board		68,400	68,400			68,400
2	3	Approved persons (not included in 1,3 to 7)	176,112	76,576	252,688	60,905	60,905	313,593
3	6	Approved persons in risk management, internal audit, operations, financial controls, AML and compliance functions	230,952	118,352	349,304	78,359	78,359	427,663
4	6**	Approved Persons in Business line	542,244	232,645	774,889	267,516	267,516	1,042,405
5	28	Employees other than approved persons engaged in controlled function in No. 3	410,557	181,748	592,305	114,351	114,351	706,656
6	99	Other employees	1,267,143	652,604	1,919,747	326,219	326,219	2,245,966
	151	**Grand Total**	**2,627,008**	**1,330,325**	**3,957,333**	**847,350**	**847,350**	**4,804,683**

* Include board remuneration of 7 members who left the Bank in 2022. Further it includes BD 400 paid to one board members for attending board of directors meeting in one of Bank's subsidiaries.

** Include one individual holding managerial position in one of the Bank's subsidiary who are approved persons by CBB

2021

No.	Head count	Category	Basic	Other Benefits / Allowances	Total Fixed Remuneration	Performance Bonus in Cash (actual paid in 2021)	Total Variable Remunerations	Total Fixed & Variable Remuneration
1	9*	Members of the Board		70,800	70,800			70,800
2	3	Approved persons (not included in 1, 3 and 4)	165,336	59,111	224,447	49,275	49,275	273,722
3	6	Approved persons in risk management, internal audit, operations, financial controls, AML and compliance functions	219,393	139,515	358,908	64,380	64,380	423,288
4	7**	Approved Persons in Business line	547,230	278,135	825,365	230,120	230,120	1,055,485
5	123	Other employees	1,698,251	699,041	2,397,292	360,086	360,086	2,757,378
	148	Grand Total	2,630,210	1,246,602	3,876,812	703,861	703,861	4,580,673

* * Included two individuals holding managerial position in one of the Bank's subsidiary who are approved persons by CBB.

* Include BD800 paid to one board member for attending board of directors meetings in one of Bank's subsidiaries.

9. ADDITIONAL GOVERNANCE MEASURES (CONTINUED)

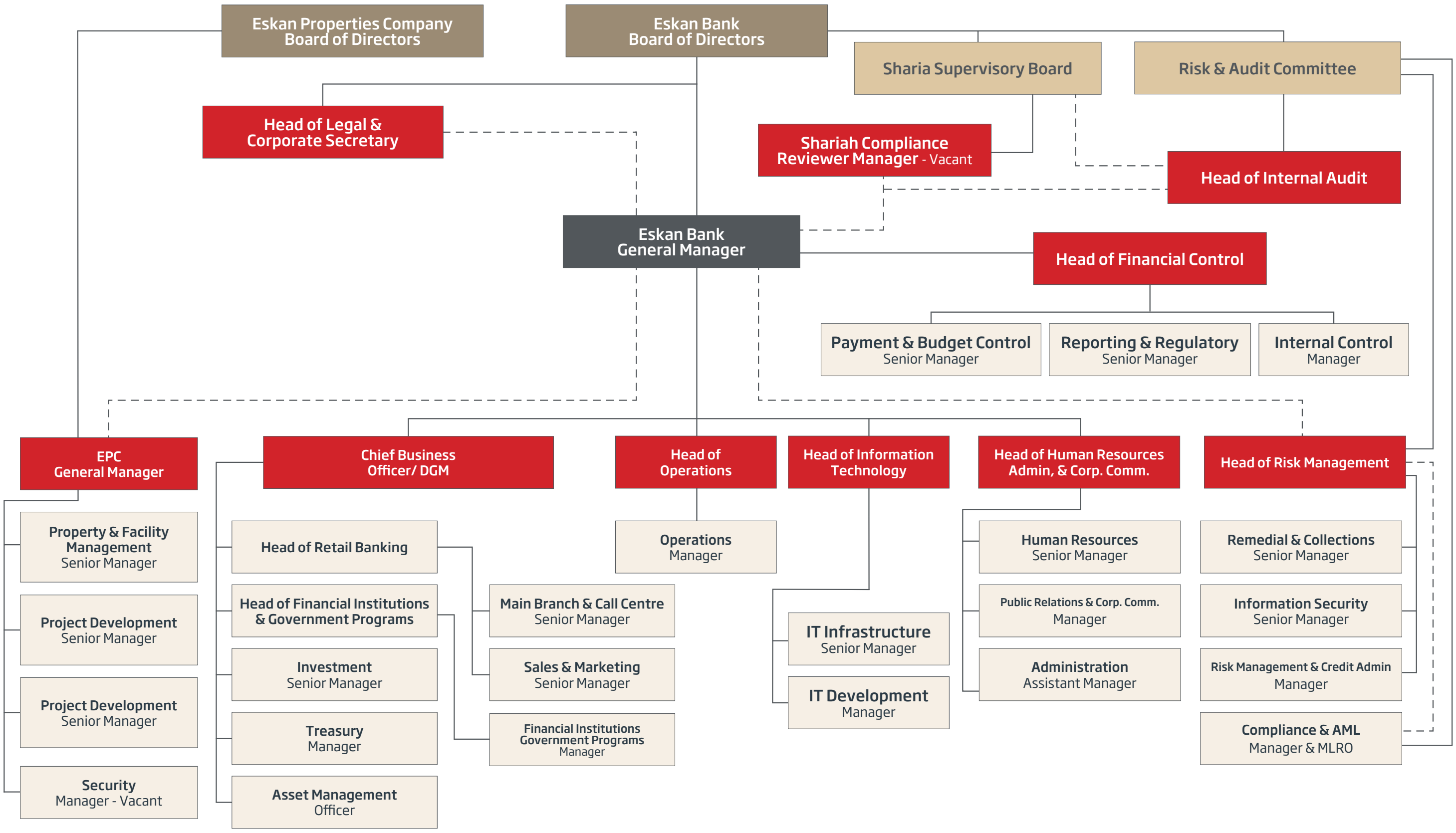
The table below reflects the total amount of remuneration paid to the employee of the Bank for the year of 2021.

2021	Approved* Persons	Other Staff
Fixed Remuneration		
Cash-Based	1,156,806	1,913,745
Shares and share-linked instruments	Nil	Nil
Other	322,715	483,547
Variable Remuneration		
Cash-Based	343,775	360,086
Shares and share-linked instruments	Nil	Nil
Other	0	0
Grand Total	4,580,674	

* Note: Include BOD sitting fees of BD70,800 paid to Board Members. (refer note in the table below)

10. ORGANISATION CHART

Eskan Bank Organisation Structure



There has been no major change in the organizational structure from prior year. The Board of directors has established reporting lines within the board and management structure that demonstrate segregation of duties as shown above. *There is no reporting line for Board Executive Committee and Remuneration, Nomination & Corporate Governance Committee.

COMMUNICATION STRATEGY

At the end of each financial year, the Consolidated Financial Statements of the Group are reviewed by the audit, risk, and compliance committee and presented to the Board for approval. Before end of the year, annual budget is reviewed by the Executive Committee and presented to the Board for approval that is subsequently sent to the Ministry of Finance to be presented to the Council of Ministers.

The Banks' Articles of Association specify the recipients to whom the Bank's annual Audit Report is to be distributed, namely, H.E the Minister of Finance, H.E the Minister of Housing, H.E the Minister of Industry and Commerce, and H.E the Governor of the CBB.

The Bank also follows the disclosure requirements as stipulated by the CBB and publishes the audited financial results on its website.

11. CAPITAL

11.1 Capital Structure

Under the CBB's Basel III capital framework, total regulatory capital consists of Tier 1 capital "T1" and Tier 2 capital "T2". T1 capital is further divided into Common Equity Tier 1 capital "CET1" and Additional Tier 1 capital "AT1".

CET1 capital consists of:

a) Issued and fully paid common shares that meet the criteria for classification as common shares for regulatory purposes,

b) Disclosed reserves including: i) General reserves; ii) Legal / statutory reserves; iii) Share premium; iv) Retained earnings or losses (including net profit/ loss for the reporting period, whether reviewed or audited),

c) Common shares issued by consolidated banking subsidiaries and held by third parties (i.e. minority interest) that meet the criteria for inclusion in CET1, and (d) Regulatory adjustments applied in the calculation of CET1.

AT1 capital consists of:

a) Instruments issued by the bank that meet the criteria for inclusion in AT1,

b) Share premium resulting from the issue of instruments included in AT1,

c) Instruments issued by consolidated banking subsidiaries and held by third parties that meet the criteria for inclusion in AT1 and are not included in CET1, and

d) Regulatory adjustments applied in the calculation of AT1.

T2 capital consists of:

a) Instruments issued by the bank that meet the criteria for inclusion in T2,

b) Share premium resulting from the issue of instruments included in T2,

c) Instruments issued by banking consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in T2 capital and are not included in T1,

d) Expected Credit Loss stage 1 and stage 2,

e) Asset revaluation reserves which arise from the revaluation of fixed assets and investment properties from time to time in line with the change in market values, and

f) Regulatory adjustments applied in the calculation of T2.

In accordance with the CBB's Basel III capital adequacy framework, certain exposures are required to be deducted from regulatory capital rather than included in RWAs. The CBB's Basel III capital adequacy framework requires that most of the deductions to be made from the CET1. At present, the T2 capital of Eskan Bank consists solely of Expected Credit Loss stage 1 and stage 2 exposures.

There is also a restriction on the amount of Expected Credit Losses (ECL) reserve that may be included as part of T2 capital, which should be a maximum of 1.25 percent of the credit risk weighted assets.

There has been no changes in the capital structure nor acquisition of new business or discontinued operation during the year ended 31 December 2022. There are no impediments on the transfer of funds or regulatory capital within the Group other than restrictions over transfers to ensure minimum regulatory capital requirements are met for subsidiary companies.

11. CAPITAL (CONTINUED)

Table1: CAPITAL STRUCTURE

	CET1	AT1	T2
Components of capital			
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid ordinary shares	108,300	-	-
General reserves	36,915		
Statutory reserves	54,462	-	-
Retained earnings	167,264	-	-
Current interim profits	31,227	-	-
Cumulative fair value changes on FVOCI investments (Equities)	(108)	-	-
Total CET 1 Capital prior to the regulatory adjustments	**398,060**	**-**	**-**
Less: Regulatory adjustments			
Intangibles other than mortgage servicing rights	497		
Total CET 1 Capital after the regulatory adjustments	**397,563**	**-**	**-**
Other Capital (AT1 & T2)			
Expected Credit Losses (ECL) Stages 1 & 2 (1.25% of credit risk weighted assets)	-	-	**2,132**
Net available Capital	**397,563**	**-**	**2,132**
Total Capital			**399,695**

Table 2: CAPITAL ADEQUACY RATIOS

The CBB Capital Adequacy Rules provides guidance on the risk measurements for the calculation of capital requirements. Conventional bank licenses are required to meet the following minimum CAR requirements:

Components of consolidated CARs

	Optional	Minimum Ratio Required	Capital conservation buffer (CCB)	CAR including CCB
Common Equity Tier 1 (CET1)		6.5%		9.0%
Additional Tier 1 (AT1)	1.5%			
Tier 1 (T1)		8.0%	2.5% comprising of CET1	10.5%
Tier 2 (T2)	2%			
Total Capital		10.0%		12.5%

Following are Capital Adequacy Ratios for total capital and Tier 1 capital as of 31 December 2022:

CET1 Capital Adequacy Ratio	**167%**
T1 Capital Adequacy Ratio	**167%**
Total Capital Adequacy Ratio	**168%**

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 31 December 2022:

Credit Risk Weighted Exposures	170,588
Operational Risk Weighted Exposures	67,688
Market Risk Weighted Exposures	-
Total Risk Weighted Exposures	**238,276**

11.2 Capital Adequacy

The Group's policy is to maintain a strong capital base so as to market confidence and to sustain the future development of the business. The Bank maintains adequate capital levels consistent with its business and risk profile and takes care of unforeseen contingencies. The capital planning process of the Bank ensures that the capital available for the Bank is at all times in line with the risk appetite of the Bank.

The Bank uses trigger rate of 12.5% for capital adequacy ratio as stipulated by CBB.

The Bank's Internal Capital Adequacy Assessment ("ICAAP") framework, which aims to ensure that capital supports business growth for its future activities, stipulates that the Bank should maintain an excess cover relative to the statutory requirement.

12. INTERNAL AUDIT

Internal audit department in Eskan bank is an independent function reports directly to the board audit, risk and compliance committee and provides an assurance services regarding the effectiveness of the established controls, compliance and governance functions in the bank.

The internal audit department carries out its activities in accordance to an approved risk based plan to ensure that all high risk processes and functions are covered annually. According to the risk based audit approach, the department maintains a comprehensive risk register, whereby risks are identified and updated regularly throughout the year considering the dynamic changes in the business environment and controls. The department assesses the established controls to mitigate identified risk, and test them on sample basis to ensure their effectiveness. Any weaknesses or deviation are reported to senior management and Audit and risk committee of the Board for corrective action.

13. CREDIT RISK

13.1 Overview of Credit Risk Management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and thereby cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features, fail to meet contractual obligations, due to them being affected by changes in economic, political or other conditions.

The Credit Risk is risk of loss to the Group due to failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations including the whole and timely payment of principal, interest, collateral and other receivables. The failure causes the Group to incur a financial loss. The credit risk that the Bank faces arises from loans and advances together with the counterparty credit risk arising from treasury activities.

Eskan Bank employs a range of techniques to mitigate risk in its credit portfolio. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, assessing the creditworthiness of counterparties, source of repayment and obtainment of a security wherever necessary and appropriate.

The Bank has well defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all of the Bank's activities. The Credit Risk Policy is approved by the Board of Directors. The Bank also draws up comprehensive Risk Statements annually and monitors the compliance against the BOD-approved limits.

The Bank has a tiered approval authority level matrix in place and has established management level-committees responsible for monitoring credit risk exposures. The Bank applies a systematic risk reporting at all levels of the organisation and openness in the reporting to the Bank's stakeholders.

13.2 Definition, Assumptions and Technique for Estimating Impairment

Significant increase in credit risk

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

The Bank assumes that the credit risk on a financial asset has increased significantly since initial recognition if contractual payments are past due "for more than 30 days". This assumption will always hold true unless the Bank can prove, through reasonable and fact-based information, the risk has not increased significantly after being past due "for more than 30 days".

The Bank considers a financial asset to be in default when either or both of the two following events have taken place:

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

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

Probability of Default (PD)

The Bank collects performance and default information about its Credit risk exposures analysed by days-past-due. The Bank employs Merton Vasicek methodology to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. For most exposures, the key macro-economic indicators include: GDP growth, Total Investments (% of GDP), Inflation rate, Import and Export of Goods and Services, Unemployment Rate, Domestic Credit growth, Oil prices, Central Government Revenue as percentage to GDP and Central Government Expenditure as percentage to GDP.

13. CREDIT RISK (CONTINUED)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt securities at FVOCI and loan commitments are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

Credit impaired financial assets are subject to cooling off period of 7 months from the first date of becoming regular in payment.

Incorporation of forward-looking information

The Bank employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro-economic parameters are statistically significant or the results of forecasted PD's are significantly deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analysing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing facilities (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions are reviewed periodically and reflected in the Credit Risk Policy.

Measurement of ECL

The Bank recognises loss allowances for ECL on social loans, commercial loans, balances with banks, debt securities and loan commitments.

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost, debt securities at FVOCI and loan commitments. These items migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 month ECL: includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: Lifetime ECL - not credit impaired: includes financial assets that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3: Lifetime ECL - credit impaired: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted). However, regulatory requirements for credit impaired accounts will continue to apply under Stage 3.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

13. CREDIT RISK (CONTINUED)

PD estimates are estimates at a certain date, PDs are estimated considering the contractual maturities of exposures.. Market data is used to derive the PD for banks and sovereign counterparties.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

Table 7: Past Due Loans and other assets - Aging Analysis (in BHD thousands)

The following table summarizes the total past due loans including other assets and provisions disclosed by industry as of 31 December 2022:

	Below 3 months	3 months up to 1 year	1 up to 3 years	Over 3 years	Total
Retail mortgage social loans	41,479	25,500	15,777	0.36	82,756
Retail mortgage commercial loans	533	119	441	-	1,093
Other assets	869	94	41	193	1,197
	42,881	**25,713**	**16,259**	**193**	**85,046**

Past due loans and other assets breakdown by type and expected credit loss (ECL):

	Total amount	ECL stage 1& 2	ECL stage 3
Retail mortgage social loans	82,756	19,448	28,497
Retail mortgage commercial loans	1,093	75	486
Other assets	1,197	-	251
	85,046	**19,523**	**29,234**

Impaired loans:

	Loan amount	ECL stage 3
Retail mortgage social loans	58,108	35,921
Retail mortgage commercial loans	685	518
	58,793	**36,439**

Table 8: Expected credit loss movement (in BHD thousands)

Loans:	Stage 1 & 2	Stage 3	Total
Expected credit loss as 1 January 2022	30,335	55,490	85,825
Net transfer between stages	30,080	(30,080)	-
Write off during the year - social loan	(105)	(890)	(995)
Write off during the year - Commercial loan	-	(1,834)	(1,834)
(Release) / Charge for the period - Social Loans	(27,475)	13,878	(13,597)
Release for the year- Commercial Loans	(146)	(125)	(271)
Expected credit loss as 31 December 2022	**32,689**	**36,439**	**69,128**

Other assets:	Stage 3	Total
Expected credit loss as 1 January 2022	315	315
Charge for the period	(64)	(64)
Expected credit loss as 31 December 2022	**251**	**251**

The Group's entire past due and provision balances as at 31 December 2022 relates to its operations in the Kingdom of Bahrain.

13. CREDIT RISK (CONTINUED)

Restructured Assets

Restructured exposures due to credit risk reasons are classified as stage 2 for a minimum period of 12 months from the date the restructured facility is performing.

If the terms of an exposures subject to credit risk are renegotiated or modified or an existing exposures subject to credit risk is replaced with a new one due to financial difficulties of the borrower, the exposures subject to credit risk should be derecognized and ECL is calculated using the cash shortfalls from the existing exposures subject to credit risk that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing exposures subject to credit risk. The 12 month cooling off period is considered sufficient to test the adequacy of the cash flows and to test satisfactory performance under the revised terms of restructuring.

The total principal outstanding amount of social loans restructured (excluding those past dues as of year-end) during the year is BD 13 million and the ECL on restructured loans as of year-end is BD 4.8 million.

Table 9: Capital Requirements – Standard Portfolio (in BHD thousands)

The following table summarizes the regulatory capital requirements for credit risk by type of standard portfolios that are subject to standardized approach as of 31 December 2022:

	* Gross Exposures	Risk Weighted Exposures	** Capital Charge
Standard Portfolio			
Cash items	145	-	-
Claims on sovereign	925,538	-	-
Claims on Banks	113	23	3
Claims on investment firms	163	82	10
Mortgage	3,939	2,954	369
Past due exposure	137	137	17
Equity investments	315	473	59
All other holdings of real estate ***	124,599	165,681	20,710
Other assets	1,228	1,228	154
	1,056,177	**170,578**	**21,322**

** Gross Exposures are in agreement with the Form PIR submitted to the Central Bank of Bahrain ("CBB") which takes in to account several deduction made in order to arrive at the eligible capital. The exposures reported are gross of any credit risk mitigant (refer note below on credit risk mitigation).*

*** Calculated at 12.5% of RWA*

**** Includes real estate exposure relating to social housing projects amounting BD 55,678 thousand which are credit risk weighted at 50% as per CBB concessions and have capital charge of BD 3,480 thousand.*

13. CREDIT RISK (CONTINUED)

Table 10: Assets - Funded, Unfunded and Average Exposures (in BHD thousands)

The following table summarises the amount of gross funded and unfunded exposure and average gross funded and unfunded exposures as of 31 December 2022:

	Gross Exposures **	* Average Exposures
Funded Exposure		
Cash and bank balances	87,820	95,416
Investments	4,493	8,490
Loans	808,805	784,277
Investment in associates	4,120	4,046
Investment properties	61,523	60,452
Development properties	39,094	31,355
Other assets	2,703	9,394
	1,008,558	**993,430**
Unfunded Exposure		
Loan related	47,066	28,514
Capital Commitments	11,976	13,122
	59,042	**41,636**

** Average balances are computed based on quarter end balances.*

*** The exposures reported are gross of any credit risk mitigant (refer note below on credit risk mitigation).*

The Group holds collateral against loans in the form of mortgage on residential property (refer section 14).

Credit risk mitigation:

The Bank did not consider any credit risk mitigation for the purpose of capital adequacy calculation and as a result the Bank did not make use of on and off balance sheet netting arrangements (i.e. it has no counterparty credit risk) as of 31 December 2022.

Securitisation exposure:

The Bank does not have securitisation exposures as of and during the year ended 31 December 2022.

Table 11: Geographic Distribution of exposures (in BHD thousands)

The following table summarises the geographic distribution of exposures (as reported under IFRS), broken down into significant areas by major types of exposure as of 31 December 2022:

	Kingdom of Bahrain	Total
Funded Exposures		
Cash and bank balances	87,820	87,820
Investments	4,493	4,493
Loans	808,805	808,805
Investment in associates	4,120	4,120
Investment properties	61,523	61,523
Development properties	39,094	39,094
Other assets	2,703	2,703
	1,008,558	**1,008,558**
Unfunded Exposures		
Loan related	47,066	47,066
Capital Commitment	11,976	11,976
	59,042	**59,042**

The Group considers the above geographical disclosure to be the most appropriate as the Group's activities are conducted in the Kingdom of Bahrain.

13. CREDIT RISK (CONTINUED)

Table 12: Sector-wise Distribution of Exposures (in BHD thousands)

The following table summarizes the distribution of funded and unfunded exposure by industry type as of 31 December 2022:

	Government	Banks and financial institutions	Real estate and construction	Residential mortgage	Tourism	Other	Total
Funded Exposures							
Bank balances	76,470	11,205	-	-	-	145	**87,820**
Investments	1,614	-	2,563	-	-	316	**4,493**
Loans	-	-	-	808,805	-	-	**808,805**
Investment in associates	-	-	4,120	-	-	-	**4,120**
Investment properties	-	-	61,523	-	-	-	**61,523**
Development properties	-	-	39,094	-	-	-	**39,094**
Other assets	220	272	85	401	-	1,725	**2,703**
	78,304	11,477	107,385	809,206	-	2,186	**1,008,558**
Unfunded Exposures							
Loan related	-	-	-	47,066	-	-	**47,066**
Capital Commitment	-	-	11,976	-	-	-	**11,976**
	-	-	11,976	47,066	-	-	**59,042**

The Bank has no exposures to highly leveraged or other high risk counterparties as at and for the year ended 31 December 2022. Further the Bank has no concentration of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit as of and for the year ended 31 December 2022.

13.3 Related Parties Transactions

The Bank's policy is to lend to related or connected counterparties on agreed terms basis i.e. pricing for all transactions with connected counterparties shall be on a similar basis as it is for unconnected parties i.e. as per usual business practice. For all large exposures to connected counterparties, approval is obtained from the Board of Directors of the Bank.

The details of the related party disclosures are incorporated in the relevant section of the consolidated financial statements for the year ended 31st December 2022.

Table 13: Intra-group transactions as of 31 December 2022 (In BHD Thousands)

The Bank disclosed its intra-group transactions* with its subsidiaries on standalone basis. The following table summarizes intra-group transactions as of 31 December 2022:

	Eskan Bank	Eskan Property Co.	Dannat Al Lawzi	Total
Assets				
Balances with Banks	-	408	386	**794**
Inter Bank Deposits	-	1,214	2,300	**3,514**
Development Properties	145	-	160	**305**
Investment properties	88	-	-	**88**
Investments in subsidiaries	19,119	-	-	**19,119**
Other Assets	130	38	4,992	**5,160**
	19,482	**1,660**	**7,838**	**28,980**
Liabilities and Equity				
Non-Bank Deposits	3,514	-	-	**3,514**
Current Accounts	794	-	-	**794**
Other Liabilities	5,027	124	9	**5,160**
Share Capital & Reserves	582	61	18,869	**19,512**
	9,917	**185**	**18,878**	**28,980**

*All intra-group transactions are conducted on arm's length basis.

13. CREDIT RISK (CONTINUED)

13.4 Large Exposures

A Large exposure is any exposure to individual **counterparties** which is greater than, or equal to, 10% of consolidated **capital base**. The Bank did not have any large exposure as at 31st December 2022.

14. CREDIT RISK MITIGATION

The Bank has undertaken the following measures for mitigating risk and strategies and processes for monitoring the continuing effectiveness of mitigants:

- Clear definition of acceptable collaterals and factors governing the same
- Thorough analysis of strength of collaterals in terms of its legal certainty, enforceability and liquidity
- Creation of minimum stipulations and conditions for acceptance and valuation of collaterals
- Clearly outline in the credit risk policy the cases where insurance cover is required to be taken
- Clear and conservatively defined parameters for extension of retail mortgage loans including loan to value ratios, and debt service ratios.
- Clear control over the cash flows available to service the mortgage loans by way of transfer of salaries or acceptance of deduction of instalments and remittance thereof to the Bank directly by the employers.

Bank currently uses only non-financial collaterals to mitigate the underlying credit risk in its regular lending operations which mainly comprises of:

- First legal mortgage over real estate/ property

As the above collaterals are ineligible for inclusion under the standardised approach, there is no impact of these collaterals on the Pillar I capital adequacy charge. Given the Bank's prime business is mortgage financing, there is high concentration of such collaterals in the portfolio. However, the recourse to the Government in case of social loans along with a positive growth pattern in the housing sector, has led to the mitigation of this risk.

Valuation of the Collaterals

- **Residential Mortgage Loans (commercial):**

The valuation of collateral is carried out by an external evaluator, at the time of approval. A fresh external valuation of loans is taken if the same is mandated by regulatory authorities.

- **Residential Mortgage Loans (Social):**

The collateral obtained is of eligible land/ house, in accordance with the social loans scheme, at the time of disbursement. In case of Purchase Loans, valuation are carried out by an external evaluator, at the time of disbursal. There is no requirement for valuation of land/ property post disbursal.

15. COUNTERPARTY CREDIT RISK FOR DERIVATIVE AND FOREIGN EXCHANGE INSTRUMENTS

The Bank does not have exposure to any of the derivative and foreign exchange instruments. So, the Bank has no counterparty credit risk arising there from.

16. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its funding requirements.

Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the Bank has diversified funding sources, assets are managed with liquidity in mind and liquidity positions are monitored, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. In addition, the Bank maintains various statutory deposits with central banks and has taken lines of credit from various banks and financial institutions. The Bank's ability to maintain a stable liquidity profile is primarily on account of repayments from the Loan Portfolio, syndicated loan and the long term nature of the Government Account.

The Bank has in place a Liquidity Risk Management policy, which describes the roles and responsibilities of Asset Liability Committee ("ALCO") and stipulates the broad guidelines with regard to minimum liquid assets to be maintained by the Bank, gap limits for time bucket of the maturity ladder, cumulative outflow of cash limits for time buckets and various liquidity ratios to be maintained which are approved by the ALCO based on the liquidity strategy.

The Bank also draws up contingency plans to deal with extraordinary conditions of liquidity risk after comprehensive scenario analysis.

16. LIQUIDITY RISK (CONTINUED)

Table 14: Residual Contractual Maturity Breakdown of Assets and Liabilities (in BHD thousands)

The report reflects that there are no negative cumulative gaps reflected by the asset liability management ("ALM") report i.e. the Bank would be in a comfortable liquidity position and able to repay its existing liabilities on their scheduled due dates from its existing assets.

The following table summarises the residual contractual maturity breakdown of the whole credit portfolio as of 31 December 2022, broken down by major types of credit exposure.For items that do not have a contractual maturity, expected maturity has been used for the purpose of this disclosure:

	1-7 Days	7 Days - 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	10-20 Years	Above 20 Years	Total
Bank balance	57,820	30,000	-	-	-	-	-	-	-	-	**87,820**
Investments	74		1,050	-	141	3,228	-	-	-	-	**4,493**
Loans	-	2,810	5,665	8,584	17,384	71,271	73,711	185,014	341,769	102,597	**808,805**
Investment in associates	-	-	-	-	-	-	-	-	-	4,120	**4,120**
Investment properties	-	-	-	-	-	-	12,305	12,305	36,913	-	**61,523**
Development properties	-	-	-	-	20,362	18,732	-	-	-	-	**39,094**
Other assets	138	437	546	216	306	748	181	131	-	-	**2,703**
TOTAL ASSETS	**58,032**	**33,247**	**7,261**	**8,800**	**38,193**	**93,979**	**86,197**	**197,450**	**378,682**	**106,717**	**1,008,558**
Interbank borrowings	5,000	5,000	-	-	-	-	-	-	-	-	**10,000**
Qustomer current accounts	9,267	-	-	-	-	-	-	-	-	-	**9,267**
Government accounts	-	6,714	-	-	20,000	20,000	-	-	-	458,488	**505,202**
Term loans	-	-	-	-	-	-	-	75,000	-	-	**75,000**
Other liabilities	6	227	2,064	1,877	477	1,369	1,245	40	-	-	**7,305**
TOTAL LIABILITIES	**14,273**	**11,941**	**2,064**	**1,877**	**20,477**	**21,369**	**1,245**	**75,040**	**-**	**458,488**	**606,774**
MISMATCH	**43,759**	**21,306**	**5,197**	**6,923**	**17,716**	**72,610**	**84,952**	**122,410**	**378,682**	**(351,771)**	**401,784**
CUMULATIVE MISMATCH	**43,759**	**65,065**	**70,262**	**77,185**	**94,901**	**167,511**	**252,463**	**374,873**	**753,555**	**401,784**	**401,784**

There are no obligations with respect to recourse transactions (i.e. where the asset has been sold, but the Bank retains responsibility for repayment if the original counterparty defaults or fails to fulfil their obligations).

17. MARKET RISK

17.1 Overview of Market Risk Management

Market risk of the Bank is defined as the risk to the Bank's earnings and capital, due to changes in the market interest rate or prices of securities, foreign exchange, commodities and equities as well as volatilities of changes. The salient features of the market risk at the Bank are as under:

- Bank currently has no 'Trading Book'.
- Investments are primarily in 'FVOCI' category.
- Market risk for the Bank is nil.
- The Bank has adopted the Standardized Approach for computation of capital charge for market risk.

18. OPERATIONAL RISK

18.1 Overview of Operational Risk Management

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. The Bank's objective is to maintain its exposure to operational risk at levels that are within its risk appetite, taking into account the market it operates in, the characteristics of its businesses as well as its economic and regulatory environment.

18.2 Management of Operational Risk

The Bank's Operational Risk Management comprises of three core building blocks; policies, processes, systems and reports and risk methodologies.

Policies:

There are policies, standards, tools and programmes in place to govern Operational Risk Management (ORM) practices across the Bank. Specifically, the ORM Policy sets an overall approach for managing operational risk in a structured, systematic and consistent manner.

18. OPERATIONAL RISK (CONTINUED)

Processes, systems and reports:

Robust internal control processes and systems are integral in identifying, assessing, monitoring, managing and reporting operational risk. Hence, all Bank's units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The operational risk unit, operational risk champions (ORCs) and control functions:

- Oversee and monitor the effectiveness of operational risk management
- Assess key operational risk issues with the units
- Report and/ or escalate key operational risks to Risk Management Committee with recommendations on appropriate risk mitigation strategies

The Bank uses an in-house developed operational risk management solution for monitoring and reporting of operational risk and capturing operational loss data in accordance with Basel III/Central Bank of Bahrain guidelines.

Risk Methodologies

To manage and control operational risk, various tools are being used, including risk and control self-assessment, Operational Risk Champions (ORCs) and key risk indicator monitoring.

The three lines of defence adopts one common risk taxonomy, and a consistent risk management approach to managing operational risk. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Bank's reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

ORCs have been introduced for each department and have been intended to become trusted partners within their respective business areas; serving as intermediaries between the functions that develop risk policies and strategies and the employees who must carry out those strategies. Risk Management Department ensures providing relevant training and implements assurance processes in order to promote a strong operational risk culture within the entity.

Also, each new product, service or outsourcing arrangement is subject to a risk review and sign-off process where relevant risks are identified and assessed. Variations of existing products or services and existing outsourcing arrangements are also subject to a similar process.

Other mitigation programmes

A robust business continuity management plan is in place to ensure that essential banking services can continue in the event of unforeseen events or business disruptions. This includes a crisis management plan to enable quick response to manage incidents. Exercises are conducted annually, simulating different scenarios to test business continuity plans and crisis management protocols. The effectiveness of these exercises as well as the Bank's business continuity readiness and our alignment to regulatory guidelines are communicated and tested by senior management to the Board.

The Bank also has a contingency plan to take care of any failure of its computer systems. Regular back-ups are made for all important data sets, and stored outside the Bank's premises. This ensures that in case of any system failure, the Bank will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the Bank has established a back-up site which would and operate during an emergency.

Operational Risk Measurement Methodology

The Bank uses the Basic Indicator Approach to compute operational risk regulatory capital, whereby the operational risk weighted exposures and regulatory capital requirement are calculated by applying an alpha co-efficient of 15 percent to the average gross income for the preceding three financial years. The Bank uses a trigger rate of 12.5% for Capital Adequacy ratio and 12.5% for computing Operational Risk Ratio.

18. OPERATIONAL RISK (CONTINUED)

The following table summarizes the amount of exposures pertaining to operational risk and related capital requirements as of 31 December, 2022:

			BHD 000's
Year	2020	2021	**2022**
Gross income	33,107	35,589	39,613
Average Gross income			36,103
Multiplier			12.5
			451,288
Eligible portion for purpose of the calculation			15%
Total operation risk weighted exposures			67,693
Minimum capital requirement (12.5%)			**8,461**

There are no material legal contingencies nor any pending legal actions against the Bank as of and for the year ended 31 December 2022.

19. EQUITY POSITIONS IN THE BANKING BOOK

The Equity position as at 31 December 2022 comprise investments in subsidiaries and associates which are not subject to regulatory consolidation treatment for capital adequacy calculation purposes and other investments.

Table 15: Equity Position in the Banking Books (in BHD thousands)

The following table summarises the total gross exposure of equity based investments as of 31 December 2022:

	Gross Exposures	Privately Held	Quoted	Risk weighted	Capital charge
FVTOCI	2,878	2,878	-	5,599	700
Investments in associates	4,120	-	4,120	8,240	1,030
Investments in unconsolidated subsidiaries	18,869	18,869	-	9,434	1,179

The Bank sold one FVOCI equity investment at net book value i.e. no realized gains (or losses) have been recognized as a result of the sale transaction. Further the Bank does not have any equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirement.

The risk weighted assets used in arriving at the capital requirements considers investments carried at fair value through other comprehensive income which comprises of investment in Naseej to be risk weighted at 200% being equity investments in real estate entity and investments in Balexco are risk weighted at 150%. Capital Charge is calculated at 12.5%.

Investment in associate represent exposure to real estate and hence it is risk weighted at 200% for the purpose of calculating capital requirement.

Investment in unconsolidated subsidiary represent real estate exposure for social housing project and hence it is risk weighted at 50% as per CBB concession.

The Bank's holding of equity positions in banking book is primarily related to its real estate development activity.

The bank's strategy currently does not allow to hold any equity positions under its treasury investment book and is likely to be continued on the same basis for the foreseeable future.

20. INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk is the exposure of the Bank's financial condition to adverse movements of interest rates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. Excessive interest rate risk can pose a significant threat to the Bank's earnings and capital base. Accordingly, an effective risk management process that maintains interest rate risk within prudent levels is essential to the safety and soundness of the Bank.

It is the Bank's policy to keep its assets and liabilities mismatches at stable and acceptable levels to maintain a steady net interest income. The Bank's current interest rate sensitive assets and liabilities are limited in nature with fixed maturity dates.

The Bank considers earning-based ("NII") measures for management of IRRBB and applies rate shocks of 100 bps and 200 bps to gauge the adverse impact of IRRBB on net interest income. The impact of 100 bps and 200 bps rate shocks on the Bank's earning is BD 11.1k and BD 22.2k. Meaning, if interest rates rise by 1%, the net interest income will increase by BD 11.1k and vice versa. The aforementioned is 0.04% of the net interest income for the year 2021.

Bucket	Overnight	Overnight - 1 month	1-3 months	3-6 months	6-9 months	9-12 months	Total BD 000's
1% Shock	30	1,550	4,045	3,036	1,821	609	**11,091**
2% Shock	60	3,100	8,089	6,072	3,643	1,217	**22,181**

Table 16: Sensitivity Analysis- Interest Rate Risk (in BHD thousands)

Analysis of the Group's sensitivity to an increase or decrease in a 200 bps parallel market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) on the Group's net profit and equity:

	31 December 2022	Changes in basis points (+/-)	Effect on net profit (+/-)
ASSETS			
Placements with financial institutions	85,000	200	1,700
Loans - social loans	1,135,458	200	22,709
Loans - commercial loans	4,584	200	92
Investment in Debt Securities	1,614	200	32
Rate sensitive Assets	**1,226,656**		**24,533**
LIABILITIES			
Deposits from financial and other institutions	10,000	200	200
Term Loans	75,000	200	1,500
Rate sensitive Liabilities	**85,000**	200	1,700
Total			**22,833**

The policies and strategies adopted by the Bank in identifying, monitoring, managing and mitigating all the above risks have been effective and there has been no significant change from last year.

21. AUDIT FEES

Information relating to the fees paid to external auditors for audit and non-audit services including the review of interim financial statements, agreed upon procedures services related to CBB quarterly prudential report, anti-money laundering, CBB annual and semi-annual additional public disclosure requirements are maintained at the Bank and available upon request. KPMG Fakhro were re-appointed as the external auditors of the Bank for the financial year ending 2022. The assessment for the re-appointment of the external auditors was recommended by the Audit, Risk and Compliance Committee and approved by the Board of Directors.

22. CBB Penalties

The CBB penalties imposed upon the Bank during the year amounted to BD 1,575 related to Electronic Fund Transfer Services (EFTS).

Composition of Capital Disclosure Requirements

31st December 2022

Step 1: Balance sheet under the regulatory scope of consolidation

Step 2: Reconciliation of published financial balance sheet to regulatory reporting

Step 1 & 2 (in BHD thousands)

Particulars	FS	PIR	Ref
ASSETS			
Cash and balances at central banks	76,614	76,614	
Placements with banks and similar financial institutions	11,209	112	
of which Expected Credit Loss (stage 1 & 2)	-4	-	
Loans and advances to banks and non-banks	877,933	841,495	
of which Expected Credit Loss (stage 1 & 2)	-69,128	-	a
Investment at fair value through other comprehensive income	2,878	2,878	
Investments at Amortized Cost	1,614	1,614	
Investment properties	61,523	61,523	
Interest in unconsolidated subsidiaries and associated companies - Note 1	4,120	22,989	
Interest receivable	728	621	
Property, plant, and equipment (PPE)	671	174	
Other Assets	40,398	36,754	
of which: intangible assets deducted from regulatory capital	0	497	b
Total Assets (3.1 to 3.10 inclusive)	**1,008,558**	**1,044,774**	
NON-CAPITAL LIABILITIES			
Deposits from banks	10,000	10,000	
Deposits from non-banks	9,267	11,954	
Certificates of deposits issued	-	-	
Debt securities in issue	-	-	
Financial liabilities at fair value through profit and loss	-	-	
Term borrowings	75,000	75,000	
Securities sold under repos	-	-	
Dividend payable	-	-	
Interest payable	1,353	1,377	
Other liabilities	511,154	515,693	
Total non-capital items (2.1 to 2.10 inclusive)	**606,774**	**614,024**	

Composition of Capital Disclosure Requirements
31st December 2022

Step 1 & 2 (in BHD thousands) (CONTINUED)

Particulars	FS	PIR	Ref
CAPITAL LIABILITIES			
Paid up share capital (net of treasury shares)	108,300	108,300	c
Share premium	-	-	
Legal reserve	54,462	54,462	d
General (disclosed) reserves	36,915	36,915	e
Retained earnings/(losses) brought forward*	169,255	167,264	f
Net (loss) for the period	-	-	
Net profit for the period	32,315	31,227	g
Innovative capital instruments	-	-	
Minority interest in subsidiaries' share capital	645	-	
Fx translation adjustment	-	-	
Fixed assets revaluation reserves	-	-	
Cumulative fair value changes on FVOCI investments	(108)	(108)	h
Expected credit losses (Stages 1 & 2)	-	32,690	a
of which eligible for T2	-	2,132	i
Hybrid (debt/equity) capital instruments	-	-	
Subordinated debts	-	-	
Fair value changes on available-for-sale investments	-	-	
Fair value changes of cash flow hedges	-	-	
Short-term subordinated debts	-	-	
Total capital items (1.1 to 1.17 inclusive)	**401,783**	**430,750**	
Total capital and non-capital items (1.18 + 2.11)	**1,008,558**	**1,044,774**	

* The amount is reduced to reflect the impact of transactions occurred during the year, namely, sale of equity FVOCI of BD 573 thousand and transaction with owners directly recognized in equity of BD 547 thousand.

Note 1: Unconsolidated legal entity for regulatory purposes

Legal entity that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Legal Entity name	Principal activities	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financials as at 31 December 2022 (Amount in BD 000's)	
				Total assets	Total equity
Danat Al Luzi B.S.C (c)	The principal activities of the Company include management and development of private property, buying and selling of properties on behalf of the Bank and property development, leasing, management and maintenance.	Commercial entity	Risk weighted	23,190	22,753

Composition of Capital Disclosure Requirements

31st December 2022

Step 3: Composition of Capital Common Template (transition) as at 31 December 2022

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	108,300	c
2	Retained earnings brought forward	167,264	f
3	Accumulated other comprehensive income (and other reserves)	122,604	d+e+g
4	Not Applicable		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Cumulative fair value changes on FVOCI investments (Equities)	(108)	h
7	**Common Equity Tier 1 capital before regulatory adjustments**	**398,060**	
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)		
10	Other intangibles other than mortgage-servicing rights (net of related tax liability)	497	b
11	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
12	Cash-flow hedge reserve		
13	Shortfall of provisions to expected losses		
14	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
15	Not applicable.		
16	Defined-benefit pension fund net assets		
17	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
18	Reciprocal cross-holdings in common equity		
19	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
20	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
21	Mortgage servicing rights (amount above 10% threshold)		
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
23	Amount exceeding the 15% threshold		
24	of which: significant investments in the common stock of financials		
25	of which: mortgage servicing rights		
26	of which: deferred tax assets arising from temporary differences		
27	National specific regulatory adjustments		
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover		
	deductions		
29	Total regulatory adjustments to Common equity Tier 1	497	

Composition of Capital Disclosure Requirements

31st December 2022

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
30	Common Equity Tier 1 capital (CET1)	397,563	
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
32	of which: classified as equity under applicable accounting standards		
33	of which: classified as liabilities under applicable accounting standards		
34	Directly issued capital instruments subject to phase out from Additional Tier 1		
35	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
36	of which: instruments issued by subsidiaries subject to phase out		
37	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments	-	
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments		
40	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
41	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
42	National specific regulatory adjustments		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**397,563**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Provisions	2,132	i
51	**Tier 2 capital before regulatory adjustments**	**2,132**	**i**
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) .		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		

Composition of Capital Disclosure Requirements
31st December 2022

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**2,132**	**i**
59	**Total capital (TC = T1 + T2)**	**399,695**	
60	**Total risk weighted assets**	**238,276**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**167%**	
62	Tier 1 (as a percentage of risk weighted assets)	**167%**	
63	Total capital (as a percentage of risk weighted assets)	**168%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement (N/A)	NA	
67	of which: D-SIB buffer requirement (N/A)	NA	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	167%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	32,690	a
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2,132	i
78	N/A		
79	N/A		
	Capital instruments subject to phase-out arrangements		
	(only applicable between 1 Jan 2020 and 1 Jan 2024)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after		

Composition of Capital Disclosure Requirements

31st December 2022

Disclosure template for main feature of regulatory capital instruments

1	**Issuer**	**Eskan Bank B.S.C (c)**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4	Transitional CBB rules	Common equity Tier 1
5	Post-transitional CBB rules	Common equity Tier 1
6	Eligible at solo/group/group & solo	Solo & Group
7	Instrument type (types to be specified by each jurisdiction)	Equity Share
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 108.3
9	Par value of instrument	BD 100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1979 , 2011
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Dividends as decided by the shareholders.
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable