بنك الإسكان
ESKAN BANK

CREATING FUTURES TOGETHER

2023 ANNUAL REPORT

Contents

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"Subject to the provisions thereof, deposit held by the Bahrain office of Eskan Bank are Covered by the Deposit protection scheme established by the Central Bank of Bahrain regulation Concerning the establishment of a Deposit protection Scheme and Deposit protection Board"

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 and Prime Minister

Strengthening the fabric of our society

Eskan Bank ("EB" or the "Bank") was established in 1979, with a unique social role to provide subsidized mortgages for low-to-middle income citizens of the Kingdom of Bahrain, as well as engage in community-related property development activities and facilities management.

The Government of Bahrain is the sole owner of the Bank which acts as the Ministry of Housing & Urban Planning's strategic partner and financial advisor. Both work together towards the continuous development of sustainable, best industry practice social housing programs and solutions. These combined facilitate Bahraini citizens access to a quality family home in a safe community, strengthening the fabric of our society, while driving innovation and economic growth.

The Bank, over time, has evolved to become a facilitator that connects financiers, landlords, developers and homebuyers in an innovative and comprehensive ecosystem constantly being optimized to ensure a housing solution that is a global benchmark.

Today the Bank is contributing more than ever to the social housing agenda. As we move forward, our focus will remain about optimizing Government resources while exploring smarter business models, in our never-ending quest to better support all stakeholders and meet the housing needs of our citizens while enriching their lives.

MEETING THE NEEDS OF OUR CITIZENS • ENRICHING THEIR LIVES •

Vision

Lead the provision of innovative and sustainable housing solutions.

Mission

- Work in collaboration with the Ministry of Housing & Urban Planning and government bodies towards achieving the housing sector objectives of the Government of Bahrain.
- Strengthen 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.

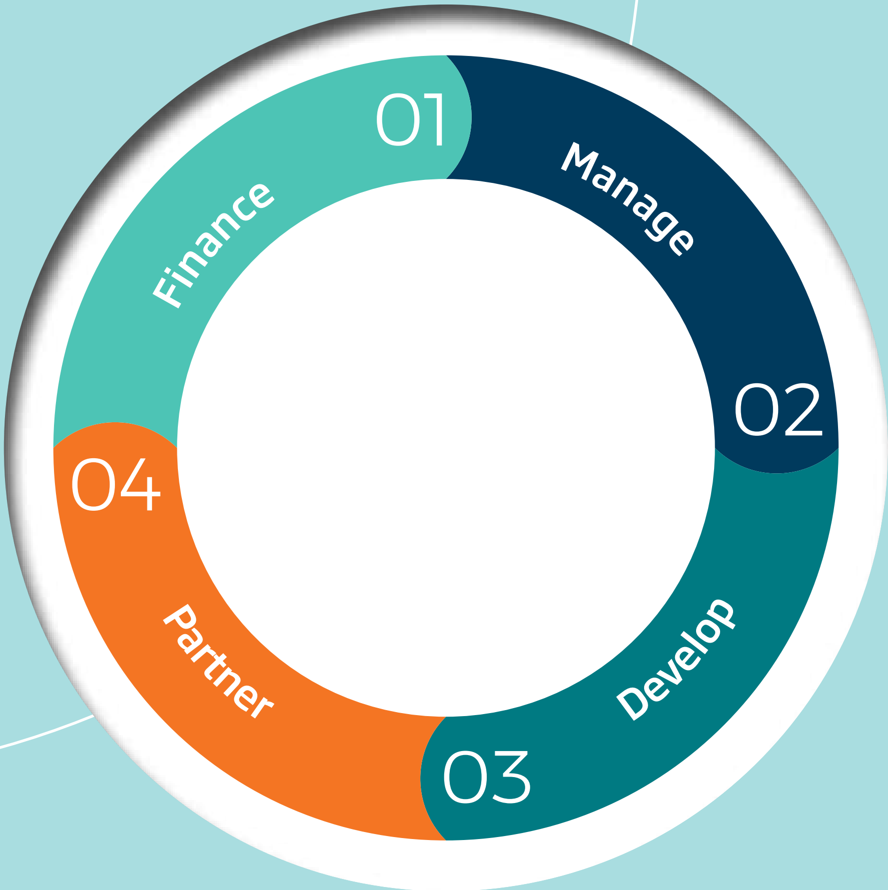
Values

- **Ownership**
  Our team takes responsibility for achieving successful outcomes and are accountable for the end result.
- **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.
- **Innovation**
  We continuously strive to do things better, in the creation and delivery of our products and services.
- **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.

Our business model is the means by which we deliver on our strategic objectives.

What we do

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.



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.

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 focused 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 assets by providing them with a working environment that promotes health, well-being and personal development.

Partners

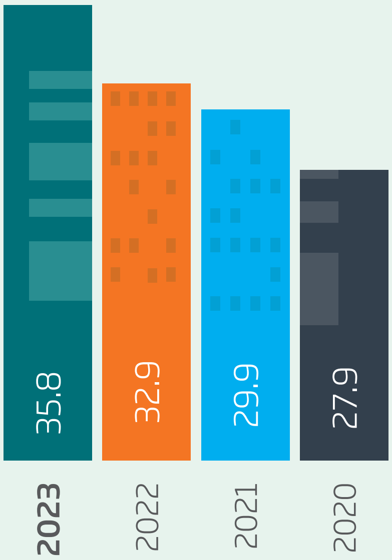
Develop innovative and effective frameworks of partnerships with the private sector for funding social housing beneficiaries and enhancing the supply of housing units.

Financial Highlights

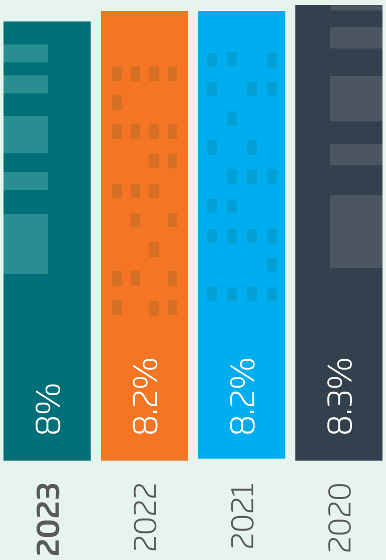
Our business model is the means by which we can deliver on our strategic objectives. As with everything we do, serving our stakeholders is at the heart of our business model, which aligns with the customer journey and experience.

Net Income BD Million	35.8
Return on Equity (%)	8%
Earnings per share BD (Fils)	14.3
Total Assets BD Million	1,013.1
Operating Income BD Million	45
Total Equity BD Million	445

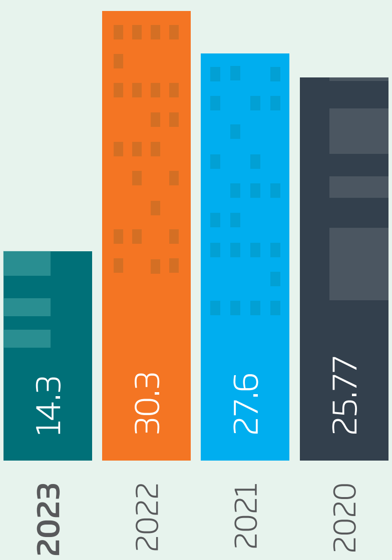
Net Income
BD Million



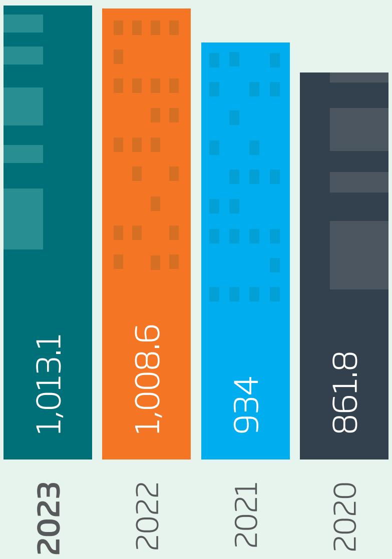
Return on Equity
(%)



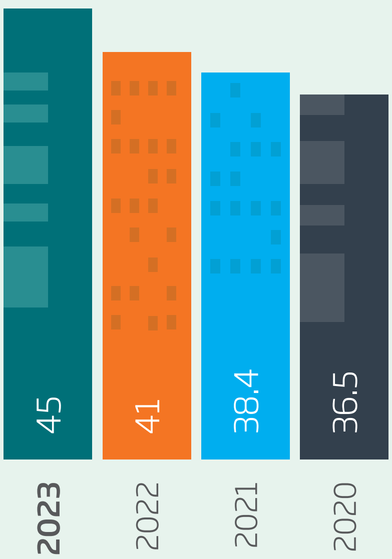
Earnings per share
BD (Fils)



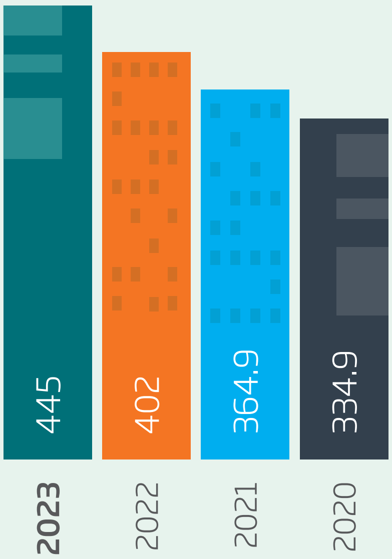
Total Assets
BD Million



Operating Income
BD Million



Total Equity
BD Million



STRONG VALUES

WE REMAIN STEADFAST IN CREATING VALUE

" Eskan Bank remains actively engaged in supporting the national economy through its provision of real estate projects for residential, commercial, and recreational purposes, thereby assisting citizens."

Her Excellency, Amna bint Ahmed Al Rumaihi
Minister of Housing and Urban Planning
Chairperson of Eskan Bank

BD 122 million

Shari'a compliant loans disbursed during 2023

2,500 Families

Benefited from disbursed loans during 2023

This year was an exceptional year for Eskan Bank ("EB" or the "Bank") on on multiple fronts. The Bank realized strong revenue growth based on unsurpassed retail banking activities setting new benchmarks. Our achievements in social financing disbursals to citizens benefiting from Tas'heel and Mazaya programs were very impressive shattering previous records with a clear and unwavering commitment to serve our customers swiftly and effectively.

Furthermore, the digital transformation strides achieved during the year paved the way towards business processes re-engineering leading to an improved customer experience and a greater operational performance.

The accomplishments in 2023, demonstrate the Executive Management's instrumental implementation of the Board of Directors' long term objectives roadmap, in line with set priorities. Our objectives focused on innovation in delivering more empowering housing finance programs. Moreover, the Bank remains steadfast in continuously enhancing its capabilities, in an ever-changing digital world, ensuring alignment with evolving economic dynamics, and providing products and services that foster long-term sustainable growth to the aspiring Kingdom's development initiatives.

Through a comprehensive assessment of the Bank's initiatives in offering financial support to citizens through the "Tas'heel" and "Mazaya" financing programs, statistics reveal that the Bank successfully sourced the required budgets to facilitate affordable housing for citizens.

The Bank successfully disbursed Shari'a-compliant loans exceeding circa BD 122 million, at a monthly rate of BD 10 million, benefiting close to 2,500 families this year with a significant six-fold increase compared to previous years. The remarkable disbursement rise is proof to the effectiveness of the programs meeting strong demand for timely access to adequate housing while eliminating the need for prolonged waiting periods. Additionally, participating financing local banks allocated a total of BD 51.84 million to support 1,415 beneficiaries in 2023. These figures exemplify the economic and social advantages resulting from the collaborative efforts between the public and private sectors in addressing the social housing agenda.

These achievements positively impacted the Bank's financial performance, as evidenced by a total operating income of BD 45 million. Meanwhile, expenses amounted to BD 8.7 million while total shareholders' equity reached BD 445 million. The return on shareholders' equity stood at an impressive 8%. In terms of cost-to-income ratio, a comparison with the previous year reveals that it reached 19.3% in 2023, slightly higher than the 18.9% achieved in the fiscal year of 2022.

Board of Director's Report

(Continued)

Undoubtedly, these financial metrics testify to the Bank's commitment in maintaining a healthy balance between operating costs and overall performance, ensuring efficient utilization of resources while delivering optimal financial outcomes.

On the technological front, the Bank introduced an enhanced version of the "Bayti" real estate platform last December, in conjunction with the launch of the third edition of the Housing Finance Exhibition. The "Bayti" platform offers a wide range of options for citizens seeking housing services, providing them with a diverse set of features that include the ability to compare financing schemes from all participating banks in the "Tas'heel" financing and "Mazaya" programs. Additionally, the platform enables users to create a personalized monthly payment plan, enabling them to easily identify the most suitable option that aligns with their needs, budgets, and preferences.

From a strategic perspective, the Bank remains actively engaged in supporting the national economy through its provision of real estate projects for residential, commercial, and recreational purposes, thereby assisting citizens. The bank's auxiliary activities, which are experiencing notable growth and prosperity, further contribute towards generating substantial revenues to be reinjected towards serving the social housing agenda and the Kingdom of Bahrain.

In conclusion, I would like to express my appreciation to our management and staff for their hard work and dedication in serving the people of Bahrain. I also extend my appreciation to our private sector partners for their trust and support, and to our growing customer base, whose welfare remains our top priority.

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

"The Bank was able this year to achieve housing financing disbursement rates six- fold increase compared to previous years. The remarkable disbursement rise is proof to the effectiveness of the programs meeting strong demand for timely access to adequate housing while eliminating the need for prolonged waiting periods. "

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- Mohammed Hussain Bucheeri	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
2- Najla Mohammed AlShirawi	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
3-Isa Abdulla Zainal	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
4-Nabeel Saleh Ali Ebrahim Abdulaal	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
5-Mubarak Nabeel Mattar	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
6-Reem Abdulghaffar Al Alawi	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
7-Abdullatif Khalid Abdullatif	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
8-Balsam Ali Alsalman	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
Second: Non-Executive Directors													
9-H.E Mrs. Amna Bint Ahmed AlRumaihi	-	8,000	-	-	8,000	-		-	-	-	-	8,000	-
Third: Executive Directors													
Total	-	**72,000**	-	-	72,000	-		-	-	-	-	**72,000**	-

Note: All amounts are stated 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 2023*	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including GM and AGM Financial Control.	869,496	323,507	-	1,193,003

Note: All amounts are in Bahraini Dinars.

*This bonus is for the year 2023 that will be paid in 2024

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

Isa Abdulla Zainal
Director

Board of Directors

H.E. AMNA BINT AHMED Al RUMAIHI
Minister of Housing & Urban Planning,
Chairperson of Eskan Bank
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

STRONG VALUES

TOWARDS GREATER SUSTAINABILITY

"Eskan Bank has achieved remarkable success this year, surpassing all previous financial milestones by achieving a record-breaking profit."

Dr. Khalid Abdulla
General Manager

BD 10 million

Tas'heel has been such a huge success that we were able to achieve a monthly average of over BD 10 million in 2023.

13,032 People

Benefited from Mazaya program across Bahrain.

2023 was a year marked with greater consolidation of some of the gains made in the last few years. We delivered outstanding results in both performance and earnings, and made important strides in strengthening our credentials as trusted providers of innovative financing and sustainable housing solutions

With a long-term vision to emerge as the undisputed leader in our industry, the steps taken by Eskan Bank in giving this vision a tangible shape has helped us in earning the trust and confidence of our stakeholders.

Over the last several months, we have seen for ourselves how some of the biggest results were actually the consequence of bold initiatives and smart priorities undertaken at the strategic level.

Let's look at what we have accomplished in 2023.

For the first time, Eskan Bank achieved a record BD 122 million in loan disbursals. In all of the previous years, however, our annual figures averaged around BD 25-30 million,

The reason for this phenomenal spike in loan disbursals was, of course, the success gained through the launch of the new category of financing solutions – Tas'heel Aqari', 'Tas'heel Al Bait Al Oud', and 'Tas'heel Ta'awon.' Tas'heel has been such a huge success that we were able to achieve a monthly average of over BD 10 million in 2023.

This flexible Shari'a compliant financing solution can be secured directly from Eskan Bank's retail banking unit or through commercial banks that have agreed to participate in this social housing finance scheme.

We continue to offer housing loans through the Mazaya program, and so far, over 13,032 people across Bahrain have benefited from it.

Another growth story has been in the way digital transformation has become an intrinsic part of Eskan Bank's operations. We do not see it merely as a technological venture but as a strategic necessity that would pave the way towards greater customer satisfaction.

Eskan Online, for instance, has been developed as a digital branch of the retail banking unit. It is scheduled to be launched in 2024 to provide our customers with a powerful, secure, and user-friendly platform allowing customers to easily navigate through and find the services they need. By providing a secure and user-friendly online banking platform, Eskan Bank is empowering its customers with convenient access to a wide range of banking services and features from the comfort of their own homes or offices. This includes tasks such as applying for loans, reviewing their application status, paying their installments and many more. By offering these services online, Eskan Bank eliminates the need for customers to visit physical branches, saving them time and effort.

We also transformed beity.bh the first proptech solution in Bahrain with full-fledged application that would help support the real estate sector in Bahrain. It is expected to be launched in early 2024.

Danaat Al Saaya and Saar Greens are two of our latest projects that were announced in 2023. Both have been conceived with emphasis on quality, service and innovation like most of our projects.

General Manager’s Statement

(Continued)

The launch of Saar Green, in particular, reinforces our ESG and sustainability commitments since it has been planned with environmental considerations. We are confident that it would set a clear benchmark for future projects where sustainability is a key component.

We are also pleased that the work we do in delivering housing and financing solutions for our growing customer base has received praise and recognition from outside Bahrain as well.

The prestigious Middle East Economic Digest (MEED) awarded Eskan Bank with the Best Innovative Program Award in 2023 under the Product, Technology, and Customer Experience category. The magazine praised the Bank for its efforts in providing innovative housing solutions and programs for low-income citizens across the Kingdom.

Eskan Bank also received the Sharjah Public Finance Award 2022-2023 in the "Outstanding Financial Banking Services" category. The award was presented by The Arab Organization for Administrative Development – League of Arab States – and the Central Finance Department in the Emirate of Sharjah.

We remain thankful to each and every member of our talented staff whose hard work contributed to another successful year for Eskan Bank. We regard our employees as key assets in our growth strategy, and thus, every effort is made to ensure that training and development is given top priority. Systems have been put in place that provide employees with opportunities to learn and grow, and achieve their potential. In doing so, we ensure that Eskan Bank remains an employer of choice for young professionals.

Eskan Bank has achieved remarkable success this year, surpassing all previous financial milestones by achieving a record-breaking profit. This significant accomplishment reflects the bank's strategic vision, effective management, and dedication to providing outstanding financial services to its customers, and also demonstrated the Bank’s unwavering commitment to excellence and its ability to adapt to the ever-changing business landscape.

We highly appreciate the support we continue to receive from the Ministry of Housing & Urban Planning especially the advice and guidance from Her Excellency the Minister, Amna bint Ahmed Al Rumaihi.

We are thankful to the Board of Directors for their continued guidance and support, and in helping us to stay true to our vision to lead in the provision of innovative and sustainable housing solutions. We remain aligned with them in playing our part in giving a tangible shape to the Kingdom of Bahrain’s Vision 2030, and contribute towards meeting the housing requirements of the people of Bahrain.

Our participating banks also play a key role in achieving this goal, and we are thankful for the way they work towards enabling beneficiaries meet their housing goals.

We are confident that the successful path undertaken in 2023 will prove to be a springboard for a prosperous 2024

Dr. Khalid Abdulla
General Manager

Eskan Bank has achieved remarkable success this year, surpassing all previous financial milestones by achieving a record-breaking profit. This significant accomplishment reflects the bank's strategic vision, effective management, and dedication to providing outstanding financial services to its customers, and also demonstrated the Bank's unwavering commitment to excellence and its ability to adapt to the ever-changing business landscape.

Business Review

Eskan Bank is one the most reliable and trusted names for those exploring innovative financing options when it comes to securing residential and commercial properties across the Kingdom of Bahrain. With a strategic partnership with the Ministry of Housing & Urban Planning, Eskan Bank has developed a powerful ecosystem that serves the needs of financiers, landowners, developers and home buyers.

As part of its continuing commitment towards being a valuable contributor to the social housing agenda, Eskan Bank achieved excellent results in 2023 that point to a combination of strong fundamentals and a positive outlook for the Bank.

In this section, we present a report from each of the Bank's departmental units highlighting the milestones, challenges and success stories. Together they represent a composite picture of Eskan Bank's performance in 2023, and how it aligns with the Bank's commercial and national goals.

Financial Performance

A record year in loan disbursals helped generate healthy financial results for Eskan Bank, and further enabled the Bank to maintain a confident march towards increased growth at both the operational level and financially as well.

The results reflected strong fundamentals at work, and provided a clear glimpse into how Eskan Bank remains a trusted name in financial performance. Total income was recorded to be BD 45 million and expenses stood at BD 8.7 million. Equity was at BD 445 million while the return on equity stood at 8.0%, and the cost-to- income ratio was at 19.3 % compared to 18.9% in 2022.

The big news, of course was the record loan disbursal this year, and thanks to the positive response to the new housing financing solutions, Eskan Bank successfully disbursed over BD 122 million in Shari'a compliant loans to over 2,500 families.

Financial Control

The Financial Control Department plays a vital role in bolstering Eskan Bank's credentials as a trusted organization known for robust performance, sound fundamentals and commitment to operational excellence.

With its primary responsibilities focused on financial and regulatory reporting, business planning, strategic analysis, payment control and internal control, the Department is instrumental in actualizing the Bank's vision and mission statement and turning them into positive results.

The department ensures that Eskan Bank's operations are in full compliance with financial and regulatory bodies, and that it follows best practice when it comes to conducting its overall business. In addition, it is also involved in coordination efforts between key Bank officials and those in the Ministry of Housing & Urban Planning (MOHUP) and the Ministry of Finance & National Economy (MOFNE) in managing funds, overseeing transactions and achieving strategic goals.

In 2023, numerous enhancement initiatives were undertaken, and these included steps taken towards digitizing internal payment processes, and also improvements in internal procedures for annual land valuation exercises in compliance with RERA regulations.

The Department made significant updates to the reporting and in the analytics for timely submission of regulatory and management reports, and developed effective controls for managing sales and revenue processing for housing projects. Keeping in step with the digital transformation drive, the Department made significant strides in reporting this year. The department updated reporting dashboards to provide an enhanced view of financial metrics for the management that offer a more intuitive way to visualize key performance indicators. These enhancements provided management with timely financial insights to support strategic decision-making.

Eskan Bank is a strategic partner of MOHUP, and the Department supported this partnership by developing various scenarios that would help build a long term and sustainable liquidity strategy in articulating the social housing vision laid out by MOHUP.

Liquidity remained a key focus for the department as it worked closely with the Treasury Department in effective liquidity management, and also in monitoring the daily liquidity position of the Bank. Furthermore, the Department was able to identify debt refinancing needs through continuous monitoring and in the reporting of liquidity reports in ALCO. It played an active role in bringing enhancements to procedures related to the daily Liquidity Coverage Ratio, Net Stable Funding Ratio and to the IFRS 9 data and reporting.

Some of the main highlights of the year included the development of dashboards for monitoring and tracking the progress of the waiting list minimization strategy and the subsidies allowed on new housing products.

During the year, the finance department have analyzed human capital metrics against industry benchmarks and provided the financial foundation for Human Resources department to make data-driven decisions and built a strong case for introducing additional benefits that support a more productive and engaged workforce.

Another significant achievement for the department was active involvement in the refinancing of existing debt with considerable cost savings that was made possible through careful review and analysis of the bids. A decision was made to include USD financing along with BHD currency as part of arriving at optimal debt combination not only to achieve savings but to explore regional opportunities for the long term plan.

The Department was also actively contributed in completing the process of capitalization of retained earnings that lead to an increase in the Bank's paid up capital from BD 108 million to BD 250 million

Financial Institutions & Government Programs

Eskan Bank is dedicated towards serving its stakeholders with a combination of innovative financing solutions, and a range of residential and commercial properties. Together they enable the Bank to strengthen its credentials as a trusted name in social housing services.

The main tasks of the Financial Institutions & Government Programs Department are to:

- develop more financing options/ products for the beneficiaries of housing services while ensuring efficient use of public funds,
- to enhance existing financing services based on feedback received from stakeholders,(MOHUP, Partner Banks and Applicants)
- develop solutions that empower stakeholders and address their challenges
- to obtain necessary approvals and implement new options, ensuring that all necessary legal agreements, documentation and procedures are in place with both the partner banks and the Ministry of Housing & Urban Planning in the successful and timely execution of financing solutions.

With digital transformation making huge inroads throughout the organization, the Department has deployed smart technology in bolstering coordination between different stakeholders, and in the smooth functioning of the various processes at work.

Business Review
(Continued)

Retail Banking

It has been a milestone year for the Retail Banking department in its quest to enrich customer engagement, provide efficient and accessible services, elevate customer satisfaction, and empower customers to achieve their dreams of owning a house.

As the primary interface between the Bank and individuals seeking its services, the Retail Banking department performs three main functions – customer service, sales & marketing, and managing a dedicated call center. With physical branches located in Diplomatic Area, Isa Town and Seef, customers are assured of convenient access to address their concerns.

In 2023, digital transformation initiatives gained further momentum across the organization, and this was reflected in steps taken by the Department in developing more efficient and enhanced services for customers. One such important step was the decision to completely overhaul Eskan Online, and turn it into a digital branch of the Retail Banking department. Intensive internal testing was undertaken during the soft launch of this platform in 2023.

Once Eskan Online is fully launched, it is expected to provide all the services one would expect at a physical branch, and thereby giving customers the added convenience and increased flexibility of being able to access services from the comfort of their home.

Another step in the department's ongoing digitalization drive was the launch of dedicated websites for Danaat Al Lawzi, Deerat Al Oyoun and Suhail. These microsites were created alongside the ones developed for promoting Al Msayyan plots, and are packed with features such as real-time availability, Google location integration, comprehensive property details, advanced filtering and more. The goal of these websites was to highlight product offering, enrich customer experience, inform availability of housing units versus those that are reserved, and showcase how Eskan Bank is able to support housing needs of citizens.

This digital move came at just the right time since it coincided with a massive response to the new housing financing solution introduced in the previous year. The response was so huge that it resulted in the highest loan disbursals in the bank's history.

In February, the sales and marketing team had an opportunity to assess the popularity of the new housing financing solution during the Bahrain Real Estate Investment Exhibition held at the Bahrain City Centre. This event provided exhibition visitors with access to real estate companies and commercial banks all under one roof. The Ministry of Housing and Urban Planning and Eskan Bank set up a joint pavilion at the event to meet with potential customers, address their concerns, provide data on Ta'sheel and other financing options so that customers could take informed decisions.

In 2023, 1,814 Bahraini families were made homeowners through Tas'heel financing, disbursing a total of BD 107.47 million. Additionally, partnered banks supported 9 families with BD629,022 in Tas'heel financing.

Social Loans

227
new housing accounts and 68 new apartment accounts opened.

BD124,632,322m
in Social Loans disbursed to
2,735
beneficiaries.

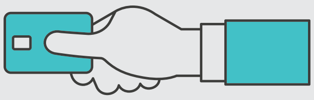
2,413
additional services provided, including title deed requests, Amanat, and settlement requests.

New Housing Financing Services
(through Eskan Bank):

Aqari:
1,673 beneficiaries received
BD100,050,554.50
in financing.

Al Bait Al Oud:
38 beneficiaries received
BD 1,808,082.860
in financing.

Ta'awon:
103 beneficiaries received
BD 5,615,521.50
in financing.



Other highlights of the year included the launch and successful marketing of Suhail Project under the Government Land Development Program – or GLDP. The successful sale of Al Msayyan Plots demonstrated, once again, the continued interest in affordable land plots. Additionally, the Bank generated BD 253.1 million in sales collection from projects such as Deerat Al Oyoun, Al Msayyan, Danaat Al Baraka, Danaat Al Lawzi and Suhail.

The vigorous growth of Tas'heel financing, on the other hand, showed that it had the right formula for generating interest that would translate into sales. In 2023, 1,814 Bahraini families were made homeowners through Tas'heel financing, disbursing a total of BD 107.47 million. Additionally, partnered banks supported 9 families with BD629,022 in Tas'heel financing

1,205 families benefited from Mazaya Financing, totaling 97.5 million, while another 201 families were new Mazaya, disbursing BD 12.6 million

Eskan Bank's commitment to technology and its online presence is not only driving sales and marketing success but also transforming the way people search for and purchase homes. The interactive platforms developed by the Sales & Marketing team serve as a testament to the Bank's dedication to innovation and customer satisfaction.

Business Review
(Continued)

Hala Eskan
(Call Center):

82,597
incoming calls and
11,175
outgoing calls handled.

154
cases resolved through effective complaints management.

Mazaya:

BD97,536,386 m
in financing disbursed through participating banks and other financial institutions to
1,205
beneficiaries as of December 2023.

New Mazaya program:
BD12,654,000 m
disbursed to 201 beneficiaries as of December 2023.

New Housing Financing Services
(with Partnered Banks):

Aqari:
BD629,022
in financing provided to 9 beneficiaries.

Sales Performance:

Deerat Al Oyoun:

84.7%

reservation rate for 1,921 units.

BD171,208,000 collected from 1,557 fully paid units.

Al Msayyan:

100%

reservation rate for 260 plots.

BD18,783,000 collected from 255 fully paid units.

Danaat Al Lawzi:

92.5%

reservation rate for 303 units.

BD32,347,100 collected from 272 fully paid units.

Danaat Al Baraka:

100%

reservation rate for 211 units.

BD24,558,124 collected from 209 fully paid units.

Suhail:

84.9%

reservation rate for 132 units.

BD6,237,000 collected from 63 fully paid units.

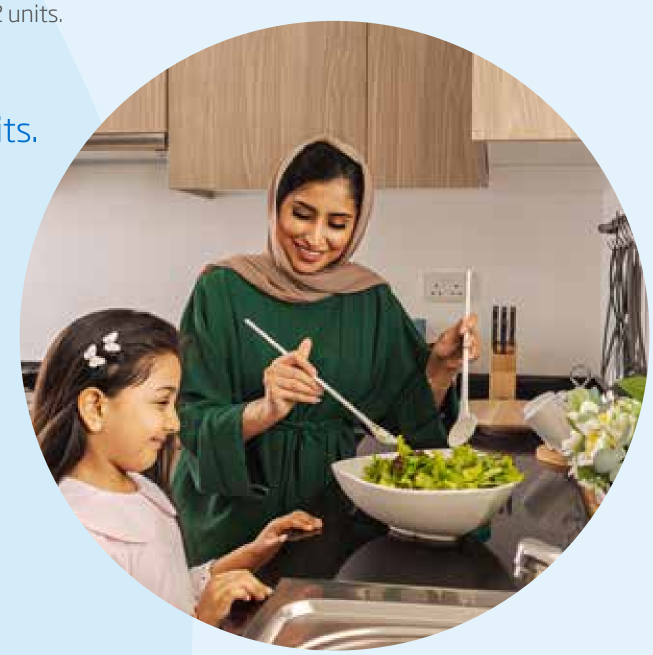
Current Baity Platform:

3,845

properties listed on Baity.bh, representing a 3% growth from last year.

44

listed agencies and 27 listed developers



Corporate Website:

Eskan Bank's website experienced substantial traffic in 2023, with impressive statistics across key metrics:

Hits:

8,350,450

successful hits, averaging 24,274 per day.

Homepage Views:

150,131

page views, demonstrating significant interest in Eskan Bank's primary online presence.

Page Impressions:

2,876,387

total impressions, averaging 8,460 per day, indicating active user engagement with website content.

Document Views:

2,149,824

documents accessed, showcasing user interest in detailed information and resources.

Visitor Sessions:

226

average sessions per day, with an average session length of 36 minutes and 39 seconds, suggesting focused and engaged visitors.

Administration

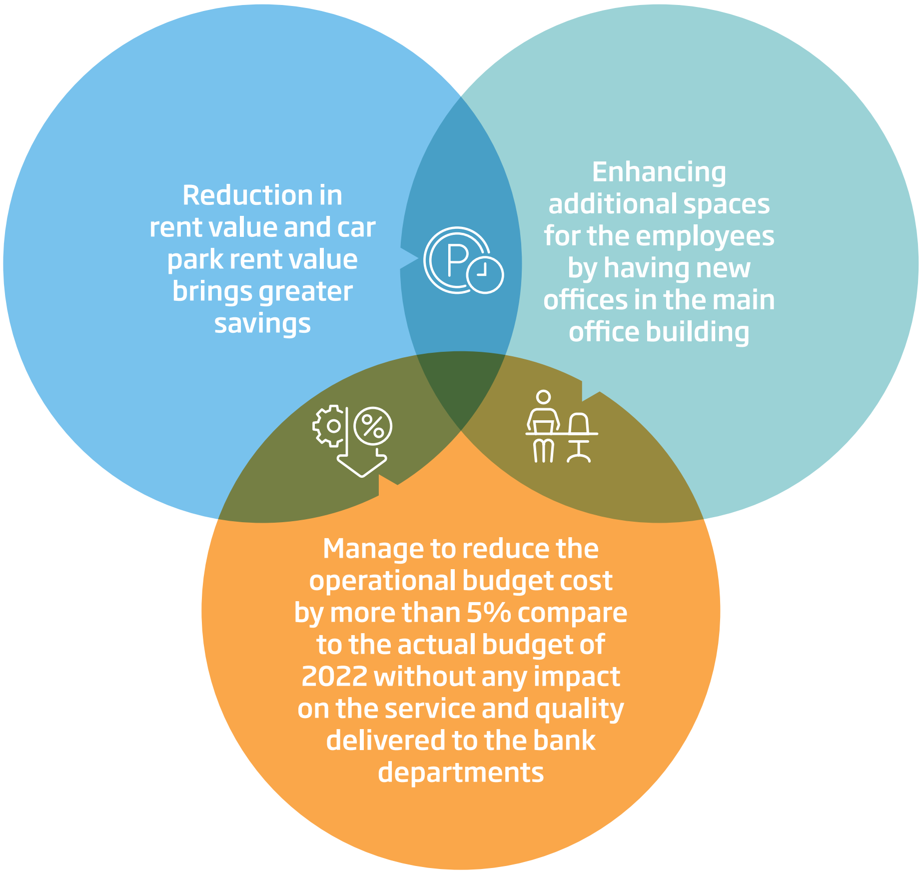
The primarily responsibility of the Administration Department is to focus on the physical space that constitutes the work environment. As such, it has three clear priorities – ensure that processes in place conform to principles of integrity, safety and hygiene are considered non-negotiable, and that the place inspires greater productivity.

In addition, the Department provides all logistical support to the headquarters, the individual departments within the bank, and to all of its subsidiaries as well.

In 2023, there was a greater move towards seeing how the goals and aspirations of the Environmental, Social and Governance (ESG) committee can be translated into a healthy work environment for all employees. Additional space was created to accommodate new employees comfortably, and also, many were encouraged to look for electronic alternatives that would pave the way towards a more sustainable growth patten.

As digital transformation continues to gain momentum, the Department has incorporated digital services to create smooth, efficient and a greener work place. For instance, access cards were turned digital and integrated with employee ID cards. Now that 'physical' cards were no longer required, there was no need to print them and as a result the Bank made significant cost savings and also contributed towards protecting the environment.

This was another instance where new technologies were adopted with responsibility towards the environment. Compared to last year, the departmental activities were not only creative and practical but were also aligned towards the Bank's broader vision.



Business Review
(Continued)

Operations

The Operations Department by its very definition provides backend support to the different departments within the organization, and ensures that the overall operations are conducted in a smooth and efficient manner.

Some of the main areas of responsibilities are mortgage finance booking and disbursals, maintenance of financing facilities, time to time implementing of ministerial decree for finance accounts, collection of monthly repayments and management of subsidy payments to partner banks.

The Operations Department has been onboard with the Bank's digital transformation journey, and has actively contributed towards making the digital transition a seamless process. It has helped in the testing of Eskan Online and other digital initiatives, and supported new offerings from the Ministry of Housing & Urban Planning for Mazaya 63k, Tas'heel Financing, applications since 2004 and other new subsidies.

In 2023, social financing facilities increased by 143% during the year, and were managed using existing resources available at the Bank. New registration for direct debit also increased by over 27% resulting in over BD 1.12 million in monthly repayment collection from the banks.

At the digital level, the department supported moves to automate the processes for JBOS blocking requests, and also with the monthly deduction list files that are submitted to DL companies in Bahrain. The department's continuing support for effective MIS and data analysis was evidenced in the support given to data cleaning and standardizing exercise introduced in the core banking systems.

The Operations Department worked alongside the IT Department in digitizing the bi-annual salary review process requirements, and gave its approval for a smooth workflow for the IT Department in developing the systems even further. With the discontinuation of Internet Explorer, the department began testing systems to make it possible for ICBS access to be made available through the MS Edge browser.

Currently the digitization of the Mazaya salary review process is under development with the IT Department, and it is expected to be released in 2024 for more efficient customer interaction process.

With the launch of the new financing program in the last quarter of 2022, demand for the program continued for much of 2023 resulting in an increase of over 143% in social finances compared to the same period in 2022. The Operations Department had their hands full in serving the large influx of customers taking advantage of the benefits available to them through the new program.

In processing the increased volumes and with new offerings approved by MOHUP, they were all managed within the existing resources and arranged to be tested and implemented in the system within a very short time. There were no adverse Audit & Compliance issues reported and operations department voluntary took steps to initiate data clean up and standardize data fields to ensure effective reports generated directly from the system. This ensures effective controls and continuous improvement in the overall processing of transactions at operations department.

In addition, the department was able to lay down processes and amend the necessary systems to support requirements related to MOHUP's new initiatives. On the other hand, support was also extended to other departments in addressing audit points by extending operational expertise in systems and processes, and thereby helping in achieving the Bank's larger objectives.

Social Finances increased by
143%

Mazaya Beneficiaries increase by
38%

Direct Debit Mandate repayment collection increased by

27%

Deductions List collection amount increased by

36%

Ministerial decree for customer increased by

20%

JBOS Blocking request increased by

89%

Business Review
(Continued)

Internal Audit
Internal Audit department is an independent function reports directly to the Audit, Risk and Compliance Committee. And performs its duties based on a dynamic risk based annual plan to ensure maximum effectiveness and efficiency.

The main objectives of the function is to assist management in adding value and evaluate the effectiveness of controls and recommend enhancements .

The department utilizes the technology and automation in their working papers and tracking outstanding recommendations to streamline the process and maximum efficiency.

Property Development and Facilities Management
Eskan Properties Company (EPC), a wholly owned subsidiary of Eskan Bank, handles property development and facilities management. Our primary clientele consists of beneficiaries associated with projects endorsed by the Ministry of Housing & Urban Planning.

In the year 2023, EPC proudly announced the successful completion of four significant projects:

- Danaat Al Sayah Reclamation: Our meticulous work on this project resulted in substantial savings exceeding BD 690,000.
- Qallali: Featuring four retail shops, Qallali stands as a testament to our commitment to community enhancement.
- Hunaniniya: With ten retail shops, Hunaniniya contributes to the vibrant local economy.
- Al Lawzi: This project boasts five retail shops, adding value to the surrounding area.

Additionally, we are pleased to share that Saar Greens, our commercial project, has reached 65% completion. The concept design for this eco-friendly development is well underway. Simultaneously, EPC has initiated the preliminary design work for Al Maydan Village.

Our overarching vision for these projects extends beyond mere construction. We aim to invigorate local communities, transforming them into vibrant hubs with a harmonious blend of shops, cafes, recreational spaces, and housing options.

Digital Transformation and Sustainability
EPC's digital transformation journey aligns seamlessly with the sustainability objectives initiated by our ESG committee. We have introduced document digitization, infusing daily operations with eco-friendly practices. Furthermore, our commitment to green concepts has led to reduced electrical consumption, resulting in substantial cost savings.

Eskan Bank retail projects witnessed a significant upsurge, with a remarkable 7% increase in occupancy rates attained as a direct result of this initiative.

Property & Facilities Management (PFM)

Within EPC, our dedicated Property & Facilities Management Department (PFM) oversees critical aspects such as leasing, maintenance, security, and facility management. This division ensures the seamless operation of Eskan Bank branches, sold and leased properties, and vertical developments endorsed by the Ministry of Housing & Urban Planning.

- Active Oversight: PFM actively manages 109 with Ministry of Housing & Urban Development "MOHUP" vertical developments, comprising a total of 2,711 units. Throughout 2023, PFM assumed facility management responsibilities for an additional 23 MOHUP buildings.
- Comprehensive Maintenance Contracts: PFM administers over 350 outsourced maintenance contracts, covering security, cleaning, lift maintenance, fire alarm systems, generator upkeep, MEP services, property insurance, and landscaping. Our goal is to provide affordable yet efficient solutions.
- Enhancement Works: Regular enhancement works are conducted for the buildings under our portfolio, including services such as painting, water tank cleaning, and tile replacements. This comprehensive program, subsidized by MOHUP, extends to all MOHUP buildings, contributing to their overall upkeep and improvement.

The subsidy provided by MOHUP ensures that the buildings are maintained at an exceptional level, preserving their asset value and guaranteeing the utmost satisfaction for the beneficiaries residing in the vertical developments.

Digital Marketing Success

Concurrently, the implementation of a new digital marketing initiative in 2023 yielded favourable outcomes, notably boosting occupancy rates for leased properties. Specifically, Eskan Bank retail projects witnessed a significant upsurge, with a remarkable 7% increase in occupancy rates attained as a direct result of this initiative.

Asset Management & Investment

Eskan Bank's reputation as a trusted and reliable name in innovative and sustainable housing solutions has been helped largely through the partnership that exists between the Asset Management and Investment Departments.

Both departments perform distinct but mutually compatible functions.

The Investment Department is mainly focused on real estate development and other investments, which directly contribute towards upholding the social housing objectives and social housing financing goals upon which Eskan Bank was established.

The role of the Asset Management Department, on the other hand, revolves around managing income-generating assets and assessing the potential of lands being considered for investment. This task is perfectly aligned with enhancing housing supply, and meeting the needs of the community while also generating income that is utilized for social housing programs.

Active coordination between sales and marketing, legal and notary teams in 2023 helped in fast tracking Al Msayyan to achieve 98% in sales and collection. The team also explored alternate uses of lands currently in the Bank's property portfolio, and actively engaged in restructuring policies and procedures as well as identifying and eliminating bottlenecks when it comes to streamlining business development processes.

Among other steps undertaken this year were initiatives in EBRIT, as well as value additions through CAPEX investments in relation to enhancement of properties under management. Fundraising to meet the Bank's requirements was also taken up with particular focus on exploiting current interest rate environment to achieving savings. The department revamped policies and procedures establishing robust reporting mechanisms internally to ensure clearer flow of information and lines of responsibility and accountability.

The department took advantage of state-of-the-art Artificial Intelligence (AI) tools to bring about greater ease in researching methods and in processing large amount of data, while also streamlining business processes.

Finally, the department continues to maintain improvement year after year, both in the field of asset management and investment. It further strives for business excellence by implementing global best practices.

Risk Management

The Risk Management Department is tasked with identifying, managing and eliminating risks that Eskan Bank is likely to face as it conducts its operations. The department is structured as an umbrella with various units within its ambit, and these include, Compliance and Anti-Money Laundering; Risk Management; Credit Admin; Information Security and Business Continuity; and lastly, Remedial & Collections.

Business Review
(Continued)

Compliance ensures that policies, procedures and operations are closely aligned with applicable and mandatory rules and regulations. Risk Management looks at liquidity risks, credit risks, market risks, interest rate risks, project investment risks and operational risks, and ensures that Eskan Bank as an organization remains well protected at all times.

Credit Admin, on the other hand, oversees the safe custody of assets and collateral management within the Bank. Information Security focuses on cyber security as well as protection of data and other information assets. Finally, Remedial and Collections is responsible for ensuring that the quality of credit portfolio remains intact, and is involved in regular follow ups with overdue accounts.

In 2023, the Department took active steps to strengthen compliance culture across the organization, and ensured that it remains a top priority whenever new policies are being considered or current policies are enforced. Towards this end, an online training platform was introduced, and the results were encouraging.

The Department continued to monitor credit risk exposure and repayment behavior of its customers. The process involved analyzing and monitoring of their movements, and thus providing the Bank with valuable information that would reduce credit risk exposure and strengthen the quality of its portfolio.

A consultant was appointed to review the ICAAP, Stress Testing and Capital Management framework. The study would be helpful in gauging whether any additional capital buffers should be considered to be commensurate with the Bank's risk profile.

The Department successfully carried out a comprehensive review of the collateral portfolio that involved both data cleansing and analyzing the status of each loan along with collaterization formalities, and then communicating the findings to relevant departments.

One of the most significant achievements of the year was the implementation of a new platform that automates the process for title deed requests. Through the process, the Bank was able to improve operational efficiency by removing manual data entries and consolidating the collected information to a single platform.

In the case of managing digital records, the department was able to successfully implement a digital archiving program that involved digitalizing over 65,000 customer files. In addition, a well-designed filing system was also introduced that dramatically reduced turnaround time in retrieving files.

Information Security

Information Security is responsible for cyber security and business continuity, and thus plays a key role in ensuring that the organization always operates with minimal disruption. With its focus on ensuring business resilience through effective controls, Information Security has developed a robust system to safeguard the Bank's operations.

It is primarily responsible for cyber security and business continuity management, data privacy and PDPL compliance, ISO certifications, vulnerability analysis, breach attack simulation and penetration testing.

Some of the major highlights of the year involved developing tools for safer networking, patching vulnerabilities, and breach attack simulation testing for control validation.

Zero Trust Network Access (ZTNA) was deployed to ensure secure access to the corporate network from anywhere in the world. ZTNA extends the same level of protection for remote users as that which is provided for corporate users.

Controls were introduced to identify unknown risks in the dark web and hacker groups targeting the region which contribute to building stronger controls for any probable breach attempts. Lastly, breach attack simulation testing was conducted to test control effectiveness against existing and emerging threats and to identify control weaknesses of cybersecurity implemented at the Bank which provide early information to address the weaknesses before a malware actor compromise.

On the security front, the Department addressed 78 critical vulnerabilities and 264 high vulnerabilities. It also implemented an automated response for attempts of compromise using an AI based Network Detection and Response solution.

At the heart of Eskan Bank's digital push has been the emphasis on sustainability, efficiency and customer engagement.

Certification continued for
ISO 27001:2013 and ISO 22301: 2019

CBB compliance achieved for
BCM and Cybersecurity tasks

Cyber Insurance Coverage increased from
3 million to 5 million

Completion of
Zero Trust Network Access

Upgradation of perimeter firewalls at the
HQ and branches

Information Technology

Information Technology Department has played a pivotal role in giving a tangible shape to the digital transformation drive that has shaped Eskan Bank's operations in the last two years. Providing its expertise in developing the right technological infrastructure, the IT Department ensures that the systems in place are ready to meet any demands that are aligned with Eskan Bank's strategic goals.

At the heart of Eskan Bank's digital push has been the emphasis on sustainability, efficiency and customer engagement. Technology is expected to provide solutions that will enhance the experience for customers, and create a more powerful interface for all customer queries.

2023 was a another busy year for Eskan Bank, and more so, for the IT Department. The new financing solutions launched in the last quarter of 2022 gained momentum in the first quarter of the new year. The IT department provided all necessary technical support, and made sure that the systems were ready to handle the influx.

The department deployed Veeam, a new backup solution that offers more than just snapshots. It delivers reliable, automated protection for Azure VMs, SQL, and Files along with built in safeguards from accidental deletion, ransomware, and other data disasters.

Corporate Communications

Eskan Bank's credentials as a responsible corporate citizen that champions sustainability and promotes transparency remains one of the key cornerstones of its overall identity. Its growth as a reliable and trusted name in sustainable housing solutions and innovative payment options has been shaped by an effective communications campaign to its diverse stakeholders across the Kingdom of Bahrain.

Utilizing print, online and digital media channels to articulate its consolidated strategy for internal and external communications, Eskan Bank remains focused about delivering a clear message on its commitment to social housing programs and solutions, as well as promoting a corporate culture rooted in innovation, collaboration and transparency.

Today, Eskan Bank is on the threshold of major changes through its digital transformation initiatives, and the Corporate Communications department is ready to communicate its impact on key sectors in Bahrain.

The department uses press releases, annual report, calendars, diaries and other booklets to communicate to an external audience. Internally, the department takes advantage of various tools like intranet, newsletters and memos to convey its message of support to its employees, as well as assist departments in their various projects.

In 2023, the department was involved in revamping the Intranet service for employees of the Bank and its subsidiaries. Packed with new technologies and advanced capabilities, the revamped Intranet is expected to promote greater transparency in communication and provide more opportunities for engagement with this focused audience.

The department works closely with authorities at the Ministry of Housing & Urban Planning as well senior management at Eskan Bank and Eskan Property Company in outlining a unified strategy for promoting various activities throughout the year.

One of the major highlights of the year was the is winning two awards this year - Meed Mena Banking Excellence Award 2023 for the best innovative program; and the second award was the Al Sharjah Award for Public Finance 2023.

Eskan Bank was celebrating the 10th anniversary of the Creative Engineering Awards. To mark this milestone, the department in cooperation with University of Bahrain is working to publish a special souvenir using archival images and articles tracing the decade long history of the awards. Readers will be able to get a clear account of how these awards have encouraged young students to generate innovative ideas, and support a culture of engineering excellence among the youth.

Eskan Bank demonstrated its credentials as a true corporate citizen through its various CSR initiatives this year – these include among others, visits to special needs centers, encouraging youth and women to post images that help highlight the vision behind the Bank's ESG and CSR activities. Special sessions were also held to focus on breast cancer awareness and other health related issues.

The department also helped in arranging the Board Meeting and its Sub-Committees by assisting and coordinating with the Board Secretary in organizing the events.

New employees were welcomed and distinguished employees honored during special celebrations held during the Labor Day and the Holy Month of Ramadan. There were other events held during the year that were focused on enhancing employee morale, and their achievements highlighted as a way to encourage them further

The Corporate Communications department remains focused on upholding the Bank's core values, and articulating them across various stakeholders. As a custodian of the Eskan Bank brand, the department remains proactive in looking for new opportunities to promote its message of transparency, sustainability and collaborative energy using diverse media channels.

Human Resources

Eskan Bank continues to maintain a strong position as a preferred workplace among young Bahraini professionals. Its growth in recent years and the success that the Bank has gained as a trusted name in sustainable housing solutions and innovative payment services. This success is largely attributed to the dedication and expertise of our talented workforce.

The Human Resources Department plays a pivotal role in attracting and retaining these talented employees, while also fostering a secure, healthy and productive work environment that allows talent to thrive.

In 2023, the department took significant strides to ensure the continued development of such a stimulating work environment continues to thrive across the organization. Some of the success stories from the year point towards a strong foundation being laid for growth.

Aligned with the ongoing digital transformation efforts, the Bank prioritized the exploration of innovative technology and digital solutions to streamline processes. This began with the successful implementation of our new Human Resource Management System (HRMS). Additionally, the department executed employee engagement initiatives that adhere to industry best practices.

As we recognize the importance of a fair and adequate compensation system that aligns with desired industry standards and reflects the value of our employees' contributions, we have undertaken a comprehensive staff benefits review to ensure a competitive compensation packages that comply with the best market practices are offered to our employees.

Moreover, the Human Resources department has been able to propose and implement incentive programs and performance-based rewards that support employee motivation and retention.

On other hand, to foster the impotence of employee welfare and health protection, a new benefit of life Insurance policy was introduced in 2023 to all our employees.

Additionally, the executed employee engagement initiatives that adhere to the industry best practices.

Recognizing the importance of work-life balance and employee social autonomy,, the department introduced flexible working hours, allowing our employees the choice to work either remotely or from their office. This shift empowers our workforce to have greater control over their work arrangement, ultimately enhancing productivity.

In accordance with the directives of the Central Bank of Bahrain (CBB), we conducted a six-month Practical Training Program for Bahraini graduates was conducted. Encompassing formal training, mentoring, self-directed learning, online courses, and other interactive tools This initiative aimed to equip interns with the requisite skill sets for their professional development.

Furthermore, as part of our commitment to community outreach, we organized a training program for 39 school students, extending our support beyond the confines of our organization.

In collaboration with other departments, we prioritized the development of an Environmental, Social, and Governance (ESG) policy, framework, and reporting, in line with the CBB's. Our goal is to integrate ESG considerations into all HR-related policies, aligning them with the Bank's broader sustainability objectives.

Notably, Eskan Bank continues to maintain an impressive Bahrainization rate of 96%, illustrating our ability to attract and retain highly skilled and talented Bahrainis who perceive Eskan Bank as an appealing workplace.

Compared to other banks in Bahrain, we proudly maintains lowest cost to income ratio (20%) and return on investment ratio (6%) without compromising the well-being and benefits of our employees. This achievement is a testament to the strong fundamentals that underpin the Bank's operations, and our unwavering focus on operational efficiency at all levels.

To ensure compliance with pertinent laws and regulations, we conducted a comprehensive review of our HR policies and disciplinary actions., The focus once again, was on ensuring that policies were in compliance with relevant laws and regulations and industry best practices. Simultaneously, we implemented an effective succession planning program, establishing a process to monitor the readiness of potential successors and providing them with the necessary support to assume their new responsibilities.

While we have experienced positive numbers and improved retention rates compared to the previous year, our focus remains on maintaining readiness for the future. We aim to develop strategies that enhance employee engagement, offer opportunity for growth, and address any retention challenges that may arise. The department recognizes the significance of an ongoing effective recruitment strategy to attract and retain qualified candidates.

Eskan Bank continues to maintain an impressive Bahrainization rate of 96%, illustrating our ability to attract and retain highly skilled and talented Bahrainis who perceive Eskan Bank as an appealing workplace.

600%

increase - employees pursuing professional qualifications in 2023 compared to 2022

1%

staff retention in 2023 compared to

5%

in 2022

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 and Urban Planning 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 11.26 million as of 31st December 2023, of which 37.13% 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.

Our Projects

دانات الرفاع
Danaat Al Riffa

دانات المدينة
Danaat Al Madina

دانات اللوزي
Danaat Al Lawzi

دانات السيف
Danaat Al Seef

دانات البركة
Danaat alBaraka

Executive Management

Dr. Khalid Abdulla
General Manager

Ahmad Tayara
Chief Business Officer and Deputy General Manager

Parween Ali
Assistant General Manager
Retail Banking

Samar Agaiby
Assistant General Manager
Financial Institutions and Government Programs

Adnan Fathalla Janahi
Assistant General Manager
Human Resources, Administration & Corporate Communications

Haifa Al Madani
Assistant General Manager
Legal Affairs and Corporate Secretary

Deepak Patel
Assistant General Manager
Operations

Aqeel Mayoof
Assistant General Manager
Information Technology

Hani Nayem
Assistant General Manager
Internal Audit

Muhammed Saeed Butt
Assistant General Manager
Financial Control

Abeer Albinali
Assistant General Manager
Risk Management

Eskan Properties Company

Eyad Faisal
Acting General Manager

Hasan Abdulrahim
Senior Project Manager

Ahmed Sameei
Senior Manager
Property & Facility Management

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, and Decree No. (91) of 2022 Concerning the Amendments to Certain Provisions of the Corporate Governance Code. 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 that the Bank's Corporate Governance Policy's is constantly updated and adopting the new relevant regulations and laws and 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..

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 Sole 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. In 2023, the Bank increased its capital upon the Cabinet's approval by virtue of order no. 2714-05 the paid-up capital was estimated at BD 250 million, such increased capital was covered from retained profits available in the Bank. the Bank's authorised capital has reached BD 400 million.

- 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 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.

- 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 existing Board of Directors has been restructured by virtue of Cabinet Decree No. 63 of 2022 dated 7 December 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 sitting 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 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 2023, the bank has paid setting fees a total of BD 72,000 to the Chairperson and members for attending Board and Board Committees meetings, including the amount of BD 6,000/- that have been paid to the chairperson and members of the Remuneration, 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 plans and budgets, 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 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 contains rules on conduct, ethics and on avoiding conflict of interest applicable to all the employees 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.

The following voting abstentions motivated by a Conflict of Interest occurred during 2023:

1. Two board members abstained from voting during the 1st board meeting
2. One board member abstained from voting during the 3rd board meeting
3. Two board members abstained from voting during the 4th board meeting.

- **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 2023.

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

In accordance with the Corporate Governance Policy, the Board has adopted the performance evaluation models for Board Members performance and Board Committees performance, Corporate secretary has circulated the performance evaluation form for year 2023 to the board members, to evaluate the performance of board of directors and committees for the year 2023, and to be discussed during the first board meeting for the year 2024.

- **Material Transactions**

Transactions above the threshold defined by the authority matrix must be subject to the approval of the Board of Directors. These include related party transactions, unbudgeted expense approvals, significant borrowing transactions and strategic investments acquisitions and disposals.

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- Ms. Najla Mohamed AlShirawi

3- Eng. 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 2023).
- 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.

4. Board Committees (continued)

Audit, Risk and Compliance Committee

Members: (*)

1- Mr. Isa Abdulla Zainal (Chairperson)

2- Ms. 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 2023)
- 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- 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 Four meetings during 2023).
- 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 2023

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 majority of the Directors who shall attend in person, provided the Chairman or Vice Chairman shall attend in person. The Board held four meetings during 2023. The below schedule shows dates of meetings and attendance of Board Members:

- Board of Directors Meetings During 2023

Members	5 April 2023 (1st Meeting)	14 June 2023 (2nd Meeting)	20 Sep. 2023 (3rd Meeting)	13 Dec. 2023 (4th Meeting)
HE Mrs. Amna Bint Ahmed AlRumaihi (Chairman)	✓	✓	✓	✓
Mr. Mohammed Abdulrahman Hussein Bucheeri (Vice Chairman)	✓	✓	✓	✓
Mrs. Najla Mohamed Al Shirawi	✓	✓	✓	✓
Mr. Isa Abdulla Zainal	✓	✓	✓	✓
Mr. Nabeel Saleh Ali Ebrahim Abdulaal	✓	✓	✓	✓
Mr. Mubarak Nabeel Mattar	✓	✓	✓	✓
Ms. Reem Abdulghaffar Al Alawi	✓	✓	✓	✓
Mr. Abdullatif Khalid Abdullatif	✓	✓	✓	✓
Eng. Balsam Ali Alsalman	✓	✓	✓	✓

- Executive Committee Meetings

The Executive Committee held four meetings during 2023, the below schedule shows dates of meetings and attendance of Board Members:

Members	16 Mar. 2023 (1st Meeting)	15 June 2023 (2nd Meeting)	4 Sep. 2023 (3rd Meeting)	30 Nov. 2023 (4th Meeting)
Mr. Mohammed Abdulrahman Bucheeri (Chairperson)	✓	✓	✓	✓
Mrs. Najla Mohamed Al Shirawi	✓	✓	✓	✓
Eng. Balsam Ali Alsalman	✓	✓	✓	✓

- Audit, Risk and Compliance Committee Meetings

The Audit, Risk and Compliance Committee held Four meetings during 2023, the below schedule shows dates of meetings and attendance of Board Members:

Members	20 Feb. 2023 (1st Meeting)	8 May 2023 (2nd Meeting)	7 Aug. 2023 (3rd Meeting)	6 Nov. 2023 (4th Meeting)
Mr. Isa Abdulla Zainal (Chairperson)	✓	✓	✓	✓
Ms. Reem Abdulghaffar Alalawi	✓	✓	✓	✓
Mr. Abdullatif Khalid Abdullatif	✓	✓	✓	✓

5. Board Meetings and Attendance 2023 (continued)

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

The Remuneration, Nomination and Corporate Governance Committee held four meetings during 2023. The below schedule shows dates of meetings and attendance of Board Members:

Members	26 Feb. 2023 (1st Meeting)	23 Mar. 2023 (2nd Meeting)	13 July 2023 (3rd Meeting)	13 Dec. 2023 (4th Meeting)
HE Mrs. Amna Bint Ahmed AlRumaihi (Chairman)	✓	✓	✓	✓
Mr. Nabeel Saleh Ali Ebrahim Abdulaal	✓	✓	✓	✓
Mr. Mubarak Nabeel Mattar	✓	✓	✓	✓

The Remuneration, Nomination and Corporate Governance Committee also held one meeting during 2022 and an aggregated amount paid to the committee members is BD 1500 for the year ended 2022.

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 has been re-appointed with the same members for further periods every 3 years, which was lately reappointed for another term starting from January 2022 to December 2024.

Members	Summary of Responsibilities
Dr. Sh. Nezam Yacouby (Chairperson) Dr. Sh. Abdulaziz Khalifa Al-Qassar (Vice Chairperson) Sh. Abdul Nasser Al-Mahmood (Executive Member)	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.

- **Shari'a Supervisory Board Meetings**

The Shari'a Supervisory Board held four meetings during 2023, the below schedule shows dates of meetings and attendance of the Shari'a Board Members:

Members	17 April 2023 (1st Meeting)	26 July 2023 (2nd Meeting)	11 Sep. 2023 (3rd Meeting)	27 Nov. 2023 (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 Resolutionin regards to appointment of the SSB , which states that the remuneration of 10,000 US Dollars is to be disbursed annually to the Shari'a Supervisory Board Members. In addition, BD2,000 per annum is disbursed to Sh. Dr. 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 2023 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 several 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.

The General Manager issued Administrative Resolution No. (3) for the year 2023 on 26 November 2023 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. Acting General Manager – Eskan Properties Company 4. Assistant General Manager - Financial Institutions & Government Relations 5. Assistant General Manager - Legal Affairs & Corporate Secretary 6. Assistant General Manager - Risk Management 7. Assistant General Manager - Retail Banking 8. Assistant General Manager - Financial Control 9. Assistant General Manager - Internal Audit 10. Assistant General Manager – HR, Administration & Corporate Communication 11. Assistant General Manager - Information Technology 12. Assistant General Manager - 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)

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. Acting General Manager – Eskan Properties Company 4. Assistant General Manager - Risk Management 5. Assistant General Manager - Financial Control **Secretary:** Clerk - Asset Management The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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 developments (excluding social loan activities), in line with the approved authority matrix.

Risk Management Committee	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. Acting General Manager – Eskan Properties Company (non-voting member) 4. Assistant General Manager - Risk Management 5. Assistant General Manager - Retail Banking 6. Assistant General Manager - Legal Affairs & Corporate Secretary 7. Assistant General Manager - Operations 8. Assistant General Manager - Financial Control 9. Assistant General Manager - Information Technology **Secretary –**Manager - Risk Management The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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	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. Assistant General Manager - Risk Management 4. Assistant General Manager - Financial Control 5. Manager - Treasury **Secretary-** Manager – Financial Control The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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. Asset & Liability Management Committee 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	Summary of responsibilities:
Members: The Committee shall consist of members with the following designation: 1. Chief Business Officer & Deputy General Manager **(Chairman)** 2. Assistant General Manager - Retail Banking 3. Assistant General Manager - Financial Control 4. Assistant General Manager - Information Technology 5. Assistant General Manager - Operations 6. Assistant General Manager - Risk Management **Secretary –** Senior Manager - Information Technology The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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 effective and secure IT services across the Bank through assessing opportunities to practically manage IT resources and knowledge and acquire best IT solutions to meet the growth of the Bank.

7. **Management** (continued)

Human Resources 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. Acting General Manager - Eskan Properties Company 4. Assistant General Manager - Retail Banking 5. Assistant General Manager - HR, Administration & Corporate Communication 6. Assistant General Manager - Legal Affairs & Corporate Secretary 7. Assistant General Manager - Information Technology **Secretary:** Senior Manager - Human Resources The General Manager may appoint any other member at 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.

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. Acting General Manager – Eskan Properties Company 4. Assistant General Manager - HR, Administration & Corporate Communication 5. Assistant General Manager - Legal Affairs & Corporate Secretary **Secretary –** Assistant Manager – Administration Department The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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 & Auctions Board.	The Committee reviews and oversees all the internal tender related matters of Eskan Bank & the subsidiaries, and issues approvals for internal tenders to be selected, in addition to approving the renewal of contracts.

7. Management (continued)

New Product Committee	Summary of responsibilities
The Committee shall consist of members with the following designation: 1. Chief Business Officer & Deputy General Manager **(Chairman)** 2. Assistant General Manager – Financial Institutions & Government Relations 3. Assistant General Manager - Retail Banking 4. Assistant General Manager - Operations 5. Assistant General Manager - Information Technology 6. Manager - Compliance & MLRO (Non-Voting member) **Secretary –** Manager – Sales & Marketing The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. 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 customer 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.

Remedial Credit 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. Acting General Manager - Eskan Properties Company 4. Assistant General Manager - Legal Affairs & Corporate Secretary 5. Assistant General Manager - Risk Management 6. Assistant General Manager - Retail Banking **Secretary –** Senior Manager - Remedial and Collections The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. the committee shall be chaired by the General Manager, who will appoint the vice chairperson.	The Remedial Credit Committee 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 discusses 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 Remedial Credit Committee ensures appropriate policies, controls and measures are in place and adhered to support this, and to give appropriate management oversight to ensure conformance.

7. Management (continued)

IFRS 9 Steering 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. Assistant General Manager - Financial Control 4. Assistant General Manager - Risk Management 5. Assistant General Manager - Information Technology 6. Assistant General Manager - Internal Audit (non-voting member) **Secretary –** Manager - Risk Management Department The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. the committee shall be chaired by the General Manager, who will appoint the vice chairperson.	IFRS 9 Steering committee ("Committee") is the main forum where specific matters related to provisioning will be discussed. The committee is also responsible for ensuring proper integration of IFRS 9 throughout the Bank and providing review and recommendations/ 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.

Environmental, Social and Governance Committee (ESGC)	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. Acting General Manager – Eskan Properties Company 4. Assistant General Manager of HR, Administration & Corporate Communication 5. Assistant General Manager of Risk Management 6. Senior Manager - Investment 7. Senior Manager - Human Resource 8. Assistant Manager - Administration **Secretary –** Manager – Compliance & MLRO The General Manager may appoint any other member at his discretion. In the event of any member's absence, his/her direct successors shall attend on his/her behalf. the committee shall be chaired by the General Manager, who will appoint the vice chairperson.	Environmental, Social and Governance Committee (ESGC) ("Committee") is the main forum where specific matters related to ensuring the continuity of Eskan Bank's (the Bank) functions, which embodies the Bank's vision and mission in accordance with the Bank's Corporate Governance Policy and the approved policies and procedures. The objective of the ESGC is to establish a unified view of Environmental, Social & Governance aspects for the Bank and oversee the integration of said aspects in the business strategy and decision-making process. The Committee shall outline the priority in which it shall discuss the issues relating to the Bank's requirements and the Board of Directors and General Manager's recommendations in accordance with the Bank's Corporate Governance Policy.

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.

The total remuneration for senior management in 2023 is BD1,772,064

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 act 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.

AGM 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
Chairman

- Member of Shari'a Supervisory Board for the Accounting and Auditing Organization for the Islamic Financial Institutions (AAOIFI).
- Member of Central Shari'a Supervisory Board.
- Chairman and member of several Shari'a Supervisory Boards around the world.
- PhD in Islamic Law.
- Master from McGill University in Canada.

Shaikh Dr. Abdul Aziz Khalifa Al Qassar
Depuy Chairman

- Professor of Comparative Jurisprudence at the Faculty of Sharia and Islamic Studies at Kuwait University.
- PhD 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 – 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 2001-2005AD.
- Member of several Shari'a Supervisory Boards around the world.
- A lecturer in Islamic Finance has many research and religious studies in Islamic Jurisprudence and Contemporary Financial Transactions.

Shaikh Abdul-Nasser Omar Al Mahmood
Executive member

- Senior Executive Manager of Sharia Compliance – Khaleeji Bank.
- Member of several Shari'a Supervisory Boards around the world.
- Participant and speaker in several conferences and symposiums on Jurisprudence and Economics.
- PhD in Islamic Finance – International Islamic University Malaysia.
- Over 30 years of Experience in Sharia Audit and Islamic Banking.
- High Diploma in Islamic Commercial Studies - BIBF Institute.
- CSAA Certificate - Accounting and Auditing Organization for the Islamic Financial Institutions (AAOIFI).
- Certified Islamic Banker – General Council for Islamic Banks and Financial Institutions (CIBAFI).
- Recognized Lecturer and Trainer – BIBF and several professional and Financial Institutions.

Shari'a Supervisory Board Report

For the year ended 31 December 2023

1 Rmdn. 1445 BC coinciding 11th March 2024

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 2023, we have reviewed the principles and contracts relating to the transactions and applications conducted by the Bank (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.

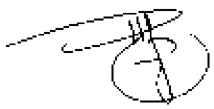
In our opinion:

Contracts, transactions and dealings related to Islamic products entered into by the Bank during the year ended 31 December 2023 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. Dr. Abdul Nasser Omar Al Mahmood
Executive Member

Consolidated Financial Statements

As at 31 December 2023

Contents

INDEPENDENT AUDITORS' REPORT
To the Shareholders of ESKAN BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying 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 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy 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 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Auditor's 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 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 consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 26 February 2023.

Other information included in the Report of the Board of Directors

Other information consists of the information included in the Report of the Board of Directors, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Report of Board of Directors which will form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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 identified above when it becomes available 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 the auditor's 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 the 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 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.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's 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 auditor's 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 ISA, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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 Group's Audit Committee 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 Legal and Regulatory Requirements

As required by the Bahrain 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 Report of the Board of Directors is consistent with the consolidated financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

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

Ernst + Young

Partner's registration no.45

28 February 2024

Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 BD	2022 BD
ASSETS			
Cash and bank balances	5	**25,514,762**	87,819,613
Investments	6	**3,273,418**	4,492,867
Loans	7	**882,636,503**	808,805,479
Investment in an associate	8	**4,182,288**	4,120,148
Investment properties	9	**66,335,547**	61,523,172
Development properties	10	**28,709,412**	39,093,708
Other assets	11	**2,453,133**	2,703,258
TOTAL ASSETS		**1,013,105,063**	1,008,558,245
LIABILITIES AND EQUITY			
LIABILITIES			
Interbank borrowings		**10,000,000**	10,000,000
Customer current accounts		**8,286,353**	9,267,243
Government accounts	12	**467,813,912**	505,202,068
Term loan	13	**75,000,000**	75,000,000
Other liabilities	14	**7,076,835**	7,305,023
TOTAL LIABILITIES		**568,177,100**	606,774,334
EQUITY			
Share capital	15	**250,000,000**	108,300,000
Contribution by the shareholder		**44,362,959**	36,914,617
Statutory reserve		**58,040,253**	54,461,896
Fair value deficit		**(195,998)**	(108,135)
Retained earnings		**92,720,749**	202,215,533
TOTAL EQUITY		**444,927,963**	401,783,911
TOTAL LIABILITIES AND EQUITY		**1,013,105,063**	1,008,558,245

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 31 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 December 2023

	Note	2023 BD	2022 BD
Interest income	16	**38,253,877**	38,222,957
Interest expense	17	**(256,632)**	(134,658)
Net interest income		**37,997,245**	38,088,299
Income from properties	18	**6,001,559**	1,935,666
Net share of profit from investment in an associate	8	**263,094**	74,092
Other income		**899,106**	1,023,474
TOTAL OPERATING INCOME		**45,161,004**	41,121,531
Staff costs		**(5,912,425)**	(5,222,352)
Other expenses	19	**(2,799,573)**	(2,561,630)
TOTAL OPERATING EXPENSES		**(8,711,998)**	(7,783,982)
Profit before net impairment loss		**36,449,006**	33,337,549
Net impairment loss	20	**(665,433)**	(377,337)
PROFIT FOR THE YEAR		**35,783,573**	32,960,212
Profit attributable to:			
Equity shareholder of the parent		**35,783,573**	32,315,045
Non-controlling interest		**-**	645,167
		35,783,573	32,960,212
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on equity instruments designated at fair value through other comprehensive income	6	**(87,863)**	(109,211)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**35,695,710**	32,851,001
Total comprehensive income attributable to:			
Equity shareholder of the parent		**35,695,710**	32,205,834
Non-controlling interest		**-**	645,167
		35,695,710	32,851,001

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

Isa Abdulla Zainal
Director

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General Manager

The accompanying notes 1 to 31 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to Bank's shareholder							
	Share capital BD	**Contribution by the shareholder BD**	**Statutory reserve BD**	**Fair value deficit BD**	**Retained earnings BD**	**Total BD**	**Non-controlling interest BD**	**Total equity BD**
As at 1 January 2023	**108,300,000**	**36,914,617**	**54,461,896**	**(108,135)**	**202,215,533**	**401,783,911**	**-**	**401,783,911**
Capitalisation of retained earnings (note 15)	**141,700,000**	**-**	**-**	**-**	**(141,700,000)**	**-**	**-**	**-**
Total comprehensive income:							**-**	
Profit for the year	**-**	**-**	**-**	**-**	**35,783,573**	**35,783,573**	**-**	**35,783,573**
Other comprehensive loss (note 6)	**-**	**-**	**-**	**(87,863)**	**-**	**(87,863)**	**-**	**(87,863)**
Net transfer of land (note 9)	**-**	**7,448,342**	**-**	**-**	**-**	**7,448,342**		**7,448,342**
Transfer to statuary reserves	**-**	**-**	**3,578,357**	**-**	**(3,578,357)**	**-**	**-**	**-**
As at 31 December 2023	**250,000,000**	**44,362,959**	**58,040,253**	**(195,998)**	**92,720,749**	**444,927,963**	**-**	**444,927,963**

	Equity attributable to Bank's shareholder							
	Share capital BD	Contribution by the shareholder BD	Statutory reserve BD	Fair value deficit 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 loss (note 6)	-	-	-	(109,211)	-	(109,211)	-	(109,211)
Net transfer of land (notes 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	-	-	-	-	(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

The accompanying notes 1 to 31 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 BD	2022 BD
OPERATING ACTIVITIES			
Profit for the year		**35,783,573**	32,960,212
Adjustments for:			
Net share of profit from investment in an associate	8	**(263,094)**	(74,092)
Net impairment loss	20	**665,433**	377,337
Gain on sale of investment		**-**	(141,763)
Gain on sale of development properties	18	**(5,354,294)**	(1,104,620)
Depreciation and amortisation	19	**619,720**	588,350
Operating profit before working capital changes:		**31,451,338**	32,605,424
(Disbursement of) / collection from loans, net		**(64,283,793)**	23,659,724
Decrease / (increase) in other assets		**202,678**	(71,488)
Decrease / (increase) in development properties		**17,441,500**	(10,741,768)
Increase in Investment properties	9	**(109,303)**	(25,106)
(Increase) / decrease in restricted bank balance		**(189,850)**	325,500
(Decrease) / Increase in customer current accounts		**(980,890)**	720,388
(Decrease) / Increase in other liabilities		**(249,797)**	767,252
Net movement in government accounts		**(18,563,903)**	(28,972,261)
Net cash (used in) / generated from operating activities		**(35,282,020)**	18,267,665
INVESTING ACTIVITIES			
Maturity of debt securities	6	**1,614,452**	3,101,914
Investment in debt securities	6	**(482,866)**	(1,123,799)
Maturity / (placement) with financial institution with original maturity of more than 90 days		**10,000,000**	(4,941,222)
Dividend received from investment in an associate	8	**270,636**	187,971
Purchase of equipment		**(197,849)**	(125,054)
Purchase of investment in an associate	8	**(69,682)**	(44,736)
Net cash generated from / (used in) investing activities		**11,134,691**	(2,944,926)
FINANCING ACTIVITIES			
Payment to and on behalf of government, net		**(28,355,016)**	(17,606,330)
Net cash used in financing activities		**(28,355,016)**	(17,606,330)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(52,502,345)**	(2,283,591)
Cash and cash equivalents at 1 January	5	**77,801,869**	80,085,460
CASH AND CASH EQUIVALENTS AT 31 DECEMBER*	5	**25,299,524**	77,801,869

* The balances at 31 December 2023 and 31 December 2022 are gross of the expected credit loss of BD 112 and BD 3,878 respectively.

	Note	2023 BD	2022 BD
Non-cash activities			
Transfer between investment and development properties	9,10	**2,371,831**	1,297,743
Transfer of land from the shareholder	9	**7,448,342**	14,465,020
Subsidy and waivers provision	7	**7,805,289**	360,255
Expected credit loss for social loans	12(i)	**5,462,223**	13,596,624
MOHUP houses and flat	12(g)	**9,890,665**	43,863,466

The accompanying notes 1 to 31 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 Kingdom of Bahrain (the "Government") 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 and Urban Planning ("MOHUP"), developing / construction projects within the Kingdom of Bahrain. Further, the Bank also acts as an administrator for the MOHUP 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 and National Economy ("MOFNE") based on annual budgetary allocations for housing loans. The Bank also records certain transactions based on instructions from the MOHUP and the MOFNE and decisions taken by the Government.

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 28 February 2024.

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 27.

e) New standards, amendments and interpretations issued and effective

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have any impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations issued and effective (continued)

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform–Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the consolidated financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

- Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and
- Quantitative information such as an indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or an indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective."

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

In light of the introduction of Pillar Two Model Rules, the Group is currently assessing the expected impact on the jurisdictions in which it operates. The Bank has prepared a summary overview that provides insights into the key aspects of the Global Minimum Tax Framework and potential implications on the Group. As per the high-level assessment, the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current; and
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

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 2023	Ownership for 2022	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"), MOHUP 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 Dannat Al Luzi. Subsequent to year end this company has been liquidated, refer note 29 for details.	**100%**	100%	2014	Kingdom of Bahrain

(ii) Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprise of interest in an associate. an 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)

g) Basis of consolidation (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. MATERIAL 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.

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 amortised 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. MATERIAL 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 recognised 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 judgement (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 securities

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 securities

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. MATERIAL ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

i. Financial assets (continued)

Classification (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. MATERIAL ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

i. Financial assets (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 all of the 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

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.

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 reimbursed by the Government pursuant to agreement with MOHUP (note 12 i) 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 securities at FVOCI and loan commitments. These items migrate through the following three stages based on the change in credit quality since initial recognition.

3. MATERIAL ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

i. Financial assets (continued)

Impairment of financial assets and loan commitment (continued)

Measurement of ECLs (continued)

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 recognised 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 recognised, 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 has set LGD parameters based on the regulatory estimates.

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.

Credit-impaired financial assets

At each reporting date, the Group 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 reorganisation.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

i. Financial assets (continued)

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 amortised 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 recognises 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 3 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 derecognised 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 measurement

Financial liabilities are initially recognised, 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 loan are reimbursement by the Government pursuant to agreement with MOHUP (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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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 MOFNE and the MOHUP 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 MOFNE or MOHUP.

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 maximise the use of relevant observable inputs and minimise 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 recognises 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 recognise 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.

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 judgement.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

i. Income recognition (continued)

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.

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. Land transferred from the shareholder

Land from various parts of the Kingdom of Bahrain are transferred from the shareholder to the Group from time to time, in kind. These are initially recognised at fair value and categorised either as investment properties or development properties, based on condition and intended use. Subsequent measurement is based upon categorisation. The transfer in kind, is not accounted for as a government grant as it is a transaction with the Shareholder and recognised as an equity contribution.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of certain assets, liabilities, revenue, expenses and the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these judgement, 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 judgements 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 recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

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 and EAD 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Classification of financial 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)).

Classification of government accounts

Balances with the MOHUP and MOFNE are recorded under government accounts. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as intent to repay and terms of the arrangement that these balances form as debt for the Bank.

"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 engages 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 24.

Inputs, assumptions and techniques used for estimating impairment. Refer to section impairment of financial assets and loan commitment" in note 3 d (i).

5. CASH AND BANK BALANCES

	2023 BD	2022 BD
Cash in hand	162,391	144,736
Balances with banks	212,652	1,209,194
Balances with the CBB	3,139,831	1,469,561
Placements with banks and other institutions	4,000,000	10,000,000
Placements with the CBB (with an original maturity of 90 days or less)	18,000,000	75,000,000
	25,514,874	87,823,491
Less: expected credit loss	(112)	(3,878)
Total cash and bank balances	25,514,762	87,819,613
Less: Restricted bank balance*	(215,350)	(25,500)
Less: Placements (with an original maturity of more than 90 days)	-	(9,996,122)
Add: expected credit loss	112	3,878
Total cash and cash equivalents**	25,299,524	77,801,869

* Refer note 14.2

** The balances at 31 December 2023 and 31 December 2022 are gross of the expected credit loss of BD 112 and BD 3,878 respectively.

6. INVESTMENTS

	Equity securities FVOCI	Debt securities Amortised cost	Total
At 1 January 2023	**2,878,415**	**1,614,452**	**4,492,867**
Purchases during the year	**-**	**482,866**	**482,866**
Matured during the year	**-**	**(1,614,452)**	**(1,614,452)**
	2,878,415	**482,866**	**3,361,281**
Fair value loss	**(87,863)**	**-**	**(87,863)**
At 31 December 2023	**2,790,552**	**482,866**	**3,273,418**

	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
Fair value loss	(109,211)	-	(109,211)
At 31 December 2022	2,878,415	1,614,452	4,492,867

7. LOANS

	2023 BD	2022 BD
(i) Social loans		
Gross loans	**1,210,099,060**	1,135,457,650
Less: subsidy and waivers (note 12 (h))	**(269,913,507)**	(262,108,218)
	940,185,553	873,349,432
Less: expected credit loss (note 12 (i))	**(61,051,220)**	(68,496,607)
	879,134,333	804,852,825
(ii) Commercial loans		
Gross loans	**4,104,304**	4,583,925
Less: expected credit loss	**(602,134)**	(631,271)
	3,502,170	3,952,654
Total loans	**882,636,503**	808,805,479

7. LOANS (continued)

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

31 December 2023:

(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)	868,053,833	27,955,940	44,175,780	**940,185,553**
Expected credit loss				
At 1 January	8,077,825	24,498,174	35,920,608	**68,496,607**
Net transfer between stages	25,122,317	(15,258,083)	(9,864,234)	-
Write off during the year	(16,124)	(117,448)	(1,849,592)	**(1,983,164)**
(Release) / charge for the year (note 20)	(23,578,533)	4,629,402	13,486,908	**(5,462,223)**
At 31 December	9,605,485	13,752,045	37,693,690	**61,051,220**
Net carrying value	**858,448,348**	**14,203,895**	**6,482,090**	**879,134,333**

(b) Commercial loans:

	Stage 1 BD	Stage 2 BD	Stage 3 BD	Total BD
Exposure subject to ECL				
Commercial loans	3,252,827	305,867	545,610	**4,104,304**
Expected credit loss				
At 1 January	43,726	69,803	517,742	**631,271**
Net transfer between stages	54,107	30,800	(84,907)	-
Write off during the year	-	-	(12,669)	**(12,669)**
(Release) / charge for the year (note 20)	(59,826)	15,404	27,954	**(16,468)**
At 31 December	38,007	116,007	448,120	**602,134**
Net carrying value	**3,214,820**	**189,860**	**97,490**	**3,502,170**
Total net carrying value	**861,663,168**	**14,393,755**	**6,579,580**	**882,636,503**

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)	(994,544)
(Release) / charge for the year (note 20)	(33,652,514)	6,177,961	13,877,930	(13,596,623)
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

7. LOANS (continued)

(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	(16,920)	(129,714)	-
Write off during the year	-	-	(1,834,154)	(1,834,154)
(Release) / charge during the year (note 20)	(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

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 AN ASSOCIATE

	2023 BD	2022 BD
At 1 January	**4,120,148**	4,189,291
Additional investment in an associate	**69,682**	44,736
Share of profit	**263,094**	74,092
Dividend received	**(270,636)**	(187,971)
At 31 December	**4,182,288**	4,120,148

8. INVESTMENT IN AN ASSOCIATE (continued)

The principal associate of the Group is:

		Carrying Value	
Name	***Country of Incorporation***	**2023 BD**	2022 BD
Eskan Bank Reality Income Trust (EBRIT)	Kingdom of Bahrain	**4,182,288**	4,120,148
		4,182,288	4,120,148

		Ownership for	
Name	***Nature of activities***	**2023**	2022
Eskan Bank Reality Income Trust (EBRIT)	A real estate investment trust operating and managing real estate assets.	**37.13%**	36.57%

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

	2023 (unaudited) BD	2022 (unaudited) BD
Summarised statement of financial position		
Non-current assets	**10,575,000**	10,605,000
Current assets	**949,494**	918,590
Current liabilities	**(260,887)**	(257,427)
Net assets	**11,263,607**	11,266,163
Proportion of the Group's ownership	**37.13%**	36.57%
Carrying amount of the investment	**4,182,288**	4,120,148

	2023 (unaudited) BD	2022 (unaudited) BD
Summarised statement of profit or loss		
Income	**1,137,987**	1,094,508
Operating expenses	**739,995**	691,895
Operating profit	**788,442**	694,978

Shares of Eskan Bank Reality Income Trust are listed on the Bahrain Stock Exchange and its quoted price as on 31 December 2023 was 60 fils (2022: 69 fils). The fair value of the investment based on this quoted price is BD 4.411 million (2022: BD 4.996 million).

9. INVESTMENT PROPERTIES

	2022 BD	2022 BD
Balance at 1 January	**61,523,172**	59,474,310
Transferred from development properties	**109,094**	1,297,743
Transferred to development properties*	**(2,480,925)**	-
Transfer of land from the shareholder	**7,547,864**	1,478,300
Transfer of land to the shareholder	**(99,522)**	-
Impairment loss on land (note 20)	**(152,966)**	(651,512)
Additions during the year	**109,303**	809,480
Sale of land	**-**	(687,000)
Depreciation charge for the year	**(220,473)**	(198,149)
Balance at 31 December	**66,335,547**	61,523,172

** net of impairment loss of BD 243,251.*

9. INVESTMENT PROPERTIES (continued)

Investment properties comprise the following:

	2023 BD	2022 BD
Land at Bander Al-Seef	**29,296,874**	29,296,874
Land at Hamad town	**11,716,477**	11,757,402
Land at Muharraq	**9,023,519**	9,023,519
Land at Sanabis	**3,355,882**	3,355,882
Land at Madinat Salman	**3,243,300**	1,467,300
Land at Sitra	**3,096,000**	-
Land at Askar	**1,499,864**	-
Land at Hidd	**291,000**	-
Land at Hoora	**232,000**	232,000
Land at Madinat Khalifa	**210,700**	210,700
Land at Salmabad	**109,631**	109,631
Land at Nabih Saleh	**108,000**	-
Land at Riffa	**51,000**	99,522
Land at Malkiyah	**35,000**	-
Land at Zallaq	**-**	89,000
Land at Saar	**-**	1,903,251
Shops (net of accumulated depreciation)	**7,354,176**	7,356,252
	69,623,423	64,901,333
Impairment loss on land	**(3,287,876)**	(3,378,161)
	66,335,547	61,523,172

	2023 BD	2022 BD
Vacant land:		
Cost	**62,269,247**	57,545,081
Impairment loss	**(2,912,852)**	(3,041,602)
	59,356,395	54,503,479
Shops:		
Cost	**9,632,264**	9,413,867
Accumulated Depreciation	**(2,278,088)**	(2,057,615)
Impairment loss	**(375,024)**	(336,559)
	6,979,152	7,019,693
	66,335,547	61,523,172

The fair value of investment properties, based on independent market valuations, as at 31 December 2023 was BD 178 million (2022 BD: 162 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 2023 and 31 December 2022. 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 2023 and 31 December 2022.

10. DEVELOPMENT PROPERTIES

	2023 BD	2022 BD
Balance at 1 January	**39,093,708**	13,779,453
Additions during the year	**4,975,945**	18,913,158
Properties sold during the year	**(17,063,151)**	(5,287,880)
Transfer of land by the shareholder	**-**	12,986,720
Transferred to investment properties	**(109,094)**	(1,297,743)
Transferred from investment properties*	**2,480,925**	-
Impairment loss (note 20)	**(668,921)**	-
Balance at 31 December	**28,709,412**	39,093,708

** net of impairment loss of BD 237,327*

Development properties comprise the following:

	2023 BD	2022 BD
Projects for lease	**3,469,458**	585,474
Projects for sale	**25,239,954**	38,508,234
	28,709,412	39,093,708

11. OTHER ASSETS

	2023 BD	2022 BD
Equipment and intangibles (net book value)	**667,945**	671,271
Staff loans	**500,895**	310,102
Interest receivable	**384,516**	728,431
Prepayments and advances	**213,158**	164,302
Right-of-use assets	**205,460**	381,475
Balance with investment manager	**153,452**	162,706
Advance for acquisition of development properties (note 11(a))	**67,500**	67,500
Receivable from Ministry of Housing and Urban Planning	**17,700**	-
Other receivables	**242,507**	217,471
	2,453,133	2,703,258

Note 11 (a)

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 MOHUP and MOFNE are recorded in a single account "Government Accounts" and are non-interest bearing.

	Note	2023 BD	2022 BD
At 1 January		**505,202,068**	469,184,838
Movement during the year:			
Waiver reimbursements	(a)	**8,000,000**	4,000,000
Collection from MOHUP rental flats	(b)	**358,853**	556,658
Reduction and write off decrees	(c & d)	**(13,683,727)**	(14,475,213)
Mazaya and Tas'heel subsidy - net impact	(e)	**22,239,830**	2,299,564
Payment to Government	(f)	**(20,000,000)**	(10,000,000)
MOHUP houses and flats	(g)	**9,890,665**	43,863,466
Waivers and subsidy	(h)	**(31,326,972)**	(23,540,949)
Expected credit loss for social loans	(i)	**5,462,223**	13,596,624
Charge-off, net - social loans	(j)	**3,368,885**	24,501,443
(Repayment of) / advance from proceeds on sale of Deerat Al Oyoun units	(k)	**(3,467,897)**	2,821,967
Payment to Sharaka for Housing Projects	(l)	**(9,875,000)**	-
Finance cost relating to syndicated term loan	(m)	**(7,323,482)**	(4,831,412)
Others	(n)	**(1,031,534)**	(2,774,918)
At 31 December		**467,813,912**	505,202,068

a) Annual reimbursement received for 2006 waiver decree.

b) Collection of rental installments from beneficiaries of MOHUP rental flats.

c) Installment reduction decrees issued by the MOHUP from time to time.

d) Write offs and waivers approved by MOHUP on a case by case basis.

e) Reimbursement paid for monthly Mazaya & Tas'heel subsidy to beneficiaries based on MOHUP approved list.

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

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

h) In line with the agreement with MOHUP 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 accounts with effect from 31 December 2017 and related interest portion of the installment is charged to government accounts on each installment date.

i) In line with the agreement signed with MOHUP 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.

j) 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.

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

l) During 2023 the Group made payment of BD 9.9 million on behalf of MOHUP towards their commitment to Sharaka for acquisition of a housing project by MOHUP consisting of 155 social housing units located in Madinat Salman.

m) In line with agreement signed with MOHUP on 23 December 2017, all finance costs (i.e. interest expense / profit and other finance fees on the syndicated bank term loan) relating to social housing project shall be borne by the Government and charged to the government accounts (refer note 17 and 13).

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

13. TERM LOAN

	2023 BD	2022 BD
Syndicated bank term loan	**75,000,000**	75,000,000
At 31 December	**75,000,000**	75,000,000

	2023 BD	2022 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 term Murabaha Facility of BD 75 million was utilised as of 31 December 2023 (31 December 2022: 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 accounts (refer note 12 (m)).

14. OTHER LIABILITIES

		2023 BD	2022 BD
Employee savings scheme		**1,809,092**	1,586,168
Accrued expenses		**1,219,820**	1,510,233
Accrued interest payable		**1,017,038**	1,352,936
Accounts payable		**1,012,256**	145,956
Staff related accruals		**651,422**	572,056
Lease liabilities	14.1	**242,518**	430,753
Advances from customers		**119,247**	1,107,873
Contractor retentions		**69,703**	98,184
Others	14.2	**935,739**	500,864
		7,076,835	7,305,023

14.1 LEASE LIABILITIES

	2023 BD	2022 BD
Maturity analysis – contractual undiscounted cash flow		
Less than one year	**250,115**	226,347
More than one year	**-**	226,347
Total undiscounted lease liabilities at end of year	**250,115**	452,694
Total discounted lease liabilities at end of year	**242,518**	430,753

14.2 Includes proceeds from sale of one project on behalf of third party BD 215,350 (31 December 2022: BD 25,500).

15. SHARE CAPITAL

	Number of shares	2023 BD
31 December 2023		
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 *	**2,500,000**	**250,000,000**

	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

'*During the year, the Bank, based on resolution of Board of Directors, passed in a meeting, on 8 June 2022 and approval from the Ministry of Cabinet Affairs on 14 August 2023, has issued additional ordinary shares of BD 100 each amounting to BD 141.7 million by a transfer from retained earnings.

16. INTEREST INCOME

	2023 BD	2022 BD
Interest income on social loans	**33,935,541**	34,820,486
Interest income on commercial loans	**432,461**	516,492
Interest income on placements with financial institutions	**3,856,354**	2,742,293
Interest income on debt securities	**29,521**	143,686
	38,253,877	38,222,957

17. INTEREST EXPENSE

	2023 BD	2022 BD
Interest expense on term loan	**7,323,482**	4,831,412
Interest expense on interbank borrowing	**141,481**	54,133
Interest expense on leased agreements	**17,267**	26,408
Other interest and similar expense	**97,884**	54,117
	7,580,114	4,966,070
Reimbursement from the Government, note 12 (m)	**(7,323,482)**	(4,831,412)
	256,632	134,658

18. INCOME FROM PROPERTIES

	2023 BD	2022 BD
Revenue from sale of development properties	**22,417,445**	6,392,500
Cost of development properties sold	**(17,063,151)**	(5,287,880)
Gain on sale of development properties (note 18.1)	**5,354,294**	1,104,620
Rental income - net	**647,265**	602,046
Gain on sale of land	**-**	229,000
	6,001,559	1,935,666

Note 18.1

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.

19. OTHER EXPENSES

	2023 BD	2022 BD
Depreciation and amortisation	**619,720**	588,350
Information technology	**454,308**	364,877
Legal and professional	**352,785**	340,869
Marketing cost	**350,096**	355,569
Property management	**299,629**	268,535
Investment Management Cost	**141,961**	100,208
Premises	**102,687**	115,016
Transportation and communication	**89,163**	94,880
Directors' remuneration	**72,000**	68,000
Electricity	**53,790**	50,566
Insurance	**24,332**	14,923
Others	**239,102**	199,837
	2,799,573	2,561,630

20. NET IMPAIRMENT LOSS

	2023 BD	2022 BD
Release for the year- social loans (note 12 (i))	**5,462,223**	13,596,623
Release for the year - commercial loans (note 12 (i))	**16,468**	271,465
Recoveries / (write off) - commercial loans	**163,940**	(71,677)
Charge for the year - other receivables	**(27,720)**	63,990
Release for the year - bank balances	**3,766**	10,397
Net impairment loss - expected credit loss	**5,618,677**	13,870,798
Charge for the year - investment properties	**(152,966)**	(651,512)
Charge for the year - development properties	**(668,921)**	-
	4,796,790	13,219,286
Release back to government for ECL on social loan	**(5,462,223)**	(13,596,623)
	(665,433)	(377,337)

21. COMMITMENTS AND CONTINGENCIES

	2023 BD	2022 BD
Commitments		
Housing loan commitments approved by MOHUP (note 21.1)	**49,194,378**	47,066,411
Commitments - development properties	**8,390,370**	11,976,261
	57,584,748	59,042,672

Note 21.1

Each year, MOHUP 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 guarantees to the developers of these 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.

21. COMMITMENTS AND CONTINGENCIES (continued)

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 management 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 counsels, management and the Board of Directors have assessed that no legal obligations are likely to arise from the legal cases against the Group.

22. 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 MOHUP) 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 an associate 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.

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

	31 December 2023			
	Shareholder*	Associate	Directors	Key management
Assets				
Loans	-	-	19,994	21,873
Investments in an associate	-	4,182,288	-	-
Other assets	17,700	1,375	-	54,850
Liabilities				
Current accounts	-	-	95	2,174
Government account**	467,813,912	-	-	-
Other liabilities	-	-	3,700	385,131

*During the year, the Shareholder transferred land plots to the Bank amounting to BD 7,547,864 (2022: BD 14,465,020) and land plots were transferred from the Bank to the Shareholder amounting to BD 99,522 (2022: BD nil).

**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 5.5 million (2022: release of BD 13.6 million) (refer note 12 (i)).

	For the year ended 31 December 2023			
	Shareholder	Associate	Directors	Key management
Net share of profit from investment in an associate	-	263,094	-	-
Fees and commission	228,440	15,000	-	-
Staff cost	-	-	-	1,058,122
Other expense	-	141,961	-	-
Directors' remuneration and sitting fees	-	-	72,000	-

22. RELATED PARTY TRANSACTIONS (continued)

	31 December 2022			
	Shareholder	Associate	Directors	Key management
Assets				
Loans	-	-	21,647	25,272
Investment in an 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

	For the year ended 31 December 2022			
	Shareholder	Associate	Directors	Key management
Net share of profit from investment in an associate	-	74,092	-	-
Fees and commission	293,285	15,000	-	-
Staff cost	-	-	-	1,079,878
Other expense	-	100,208	-	-
Directors' remuneration and sitting fees	-	-	68,000	-

23. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

At 31 December 2023	**Amortised cost BD**	**FVOCI BD**	**Total BD**
Financial assets			
Cash and bank balances	**25,514,762**	**-**	**25,514,762**
Investments	**482,866**	**2,790,552**	**3,273,418**
Loans	**882,636,503**	**-**	**882,636,503**
Other assets	**1,366,570**	**-**	**1,366,570**
	910,000,701	**2,790,552**	**912,791,253**

	Amortised cost BD	**Total BD**
Financial liabilities		
Deposits from financial and other institutions	**10,000,000**	**10,000,000**
Government accounts	**467,813,912**	**467,813,912**
Term loan	**75,000,000**	**75,000,000**
Customer current accounts	**8,286,353**	**8,286,353**
Other liabilities	**7,076,835**	**7,076,835**
	568,177,100	**568,177,100**

23. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

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

	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 loan	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

24.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 recognised 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 judgement 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.

24. 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 2023	Impact on FV 2022
Market multiple	Price / Sale	25%	74,883	70,904
Market multiple	Enterprise value / Sale	25%	89,534	83,813
Market multiple	Price / Book	25%	104,925	157,092

25. 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.

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.

25. RISK MANAGEMENT (continued)

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 (2022: 30 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; 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.

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.

25. RISK MANAGEMENT (continued)

a) Credit risk (continued)

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 2023 is BD 879 million (31 December 2022: BD 805 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 since 2015.

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 2023 BD	Gross maximum exposure 2022 BD
Balances and placements with CBB and other financial institutions	**25,352,483**	87,678,755
Loans - social loans	**940,185,553**	873,349,432
Loans - commercial loans	**4,104,304**	4,583,925
Investments in debt securities	**482,866**	1,614,452
Other receivables	**1,645,599**	1,737,520
	971,770,805	968,964,084

There were BD 12 million renegotiated loans during the year ended 31 December 2023 (2022: BD 45 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 2023 is nil (31 December 2022: 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 2023 or 31 December 2022.

25. RISK MANAGEMENT (continued)

a) Credit risk (continued)

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	867,980,510	2,454,473	6,811,212	877,246,195
1 - 30 days	73,323	-	-	73,323
31 - 59 days	-	19,711,467	871,212	20,582,679
60 - 89 days	-	5,790,000	1,482,215	7,272,215
90 days - 1 year	-	-	21,539,164	21,539,164
1 year - 3 years	-	-	13,461,946	13,461,946
3-5 years	-	-	10,031	10,031
Gross carrying value	**868,053,833**	**27,955,940**	**44,175,780**	**940,185,553**
Expected credit loss	(9,605,485)	(13,752,045)	(37,693,690)	(61,051,220)
Net carrying value	**858,448,348**	**14,203,895**	**6,482,090**	**879,134,333**

B. Commercial loans

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	3,042,515	23,306	43,359	3,109,180
1 - 30 days	210,312	-	-	210,312
31 - 59 days	-	235,956	-	235,956
60 - 89 days	-	46,605	80,227	126,832
90 days - 1 year	-	-	182,651	182,651
1 year - 3 years	-	-	239,373	239,373
Gross carrying value	**3,252,827**	**305,867**	**545,610**	**4,104,304**
Expected credit loss	(38,007)	(116,007)	(448,120)	(602,134)
Net carrying value	**3,214,820**	**189,860**	**97,490**	**3,502,170**

C. Balances and placement with CBB and other financial institutions

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current	25,352,483	-	-	25,352,483
Gross carrying value	**25,352,483**	**-**	**-**	**25,352,483**
Expected credit loss	(112)	-	-	(112)
Net carrying value	**25,352,371**	**-**	**-**	**25,352,371**

*Includes BD 18 million balances with CBB which are classified under stage 1 and minimal ECL has been recognised.

25. RISK MANAGEMENT (continued)

a) Credit risk (continued)

iv) Credit quality per class of financial assets (continued)

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

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 75.5 million balances with CBB which are classified under stage 1 and minimal ECL has been recognised.

All investment in debt securities are current with no past due as of 31 December 2023 (31 December 2022: nil). The Bank's investment in debt securities are classified under stage 1 and minimal ECL has been recognised on debt investments as it comprise sukuk, government bonds and T-bills with CBB, due to being sovereign by nature. Other assets are all classified under stage 1 and short term in nature. Management has assessed that the ECL on these is immaterial due to their credit quality and short maturities.

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.

25. RISK MANAGEMENT (continued)

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 loan. Interest rate risk is managed principally through monitoring interest rate gaps.

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 2023 BD	**Changes in basis points (+/-)**	**Effect on net profit (+/-)**
Assets			
Placements with CBB and other financial institutions	**22,000,000**	**100**	**220,000**
Investments in debt securities	**482,866**	**100**	**4,829**
Loans - social loans	**1,210,099,060**	**100**	**12,100,991**
Loans - commercial loans	**4,104,304**	**100**	**41,043**
Liabilities			
Deposits from financial and other institutions	**10,000,000**	**100**	**(100,000)**
Term loan	**75,000,000**	**100**	**(750,000)**
Total			**11,516,863**

	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 loan	75,000,000	100	(750,000)
Total			11,416,561

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.

25. RISK MANAGEMENT (continued)

b) Market risk (continued)

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 25 for the impact of sensitivity in key variables used in valuation of investments at FVOCI.

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 2023 have been disclosed below and in notes 26, 27 and 30 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 2023 and 31 December 2022 based on contractual undiscounted repayment obligations.

At 31 December 2023	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	10,039,974	-	-	**10,039,974**	**10,000,000**
Customer current accounts	8,286,353	-	-	**8,286,353**	**8,286,353**
Government accounts	4,174,771	20,000,000	443,639,141	**467,813,912**	**467,813,912**
Term loan	2,742,746	5,387,536	91,985,433	**100,115,715**	**75,000,000**
Other liabilities	3,267,231	1,121,038	2,688,566	**7,076,835**	**7,076,835**
Total	**28,511,075**	**26,508,574**	**538,313,140**	**593,332,789**	**568,177,100**

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

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

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.

25. RISK MANAGEMENT (continued)

c) Liquidity Risk (continued)

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 335% which represents the simple average of daily LCR for the fourth quarter (3 months) in 2023. 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 2023 the Group had NSFR ratio of 136%."

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 2023, the Group did not have any significant issues relating to operational risks.

26.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.

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

	2023 BD	2022 BD
Total eligible capital	**441,810,685**	399,695,003
Total regulatory capital (A)	**441,810,685**	399,695,003
Total Risk-weighted exposure (B)	**256,833,693**	238,276,000
Capital adequacy ratio (A/B)	**172.02%**	167.74%
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.

27. 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 2023	**Less than 12 months BD**	**Over 12 Months BD**	**Total BD**
Assets			
Cash and bank balances	**25,514,762**	**-**	**25,514,762**
Investments	**482,866**	**2,790,552**	**3,273,418**
Loans	**37,446,448**	**845,190,055**	**882,636,503**
Investment in an associate	**-**	**4,182,288**	**4,182,288**
Investment properties	**-**	**66,335,547**	**66,335,547**
Development properties	**3,451,249**	**25,258,163**	**28,709,412**
Other assets	**1,449,283**	**1,003,850**	**2,453,133**
	68,344,608	**944,760,455**	**1,013,105,063**
Liabilities			
Deposits from financial and other institutions	**10,000,000**	**-**	**10,000,000**
Customer current accounts	**8,286,353**	**-**	**8,286,353**
Government accounts	**23,593,434**	**444,220,478**	**467,813,912**
Term loan	**-**	**75,000,000**	**75,000,000**
Other liabilities	**4,388,269**	**2,688,566**	**7,076,835**
	46,268,056	**521,909,044**	**568,177,100**
Net liquidity surplus	**22,076,552**	**422,851,411**	**444,927,963**

At 31 December 2022	Less than 12 months BD	Over 12 Months BD	Total BD
Assets			
Cash and cash equivalents	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 an associate	-	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 loan	-	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

28.FUTURE FUNDING REQUIREMENTS

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

29.SUBSQUENT EVENTS

On 27 August 2023, the Bank had resolved to put Dannat Al Luzi B.S.C. (c) (the "Subsidiary") into voluntary liquidation, cease all its activities and transfer all assets and liabilities to the Bank. Subsequent to the year end, the Subsidiary has legally ceased to exist. The liquidation will have no material impact on the financial statements of the Group.

30.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%.

30. NET STABLE FUNDING RATIO (continued)

The below table provides information on the bank's consolidated NSFR as of 31 December 2023:

	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	440,020,658	-	-	-	440,020,658
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	2,278,080	2,278,080
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits provided by retail customers	-	8,097,530	-	-	7,287,777
Demand deposits provided by small business customers	-	188,823	-	-	169,941
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 include in the above categories	-	34,444,357	20,000,000	444,220,479	444,220,479
Total ASF	440,020,658	52,730,710	20,000,000	521,498,559	968,976,935
Required Stable Funding (RSF)					
Coins and banknotes	162,391	-	-	-	-
All claims on central banks	-	21,139,831	-	-	-
Marketable securities:	-	-			
Central Bank of Bahrain	482,866	-	-	-	24,143
Loans:	-	18,834,260	-	-	-
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	-	19,412,113	-	19,123,187
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	859,668,990	558,784,843
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%	-	4,212,540	-	3,233,606	2,748,565
Unencumbered loans to and deposits with financial institutions	-	-	-	-	631,881
Unlisted investments not included in the above categories	-	-	-	-	-
Investment in subsidiaries	18,868,503	-	-	-	18,868,503
Investment in an associate	4,182,288	-	-	-	4,182,288
Other unlisted investments	2,790,552	-	-	-	2,790,552
Non-performing loans	4,999,077	-	-	-	4,999,077
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	97,498,090	-	-	-	97,498,081
All other off-balance sheet exposures not included above	57,584,748	-	-	-	2,879,237
Total RSF	186,568,515	44,186,631	19,412,113	862,902,596	712,530,357
NSFR (%) as at 31 December 2023					136%

30. 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 provided 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	478,487,529
Total ASF	398,059,968	40,537,595	20,000,000	555,619,739	962,367,881
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
Investment in subsidiaries	18,868,503	-	-	-	18,868,503
Investment in an associate	4,120,147	-	-	-	4,120,147
Other unlisted investments	2,878,415	-	-	-	2,878,415
Listed investments not included in the above categories					
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. 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 utilises 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 mobilised 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 2023 are presented below:

Islamic assets (application of funds)	Note	2023 BD	2022 BD
Loans			
Finance lease assets – net	a	**344,495,429**	256,445,865
Cash and bank balances			
Commodity Murabaha assets, net	b	**3,999,888**	9,996,122
Total assets		**348,495,317**	266,441,987

a) The amount reported is net of impairment provision of BD 16,045,324 (2022: BD 16,258,817)

b) The amount reported is net of impairment provision of BD 112 (2022: BD 3,878)

Islamic Liabilities (source of funds)		
Interbank borrowing		
Commodity Murabaha liability	**4,000,000**	5,000,000
Term loan		
Commodity Murabaha term financing	**75,000,000**	75,000,000
Total liabilities	**79,000,000**	80,000,000

The total funds raised and financed by the Group under Shari'a rules and principles comprise of 34% of the total assets of the Bank as of 31 December 2023 (2022: 26%) and 14% (2022: 13%) of the total liabilities.

31. SHARI'A COMPLIANT ASSETS AND LIABILITIES (continued)

The Shari'a-compliant income and expenses recognised during the year were as follows:

	2023 BD	2022 BD
Income		
Finance lease income, net	**9,888,777**	9,064,064
Murabaha financing	**-**	201,276
Income from wakala assets	**29,187**	-
Income from Ijarah Sukuk	**-**	18,795
Expense		
Profit on Wakala taking	**-**	-
Profit on Commodity Murabaha financing	**(88,031)**	(35,566)

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 amortised cost less impairment provision. Income from sukuk are recognised using effective yield rate over the term of the instrument. The accounting treatment is not significantly different to AAOIFI requirements.

Pillar-III Disclosures

31st December, 2023

Contents

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 2023 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.

2. INTRODUCTION TO BASEL III FRAMEWORK (continued)

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. The bank initiated the process of liquidating Danaat Al Lawzi in Q4 2023 by transferring its assets and liabilities to Eskan Bank given that the subsidiary had served its purpose. The liquidation process was completed in January 2024 and the subsidiary has ceased to exist.

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 11.30 million as of 31 December 2023, of which 37.17% 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 Incorpora-tion / Residence	Percentage of Ownership	Risk Weight
Eskan Bank Realty Income Trust (EBRIT)	Kingdom of Bahrain	37.13%	200%
Dannat Al Luzi B.S.C (c)	Kingdom of Bahrain	100%	50%

3. FINANCIAL PERFORMANCE AND POSITION

During 2023, 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 2023 of BD 35.7 million (2022: BD 32.9 million). Total operating costs, stood at BD 8.7 million representing a cost to income ratio of 19%.

As of 31 December 2023, total equity of the Bank stood at BD 444.9 million (2022: BD 401.8 million), while the return on equity stood at 8%. The Bank's total balance sheet stood at BD 1 billion at the end of 2023, representing an increase of 0.5% compared to prior year. Capital adequacy ratio increased from 168% to 172%, while the Bank's balance sheet continues to boast healthy liquidity.

a) Asset Growth and Quality:

- **Asset Growth:**
- The total Balance Sheet of the Bank stood at BHD 1.013 billion as at 31st December 2023 compared to BHD 1.009 billion as at the previous year-end. The Bank's loans and advances as at 31st December 2023 stood at BHD 882.6 million, which increased by 9% as compared to 2022.
- **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"):

- **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):

	2023	2022	2021	2020	2019
Earnings					
Net Interest Income	37,997	38,088	33,836	31,714	30,183
Other Income	7,164	3,164	4,520	4,824	1,487
Operating Expenses	8,712	7,784	6,922	6,977	6,022
Development properties written off	-	-	-	-	-
Impairment Allowance	665	508	1,543	1,653	2,531
Net Income	**35,784**	**32,960**	**29,891**	**27,908**	**23,117**
Financial Position					
Total Assets	1,013,105	1,008,558	934,201	861,758	861,822
Loans	882,637	808,805	749,670	750,860	710,662
Total Liabilities	568,177	606,774	569,265	526,896	555,315
Non-controlling interest	-	-	9,274	8,094	6,627
Shareholders Equity	444,928	401,784	364,935	334,862	306,507
Earnings: Ratios (Per Cent)					
Return on Equity	8.0%	8.2%	8.2%	8.3%	7.5%
Return on Assets	3.5%	3.3%	3.2%	3.2%	2.7%
Cost-to-income ratio	19%	19%	18%	19%	19%
Net Interest Margin	99%	100%	100%	99%	99%
Capital:					
Shareholders Equity as per cent of Total Assets	44%	40%	39%	39%	36%
Total Liabilities to Shareholders Equity	128%	151%	156%	157%	181

*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-23	31st-December-22
Net profit / (Loss) for the year	**196,848**	(257,854)
Total assets	**2,248,944**	1,902,626
Total equity	**1,423,749**	1,226,900

- **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").

  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.

  On 27 August 2023, the Bank had resolved to put Dannat Al Luzi B.S.C. (c) (the "Subsidiary") into voluntary liquidation, cease all its activities and transfer all assets and liabilities to the Bank. Subsequent to the year end, the Subsidiary has legally ceased to exist. The liquidation will have no material impact on the financial statements of the Group.

Table 4: Financial highlights (in BHD)

	31st-December-23	31st-December-22
Net profit for the period/ year	**1,022,631**	1,733,421
Total assets	**23,775,550**	23,189,801
Total equity	**23,775,550**	22,752,919

4. FUTURE BUSINESS PROSPECTS

The Bank's assets and liabilities' profile for next year would remain similar to that of last year in terms of strong Tas'heel disbursements and a required higher 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 requirement 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's Corporate Governance policy aims to:

- Develop a comprehensive and sound framework for Corporate Governance
- Ensure clear and segregated assignment of Roles and Responsibilities
- Ensure transparency across business units
- Ensure that the disclosure is timely and in line with the regulations by CBB

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 existing Board of Directors 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. 634 of 2022 dated 7 December 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.

i. H.E. Amna Bint Ahmed AL- Rumaihi - Minister of Housing (Non-independent)

Appointed as Chairperson of Eskan Bank Board of Directors since 2022.

Qualifications:

- Bachelors in Business Information Systems (BIS) – University of Bahrain.

Experience:

Previously She was appointed as:

- Undersecretary of National Economy at the Ministry of Finance and National Economy;
- Assistant Undersecretary for Competitiveness and Economic Indicators at the Ministry of Finance and National Economy;
- Joined First Deputy Prime Minister Office;
- Worked in several roles at the Economic Development Board (EDB);
- Worked at Bahrain Bourse;
- Appointed as a member of the Board of Directors of Social Insurance Organization (SIO);
- A former member of the Board of Trustees of Bahrain Polytechnic

H.E. Amna Bint Ahmed AL- Rumaihi Honored with His Majesty the King's Proficiency Medal in 2017

ii. Mr. Mohamed Abdulrahman Hussain Bucheeri

Vice Chairperson and Chairman of Executive Committee (Independent Non-Executive Director). Appointed as Board Director in 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

7. BOARD OF DIRECTORS (continued)

iii. Ms. Najla Mohammed Al-Shirawi

Member (Independent Non-Executive Director). Appointed as a Board Member in 2015 and she is a member of the Executive committee.

Qualifications:

- MBA, master's in business administration and finance, American College in London - United Kingdom .
- BSc, bachelor's degree in civil engineering, University of Bahrain-Kingdom of Bahrain

Experience:

- Chief Executive Officer: SICO B.S.C. (c), Bahrain
- Chairperson of SICO Funds Services Company (SFS), and SICO Financial Brokerage (UAE).
- Board member of 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 Position: She 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.

iv. Mr. Isa Abdulla Zainal

Member (Independent Non-Executive Director)

Appointed as a Board Member in 2022, and is the chairman of the Audit, Risk and Compliance Committee.

Qualifications:

Bachelor's with Honors in Accounting – University of Bahrain

CPA from state of Georgia - USA

Experience & Previous Positions:

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

- CFO at Arcapita (2003 – 2016)
- CFO at Al Baraka Banking Group (2000 – 2003)
- Auditor and Business Consultant at ARTHUR ANDERSEN (1985 – 2000)

Board Membership:

- Bahrain Bay Utilities Company BSC (c), Banque Al Baraka D'Algerie – Algeria, Nuyu (Women Fitness Company) – KSA, Eazy Financial Services BSC (c), Kheleeji Commercial Bank BSC and GBCORP BSC

7. BOARD OF DIRECTORS (continued)

v. Ms. Reem Abdulghaffar Al Alawi

Member (Independent Non-Executive Director). Appointed as a Board Member in 2022 and she is a member of the Audit, Risk and Compliance Committee.

Qualifications:

- Master 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.

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

vi. Mr. Nabeel Saleh Abdulaal

Independent Non-Executive Director, & Member of Remuneration, Nomination and Corporate Governance Committee. Appointed since 2022.

Qualifications:

- Masters degree in Management Sciences from Lancaster University, UK
- Bachelor's 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

Board Member:

- Future Generations Reserve Fund Bahrain
- Nader Gas WLL

Previous positions:

- Worked for Deutsche Bank AG London between 2005-2008, thereafter moved to Deutsche Bank in MENA Headquartered in UAE until 2021 covering various roles including Head of Coverage, Head of Financial Institutions and member of Global Markets' Executive Management Committee CEEMEA region.
- Worked at Gulf International Bank, Bahrain, as Investment Manager within Treasury & Investment division

vii. Mr. Mubarak Nabeel Mattar

Independent Non-Executive Director and Member of Remuneration, Nomination and Corporate Governance Committee. Appointed as a Board Member since 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

Current Position:

- Assistant Undersecretary for Financial Operations
- Previously worked for Ministry of Finance and National Economy since 2010.

Board Member:

Board member, The Government Hospitals Board of Trustees, Board member, Primary Healthcare Centers Board of Trustees, Board member, Deposit Protection Scheme (Bahrain).

7. BOARD OF DIRECTORS (continued)

viii. 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.

ix. Ms. 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

Experience:

- 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:

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)

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.

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. Eyad Faisal, Acting General Manager / Eskan Properties Company

Mr. Eyad Faisal has over twenty-six years of experience in various constructions industry (both private and governmental) along with a wide experience in project development, management and execution, property development, and property and facility management.

Prior to joining Eskan Properties Company, he worked with First Bahrain Real Estate Development Company, Al-Tijaria Venture Real Estate Company, Ministry of Works and Housing and Posford Duvivier & Associated Consulting Engineers.

He holds Engineering and Management professional degrees, including Executive Master of Business Administration (Executive MBA), Bachelor's degree in Civil Engineering, Project Management Professional Certificate (PMP), Graduate Diploma in Management (Level 5), Certificate in Property Development and Associate Value Specialist Certificate (AVS).

Mr. Eyad is an active member in Project Management Institute (PMI) from USA and Bahrain Society of Engineers.

He has been with Eskan Properties Company since 2009 under the capacity of Senior Projects Manager and Projects Manager.

He assumed the present position in July 2023.

iv. Ms. Abeer Albinali, Assistant General Manager - Risk Management

Ms. Abeer Albinali, a banking professional, has over eleven 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 Chartered Financial Analyst (CFA) from the Chartered Financial Analysts Institute in Virginia, USA and is a Certified Chief Risk Officer (CCRO) from the London School of Business and Finance.

Ms. Albinali is also a holder of Professional Risk Manager (PRM) designation from the Professional Risk Managers' International Association (PRMIA) in the United States, Advanced Diploma in Islamic Finance (ADIF) from the BIBF, and International Diploma in Governance, Risk and Compliance from the International Compliance Association (ICA), UK. Ms. Albinali holds other professional qualifications in leadership, management, corporate governance and compliance.

She assumed the present position in the year 2020.

8. EXECUTIVE MANAGEMENT TEAM OF THE GROUP (continued)

v. Mr. Hani Nayem, Assistant General Manager -Internal Audit

Mr. Hani Nayem has over twenty-two 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, Assistant General Manager - Retail Banking

Ms. Parween Ali has over thirty-six years of experience in Banking Industry, particularly in the areas of Sales, Marketing 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 in 2018.

vii. Mrs. Samar Agaiby, Assistant General Manager - Financial Institutions and Government Programs

Mrs. Samar Agaiby has over thirty-four 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 GuaranteeSystem and Head of Credit and Operational Risk.

She assumed the present position in 2012.

viii. Mr. Adnan Fathalla Janahi, Assistant General Manager - Human Resources, Administration and Corporate Communication.

Mr. Adnan Janahi has over twenty-eight 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 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, Assistant General Manager - Information Technology Management

Mr. Aqeel Mayoof has over twenty-seven 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.

8. EXECUTIVE MANAGEMENT TEAM OF THE GROUP (continued)

x. Mr. Deepak Patel, Assistant General Manager - Operations

Mr. Deepak Patel has over twenty-four 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, Assistant General Manager - Financial Control

Mr. Muhammed Saeed Butt has over twenty-one 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, Assistant General Manager - Legal and Corporate Secretary Department

Mrs. Haifa Al Madani has over twenty-five 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 2023, review of remuneration policy has resulted to some changes on the remuneration of some employees including some 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.

9. ADDITIONAL GOVERNANCE MEASURES (continued)

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 2023, 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 2023 (2022: 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 (2022: 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 2023 (2022: Nil) nor paid out any deferred remuneration or reduced the deferred remuneration through performance instruments during the same period mentioned above.

The table below reflects the total amount of remuneration paid to the employees of the bank for the year of 2023.

2023	Approved Persons	Other Staff
Fixed Remuneration		
Cash-Based	1,175,644*	2,220,350
Shares and share-linked instruments		
Other	347,824	776,419
Variable Remuneration		
Cash-Based	438,766	549,157
Shares and share-linked instruments		
Other		
Grand Total	**5,508,161**	

* Include BOD sitting fees of BD 72,000 paid to Board Members in 2023

9. ADDITIONAL GOVERNANCE MEASURES (continued)

2023								
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		72,000	72,000			72,000
2	9**	Approved persons (not included in 1,3 to 7)	716,988	331,344	1,048,332	350,311	350,311	1,398,643
3	7	Approved persons in risk man-agement, internal audit, operations, financial con-trols, AML and compliance functions	256,806	146,330	403,136	88,455	88,455	491,591
4	58	Employees engaged in risk taking activities (business areas)	672,505	379,428	1,051,933	192,047	192,047	1,243,980
5	27	Employees other than approved persons engaged in controlled function in No. 3	420,492	213,721	634,213	119,136	119,136	753,349
6	63	Other em-ployees	818,077	492,546	1,310,623	237,974	237,974	1,548,597
7	0	Outsourced Employees / Service providers (engaged in risk taking activities)			-		-	-
	173	**Grand Total**	**2,884,867**	**1,635,370**	**4,520,237**	**987,923**	**987,923**	**5,508,161**

* Include board remuneration of 9 members with BD72000 paid to them for attending board of directors meeting.

** Include one individual holding managerial position in one of the Bank's subsidiary who are approved persons by CBB.

The table below reflects the total amount of remuneration paid to the employee 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)

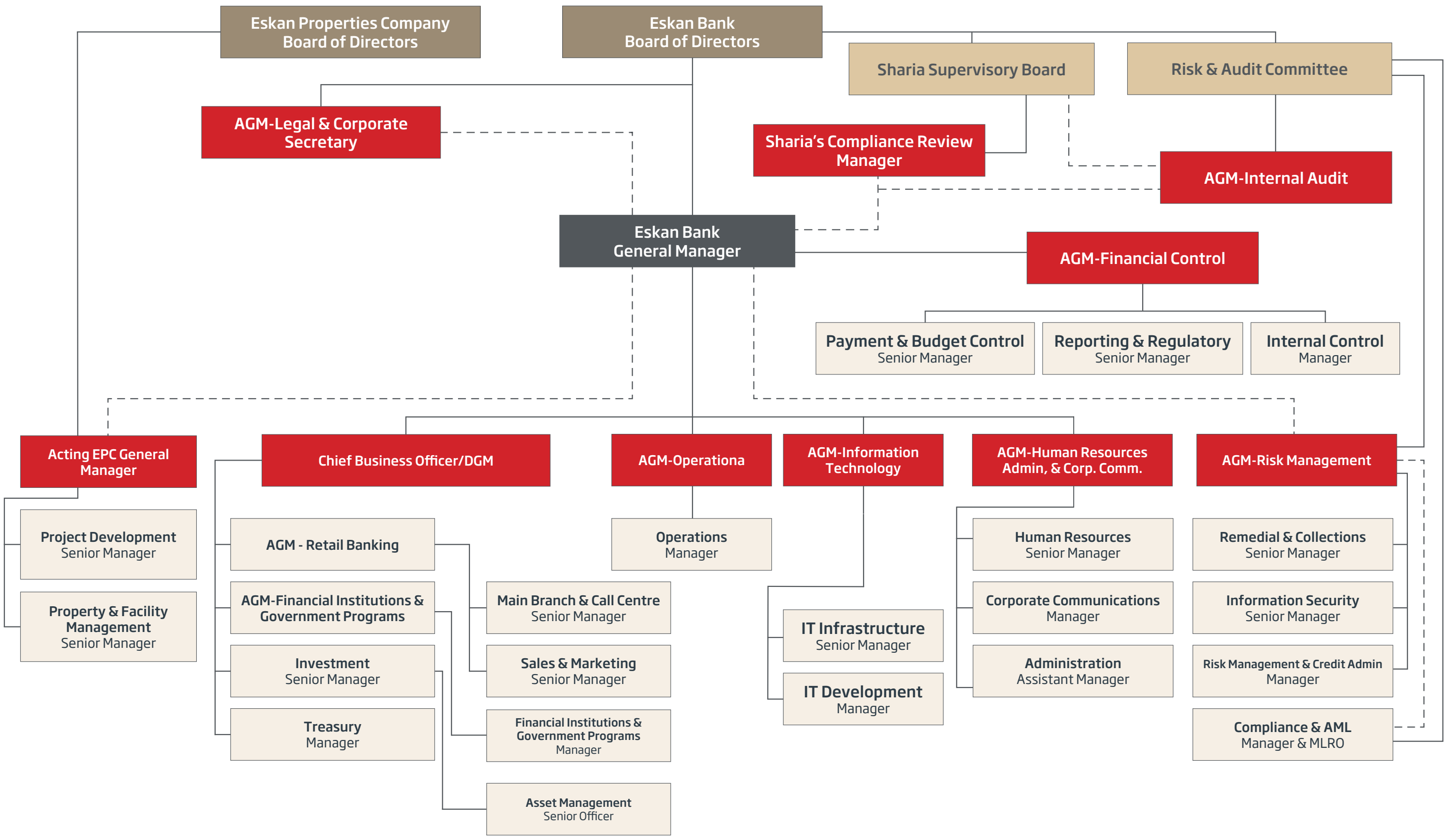
			2022						
No.	Head count	Category	Basic	Other Benefits / Allowances	Total Fixed Remuneration	Performance Bonus in Cash (actual paid in 2022)	Total Variable Remunerations	Total Fixed & Variable Remuneration
1	9*	Members of the Board		68,400	68,400			68,400
2	3	Approved persons (not included in 1,3 to 7)	176,112	76,576	252,688	60,905	60,905	313,593
3	6	Approved persons in risk man-agement, internal audit, opera-tions, 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

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 and Urban planning, 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.

During 2023, the Bank, based on resolution of Board of Directors, passed in a meeting, on 8 June 2022 and approval from the Ministry of Cabinet Affairs on 14 August 2023, has issued additional ordinary shares of BD 100 each amounting to BD 141.7 million by a transfer from retained earnings.

On 27 August 2023, the Bank had resolved to put Dannat Al Luzi B.S.C. (c) (the "Subsidiary") into voluntary liquidation, cease all its activities and transfer all assets and liabilities to the Bank. Subsequent to the year end, the Subsidiary has legally ceased to exist. 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

The following table summarizes the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation as of 31 December 2023.

	CET1	AT1	T2
Components of capital			
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid ordinary shares	250,000	-	-
General reserves	44,363		
Statutory reserves	58,040	-	-
Retained earnings	53,053	-	-
Current interim profits	34,761	-	-
Cumulative fair value changes on FVOCI investments (Equities)	(196)	-	-
Total CET 1 Capital prior to the regulatory adjustments	**440,021**	**-**	**-**
Less: Regulatory adjustments			
Intangibles other than mortgage servicing rights	488		
Total CET 1 Capital after the regulatory adjustments	**439,532**	**-**	**-**
Other Capital (AT1 & T2)			
Expected Credit Losses (ECL) Stages 1 & 2 (1.25% of credit risk weighted assets)	-	-	**2,278**
Net available Capital	**439,532**	**-**	**2,278**
Total Capital			**441,810**

Table 2: CAPITAL ADEQUACY RATIOS

The CBB Capital Adequacy Rules provides guidance on the risk measurements for the calculation of capital require-ments. 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%	2.5% comprising of CET1	9.0%
Additional Tier 1 (AT1)	1.5%			
Tier 1 (T1)		8.0%		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 2023:

CET1 Capital Adequacy Ratio	**171%**
T1 Capital Adequacy Ratio	**171%**
Total Capital Adequacy Ratio	**172%**

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 31 December 2023:

Credit Risk Weighted Exposures	182,246
Operational Risk Weighted Exposures	74,588
Market Risk Weighted Exposures	-
Total Risk Weighted Exposures	**256,834**

11. CAPITAL (continued)

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 represents the possibility that a party involved in a financial transaction will not fulfil their obligations, leading to financial losses for the other party. This risk becomes particularly concentrated when several counterparties, engaged in similar business activities or operating within the same geographical area or economic sector, fail to meet their contractual obligations. Such failures often result from changes in economic, political, or other external conditions

Credit risk entails the potential for losses to the Group due to the inability of clients, customers, or counterparties, including sovereign entities, to fully meet their obligations. This includes the timely and complete payment of principal, interest, collateral, and other receivables. The Bank's exposure to credit risk primarily arises from its lending activities and counterparty credit risk associated with its treasury operations.

To mitigate credit risk within its portfolio, Eskan Bank employs a variety of strategies. These include monitoring credit exposures, limiting transactions with certain counterparties, evaluating counterparties' creditworthiness, and securing appropriate collateral whenever necessary

The Bank maintains well-established policies and procedures for the identification, measurement, monitoring, and control of credit risk across all banking activities. The Credit Risk Policy, approved by the Board of Directors, outlines these measures. Additionally, the Bank prepares comprehensive Risk Statements annually to monitor compliance with Board-approved limits

A tiered approval authority matrix and management-level committees have been established to oversee credit risk exposures actively. The Bank is committed to systematic risk reporting at all organizational levels and ensures transparency in its communications with stakeholders.

13.2 Definition, Assumptions and Technique for Estimating Impairment

Significant increase in credit risk

When assessing whether the credit risk of a financial asset has significantly increased since its initial recognition for estimating ECL, the Bank considers reasonable and supportable information that is both relevant and accessible without incurring undue costs or effort. This includes a comprehensive analysis of both quantitative and qualitative data, leveraging the Bank's historical experience and incorporating forward-looking information

The Bank operates under the assumption that the credit risk associated with a financial asset has significantly increased if there are contractual payments overdue by more than 30 days. This presumption remains in effect unless the Bank can substantiate, through reasonable and fact-based evidence, that the risk has not significantly escalated after the specified 30-day period

A financial asset is considered to be in default under any of the following conditions:

- The borrower is unlikely to fulfill their credit obligations to the Bank in entirety, without the Bank needing to resort to measures such as realizing security (if any exists).
- The financial asset is over 90 days past due.

Furthermore, the Bank classifies a debt security as having low credit risk if its credit risk rating aligns with the globally recognized definition of 'investment grade'.

13. CREDIT RISK (continued)

Probability of Default (PD)

The Bank systematically gathers data on the performance and default rates of its credit risk exposures, categorizing this information by the number of days past due. To analyze the collected data and estimate the Probability of Default (PD) for various exposures–as well as to forecast how these probabilities are expected to evolve over time–the Bank employs the Merton-Vasicek methodology. This analytical approach includes identifying and calibrating the correlations between fluctuations in default rates and shifts in crucial macro-economic indicators.

For the majority of exposures, these key macro-economic factors encompass:

- GDP Growth,
- Total Investments as a percentage of GDP,
- Inflation Rate,
- Imports and Exports of Goods and Services,
- Unemployment Rate,
- Domestic Credit Growth,
- Oil Prices,
- Central Government Revenue as a percentage of GDP, and
- Central Government Expenditure as a percentage of GDP.

This comprehensive analysis aids the Bank in understanding how macroeconomic dynamics influence credit risk, enabling more accurate PD estimations

Credit-impaired financial assets

At each reporting date, the Bank evaluates whether financial assets carried at amortized cost, debt securities classified as Fair Value Through Other Comprehensive Income (FVOCI), and loan commitments exhibit signs of credit impairment. A financial asset is deemed 'credit-impaired' following the occurrence of one or more events negatively affecting the asset's projected future cash flows. Indications of a financial asset being credit-impaired encompass observable data such as

- Significant financial distress of the borrower or issuer;
- Contractual breaches, including default or delinquency in payment beyond 90 days;
- Restructuring of a loan or advance by the Group under conditions that would not be considered under normal circumstances; or
- A probable scenario wherein the borrower will file for bankruptcy or undergo another form of financial reorganization.

Once a financial asset is identified as credit-impaired, it undergoes a 'cooling-off' period of 7 months from the date it resumes regular payment patterns.

Incorporation of forward-looking information

The Bank utilizes statistical models to embed the impact of macro-economic factors on historical default rates. Should these macro-economic parameters prove to be statistically insignificant, or if the forecasted PDs markedly deviate from current economic condition forecasts, a qualitative PD overlay will be employed. This decision is made by management following a comprehensive analysis of the portfolio using designated diagnostic tools

Incorporating forward-looking information necessitates a higher degree of judgement regarding the influence of macroeconomic changes on the Expected ECL for Stage 1 and Stage 2 exposures. These stages are categorized as performing facilities, with Stage 3 representing exposures in the default category. The methodologies and assumptions used, including forecasts of future economic conditions, are subject to periodic review and are documented within the Credit Risk Policy.

13. CREDIT RISK (continued)

Measurement of ECL

The Bank calculates loss allowances for ECL across various financial instruments, including social and commercial loans, balances with banks, debt securities, and loan commitments. This calculation employs a three-stage approach for financial assets carried at amortized cost, debt securities classified as Fair Value Through Other Comprehensive Income (FVOCI), and loan commitments, based on the change in credit quality since their initial recognition Stage 1: 12-Month ECL: This stage encompasses financial assets that either have not experienced a significant increase in credit risk since their initial recognition or possess low credit risk at the reporting date. For these assets, the Bank recognizes 12-month ECLs, which are the expected credit losses resulting from potential default events within the next 12 months. It's important to note that 12-month ECLs represent the entire potential credit loss on an asset, weighted by the probability of occurrence within the year, rather than expected cash shortfalls over the same period. Interest revenue is calculated on the gross carrying amount of the asset, without any deduction for credit loss allowance

Stage 2: Lifetime ECL - Not Credit Impaired: This stage includes financial assets that have seen a significant increase in credit risk since initial recognition (except for those with low credit risk at the reporting date) but lack objective evidence of impairment. Assets in this stage are subject to recognition of lifetime ECLs, which are the expected credit losses from all possible default events over the asset's expected life. These ECLs are calculated as the weighted average of credit losses, using the PD as the weighting factor. Interest revenue continues to be calculated on the gross carrying amount.Stage 3: Lifetime ECL - Credit Impaired: Stage 3 is designated for financial instruments that demonstrate objective evidence of impairment at the reporting date, including those that are already in default. Assets in this stage are considered credit-impaired, and lifetime ECLs are recognized accordingly. Despite the impairment status, regulatory requirements for credit-impaired accounts remain applicable within this stageExpected Credit Losses (ECL) are quantified as a probability-weighted estimate of credit losses, representing the present value of all anticipated cash shortfalls. A cash shortfall is defined as the discrepancy between contractual cash flows due to the entity and the cash flows the Bank expects to receive. ECL calculations apply the effective interest rate of the financial asset for discounting purposes.

Expected Credit Losses (ECL) are quantified as a probability-weighted estimate of credit losses, representing the present value of all anticipated cash shortfalls. A cash shortfall is defined as the discrepancy between contractual cash flows due to the entity and the cash flows the Bank expects to receive. ECL calculations apply the effective interest rate of the financial asset for discounting purposes.

The process relies on the term structure of three critical variables:

- Probability of Default (PD): This metric forecasts the likelihood of a default event occurring within a specific timeframe, considering the contractual maturities of exposures. PD is often derived from market data for banks and sovereign counterparties.
- Loss Given Default (LGD): LGD assesses the expected severity of loss in the event of default. It is estimated based on historical recovery rates against claims on defaulted counterparties.
- Exposure at Default (EAD): EAD quantifies the expected exposure at the point of default, factoring in the current exposure to the counterparty and potential changes due to contract stipulations, including amortization. For financial assets, EAD corresponds to their gross carrying amount.

These parameters are sourced from internally developed statistical models and historical data, with adjustments made to incorporate forward-looking information. The integration of such forward-looking insights requires a nuanced understanding of how changes in PD, LGD, and EAD variables can influence ECL outcomes, underlining the dynamic nature of credit risk assessment.

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 2023:

	Below 3 months	3 months up to 1 year	1 up to 3 years	Over 3 years	Total
Retail mortgage social loans	27,928	21,539	13,462	10.03	62,939
Retail mortgage commercial loans	573	183	239	-	995
Other assets	190	20	65	265	539
	28,692	**21,741**	**13,766**	**275**	**64,474**

13. CREDIT RISK (continued)

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	62,939	25,575	37,365
Retail mortgage commercial loans	995	493	502
Other assets	539	-	279
	64,474	**26,068**	**38,146**

Impaired loans:

	Loan amount	ECL stage 3
Retail mortgage social loans	44,176	37,694
Retail mortgage commercial loans	546	448
	44,721	**38,142**

Table 8: Expected credit loss movement (in BHD thousands)

Loans:	Stage 1 & 2	Stage 3	Total
Expected credit loss as 1 January 2023	32,690	36,439	69,128
Net transfer between stages	9,949	(9,949)	-
Write off during the period - social loan	(134)	(1,850)	(1,983)
Write off during the period - Commercial Loans	-	(13)	(13)
(Release) / Charge for the period - Social Loans	(18,949)	13,487	(5,462)
Release for the period- Commercial Loans	(44)	28	(16)
Expected credit loss as 31 December 2023	**23,512**	**38,142**	**61,654**

Other assets:	Stage 3	Total
Expected credit loss as 1 January 2022	251	251
Charge for the period	28	28
Expected credit loss as 31 December 2023	**279**	**279**

The Group's entire past due and provision balances as at 31 December 2023 relates to its operations in the Kingdom of Bahrain.

Restructured Assets

Exposures that have been restructured due to credit risk reasons are classified within Stage 2 for a minimum duration of 3 months from the date the restructured facility demonstrates satisfactory performance. This classification reflects a cautious approach to monitoring the restructured exposure's performance under its new terms.

When the terms of an exposure to credit risk are renegotiated, modified, or if an existing exposure is replaced due to the borrower's financial difficulties, such exposure should be derecognized. The calculation of ECL then proceeds based on the cash shortfalls from the derecognized exposure, discounted from the expected derecognition date to the reporting date using the original effective interest rate. A 3-month cooling-off period post-restructuring is deemed adequate for evaluating the cash flow adequacy and the performance under the new terms.

The total principal outstanding amount of social loans restructured (excluding those past dues as of year-end) during the year is BD 12 million and the ECL on restructured loans as of year-end is BD 2 million

13. CREDIT RISK (continued)

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 2023:

	* Gross Exposures	Risk Weighted Exposures	** Capital Charge
Standard Portfolio			
Cash items	162	-	-
Claims on sovereign	934,330	-	-
Claims on Banks	4,228	846	106
Claims on investment firms	153	77	10
Mortgage	3,593	2,694	337
Past due exposure	74	74	9
Equity investments	300	450	56
All other holdings of real estate *	123,435	176,768	22,096
Other assets	1,338	1,338	167
	1,067,613	**182,247**	**22,781**

**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 46,734, thousand which are credit risk weighted at 50% as per CBB concessions and have capital charge of BD 23,367 thousand.*

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 2023:

	Gross Exposures **	* Average Exposures
Funded Exposure		
Bank balances	25,515	58,554
Investments	3,273	3,425
Loans	882,637	858,725
Investment in associates	4,182	4,060
Investment properties	66,336	64,449
Development properties	28,709	32,836
Other assets	2,453	2,653
	1,013,105	**1,024,702**
Unfunded Exposure		
Loan related	49,194	46,120
Capital Commitments	8,390	10,771
	57,585	**56,891**

** 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).

13. CREDIT RISK (continued)

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 2023.

Securitisation exposure:

The Bank does not have securitisation exposures as of and during the year ended 31 December 2023.

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 2023:

	Kingdom of Bahrain	Total
Funded Exposures		
Bank balances	25,515	25,515
Investments	3,273	3,273
Loans	882,637	882,637
Investment in associates	4,182	4,182
Investment properties	66,336	66,336
Development properties	28,709	28,709
Other assets	2,453	2,453
	1,013,105	**1,013,105**
Unfunded Exposures		
Loan related	49,194	49,194
Capital Commitment	8,390	8,390
	57,585	**57,585**

The Group considers the above geographical disclosure to be the most appropriate as the Group's activities are conducted in the Kingdom of Bahrain.

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 2023:

	Government	Banks and financial institutions	Real estate and construction	Residential mortgage	Tourism	Other	Total
Funded Exposures							
Bank balances	25,140	213	-	-	-	162	**25,515**
Investments	483	-	2,491	-	-	300	**3,273**
Loans	-	-	-	882,637	-	-	**882,637**
Investment in associates	-	-	4,182	-	-	-	**4,182**
Investment properties	-	-	66,336	-	-	-	**66,336**
Development properties	-	-	28,709	-	-	-	**28,709**
Other assets	72	169	76	315	-	1,821	**2,453**
	25,695	381	101,795	882,951	-	2,283	**1,013,105**
Unfunded Exposures							
Loan related	-	-	-	49,194	-	-	**49,194**
Capital Commitment	-	-	8,360	-	-	30	**8,390**
	-	-	8,360	49,194	-	30	**57,585**

The Bank has no exposures to highly leveraged or other high risk counterparties as at and for the period ended 31 December 2023. 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 period ended 31 December 2023.

13. CREDIT RISK (continued)

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 2023.

Table 13: Intra-group transactions as of 31 December 2023 (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 2023:

	Eskan Bank	Eskan Property Co.	Dannat Al Lawzi	Total
Assets				
Balances with Banks	-	425	-	**425**
Inter Bank Deposits	-	1,289	-	**1,289**
Development Properties	329	-	-	**329**
Investment properties	90	-	-	**90**
Investments in subsidiaries	19,119	-	-	**19,119**
Other Assets	400	217	23,776	**24,393**
	19,938	**1,931**	**23,776**	**45,645**
Liabilities and Equity				
Non-Bank Deposits	1,289	-	-	**1,289**
Current Accounts	425	-	-	**425**
Other Liabilities	23,993	400	-	**24,393**
Share Capital & Reserves	582	86	18,869	**19,537**
	26,290	**486**	**18,869**	**45,645**

*All intra-group transactions are conducted on arm's length basis.

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 2023.

14. CREDIT RISK MITIGATION

- The Bank has implemented several measures and processes for mitigating risk and ensuring the ongoing effectiveness of these 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.
- The Bank currently utilizes solely non-financial collaterals to mitigate credit risk in its regular lending operations, primarily including:First legal mortgage over real estate/ property
- Despite these collaterals being ineligible for inclusion under the standardized approach, they do not affect the Pillar I capital adequacy charge. Given the Bank's focus on mortgage financing, there is a significant concentration of such collaterals in the portfolio. Nevertheless, the option of recourse to the Government in the case of social loans, coupled with a positive growth trajectory in the housing sector, effectively mitigates this concentration risk.

14. CREDIT RISK MITIGATION (continued)

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 represents the potential that the Group may not fulfill its funding obligations due to various factors. This risk may emerge from market disruptions or credit downgrades, leading to the sudden unavailability of funding sources. To mitigate such risks, the Bank has implemented a strategy that includes diversifying funding sources and managing assets with liquidity considerations at the forefront. This strategy ensures a robust balance of cash, cash equivalents, and easily marketable securities. Additionally, the Bank maintains mandatory deposits with central banks and has secured lines of credit from a variety of banking and financial institutions. A key factor in the Bank's ability to sustain a stable liquidity profile is the reliable inflow from its Loan Portfolio, syndicated loans, and the enduring nature of its Government Account

A comprehensive Liquidity Risk Management policy is in place, detailing the Asset Liability Committee's ("ALCO") roles and responsibilities. This policy outlines broad guidelines for maintaining minimum levels of liquid assets, establishing gap limits across different maturity ladder time buckets, setting cumulative cash outflow limits for specific time buckets, and adhering to various liquidity ratios, all approved by the ALCO in alignment with the Bank's liquidity strategy.

Furthermore, the Bank prepares contingency plans to address extreme liquidity risk scenarios, grounded in thorough scenario analyses. These plans are designed to ensure the Bank's resilience in facing unexpected liquidity challenges.

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 2023, 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	17,515	8,000	-	-	-	-	-	-	-	-	**25,515**
Investments	-	69	64	-	350	2,791	-	-	-	-	**3,273**
Loans	-	3,026	6,128	9,346	18,947	77,612	80,086	199,857	368,091	119,543	**882,637**
Investment in associates	-	-	-	-	-	-	-	-	-	4,182	**4,182**
Investment properties	-	-	-	-	-	-	13,267	13,267	39,801	-	**66,336**
Development properties	-	-	-	-	3,451	25,258	-	-	-	-	**28,709**
Other assets	52	251	563	226	357	630	275	99	-	-	**2,453**
TOTAL ASSETS	**17,567**	**11,346**	**6,755**	**9,571**	**23,106**	**106,290**	**93,628**	**213,223**	**407,893**	**123,726**	**1,013,105**
Interbank borrowings	10,000	-	-	-	-	-	-	-	-	-	**10,000**
Customer current accounts	8,286	-	-	-	-	-	-	-	-	-	**8,286**
Government accounts	-	3,593	-	-	20,000	20,000	-	-	-	424,220	**467,814**
Term loans	-	-	-	-	-	-	75,000		-	-	**75,000**
Other liabilities	21	406	2,841	455	666	1,386	1,302	1	-	-	**7,077**
TOTAL LIABILITIES	**18,307**	**3,999**	**2,841**	**455**	**20,666**	**21,386**	**76,302**	**1**	**-**	**424,220**	**568,177**
MISMATCH	**(740)**	**7,347**	**3,914**	**9,116**	**2,439**	**84,905**	**17,327**	**213,222**	**407,893**	**(300,495)**	**444,928**
CUMULATIVE MISMATCH	**(740)**	**6,607**	**10,521**	**19,637**	**22,077**	**106,981**	**124,308**	**337,530**	**745,423**	**444,928**	**444,928**

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 for the Bank is defined as the risk to the Bank's earnings and capital arising from changes in market interest rates, security prices, foreign exchange rates, commodity prices, equity values, and the volatilities of these changes. The key characteristics of the market risk at the Bank are as follows:

- The absence of a 'Trading Book.'
- Investments are primarily categorized as 'FVOCI'.
- Minimal market risk exposure.
- Adoption of the Standardized Approach for calculating capital charges for market risk.

18. OPERATIONAL RISK

18.1 Overview of Operational Risk Management

Operational risk refers to the potential for adverse outcomes arising from inadequate or failed internal processes, personnel, systems, or external events. The Bank aims to manage its exposure to operational risk within its defined risk appetite, considering the market environment, business characteristics, and the economic and regulatory landscape.

The Bank's Operational Risk Management framework is built on three core pillars: policies, processes (including systems and reports), and risk methodologies.

Policies

The Bank has established policies, standards, tools, and programs to guide Operational Risk Management (ORM) practices throughout the organization. The ORM Policy outlines a comprehensive approach for managing operational risk in a structured, systematic, and consistent manner.

Processes, Systems and Reports

Robust internal control processes and systems are crucial for identifying, assessing, monitoring, managing, and reporting operational risk. Consequently, all units within the Bank are tasked with the day-to-day management of operational risk in their respective products, processes, systems, and activities, adhering to established frameworks and policies. The operational risk unit, Operational Risk Champions (ORCs), and control functions are responsible for:

- Overseeing and monitoring the effectiveness of operational risk management.
- Assessing key operational risk issues within the units.
- Reporting and, when necessary, escalating key operational risks to the Risk Management Committee with recommendations for appropriate risk mitigation strategies.

The Bank employs an internally developed operational risk management solution to monitor and report operational risk, in addition to capturing operational loss data in compliance with Basel III and Central Bank of Bahrain guidelines.

Risk Methodologies

To manage and control operational risk, the Bank employs a variety of tools, including risk and control self-assessment, Operational Risk Champions (ORCs), and key risk indicator monitoring.

The three lines of defense adopt a unified risk taxonomy and a consistent approach to managing operational risk. Each business or support unit conducts risk and control self-assessments to identify key operational risks and evaluate the effectiveness of internal controls. When control issues are identified, units develop action plans and monitor the resolution of these issues.

Operational risk events are classified in line with Basel standards. Events that could significantly impact the Bank's reputation, among others, are reported according to specific thresholds. Key risk indicators, equipped with predefined escalation triggers, support proactive risk monitoring.

ORCs are designated for each department, aiming to become trusted partners within their respective areas. They act as intermediaries between those developing risk policies and strategies and the employees implementing these strategies. The Risk Management Department is committed to providing relevant training and implementing assurance processes to foster a robust operational risk culture within the organization.

Furthermore, every new product, service, or outsourcing arrangement undergoes a risk review and sign-off process, where relevant risks are identified and evaluated. Similarly, variations to existing products or services and current outsourcing arrangements are subjected to this process.

18. OPERATIONAL RISK (continued)

Other Mitigation Programs

The Bank has implemented a comprehensive business continuity management plan to ensure the ongoing provision of essential banking services in the face of unforeseen events or disruptions. This plan encompasses a crisis management strategy designed for rapid incident response. To validate the effectiveness of these plans, the Bank conducts annual exercises that simulate various scenarios, testing both business continuity and crisis management protocols. The outcomes of these exercises, along with assessments of the Bank's readiness for business continuity and adherence to regulatory guidelines, are reviewed and verified by senior management and reported to the Board.

Additionally, the Bank has developed a contingency plan for potential computer system failures. This includes regular backups of all critical data sets, which are stored off-site to safeguard against data loss or interruption of business transactions in the event of system failures. As part of its disaster recovery strategy, the Bank maintains a backup site to ensure operational continuity during emergencies.

Operational Risk Measurement Methodology

To calculate the regulatory capital for operational risk, the Bank employs the Basic Indicator Approach. This method involves applying an alpha coefficient of 15 percent to the average gross income over the last three financial years, from which the operational risk-weighted exposures and the regulatory capital requirement are derived. The Bank adopts a trigger rate of 12.5% for both the Capital Adequacy Ratio and the Operational Risk Ratio.

The following table summarizes the amount of exposures pertaining to operational risk and related capital requirements as of 31 December, 2023:

Year	2021	2022	**2023**
Gross income	35,589	39,613	44,141
Average Gross income			39,781
Multiplier			12.5
			497,263
Eligible portion for purpose of the calculation			15%
Total operation risk weighted exposures			74,588
Minimum capital requirement (12.5%)			**9,324**

There are no material legal contingencies nor any pending legal actions against the Bank as of and for the year ended 31 December 2023.

19. EQUITY POSITIONS IN THE BANKING BOOK

The Equity position as at 31 December 2023 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 2023:

	Gross Exposures	Privately Held	Quoted	Risk weighted	Capital charge
FVTOCI	2,791	2,791	-	5,431	679
Investments in associates	4,182	-	4,182	8,365	1,046
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.

19. EQUITY POSITIONS IN THE BANKING BOOK (continued)

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 constitutes the potential impact on the Bank's financial health due to fluctuations in interest rates. The Group encounters interest rate risk through mismatches or gaps between the volumes of assets and liabilities that mature or re-price within a specific period. Excessive interest rate risk could significantly endanger the Bank's earnings and its capital foundation. Therefore, implementing an effective risk management process to keep interest rate risk at prudent levels is crucial for the Bank's stability and integrity The Bank's policy aims to minimize mismatches between assets and liabilities, maintaining them at stable and acceptable levels to ensure a consistent net interest income. Currently, the Bank's interest rate-sensitive assets and liabilities are relatively limited, characterized by fixed maturity dates For managing Interest Rate Risk in the Banking Book (IRRBB), the Bank employs earnings-based measures, specifically Net Interest Income (NII), and conducts stress tests using rate shocks of 100 basis points (bps) and 200 bps. These tests help evaluate the potential adverse effects of IRRBB on net interest income. Specifically, a 100 bps or 1% interest rate increase would result in a BD 718k rise in net interest income, and similarly, a 200 bps increase would yield a BD 1,436k rise. This impact represents merely 4% of the net interest income for the fiscal year 2022

Bucket	Overnight	Overnight - 1 month	1-3 months	3-6 months	6-9 months	9-12 months	Total BD 000's
1% Shock	29	109	226	201	120	41	**718**
2% Shock	57	205	451	401	240	81	**1,436**

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 2023	Changes in basis points (+/-)	Effect on net profit (+/-)
ASSETS			
Placements with financial institutions	22,000	200	440
Loans - social loans	1,210,099	200	24,202
Loans - commercial loans	4,104	200	82
Investment in Debt Securities	483	200	10
Rate sensitive Assets	**1,236,686**		**24,734**
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			**23,034**

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. A "Local Public Tender" was floated and Ernst & Young were appointed as the external auditors of the Bank for the financial year ending 2023 being the successful bidder in accordance to Legislative Decree No.36 of the year 2002 with respect to Regulating Government Tenders and Purchases. The assessment for the 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 1,090 related to Electronic Fund Transfer Services (EFTS).

Composition of Capital Disclosure Requirements

31st December, 2023

Contents

Composition of Capital Disclosure Requirements

31st December, 2023

Step 1 & 2 (in BHD thousands)

Particulars	FS	PIR	Ref
ASSETS			
Cash and balances at central banks	25,302	21,302	
Placements with banks and similar financial institutions	213	4,213	
of which Expected Credit Loss (stage 1 & 2)	0	-	
Loans and advances to banks and non-banks	944,289	906,148	
of which Expected Credit Loss (stage 1 & 2)	-61,653	-	a
Investment at fair value through other comprehensive income	2,791	2,791	
Investments at Amortized Cost	483	483	
Investment properties	66,336	66,336	
Interest in unconsolidated subsidiaries and associated companies - Note 1	4,182	23,051	
Interest receivable	384	385	
Property, plant, and equipment (PPE)	668	180	
Other Assets	30,111	30,110	
of which: intangible assets deducted from regulatory capital	0	488	b
Total Assets (3.1 to 3.10 inclusive)	**1,013,105**	**1,055,485**	
NON-CAPITAL LIABILITIES			
Deposits from banks	10,000	10,000	
Deposits from non-banks	8,286	8,286	
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	1,017	1,017	
Other liabilities	473,874	497,649	
Total non-capital items (2.1 to 2.10 inclusive)	**568,177**	**591,953**	

Step 1 & 2 (in BHD thousands) (continued)

Particulars	FS	PIR	Ref
CAPITAL LIABILITIES			
Paid up share capital (net of treasury shares)	250,000	250,000	c
Share premium	-	-	
Legal reserve	58,040	58,040	d
General (disclosed) reserves	44,363	44,363	e
Retained earnings/(losses) brought forward*	56,937	53,053	f
Net (loss) for the year	-	-	
Net profit for the year	35,784	34,761	g
Innovative capital instruments	-	-	
Minority interest in subsidiaries' share capital	-	-	
Fx translation adjustment	-	-	
Fixed assets revaluation reserves	-	-	
Cumulative fair value changes on FVOCI investments	(196)	(196)	h
Expected credit losses (Stages 1 & 2)	-	21,234	a
of which eligible for T2	-	2,278	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)	**444,928**	**463,532**	
Total capital and non-capital items (1.18 + 2.11)	**1,013,105**	**1,055,485**	

* 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 2023 (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	23,776	23,776

Composition of Capital Disclosure Requirements

31st December, 2023

Step 3: Composition of Capital Common Template (transition) as at 31 December 2023

	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	250,000	c
2	Retained earnings	53,053	f
3	Accumulated other comprehensive income (and other reserves)	137,164	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)	(196)	h
7	**Common Equity Tier 1 capital before regulatory adjustments**	**440,021**	
	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)	488	b
11	Deferred tax assets that rely on future profitability excluding those arising from temporary dif-ferences (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**	**488**	

Composition of Capital Disclosure Requirements

31st December, 2023

	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)**	**439,532**	
	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		
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
44	**Total regulatory adjustments to Additional Tier 1 capital**		
45	**Additional Tier 1 capital (AT1)**	**-**	
46	**Tier 1 capital (T1 = CET1 + AT1)**	**439,532**	
	Tier 2 capital: instruments and provisions		
47	Directly issued qualifying Tier 2 instruments plus related stock surplus		
48	Directly issued capital instruments subject to phase out from Tier 2		
49	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)		
50	of which: instruments issued by subsidiaries subject to phase out		
51	Provisions	2,278	i
52	**Tier 2 capital before regulatory adjustments**	**2,278**	**i**
	Tier 2 capital: regulatory adjustments		
53	Investments in own Tier 2 instruments		
54	Reciprocal cross-holdings in Tier 2 instruments		
55	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) .		
56	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, 2023

	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
57	National specific regulatory adjustments		
58	**Total regulatory adjustments to Tier 2 capital**	**-**	
59	**Tier 2 capital (T2)**	**2,278**	**i**
60	**Total capital (TC = T1 + T2)**	**441,810**	
61	**Total risk weighted assets**	**256,834**	
	Capital ratios		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	**171%**	
63	Tier 1 (as a percentage of risk weighted assets)	**171%**	
64	Total capital (as a percentage of risk weighted assets)	**172%**	
65	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%	
66	of which: capital conservation buffer requirement	2.5%	
67	of which: bank specific countercyclical buffer requirement (N/A)	NA	
68	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)	171%	
	National minima including CCB (if different from Basel 3)		
70	CBB Common Equity Tier 1 minimum ratio	9%	
71	CBB Tier 1 minimum ratio	10.5%	
72	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
73	Non-significant investments in the capital of other financials		
74	Significant investments in the common stock of financials		
75	Mortgage servicing rights (net of related tax liability)		
76	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised ap-proach (prior to application of cap)	21,234	a
78	Cap on inclusion of provisions in Tier 2 under standardised approach	2,278	i
79	N/A		
80	N/A		
	Capital instruments subject to phase-out arrangements		
	(only applicable between 1 Jan 2020 and 1 Jan 2024)		
81	Current cap on CET1 instruments subject to phase out arrangements		
82	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
83	Current cap on AT1 instruments subject to phase out arrangements		
84	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
85	Current cap on T2 instruments subject to phase out arrangements		
86	Amount excluded from T2 due to cap (excess over cap after		

Composition of Capital Disclosure Requirements

31st December, 2023

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 re-porting date)	BD 250,000
9	Par value of instrument	BD 100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1979 , 2023
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	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	No
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 imme-diately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable