Beyond Expectations

Annual Report 2024

البحرين
BAHRAIN

بنك البحرين للتنمية ش.م.ب (م)
Bahrain Development Bank B.S.C (c)

02

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Late Amir
His Highness
Shaikh Isa bin Salman Al Khalifa

His Majesty
King Hamad bin Isa
Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad
Al Khalifa
Crown Prince and Prime Minister of the Kingdom of Bahrain

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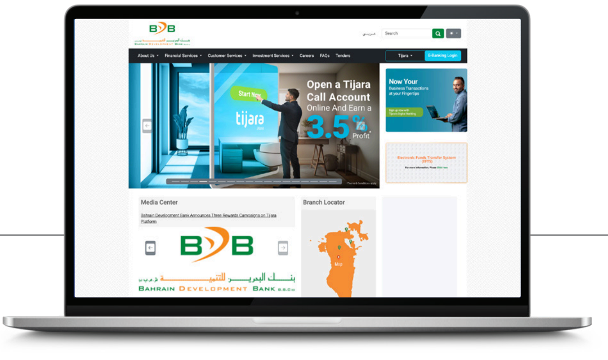


View our Annual Report and other information about Bahrain Development Bank www.bdb-bh.com

Overview

Empowering visionaries to build tomorrow

Bahrain Development Bank (BDB) provides a variety of financial services that are tailored to meet the needs of Small and Medium Enterprises in Bahrain.

Bahrain Development Bank commenced its operations in 1992 as a specialist Bank, focused on financing and development of small and medium businesses in addition to encouraging and supporting the entrepreneurship activities in the Kingdom of Bahrain. Working in-line with Bahrain Economic Vision 2030, BDB adopts a dynamic and effective strategy for stimulating entrepreneurial activity in implementing its plans for financing and advising small and medium businesses.

This strategy is in line with the Bank's mission of being an active participant in national strategy by supporting this sector of the economy. BDB's role in this context is especially significant given the growing size and contribution of this important segment to domestic economic activity.

Vision

To be the regional leader in Digital Solutions and Financial Services for SMEs.

Mission

To enable businesses to grow locally and internationally through access to finance and markets.

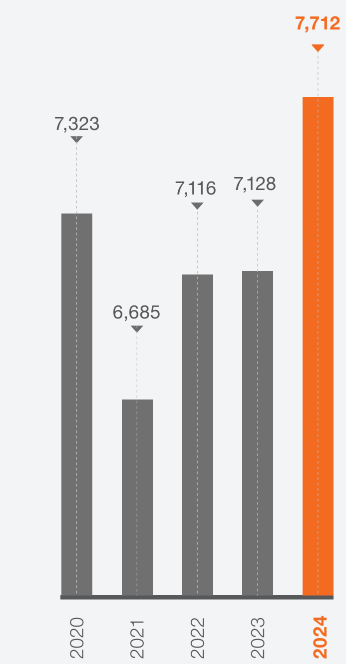
Financial highlights

	2024	2023	2022	2021	2020
Income statement highlights (BD Thousands)					
Net islamic finance and interest income	7,712	7,128	7,116	6,685	7,323
Other income	1,942	1,894	2,199	2,135	1,370
Operating expenses	8,591	7,928	8,571	7,728	8,070
Expected credit losses / provision / impairment	(749)	(136)	(647)	1,013	112
Net profit (loss)	650	537	502	88	563
Dividend (%)	-	-	-	-	-
Financial statement highlights (BD Thousands)					
Total assets	217,193	240,313	229,978	246,379	226,483
Islamic financing and loans to customers	99,223	112,885	134,034	146,632	146,630
Investments (securities, properties, associates)	83,267	65,865	67,864	66,960	67,809
Total deposits	120,962	145,908	132,863	137,995	118,030
Customers' deposits	105,044	122,452	132,863	137,995	118,030
Total Equity	64,115	63,981	62,865	68,732	68,705
Profitability					
Return on average equity	1.01%	0.85%	0.76%	0.13%	0.82%
Return on average assets	0.28%	0.23%	0.21%	0.04%	0.30%
Earnings (Loss) per share (fils)	10	8	8	1	9
Cost-to-income ratio	89%	88%	96%	88%	93%
Capital					
Equity/total assets	30%	27%	27%	28%	30%
Total deposits/equity (times)	1.89	2.28	2.11	2.01	1.72
Capital adequacy	70.29%	67.40%	70.76%	65.21%	63.84%
Business indicators					
Islamic financing and loans to customers/total assets	46%	47%	58%	60%	65%
Investments/total assets	38%	27%	30%	27%	30%
Islamic financing and loans to customers/customer deposits	0.94	0.92	1.01	1.06	1.24
Number of employees	137	140	141	154	162

Key Indicators

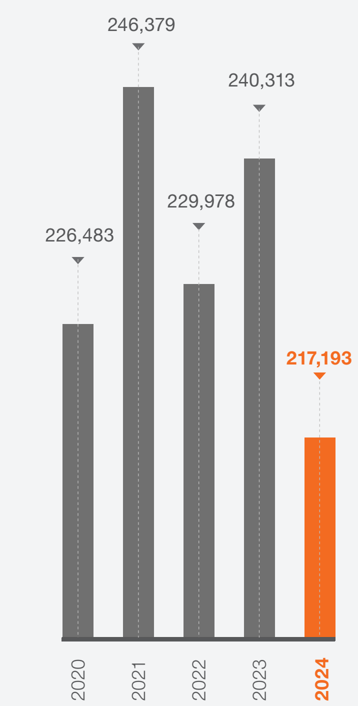
Net Islamic Financing & Interest Income (BD Thousands)

7,712



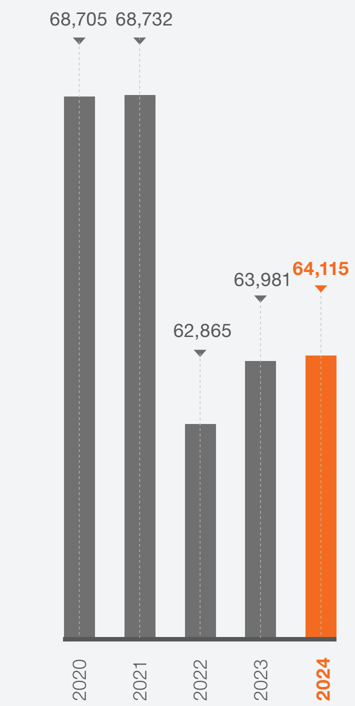
Total Assets (BD Thousands)

217,193

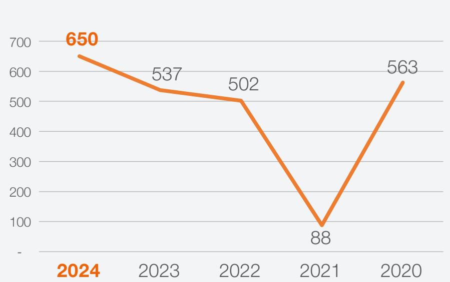


Total Equity (BD Thousands)

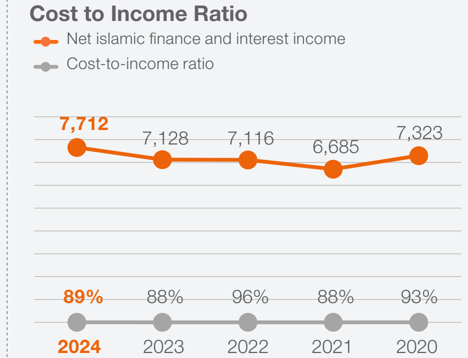
64,115



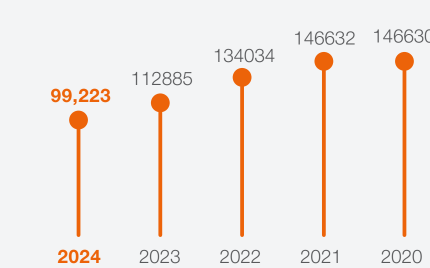
Net Profit (loss)
(BD Thousands)



Cost to Income Ratio



Islamic Financing and Loans to Customers
(BD Thousands)



Awards & Recognitions

Bahrain Development Bank receives outstanding recognition with 5 coveted awards from ‘International Finance’ and ‘Global Banking and Finance Review’.

Bahrain Development Bank (BDB) has garnered significant international acclaim for its innovative financial solutions and commitment to fostering economic growth in the region. Over the years, BDB has received numerous awards and recognitions from both regional and international bodies, highlighting its excellence in banking services, entrepreneurship support, and sustainable development initiatives.

“Best Employee Engagement Program”

The Asian Banker.

“The runner-up in the Innovation in Human Resources Award category”

at the Bahrain Society for Human Resource Management (BSCM) 2024 Excellence Awards.

Bahrain Development Bank B.S.C.(c) 2024 Annual Report

“Bahrain Development Bank Named Among Al Bilad’s”

Top 50 Bahraini Companies for 2024

“Most Outstanding Digital Transformation”

International Business Magazine

“Leading SME Bank”

International Business Magazine

“Excellence in Environmental Sustainable Development”

GCC International CSR Awards

“Most Innovative Digital Transformation Bank”

International Finance Magazine.

“Best Emerging Woman Banking CEO”

International Finance Magazine.

“Best Online Services for Micro and SME Bahrain 2024”

Global Banking & Finance Magazine.

“Best SME Bank Bahrain 2024”

Global Banking & Finance Magazine

“Best Mobile App for Micro and SME Bahrain 2024”

Global Banking & Finance Magazine

Delivering Value

At BDB, we are committed to delivering exceptional value to our clients by leveraging the expertise of our professional and talented team.

1. Talent

2. Innovation

3. Relationships

Financial Review

The Group recorded 21% year-on-year increase in consolidated net profit to BD 650 thousands for the year ending 31st December 2024 compared to BD537 thousands in 2023. The increase in net profit mainly due to higher operating income.

At the end of 2024, total assets decreased by 9.6% to BD217.19 million compared to BD 240.31 million in 2023, mainly due to repayment of deposits and long term funding by BD 24 million.

325%

Registered BD 1,034k net profit as of December 2024, registering an impressive increase of 325% over last year.

Net Islamic Finance and Interest Income

At the end of 2024, the net interest income of the Group increased by 8.19% to BD 7.71 million compared to BD 7.13 million in 2023, attributable to improved operating income offset by an increase of interest expense on bank and customer deposits by .87 million. As a result, the net interest income as a percentage of earning assets (NIM) increased to 3.92% in 2024 compared to 3.4% in 2023.

Total Assets

BD217.19 m

During 2024, the total assets increased by 9.26% to BD217.19 million compared to BD 240.31 million in 2023.

Capital Adequacy Ratio

The Group's capital adequacy ratio as at 31 December 2024 was 70.29%. The ratio has been calculated in accordance with the Basel III regulations and the Central Bank of Bahrain guidelines, incorporating credit, operational and market risks.

The Group's capital adequacy ratio is significantly above both the Basel Committee's requirement for internationally active banks and above the minimum level of 12.5% set by the Central Bank of Bahrain.

Capital Strength

The Group total equity attributable to shareholders rose to BD 64.12 million, up from BD 63.98 million in 2023, mainly due to net profit impact.

Net fee & commission and other income

The net fee and commission and other income for 2024 has increased to BD 1.94 million compared to BD 1.89 million in 2023.

Operating Expenses

Operating expenses increased by 8.4% to BD 8.59 million in 2024 from BD 7.93 million in 2023 resulting mainly from amortization of core banking system, new applications and platforms in addition to reoperating Sitra mall.

Provision

Aggregate allowance for expected credit losses was BD 749 thousand for the year ended 31 December 2024 compared to BD 136 thousand in 2023.

Board of Directors

1. Ghassan Ghaleb Abdulaal
Chairman

Director since: March 2016

Years of Experience: 24 years

The Investcorp Head of Business Development and Product Specialists within the Investor Relationship Management team. Mr. Abdulaal rejoined Investcorp in 2012 having previously spent six years with the firm from 2003 to 2009. Since his return to Investcorp, Mr. Abdulaal served in a number of high level roles including the Head of Client Services, Global Chief of Staff, and Global Head of IRM Operations. In the intervening period between 2009 and 2012, he worked as an Investment Manager with Bahrain Mumtalakat Holding Company B.S.C (c). Prior to joining Investcorp in 2003, Mr. Abdulaal worked at KPMG where he was a Consultant within the Business Performance Improvement Group. Mr. Abdulaal is also a Board member of various organizations including Investcorp Saudi Arabia Financial Investments Company, Investcorp Financial Services BSC (c), Investcorp Capital and several entities affiliated with Investcorp.

Qualifications
Holds a Master's of Science in Analysis, Design and Management of Information Systems from the London School of Economics and a Bachelor's degree (Honours) in Accounting and Finance from the University of Kent.

2. Marwa Khaled AlSaad
Director

Director since: November 2019

Years of Experience: 16 years

The Managing Director of Human Capital at Bahrain Mumtalakat Holding Company B.S.C (c), Ms. Al Saad brings over 16 years of experience in Human Resources management ranging from performance management, organizational development and effectiveness. Her career includes leadership positions in renowned Fortune 500 companies such as General Mills Inc. USA and Cummins Power Generation, as well as key roles in government-owned entities like Tatweer Petroleum , and the pan-Arab family office YBA Kanoo Holdings W.L.L. where she led HR functions across multiple regions. Ms. Marwa was previously the Chairman of the Nomination & Remuneration Committee at AXA Gulf.

Ms. Marwa was appointed as the Chairperson of the Board of Directors of Mazad Bahrain W.L.L. in the year 2024 and is a member in the Equal Opportunities and Gender Balance Committee affiliated with the Bahrain Olympic Committee.

Qualifications
Holds a Master's degree from Purdue University, Krannert School of Management with a focus in Human Resources and a Bachelor's degree from Purdue University in Organizational Leadership and Supervision.

3. Sandeep Bose
Director

Director since: December 2022

Years of Experience: 34 years

A qualified accountant and a seasoned banker, Mr. Bose started his career with Ernst and Young Bahrain, and then joined Standard Chartered Bank (SCB) in 1993 which is where he spent his entire banking career. His banking career spans across Retail, Corporate and SME Banking businesses in several Global and Regional leadership roles, key amongst them being Global Head of Retail Deposits and Transaction Services, Regional Head of SME and Personal Banking, in Africa and the Middle East, CFO of Corporate Banking Finance, Middle East and South Asia, amongst others. He was the founding member of the team that rolled out SME Banking business across the SCB Group globally. Mr. Bose has also run large, full suite Consumer Banking businesses across multiple countries viz Bahrain and Bangladesh, amongst others.

Since leaving SCB in 2022, Mr. Bose has set up Ektar Technologies, a financial technology company based out of the United Arab Emirates, which harbors the vision of making finance accessible and affordable. Mr. Bose is the Co-Founder and CEO of Ektar.

Qualifications
Holds a Bachelor's degree from the University of Delhi in commerce and a Chartered Accountancy from the Institute of Chartered Accountants of India.

4. Hani Hussain Redha
Director

Director since: December 2022

Years of Experience: 26 years

The Managing Director and Portfolio Manager of Global Multi-Assets at PineBridge Investments, London, Mr. Redha joined the firm back in 2012 where he is responsible for leading the strategy and research function for the Global Multi-Asset team. Prior to joining the firm, Mr. Redha was an Investment Manager at Bahrain Mumtalakat Holding Company B.S.C (c), where he led their global multi-asset class investment portfolio and oversaw strategic and tactical asset allocation, as well as manager selection across all asset classes. Prior to that, Mr. Redha held a number of senior positions such as Deputy Head of Global Fixed Income and Deputy Head of Hedge Funds at NCB Capital.

Qualifications
Holds a Master's degree in Chemical Engineering from Imperial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5. Manal Shawqi Al Bayat
Director

Director since: December 2022

Years of Experience: 26 years

As the Chief Engagement & Commercial Officer of Expo City Dubai, Ms. Al Bayat is responsible for driving strategic engagement and commercial growth. She is an internationally experienced leader in various fields including business development, stakeholder engagement, branding, positioning and mega events. Her previous roles include Chief Engagement Officer of Expo 2020 Dubai, Group CEO of Falcon and Associates, in addition to working at entities such as Cateus Investment Company, Gulf International Bank B.S.C. and PNC Bank (USA). Ms. Al Bayat is also a Board member in the University of Wollongong Dubai and Senior Advisor at EMIR.

Qualifications
Ms. Manal is currently pursuing a Doctorate from SDA Bocconi in Italy, holds a Master's of Business Administration (MBA) from DePaul University with a focus in Marketing and Change Management and a Bachelor of Science in Organizational Leadership with a focus on Human Resources and Quality Assurance from Purdue University.

6. Yousif Mohamed Al Nefaiei
Director

Director since: December 2022

Years of Experience: 23 years

The Deputy Chief Executive at the BENEFIT Company, Mr. Al Nefaiei joined BENEFIT in 2006 where he led a number of major accomplishments such as introducing the Electronic Cheques System, Trust Service Provider platform, Electronic Funds Transfer System, eCommerce Payment Gateway and National Mobile wallet (BenefitPay) in Bahrain. Prior to that, Mr. Yousif held a number of senior positions at Sinnad W.L.L and Bank of Bahrain and Kuwait B.S.C. (BBK). Mr. Al Nefaiei is also a Board member in Sinnad W.L.L, Marshal FinTech Partners Ltd, and Bahrain Fintech Bay W.L.L.

Qualifications
Holds a Master's of Science in Information Systems from Brunel University and a Bachelor's of Science in Computer Science from the University of Bahrain

7. Aysha Mohamed Abdulmalek
Director

Director since: December 2022

Years of Experience: 17 years

Currently Head of Legal and Corporate Services at a private family office. Previously held the post of General Counsel and Board Secretary at Bahrain Mumtalakat Holding Company B.S.C. (c) where she spent over 12 years. The role included overseeing the Legal Department's affairs as well as parliamentary and government affairs. Prior to that, Ms. Aysha worked at Bahrain Real Estate Investment (Edamah) where she also led the legal activities of the organization. Ms. Aysha also has extensive experience in private practice in areas such as commercial, corporate, mergers and acquisitions, real-estate, employment and regulatory matters.

Qualifications
Holds a Master's in Law (LLM) in Corporate and Commercial Law from Queen Mary University of London, Bachelor's degree in Law (Honours) from the University of Bahrain and a Graduate Diploma in Law from BPP University.

8. Amna Ali Alarayedh
Director

Director since: December 2022

Years of Experience: 10 years

Assistant Undersecretary of Research and Studies at the Prime Minister's Office (PMO), Ms. Alarayedh started her career at the PMO back in 2015 and is presently responsible for managing the research and briefing department, overseeing policy recommendations and studies and facilitating key government events and projects. Ms. Alarayedh is also a Board member at DANAT Institute.

Qualifications
Holds a Master's of Science in Environmental Economics and Climate Changes from the London School of Economics and a Bachelor's of Science in Managerial Economics from Bentley University.


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Sharia'a Supervisory Board

Dr. Sheikh Abdulnasser Almahmood

A well versed Islamic banking and finance with over 28 years of Islamic banking experience, and the head in the Sharia'a Coordination and Implementation department at Khaleeji Commercial Bank, Before joining Khaleeji Commercial Bank, Dr. Sheikh Abdulnasser was the Senior Manager in Sharia'a Audit Department in the Ernst & Young – Bahrain, worked as the Head of Sharia'a Internal Control Department in Bahrain Islamic Bank. Also a member of the Sharia'a Supervisory Board of many Islamic banks and institutions. He worked in the field of Sharia'a supervision and auditing and served as the secretariat of the Sharia'a Board for more than 30 years.

Dr. Sheikh Abdulnasser holds a Doctorate in Islamic banking, Master Degree in Business Administration from the Gulf University, a Bachelor's degree in Sharia'a and Islamic Studies from Qatar University, ADIC Advanced Diploma in Islamic Commercial from BIBF, CSAA Certified Sharia'a Adviser & Auditor from AAOIFI, Associate Diploma in Sharia'a Control from Cambridge University for training- approved by British Council, and an Instructor Certified in BIBF.

Dr. Sheikh Abdulnasser has participated as a speaker in various jurisprudential and economic conferences and seminars.

Dr. Omar Abdulaziz Alaani

Dr. Omar Abdulaziz Alaani has taught Islamic Economy in many universities in Iraq, Russia, Yemen and Bahrain. He also participated globally in several conferences within his field.

He has been working as an academic teacher in the University of Bahrain since 2000 in several fields, such as Financial transactions, insurance, Islamic Jurisprudence rules and has retired in 2018. In addition to that, Dr. Omar Alaani has authored numerous publications and research papers in the fields of economics and Islamic jurisprudence.

He obtained a Bachelor's degree in 1984, Master in 1993 and a PhD in 1997 majoring in the Whole Islamic Economy field from the University of Baghdad.

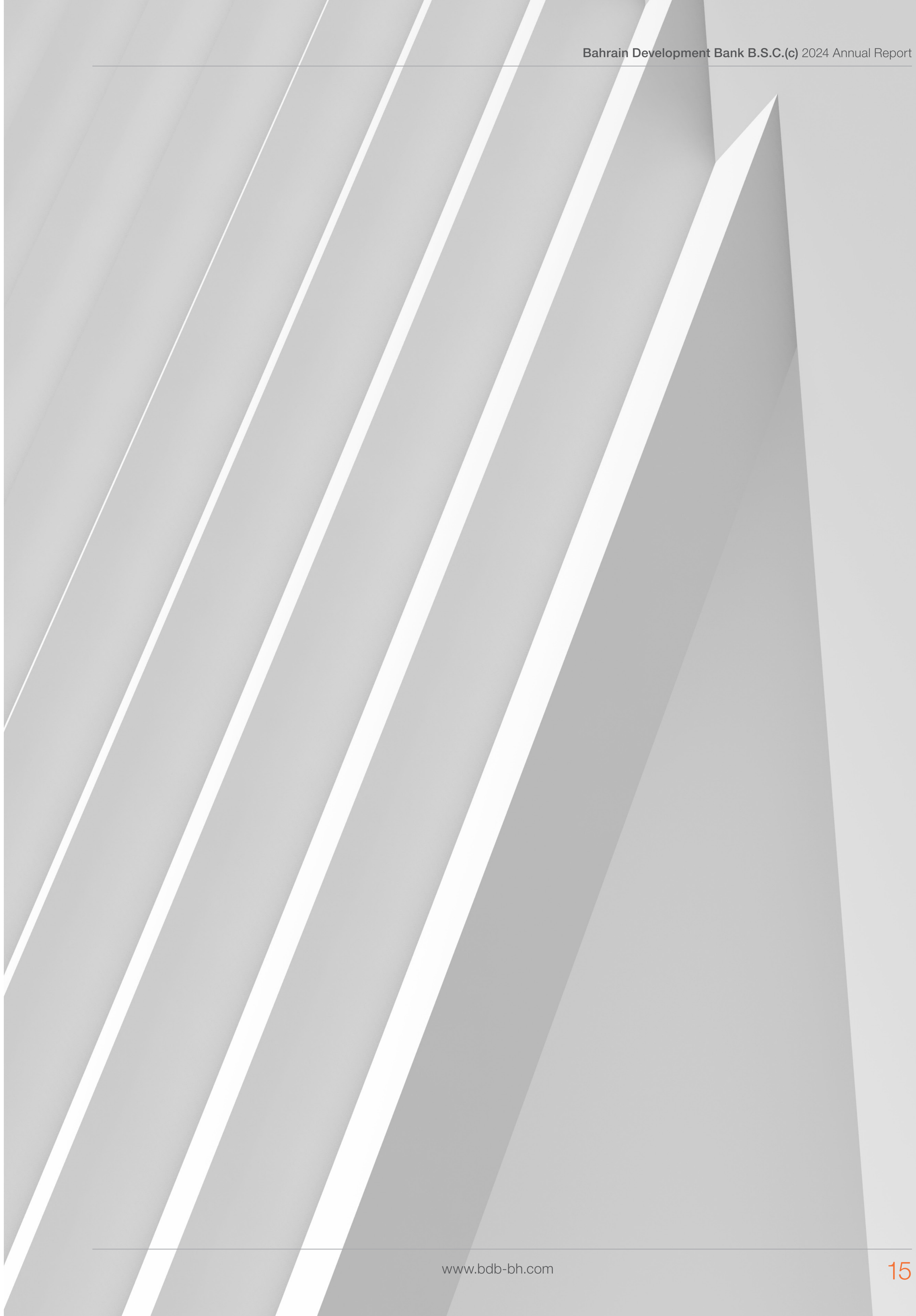
Dr. Mohammed Burhan Arbouna

An Islamic finance expert with over 20 years of Islamic banking experience and head of Sharia'a Compliance of Al Salam Bank. He worked as the Head Sharia'a compliance in Seera investment Bank and KFH Bahrain before joining Al Salam Bank Bahrain as Head of Sharia'a compliance.

He worked as a Sharia'a researcher and consultant for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and currently serves as a member of AAOIFI Education Board and its sub-committees. He is also a member of AAOIFI Sharia'a Committee. He lectures on Islamic banking and finance and gives consultancy on orientation and professional programmes for a number of professional and educational institutions. Among these is Bahrain Institute of Banking and Finance (BIBF) and currently sits on the Advisory Committee of Islamic Finance programs offered by BIBF.

He sits on various Islamic banking and standard setting institutions Sharia'a Boards, such as IIFM. He is a member of Arabic Editing Committee of International Islamic Financial Board (IFSB) and was a member of steering committee for International Liquidity Management Framework under the supervision of Central Bank of Bahrain.

He obtained an MA in Comparative Laws and a Ph.D. in laws with specialization in Islamic banking and finance from International Islamic University Malaysia. His B.A. degree in Sharia'a and a higher Diploma in Education was obtained from Islamic University, Medina.



Delivering Value

At BDB, we are harnessing cutting-edge technology to enhance our services and streamline operations, delivering exceptional value to our clients.

1. Talent
2. **Innovation**
3. Relationships

Chairman's Statement

Shaping the future with digital finance

"BDB made significant strides in reinforcing its position as a pivotal enabler of SME growth within the Kingdom.

Ghassan Ghaleb Abdulaal
Chairman

On behalf of the Board of Directors, I am pleased to present the Annual Report and Consolidated Financial Statements for the financial year ended 31 December 2024.

Strategic Progress and Financial Resilience

In 2024, Bahrain Development Bank B.S.C.(c) Group (the "Bank") made significant strides in reinforcing its position as a pivotal enabler of SME growth within the Kingdom guided by our mission to empower Bahraini entrepreneurs by providing the financial solutions needed to help businesses succeed in a dynamic and competitive landscape.

Reflecting on our 2024 performance, we achieved a 21% increase in net profit compared to the previous year, reaching BD 650,000. In parallel, operating income rose by 7% from BD 9 million to BD 9.7 million in the financial year 2024. Now in the third year of our four-year strategic plan, these results underscore the effectiveness of our focus on income diversification and operational excellence.

Innovative Financial Solutions

In November 2024, we announced a landmark initiative, the National SMEs Growth Fund (the "Fund"), which aims to be Bahrain's first-ever credit fund targeted to support SMEs, and set to launch in 2025 in collaboration with leading local banks. This initiative aims to enable SMEs to innovate and expand, directly aligning with Bahrain's Economic Vision 2030, which places private sector growth and SME empowerment as a core focus.

Moreover, in line with our commitment towards digital transformation and providing our customers with simple, efficient and accessible banking solutions, we introduced the 'Tijara Call Accounts' feature which offers clients daily accrued profit with 24/7 access unlimited transactions and seamless local and international money transfers. Simultaneously, the introduction of this feature provided the Bank with an additional source of income where the deposits in Tijara Call Accounts exceeded BD 2 million, creating a new income stream for the Bank.

Setting a new standard in the SMEs ecosystem, we launched the Parametrized Lending product, offering expedited financing based on pre-defined criteria to meet the evolving needs of the Kingdom of Bahrain's SMEs. We are also among the first banks in Bahrain to offer Invoice Discounting services, enhancing working capital and cash flow management of businesses.

Asset Enhancement and Infrastructure Development

On our properties, we completed the revitalization of the Sitra Mall, a project initiated in 2022, positioning Sitra Mall as a premier shopping and leisure destination in the Kingdom of Bahrain, underscoring our commitment to enhancing asset value and contributing to community development.

Chairman’s Statement

Strengthening Governance and Leadership

In 2024, we undertook a comprehensive review of our governance frameworks, standardizing policies and procedures to bolster risk management and operational efficiency. We also successfully concluded the second cohort of our Leadership Program, an important milestone in our efforts to cultivate a new generation of visionary leaders who will propel the Bank’s sustainable growth.

Recognition and Awards

In recognition of the Bank’s exceptional achievements and unwavering commitment to excellence throughout the year, the Bank was honored with eight prestigious awards from renowned international institutions, including Most Innovative Digital Transformation Bank’ and ‘Best Emerging Woman CEO’ from International Finance and ‘Best SME Bank’, ‘Best Online Services for Micro and SMEs’ and ‘Best Mobile App for Micro and SMEs’ from Global Banking and Finance. Furthermore, our commitment to fostering a high-performance, people-first culture was celebrated through TAB Global’s award for ‘Best Employee Engagement Program’. Finally, International Business Magazine recognized the Bank for the ‘Most Outstanding Digital Transformation’ and as the ‘Leading SME Bank’. These accolades serve as a testament to the dedication of our teams, the trust of our clients and the Bank’s strategic vision to lead with purpose.

Looking Ahead

As we look to 2025, we remain confident in our ability to continue our transformative journey, scaling new opportunities and driving sustainable value for all stakeholders. I would like to express my sincere gratitude to 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 and the various governmental entities, including the Central Bank of Bahrain and the Ministry of Industry and Commerce, for their continued support and guidance.

My thanks also extend to the members of the Board of Directors, shareholders, executive management, employees and all our partners for their unwavering commitment. Together, we are building a stronger future for Bahrain’s entrepreneurs and the communities they serve.

Ghassan Ghaleb Abdulaal
Chairman

“In November 2024, we announced the establishment of the National SMEs Growth Fund (the “Fund”), Bahrain’s first-ever credit fund in the region targeted to support SMEs, set to launch in 2025 in collaboration with leading local banks.

Board of Directors Remuneration details

	Fixed remunerations				Variable remunerations							
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the chairman and BOD **	Bonus	Incentive plans	Others	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors												
1. Ghassan Ghaleb Abdulaal	-	-	-	-	12,020	-	-	-	12,020	-	12,020	-
2. Marwa Khaled Alsaad	-	4,400	-	4,400	8,600	-	-	-	8,600	-	13,000	-
3. Hani Hussain Redha	-	4,400	-	4,400	8,600	-	-	-	8,600	-	13,000	-
4. Sandeep Bose	-	6,400	-	6,400	8,600	-	-	-	8,600	-	15,000	3,781
5. Yousif Mohamed Alnefaiei	-	4,400	-	4,400	8,600	-	-	-	8,600	-	13,000	-
6. Manal Shawqi Al Bayat	-	2,000	-	2,000	8,600	-	-	-	8,600	-	10,600	2,328
7. Aysha Mohamed Abdulmalek	-	2,000	-	2,000	8,600	-	-	-	8,600	-	10,600	-
8. Amna Ali Alarayedh	-	1,500	-	1,500	8,600	-	-	-	8,600	-	10,100	-
Total	-	25,100	-	25,100	72,220	-	-	-	72,220	-	97,320	6,109

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).
** Accrued in 2024 yet to be paid.

Executive Management Remuneration Details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	648,276	156,016	-	804,292

Note: All amounts must be stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director etc).
** The company’s highest financial officer (CFO, Finance Director, ...etc)

Bahrain Development Bank BSC 2024 Annual Report

Executive Management

1. **Dalal Ahmed Al Qais**
   Group Chief Executive Officer
2. **Ali Yusuf Alaradi**
   Chief Banking Officer
3. **Yaser Ismaeel Mudhafar**
   Chief Financial Officer
4. **Hend Mohamed Mahmood**
   Chief Human Resources Officer
5. **Siddharth Kumar**
   Chief Risk Officer
6. **Nada Medhat Azmi**
   Chief Strategy & Transformation Officer
7. **Sreejith Gopinathan**
   Chief Technology Officer
8. **Nareen Ahmed Agha**
   Head of Legal & Board Secretary
9. **Khalid Mahmood**
   Head of Operations
10. **Siddharth Chaudary**
    Head of Internal Audit
11. **Abdulla Abdullatif Al-Hazeem**
    Sharia Reviewer
12. **Mubarak Mohamed Albuflasa**
    Acting Head of compliance & AML

Executive Management Profiles

1. Dalal Ahmed Al Qais
Group Chief Executive Officer

Joined BDB: 2021

Dalal Al Qais is an accomplished banking professional with over 21 years of experience in the financial sector, spanning retail banking, SME financing, digital transformation, and risk management. Her expertise extends across conventional, Islamic, and international banking institutions.

Before joining Bahrain Development Bank as Group Chief Executive Officer in December 2021, Dalal served as Chief Retail Banking and Wealth Management Officer at Bahrain Islamic Bank. She also held several senior leadership roles at Standard Chartered Bank, including Head of Consumer Banking, Head of Integrated Distribution, and Head of Distribution & Regional Channels and Call Center.

Dalal holds a Bachelor of Science in Management and Marketing from the University of Bahrain and a Master's in Finance. In 2020, she completed the Oxford Fintech Programme at the University of Oxford and is currently pursuing a Doctorate in Business Administration at the Swiss Business School.

2. Ali Yusuf Ali Ebrahim Alaradi
Chief Banking Officer

Joined BDB: 2022

Mr. Ali has over 22 years of experience in Banking field. He has commenced his career as Team leader in Consumer Banking in Standard Chartered Bank for 2 years and then Branch Sales Officer, then he moved to Ahli United Bank as Relationship Manager for 2 years. He worked for BMI Bank as Branch Manager for 6 years and Al Salam Bank as Branch Manager for 4 years. Prior joining BDB he worked as Acting Head of Retail Banking since November 2021, and Head of Branches and Sales in Retail Banking for Bahrain Islamic Bank from October 2018.

Mr. Ali is a qualified Bahraini Banker who has obtained an Oxford Fintech Program, Advanced Diploma in Islamic Banking, CMI Level 5, CII, Oxford Fintech Program and currently doing his MBA from Swiss Business School. Moreover, Ali also obtained Chartered Portfolio Manager and Chartered Wealth Manager certificates from American Academy of Financial Management.

3. Yaser Ismaeel Mudhafar Ali
Chief Financial Officer

Joined BDB: 2022

Mr. Yaser has over 25 years of experience in the Banking and audit field. He has commenced his career as a senior Auditor for almost 4 years after which he began his career in banking as an Assistant Manager in Financial Control at Kuwait Finance House for 3 years and then started heading the Financial Control Function and as Executive Senior Manager for 8 years at Khaleeji Commercial Bank, and later became CFO at the same Bank for 4 years. Mr. Yaser was as well the Head of Finance at AlBaraka Banking Group for almost 3 years, and his most recent post was CFO at Gulf Lifting Financial Leasing Company which he commenced for a year.

Mr. Yaser is a qualified Bahraini Banker who has obtained a Certified Public Accountant certificate and has completed the Darden school of business Leadership Development Program, CGMA, CIPA, and holds an EMBA and a bachelor's degree in Accounting from Bahrain University.

4. Hend Mahmood
Chief Human Resources Officer

Joined BDB: 2022

Mrs. Mahmood has an extensive Human Resources experience in different sectors Heading the HR function for the last 23 years. Before joining BDB she worked for Bahrain Airport Company as Vice President of HR and Admin, in this role she contributed heavily to restructuring aviation sector and worked with BAC team to deliver Bahrain International Airport new terminal expansion project. She also worked in the financial sector Tharawat Investment House as Human Resources Director & Board Secretary at and as Senior Manager Human Resources at Eskan Bank. Mrs. Mahmood hold MSc degree in Work and Organizational Psychology from University of Nottingham, UK and BSc degree in Business Management from University of Bahrain. She has Professional Co-Active Coach (CPCC) certificate from USA and Certificate in Personnel Practice (CPP) from UK. She represented Bahrain as a Vice Chair in HR Committee at Airport Council International (ACI) Asia Pacific as Second Vice Chair for HR Committee. Currently she Is a member in HR Committee for Bahrain Association of Banks.

5. Siddharth Kumar
Chief Risk Officer

Joined BDB: 2023

Mr. Siddharth has 21 years of banking experience spanning both retail and investment banks across multiple geographies. Previously, he worked in senior roles with institutions like Bahrain Islamic Bank, Credit Suisse and Ministry of Commerce, Government of India (under the national export credit agency). His experience covers the domains of liquidity, market and credit risks along with asset liability management. In his last stint, he handled the roles of Acting Chief Risk Officer and the Head of Corporate & Liquidity Risk at Bahrain Islamic Bank.

Mr. Siddharth is a postgraduate from Mumbai University and holds the Chartered Financial Analyst (CFA) charter along with Professional Risk Manager (PRM) and Certified Islamic Banker (CIBAFI) certifications.

6. Nada Medhat Azmi
Chief Strategy & Transformation Officer

Joined BDB: 2022

Nada is a seasoned strategist with over 22 years of experience in banking, FDI promotion, digital transformation, and SME growth. She specializes in strategy development, policy-making, stakeholder management, and project execution.

Working closely with Group CEO and Management to devise and execute strategies aligned with Bahrain's economic priorities that drive growth and valuation for shareholders.

She leads the bank's transformation agenda, ensuring alignment with financial sustainability, growth objectives, and strengthening customer experience. Leveraging data-driven insights, she ensures informed decision-making, optimizing performance and driving evidence-based strategy execution. As a champion of ESG principles, she ensures sustainability is embedded in decision-making processes.

She played a key role in the establishment and fundraising of Bahrain's first SME private credit fund, providing innovative financing solutions to support SME growth.

Prior to joining the Bank, she spent 15 years at the Bahrain Economic Development Board (EDB), an investment promotion agency tasked with channeling inward investments into the country. She held senior roles in economic planning, competitiveness, and corporate strategy. As Board Secretary, she deepened her expertise in corporate governance.

She holds a Bachelor's degree in Computer Science and Management Studies from the University of Maryland Global Campus, along with certifications in "Disruptive Strategy," "Changing the Game," and "Credential of Readiness" from Harvard Business School.

7. Sreejith Gopinathan
Chief Technology Officer

Joined BDB: 2010

Mr. Sreejith is a highly accomplished technology professional with an impressive 20-year track record of success in the Middle Eastern banking sector. He possesses a strong combination of technical expertise and business acumen, enabling him to excel in ideating, strategizing, and delivering innovative digital solutions that promote a digital-first culture.

Prior to his current role, Mr. Sreejith held various positions of increasing responsibility at Bahrain Development Bank, including Head of Project Development & IT Solutions and Senior Manager - IT. In these roles, he played a pivotal role in driving the bank's digital transformation, launching key digital channels and optimizing client onboarding processes. His contributions have led to a substantial reduction in loan disbursement time, enhanced customer experience, and improved operational efficiency.

Prior to joining Bahrain Development Bank, Mr. Sreejith served as a Senior IT Engineer at Tata Consultancy Services (CMC Limited).

Mr. Sreejith is a Graduate in Computer Science and is pursuing his Executive MBA from SP Jain School of Global Management, Dubai.

Mr. Sreejith's commitment to excellence has earned him numerous accolades, including recognition as the Best Team Award for 2024, Highest Caring Manager and Highest Engaging Team for 2023, Outstanding Contributor for Digital Transformation Engagement 2022, and Outstanding Performer for 2015. Mr. Sreejith is also a certified Project Management Professional (PMP).

8. Nareen Ahmed Agha
Head of Legal & Board Secretary

Joined BDB: 2022

Ms. Nareen Agha joined Bahrain Development Bank B.S.C. (c) in May 2022 as the Head of Legal & Board Secretary, bringing over 12 years of expertise across multiple sectors, including corporate law, mergers and acquisitions, corporate governance and investment banking. In her role, Ms. Nareen is responsible for managing and leading the Bank's legal strategy and operations. Ms. Nareen's leadership extends to overseeing complex legal matters, driving corporate governance and safeguarding the Bank's legal interests. In addition to her robust legal background, Ms. Nareen possesses substantial experience across the GCC, MENA region, the USA, UK and Europe.

Ms. Nareen began her career in private practice where she qualified as a Bahraini lawyer and is registered with the Ministry of Justice and Islamic Affairs in the Kingdom of Bahrain. She then joined Al Salam Bank B.S.C., serving as Senior Legal Counsel for seven years. During her tenure, she led various transactions and played a pivotal role in advancing the Bank's legal framework. Ms. Nareen holds an LLB (Honours) in Law from Brunel University, London and a Professional Advanced Diploma in Islamic Finance from the Bahrain Institute of Banking and Finance. Ms. Nareen is also a Board Member in Lamea Association affiliated with the Ministry of Youth, Bahrain Business Incubator Centre (Rowad) W.L.L, and Al Waha Venture Capital Fund Company B.S.C.(c).

9. Khalid Mahmood Abdulla
Head of Operations

Joined BDB: 2012

A highly experienced and qualified professional with over 17 years of experience in the banking sector, with a proven track record of delivering operational excellence, compliance, and customer satisfaction. Throughout his career, he has consistently demonstrated his ability to lead and manage a team of professionals who are committed to providing high quality services and solutions to our clients, partners, and stakeholders through developing efficient processes, and ensure seamless functioning of all operational aspects within a bank.

He has held key positions in the financial industry, including Head of Operations at Bahrain Development Bank since 2012. Prior to that, he served as a Senior associate in operations at Capital Management House from 2009 to 2012. His earlier experience includes a role as a Senior Clerk in Operations at National Bank of Bahrain from 2006 to 2009.

Mr. Khalid holds a bachelor's degree in accounting from the University of Bahrain

10. Siddharth Chaudhary
Head of Internal Audit

Joined BDB: 2018

Siddharth offers more than 20 years of experience in internal audits, assurance engagements and other financial advisory services. Prior to his appointment at BDB in 2018, he worked with SICO in the Internal Audit Department, served BDO's Risk Consulting division where he led risk-based internal audits for various financial service companies, firms, and other entities, and had also worked at Ernst and Young India.

Siddharth holds a Master of Commerce degree from India, is a Chartered Accountant, a Certified Internal Auditor and is certified sustainability and climate risk management from GARP (USA).

11. Abdulla Abdullatif Al-Hazeem
Sharia Reviewer

Joined BDB: 2011

With nearly 16 years of expertise in the field of Islamic Banking, Mr. Abdulla has established a remarkable career. He embarked on his professional journey as an external Sharia Auditor and consultant at Ernst & Young, where he dedicated nearly 4 years to managing diverse projects for Islamic banks and entities within and beyond Bahrain. In 2011, he transitioned to Bahrain Development Bank, assuming the role of Head of the Sharia Audit Department.

Mr. Abdulla's is a Certified Sharia Advisor and Auditor (CSAA). He has also acquired valuable credentials such as the CIMA Diploma in Islamic Finance and the ADICJ certification.

12. Mubarak Albuflasa
Acting Head of compliance & AML

Joined BDB: 2023

Mr. Mubarak brings over 13 years of extensive experience in the financial regulatory sector. Prior to joining Bahrain Development Bank (BDB), Mubarak served at the Central Bank of Bahrain (CBB) for more than a decade, he spent five years at the Islamic Financial Institutions Supervision Directorate, where he was actively involved in overseeing and ensuring compliance within Sharia-compliant financial entities. He later served for seven years in the Inspection Directorate, where he led and participated in various regulatory inspections across a wide range of CBB licensees, ensuring adherence to regulatory frameworks and best practices.

Mubarak holds a Bachelor's degree in Banking and Finance from the University of Wales, along with an Advanced Diploma in Compliance, Risk, and Corporate Governance from the International Compliance Association (ICA), and an Advanced Diploma in Islamic Finance from Bahrain Institute of Banking and Finance (BIBF). His strong regulatory background and deep understanding of financial compliance contribute significantly to BDB's mission of maintaining sound governance and robust compliance standards.

Delivering Value

By fostering strong connections and understanding the unique needs of each stakeholder, BDB ensures tailored support that drives sustainable growth and mutual success.

1. Talent
2. Innovation
3. **Relationships**

Group CEO Statement

Leveraging challenges into opportunities

BDB remained undeterred in enabling businesses to access finance and markets, as well as help them grow locally, regionally and internationally.

Dalal Al Qais
Group Chief Executive Officer

It is my honor to present the Annual Report for the Bahrain Development Bank Group, ("BDB, the Bank and its subsidiaries"), for the year ended December 31, 2024.

2024 was a year characterized by significant challenges, and yet it also presented opportunities for revenue growth, capacity expansion and continued innovation. Looking back on a year marked by uncertainties in the global external markets, we recognize that the picture was not completely grim. There were many promising developments that helped advance the boundaries of what was possible, and enable us to remain focused on our purpose.

As the leading provider of financial services to Micro, Small and Medium Enterprises (MSME) across the Kingdom of Bahrain, BDB remained undeterred in enabling businesses to access finance and markets, as well as help them grow locally, regionally and internationally.

What was certain was BDB's ability to navigate a volatile environment through a combination of strong business fundamentals along with keen strategic insight of how markets operate. These insights have been built into our system, and have helped in making critical decisions, which in turn position us to be solution providers.

2024 saw a strong financial performance that demonstrated the success of our disciplined cost allocation strategy and determination to maximize shareholder value. The Bank has also been exploring various avenues to diversify its revenue streams, thereby generating additional income.

Net profit for the year rose to BD 650,000 compared to BD 537,000 earned in the previous financial year. The results indicated growth of over 21%, which was largely due to Islamic financing and interest income. During the year, BDB extended 625 financing facilities aggregating to BD 27.485 million.

In terms of initiatives to support the SME sector, a new Private Credit SME Growth Fund was announced under the leadership of the Ministry of Industry & Commerce, managed by Bahrain Development Bank, and supported by Tamkeen.This initiative aims to drive job creation, boost GDP and enhance the overall resilience of the Bahraini economy. A consortium of local and regional banks including BDB came together to launch the Fund whose capital is pooled from local and regional financial institutions.

Tijara digital platform underwent a major overhaul. Its "call account" allows users to open an online account and access the platform without having to visit a branch. It enables customers to manage beneficiaries, generate reports, receive free monthly e-statements and SMS alerts, and also access financing options for operational expenses, bill payments, and salary transfers.

The year also saw the launch of the "Innovate for Bahrain Center" at Riyadat Mall, one of our key properties. Established in collaboration with the Supreme Council for Women, Bahrain FinTech Bay, Benefit, and BDB, the center aims to foster innovation, and support entrepreneurship.

Amongst the other highlights of 2024 was the second batch of the Leadership Program organized to strengthen employee engagement and served to support employee retention. Operational efficiency initiatives were introduced by reengineering multiple processes to help optimize workflows.

BDB successfully executed a well-thought-out marketing and corporate communications strategy, significantly boosting the organization's social media presence and hosting a variety of impactful events and forums across Bahrain. The Bank also played a significant role in drafting and revising numerous standard documents, policies, and procedures to establish robust governance and control mechanisms.

Finally, I would like to take this opportunity to extend my appreciation to 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, and the many government ministries and institutions such as the Central Bank of Bahrain, the Ministry of Finance and National Economy and the Ministry of Industry & Commerce for their continued guidance and support.

My gratitude also goes to the Chairman, Mr. Ghassan Ghaleb Abdulaal, members of the Board of Directors, the executive management team as well as our strategic partners Tamkeen, National Initiative for Agricultural Development and Supreme Council for Women for their continuous support and guidance.

We look forward to a more successful year ahead in 2025 as we continue on our transformational journey, and work towards a prosperous future for the SME sector across the Kingdom of Bahrain.

Dalal Al Qais
Group Chief Executive Officer

Supporting businesses to drive Progress.

Business Banking

The Bahrain Development Bank (BDB) is the key player in supporting Small and Medium Enterprises (SMEs) across the Kingdom, actively contributing to economic growth and job creation.

In collaboration with various government entities, the Bank identifies investment opportunities and works to strengthen the SME ecosystem. In 2024, BDB disbursed a total of BD 27.485 million in financing, which is expected to support the creation of approximately 1,779 jobs. Through its continued financial assistance to the Micro, Small, and Medium Enterprises (MSME) sector, the Bank empowers entrepreneurs by enhancing self-employment opportunities and improving livelihoods.

Out of the total disbursements, 464 MSMEs received BD17.446 million in funding. Startups were also a focus, with 21 receiving a total of BD 963,000. In the fishery and agriculture sectors, 94 projects benefited from BD1.346 million in financing. These figures reflect the Bank's commitment to supporting diverse sectors within the SME landscape.

Further expanding its services in 2024, BDB introduced an "Invoice Discounting" facility to ease payment cycles in the market. Enhancements to its internet banking platform were also made, including the introduction of features such as cheque book requests, bulk transactions, and secure messaging—demonstrating the Bank's continuous efforts to improve accessibility and efficiency for its clients.

Asset Management

The Asset Management is responsible for managing the Bank's Investments which comprise diverse asset classes whether invested directly or through the bank's subsidiaries and include Private Equity, Venture Capital & Start-ups, Managed Funds and other Properties.

Many of those investments originated as support to SMEs and main fundamental sectors which are both aligned to the Kingdom of Bahrain as well as BDB goals. The currently held investment portfolio is spread across several industries and includes health care, food security, manufacturing, venture capital, technology, transportation services, micro-finance and financial institutions along with technology enabled startups. The banks partners with several governmental entities in order to realize merits of value creation to the society and the general public through these investments. Additionally, many of those initiatives have a direct impact on the community whether through provision of capital, growth of the Kingdom's agricultural sector and farmers, nurturing entrepreneurship or supporting families through Micro finances.

During the 2024, the bank has continued the execution of Riyadat and Sitra Malls strategies and continued to support of over 50 Bahraini Farmers, Bahraini Productive Families, Women-owned Bahraini Businesses and other SMEs through its properties. The economic aim of the division is to maximize the value of the portfolio and execute exit plans once investments have saturated and the intended goals were met.

The bank has also completed the revitalization project at Sitra Mall during April 2024, which is expected to support the growth and development of the area.

The bank launched a digital platform designed for supply chain financing, facilitating invoice discounting for the suppliers of its key customers.

The Asset Management additionally has hosted several events during the year at the Farmers Market which has increased its footfall and market exposure benefitting all its tenants including both the farmers and Bahraini productive family's business activities. Events with diverse themes were hosted and were dedicated to the Bahraini local agricultural crops, Bahraini productive families' products as well other health awareness events.

Information Technology

In 2024, BDB Website achieved an impressive score of 90% in content, quality, and governance as part of the UN Evaluation which is introduced by IGA.

As part of our commitment to regulatory compliance and digital transformation, we have delivered the Open Banking solution for BDB customers. This enables BDB customers to securely share their financial data with third-party providers (TPPs), fostering innovation in personalized financial services, payments, and account aggregation, which enhances financial transparency, security, and accessibility. By implementing Open Banking, BDB empowered its customers by providing them with more choices and control over their financial data and seamlessly integrating BDB services with third party applications for a more convenient digital journey. Open banking capabilities enable BDB to have fintech collaborations to offer innovative banking solutions.

IT Department implemented a new IT Service Management (ITSM) tool to enhance internal IT operations and service efficiency. This tool enables better incident management, faster resolution times, and improved service transparency across all departments.

With this new ITSM tool, BDB has enhanced its IT support efficiency which enables faster issue resolution and offers a seamless self-service portal for BDB employees to track and resolve IT requests. This in turn helps BDB to reinforce our mission to deliver secure, seamless, and customer-first banking experiences, and ensure that our technology investments translate into tangible value for both our customers and employees.

BD 27.8m

During 2024, BDB disbursed a total of BD 27.485 million in financing.

1,779 jobs

The disbursed amount is expected to support the creation of approximately 1,779 jobs.

tijara //BDB

Powered by cutting-edge technology, Tijara delivers streamlined banking solutions including loans and financial support to businesses of all sizes, with focus on efficiency and simplicity designed to support your journey to success.

Management Review (continued)

BDB won “Best Employee Engagement Program” award from The Asian Banker (TAB), and the “Innovation in Human Resources” award category at the Bahrain Society for Human Resource Management (BSCM) 2024 Excellence Awards.

IT department successfully implemented the publishing of tenders on the BDB website, providing a streamlined and transparent platform for the submission and management of tenders. This enhancement is aimed at improving accessibility, efficiency, and accountability for all stakeholders involved in the tendering process.

This year, the IT team successfully delivered two critical infrastructure projects, i.e. the Enhanced AWS Cloud hardware (BANCS) and the Network Revamp. Both initiatives were executed with meticulous planning and flawless execution, resulting in zero downtime and ensuring uninterrupted service delivery to both customers and employees. The Enhanced AWS Cloud project modernized our IT infrastructure with a robust and scalable cloud-based solution, ensuring uninterrupted core banking operations and no impact on customer service. The Network Revamp project significantly enhanced our network capabilities, resulting in expanded bandwidth, improved performance, and increased efficiency across all departments. These successful projects demonstrate the team’s unwavering commitment to operational excellence, minimizing disruption, and delivering a high-quality and reliable IT infrastructure to support the organization’s continued growth.

Fund Management

Al Waha Venture Capital Fund of Funds is a government-led initiative geared towards addressing the nascent venture capital community in the MENA region. It was established in 2018 and focuses on investing in venture capital funds that intend to invest directly in Bahrain and the broader region — or have strategic interest to do so through seed, early and growth stages of funding.

With the Bahrain Development Bank (BDB) as the investment manager for this $100m fund, the team responsible for handling it oversees a portfolio of 14 funds. For venture capitalists, the support given by the team helps them gain access to a trusted partner, avail of general ecosystem support in Bahrain through partnership opportunities and networks.

In 2024, BDB has also laid the foundations for an upcoming Fund dedicated to financing SMEs. The fund will be a catalyst to supporting the SME sector and its growth in Bahrain and aids to bridge the gap of funding needed for such enterprises. The Fund is expected to commence its operations in 2025.

Disaster Recovery and Business Continuity Plan

Bahrain Development Bank remains committed to upholding its Business Continuity (BC) and Disaster Recovery (DR) framework in line with the Central Bank of Bahrain’s regulatory requirements. In 2024, the bank continued to ensure the readiness and reliability of its disaster recovery infrastructure and business continuity mechanisms, with routine reviews and internal verifications in place.

The Disaster Recovery Site at Sitra Mall remains fully equipped and operational, supported by cloud-hosted services on AWS and Microsoft Azure. The bank maintained its proactive approach by adhering to its established policies and ensuring system resilience across all critical functions.

Compliance

BDB remains committed towards ensuring that its operations are in compliance with all applicable laws, regulations and best practice — including requirements stipulated by the Central Bank of Bahrain. Using a Regulatory Compliance solution to regularly monitor and assess the adequacy and effectiveness of controls and systems in place, BDB is able to quickly address deficiencies in any platform and ensure that all business activities subscribe to recognized standards and requirements. The Compliance Department operates independently within the organization and reports directly to the Board Audit and the Governance Committee.

Human Resources

The Human Resources Department plays a key role in fostering and cultivating a positive work culture where talented individuals are able to grow and achieve their potential.

BDB’s aim is to emerge as an employer of choice and with that in mind, the Bank recognizes how important it is to invest in skilled workers who in return will invest in the economy. It is through this powerful system that BDB has been able to provide much needed support to Bahraini owned businesses. BDB has achieved 93% of Bahrainization workforce out of which 43% are women who play a substantial role in the country’s development.

As in any organization, the main pillar of any business strategy is its People and Culture Strategy. The Organizational Transformation journey is taking shape as the Bank begins to prioritize its focus on people engagement, development and creating an optimum operating model that moves away from traditional structures to one that’s agile. Supporting this move is the increased focus to emerge as a market leader in Bahrain for multiple digital products through the contribution of talented individuals.

As a result of all work done by BDB for culture include clarity, transparency, recognition, leadership empowerment and fair treatment implementing a creative plan for people events and communication resulted in a unique result of 2024 engagement survey exceed the high end of the market norm. Such result was a evident for all a successful strategy implemented hearing all voices and respecting and all point of views, which enhanced people contribution and productivity.

Bahrainization

93%

BDB has achieved 93% of Bahrainization workforce

Employee diversity

43%

An impressive 43% of BDB employees being women

All of this resulted that BDB won “Best Employee Engagement Program” award from The Asian Banker (TAB), and the “Innovation in Human Resources” award category at the Bahrain Society for Human Resource Management (BSCM) 2024 Excellence Awards.

In addition to that, as part of its commitment to fostering a dynamic and inclusive work environment, the bank launched the “Rowaad” Youth Committee, an initiative designed to empower young employees by providing them with a platform to voice their ideas, contribute to decision making, and engage in professional development activities. The committee aims to nurture leadership skills, enhance collaboration across departments, and support initiatives that drive innovation within the bank.

Management Review (continued)

Empowering start-ups to foster innovation.

Operations

The Operations Department at Bahrain Development Bank is an essential division that holds a central position in the organization's achievements. With a team of exceptionally talented professionals, this department takes charge of overseeing and enhancing operational processes to guarantee the bank's seamless operation and deliver outstanding service to customers. Furthermore, the Bank has made significant progress in aligning its operations and streamlining processes to enhance the customer experience and ensure compliance with regulatory changes. The Operations Department has taken on an increasingly central role in processing Loan Transactions, Money Transfers, and Treasury Deals & Trade Finance transactions. With the successful implementation of our new core banking system, we have automated payment processes between various systems, reducing the need for manual intervention and improving accuracy and efficiency.

To further enhance operational efficiency, we have implemented measures to automate manual processes. These include automate sending the confirmation letters via SWIFT portal between banks while executing any Islamic Treasury Deals, automate the printing of the letters of return PDC's, and digitize BDB authorized signatories' booklet through "Signature Net" platform. We are delighted to share that our team's exceptional engagement has been recognized through one of the highest engagements in the 2024 Engagement Survey. This accomplishment underscores our commitment to fostering a positive work environment and cultivating a sense of dedication among our team members. In line with our pursuit of excellence, we have enhanced the process of archiving and records management to ensure compliance with CBB regulations. Additionally, we have successfully established self-audit control within the department and strengthen the control of most the processes as part of our continues assessment for the control measure related to Operational activities. Moreover, Service Level Agreements (SLAs) have been introduced for most of our processes, integrating them into our operations procedures. This enables us to monitor and measure our performance against defined standards, ensuring consistent service delivery. We have proactively addressed compliance requirements by updating BDB Authorized Signatories and promptly providing the necessary documentation to banks. In addition to that, efforts have been made to clear pending transactions in nostro and suspense accounts related to the Operations Department, ensuring a clean and transparent financial record. Furthermore, we have diligently resolved all pending transactions, disbursements, and requests from stakeholders, showcasing our dedication to providing prompt and efficient service. In line with our efforts to align our practices with regulatory requirements, we were engaged effectively with Operational Risk & Compliance Departments to identify and report any incidents, gaps and weaknesses.

Our unwavering commitment to maintaining high accuracy in operational activities and minimizing operational risks remains steadfast. We continuously identify areas for improvement and implement measures to ensure the highest level of precision and risk mitigation. Through these initiatives, we are confident in our ability to uphold our commitment to operational excellence and deliver exceptional service to our valued customers.

Anti-Money Laundering

The Anti-Money-Laundering framework is routinely evaluated, updated and enhanced in order to reflect changes in business activities, as well as to ensure that applicable supervisory standards and legal requirements are met. From a policy and procedure standpoint, the BDB has ensured that systems are in place to actively detect, report and prohibit any money laundering activity. In addition, adequate measures, processes and controls are in place to fight terrorism, curb proliferation financing and combat prohibited activities.

The Bank continues to adopt rigorous due diligence measures on a risk-based approach to ensure that the financial activities of BDB customers are in accordance with the guidelines issued by the regulatory authorities. In other words, establishing a solid and profound customer base on the foundations of security and transparency.

Strategy & Transformation

The Strategy & Transformation Division is a key enabler of BDB's transformation and growth strategy and plays an instrumental role in shaping the Bank's long-term vision by leveraging market intelligence and data analytics.

The division, with its three departments of Strategy, Transformation Management Office (TMO) and Data Analytics, acts as a thought partner to all departments. The Strategy department leads on aligning and reviewing the execution of plans to ensure effective delivery of the Bank's overall strategy. TMO oversees the implementation of Bank-wide initiatives that yield operational efficiency, cost savings, and new review streams. The Data Analytics department enables data-driven decision-making to identify growth opportunities.

In line with the Kingdom of Bahrain's national economic priorities, BDB's strategy is anchored on continuing to strengthen the financial and market access of Micro, Small and Medium sized enterprises (MSMEs), through tailored and innovative solutions, with customer centricity and digitization at the core of our strategy. The Bank plays a pivotal role in contributing to the Economic Recovery KPI of increasing SMEs share of finance to 20%, by 2025. Evidently, BDB's MSMEs share of financing from total business loans exceeds 70%, significantly surpassing the industry average of 11%. Notably, BDB launched its Invoice Discounting scheme in 2024 and is the first provider of supply chain service to SMEs in Bahrain.

BDB actively collaborates with #TeamBahrain ecosystem partners to fulfill strategic national initiatives. The National SME Growth Fund, to be launched in 2025, was developed in 2024 to enhance SMEs access to financing and drive their expansion and job creation. Furthermore, BDB is a member of the SME Development Board, which aims to stimulate the SMEs sector and increase its economic contribution to the Kingdom.

Throughout 2024, the division accomplished several key projects to drive BDB's success. The Strategy department conducted a quarterly review of Bank-wide departmental KPIs and collaborated with all departments to develop strategic 2025 plans. To strengthen BDB's competitive advantage through lead generation, the Data Analytics department created customer acquisition and predictive analysis dashboards. Furthermore, TMO facilitated the execution of digitalization initiatives as part of the Bank's overall transformation.

BDB received 3rd party recognition as a testament to its advanced transformation journey. For the second year in a row, the Bank won Best SME Bank, Best Online Services for Micro & SME, and Best Mobile App for Micro & SME from Global Banking and Finance Review. Additionally, it won Most Innovative Digital Transformation Bank from International Finance. The Bank has also won Best Employee Engagement Program on a regional level from TAB Global.

Looking ahead, the Strategy & Transformation Division will formulate a disruptive growth strategy for the upcoming years and strengthen our lead generation efforts to ensure that we continue to deliver valuable, customer-centric services. We will also advance our sustainability agenda by further integrating ESG principles into the Bank. Finally, we will maintain our collaboration on national initiatives that enhance the SMEs ecosystem in Bahrain.

> The bank launched a digital platform designed for supply chain financing, facilitating invoice discounting for the suppliers of its key customers.

Bahrain Development Bank B.S.C.(c) 2024 Annual Report

Corporate Governance

Corporate Governance

1. Corporate Governance Structure

As a Closed Joint-Stock Shareholding Company, the Bank's corporate governance framework is based on the guidelines issued by the Ministry of Industry and Commerce ("MOIC") under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 as amended ("CCL"), the regulations of the MOIC's Corporate Governance Code and Volume 1 of the Central Bank of Bahrain's ("CBB") Rulebook.

The Bank is committed to full compliance with best international practices and standards of personal and professional ethics and acknowledges its responsibility to all its stakeholders. Fulfilling this commitment requires that all activities conducted by the group, collectively or individually, are consistent with the highest standards of corporate governance.

The Bank's Board of Directors has validated the Corporate Governance principles and practices in the Bank's policy documents.

2. Code of Conduct & Corporate Governance

The Bank has adopted a 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 and ethics on avoiding conflicts of interest applicable to all the employees and Directors of the Bank. The Bank's Board of Directors has validated the Corporate Governance principles and practices in the policy documents; (1) Commitment by Board of Directors & Management of BDB Group to the Code of Conduct; and (2) the Code of Ethics & Business Conduct.

During the year 2023, the Bank conducted an extensive exercise to ensure compliance with the CBB's newly introduced HC Module where several policies, charters, and practices were revamped to ensure compliance and alignment with the module's requirements and standards.

3. Shareholding

Shareholders as of 31 December 2024.

No.	Shareholder Name	Nationality	No. of Shares	%
1	Government of the Kingdom of Bahrain	Bahraini	57,002,333	89.5290
2	General Organisation for Social Insurance	Bahraini	3,333,333	5.2350
3	Pension Fund Commission	Bahraini	1,866,667	2.9320
4	Pension Fund Commission (Military)	Bahraini	1,466,667	2.3040
Total			**63,669,000**	**100**

4. Board of Directors

The Board is guided by its charter, framed in accordance with applicable laws and regulations. The Board establishes the objectives of the Bank, provides guidance, approves and monitors the implementation of strategy by the Management, budgets for the achievement of the Bank's objectives, adopts and reviews the systems and controls framework, monitors overall group and management performance, ensures accurate preparation along with disclosure of the financial statements and monitors conflicts of interest to prevent improper related party transactions. The Board also assists in securing funding from government and semi-government institutions and continues to focus on long-term strategic initiatives, growth and diversification of the Bank's activities and the achievement of its vision and mission. Furthermore, other matters such as strategic decisions, provisions, large credit transactions, write-off limits or credit and exposure limits may require Board approval in accordance with the Bank's authority limits.

As of 31 December 2024, the Bank's Board of Directors consists of eight non-executive Directors, nominated by way of Edict No. 2 of 2022 restructuring the Board of Directors of Bahrain Development Bank B.S.C. (c) for a three-year term commencing from 8 December 2022. The table below provides information regarding the current Directors.

Corporate Governance (continued)

4. Board of Directors (continued)

Name	Experience
Ghassan Ghaleb Abdulaal Chairman Independent Director* Director since March 2016 with 24 years of experience.	The Investcorp Head of Business Development and Product Specialists within the Investor Relationship Management team. Mr. Abdulaal rejoined Investcorp in 2012 having previously spent six years with the firm from 2003 to 2009. Since his return to Investcorp, Mr. Abdulaal served in a number of high level roles including the Head of Client Services, Global Chief of Staff, and Global Head of IRM Operations. In the intervening period between 2009 and 2012, he worked as an Investment Manager with Bahrain Mumtalakat Holding Company B.S.C (c). Prior to joining Investcorp in 2003, Mr. Abdulaal worked at KPMG where he was a Consultant within the Business Performance Improvement Group. Mr. Abdulaal is also a Board member of various organizations including Investcorp Saudi Arabia Financial Investments Company, Investcorp Financial Services BSC (c), Investcorp Capital and several entities affiliated with Investcorp. **Qualifications** Holds a Master's of Science in Analysis, Design and Management of Information Systems from the London School of Economics and a Bachelor's degree (Honours) in Accounting and Finance from the University of Kent.
Marwa Khaled AlSaad Independent Director* Director since November 2019 with 16 years of experience.	The Managing Director of Human Capital at Bahrain Mumtalakat Holding Company B.S.C (c), Ms. Al Saad brings over 16 years of experience in Human Resources management ranging from performance management, organizational development and effectiveness. Her career includes leadership positions in renowned Fortune 500 companies such as General Mills Inc. USA and Cummins Power Generation, as well as key roles in government-owned entities like Tatweer Petroleum, and the pan-Arab family office YBA Kanoo Holdings W.L.L. where she led HR functions across multiple regions. Ms. Marwa was previously the Chairman of the Nomination & Remuneration Committee at AXA Gulf. Ms. Marwa was appointed as the Chairperson of the Board of Directors of Mazad Bahrain W.L.L. in the year 2024 and is a member in the Equal Opportunities and Gender Balance Committee affiliated with the Bahrain Olympic Committee. **Qualifications** Holds a Master's degree from Purdue University, Krannert School of Management with a focus in Human Resources and a Bachelor's degree from Purdue University in Organizational Leadership and Supervision.
Sandeep Bose Independent Director* Director since December 2022 with 34 years of experience.	A qualified accountant and a seasoned banker, Mr. Bose started his career with Ernst and Young Bahrain, and then joined Standard Chartered Bank (SCB) in 1993 which is where he spent his entire banking career. His banking career spans across Retail, Corporate and SME Banking businesses in several Global and Regional leadership roles, key amongst them being Global Head of Retail Deposits and Transaction Services, Regional Head of SME and Personal Banking, in Africa and the Middle East, CFO of Corporate Banking Finance, Middle East and South Asia, amongst others. He was the founding member of the team that rolled out SME Banking business across the SCB Group globally. Mr. Bose has also run large, full suite Consumer Banking businesses across multiple countries viz Bahrain and Bangladesh, amongst others. Since leaving SCB in 2022, Mr. Bose has set up Ektar Technologies, a financial technology company based out of the United Arab Emirates, which harbors the vision of making finance accessible and affordable. Mr. Bose is the Co-Founder and CEO of Ektar. **Qualifications** Holds a Bachelor's degree from the University of Delhi in commerce and a Chartered Accountancy from the Institute of Chartered Accountants of India.

Corporate Governance (continued)

4. Board of Directors (continued)

Name	Experience
Hani Hussain Redha Independent Director* Director since December 2022 with 26 years of experience.	The Managing Director and Portfolio Manager of Global Multi-Assets at PineBridge Investments, London, Mr. Redha joined the firm back in 2012 where he is responsible for leading the strategy and research function for the Global Multi-Asset team. Prior to joining the firm, Mr. Redha was an Investment Manager at Bahrain Mumtalakat Holding Company B.S.C (c), where he led their global multi-asset class investment portfolio and oversaw strategic and tactical asset allocation, as well as manager selection across all asset classes. Prior to that, Mr. Redha held a number of senior positions such as Deputy Head of Global Fixed Income and Deputy Head of Hedge Funds at NCB Capital. **Qualifications** Holds a Master's degree in Chemical Engineering from Imperial College London, a Diploma in Actuarial Techniques from the Institute of Actuaries and is a CAIA (Chartered Alternative Investment Analyst) holder.
Manal Shawqi Al Bayat Independent Director* Director since December 2022 with 26 years of experience.	As the Chief Engagement & Commercial Officer of Expo City Dubai, Ms. Al Bayat is responsible for driving strategic engagement and commercial growth. She is an internationally experienced leader in various fields including business development, stakeholder engagement, branding, positioning and mega events. Her previous roles include Chief Engagement Officer of Expo 2020 Dubai, Group CEO of Falcon and Associates, in addition to working at entities such as Cateus Investment Company, Gulf International Bank B.S.C. and PNC Bank (USA). Ms. Al Bayat is also a Board member in the University of Wollongong Dubai and Senior Advisor at EMIR. **Qualifications** Ms. Manal is currently pursuing a Doctorate from SDA Bocconi in Italy, holds a Master's of Business Administration (MBA) from DePaul University with a focus in Marketing and Change Management and a Bachelor of Science in Organizational Leadership with a focus on Human Resources and Quality Assurance from Purdue University.
Yusuf Mohamed Al Nefaiei Independent Director* Director since December 2022 with 23 years of experience.	The Deputy Chief Executive at the BENEFIT Company, Mr. Al Nefaiei joined BENEFIT in 2006 where he led a number of major accomplishments such as introducing the Electronic Cheques System, Trust Service Provider platform, Electronic Funds Transfer System, eCommerce Payment Gateway and National Mobile wallet (BenefitPay) in Bahrain. Prior to that, Mr. Yousif held a number of senior positions at Sinnad W.L.L and Bank of Bahrain and Kuwait B.S.C. (BBK). Mr. Al Nefaiei is also a Board member in Sinnad W.L.L, Marshal FinTech Partners Ltd, and Bahrain Fintech Bay W.L.L. **Qualifications** Holds a Master's of Science in Information Systems from Brunel University and a Bachelor's of Science in Computer Science from the University of Bahrain.
Aysha Mohamed Abdulmalek Independent Director* Director since December 2022 with 17 years of experience.	Currently Head of Legal and Corporate Services at a private family office. Previously held the post of General Counsel and Board Secretary at Bahrain Mumtalakat Holding Company B.S.C. (c) where she spent over 12 years. The role included overseeing the Legal Department's affairs as well as parliamentary and government affairs. Prior to that, Ms. Aysha worked at Bahrain Real Estate Investment (Edamah) where she also led the legal activities of the organization. Ms. Aysha also has extensive experience in private practice in areas such as commercial, corporate, mergers and acquisitions, real-estate, employment and regulatory matters. **Qualifications** Holds a Master's in Law (LLM) in Corporate and Commercial Law from Queen Mary University of London, Bachelor's degree in Law (Honours) from the University of Bahrain and a Graduate Diploma in Law from BPP University.
Amna Ali Alarayedh Independent Director* Director since December 2022 with 10 years of experience.	Assistant Undersecretary of Research and Studies at the Prime Minister's Office (PMO), Ms. Alarayedh started her career at the PMO back in 2015 and is presently responsible for managing the research and briefing department, overseeing policy recommendations and studies and facilitating key government events and projects. Ms. Alarayedh is also a Board member in DANAT institute. **Qualifications** Holds a Master's of Science in Environmental Economics and Climate Changes from the London School of Economics and a Bachelor's of Science in Managerial Economics from Bentley University.

* The qualifying criteria for 'Independent Directors' are as per the Corporate Governance guidelines of the CBB.

Corporate Governance (continued)

5. Induction And Orientation for New Directors

Upon joining the Board, all Directors are provided with a comprehensive Directors' Induction File that includes the Bank's incorporation documents, the Charters of the Board and its Sub-Committees, key policies, the latest annual report, the Corporate Governance Policy and the Bank's strategy documents. Additionally, induction sessions are also held with the Chairman and Chief Executive Officer, focusing on a broad overview of the Bank, its direction, products and services, challenges, compliance programs and opportunities. Furthermore, select meetings are arranged with members of the senior management and the Bank's external auditors, as well as a tour of the Bank's facilities.

6. Board Committees

The Board of Directors is assisted by four Committees, whose responsibilities for oversight are governed by their respective charters, terms of reference and functions under their supervision which are reviewed and updated periodically in line with market best practices and applicable regulations:

Board Nomination and Remuneration Committee (BNRC)

The BNRC provides a formal and transparent procedure for developing a remuneration policy for the Board and the Bank, ensures that the remuneration offered is competitive, in line with the market standard and consistent with the duties and responsibilities assigned to the members of the Committee. In addition, the BNRC monitors the Bank's people policies, talent management programs and succession planning. The BNRC is also responsible for approving the appointment of the management team.

Board Audit and Governance Committee (BAGC)

The BAGC reviews controls for financial audit and reporting, internal controls, audit activities, legal, regulatory compliance including anti-money laundering, and oversees the financial reporting and disclosure process. The BAGC also monitors the adequacy of the Bank's policies and practices on corporate governance and recommends corporate governance guidelines to the Board.

Board Risk Committee (BRC)

The BRC assists the Board in its oversight of the Management's responsibility to implement an effective global risk management framework reasonably designed to identify, assess and manage the Bank's strategic, credit, market, legal, reputational and operational risks. The BRC further recommends to the Board guidelines in relation to the Bank's current and potential future risk exposures and risk strategy, including the determination of risk appetite, limits and tolerance levels as well as the Bank's capital and liquidity strategy.

Board Executive Committee (ExCom)

The ExCom is appointed by the Board to assist it in deciding on specific matters delegated to it and to make recommendations thereon. Particularly, the ExCom assists the Board in its oversight of the Bank's credit and investment-related activities, reviews and recommends the Bank's business strategy and operational plan, reviews and approves appropriate asset allocation strategy and evaluates the investment and credit portfolio of the Bank.

In addition, the Board Committees also assist the Board in conducting self-evaluations of the Board and its Committees, achieving a high level of involvement and understanding among Board members of their roles and responsibilities along with suggestions for further improvements as to their contribution and effectiveness.

7. Board and Board Committee Meetings and Attendance

The Board and each of its Committees are required to meet at least four times each year. A schedule for the Board and its Committees is submitted to the Directors annually in advance. Performance Assessments of the Board and Committees are done on a self–assessment basis and submitted to the Board for their review and action annually. Additional meetings may be convened on an ad hoc basis at the invitation of the Chairman. Details of meetings held during 2024 and the attendance of the Directors are as follows:

No.	Name	25 Feb	12 May	9 Sept	10 Nov
1	Ghassan Ghaleb Abdulaal (Chairman)	✓	✓	✓	✓
2	Marwa Khaled AlSaad	✓	✓	✓	✓
3	Amna Ali Alarayedh	✓	✓	✓	✓
4	Sandeep Bose	✓	✓	✓	✓
5	Yusuf Mohamed Al Nefaiei	✓	✓	✓	✓
6	Aysha Mohamed Abdulmalek	✓	✓	✓	✓
7	Hani Hussain Redha	✓	✓	✓	✓
8	Manal Shawqi Al Bayat	✓	✓	✓	✓

Corporate Governance (continued)

7. Board and Board Committee Meetings and Attendance (continued)

Board Audit and Governance Committee

No.	Name	4 Feb	30 April	28 July	27 Oct
1	Yusuf Mohamed Al Nefaiei	✓	✓	✓	✓
2	Hani Hussain Redha	✓	✓	✓	✓
3	Marwa Khaled AlSaad	✓	✓	✓	✓

Board Risk Committee

No.	Name	5 Feb	25 April	25 July	24 Oct
1	Hani Hussain Redha	✓	✓	✓	✓
2	Sandeep Bose	✓	✓	✓	✓
3	Aysha Mohamed Abdulmalek	✓	✓	✓	✓

Board Executive Committee

No.	Name	18 Feb	28 April	23 July	28 Oct
1	Sandeep Bose	✓	✓	✓	✓
2	Yusuf Mohamed Al Nefaiei	✓	✓	✓	✓
3	Manal Shawqi Al Bayat	✓	✓	✓	✓

Board Nomination and Remuneration Committee (2024) *

No.	Name	11 Feb	7 May	9 July	31 Oct
1	Marwa Khaled AlSaad	✓	✓	✓	✓
2	Sandeep Bose	✓	✓	✓	✓
3	Amna Ali Alarayedh	×	✓	✓	✓

* The aggregate remuneration paid to the members of the BNRC during the financial year 2024 in the form of sitting fees amounted to BD 5,900.

Board Nomination and Remuneration Committee (2023) **

No.	Name	8 Feb	18 April	12 July	3 Oct
1	Marwa Khaled AlSaad	✓	✓	✓	✓
2	Sandeep Bose	✓	✓	✓	✓
3	Amna Ali Alarayedh	✓	✓	✓	✓

** The aggregate remuneration paid to the members of the BNRC during the financial year 2023 in the form of sitting fees amounted to BD 6,400.

Corporate Governance (continued)

8. Shari'a Supervisory Board (SSB)

The Bank is guided by a Shari'a Supervisory Board (SSB) comprising of three distinguished scholars. The SSB provides guidance, reviews and supervises the Bank's Islamic financing activities to ensure their compliance with the Islamic Sharia's rules and principles. The SSB meets at least four times a year. Its members are remunerated by an annual remuneration fee and sitting fees for each meeting attended. Performance assessment of the Shari'a Supervisory Board is done on a self-assessment basis and submitted to the Board for its review.

Dr. Sheikh Abdulnasser Almahmood

Well versed in Islamic banking, finance and auditing with over 33 years of Islamic banking experience, currently serves as the Head of the Shari'a Coordination and Implementation Department at Khaleeji Bank B.S.C (KHCB).

Prior to joining KHCB, Dr. Al Mahmood served as a Senior Manager of the Shari'a Audit Department at Ernst & Young - Bahrain. He held the position of Head of the Shari'a Internal Control Department in Bahrain Islamic Bank B.S.C and was a member of the Shari'a Supervisory Board in many Islamic banks and institutions, where he also served as the Secretariat.

Dr. Al Mahmood holds an MBA from Gulf University, a Bachelor's degree in Shari'a and Islamic Studies from Qatar University, ADIC Advanced Diploma in Islamic Commercial Jurisprudence from BIBF, CSAA Certified Sharia Adviser & Auditor from AAOIFI, Associate Diploma in Shari'a Control from Cambridge University for training-approved by the British Council, and is a certified instructor in BIBF. Dr. Al Mahmood regularly participates as a speaker in various jurisprudential, economic conferences and seminars.

Dr. Omar Abdulaziz Alaani

Dr. Alaani has taught Islamic Economy in many universities across Iraq, Russia, Yemen and Bahrain. He also participated globally in several conferences within his field. He has been working as an academic teacher at the University of Bahrain since 2000 in several fields, such as financial transactions, insurance, and Islamic Jurisprudence Rules and has retired in 2018.

He obtained a Bachelor's degree in 1984, Master's Degree in 1993 and a PhD in 1997 majoring in the Whole Islamic Economy field from the University of Baghdad.

Dr. Mohamed Burhan Arbouna

An Islamic finance expert with over 24 years of Islamic banking experience and currently serves as the Head of the Shari'a Compliance Department in Al Salam Bank B.S.C. Prior to joining Al Salam Bank, he was the Shari'a Head and a Shari'a Board member in a number of other banking institutions. He also worked as a Shari'a researcher and consultant for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Dr. Arbouna lectures on Islamic banking and finance and consults on orientation and professional programs for a number of professional and educational institutions.

He is a member of the Editing Committee of the International Islamic Financial Board (IFSB) and was a member of the Steering Committee for the International Liquidity Management Framework under the supervision of the Central Bank of Bahrain.

He obtained a Master's degree in Comparative Laws and a PhD in Law with a specialization in Islamic banking and finance from the International Islamic University, Malaysia. He also holds Bachelor's degree in Shari'a and a Higher Diploma in Education from the Islamic University, Medina.

Shari'a Supervisory Board Meetings and Attendance

No.	Name	19 Feb	21 April	18 July	16 Oct
1	Dr. Sheikh Abdulnasser Almahmood	✓	✓	✓	✓
2	Dr. Mohammed Burhan Arbouna	✓	✓	✓	✓
3	Dr. Omar Abdulaziz Alaani	✓	✓	✓	✓

Corporate Governance (continued)

9. Executive Management Committees

The Board of Directors delegates the authority of the day-to-day management of the Bank to the Chief Executive Officer, who is responsible for achieving the strategic goals within the pre-defined risk appetite and approved strategy as a whole. Accordingly, the CEO manages the Bank through the following management committees:

Committee	Primary Responsibility
Assets & Liabilities Management Committee	Mainly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocation prudently for the achievement of the Bank's strategic goals. The Committee monitors the Bank's risk profile in the context of economic developments and market fluctuations, to ensure that the Bank's ongoing activities are compatible with the risk/reward guidelines approved by the Delegated Approval Authority/Board.
Investment & Credit Committee	The Committee has the responsibility to grant and approve credit facilities within their delegated authority and also make decisions relating to the execution of investments in line with the Bank's investment strategy and management of credit and concentration risks. Proposals exceeding the Committee's delegated authority are escalated to the Executive Committee for approval.
Risk Executive Committee	The Committee has the primary responsibility of overseeing the Bank's activities in managing credit risk, market risk, operational risk, liquidity risk, legal risk and other risks. The Committee must ensure that the Bank has an adequate risk management framework, policies, procedures and processes in place in order to identify, measure, monitor, mitigate and manage risks across all of its operations.
Cyber Security Committee	The Committee has the primary responsibility to recommend policies and frameworks needed to implement the Bank's cybersecurity strategy, and act as a governance committee for the Bank's Cyber Security Function.

10. Executive Management

Name	Joining Date	Experience	Qualifications
Dalal Ahmed Al Qais Group Chief Executive Officer	December 2021	22 years	BSc in Management and Marketing and Master's in Finance, University of Bahrain. Ms. Dalal has completed the Oxford Fintech Program from the University of Salford and is currently pursuing a Business Doctorate from the Swiss Business School.
Ali Yusuf Al Aradi Chief Banking Officer	October 2022	21 years	Professional Advanced Diploma in Islamic Finance from BIBF, CMI Level 5 & CII. Currently is pursuing an MBA from the Swiss Business School.
Yaser Ismaeel Mudhafar Chief Finance Officer	October 2022	25 years	Certified Public Accountant certificate, CGMA, CPA, CIPA and holds an MBA and a Bachelor's degree in Accounting from the University of Bahrain.
Siddharth Kumar Chief Risk Officer	August 2023	22 years	Postgraduate from the University of Mumbai. Holds the CFA charter along with Professional Risk Manager (PRM) and Certified Islamic Banker (CIBAFI) certifications.
Hend Mohamed Mahmood Chief Human Resources Officer	February 2022	27 years	MSc in Work and Organizational Psychology, University of Nottingham. BSc in Business Management from University of Bahrain. Professional Co-Active Coach (CPCC) certificate from the USA and Certificate in Personnel Practice (CPP).
Nada Medhat Azmi Chief Strategy & Transformation Officer	March 2022	22 years	BA in Computer Science and Management Studies, University of Maryland Global Campus. She earned certificates in "Disruptive Strategy", "Changing the Game", and "Credential of Readiness" from Harvard Business School.
Sreejith Gopinathan Chief Technology Officer	August 2010	21 years	Graduate of Computer Science from Bharathiar University, India. Currently pursuing an MBA from SP Jain School of Global Management.
Nareen Ahmed Agha Head of Legal & Board Secretary	May 2022	12 years	Bachelor's degree (LLB) in Law (Honours), Brunel University. Professional Advanced Diploma in Islamic Finance, BIBF. Qualified Bahraini lawyer.
Siddarth Chaudhary Head of Internal Audit	July 2018	21 years	Master of Commerce from India, Chartered Accountant, Certified Internal Auditor and member of the Institute of Internal Auditors. Holds the Sustainability and Climate Risk Certification from GARP, USA.
Mubarak Mohamed Albuflasa Acting Head of Compliance & AML	May 2023	13 years	BSc in Banking and finance, Bangor University. Holds an International Diploma in Governance, Risk & Compliance from the International Compliance Association (ICA) and a Professional Advanced Diploma in Islamic Finance, BIBF.
Khaled Abdulla Mahmood Head of Operations	September 2012	18 years	Bachelor's Degree in Accounting, University of Bahrain.

Corporate Governance (continued)

11. Related Party Transactions

Directors are required to declare any conflict of interest or any potential conflict of interest that exists, or that Directors become aware of, to the Chairman of the Board and the Board Secretary as soon as they become aware of them. Should any Director have any doubts with respect to conflicts of interest or potential conflict of interest, the Director is required to consult the Chairman of the Board, or in the case of the Chairman, the Chairman of the Audit & Governance Committee, and in each case the Board Secretary prior to taking any action that might compromise the Bank. All Directors and other Approved Persons have declared all of their interests in other entities or activities which were duly submitted and reviewed by the Board.

Note 26 of the Bank's audited consolidated financial statements for the year ended 31 December 2024, sets out the relevant disclosures of related party transactions. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

12. Remuneration of Board Members, Executive Management and External Auditors

Aggregate remuneration paid to Board members and executive management personnel is disclosed in detail in the Board of Directors Report which includes all required regulatory disclosures in this regard. During the AGM held on 27 March 2024, the shareholders approved the reappointment of Ernst and Young ("EY") as external auditors for the year ending 31 December 2024 and authorized the Board of Directors to determine their remuneration. During the financial year ended 31 December 2024 an amount of BD 29,050 was charged for audit services provided by EY and an amount of BD 18,500 was charged by EY for non-audit services provided in relation to CBB mandatory review requirements under the Agreed Upon Procedures.

The Bank believes that employees are crucial assets to the Bank, therefore it follows a total rewards approach to compensate and reward performance, the rewards approach includes both intrinsic and extrinsic benefits. The Bank strives to offer competitive packages to attract, engage and retain talent. These reward elements of fixed compensation support achieving the objectives through balancing between short-term results and long-term sustainable performance. The strategy is designed to share the success of the Bank and to align employees incentives with the risk framework and risk outcomes. The quality and long-term commitment of all the employees is fundamental to the success of the Bank.

A robust and effective governance framework ensures that the Bank operates within clear parameters of its remuneration strategy and policy. All remuneration matters and overall compliance with regulatory requirements, are overseen by the Board Nomination and Remuneration Committee (BNRC). The BNRC ensures that all persons must be remunerated fairly and responsibly.

The Bank's Remuneration Policy, in particular, considers the role of each employee and sets the criteria to determine whether an employee is a material risk-taker and/or an approved person in a business line, control or support function. The Remuneration Policy is reviewed annually by the BNRC and recommended for the Board's approval. The most recent version of the Remuneration Policy was reviewed by external consultants, KPMG Fakhro, during the year 2023, where amendments have been made to the salary scale, grading structure, allowances, benefits, disclosures and reporting requirements. Such amendments were made to align the policy with the Bank's internal procedures, best practices and applicable laws and regulations. Such amendments were reviewed by the BNRC and subsequently by the Board.

An approved person is an employee whose appointment requires prior regulatory approval because of the significance of his role within the Bank, and an employee is considered a material risk-taker if they are the head of a significant business line or any individuals within their control who have a material impact on the Bank's risk profile. In order to ensure alignment between what the Bank pays its employees and the Bank's business strategy, the Bank assesses individual performance against annual financial and non-financial objectives, summarized in the Bank's annual plans. Furthermore, any variable pay will be determined based on risk-adjusted targets set at each unit level aggregated to the Bank level where the variable pay computation process is designed in a way that ensures that it does not impact the Bank's capital and liquidity ratios and is aligned with the Bank's budget and strategy.

The BNRC has oversight of all reward policies for the Bank's employees. The BNRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and approving fixed and variable remuneration. It is responsible for setting the principles and governance framework for all remuneration decisions. The Remuneration Policy is reviewed annually to reflect changes in market practices, the business plan and the risk profile of the Bank.

There is no separate policy for business and controlling persons of the Bank. As such, the need to 'defer' variable remuneration does not apply to the organization. Consequently, there are no 'claw-back' or 'malus' stipulations as well. The exceptions were approved by the Central Bank of Bahrain. As per the Remuneration Policy approved by the shareholders, the structure and level for the compensation for the Board of Directors and all employees consists of fixed and variable remunerations in the form of cash only. Short-term incentives including approved persons are aligned to the Bank's performance, department and individual performance, but in all cases, shall be made at the Bank's sole discretion.

Corporate Governance (continued)

13. Conflicts of Interest

The Bank has a documented procedure for dealing with situations involving conflicts of interests of Directors and employees. The Bank has an Annual Declaration for Directors and employees whereby each individual is required to disclose any (potential) conflicts of interest in their activities with, and commitments to, other organizations, transactions and agreements. Presently, the Bank does not retain any individuals who are occupying controlled functions and who are relatives of any approved persons.

The Board has adopted a Conflict of Interest Management Policy, which outlines measures to prevent or identify the existence of any conflict of interest, and to manage and disclose such conflicts in line with regulatory requirements and industry best practices. It provides a guide as to what constitutes a conflict of interest, the processes and producers that are in place to facilitate compliance and the consequences of non-compliance. For the year 2024, the following interests were declared:

No.	Director/ Employee	Client/Service Provider	Transaction Value & Details	Relationship
1	Aysha Abdulmalek* & Marwa Alsaad	Aluminium Bahrain B.S.C (ALBA)**	BD 5,000,000 – Overdraft Facility under Supply Chain Finance	Employees of Bahrain Mumtalakat Holding Co. B.S.C. (c) who is a shareholder owning 69.38% of the company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
2	Aysha Abdulmalek* & Marwa Alsaad	Bahrain International Circuit Company W.L.L.	BD 1,500,000 – Term Loan BD 820,000 - Deposit	Employees of Bahrain Mumtalakat Holding Co. B.S.C. (c) who is the ultimate beneficial owner of the company through a holding company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
3	Ghassan Abdulaal	Payment International Enterprise B.S.C (c)	BD 700,000– Overdraft Facility BD 12,000 – Deposit	Spouse is a 4.9% shareholder in Mohammed Ebrahim AlSaffar Co. B.S.C (c) which owns 34% of the borrowing company and in parallel has secured the facility by a corporate guarantee. Kindly note that the Director has declared his conflict of interest in advance and abstained from voting on such transaction.

* Please note that Aysha Abdulmalek is no longer an employee of Mumtalakat Holding Co. B.S.C. (c) as of November 2024.

** Loan documentation is currently in process where the loan will be disbursed upon completion of all necessary formalities.

In addition to the above transactions, the Board of Directors have retrospectively ratified the below mentioned contracts entered into between the Bank and Bahrain Real Estate Investment Company (Edamah) B.S.C.(c), a subsidiary of Mumtalakat Holding Co. B.S.C.(c) in previous years. The Bank's previous Chairman, H.E. Mr. Khalid Alrumaihi served as the Chief Executive Officer and Director of Mumtalakat from 2019 to 2023, where such contracts were entered into during his tenure as the Bank's Chairman. The contracts entered into were as follows: (i) Riyadat Mall Property Management Agreement (2021-2024); (ii) Sitra Mall Property Management Agreement (2020-2023); and (iii) Sitra Mall Development Management Agreement (2022-2024).

14. Internal Control

The Bank has developed and implemented stringent internal controls to protect its customers, assets and operations. The internal controls in place are designed to ensure compliance with all applicable laws and regulations, mitigate financial risk to the organization, ensure an adequate system of controls is in place and ensure accurate financial reporting. The Bank has communication channels in place between employees, Directors and external stakeholders regarding any identified issues or changes. This ensures that the most appropriate corrective actions are taken in a timely manner by proactively rooting out any potential issues that may arise. Furthermore, the Bank has fostered a culture that gives priority to risk management amongst all staff, where the implementation of adequate internal control measures is applicable to all staff within their respective work context. As a supporting governance measure, the Board also relies on the ongoing reviews performed by internal and external auditors on the Bank's internal control functions.

Corporate Governance (continued)

15. Disclosure on HC Module

In line with the CBB's Corporate Governance guidelines, banks are required to comply with the CBB's High-level Controls (HC) Module of the CBB Rulebook. The HC Module contains both Rules and Guidance, where Rules must be complied with, but Guidance may either be complied with or not, which is to be explained by way of the annual report to the shareholders and to the CBB.

Contrary to Paragraph HC 2.2.1 of the CBB Rulebook Volume 1, the members of the Board of Directors of the Bank are appointed as per the Royal Decree Resolution No. 5 of 2019, issued on 28 November 2019 and subsequent Edict No. 2 of 2022 restructuring the Board of Directors of Bahrain Development Bank B.S.C (c).

Paragraph HC-3.6.2 states that members of the remuneration committee must have independence from any risk-taking function or committees. It is to be noted that Mr. Sandeep Bose, a member of the Nomination and Remuneration Committee is also a member of the Board Executive Committee.

16. Public Disclosures

The Bank has a Disclosures Policy in place detailing the Bank's internal as well as external communications and disclosures.

17. Fines and Penalties

The penalties paid by the Bank to the CBB during the financial year 2024 were EFTS -related penalties which amounted to BD 17,515.

18. Remuneration Report

The Bank believes that employees are crucial assets to the Bank. Therefore, it follows a total reward approach to compensate and reward performance. This reward approach includes both intrinsic and extrinsic benefits. The Bank strives to offer competitive packages to attract, engage and retain talent. These reward elements of fixed compensation support achieving the objectives through balancing between short-term results and long-term sustainable performance. The strategy is designed to share the success of the Bank and to align employees' incentives with the risk framework and risk outcomes. The quality and long-term commitment of all employees are fundamental to the success of the Bank.

The Bank, therefore, aims to attract, retain and motivate employees who deliver high results and are committed to maintaining a career with the Bank, and perform their role in the long-term interests of its shareholders. The Bank adopted regulations concerning sound remuneration practices issued by the CBB. The revised policy framework and incentive components were approved by the shareholders at the Annual General Meeting. Unlike commercial banks, the Bank is a 'not-for-profit' development banking institution, with the core objective of supporting the economic development of Bahrain in line with Bahrain's 2030 Vision. The performance reward is paid at the discretion of the Board of Directors. There is no separate policy for business and controlling staff of the Bank. As such, the need to 'defer' variable remuneration does not apply in the case of the Bank. Consequently, there are no 'claw-back' or 'malus' stipulations as well. The exceptions were approved by the Central Bank of Bahrain.

The Remuneration Policy for all staff (including the approved persons) consists of fixed and variable remunerations in the form of cash only. The Policy was revised and enhanced in 2023 with the purpose to of realigning compensation and benefits with job size using the evaluation method. The enhanced Policy will support driving business growth and individual performance through variable pay (Short-Term Incentive Plan (STIP) and its Front Line Incentive Plan (FLIP) reward. Both STIP and FLIP entitlements are aligned to the Bank's performance, departmental and individual performance, but in all cases, it shall be made at the Bank's sole discretion.

The Remuneration Policy is designed on the basis that the combination of financial performance and achievement of other non-financial factors are measured using a scorecard where the budget pool assigned for both the STIP and FLIP is distributed in accordance with the overall scorecard result. If results are below the approved scorecard target, the incentive under either the STIP or FLIP shall not be paid. The key performance metrics measured by the scorecard include a combination of short and long term measures and include financial results, solvency, strategy execution and growth indicators. This is applicable to all individuals included in the scope of the Remuneration Policy.

The Risk Assessment Framework is subject to periodic review in order to align it with the latest trends and practices in risk assessment and with greater focus on the Bank's risk strategy. In years when the Bank suffers material losses in its financial performance, the risk adjustment framework includes several adjustments. The BNRC carefully examines the results of stress tests conducted and makes necessary corrections to the STIP and FLIP bonus pool.

The size of the variable remuneration pool and its allocation within the Bank take into account the full range of current and potential risks, including: (i) The cost and quantity of capital required to support the risks taken; (ii) The cost and quantity of the liquidity risk assumed in the conduct of business; (iii) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The Bank has an ex-post risk assessment framework, which is a qualitative assessment used to back-test actual performance against prior risk assumptions.

Corporate Governance (continued)

18. Remuneration Report (continued)

Details of Remuneration Paid for the Financial Year Ended 2024

Categories	No.	Fixed Remuneration (BD)			Variable Remuneration (BD)	Total (BD)
		Salaries and Wages	Other Benefits/ Allowances	Total	Performance Bonuses (in cash)	
1. Members of the Board	8	25,100	6,109	25,100	72,220	103,429
2. Approved Persons in business lines	8	528,538	121,554	650,092	194,276	844,368
3. Approved Persons in Risk Management, Internal Audit, Operations, Financial Control, AML, Compliance Functions	6	271,475	70,783	342,258	40,346	382,604
4. Employees Engaged in Risk Taking Activities (Business Areas – other material risk takers)	46	715,700	134,804	850,504	143,991	994,495
5. Employees other than approved persons engaged in functions under 3	54	713,934	140,929	854,863	137,189	992,052
6. Other Employees	37	491,076	96,189	587,265	69,572	656,837
7. Outsourced Employee/ Service providers (engaged in risk-taking activities)	-	-	-	-	-	-
Total	**159**	**2,745,823**	**564,259**	**3,310,082**	**657,595**	**3,973,785**

Details of Remuneration Paid for the Financial Year Ended 2024

1. BHD 25,100 under salaries and wages of Board Members are reflective of sitting fees paid.
2. 2024 Board Remuneration of BD 72,220 which is subject to Shareholders and MOIC approval.
3. The amount paid to the Board Nomination and Remuneration Committee during the year 2024 as sitting fees amounted to BD 5,900.

Details of Remuneration Paid for the Financial Year Ended 2023

Categories	No.	Fixed Remuneration (BD)			Variable Remuneration (BD)	Total (BD)
		Salaries and Wages	Benefits/ Allowances	Total	Performance Bonuses (in cash)	
1. Members of the Board	8	26,700.000	6,203.00	32,903.000	66,200.000	99,103.000
2. Approved Persons in business lines	9	530,134.033	126,205.474	656,339.507	166,789.250	823,128.757
3. Approved Persons in Risk Management, Internal Audit, Operations, Financial Control, AML, Compliance Functions	7	238,346.245	72,315.107	310,661.352	42,930.098	353,591.450
4. Employees Engaged in Risk Taking Activities (Business Areas – other material risk takers)	51	684,976.280	147,543.458	832,519.738	104,915.958	937,435.696
5. Employees other than approved persons engaged in functions under 3	62	707,291.208	148,239.964	855,531.172	128,635.270	984,166.442
6. Other Employees	41	447,811.699	96,911.765	544,723.464	60,123.636	604,847.100
7. Outsourced Employee/Service providers (engaged in risk-taking activities)	-	-	-	-	-	-
Total	**178**	**2,635,259.465**	**597,418.768**	**3,232,678.233**	**569,594.212**	**3,802,272.445**

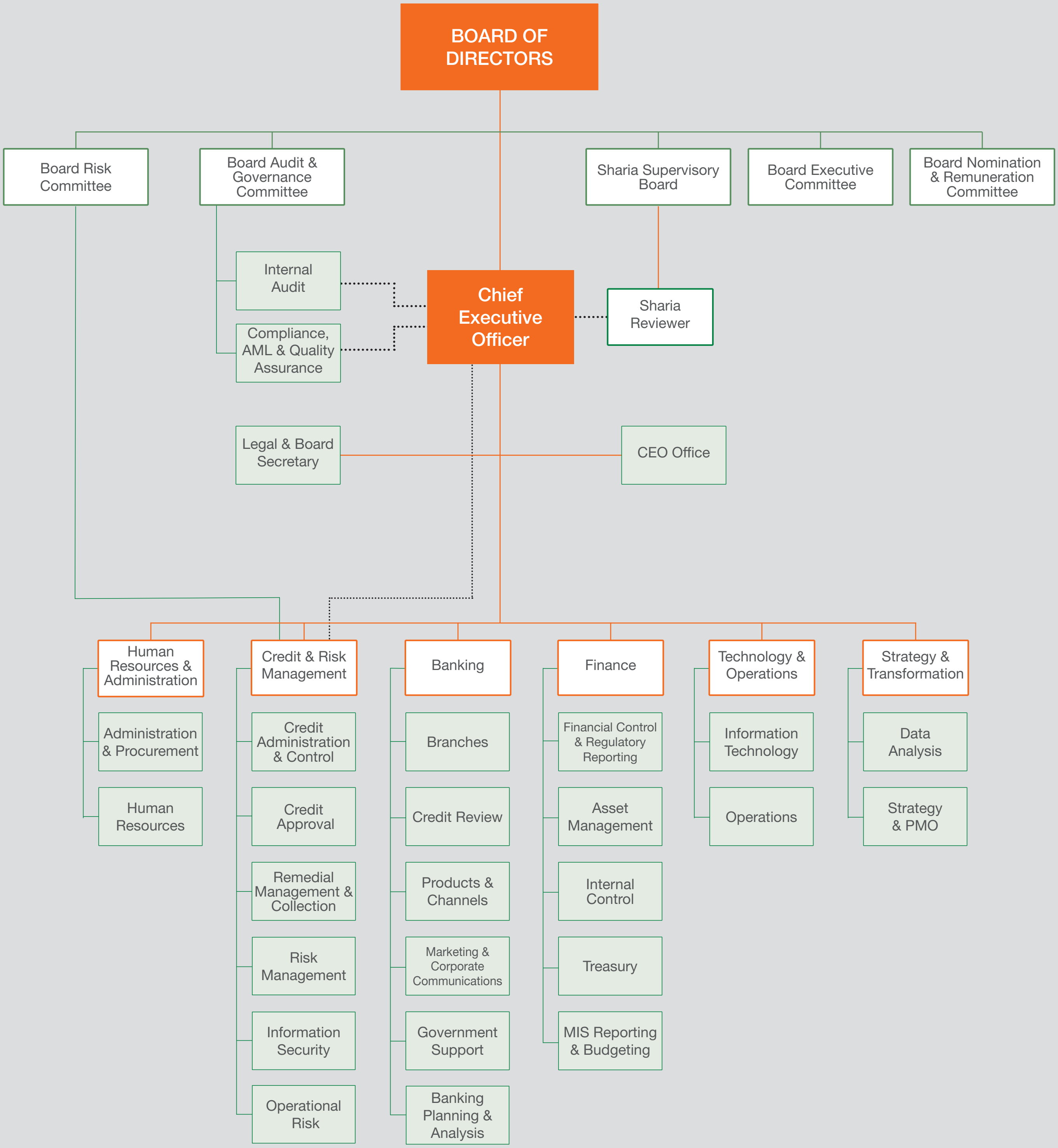
Details of Remuneration Paid for the Financial Year Ended 2023

1. BD 26,700 under salaries and wages of Board Members are reflective of sitting fees paid.
2. During the year 2023, the Board Remuneration amounted to BD 66,200 which was approved by the shareholders and MOIC.
3. Members of the Shariah Supervisory Board are no longer accounted for under Members of the Board, hence the number reduced from 11 in 2022 to 8 in 2023.
4. The amount paid to the Board Nomination and Remuneration Committee during the year 2023 was BD 6,400.

Corporate Governance (continued)

19. Organizational Chart

As of 31 December 2024



Financial Statements 2024

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Corporate Information

Commercial Registration No.	26226 obtained on 20 January 1992
Directors	Mr. Ghassan Ghaleb Abdulaal – Chairman Ms. Marwa AlSaad- Board Member Ms. Amna AlArrayedh – Board Member Mr. Sandeep Bose – Board Member Mr. Yousif AlNefaiei – Board Member Mr. Hani Redha – Board Member Ms. Aysha Abdulmalek – Board Member Ms. Manal AlBayat – Board Member
Registered Office	Building 170 Road 1703 Diplomatic Area PO Box 20501 Manama Kingdom of Bahrain
External Auditors	Ernst & Young - Middle East PO Box 140 Manama Kingdom of Bahrain

Report of the Board of Directors

The Board of Directors has pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2024.

Principal activities and review of business developments

Bahrain Development Bank B.S.C. (c) ("the Bank" or "BDB") is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"). The core activities of the Bank consist of advancing loans for project finance, working capital, premises and equipment for developing industries and service sectors such as Tourism, Health and Education in the Kingdom of Bahrain, and also invests in the share capital of such entities.

Consolidated operating income for the year has increased by 7% from BD 9,022 thousand for the year ended 31 December 2023 to BD 9,654 thousand for the year ended 31 December 2024. The net profit for the year, attributable to the owners of the Bank, was BD 719 thousand as compared to a net profit of BD 596 thousand in the previous year representing a growth of 21%.

Accumulated losses

Movements in the accumulated losses during the year were as follows:

	BD '000
Balance at 1 January 2024	(1,404)
Net profit for the year attributable to the Owners of the Bank	719
Balance at 31 December 2024	**(685)**

Auditors

Ernst & Young - Middle East have expressed their willingness to continue in office and a resolution proposing their reappointment as auditors of the Bank, for the year ending 31 December 2025, will be submitted at the forthcoming Annual General Meeting.

Ghassan Ghaleb Abdulaal
Chairman of the Board of Directors

Yousif Alnefaiei
Board Member

Report of the Board of Directors

(Continued)

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

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	Others*	Total	Remunerations of the chairman and BOD (2023)****	Remunerations of the chairman and BOD (2024)*****	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1. Ghassan Ghaleb Abdulaal	-	-		-	12,020	-	-	-	-	12,020	-	12,020	-
2. Marwa Khaled Alsaad	-	4,400	-	4,400	8,600	-	-	-	-	8,600	-	13,000	-
3. Hani Hussain Redha	-	4,400	-	4,400	8,600	-	-	-	-	8,600	-	13,000	-
4. Sandeep Bose	-	6,400	-	6,400	8,600	-	-	-	-	8,600	-	15,000	3,781
5. Yousif Mohamed Alnefaiei	-	4,400	-	4,400	8,600	-	-	-	-	8,600	-	13,000	-
6. Manal Shawqi Al Bayat	-	2,000	-	2,000	8,600	-	-	-	-	8,600	-	10,600	2,328
7. Aysha Mohamed Abdulmalek	-	2,000	-	2,000	8,600	-	-	-	-	8,600	-	10,600	-
8. Amna Ali Alarayedh	-	1,500	-	1,500	8,600	-	-	-	-	8,600	-	10,100	-
Total	-	25,100	-	25,100	72,220	-	-	-	-	72,220	-	97,320	6,109

Note: All amounts must be 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).

*** Accrued in 2024 yet to be paid

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	648,276	156,016	-	804,292

Note: All amounts must be stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).

** The company's highest financial officer (CFO, Finance Director, ...etc)

Signed on behalf of the Board

Ghassan Ghaleb Abdulaal
Chairman of the Board of Directors

Yousif Alnefaiei
Board Member

23 February 2025

Independent Auditor's Report to the Shareholders of

BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Development Bank B.S.C. (c) (the "Bank") and its subsidiaries (together "the Group"), which comprise of the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of Report of the Board of Directors, set out on page 4 to 6, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Accounting Standards 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 ISAs, 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.

Independent Auditor's Report to the Shareholders of
BAHRAIN DEVELOPMENT BANK B.S.C. (c)

(Continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other 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 2024 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 the Board of Directors in response to all our requests.

Partner's registration no. 295

23 February 2025

Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position
As at 31 December 2024

	Notes	2024 BD'000	2023 BD'000
ASSETS			
Cash and balances with Central Bank of Bahrain	7	3,123	3,972
Placements with banks and other financial institutions	7	24,769	48,994
Islamic financing and loans to customers	8	99,223	112,885
Investment securities	9	72,848	57,456
Investment in associates	10	809	397
Investment properties	11	9,611	8,012
Property and equipment	12	3,338	3,282
Other assets	13	3,472	5,315
TOTAL ASSETS		217,193	240,313
LIABILITIES AND EQUITY			
Liabilities			
Term loans	14	23,644	25,359
Deposits	15	120,962	145,908
Other liabilities	16	8,472	5,065
Total liabilities		153,078	176,332
Equity			
Share capital	17	63,669	63,669
Statutory reserve	18	1,186	1,186
Fair value reserve		(242)	274
Accumulated losses		(685)	(1,404)
Equity attributable to owners of the Bank		63,928	63,725
Non-controlling interests		187	256
Total equity		64,115	63,981
TOTAL LIABILITIES AND EQUITY		217,193	240,313

Ghassan Ghaleb Abdulaal
Chairman

Yousif Al Nefaiei
Board Member

Dalal Al Qais
Chief Executive Officer

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 BD '000	2023 BD '000
Income			
Islamic financing and interest income	19	9,908	8,397
Islamic financing and interest expense	20	(2,196)	(1,269)
Net Islamic financing and interest income		7,712	7,128
Fee and commission income	21	392	380
Rental income		683	630
Other income		867	884
Total operating income		9,654	9,022
Expenses			
Staff costs		(4,512)	(4,293)
Other operating expenses		(4,079)	(3,635)
Total operating expenses before allowance for expected credit losses		(8,591)	(7,928)
Allowance for expected credit losses	22	(749)	(136)
Net operating income		314	958
Share of profit from associates	10	412	3
Investment loss	23	(76)	(424)
Net profit for the year		650	537
Net profit for the year attributable to:			
Owners of the Bank		719	596
Non-controlling interest		(69)	(59)
		650	537

Ghassan Ghaleb Abdulaal
Chairman

Yousif Al Nefaiei
Board Member

Dalal Al Qais
Chief Executive Officer

Consolidated Statement of other Comprehensive Income

For the year ended 31 December 2024

	2024 BD '000	2023 BD '000
Net profit for the year	650	537
Other comprehensive income / (loss):		
Items that will be reclassified to profit or loss in subsequent periods:		
Changes in fair value of investments classified as fair value through other comprehensive (loss) / income on debt instruments	(419)	843
Net unrealised loss in cash flow hedges	(37)	(264)
Net amount transferred to consolidated statement of profit or loss on sale of debt instruments	(60)	-
Total comprehensive income for the year	134	1,116
Total comprehensive income / (loss) attributable to:		
Owners of the Bank	203	1,175
Non-controlling interest	(69)	(59)
	134	1,116

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Equity attributable to owners of the Bank						
	Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Total BD '000	Non - controlling interest BD '000	Total equity BD '000
As at 1 January 2024	63,669	1,186	274	(1,404)	63,725	256	63,981
Net profit / (loss) for the year	-	-	-	719	719	(69)	650
Other comprehensive loss for the year	-	-	(516)	-	(516)	-	(516)
Total comprehensive (loss) / income for the year	-	-	(516)	719	203	(69)	134
As at 31 December 2024	63,669	1,186	(242)	(685)	63,928	187	64,115

	Equity attributable to owners of the Bank						
	Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Total BD '000	Non - controlling interest BD '000	Total equity BD '000
As at 1 January 2023	63,669	1,186	(305)	(2,000)	62,550	315	62,865
Net profit / (loss) for the year	-	-	-	596	596	(59)	537
Other comprehensive income for the year	-	-	579	-	579	-	579
Total comprehensive income / (loss) for the year	-	-	579	596	1,175	(59)	1,116
As at 31 December 2023	63,669	1,186	274	(1,404)	63,725	256	63,981

The accompanying notes 1 to 38 form part of these consolidated financial statements.

Bahrain Development Bank B.S.C.(c) 2024 Annual Report

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 BD '000	2023 BD '000
OPERATING ACTIVITIES			
Net profit for the year		650	537
Adjustments for:			
Depreciation		1,169	830
Allowance for expected credit losses	22	749	136
Changes in fair value of investments classified as FVTPL	23	180	474
Lease expense		34	-
Gain on the disposal of the securities sold		(104)	-
Changes in revaluation of free interest rate loan and deposit - net		(432)	890
Dividend income	23	-	(50)
Share of profit from associates	10	(412)	(3)
Gain on foreign currency translation		(119)	(70)
Operating profit before changes in operating assets and liabilities		1,716	2,744
Changes in operating assets and liabilities:			
Mandatory reserve deposits with central banks		750	966
Islamic financing and loans to customers		15,713	19,388
Other assets		1,838	701
Deposits		(24,569)	14,376
Other liabilities		703	(1,563)
Net cash flow (used in) / from operating activities		(3,849)	36,612
INVESTING ACTIVITIES			
Net additions to property and equipment	12	(950)	(808)
Purchase of investment securities		(37,988)	(40,705)
Proceeds from sale and maturity of investment securities		22,195	45,581
Addition to investment properties	11	(1,874)	(3,113)
Dividend income received	23	-	50
Net cash flow (used in) / from investing activities		(18,617)	1,005
FINANCING ACTIVITIES			
Repayment of term loans	14	(6,239)	(6,968)
Addition of term loans	14	4,524	4,524
Lease Repayment		(143)	-
Cash flow used in financing activities		(1,858)	(2,444)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(24,324)	35,173
Cash and cash equivalents at 1 January		49,480	14,307
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	25,156	49,480
Additional information:			
Islamic financing and interest received		9,414	8,255
Islamic financing and interest paid		(2,268)	1,518
Discount relating to islamic financing and loan carried at free interest rate		(8,028)	(10,257)
Discount relating to deposit carried at free interest rate		10,202	9,825

Business review

Corporate Governance

Financial Statements

Public Disclosures

Notes to the Consolidated Financial Statements
As at 31 December 2024

1. INCORPORATION AND ACTIVITIES

Bahrain Development Bank B.S.C. (c) ("the Bank" or "BDB") was established as a Bahraini closed shareholding company by Legislative Decree number 19 dated 11 December 1991 and commenced operations on 20 January 1992. The Bank is registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration ("CR") number 26226. The Bank's registered office is in the Kingdom of Bahrain, P.O Box 20501. The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"). The majority shareholding of the Bank is owned by the Government of the Kingdom of Bahrain ("Parent") and Pension Fund Commission, Pension Fund Commission (Military) and General Organisation For Social Insurance.

The core activities of the Bank consist of advancing loans for project finance, working capital, premises and equipment for developing industries and service sectors such as Tourism, Health and Education in the Kingdom of Bahrain, and also invests in the share capital of such entities. As part of this activity, the Bank also renders management consultancy services and subscribes to ordinary and preference shares in locally incorporated companies. Additionally, loans are advanced for Agriculture, Fisheries and Higher Education purposes. Other activities of the Bank comprise making a direct contribution towards the economic development of the Kingdom of Bahrain.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 23 February 2025.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and are in conformity with the Bahrain Commercial Companies Law ("BCCL") and the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, and the terms of the Bank's memorandum and articles of association.

2.2 Accounting convention

These consolidated financial statements are prepared on a historical cost basis, except for certain investment securities carried at fair value through profit or loss, or through other comprehensive income, that have been measured at fair value.

These consolidated financial statements are prepared in Bahraini Dinars which is the functional and presentation currency of the Bank and all values are rounded off to the nearest thousand, unless otherwise indicated.

2.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (the "Group"), all of which have 31 December as their year end and are incorporated in the Kingdom of Bahrain. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

The Bank has the following principal subsidiaries:

	Ownership Interest		
Name	2024	2023	Principal Activity
Bahrain Business Incubator Centre S.P.C.	100%	100%	Development and assistance to emerging Bahraini entrepreneurs
Al-Waha Venture Capital Fund Company	99%	99%	Trusts, Funds and Similar Financial Entities - Fund Company
Neotech W.L.L.	78%	78%	Management consultancy activities

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

2. BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

b) Exposure, or rights, to variable returns from its involvement with the investee; and

c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee;

b) Rights arising from other contractual arrangements; and

c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a) Derecognises the assets (including goodwill) and liabilities of the subsidiary;

b) Derecognises the carrying amount of any non-controlling interests;

c) Derecognises the cumulative translation differences recorded in equity;

d) Recognises the fair value of the consideration received;

e) Recognises the fair value of any investment retained;

f) Recognises any surplus or deficit in profit or loss; and

g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

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, the 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.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

3. MATERIAL ACCOUNTING JUDGMENT AND ESTIMATES (Continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is applied to establish fair values. These judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

Business model in classifying financial instruments

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

a) Management's stated policies and objectives for the portfolio and the operation of those policies in practice;

b) Management's evaluation of the performance of the portfolio; and

c) Management's strategy in terms of earning contractual interest revenues or generating capital gains.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses (ECL). Refer to note 6 for further details.

The measurement of the ECL for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behavior (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

a) The Group calculates PiT PD estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario;

b) Determining criteria for significant increase in credit risk;

c) Choosing appropriate models and assumptions for the measurement of ECL;

d) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;

e) Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;

f) Establishing segments of similar financial assets for the purposes of measuring ECL; and

g) Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

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.

In determining whether credit risk has increased significantly since initial recognition, the Group uses delinquency status of accounts, expert credit judgement and relevant historical experience. The Group may also determine that an exposure has undergone a Significant Increase in Credit Risk ("SICR") 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.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

4. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The 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 standards, if applicable, when they become effective.

4.1 IAS 21: Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4.2 IFRS 19: Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4.3 IFRS 18: Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The management is currently assessing the impacts of these amendments on the consolidated financial statements of the Group.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements in previous year, except for the adoption of the following new and amended standards and interpretation applicable to the Group, which became effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in the year of initial application of the amendments.

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

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE (Continued)

5.2 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

5.3 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES

6.1 Investment in associated companies

The Group's investments in its associated companies are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is charged to the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.2 Property and equipment

All items of property and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land which is deemed to have an indefinite life.

6.2.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated Impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in the consolidated statement of profit or loss.

6.2.2 Subsequent measurement

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

6.2.3 Depreciation

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of significant items of property and equipment are as follows:

Buildings on freehold premises	15 - 40 years
Furniture, fixtures, vehicles, computers and office equipment	3 - 5 years
System and software	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6.3 Leases - Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognised under premises and equipment in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, in this case BIBOR. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.4 Investment property

Investment properties are those which are held by the Group to earn rental income or for capital appreciation or both. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on cost using the straight-line method at annual rates which are intended to write off the cost of the investment property over their estimated useful lives that range from 5 to 30 years. Any gain or loss on disposal of the investment property (calculated as the difference between the net proceed form the disposal and the carrying amount of the item) is recognized in the consolidated statement of profit or loss.

6.4.1 Reclassification to investment property

When the use of a property changes from owner occupied to investment property, the property is classified to investment property and carried at cost in line with the accounting policy as stated above.

6.5 Trade receivables

Accounts receivable are stated at original invoice amount net of discounts and provisions for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

6.6 Term loans

Term loans are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the Effective Interest Rate ("EIR") method.

6.7 Deposits

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

6.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

6.9 Employees' end of service benefits

Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 - Employees Benefits, is recognised as an expense in the consolidated statement of profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour law. Effective 1 March 2024, pursuant to an Edict number 109 of 2023 issued by His Royal Highness the Prime Minister of the Kingdom of Bahrain, certain portion of the end of service benefits' liability has been transferred to the Social Insurance Organization (SIO), representing the amounts paid by the Bank to the SIO on a monthly basis starting March 2024. Such portion of liability would be settled directly by the SIO when the relevant employees leave the Bank.

6.10 Income recognition

Interest income and expense are recognised in profit or loss using the EIR method. The effective interest ratio is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period to the carrying amount of the financial asset or financial liability). When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or financial liability.

6.11 Dividend income

Dividend income is recognised when the right to receive income is established.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.12 Fee and commission income

Fee and commission income and related expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fee and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the service is received.

6.13 Rental income

Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

6.14 Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss.

6.15 Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

6.16 Derivatives

In the ordinary course of business, the Bank enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payment is dependent upon movements in price in one or more underlying financial instruments, reference rate or index. Derivative financial instruments include forward exchange contracts.

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

6.17 Financial assets and financial liabilities

The Bank's key accounting policies in compliance with IFRS 9 are summarised below:

6.17.1 Recognition and initial measurement

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. 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.

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

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.17 Financial assets and financial liabilities (Continued)

6.17.2 Classification

Financial assets

On initial recognition, a financial asset is classified as at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, 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.

Financial assets designation at fair value through profit or loss

The Group designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Business model assessment

The Group makes an assessment of the objective of a business model in which an 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. In particular, whether management's strategy focuses on earning contractual interest revenue, realising cash flows through the sale of the assets and holding it for liquidity purposes;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or 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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.17 Financial assets and financial liabilities (Continued)

6.17.2 Classification (Continued)

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, which may change over the life of the financial asset. '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 profit margin.

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

6.17.3 Derecognition

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled ,or expired.

6.17.4 Expected credit loss (ECL)

The Bank recognises ECL on the following financial assets that are not measured at fair value through profit or loss:

a) Debt investments;

b) Placements with banks and other financial institutions;

c) Islamic financing and loans to customers;

d) Letters of credit and bank guarantees; and

e) Irrevocable undrawn commitments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the other financial assets on which credit risk has not increased significantly since their initial recognition, for which ECL is measured as 12-month ECL. 12-month ECL are the portion of ECL that result from default events on a financial asset that is possible within the 12 months after the reporting date.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.17 Financial assets and financial liabilities (Continued)

6.17.5 Presentation of allowance for ECL in the consolidated statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

a) financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and

b) where a financial instrument includes both a drawn and an undrawn component (as in the case of overdraft, letter of credit / bank guarantee limits etc.), the Bank presents a loss allowance for the approved limit of the facility in 'other liabilities'.

Refer to note 28 for further details.

6.17.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has thoroughly explored most avenues of recovery and it is recognized thereafter that the outstanding amount of the debt is clearly not recoverable. However, in all written-off cases, the Bank's efforts towards the recovery of the outstanding amount continues and periodic updates are provided to the Board of Directors. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'other income' in the consolidated statement of profit or loss.

6.18 Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets in the subsidiaries not attributable to the Bank's equity shareholders. Any change in Group's ownership interest in the subsidiary that does not result in a loss of control is accounted for as an equity transaction.

7. CASH AND CASH EQUIVALENTS

	2024 BD '000	2023 BD '000
Cash and balances with Central Bank of Bahrain	3,123	3,972
Placements with banks and other financial institutions	24,769	48,994
	27,892	52,966
Less: reserve with Central Bank of Bahrain	(2,736)	(3,486)
Cash and cash equivalents at end of the year	25,156	49,480
Cash and balances with Central Bank of Bahrain (excluding reserves)	387	486
Placements with banks and other financial institutions having original maturity of 90 days or less	24,769	48,994
	25,156	49,480

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS

	2024 BD '000	2023 BD '000
Project finance - Islamic	88,778	104,281
Project finance - conventional	15,343	13,333
Fisheries and agriculture	6,354	6,505
Other loans	2,337	2,356
	112,812	126,475
Less: expected credit losses*	(13,589)	(13,590)
	99,223	112,885

* This includes credit losses of BD 7,618 thousand (31 December 2023: BD 7,490 thousand) against Islamic financing to customers.

Included in Islamic financing and loans to customers are certain facilities at zero interest rate, which are carried at a discount of BD 8,028 thousand (31 December 2023: BD 10,257 thousand) with an undiscounted amount of BD 42,000 thousand (31 December 2023: BD 48,000 thousand).

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Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS (Continued)

Included in Islamic financing and loans to customers are certain guaranteed facilities, under Stage 1 BD 53,568 thousand (31 December 2023: BD 63,696 thousand), Stage 2 BD 1,027 thousand (31 December 2023: BD 2,767 thousand), and Stage 3 BD 16,654 thousand (31 December 2023: BD 17,294 thousand).

Below is the movement for expected credit losses on Islamic financing and loans to customers.

	2024			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit-impaired BD '000	Total BD '000
Balance at 1st January	2,052	224	11,314	13,590
Changes due to financial assets recognised in opening balances that have:				
- transferred to 12-month ECL	-	-	-	-
- transferred to Stage 2 (lifetime ECL not credit-impaired)	(11)	11	-	-
- transferred to Stage 3 (lifetime ECL credit-impaired)	(22)	(48)	70	-
Net re-measurement of loss allowance	(128)	216	695	783
Amount written offs during the year	-	-	(784)	(784)
Balance at 31 December	1,891	403	11,295	13,589

	2023			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit-impaired BD '000	Total BD '000
Balance at 1st January	2,149	501	13,616	16,266
Changes due to financial assets recognised in opening balances that have:				
- transferred to 12-month ECL	147	(147)	-	-
- transferred to Stage 2 (lifetime ECL not credit-impaired)	(14)	16	(2)	-
- transferred to Stage 3 (lifetime ECL credit-impaired)	(12)	(31)	43	-
Net re-measurement of loss allowance	(218)	(115)	792	459
Amount written offs during the year	-	-	(3,135)	(3,135)
Balance at 31 December	2,052	224	11,314	13,590

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS (Continued)

At 31 December 2024, interest in suspense on past due loans that are credit impaired amounted to BD 1,100 thousand (31 December 2023: BD 1,573 thousand).

The following table sets out information about the credit quality of Islamic financing and loans to customers, distributed by sector:

	31 December 2024			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit-impaired BD '000	Total BD '000
Government	36,404	-	-	36,404
Corporate	13,387	1,063	9,439	23,889
SME	25,465	1,923	18,301	45,689
Education loans	3	-	117	120
Agriculture & fisheries	2,804	282	3,268	6,354
Others	55	-	301	356
	78,118	3,268	31,426	112,812
Less: expected credit losses	(1,891)	(403)	(11,295)	(13,589)
	76,227	2,865	20,131	99,223

	31 December 2023			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit-impaired BD '000	Total BD '000
Government	38,995	-	-	38,995
Corporate	15,437	727	9,408	25,572
SME	31,417	3,305	18,684	53,406
Education loans	6	-	132	138
Agriculture & fisheries	2,506	318	3,681	6,505
Others	1,559	-	300	1,859
	89,920	4,350	32,205	126,475
Less: expected credit losses	(2,052)	(224)	(11,314)	(13,590)
	87,868	4,126	20,891	112,885

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be impaired at 31 December 2024 amounts to BD 15,717 thousand (31 December 2023: BD 17,575 thousand).

The contractual amount outstanding on financing assets written off by the Group as at 31 December 2024 and that are still subject to enforcement activity was BD 13,520 thousand (31 December 2023: BD 29,262 thousand).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS (Continued)

A reconciliation of changes in gross carrying amount by stage is as follows:

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
1 January 2024	89,920	4,350	32,205	126,475
Loan discount	2,229	-	-	2,229
New assets originated	18,840	1,157	7,353	27,350
Payments and assets derecognised	(29,531)	(1,919)	(10,835)	(42,285)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,366)	1,366	-	-
Transfers to Stage 3	(1,974)	(1,686)	3,660	-
Amounts written-off during the year	-	-	(957)	(957)
At 31 December 2024	78,118	3,268	31,426	112,812

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
1 January 2023	109,348	13,365	27,587	150,300
Loan discount	318	-	-	318
New assets originated	23,686	1,668	9,102	34,456
Payments and assets derecognised	(38,554)	(8,452)	(8,004)	(55,010)
Transfers to Stage 1	2,151	(2,151)	-	-
Transfers to Stage 2	(3,049)	3,100	(51)	-
Transfers to Stage 3	(3,980)	(3,180)	7,160	-
Amounts written-off during the year	-	-	(3,589)	(3,589)
At 31 December 2023	89,920	4,350	32,205	126,475

9. INVESTMENT SECURITIES

	2024 BD '000	2023 BD '000
At fair value through profit or loss:		
Investment in fund	3,571	3,516
Equities	3,755	3,774
	7,326	7,290
At fair value through other comprehensive income:		
Conventional debt securities	65,500	36,812
Equity instruments	22	22
Sukuk	-	6,097
	65,522	42,931
At amortized cost:		
Conventional debt securities	-	7,235
	72,848	57,456

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

10. INVESTMENT IN ASSOCIATES

	Ownership interest 2024	Ownership interest 2023	Principal activity
Arabian Taxi Company ("ATC") *	20.00%	20.00%	Operating and managing taxi services.
EBDA Bank ("EBDB")	21.13%	21.13%	Providing microfinance and related advisory services.

* As a 31 December 2024, the Group carried its share in Arabian Taxi Company at cost (31 December 2023: same).

Associates are incorporated in Kingdom of Bahrain and accounted for using the equity method in these consolidated financial statements.

	2024 BD '000	2023 BD '000
Carrying amount of investment in associates		
At 1 January	397	486
Share of profit from associates	20	3
Reversal / (charge) of impairment on investment in associates	392	(92)
At 31 December	809	397

11. INVESTMENT PROPERTIES

	2024 BD '000	2023 BD '000
At 1 January	8,012	5,130
Addition to investment property	1,874	3,113
Depreciation charge for the year	(275)	(231)
At 31 December	9,611	8,012

As of 31 December 2024, the fair values and carrying values of the three buildings are as follows:

	2024		2023	
	Carrying Value BD '000	Fair Value BD '000	Carrying Value BD '000	Fair Value BD '000
Bahrain Business Incubator Centre W.L.L.	1,954	1,954	2,060	2,470
Farmers Market	148	218	185	198
Bahrain Business Incubator Centre (Sitra Mall) W.L.L.	7,509	9,152	5,767	12,660
	9,611	11,324	8,012	15,328

The fair value measurement of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used by the management. The discounted cash flows model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discounted rates. Among other factors, the discount rate estimation considers quality of a building and its location, tenant credit quality and lease terms.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

12. PROPERTY AND EQUIPMENT

2024	Freehold land BD '000	Right of Use assets BD '000	Softwares BD '000	Furniture, fixtures, vehicles and office equipment BD '000	Work in process BD '000	Total BD '000
Cost:						
At 1 January 2024	293	-	4,040	1,671	148	6,152
Additions	-	309	199	74	368	950
Transfers	-	-	148	-	(148)	-
At 31 December 2024	293	309	4,387	1,745	368	7,102
Depreciation:						
At 1 January 2024	-	-	1,441	1,429	-	2,870
Charge for the year	-	120	506	268	-	894
At 31 December 2024	-	120	1,947	1,697	-	3,764
Net book values:						
At 31 December 2024	293	189	2,440	48	368	3,338

2023	Freehold land BD '000	Right of Use assets BD '000	Softwares BD '000	Furniture, fixtures, vehicles computers and office equipment BD '000	Work in process BD '000	Total BD '000
Cost:						
At 1 January 2023	293	-	2,573	1,569	909	5,344
Additions	-	-	1,048	82	148	1,278
Disposals / write offs	-	-	(470)	-	-	(470)
Transfer	-	-	889	20	(909)	-
At 31 December 2023	293	-	4,040	1,671	148	6,152
Depreciation:						
At 1 January 2023	-	-	1,025	1,284	-	2,309
Charge for the year	-	-	454	145	-	599
Disposals / write offs	-	-	(38)	-	-	(38)
Transfer	-	-	-	-	-	-
At 31 December 2023	-	-	1,441	1,429	-	2,870
Net book values:						
At 31 December 2023	293	-	2,599	242	148	3,282

As of 31 December 2024, the Group has fully depreciated assets of BHD 1,659 thousands which are still in use.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

13. OTHER ASSETS

	2024 BD '000	2023 BD '000
Rent and other accounts receivable	3,806	5,350
Interest receivable	1,171	677
Receivable related to Sitra Mall	553	553
Receivable from Ministry of Finance and National Economy	253	543
Prepayments and other assets	520	1,018
Gross carrying amount	6,303	8,141
Provision for impairment	(2,831)	(2,826)
Net carrying amount	3,472	5,315

Movements in provision for expected credit losses during the year is as follows:

	2024 BD '000	2023 BD '000
At 1 January	2,826	3,179
Charge for the year	5	-
Reversed during the year	-	(353)
At 31 December	2,831	2,826

14. TERM LOANS

	2024 BD '000	2023 BD '000
Saudi Fund for Development	5,510	6,019
Arab Fund for Economic and Social Development	18,134	19,340
	23,644	25,359

The movement of the term loans during the year is as follows:

	2024 BD '000	2023 BD '000
At 1 January	25,359	27,803
Addition of term loan	4,524	4,524
Repayment of loans	(6,239)	(6,968)
At 31 December	23,644	25,359

Saudi Fund for Development

During 2012, the Bank obtained a loan of SAR 100 million from Saudi Fund for Development. The facility has been fully availed and is repayable semi-annually over 25 years (5 years grace period for principal) at an interest rate of 2.0%. The Ministry of Finance is a guarantor to the loan.

Arab Fund for Economic and Social Development

During 2014, the Bank had obtained a second loan of USD 50 million from AFESD. The facility has been fully availed and is repayable semi-annually over 10 years (3 years grace period for principal) at an interest rate of 3.0%. During 2016, the Bank had obtained a third loan of USD 50 million from AFESD. The facility has been fully availed and is repayable semi-annually over 10 years (3 years grace period for principal) at an interest rate of 3.0%. During the year ended 31 December 2021, Arab Fund had allowed an interim grace period for one year as concessionary measure in response of COVID-19 pandemic. During 2023, the Bank had obtained a fourth loan of USD 30 million from AFESD, and is repayable semi-annually over 7 years (2 years grace period for principal) at an interest rate of 3.5%. USD 12 million each has been availed during the years ended 31 December 2023 and 2024.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

15. DEPOSITS

	2024 BD '000	2023 BD '000
Deposits from banks	15,918	23,456
Deposits from non-banks	105,044	122,452
	120,962	145,908

Non-banks deposits include BD 1,296 thousand (31 December 2023: BD 867 thousand) kept as margin deposits against financing provided.

Included in the deposits, a deposit with zero interest rate provided by Ministry of Finance and National Economy and carried at a discount of BD 10,202 thousand (31 December 2023: BD 9,825 thousand) while the undiscounted amount is BD 60,000 thousand (31 December 2023: BD 63,000 thousand).

16. OTHER LIABILITIES

	2024 BD '000	2023 BD '000
Accrued expenses and payables	2,550	2,102
Interest payable	662	734
Lease liabilities*	200	-
Other liabilities	5,060	2,229
	8,472	5,065

*The movement in lease liabilities during the year are as follows:

	2024 BD '000	2023 BD '000
At 1 January	-	-
Addition to lease liabilities	309	-
Charge during the year	34	-
Repayments	(143)	-
At 31 December	200	-

17. SHARE CAPITAL

	2024 BD '000	2023 BD '000
Authorized:		
100 million (2023: 100 million) shares of BD 1 each	100,000	100,000
Issued and fully paid-up:		
63.7 million (2023: 63.7 million) shares of BD 1 each	63,669	63,669

18. STATUTORY RESERVE

In accordance with the provisions of the Bahrain Commercial Companies Law and the Bank's articles of association, an amount equivalent to 10% of the net profit for the year is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. This reserve is not distributable, but can be utilised for the purposes of a distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB. No such transfers have been made during the years ended 31 December 2024 and 2023, as the Bank is having accumulated losses.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

19. ISLAMIC FINANCING AND INTEREST INCOME

	2024 BD '000	2023 BD '000
Profit on Islamic financing	3,716	3,712
Interest on conventional loans	876	317
Profit and interest on securities	4,034	2,874
Profit and interest on placements	1,282	1,494
	9,908	8,397

20. ISLAMIC FINANCING AND INTEREST EXPENSE

	2024 BD '000	2023 BD '000
Interest on term loans	780	724
Interest on deposits from non-banks	513	149
Profit on deposits from Islamic banks	510	308
Interest on deposits from conventional banks	393	88
	2,196	1,269

21. FEE AND COMMISSION INCOME

	2024 BD '000	2023 BD '000
On Islamic financing and loans to customers	349	321
On contingent liabilities	43	59
	392	380

22. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2024 BD '000	2023 BD '000
Placements with banks and other financial institutions	-	(1)
Islamic financing and loans to customers (note 8)	783	459
Other assets (note 13)	5	(353)
Contingent liabilities and commitments (note 24)	(39)	31
	749	136

23. INVESTMENT (LOSS) / GAIN

	2024 BD '000	2023 BD '000
Changes in fair value of investments classified as FVTPL	(180)	(474)
Changes in fair value of investments classified as FVOCI	104	-
Dividend income	-	50
	(76)	(424)

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

24. CONTINGENT LIABILITIES AND COMMITMENTS

The Bank issues letters of credit and guarantees to its existing customers. These instruments commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import of goods.

Irrevocable commitments to extend credit are the Islamic financing and loans, which have been approved by the Bank but have not been disbursed as of the reporting date.

Details of contingent liabilities and commitments are given below:

	2024 BD '000	2023 BD '000
Contingent liabilities:		
Letters of guarantee *	861	818
Letters of credit *	454	376
	1,315	1,194
Commitments:		
Irrevocable commitments to extend credit *	989	2,418
Commitment to invest in equity **	848	1,083
	1,837	3,501

* The Bank carries an allowance of ECL of BD 65 thousand (31 December 2023: BD 104 thousand) against these off-balance sheet items which is classified under other liabilities.

** This represents the Bank's commitment to invest a 10% equity portion in Al-Waha Venture Capital Fund established with a total value of USD 100 million (equivalent BD 37.7 million). During the year, the Bank paid BD 235 thousand (2023: BD 190 thousand) toward this commitment. As at 31 December 2024, the Bank has a remaining commitment of BD 848 thousand (2023: BD 1,083 thousand).

As at 31 December 2024, the Bank had an outstanding loan exposure of BD 9,137 thousand (2023: BD 9,137 thousand), which is managed in a fiduciary capacity on behalf of another entity, and is not included in the consolidated financial statements.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to by the Group.

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

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

Term loans obtained by the Bank are from Development Funds in Kuwait and the Kingdom of Saudi Arabia. There is no secondary market for such loans which are at lower than market rates due to the nature of these loans. The Bank has estimated that its financing rates and terms are comparable to that of the objectives of other similar development banks in the region and accordingly believes the carrying value of term loans obtained are a close approximation of their fair values.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

25. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

There is no change in the valuation techniques used for valuation of investments during the year as compared to the year ended 31 December 2023.

The valuation technique for Level 2 financial assets is arrived on the basis of the market multiples approach and discounted cash flows. The key inputs used include a range of weighted average cost of capital used for discounting cash flows, discount for lack of marketability, control premium etc.

The fair value of deposits approximates the carrying value as at the reporting date given their short term nature.

The bank uses various valuation techniques such as discounted cash flows, market multiples and adjusted net assets value to arrive at the fair value of Level 3 financial assets. The key inputs used are discount rate and growth rate, price earning multiple and net assets value. The reasonable potential shift in any of the above mentioned inputs will not have any significant effect on the consolidated statement of profit and loss.

The table below analyses financial instruments, measured at fair value as at both reporting dates, in the fair value hierarchy into which the fair value measurement is categorised. The fair values of financial assets and financial liabilities carried at amortised cost approximate their carrying values as at the reporting dates.

Financial assets measured at fair value:	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total fair value BD '000	Total carrying value BD '000
31 December 2024					
Investment securities - equity	-	-	7,348	7,348	7,348
Investment securities - debt	65,500	-	-	65,500	65,500
31 December 2023					
Investment securities - equity	-	21	7,291	7,312	7,312
Investment securities - debt	42,909	-	-	42,909	42,909

The Bank has outstanding forward forex contracts to buy USD, BD and SAR from Central Bank of Bahrain ("CBB") and other local banks with a fair value of BD 5,275 thousand (2023: BD 12,072 thousand) with tenors of one year and less.

There were no transfers between level 1 and level 2 during the years ended 31 December 2024 and 2023.

Below is the reconciliation of Level 3 financial assets carried at fair value:

	2024 BD '000	2023 BD '000
At beginning of the year	7,291	7,575
Changes in fair value recognised in the consolidated statement of profit or loss	(180)	(474)
Additions during the year	265	200
Redemptions made during the year	(28)	(10)
At end of the year	7,348	7,291

Sensitivity analysis

FVTPL investments comprises investments in private equity entities and funds. The main principles, estimates and assumptions adopted to arrive at fair value include estimated future cash flows which have been provided by the management of the investee companies but have been reviewed for reasonableness by the Group and the external valuer. Cash flows have been projected for an initial period of five years or over the project life in certain cases and then a terminal value has been estimated at a growth rate of 2% to 4% (2023: 2% to 3%).

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Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

25. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis (continued)

The potential effect of using reasonable possible alternative assumptions for fair valuing the investments at FVTPL are summarised below:

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2024 BD '000	Reasonable possible shift +/- (in any input)	Impact on profit or loss BD '000
Discounted cash flow	Discount rate	1,736	+/- 0.5%	(43) / 43
	Growth rate		+/- 0.5%	(162) / 162
Adjusted Net Assets Value	NAV	5,876	+/- 5%	(294) / 294

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2023 BD '000	Reasonable possible shift +/- (in any input)	Impact on profit or loss BD '000
Discounted cash flow	Discount rate	2,364	+/- 0.5%	(54) / 54
	Growth rate		+/- 0.5%	(153) / 153
Adjusted Net Assets Value	NAV	2,599	+/- 5%	(130) / 130

26. RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties which comprise major shareholders, associates, directors, senior management and entities controlled jointly or significantly influenced by such related parties in the ordinary course of business at agreed rates. Amounts due from related parties are unsecured.

The year end balances in respect of related parties included in the consolidated statement of financial position are as follows:

	Associates BD '000	Shareholders,directors and related companies BD '000	Total BD '000
31 December 2024			
Islamic financing and loans to customers	1,059	2,590	3,649
Investment in associated companies	809	-	809
Other assets	-	253	253
Deposits	525	96,004	96,529

	Associates BD '000	Shareholders,directors and related companies BD '000	Total BD '000
31 December 2023			
Islamic financing and loans to customers	1	1,155	1,156
Investment in associated companies	397	-	397
Other assets	-	590	590
Deposits	404	115,982	116,386

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

26. RELATED PARTY TRANSACTIONS (Continued)

The transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Associates BD '000	Shareholders,directors and related companies BD '000	Total BD '000
31 December 2024			
Islamic financing and interest income	35	53	88
Share of profit for associated companies	20	-	20
Islamic financing and interest expense	1	-	1

	Associates BD '000	Shareholders,directors and related companies BD '000	Total BD '000
31 December 2023			
Islamic financing and interest income	-	36	36
Share of profit for associated companies	3	-	3
Islamic financing and interest expense	-	2	2

Director	Client	Transaction Value & Details	Relationship
Aysha Abdulmalek & Marwa Alsaad	Aluminium Bahrain B.S.C (ALBA)	BHD 5M – Overdraft Facility under Supply Chain Finance	Employees of Bahrain Mumtalakat Holding Co. B.S.C. who is a shareholder owning 69.38% of the company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
Aysha Abdulmalek & Marwa Alsaad	Bahrain International Circuit Company W.L.L.	BHD 1.5M – Term Loan BHD 820K - Deposit	Employees of Bahrain Mumtalakat Holding Co. B.S.C. who is the ultimate beneficial owner of the company through a holding company. Kindly note that the Directors have declared their conflict of interest in advance and abstained from voting on such transaction.
Ghassan Abdulaal	Payment International Enterprise B.S.C ©	BHD 700K – Overdraft Facility BHD 12K - Deposits	Spouse is a 4.9% shareholder in Mohammed Ebrahim AlSaffar Co. B.S.C (c) which owns 34% of the borrowing company and in parallel has secured the facility by a corporate guarantee. Kindly note that the Director has declared his conflict of interest in advance and abstained from voting on such transaction.

During the year ended 31 December 2024, the Group has not recorded ECL towards amounts owed by related parties (2023: nil).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

26. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel is as follows:

	2024 BD '000	2023 BD '000
Salary and short-term employee benefits	1,215	1,132
Termination benefits	146	158
Board remuneration and sitting fees	112	106
	1,473	1,396

27. RISK MANAGEMENT

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. In the course of its regular business, the Bank is exposed to multiple risks notably credit risk, liquidity risk, market risk, operational risk and other risks like compliance risk, strategic risks and reputational risks. A well-established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at the Bank. The Bank's risk governance is manifested in a set of established policies, procedures and controls through which the existing organizational structure meets its strategic targets. This philosophy revolves around the knowledge of various risks and their willingness to accept the same commensurating with their risk appetite and strategic plan approved by the Board of Directors.

a) Organizational structure

A cohesive organizational structure is established within the Bank in order to identify, assess, monitor, and mitigate risks.

b) Board of Directors

The Board of Directors ("BOD") is responsible for the overall direction, supervision and control of the Bank. Oversight of the day-to-day management of the Bank is conducted by the BOD committees, the Chairman and the Chief Executive Officer ("CEO"). The BOD has overall responsibility for the Bank including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. The BOD currently comprises eight members.

c) Board Audit and Governance Committee

The Audit & Governance Committee ("AGC") comprises three members of the Board and the Head of Internal Audit is the AGC's Secretary. This AGC is principally responsible for reviewing the internal audit program and assist the Board in carrying out its duties regarding the integrity of the Bank's financial reporting system, adequacy of the Bank's internal control and risk management processes, to oversee the external and internal audit functions, and the Bank's compliance with legal and regulatory requirements.

d) Board Nomination and Remuneration Committee

The Nomination & Remuneration Committee ("NRC") comprises three members of the BOD (including the Chairman) and the Head of Human Resources & Corporate Communications is the committee's Secretary. NRC has the overall responsibility of setting the criteria and processes for identification of candidates for the Board level committees and senior management. The Committee also assists the Board of Directors in establishing a fair and transparent process for the remuneration of directors, other Board Committees and the Chief Executive Officer and of the Executive Management. The Committee approves and oversees reward design and ensures that the reward is appropriate and consistent with the Bank's culture, business and risk strategy, performance as well as with any legal or regulatory requirements. NRC also overseas the Bank's HR policies and rewards policy framework, corporate governance practices.

e) Board Executive Committee (ExCom)

The Board Executive Committee (ExCom) comprises four members of the management. The Committee has overall responsibility of setting the criteria for managing credit and investment risks and oversee the investment and credit strategies and objectives of the Bank. The Committee assists the Board of Directors in managing credit risk and reviews internal credit policies, grants approvals for credit and investment facilities in addition to reviewing the quality and performance of the Bank's lending portfolio and investment in line with the agreed risk appetite and best credit risk management practices.

f) Board Risk Committee

The Risk Committee (""RC"") comprises three members of the BOD. The Committee has overall responsibility of overseeing the Bank's enterprise risk management framework, approach and pertinent policies. The Committee recommends to the Board, guidelines in relation to the Bank's current and potential future risk exposures and risk strategy, determination of risk appetite including risk limits and tolerance levels as well as the Bank's capital and liquidity strategy.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

27. RISK MANAGEMENT (Continued)

g) Executive Management

Executive Management is responsible for the day to day operations towards achieving the strategic goals within the pre-defined risk appetite and approved strategy as a whole.

h) Management Executive Committee

The Management Executive Committee ("MEC") comprises ten members of the management and is a senior management level committee that has been entrusted with the role of supporting the CEO to determine and implement the Bank's strategic plan as approved by the BOD. The responsibilities of MEC include approving and monitoring the Bank's various business activities in accordance with the strategic plan approved by the Board.

In order to fulfil its responsibilities, the Committee has appointed other Sub-Committees and delegated specific tasks and adequate powers and authorities for effectively and efficiently carrying out the responsibilities assigned to them. The composition, guiding principles and detailed roles and responsibilities of MEC are covered in the MEC's charter.

i) Risk Executive Committee

The Risk Executive Committee ("REC") comprises five members of the management and has the primary responsibility of overseeing the Bank's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk and other risks. REC has to ensure that the Bank has adequate risk management framework, policies, procedures and processes in place in order to identify, measure, monitor, mitigate and manage risks across all of its operations.

j) Asset and Liability Committee

The Assets and Liabilities Committee ("ALCO") comprises four members of the manaagement and is mainly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocation prudently for the achievement of the Bank's strategic goals. ALCO monitors the Bank's liquidity and market risks and the Bank's risk profile in the context of economic developments and market fluctuations, to ensure that the Bank's ongoing activities are compatible with the risk / reward guidelines approved by the Delegated Approval Authority / Board.

k) Risk management

Risk Management Department is an independent function responsible for the preparation, implementation and updating the policies and procedures within the framework of the Bank's strategy and in line with the guidelines of the CBB. They are also responsible for the identification and continuous evaluation of all significant risks, design and implementation of appropriate internal controls to mitigate the risks and the processes involved in the remedial function. The risk management department is overseen by the Chief Risk Officer.

l) Legal Department

The Bank has engaged a panel of external legal counsels to handle all legal cases initiated for recovery of difficult loan cases. The progress and outcomes on such cases are monitored by the Head of Legal.

m) Internal Audit Department

Risk Management processes are audited annually by Internal Audit, which examines the adequacy of the controls in place in addition to compliance with the policies by the respective departments. The internal audit results are discussed with the MEC and the findings, together with recommendations, to mitigate the findings are presented to the Audit & Governance Committee of the Board.

n) Treasury Department

The Treasury Department is responsible for the day to day operations necessary to fund banking activities and implement ALCO's strategies in managing / optimizing interest rate and liquidity risks.

o) Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on the approved limits and the strong internal control structures established by the Board. The limits reflect the business strategy and the market environment in which the Bank operates as well as the level of risk that the Bank is willing to accept.

Strict assessment processes are factored during the review and approval processes. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Specifically tailored risk reports are prepared and distributed to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Quarterly updates are provided to the BOD and on a monthly basis to all other members of the management on the utilization of market limits, proprietary investments, liquidity and other developments.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

27. RISK MANAGEMENT (Continued)

p) Risk Mitigation

Significant risk mitigation activities are focused in the credit area. The risk mitigation process comprises of an appropriate and adequate structure for the credit facilities at the initial stage followed by ongoing and regular monitoring, enforceable documentation and collateral.

The various risks to which the Group is exposed and how the Group manages them is discussed in the notes below.

28. 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 loans and Islamic financing to customers, placements and debt securities.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Bank reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit Risk Management Unit under policies approved by the Board of Directors. The Credit Risk Management Unit identifies and evaluates financial risks in close co-operation with the Bank's operating units. The most important types of risks identified by the Bank are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, and price risk.

28.1 Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Bank. The Bank takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers), deposits held with other banks and investments made in debt type instruments. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to the purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend the credit. Credit risk monitoring and control is performed by the Credit Risk Management Unit (CRMU) which sets parameters and thresholds for the Bank's financing activities.

28.2 Significant Increase In Credit Risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group compares the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank 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 an increase and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Bank monitors the effectiveness of the criterion used to identify SICR by regular reviews and validations.

The Bank classifies its financial instruments into Stage 1, Stage 2 and Stage 3, based on the applied methodology, as described below:

Stage 1: for financial instruments where there has not been a SICR since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL. All accounts at origination are classified as Stage 1.

Stage 2: for financial instruments where there has been a SICR since initial recognition but are not credit-impaired, the Bank recognises an allowance for the lifetime ECL for all financings and loans categorised in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Bank recognises the lifetime ECL. A customer is classified under Stage 3 based on a default identification process i.e. Days Past Due (DPD) of 90 days or more.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28. CREDIT RISK (Continued)

28.3 Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

Type of financial instrument	Measurement basis
a) Financial assets that are not credit-impaired at the reporting date	As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
b) Financial assets that are credit-impaired at the reporting date	As the difference between the gross carrying amount and the present value of estimated future cash flows.
c) Irrevocable undrawn commitments	As the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
d) Letters of credit and bank guarantees	As the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank measures an ECL at an individual instrument level taking into account the projected cash flows, Probability of Default (PD), Loss Given Default (LGD), Credit Conversation Factor (CCF) and discount rate.

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

a) Probability of Default (PD);

b) Loss Given Default (LGD); and

c) 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.

Linear Regression has been used to develop macroeconomic models specific to portfolios of the bank. Department variable has been the default rate specific to portfolios and independent variables considered are Macro variables.

The Modelling methodology adopted by the Bank involved a systematic approach with statistically rigorous analyses' to arrive at the final model for each of the portfolios. The underlying development process involved steps of data transformation, variable reduction, model performance, check for variable collinearity etc.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For undrawn commitments, letters of credit and bank guarantees, the EAD represents the potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For facilities that include both a drawn and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and / or turning the outstanding balance into a loan with fixed repayment terms.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28. CREDIT RISK (Continued)

28.4 Generating the term structure of PD

The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Bank 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 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. For most exposures, key macro-economic indicators include: gross domestic product / economic growth, interest rates, unemployment rates and inflation.

Based on consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

For the financing portfolio, through the yearly review of the corporate portfolio, the Bank observes yearly performances to compute a count based PD over the one year horizon for the past 5 years.

PDs for each segment are measured using observed default estimation and PD is calculated based on a Days Past Due (DPD) bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

28.5 Restructured financial assets

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

In project finance, there could be delays in implementation of the project and in some cases, the projects may take a longer time to generate surplus. The Bank has in such cases, where there is a genuine need and commitment from the customer, approved a restructuring.

As a general guideline, maximum tenor of the facility post restructuring does not exceed 15 years from the first disbursement of the facility. The bank follows CBB prescribed mandates on staging upgrade of restructured accounts.

28.6 Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost 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.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28.7 Definition of 'Default' and 'Cure'

The Bank's definition of default is aligned with regulatory guidelines and internal Credit Risk Management practices. Defaulted assets will fall under the Stage 3. In general, a counterparty is considered in default and hence a relevant financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment; rather the combined effect of several events may have caused the expected credit losses as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset. The following are certain indicators to identify the impairment of assets (indicators are not necessarily to be observed on an individual basis):

a) significant financial difficulty of the issuer or the obligor;

b) material breach of facility covenants, conditions and contract (subject to management discretion);

c) grant to the borrower a concession that the lender would not otherwise consider except for economic or legal reasons relating to the borrower's financial difficulty;

d) imminent bankruptcy or other financial reorganization of the borrower;

e) significant downgrading in credit rating by an external credit rating agency;

f) disappearance of an active market because of financial difficulties;

g) presence of past due contractual payments of either principal or profit; and

h) deterioration in the value of security and likelihood of successfully realising it.

In general, counterparties with facilities exceeding 90 days past dues are considered in default.

A financial instrument is considered as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit review, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

28.8 Incorporation of forward looking assumptions

The Bank incorporates forward-looking assumptions into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank annually sources macro-economic forecast data for various variables from many databases including the International Monetary Fund (IMF) database for Bahrain, Bloomberg, Reuters and World Bank.

Macro-economic variables are checked for correlation with the PD for the past five years and only those variables for which the movement can be explained are used. Management judgment is exercised when assessing the macroeconomic variables.

i) Limits and concentrations

Limits are assigned for each individual counterparty group and for each industrial segment. The Bank also monitors credit exposures, and continually assesses the creditworthiness of counterparties to the transactions. In addition, the Bank obtains security, where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

Concentrations arise when a number of counterparties are engaged in similar business activities, 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. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (continued)

ii) Maximum exposure to credit risk without taking account of any collateral

The table below shows the maximum exposure to credit risk as at the reporting date.

	2024 BD '000	2023 BD '000
Balances with Central Bank of Bahrain	2,921	3,737
Placements with banks and other financial institutions	24,769	48,994
Islamic financing and loans to customers	99,223	112,885
Investment securities	65,500	50,144
Other assets	3,000	5,033
	195,413	220,793
Contingent liabilities	1,315	1,194
Commitments	989	2,418
	2,304	3,612
Maximum credit risk exposure	197,717	224,405

iii) External credit assessment

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

iv) Concentration of credit risk

Since the Group's operations are restricted only to the Kingdom of Bahrain, it is primarily effected by the changes in the economic and other conditions prevailing in the Kingdom of Bahrain.

	2023 BD '000	2022 BD '000
Industry sector		
Banks and financial institutions	93,190	102,875
Government	36,404	38,995
Trading and manufacturing	20,476	24,322
Hospitality, media and transportation	9,528	9,368
Food processing	8,236	9,469
Fisheries, agriculture and dairy	6,015	6,271
Education and health	3,318	4,494
Others	20,550	28,611
	197,717	224,405

v) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the facility structure and the associated credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash margin, bank guarantees and real estate title deeds.

Market value of collateral is closely monitored by the Bank in addition to requesting additional collateral in accordance with the underlying agreement and evaluation of the adequacy of the allowance for impairment / ECL.

It is the Bank's policy to normally dispose off repossessed collateral in an orderly fashion after due notice has been provided to the defaulting customer. The proceeds are used to reduce or settle the outstanding claim. The Bank did not occupy repossessed properties for its own business use, as at the reporting date.

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (continued)

v) Collateral and other credit enhancements (continued)

The Group holds collateral and other credit enhancements against certain of its credit exposures. The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2024				
	Gross Exposures BD 000	Expected Credit Loss BD 000	Carrying Amount BD 000	Fair Value of Collateral Held BD 000	Guarantee Available BD 000
Project finance - Islamic	22,208	6,787	15,421	14,744	2,388
Project finance - conventional	7,841	3,933	3,908	9	2,926
Fisheries and agriculture	748	-	748	748	748
Other loans - overdrafts	629	576	53	216	-
Total	31,426	11,296	20,130	15,717	6,062
Letters of guarantee	861	11	850	-	850
Letters of credit	454	28	426	-	426
	32,741	11,335	21,406	15,717	7,338

	2023				
	Gross Exposures BD 000	Expected Credit Loss BD 000	Carrying Amount BD 000	Fair Value of Collateral Held BD 000	Guarantee Available BD 000
Project finance - Islamic	23,231	6,822	16,409	17,575	2,870
Project finance - conventional	7,606	3,962	3,644	-	2,790
Fisheries and agriculture	838	-	838	-	838
Other loans - overdrafts	530	530	-	-	-
Total	32,205	11,314	20,891	17,575	6,498
Letters of guarantee	818	-	818	-	850
Letters of credit	376	-	376	-	426
	32,287	11,307	20,980	15,717	6,912

vi) Carrying amount per class of financial assets whose terms have been renegotiated

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. The table below shows the carrying amount for renegotiated financial assets during the year.

	2024 BD '000	2023 BD '000
Islamic financing and loans to customers	8,337	2,180

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (continued)

vii) Credit quality per class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2024			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit impaired BD '000	Total BD '000
Balances with Central Bank of Bahrain	2,921	-	-	2,921
Placements with banks and other financial institutions	24,769	-	-	24,769
Investment securities	65,500	-	-	65,500
Less: expected credit losses	-	-	-	-
	93,190	-	-	93,190
Islamic financing and loans to customers				
Government	36,404	-	-	36,404
Corporate	13,387	1,063	9,439	23,889
SME	25,465	1,923	18,301	45,689
Education loans	3	-	117	120
Agriculture & fisheries	2,804	282	3,268	6,354
Others	55	-	301	356
	78,118	3,268	31,426	112,812
Less: expected credit losses	(1,891)	(403)	(11,295)	(13,589)
	76,227	2,865	20,131	99,223
Contingent liabilities and commitments				
Letters of credit and bank guarantees	1,304	-	11	1,315
Undrawn commitments	989	-	-	989
Less: expected credit losses	(54)	-	(11)	(65)
	2,239	-	-	2,239
Other assets	83	7	2,910	3,000
Less: expected credit losses	-	(2)	(2,829)	(2,831)
	83	5	81	169

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (continued)

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

	31 December 2023			
	Stage 1 12-months ECL BD '000	Stage 2 Life time ECL not credit impaired BD '000	Stage 3 Lifetime ECL credit impaired BD '000	Total BD '000
Balances with Central Bank of Bahrain	3,737	-	-	3,737
Placements with banks and other financial institutions	48,994	-	-	48,994
Investment securities	50,144	-	-	50,144
	102,875	-	-	102,875
Islamic financing and loans to customers				
Government	38,995	-	-	38,995
Corporate	15,437	727	9,408	25,572
SME	31,417	3,305	18,684	53,406
Education loans	6	-	132	138
Others	1,559	-	300	1,859
	87,414	4,032	28,524	119,970
Less: expected credit losses	(2,052)	(224)	(11,314)	(13,590)
	85,362	3,808	17,210	106,380
Contingent liabilities and commitments				
Letters of credit and bank guarantees	1,194	-	-	1,194
Undrawn commitments	2,418	-	-	2,418
Less: expected credit losses	(104)	-	-	(104)
	3,508	-	-	3,508
Other assets	1,996	19	3,018	5,033
Less: expected credit losses	-	(5)	(2,821)	(2,826)
	1,996	14	197	2,207

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

29. MARKET RISK

Market risk is the risk of loss attributable to adverse changes in the values of financial instruments, whether on or off-balance sheet, as a result of changes in market rates (such as interest rates and foreign exchange rates) or price.

i) Interest rate risk

Interest rate risk arises from the possibility that changes to the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risk due to mismatches of interest rate repricing of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits.

The Bank primarily deals with 4 currencies, namely Bahraini Dinars, Kuwaiti Dinars, Saudi Riyals and United States Dollars, in which the Bank's interest sensitive financial instruments are denominated predominantly. The following table demonstrates the Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant.

	Change in basis points	Impact of change on net interest Income	
		2024 BD '000	2023 BD '000
Bahraini Dinars	+100/-100	(427) / 427	(822) / 822
Kuwaiti Dinars	+100/-100	-	(6) / 6
Saudi Riyals	+100/-100	(56) / 56	(5) / 5
United States Dollars	+100/-100	(269) / 269	(85) / 85

ii) Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. Net open positions are monitored on a daily basis to ensure compliance within the established limits.

The Bank views the Bahraini Dinar as its functional currency. In the opinion of the Bank's management, the currency risk for any position held in US Dollar is insignificant since the Bahraini Dinar is pegged to the US Dollar. The Bank had the following significant net open exposures denominated in foreign currencies as of 31 December 2024 and 2023:

	Equivalent long / (short)	
	2024	2023
Kuwaiti Dinars	30	-
US Dollars	20,142	(24,483)
Euros	3	36
Great Britain Pounds	4	69
Saudi Riyals	(298)	(188)
UAE Dirhams	15	3

iii) Derivatives

A derivative is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index. In the ordinary course of business, the Group enters into forex forward contracts. The use of derivatives is governed by the Group's policies approved by the Board of Directors. The Group enters into derivative contracts for the purpose of reducing risks from potential movements in foreign exchange rates. The Group has entered into forex forward contracts with the Central Bank of Bahrain and other local banks with a nominal value of BD 5,275 thousand (31 December 2023: BD 12,072 thousand). The positive and negative fair values on derivative contracts as at 31 December 2024 was BD Nil (31 December 2023: BD 24 thousand) and BD 13 thousand (31 December 2023: BD Nil), respectively.

30. EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities or managed funds decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

During the year ended 31 December 2024, the effect on profit or loss (as a result of a change in the fair value of equity instruments held as FVTPL) due to a reasonably possible change (i.e. +/-5%) in the value of equity investments, with all other variables held constant is BD 366 thousand (31 December 2023: BD 365 thousand).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities as at 31 December 2024 and 2023 based on expected maturities.

	Up to 1 month BD '000	1 to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	Over 3 years BD '000	Total BD '000	Carrying amount BD '000
31 December 2024								
Assets								
Cash and balances with Central Bank of Bahrain	3,123	-	-	-	-	-	3,123	3,123
Placements with banks and other financial institutions	24,769	-	-	-	-	-	24,769	24,769
Islamic financing and loans to customers	2,680	4,776	6,126	15,617	36,810	41,530	107,539	99,223
Investment securities	-	1,955	3,500	-	10,386	57,007	72,848	72,848
Investment in associates	-	-	-	-	-	809	809	809
Investment properties	-	-	-	-	-	9,611	9,611	9,611
Property and equipment	-	-	-	-	-	3,338	3,338	3,338
Other assets	985	-	2,487	-	-	-	3,472	3,472
Total assets	31,557	6,731	12,113	15,617	47,196	112,295	225,509	217,193
Liabilities								
Term loans	-	251	2,488	3,983	9,147	7,775	23,644	23,644
Deposits	30,722	2,931	1,302	591	28,655	56,761	120,962	120,962
Other liabilities	13	149	8,102	6	202	-	8,472	8,472
Total liabilities	30,735	3,331	11,892	4,580	38,004	64,536	153,078	153,078
Net liquidity gap	822	3,400	221	11,037	9,192	47,759		
Cumulative liquidity gap	822	4,222	4,443	15,480	24,672	72,431		

	Up to 1 month BD '000	1 to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	Over 3 years BD '000	Total BD '000	Carrying amount BD '000
31 December 2023								
Assets								
Cash and balances with Central Bank of Bahrain	3,972	-	-	-	-	-	3,972	3,972
Placements with banks and other financial institutions	48,994	-	-	-	-	-	48,994	48,994
Islamic financing and loans to customers	3,514	6,494	9,264	21,184	39,670	43,427	123,553	112,885
Investment securities	10,289	-	-	5,000	6,266	35,901	57,456	57,456
Investment in associates	-	-	-	-	-	397	397	397
Investment properties	-	-	-	-	-	8,012	8,012	8,012
Property, plant and equipment	-	-	-	-	-	3,282	3,282	3,282
Other assets	676	-	4,639	-	-	-	5,315	5,315
Total assets	67,445	6,494	13,903	26,184	45,936	91,019	250,981	240,313
Liabilities								
Term loans	-	251	3,242	2,739	9,891	9,236	25,359	25,359
Deposits	36,807	2,709	273	396	-	105,723	145,908	145,908
Other liabilities	29	103	4,341	592	-	-	5,065	5,065
Total liabilities	36,836	3,063	7,856	3,727	9,891	114,959	176,332	176,332
Net liquidity gap	30,609	3,431	6,047	22,457	36,045	(23,940)		
Cumulative liquidity gap	30,609	34,040	40,087	62,544	98,589	74,649		

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

32. 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 asset.

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on the contractual undiscounted repayment obligations. See note 30 for the expected maturities of these liabilities.

	On demand BD '000	Up to 1 month BD '000	1 to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	Over 3 years BD '000	Total BD '000
31 December 2024								
Term loans	-	-	306	2,704	4,394	10,071	8,376	25,852
Deposits	14,538	16,196	3,011	1,376	614	28,655	56,760	121,150
Other liabilities	-	-	-	7,269	-	-	-	7,269
Total liabilities	14,538	16,196	3,317	11,349	5,008	38,726	65,136	154,270

	On demand BD '000	Up to 1 month BD '000	1 to 3 months BD '000	3 to 6 months BD '000	6 months to 1 year BD '000	1 to 3 years BD '000	Over 3 years BD '000	Total BD '000
31 December 2023								
Term loans	-	-	390	3,567	3,167	14,227	8,780	30,131
Deposits	12,292	24,556	2,786	284	413	-	105,722	146,053
Other liabilities	-	29	103	3,360	-	-	-	3,492
Total liabilities	12,292	24,585	3,279	7,211	3,580	14,227	114,502	179,676

The table below summarises the maturity profile of the Bank's contingent liabilities and commitments at 31 December 2024 and 2023 based on the contractual undiscounted repayment obligations.

	On demand BD '000	Less than 3 months BD '000	3 to 12 months BD '000	1 to 5 years BD '000	Total BD '000
31 December 2024					
Contingent liabilities	58	456	96	705	1,315
Commitments	1,837	-	-	-	1,837
Total	1,895	456	96	705	3,152
31 December 2023					
Contingent liabilities	562	238	322	72	1,194
Commitments	3,501	-	-	-	3,501
Total	4,063	238	322	72	4,695

	2024	2023
Liquidity Coverage Ratio (%)	528%	442%

The Bank expects that not all of the commitments will be drawn before expiry of the commitments.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

33. OPERATIONAL RISK

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group has clearly defined operations procedures for each of its products and services. It also has computer systems that enable it to run operations with speed and accuracy. The operational risk management unit operates independently from other units of the Bank and reports to the Chief Risk Officer. It conducts regular reviews of all business areas of the Bank and reports control deficiencies and exceptions to the Bank's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately. The Bank also has a contingency plan to take care of any failure of its computer systems. Regular back-ups are made for all important datasets, and stored outside the Bank's premises. This ensures that in case of any system failure, the Bank will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the Bank has established a back-up site which would operate during an emergency.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the Group. The Group has developed controls and procedures to identify legal risks and believes that losses, if any will not be material.

The Bank has a specific Business Continuity Plan ("BCP") team. The main objective of the BCP is to ensure that in the event of full or partial disaster, the Bank should be able to continue providing essential services to customers minimizing any adverse effects on the Bank's business, through business impact analysis, business restoration plans and procedures, for the identified critical functions. The Bank is conducting risk and control self assessments and capturing operational loss data in accordance with Basel III / CBB guidelines.

34. CAPITAL ADEQUACY

The risk asset ratio, calculated in accordance with the capital adequacy guidelines approved by the CBB, for the Bank is as follows:

	2024 BD '000	2023 BD '000
Capital base		
Tier 1 capital	62,152	61,806
Tier 2 capital	896	949
Total capital base (a)	63,049	62,755
Risk-weighted exposures (b)	89,701	93,109
Capital adequacy ratio (a/b*100)	70.29%	67.40%
Minimum requirement	12.5%	12.5%

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The capital adequacy regulations of the CBB are based on the principles of Basel III of the IFSB guidelines.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, includes CET1 and AT1.

CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

Tier 2 capital, includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

34. CAPITAL ADEQUACY (Continued)

The regulatory adjustments are subject to limits prescribed by the CA module, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments are required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of issued common share capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

Capital management

The primary objectives of the Bank's capital management are i) to ensure that the Bank complies with externally imposed capital requirements ii) maintain healthy capital ratios in order to support its business and iii) to maximise shareholders' value. The Bank manages its capital structure and makes adjustments to it in the light of changes in business conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital securities.

35. CLASSIFICATION OF ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the consolidated statement of financial position and categories of assets and liabilities:

	Designated as at FVTPL BD '000	FVOCI – debt instruments BD '000	FVOCI – equity instruments BD '000	Amortised cost BD '000	Total BD '000
31 December 2024					
Assets					
Cash and balances with Central Bank of Bahrain	-	-	-	3,123	3,123
Placements with banks and other financial institutions	-	-	-	24,769	24,769
Islamic financing and loans to customers	-	-	-	99,223	99,223
Investment securities	7,326	65,500	22	-	72,848
Investment in associated companies	-	-	-	809	809
Investment properties	-	-	-	9,611	9,611
Property and equipment	-	-	-	3,338	3,338
Other assets	-	-	-	3,472	3,472
Total assets	7,326	65,500	22	144,345	217,193
Liabilities					
Term loans	-	-	-	23,644	23,644
Deposits	-	-	-	120,962	120,962
Other liabilities	-	-	-	8,472	8,472
Total liabilities	-	-	-	153,078	153,078

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

35. CLASSIFICATION OF ASSETS AND LIABILITIES (Continued)

	Designated as at FVTPL BD '000	FVOCI – debt instruments BD '000	FVOCI – equity instruments BD '000	Amortised cost BD '000	Total BD '000
31 December 2023					
Assets					
Cash and balances with Central Bank of Bahrain	-	-	-	3,972	3,972
Placements with banks and other financial institutions	-	-	-	48,994	48,994
Islamic financing and loans to customers	-	-	-	112,885	112,885
Investment securities	7,290	42,909	22	7,235	57,456
Investment in associated companies	-	-	-	397	397
Investment properties	-	-	-	8,012	8,012
Property and equipment	-	-	-	3,282	3,282
Other assets	24	-	-	5,291	5,315
Total assets	7,314	42,909	22	190,068	240,313
Liabilities					
Term loans	-	-	-	25,359	25,359
Deposits	-	-	-	145,908	145,908
Other liabilities	-	-	-	5,065	5,065
Total liabilities	-	-	-	176,332	176,332

36. DEPOSIT PROTECTION SCHEME

Deposits held with the Bahrain operations of the Bank are covered by the Deposit Protection Scheme established by the CBB regulation concerning the establishment of the Deposit Protection Scheme and Deposit Protection Board. This scheme covers eligible “natural persons” (individuals) up to a maximum of BD 20,000 as set by the CBB requirements. A periodic contribution, as mandated by CBB, is paid by the Bank under this scheme.

37. NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (“NSFR”) ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group’s consolidated NSFR ratio as of 31 December 2024 was 158% (31 December 2023: 160%).

Notes to the Consolidated Financial Statements (Continued)
As at 31 December 2024

37. NET STABLE FUNDING RATIO (Continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

	Unweighted Values (i.e. before applying relevant factors)				
Item	**No specified maturity BD '000**	**Less than 6 months BD '000**	**More than 6 months and less than one year BD '000**	**Over one year BD '000**	**Total weighted value BD '000**
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	62,152	-	-	896	63,049
Wholesale funding:					
Other wholesale funding	-	38,596	4,580	102,337	115,838
Other liabilities:					
All other liabilities not included in the above categories	-	7,608	-	202	202
Total ASF	62,152	46,204	4,580	103,435	179,089
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	94,407	-	-	-	3,322
Deposits held at other financial institutions for operational purposes	-	215	-	-	108
Performing financing and loans / securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing to loans financial institutions	-	-	-	-	-
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	4,814	3,227	-	4,021
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	73,345	62,343
Other assets:					
All other assets not included in the above categories	43,725	-	-	-	43,725
Off-Balance sheet items	3,152	-	-	-	158
Total RSF	141,284	5,029	3,227	73,345	113,676
NSFR (%) - As at 31 December 2024					158%

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2024

37. NET STABLE FUNDING RATIO (Continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

	Unweighted Values (i.e. before applying relevant factors)				
Item	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	Total weighted value BD '000
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	61,806	-	-	949	62,755
Wholesale funding:					
Other wholesale funding	-	44,010	3,139	124,849	136,684
Other liabilities:					
All other liabilities not included in the above categories	-	4,333	-	-	-
Total ASF	61,806	48,343	3,139	125,798	199,439
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	99,599	-	-	-	2,491
Performing financing and loans / securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing to loans financial institutions	-	3,298	-	-	1,649
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,121	7,239	-	5,180
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	81,634	69,389
Other assets:					
All other assets not included in the above categories	45,423	-	-	-	45,423
Off-Balance sheet items	17,943	-	-	-	897
Total RSF	162,965	6,419	7,239	81,634	125,029
NSFR (%) - As at 31 December 2023					160%

38. COMPARATIVES

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

Basel III Pillar 3 Disclosures

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

1. EXECUTIVE SUMMARY

This report has been prepared in accordance with Pillar 3 disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as “CBB”. The report has been designed to provide Bahrain Development Bank B.S.C. (c) ("BDB" or the "Bank") and its subsidiaries (together, the "Group"), stakeholders with detailed information on the Bank’s approach in managing capital and risk, having due regard to the operating environment.

The Bank applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. CBB’s Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision’s (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

BDB has adopted the Standardized Approach for Credit Risk, Market Risk and the Basic Indicator Approach for Operational Risk to determine the capital requirement.

The disclosures in this report are in addition to the disclosures set out in the annual consolidated financial statements for the year ended 31 December 2024 presented in accordance with the International Financial Reporting Standards (IFRS) by the International Accounting Standards Board (IASB).

2. INTRODUCTION TO THE BASEL III FRAMEWORK

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

- Pillar 1: calculation of the Risk Weighted Assets (RWAs) and capital requirement.
- Pillar 2: the supervisory review process, including the Internal Capital Adequacy Assessment Process (ICAAP).
- Pillar 3: rules for the disclosure of risk management and capital adequacy information.

CBB CAPITAL ADEQUACY RULES:

CBB minimum required total capital adequacy ratio (including Capital Conservation Buffer "CCB") increased from 12 percent to 12.5 percent, compared to 10.5 percent recommended by the Basel Committee. Moreover, the CCB is newly introduced limits and minima by Basel III, such as minimum Common Equity Tier 1 Capital Ratio “CET1” of 9 percent (including CCB) and minimum T1 Capital Ratio of 10.5 percent (including CCB).

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

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

i) Credit Risk

Credit Risk represents the potential financial loss as a consequence of a customer’s inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The Bank has credit risk management architecture in place which is further explained in Section 5 within this document.

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk.

ii) Market Risk

Market Risk is the risk of potential losses arising from movements in market prices of financial instruments as a result of changes in market rates (such as interest rates and foreign exchange rates).

For the regulatory market risk capital requirement, BDB is using the Standardised Approach for the calculation of regulatory market risk capital.

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

2. INTRODUCTION TO THE BASEL III FRAMEWORK (Continued)

iii) Operational Risk

Operational Risk is the risk of monetary loss on account of human error, fraud, systems failures or the failure to record transactions. In order to manage and mitigate such risks, the Bank ensures that proper systems and resources (financial and personnel) are available to support the Bank's operations. Proper segregation of duties and other controls (including reconciliation, monitoring and reporting) are implemented to support the various operations and activities.

For the regulatory operational risk capital requirement, BDB is using the Basic Indicator Approach for the calculation of regulatory operational risk capital.

Regulatory Reforms

The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"), with headquarters and branches in Bahrain. The Bank's capital adequacy requirements are computed on a consolidated basis.

3. GROUP STRUCTURE

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRSs. As at 31 December 2024, the Group consists of the Bank and its following subsidiaries:

Name	Country of incorporation	Principal activity
Bahrain Business Incubator Centre W.L.L.	Kingdom of Bahrain	Development and assistance to emerging Bahraini entrepreneurs
Al-Waha Venture Capital Fund Company B.S.C.	Kingdom of Bahrain	Trusts, Funds and Similar Financial Entities - Fund Company
Neotech W.L.L.	Kingdom of Bahrain	Management consultancy activities

Restrictions on capital and transfer of funds within the Group

Since the Bank's subsidiaries are not regulated financial institutions, there is no regulatory impediment to the transfer of retained earnings to the Bank. However, as a separate legally incorporated entity, the transfer of paid in capital and mandatory reserves would require shareholder action. As the major shareholder (either direct or indirect) in the entity, the Bank has the power to undertake the legal processes for the transfer of such capital. The Bank's subsidiaries are registered and domiciled in Kingdom of Bahrain and there are no exchange controls or other restrictions on the transfer of funds.

4. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The Bank's regulatory capital base comprises of (a) CET 1 capital which includes share capital, reserves and retained earnings. (b) Tier 2 capital which consist of general loss provisions.

Capital structure, minimum capital and capital adequacy

The Bank's paid up capital consists only of ordinary shares and does not have any other type of capital instruments.

The Bank's shareholders are Government of Kingdom of Bahrain (89.53%), Social Insurance Organisation (5.23%) and Pension Fund (5.24%, together).

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Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

4. CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

The Bank's regulatory capital base is as detailed below:

	As at 31 December 2024
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	63,669
Legal / Statutory reserve	1,186
Accumulated losses	(1,404)
Current year Profit	719
Cumulative fair value changes on FVOCI investments (Debt)	(242)
Intangibles	(1,776)
Total Common Equity Tier 1 (CET1) (A)	62,152
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	62,152
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	896
Total Tier 2 (T2) (B)	896
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	63,048

Capital Requirement for Risk Weighted Exposure

	Credit Exposure before credit risk mitigant	Eligible financial collateral	Credit Exposure after risk mitigant	Risk weighted exposure	Capital Requirement at 12.5%
As at 31 December 2024					
Cash items	202	-	202	-	-
Sovereigns	94,497	-	94,497	-	-
Banks	5,490	-	5,490	4,365	546
Corporates	82,899	20,625	62,274	25,868	3,233
Past due exposures	20,131	16,654	3,477	3,477	435
Investment in securities	7,002	-	7,002	10,920	1,365
Holding of Real Estate	11,247	-	11,247	22,012	2,751
Others assets	5,065	-	5,065	5,065	633
Total Credit Risk Exposure	226,533	37,279	189,254	71,707	8,963
Market Risk				288	36
Operational Risk				17,706	2,213
Total Risk Weighted Assets (D)				89,701	11,214
Capital Adequacy Ratio (C)/(D)				70.29%	
CET1 Capital Adequacy Ratio (A)/(D)				69.29%	

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

5. CREDIT RISK – PILLAR 3 DISCLOSURES

This section describes BDB's exposure to credit risk, and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework, in relation to Pillar 3 disclosure requirements.

Definition of exposure classes

The Bank has a diversified funded and unfunded credit exposure. These exposures are classified as standard portfolio per CBB's capital adequacy requirements.

Brief description of applicable standard portfolio is as follows:

a. Claims on sovereigns:

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

b. Investment in securities and sukuk:

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150% and significant investment in the common shares of financial entities >10% are risk weighted at 250% .

c. Claims on banks:

Claims on banks are risk weighted based on external rating agencies (S&P, Moody's, Fitch and Capital intelligence). Short-term claims on locally incorporated banks are assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollar.

Preferential risk weighting that is one category more favourable than the standard risk weighting is assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weight for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

Claim on Banks, other than those mentioned above, are risk weighted based on their credit rating.

d. Claims on corporates:

Claims on corporates are risk weighted based on credit ratings. Risk weighting for unrated (corporate) claims are assigned at 100%.

For corporates owned by the Government of Bahrain, are risk weighted at 0%

e. Impairment of assets:

The Bank assesses at each reporting date whether there is any objective evidence that a specific financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'impairment event') and that impairment event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

f. Restructured financing facilities:

Where possible, the Bank seeks to restructure facilities. This may involve extending the payment arrangements and the agreement of new financing facility conditions. Management continuously reviews renegotiated financing facilities to ensure that all criteria are met and that future payments are likely to occur. The financing facilities continue to be subject to impairment assessment, calculated using the facility's original effective interest rate.

g. Past due exposures:

This includes claims, for which the repayment is overdue for more than 90 days. The risk weighting for such loans is either 100% or 150%, depending on the level of provisions maintained against the assets, net of interest in suspense.

h. Equity Portfolio:

Investment in securities and financial entities are risk weighted at a minimum risk weight of 100% for listed entities or 150% for unlisted entities, unless such investments exceed 10% of the eligible capital of investee entity, in which case they are deducted from the Bank's capital.

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

5. CREDIT RISK – PILLAR 3 DISCLOSURES (Continued)

i. Other assets:

These are risk weighted at 100%.

j. Holding of real estate:

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associated companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Premises occupied by the Group are risk-weighted at 100%.

k. Related party transactions and balances:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank. Most related parties expoure are zero interest (Refer note 15 of the condensed financial statements 31 December 2024). All related party transactions are approved by Board of Directors.

Amounts due from related parties are unsecured.

l. Highly leveraged counterparties:

The Bank does not lend to highly leveraged and other high risk counterparties as defined in PD-1-3-24(e).

6. Funded and Unfunded Total Credit Exposure

	Total funded credit exposure	Total un-funded credit exposure	Average quarterly credit exposure
Sovereigns	94,497	-	88,181
Banks	215	5,275	12,031
Corporates	81,386	1,513	88,661
Past due exposures	20,131	-	20,647
Other assets and Cash items	4,795	-	6,236
Total credit risk	**201,024**	**6,788**	**215,756**

7. CONCENTRATION OF CREDIT RISK BY INDUSTRY & REGION (EXPOSURES SUBJECT TO RISK WEIGHTING)

	31 December 2024								
	Government & public sector	Banks and financial institutions	Trading and Manufacturing	Educational institutions and healthcare	Hospitality, media and transportation	Fisheries, agriculture and dairy	Food processing	Others	Total
2024									
Assets									
Balances with Central Bank of Bahrain	27,759	-	-	-	-	-	-	-	27,759
Balances with banks and other financial institutions	-	215	-	-	-	-	-	-	215
Islamic financing and loans to customers	36,404	-	20,715	3,479	9,650	6,020	8,368	16,881	101,517
Investment securities	65,500	-	-	-	-	-	-	-	65,500
Other assets and Cash items	1,238	202	-	-	-	-	-	4,593	6,033
Total funded credit exposures	130,901	417	20,715	3,479	9,650	6,020	8,368	21,474	201,024
Unfunded credit exposures	-	5,275	1,174	13	8	-	-	318	6,788
Total credit risk *	130,901	5,692	21,889	3,492	9,658	6,020	8,368	21,792	207,812

'*All the above exposures are located in Kingdom of Bahrain

Basel III Pillar 3 Disclosures (Continued)

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8. CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit	31 December 2024
Sovereigns	136,206

9. SEGMENT WISE BREAKDOWN OF NON PERFORMING LOANS AND IMPAIRMENT PROVISIONS

	Gross impaired loans (Balance)	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and Stage 2 : Lifetime ECL not credit- impaired	Stage 3: net remeasurement of loss allowance for the year	Write off
Manufacturing	11,023	5,179	117	(2)	(57)
Fisheries and Agriculture	3,284	427	6	18	(41)
Construction	4,494	654	67	96	(39)
Trade	5,810	1,994	256	2,008	(220)
Personal / Consumer finance	117	72	-	1	(9)
Government	-	-	-	-	-
Technology, media and telecommunications	-	-	7	(1682)	(49)
Other sectors	6,698	2,969	1,841	344	(369)
	31,426	11,295	2,294	783	(784)

10. RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets

The table below summarises the residual contractual maturity profile of the Group's assets as at 31 December 2024:

	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Total
2024									
Assets									
Balances with Central Bank of Bahrain	27,721	-	-	-	-	-	-	-	27,721
Balances with banks and other financial institutions	215	-	-	-	-	-	-	-	215
Islamic financing and loans to customers	2,077	4,002	4,344	4,042	22,935	14,357	46,617	3,143	101,517
Investment securities	-	1,946	3,496	-	10,253	7,626	42,179	-	65,500
Other assets and Cash items	445	522	5,104	-	-	-	-	-	6,071
Total funded credit exposures	30,458	6,470	12,944	4,042	33,188	21,983	88,796	3,143	201,024
Unfunded credit exposures	4,739	1,215	20	76	32	4	-	702	6,788
Total credit risk	35,197	7,685	12,964	4,118	33,220	21,987	88,796	3,845	207,812

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

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11. PAST DUE AND IMPAIRED LOANS (NET) - AGE ANALYSIS

i) By Geographical area

	31 December 2024			
Past due loans but not credit impared	Three months to one year	One to three years	Over three years	Total
Bahrain	7,137	-	-	7,137
TOTAL	7,137	-	-	7,137

Impaired Loans	Three months to one year	One to three years	Over three years	Total
Bahrain	10,558	7,905	1,668	20,131
	10,558	7,905	1,668	20,131

ii) Segment Wise Impaired Loans (NET)

	31 December 2024			
	Three months to one year	One to three years	Over three years	Total
Manufacturing	4,445	858	541	5,844
Fisheries and Agriculture	2,509	160	188	2,857
Construction	482	3,014	344	3,840
Trade	1,424	1,997	395	3,816
Personal / Consumer finance	-	-	45	45
Technology, media and telecommunications	-	-	-	-
Other sectors	1,698	1,876	155	3,729
TOTAL	10,558	7,905	1,668	20,131

12. GEOGRAPHICAL DISTRIBUTION OF COLLECTIVE AND SPECIFIC IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS

The Bank and its subsidiaries operate and grant loans / financing facilities locally to Bahrain entities and persons only.

	31 December 2024
Bahrain	
Collective impairement ECL - Stage 1	1,891
Collective impairement ECL - Stage 2	403
Specific impairment provision - Stage 3	11,295
TOTAL	13,589

Basel III Pillar 3 Disclosures (Continued)

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13. RECONCILIATION OF CHANGES IN EXPECTED CREDIT LOSSES

	31 December 2024		
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and Stage Lifetime : 2 ECL not credit-impaired	Total
Balance at 1 January 2024	11,314	2,276	13,590
Amounts written off during the year	(784)	-	(784)
Transfers for the year	70	(70)	-
Net remeasuremen of loss allowance	695	88	783
At 31 December 2024	11,295	2,294	13,589

Restructured Credit Facilities

As at 31 December 2024, the Bank has a total gross balance of BD 17,564 thousand with an ECL of BD 7,413 thousand relating to restructured credit facilities. During the year ended 31 December 2024, the Bank has restructured credit facilities amounting to BD8,337 thousands with ECL of BD 2,783 thousand . Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash crunch situations or to realign the repayment with the borrower's revised cash flow projections.

The above restructuring did not have a significant impact on the present or future earnings and were primarily extensions of the loan / financing tenor.

14. CREDIT RISK MITIGATION

The reduction of the capital requirement attributable to credit risk mitigation is calculated in different ways, depending on the type of credit risk mitigation. The main collaterals taken for risk mitigation on credit exposures are deposits held by customers, residential / commercial property mortgage, investment securities, counter-guarantees from other banks, Tamkeen guarantees etc. However, for purposes of capital adequacy computation, only eligible collateral recognized under Basel III is taken into consideration.

15. ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

Eligible financial collateral, and guarantees, presented by standard portfolio are as under:

	Gross credit exposure	Financial collateral	Credit exposure after credit risk mitigant
As at 31December 2024			
Sovereigns	94,497	-	94,497
Banks	5,490	-	5,490
Corporates	82,899	20,625	62,274
Past due exposures	20,131	16,654	3,477
Investments in equities/funds	7,002	-	7,002
Holding of real estate	11,247	-	11,247
Other assets and cash items	5,267	-	5,267
	226,533	37,279	189,254

Tamkeen guarantees a percentage of the outstanding balance of Islamic financing in accordance with the agreement between the Bank and Tamkeen. Moreover, agriculture and fisheries loans are guaranteed by the Government of Bahrain through Ministry of Finance and National Economy.

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

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16. SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the year ended 31 December 2024 for the main currencies

	2024
Bahraini Dinar	
Assets	183,799
Liabilities	(113,884)
(+) 200 basis points	1,398
(-) 200 basis points	(1,398)
US Dollar	
Assets	56,922
Liabilities	(62,394)
(+) 200 basis points	(109)
(-) 200 basis points	109
Kuwaiti Dinar	
Assets	31
Liabilities	(21)
(+) 200 basis points	-
(-) 200 basis points	-
Saudi Riyals	
Assets	12
Liabilities	(622)
(+) 200 basis points	(12)
(-) 200 basis points	12

17. MARKET RISK, INTEREST RATE GAP

Market risk

Market risk is defined as potential adverse changes in the fair value or future cash flows of a trading position or portfolio of financial instruments resulting from the movement of market variables, such as interest rates, currency rates, equity prices and commodity prices, market indices as well as volatilities and correlations between markets. As its primary tool, the Bank measures its market risk exposure using the Standardised Approach under Basel III.

The Bank uses the Standardised Approach for calculating market risk capital charges for the following market risk components:

- Equity exposure risk
- Interest rate exposure risk
- Foreign currency exposure risk
- Commodity risk

The Bank's market risk capital charge is largely composed of foreign currency risk arising from the Bank's foreign exchange exposure on investments denominated mainly in Kuwaiti dinars, Saudi riyals and United States Dollars, and interest rate risk arising on the bond portfolio. The capital requirement for market risk using the Standardised Approach as at 31 December 2024 was as follows:

	Capital Requirements		
	2024	Maximum	Minimum
Risk Type			
Foreign exchange risk capital	23	43	20

	31 Decembr 2024
Total Risk Weighted Exposure for Market Risk	288

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Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

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17. MARKET RISK, INTEREST RATE GAP (Continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risks due to mismatches of interest rate repricing on maturity of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits. The Bank's assets and liabilities reprice only on maturity.

The Bank's interest rate sensitivity position is based on the maturity dates, as follows:

	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2024								
Assets								
Balances with Central Bank of Bahrain	24,838	-	-	-	-	-	2,883	27,721
Placements with banks and other financial institutions	215	-	-	-	-	-	-	215
Islamic financing and loans to customers	2,077	4,002	4,344	4,042	37,292	49,760	-	101,517
Investment and other assets	445	2,468	3,496	-	17,879	42,179	5,104	71,571
Total assets	27,575	6,470	7,840	4,042	55,171	91,939	7,987	201,024
Liabilities								
Term loans	-	251	2,488	3,983	13,921	3,001	-	23,644
Deposits	30,722	2,931	1,297	591	-	-	85,421	120,962
Other liabilities	3	149	493	6	200	-	7,621	8,472
Total liabilities	30,725	3,331	4,278	4,580	14,121	3,001	93,042	153,078
Net liquidity gap	(3,150)	3,139	3,562	(538)	41,050	88,938	(85,055)	47,946

18. EQUITY POSITION IN THE BANKING BOOK

	31 December 2024	
	Net exposure	Capital requirement
Privately held	7,348	919
TOTAL	7,348	919

19. GAINS ON EQUITY INVESTMENTS

The Bank does not have any equity investments subject to supervisory transition or grandfathering provisions.

20. DERIVATIVES

	Foreign exchange contracts
Positive Fair Value	-
Negative Fair Value	(13)
Notional – Banking book (Balance)	5,288

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2024

(Expressed in Thousands Bahrain Dinars)

21. OPERATIONAL AND LEGAL RISKS

Operational risk is the risk of loss arising from errors that can be made in instructing payments or settling transactions, breakdown in technology and internal control systems. The Bank uses the Basic Indicator Approach under the capital adequacy framework for measuring and managing its operational risk. Currently, the Bank conducts its business from a single location. BDB is a retail bank with some restrictions and accordingly, the number of client relationships and volume of transactions at BDB are moderate on average.

BDB's operations are conducted according to well-defined procedures. These procedures include a comprehensive system of internal controls, including segregation of duties and other internal checks, which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. The Bank also engages in subsequent monitoring of accounting records, daily reconciliation of cash and securities accounts and other checks to enable it detect any erroneous or improper transactions which may have occurred. Specific limits are set up to mitigate and monitor the Bank's exposure.

Operational risk is managed by the Operational risk management unit in the Risk management department. The scope of the Internal Audit department encompasses audits and reviews of all business units, support services and branches. The internal audit process focuses primarily on assessing risks and controls and ensuring compliance with established policies, procedures and delegated authorities. Products and services are reviewed by the Internal Audit department and assessed for operational risks. The Internal Audit department is operationally independent and reports significant internal control deficiencies to the Audit Committee.

The Bank has a Business Continuity Plan (BCP) to ensure that the critical activities are supported in case of an emergency. The BCP is approved by the Board of Directors.

Bank's ICAAP limit of 16% has been fixed to absorb any unforeseen event as compared to regulatory capital requirement of 12.5%.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the group. The Group has developed controls and procedures to identify legal risks and believes that losses will not be material.

22. Fines and Penalty

	Amount in BHD Actual 2024
Penalty paid to Central Bank of Bahrain	-

23. Liquidity Coverage Ratio (LCR)

According to LM-11.1.2 under the "Liquidity Risk Management Module" in the CBB Rulebook, The Bank has calculated the Liquidity Coverage Ratio, which is at 528% as on 31 December 2024.

24. Leverage Ratio (LR)

According to CA-15.5.1 under the "Leverage Ratio & Gearing Requirements" Module in the CBB Rulebook, The Bank has calculated the Leverage Ratio, which is at 27.5% as on 31 December 2024.

Composition of capital disclosure requirements

As at 31 December 2024

Step 1: Balance sheet under the regulatory scope of consolidation

This step in not applicable to the Bank since the scope of regulatory consolidation and accounting consolidation is identical.

Composition of capital disclosure requirements (Continued)

As at 31 December 2024

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2024

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
Assets			
Cash and balances with central banks	3,123	3,123	
Placements with banks and other financial institutions	24,769	24,769	
Investment securities	72,848	72,848	
Investments in associates	809	809	A
As at 31 December 2024	**73,657**	**73,657**	
of which:			
Significant investments in capital of financials institutions exceeds the 10% of CET1	-	-	
Amount in excess of 10% of CET1 to be deducted	-	-	
Amount in excess of 10% of CET1 to be deducted in year 1	-	-	
Investment properties	9,611	9,611	
Islamic financing and loans to customers	99,223	101,517	
of which: General loan loss provision which qualify as capital	2,293	896	B
Other assets	3,472	3,474	
Property and equipment	3,338	3,338	
Total assets	**217,193**	**219,489**	
Liabilities			
Deposits from banks and other financial institutions	15,918	15,918	
Customer accounts	105,044	105,044	
Term Loans	23,644	23,644	
Repurchase agreements and other similar secured borrowing			
Derivative financial instruments			
Other liabilities	8,472	8,408	
Total liabilities	**153,078**	**153,014**	
Equity			
Share capital	63,669	63,669	
Shares under employee share incentive scheme	-	-	
Total share capital	**63,669**	**63,669**	
of which amount eligible for CET1	-	63,669	C
of which amount eligible for AT1	-	-	
Accumulated losses	(685)	(685)	D
Statutory reserve	1,186	1,186	
General reserve	-	-	
Share premium	-	-	
Donations and charity reserve	-	-	
General loan loss provision which qualify as capital		2,360	B
Available for sale revaluation reserve	(242)	(242)	
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital	-		
Minority interest in subsidiaries' share capital	187	187	
Total equity	**64,115**	**66,475**	
Total liabilities and equity	**217,193**	**219,489**	

Composition of capital disclosure requirements (Continued)

As at 31 December 2024

Step 3: Composition of Capital Common Template as at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	63,669	C
2	Accumulated losses	(685)	D
3	Accumulated other comprehensive income (and other reserves)	944	
4	Not Applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**63,928**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,776	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable.	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	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)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	

Composition of capital disclosure requirements (Continued)

As at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**-**	
29	**Common Equity Tier 1 capital (CET1)**	**62,152**	
	Additional Tier 1 capital: instruments	-	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments	-	
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	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)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	**Additional Tier 1 capital (AT1)**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**62,152**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	

Composition of capital disclosure requirements (Continued)

As at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
50	Provisions	896	
51	**Tier 2 capital before regulatory adjustments**	**896**	
	Tier 2 capital before regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: …	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**896**	
59	**Total capital (TC = T1 + T2)**	**63,048**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	**Total risk weighted assets**	**89,701**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	69.29%	
62	Tier 1 (as a percentage of risk weighted assets)	69.29%	
63	Total capital (as a percentage of risk weighted assets)	70.29%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement (N/A)	0.00%	
67	of which: D-SIB buffer requirement (N/A)	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	69.29%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9.00%	
70	CBB Tier 1 minimum ratio	11.00%	
71	CBB total capital minimum ratio	12.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	3,571	

Composition of capital disclosure requirements (Continued)

As at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
73	Significant investments in the common stock of financials	417	A
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,360	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	896	B
78	NA	-	
79	NA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities	-	

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Composition of capital disclosure requirements (Continued)

As at 31 December 2024

Disclosure template for main feature of regulatory capital instruments

1	Issuer	Bahrain Development Bank B.S.C. (c)
2	Unique identifier (Bahrain Bourse ticker)	BDB
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group
7	Instrument Type	Common Equity shares
8	Amount recognized in regulatory capital (currency in Millions, as of most recent reporting date)	63,669.00
9	As at 31 December 2024	BD1.00
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Non-cumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable